

The Committee on Standards in Public Life Review of Party Funding

Written Submission from Democratic Audit

About Democratic Audit

Democratic Audit is an independent research organisation, based at the University of Liverpool. We are grant funded by the Joseph Rowntree Charitable Trust to conduct research into the quality of democracy in the UK and are currently conducting the fourth full Audit of UK democracy (the previous three Audits were published in 1996, 1999 and 2002).

This written evidence has been submitted by Stuart Wilks-Heeg and Stephen Crone. It is chiefly based on our recent report, *Funding Political Parties in Great Britain: A Pathway to Reform*, and on the research base that we accumulated through the process of completing this report. A copy of the report accompanies our submission.

Summary

- The need for further reforms to party funding has been evident since the mid-2000s. The current arrangements are characterised by an over-reliance on large donations, unstable party finances, structural bias against third and smaller parties, and poor levels of public confidence and engagement.
- The evidence, and implications, of a ‘big donor culture’ have been clear for some time. Our analysis suggests that at least 39 per cent of donation income received by the three main parties is provided by as few as 60 donors.
- Donation caps are the most obvious means of addressing the problems associated with ‘big money’ in politics – but they will need to be designed and implemented with great care, and will only be effective as one element in an overall reform package.
- It will be essential to restructure, and ultimately extend, state support to political parties if reforms are to be sustainable in the short-medium term. While there is little prospect of a ‘funding gap’ being met via an increase in party membership, any additional state funding should be predicated on a model which seeks to broaden the social base from which parties are funded.
- There is clear evidence that party spending has risen in recent decades and we recommend that a reduced general election expenditure cap should form part of a broader reform package. However, it is crucial to note that campaign costs are not the main driver of increased party spending.

Introduction

1. We welcome the decision of the Committee to re-examine the issue of party funding. It is widely recognised that the Committee's 1998 report on this subject laid the foundations for the Political Parties, Elections and Referendums Act 2000 (hereafter, PPERA) - the most significant reform to party funding since the late Victorian period.

2. However, while PPERA represented a step-change in the regulation of UK party funding, the shortcomings of the legislation were already evident by the mid-2000s. The need for further reform was highlighted by the Electoral Commission in 2004, the Constitutional Affairs Select Committee in 2006 and, most recently, by the Phillips review of 2006/07.

3. Although inter-party talks following the Phillips review fell just short of an agreement, they nevertheless pointed to key areas of consensus between the political parties. Given that much of this consensus still appears intact, we are optimistic that the Committee's inquiry will be able to establish a means of breaking the current impasse to broker a fair, sustainable and lasting party funding settlement.

4. While this submission is informed by our ongoing research into the state of British democracy, the evidence we present here is derived principally from a recent Democratic Audit report commissioned by the Joseph Rowntree Reform Trust and published in October 2010.¹

5. We have structured our submission around the questions listed in the Committee's 'issues and questions' paper. However, it should be noted that the core of our submission comprises:

- Our analysis of trends in party income and expenditure;
- Our assessment of the pros and cons of a variety of additional means through which income and expenditure could be regulated; and
- Our observations about the role which new and additional forms of state support could play in bringing about successful and sustainable reform over the medium-term.

Q1) Do you believe that there are problems with the current arrangements for the funding of political parties? If so, what are these? What is the evidence to support your view? What changes would you like to see made?

6. We would suggest the current arrangements for funding political parties are characterised by four key problems, as follows:

¹ S. Wilks-Heeg and S. Crone (2010) *Funding Political Parties in Great Britain: A Pathway to Reform (Liverpool: Democratic Audit)*.

- The reliance of the parties on big donations creates a number of distortions, some real and some perceived, which serve to undermine public confidence in our democracy
- The current system is clearly unsustainable. Overall party spending does not appear to have fallen over the past decade, while the income of the three main parties appears to be increasingly volatile. Each of the three main parties has experienced some form of funding ‘crisis’ in the past decade.
- Notwithstanding their periodic financial difficulties, the current system privileges the two largest parties and, in conjunction with the electoral system, serves to prevent the party system adapting to underlying changes in voting preferences.
- As currently configured, party funding arrangements offer little scope to reverse the long-term decline in political engagement – if anything, they are likely to have contributed to falling party membership and voter turnout.

7. We elaborate on our views about the problems with the current arrangements, the evidence on which we base these judgements, and our proposals for reforms in the responses to the remaining questions set out below.

Q2) Is it problematic if political parties are reliant on large donations? If so, why?

8. All three of the main UK political parties, and many smaller parties, rely heavily on donation income. Based on their annual accounts, we estimate that donations accounted for between 30 and 59 per cent of the total income of the three main parties’ national accounting units in the period from 2005-09.

9. It is clear that much of this donation income is derived from large donations. Using the Electoral Commission’s register of donations, we estimate that, from 1 January 2001 - 30 June 2010, donations of £50,001 or more accounted for 41 per cent of Liberal Democrat, 54 per cent of Conservative and 76 per cent of Labour Party declared donation income.² Even if we restrict the definition of a ‘large’ donation to £250,001 or more, such donations comprise between 16 and 54 per cent of the value of declared donations to the main three parties since declaration requirements were introduced (see table 1).

10. While the three main parties vary in the extent of their reliance on donations of £250,000 or more, table 1 reveals that, from 1 January 2001 - 30 June 2010, 39 per cent of the donation income received by the three main parties combined was sourced from just 224 separate donations. These 224 donations comprise 1 per cent of the 23,000 donations which the three main parties declared between them and include multiple donations made by the same individuals or organisations. Indeed,

² These figures are for declared donations to all accounting units of the three main parties, i.e. they aggregate donations made to central party offices and sub-national parties.

we estimate that these 224 donations originated from fewer than 60 separate sources, once recent trade union mergers are taken into account.

Table 1: The significance of donations of £250,001+ to the main three political parties, Q1 2001-Q2 2010 (inclusive)

	Total donations (no.)	Total donations over 250,001 (n)	Share of £250,001+ donations by volume (%)	Total value of donations (£m)	Total value of donations over £250,001 (£m)	Share of £250,001+ donations by value (%)
Lab	10,185	151	1.5	150.2	80.7	54
Con	8,050	65	0.5	142.4	39.9	25
Lib Dem	4,764	8	0.2	25.6	4.1	16
Total	22,999	224	1.0	318.2	124.7	39.2

Source: Derived from the Electoral Commission’s register of donations (September 2010).

11. This reliance on donation income is not new. Traditionally, Labour received almost all of their funds from trade unions; while the Conservatives depended to a great extent on company donations. From the early 1990s, however, these funding patterns began to change slightly. The relative importance of large donations from individuals began to grow – to the point that, over the last decade, they have accounted for between 25 and 60 per cent of the two larger parties’ income.

12. We would suggest that the reliance of political parties on large donations is problematic for four main reasons.

- Large donations cause stark – and arguably unfair – income inequalities between political parties. Current patterns of donations to political parties are shaped by a two-party system which grew up in the first-half of the twentieth century. This has left a legacy of significant financial advantage for Labour and the Conservatives, who are best placed to secure large donations, albeit from quite different sources. The respective incomes of the two largest parties are typically five times greater than the Liberal Democrats and around 60 times more than smaller parties such as the Greens. It would be misleading to suggest that these contrasts in party income are simply a reflection of Labour and the Conservatives being ‘more popular’ as political parties. Recent electoral trends provide ample evidence of an emerging multi-party system, and it is evident that a funding formula based on levels of electoral support

would significantly reduce the financial advantage enjoyed by the two main parties.

- Large donations have become associated with a widespread perception of corruption in party funding and are at the root of most concerns about ‘sleaze’. Even if, by international standards, British politics is acknowledged to be relatively free from serious corruption, media investigations have fostered an impression that some large donations to political parties are at least indirectly linked to nominations for peerages or to specific policy decisions. Allegations of this kind – although rarely substantive in a legal sense – undoubtedly have a corrosive impact on public trust in politics. It is particularly important to note that the introduction of disclosure requirements under PPERA 2000 has done little to reduce allegations about impropriety associated with big donations to political parties. If anything, greater transparency has only served to heighten awareness, and hence concern, about the wider implications of the ‘big donor culture’.
- Even if there was absolute confidence that all large donations to political parties were made without ‘strings attached’, relying on fewer than 100 big donors to sustain our three main political parties clearly raises major concerns about the sustainability of party finances. It is not inconceivable, for instance, that a major funding controversy could prompt widespread reluctance among existing large donors to continue to make such large sums available to the political parties. Even a small shift in practice among existing large donors could clearly have a dramatic impact on the parties’ finances.
- There is a genuine danger that the parties’ reliance on large donations militates against the widely-accepted principle that political parties should be funded from as broad a social base as possible. If they are in a position to do so, it is clearly rational for large political parties to seek large single donations of, say, £1 million in preference to attempting to secure the equivalent sum of money via 20,000 donations of £50. While more than 90 per cent of donations to the three main parties have a value of less than £25,000, they collectively amount to only a quarter of their combined income from donations. It is therefore clear that any attempt to enhance the monetary significance of small donations to the three main political parties will require a profound shift in the cost-benefit calculus on which party fundraising operations are based.

Q3) Should individual donations be capped? If so, what should determine the level of that cap and what level should it be set at?

13. Given our concerns about the implications of the ‘big donor culture’, we are broadly supportive of proposals to introduce a cap on donations. In theory, placing a limit on the amount of money which any individual or organisation can donate to a political party in a single year should help address public concern about the

possibility of corruption, and force the parties to cultivate a wider base of relatively smaller donors.

14. However, three crucial issues must be addressed if a donation cap is to succeed in addressing the current distortions associated with the role of large donations to UK political parties.

- Efforts must be made to minimise the risk, evident from the experience in other countries, that donation caps will be circumvented through a variety of possible loopholes (e.g. by establishing ‘front’ organisations or directing funds to campaigns led by ‘third parties’).
- Detailed consideration will need to be given to the possibility that a donation cap will impact differentially on the political parties (see our answer to question 6).
- It would need to be clear that a donation cap would not create a situation in which political parties were effectively ‘starved’ of funds and therefore unable to engage with the electorate in any meaningful way.

15. For these reasons, our support for donation caps is subject to a number of important qualifications. It is crucial that donation caps are not introduced as an attempt to find a ‘quick fix’ or as part of a ‘big bang’ approach to the reform of party funding. Extensive consultation with all political parties and other key stakeholders will be crucial if a workable system for capping donations is to be achieved. It is particularly important that the Electoral Commission should have detailed input into such a process, in light of the organisation’s experience of acting as a regulator of party funding since 2000.

16. Moreover, given the likely effect of a donation cap on party finances, we propose that their introduction should be phased, by setting the cap initially high and then tapering down over 10-15 years. We also suggest that the impact of the cap on party finances should be independently monitored during this transition period. This relatively cautious approach would enable the parties to attempt to broaden their funding base without seriously destabilising party finances in the short term. Even then, some forms of assistance, such as the introduction of tax relief on donations and/or state matching of small donations is likely to be necessary to compensate for the loss of income from large donations. As such, donation caps should not be introduced in isolation – they will need to be part of a broader reform package which, taken as a whole, will enable ‘big money’ to be taken out of politics without decimating the income of individual political parties.

17. Given the above, we are strongly of the view that the level of the initial cap must be arrived at through cross-party agreement, and should not afford an unfair advantage to one or more parties. Clearly, the ultimate objective must be to move towards a cap which is low enough to remove the suspicion of corruption or undue

influence, but also high enough to prevent the parties becoming either financially anaemic or, conversely, reliant on state support. Given the variables which need to be balanced, we would argue that the only realistic means of determining the 'equilibrium' level of a donation cap will be to take a phased approach to its introduction.

Q4) Are any changes necessary to the arrangements for donations made via trade unions? If so, what?

18. While concerns have been raised from some quarters about donations made via trade unions, we would suggest that there is a danger that these have been overstated. We would also argue that every effort must be made to avoid an imposed, rather than negotiated, reform of the political levy. Such an approach would be unlikely to provide a solution that is either fair or sustainable, and would risk creating a scenario in which party funding becomes a 'political football' for years to come.

19. Trade union (and socialist society) affiliation fees are at the heart of Labour's origins as a political party and its current constitutional arrangements, and there is a genuine need for reform proposals to take account of such forms of party diversity. At the same time, we would argue that the broader question about trade union funding of political parties needs to be re-framed. Rather than being cast as a problem, trade union political funds could potentially be seen as a positive example of how political parties can be financed from a broader social base, including those on lower incomes. In this sense, we would concur with the view reached by Phillips, that the affiliation fees paid to the Labour Party by trade unions, should be seen as small individual fees or donations collected by an intermediary organisation, rather than as large institutional donations.

20. We recognise that there are issues raised by affiliation arrangements, including the extent to which members of affiliated trade unions are aware of their existing 'opt-out' entitlement,³ and the apparent mismatch between the amount collected in affiliation fees by individual trade unions and the total sum which is then passed on to the Labour Party. However, we would argue that the crucial questions concerning the rules regulating trade union funding relate to the need to establish enhanced transparency on the basis of the existing legislation governing trade union donations.

Q5) Are any changes required to the current arrangements for regulating companies and associations? If so, what?

21. We have no substantial comments to make on this issue other than to express our concern about whether the Electoral Commission has sufficient powers to investigate where they have grounds to believe that a donation may have been made by a company which is not trading in the United Kingdom.

³ Based on the data we have been able to obtain, it would appear that almost one-third of members of affiliated trade unions currently opt-out of paying the political levy, although the proportion of members who do not pay the levy varies enormously between individual unions (ranging from 6-40 per cent).

Q6) If a cap on donations is introduced, what are likely to be the implications for individual political parties?

22. While it is difficult to model the impact of a donation cap, it is fair to assume that even a relatively high donation cap of £50,000 would reduce the income of all three main parties quite dramatically, but also differentially. Table 2 estimates what the effect of such a cap would have been during the period of the 2010 General Election campaign. This shows that had a £50,000 donation cap been in place then, everything else remaining equal, the three main parties would have forgone around £7 million in donation income between them. However it is also clear that the Liberal Democrats and, in particular, Labour, would have lost a far higher proportion of their donation income than the Conservatives.

23. There is scant evidence to suggest that the parties could easily broaden their funding base to compensate for such a loss of income without some sort of structural reform. It is likely the Conservatives would be better able to adapt than the other two parties, since it would appear that they are best placed to source multiple £50,000 donations from established networks of donors. However it is our general view that the loss of income resulting from the immediate introduction of a £50,000 donation cap would dramatically reduce the scope for parties to engage with the public, and place a question mark over their short-term financial viability.

Table 2: Notional impact of a £50,000 cap on donations received by the political parties during the 2010 General Election campaign⁴

Party	Total donation income	Value of donations above £50,000	% of donation income lost
Conservatives	7.3 million	2.5 million	35
Labour	5.3 million	4.1 million	79
Liberal Democrats	0.8 million	0.4 million	48

Source: figures calculated from data contained in the Electoral Commission's register of donations to political parties

Q7) What are the reasons for the decline in membership of political parties? How big is the consequent effect on their finances? Is the impact general and proportionate? What is the impact of falling membership on political engagement? Is there any prospect of the decline being significantly reversed?

24. The decline in UK party membership in the UK since the 1950s has been dramatic, and has occurred alongside a decline in party activism and voter turnout. While there are brief periods in which the membership of individual parties has

⁴ These calculations assume that trade union donations would be subject to a donation cap.

grown, the overall trend is clearly downward, and any meaningful increase would require the reversal of trends observed throughout established democracies in Europe and beyond.

25. The chains of causality associated with these trends are complex. However, it is evident that the decline of party membership in the UK, as elsewhere, is associated with wider socio-economic change. For instance, the restructuring of the class system arising from the dynamics of de-industrialisation and the professionalization of a growing proportion of the labour force is almost certain to have contributed to the sharp decline in levels of personal identification with political parties since the early 1960s.

26. The impact of declining party membership on party finances is difficult to gauge, however, as we do not have reliable historical data. Nonetheless, it is likely to be far less significant than is commonly supposed, given that there is clear evidence that ordinary members have never been the principal source of income for UK political parties – even at the zenith of party membership in the 1950s. We therefore conclude that, even if efforts to increase party membership were successful, they would be unlikely to yield any significant increase in party income.

Q8) Is there a case for introducing a greater element of support to political parties from public funds as a necessary counterpart to limiting donations? If so, in what form should that support be provided?

27. Increased – or, at the very least, restructured – public funding would be essential if donation caps were introduced. It is highly improbable that the political parties would be able to adapt, even over the medium-term, to the significant reduction in their income which a donation cap would be likely to bring about. Efforts by the parties to broaden their funding base would take time, and would not necessarily offer any guarantee of substantial returns in the future.

28. With sharp cuts being made to public expenditure, and public memory of the MPs' expenses scandal still fresh, all three main parties are understandably reluctant to push for further state funding. One immediate measure which could support the parties' attempts to broaden their funding base, and mitigate some of the potentially financially destabilising effects of a donation cap, would be to make donations to political parties eligible for gift-aid and other forms of tax-relief, thereby enhancing their monetary value indirectly.

29. However, there would be a clear need to go beyond such emergency measures to help the parties through the difficult transitional period associated with donation caps. The longer-term objective must be to re-configure state support in order to encourage greater public engagement with the parties. We would suggest that this can be approached in two distinct ways.

- First, we would urge that a detailed review is undertaken of existing forms of state support to political parties. This support currently comprises a ‘patchwork quilt’ of direct government grants (Short money, Cranborne money, Policy Development Grants and others) and indirect subsidies (e.g. free broadcasting time for Party Political Broadcasts, free postage for election communications, free use of public buildings for election meetings). These arrangements have evolved over a century or more and there is an urgent need to review their rationale and ‘fitness for purpose’ in the context of 21st century party and electoral politics. Some or all of the current in-kind subsidies, in particular, are likely to have declining relevance to the operating reality of political parties or the conduct of election campaigns in the 21st century. We would anticipate that there should be scope to ‘reallocate’ such provisions to parties or candidates in other ways.
- Second, as the public finances improve, we suggest that detailed consideration should be given to a variety of other public funding mechanisms. We would strongly advocate that these should be considered in light of their potential to push the parties to re-engage directly with electors, as well as ‘pump-prime’ the efforts of the parties to further expand their funding base, and thus create a genuinely stable and sustainable funding settlement. A variety of proposals to achieve these goals already exist. One option would be a system of matched funding, wherein £10 of state funding would be provided to match each individual donation of £10 or more, as proposed by the Phillips review. The ‘voter-voucher’ proposed by the Power Commission in 2006, which would provide voters at polling stations with an additional ‘ballot’ used to direct £3 to the party of their choice, is another possibility.

Q9) Are any changes necessary or desirable in the way in which the rules apply to the smaller parties?

30. We have no detailed comments to make on the arrangements for smaller parties, other than to note that they are ‘doubly-disadvantaged’ by the way in which the electoral system used for Westminster elections interacts with party funding. By preserving the position of Labour and the Conservatives as the two ‘big’ parties, the electoral system arguably perpetuates their privileged position in securing donations (since donors realise that no other party has a realistic possibility of forming a government, or being anything other than a junior coalition partner). At the same time, the allocation of government grants, particularly Short money, on the basis of parliamentary representation (not votes) clearly favours the two largest parties at the expense of third and smaller parties.

Q10) Are the differences in the rules applying to Northern Ireland still appropriate?

31. Most of the regulations contained in PPERA have now been extended to Northern Ireland. We accept there are good reasons why there is not full public disclosure of donations in Northern Ireland although this is clearly a matter which must be kept under review.

Q11) Are any changes necessary in the controls applying to expenditure by political parties or to individual candidates? Should there be tighter controls or caps on expenditure by political parties? Should any aspects of campaign expenditure be banned altogether?

32. It is clear to us that current levels of party spending at general elections are historically high (see question 12). Given that there is no clear evidence that higher *national* spending results in improved electoral performance for individual parties or greater turnout among voters, we feel that the progressive reduction of the parties' general election expenditure limits, over three parliamentary terms, would be desirable.

33. A lowered cap on election spending would reduce the short-term pressures on parties to secure large donations during general election years and also help to restore a degree of public confidence in the party system. The parties themselves appear to support proposals for a lowered cap on election expenditure – partly because of their recognition that high levels of expenditure do not translate into electoral success. However, it should be reinforced that a reduced election spending cap on its own will do little to address problems associated with the 'big donor culture'. We estimate that less than 15 per cent of spending by the two largest parties actually goes on election campaigns. It must therefore be recognised, that a reduced election expenditure cap would only have a limited impact on the parties' need to generate income to cover their overall costs.

34. We recognise that it is difficult to establish an unambiguous definition of 'campaign spending' and that there are long-running concerns about the viability of the distinction between national party campaign spending and local candidate spending. Similarly, we are not persuaded that the supplementary 'pre-candidacy' spending limits, introduced by the Political Parties and Elections Act 2009, will be effective in seeking to prevent the practice of political parties targeting campaign funds at marginal seats in the years between general elections.

35. It is possible that a 'beefed-up' spending cap, designed to cover all party spending across a full parliamentary term, offers the best means of tackling these concerns and such an approach would become more feasible with the introduction of fixed-term Parliaments. However, it could be argued that such a 'super-cap' on party spending largely deals with concerns about the circumvention of existing regulatory arrangements by removing the regulations rather than the loopholes. Given the obvious danger that parties might seek to use such a framework to spend more on general election campaigns and/or to target marginal seats even more aggressively,

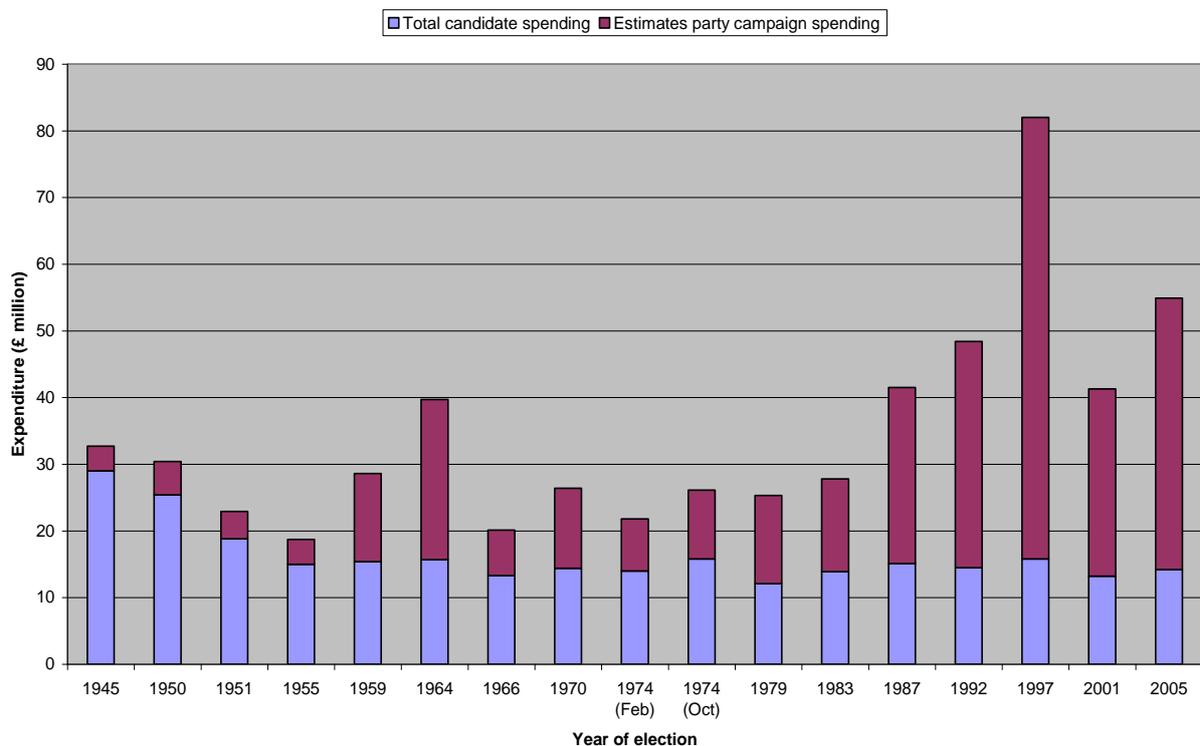
it is possible that ‘secondary’ caps would also become necessary – a scenario which would potentially create arrangements as complex as the existing arrangements.

Q12) To what extent, if any, is fundraising by political parties driven by an ‘arms race’ in expenditure?

36. The notion of an ‘arms-race’ in party spending is clearly a contested one. The term is perhaps unhelpful in that much of the disagreement seems to centre on whether competition between the two main parties is driving spending up or whether there is a more simple dynamic of Labour ‘catching up’ with the Conservatives’ spending levels.

37. We believe that there is clear evidence that general election spending has risen over the long-term – as demonstrated in figure 1 (below). Certainly, there are fluctuations. The record expenditure in 1997 remains exceptional, while the combined election expenditure of the three main parties decreased sharply from 1997-2001. It is also true that general election spending was as high, in real terms, in 1964 as it was in 1987 or 2001. However, the overall trend is clear - spending at elections held since the late 1980s dwarfs that typical of earlier decades.

Figure 1: Party spending at UK General Elections, 1945-2005 (measured in 2005 prices)



Source: S. Wilks-Heeg (2008) *Purity of Elections in the UK: Causes for Concern* (York, Joseph Rowntree Reform Trust), p.54. See original for explanatory notes and caveats. Data for the 2010 General Election are not available at the time of writing.

38. It is crucially important, moreover, that these trends in general election expenditure are considered alongside patterns in operational spending. As table 3 shows general spending by the three main political parties has increased *threefold* in real terms since the late 1970s. Over half of Conservative and Labour Party expenditure is now consumed by general operational costs, with day-to-day spending now exceeding campaign expenditure by a ratio of 5:1.

39. Whether or not we describe these overall trends as an ‘arms race’ does not seem particularly relevant. The evidence points to a long term increase in party expenditure, both during and between elections. It is likely that this is best understood as a tendency for the parties to have become engaged in what are effectively ‘permanent elections campaigns’.

Table 3: Estimated expenditure of the three main parties during comparable parliamentary terms (£s, 2007 prices)

Parliamentary term	Amount spent
1960-64	£125 million
1975-79	£121 million
2005-09	£351 million

Sources: 1960-64 and 1975-79 calculated from data provided in M. Pinto-Duschinsky, *British Political Finance 1830-1980*, (London: American Enterprise Institute for Public Policy Research, 1981); 2005-09 calculated from data contained in party accounts submitted to the Electoral Commission.

Q13) Do the actions of third parties affect electoral outcomes in any significant way? Would any changes to the existing rules increase that influence? Are any changes needed in the controls applying to them? If so, what?

41. We have no detailed comments to make about the regulations relating to third parties other than to underline that the introduction of donation caps and additional expenditure caps would potentially make this an area in which additional reforms would be required to close a variety of possible ‘loopholes’. The significance of this point will become more evident if, as is expected, referendums become a more important feature of the UK political system.

Q14) What impact does the media have, if any, on political parties in spending money to get their message across?

42. We are unable to offer detailed evidence on how the operation of the media influences expenditure by political parties. However, we would underline that the parties spend far more between general election campaigns than they do during them and that the most likely reason for the overall increase in central party spending is their need to keep pace with the media and communications revolution. It is quite possible that the biggest problem which the parties would face if a donation

cap reduced their income significantly would be their vulnerability in a 24-hour rolling news culture rather than the threat of direct electoral competition from other parties.

Q15) Are any changes necessary in the rules relating to the funding of referendums?

43. The effectiveness of PPERA 2000 as legislation governing referenda is largely untested. While the current legal framework provides for expenditure limits, the Electoral Commission has previously raised important concerns about the scope to enforce these within the context of a relatively short referendum campaign. We would strongly urge that every attempt is made to learn from the Electoral Commission's existing experience with party finance, since there is every reason to believe that similar deficiencies would be revealed in the regulatory framework for expenditure on referenda campaigns should referenda become widespread.

Stuart Wilks-Heeg and Stephen Crone

27 October 2010