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CP(76) 51

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13 July 1976

CABINET

UNEMPLOYMENT AMONG YOUNG PEOPLE

Memorandum by the Secretary of State for Prices and  
Consumer Protection and Paymaster General

1. At the request of the Prime Minister I chaired a meeting of Ministers to consider a package of proposals by the Secretary of State for Employment for action in response to the growing problem of unemployment among young people. A summary of the case and the proposals which he put before the Group is attached at Annex A. This memorandum sets out the conclusions of the meeting on the suitability of the proposals for an announcement this month - the Secretary of State for Employment proposes that this should be made so as to coincide with the publication of the July unemployment figures on 20 July.

RECRUITMENT OF SCHOOL LEAVERS (Paragraph 6 of Annex A)

2. The Group endorsed the proposal to replace the existing £5 Recruitment Subsidy for School Leavers by a subsidy of £10 per week, payable for 6 months, for the recruitment of anybody under the age of 20 who had been unemployed for at least 6 months. The scheme would run for 6 months from 1 October 1976 and would apply to applications made by 31 March 1977. The Group took the view however, that it should be made clear that consideration should be given to a subsequent extension of the life of the scheme to 31 July 1977 so as to cover those leaving school in December 1976 which particularly affects Scotland and Northern Ireland. The estimated cost to 31 March is £4.4 million, of which £1.7 million would fall in 1976-77 and £2.7 million in 1977-78.

EXPANSION OF TRAINING PLACES FOR YOUNG PERSONS  
(Paragraph 7 of Annex A)

3. The Group endorsed the proposal that the Training Services Agency (TSA) should expand from 7,000 to 10,000 the number of places available for young people. They would also be encouraged to give preference in allocating places to those at present registered as unemployed. These changes would involve no increase in expenditure.

#### WORK EXPERIENCE COURSES (Paragraphs 8 and 9 of Annex A)

4. The Group expressed support in principle for the outline proposal for work experience courses through which young persons would obtain experience of life in industry. The scheme has so far not been developed in any detail by the Manpower Services Commission, and the Group considered that a good deal more work was necessary before it could be adopted. Specific points to be developed are -

- a. the need to increase the training content, both on its own merit and to attract finance from the EEC. The implication of this for local authorities facilities will, however, need examination;
- b. the interaction between this proposal and the scheme to encourage recruitment of young people unemployed for 6 months or more;
- c. the length of courses;
- d. it would also be valuable to have work experience courses providing an introduction to work in the social services sector.

The Group did not consider it likely that such a scheme could be agreed for announcement in an early package but the Secretary of State for Employment will be pursuing the scheme with the Manpower Services Commission in the hope that an early announcement can be made.

#### MANDATORY EDUCATIONAL MAINTENANCE ALLOWANCES (Paragraph 10 of Annex A)

5. The Group considered as a possible component of an early package a proposal already put before the Social Services Committee (SA) by the Secretary of State for Education and Science and for Wales for a mandatory scheme of educational maintenance allowances (EMA) so as to reduce the number of registered unemployed among the young by encouraging them to stay in education. The Group concluded that since this would require legislation for its implementation and would be a permanent change it was not appropriate to a short term package, but should continue to be examined by SA as an educational measure.

#### JOB SWAP SCHEME (Paragraph 10 of Annex A)

6. There was support in principle for a scheme for payment of an allowance to 64 year old men and 59 year old women until normal retirement on condition that they withdraw from the labour force, and on condition that their employer recruited someone from the unemployment register. There were, however, also serious reservations on a number of points. While he estimated the gross cost of payment of allowances at

£110 million the Secretary of State for Employment put the net cost at £21 million because of the saving of unemployment and supplementary benefit payments to those brought into employment. Considerable doubt was expressed whether the offsetting savings would reduce the gross cost as much as this, and whether the replacement job condition could be properly enforced. Other points on which concern was expressed were -

- a. by offering payment for early retirement across the board it might add to pressure for other concessions on retirement eg for special schemes for early retirement in industries involving especially arduous work;
- b. to introduce tax free payments for this purpose might create distortions and add to pressure for other benefits to be relieved from tax;
- c. there might be advantage in limiting the scheme either to the assisted areas or to firms which were not reducing employment overall;
- d. It was unfair to allow all consequential savings to be offset against the cost of this proposal but not other proposals which might reduce unemployment.

The Group considered that the difficulties raised should be studied as a matter of urgency, and would be ready to consider any further proposals which might be put forward which took account of the points made in discussion. It was not, however, able to recommend the present proposal to the Cabinet.

## CONCLUSION

7. The Group recommended to the Cabinet for incorporation in an early package the proposed changes in the scheme for subsidy of the recruitment of the young (paragraph 2) and the increase in the provision of training places to the young (paragraph 3). These measures will provide jobs or training places for 15,000 young people most of whom will have experienced long periods of unemployment, but most of this would be at the expense of reducing job opportunities for other unemployed workers. The net increase in public expenditure would be £4.4 million of which £1.7 million would be in 1976-77 and the remainder in 1977-78. The Group would be ready to consider further the proposal for a "Job Swap" scheme but cannot recommend the scheme as proposed at present. The Group also believes that the proposal for work experience schemes including the social services should be further studied as a matter of urgency.

S W

Department of Prices and Consumer Protection

13 July 1976

## UNEMPLOYMENT AMONG YOUNG PEOPLE

1. The unemployment figures on 20 July are likely to show a rise generally (seasonally adjusted and excluding school leavers) and a sharp increase in the total of unemployed school leavers to around 200,000. By October there could still be 150,000 young people unemployed (about half of them school leavers) and about 100,000 even by December.
2. This is after taking account of the impact during this autumn of the existing measures such as the school leaver recruitment subsidy, the job creation programme and expanded training schemes. But for these the number of unemployed young people under 18 in October might stand 50,000 higher than the 150,000 estimated above.
3. This is not just a problem of this year's school leavers. More young people remain unemployed for longer than previously; last April some 21,000 of last year's school leavers were still registered as unemployed, the largest figure since the war. The less able and unqualified young people suffer particularly badly.
4. Employers can be expected as usual to take on this autumn the better qualified school leavers. A recent private manpower survey suggested that banks and insurance companies, among others, were expecting to take on more school leavers this year than last. Help therefore needs to be directed to the less able and unqualified, particularly those who have remained unemployed for some time, and preferably to get them into genuine jobs or training or otherwise into some form of work experience.
5. With this in view the Secretary of State for Employment proposes Government support for 3 measures specifically directed towards the young unemployed and one - a job swap scheme - which would open job opportunities to them as to others.

Subsidy for Long Term Unemployed

6. His first proposal is to replace the existing £5 school leaver recruitment subsidy by a subsidy of £10 for those under the age of 20 who have been unemployed for at least 6 months. The scheme would run from the beginning of October for a 6 month period and the subsidy would be paid for each individual for 6 months after employment. On this basis the cost of the scheme would be £5.4 million of which £2.7 million would fall in the current financial year. The subsidy would be paid in respect of 27,000 young persons of whom 12,000 would be additional to the normal outflow from the category of those unemployed for 6 months or more. The scheme

could not be expected to create many new jobs but rather to get long-term unemployed young people taken on in preference to other unemployed workers. There is therefore no substantial offsetting saving in unemployment benefit, but since the existing school leaver recruitment subsidy would be closed for new applications from the date the new scheme is introduced that would save £1 million in the current financial year.

#### Expansion of Training

7. The second proposal is to expand the number of training places available for young persons (outside the apprenticeship field) from the present TSA target of 7,000 to 10,000. The MSC would intend to achieve this if they are not subjected to spending cuts from within existing financial provision by switching resources within the TOPS programme towards young people.

#### Work Experience and Training Courses

8. The third proposal is to give Government financial support to a scheme that the MSC and CBI are working out for providing work experience courses for a substantial number of unemployed young persons, especially school leavers. The Chairman of the MSC has spoken to Lord Watkinson, who has promised the CBI's full backing, and suggested enlisting initially the support of the 100 largest companies in laying on within their plants work experience courses which would run for a period of 6 months to one year. Recruitment would be restricted to unemployed school leavers and to other unemployed persons in the age group 16-18 who would benefit from an opportunity to learn more about the world of work. The programme would be designed to give an introduction to working life with, wherever possible, further educational training opportunities built in. Recruits would be regarded as trainees and paid allowances linked to the TSA training rates, in all say £16 a week. The allowances would not be liable to income tax and national insurance contributions would be credited free. The employer would pay the allowances and be re-imbursed monthly in arrears. He would bear the costs of arranging the courses and bearing any overhead costs such as materials.

9. The aim would be to provide courses for 30,000 young people at a gross cost of £19 million, against which there would be offsetting savings of unemployment benefit etc of £9 million. This includes the cost of possibly 60 extra staff needed by the MSC to run the scheme. The main recruiting season would be in October and November and £6.3 million of the gross cost would fall in the current financial year. It might be possible to recover 50 per cent of the net cost from

the EEC Social Fund. The scheme would have to have the support of the TUC who will be particularly concerned to ensure that work experience opportunities do not jeopardise permanent jobs. The Chairman of the MSC is taking this up with the TUC.

#### Job Swap Scheme

10. The final proposal is for a job swap scheme. As so far proposed this would offer a tax free allowance of possibly £20 a week to 64 year old men (to age 65) and 59 year old women (to age 60) on condition that they withdraw from the labour market. (The precise size of the allowance has still to be settled.) The scheme would be open to persons in employment or signing the unemployment register and it would be a condition of access to the scheme that the employer must replace the worker so released by a younger person from the unemployment register. Most of the jobs would go to experienced workers rather than to young people, but the scheme could still be expected to open up opportunities to them as well. Around 113,000 men and women would leave the unemployment register at a gross cost of £110 million with a very much lower net cost in public expenditure terms estimated at £21 million. The scheme would need legislation but might be started in advance under the Appropriation Act and arrangements made to bring it into operation by the end of October. It would need an extra 125 staff to run. The costs could of course be reduced in various ways eg by running the scheme for 6 months instead of a year and/or by restricting its application so to the development areas. The former variation would halve the cost and the latter would reduce it by 75 per cent.

11. The attached table sets out in summary form the impact and costs of each of the above proposals.

#### Announcement

12. The Secretary of State for Employment has proposed that these measures should be announced on 20 July when the unemployment figures are published and that the statement should urge young people to continue in further education rather than enter the labour market at this particularly difficult juncture.

## EFFECTS AND COSTS OF THE PROPOSED SCHEMES

		Numbers covered		Gross cost £ million			Net cost			Gross cost per head	Net cost per head
		Total	New places created	1976/7	1977/8	1978/9	1976/7	1977/8	1978/9		
1.	Subsidy for long term unemployed young*	27,000 (additional outflow)	12,000	2.7	2.7	-	1.7	2.7	-	200	366
2.	Training Opportunities Scheme expansion**	3,000	3,000	2.15	-	-	1.15	-	-	716	383
3.	Work experience and training scheme	30,000	30,000	6.3	12.7	-	3.3	6.7	-	633	333
4.	Job swap scheme with requirement on firm to replace***	113,000	108,500	9.5	81	19	1	17.45	2	970	190

\* Net cost is lower in this case because of £1 million saving from ending RESC

\*\* MSC have said they will meet the cost of this additional training from their existing financial resources provided they are not expected to suffer cuts in those resources.

\*\*\* These are the figures relating to the original proposal circulated to GEN 27 by the Secretary of State for Employment, and are being urgently re-examined in the light of the doubts expressed at that meeting.

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13 July 1976

# CABINET

## PUBLIC EXPENDITURE AND THE PUBLIC SECTOR BORROWING REQUIREMENT 1977-78

Memorandum by the Chancellor of the Exchequer

1. At our meeting on 6 July (CM(76) 13th Conclusions) we were in general agreement that we must act now to reduce the public sector borrowing requirement (PSBR) in 1977-78. But the decisions have still to be taken. I have already explained in CP(76) 42 how the need to reduce the PSBR rests on arguments concerning the difficulty of financing it and the pressure on resources. There is, however, a more immediate and compelling danger.

### THE IMMEDIATE DANGER

2. The \$5.3 billion standby credit which we secured at the beginning of June has barely given us a breathing space. I have had to draw a substantial amount from this standby in order to create the market conditions in which we can take the necessary decisions in an orderly way. There was one period, well after the initial uncertainties following the announcement of the standby, in which the pressure on sterling could have carried the rate down to a disastrous level if we had not intervened to support it. The rate has been steadier in the last fortnight, partly because we have shown we are prepared to intervene if necessary but mainly because of the belief that we shall be announcing important policy decisions concerning public expenditure and the PSBR for 1977-78 by the end of this month. If such an announcement is not made or is found to be inadequate, then sterling will again come under pressure on a scale which we cannot be confident of resisting even if we use all our present resources.

3. The soundings I have made in the last week have revealed a powerful feeling on both the Left and the Right of the Party, that if we have to do something unpleasant this summer it must at least be sufficient to do the job and to spare us a repetition next summer. I believe that many who deeply regret the need for expenditure cuts will be prepared to bite on the bullet providing they are satisfied that we shall not be coming back for more in a few months - or even weeks - time.

4. Our objective must be a package which will re-establish confidence in our economic policies to a degree which enables us to rebuild our reserves and avoid being forced to the International Monetary Fund (IMF) to repay our drawings on the \$5.3 billion standby. If we do not achieve this objective and we are driven to use the IMF facilities largely to repay our drawings on the standby, we should not have them available to finance the external deficit we must continue to expect in 1977 and 1978. So we should run the risk of another sterling crisis in those years. Moreover, a situation in which we were compelled to go to the IMF because we had failed to satisfy the market about our credit-worthiness would, by definition, be one in which the IMF would require us to make further policy changes beyond those that would be announced this month. And we would probably have to negotiate about these policy changes in the autumn before the new pay policy had had a chance to establish itself in the first major settlements of the pay round.

#### THE SCALE OF ACTION REQUIRED

5. In my judgment the minimum required to give us a chance of re-establishing confidence would be a clear commitment to get the PSBR down to a figure in the region of £9 billion in 1977-78 (or 6½ per cent of Gross Domestic Product (GDP)) as against £11½ billion (or about 9½ per cent of GDP) in the current year. This implies a reduction of about £1½ billion compared with the figure of £10½ billion for the PSBR in 1977-78 in the current National Income Forecast; I must stress that the figure of £10½ billion is on the assumption of no tax changes in the next Budget to take account of inflation over the previous year. In other words this starting point already assumes a rising burden of taxation next year.

6. I believe we cannot achieve a cut in the PSBR of this size next year without wrecking either our pay policy or our industrial policies unless the bulk of the cut comes from reductions in public expenditure amounting to at least £1 billion at 1976 Survey prices. That would represent a reduction in the PSBR in 1977-78 of £700-£900 million, depending on the composition of the package.

#### THE TAX ELEMENT

7. It will be seen that expenditure cuts of this magnitude might still require at least £600 million of the reduction in the PSBR to be found from tax increases in the next Budget beyond the expected yield from fiscal drag, unless by then the outlook for the PSBR makes this unnecessary. On the other hand, the PSBR for 1977-78 might as easily look worse next April; a 1 per cent margin of error in the forecast of either expenditure or revenue can change the PSBR by £500 million.

8. The precise scale and content of a possible tax package is something on which it is neither necessary nor desirable to take decisions until much nearer the 1977 Budget. But I remain convinced that we should keep any increase in taxation to the minimum. Real take-home pay has now fallen by 5 per cent since the first quarter of 1975. Current forecasts suggest that it will have to fall significantly further by the first quarter of 1978. At worst the real take-home pay of the average person at work could by then be back to its level of seven years previously, in 1971. But this average figure conceals the fact that while juveniles and women will have done better, men, in particular family men, will have done worse.

9. The magnitude of this fall in real take-home pay reflects the delay in reaching our inflation targets, due mainly to faster depreciation and the increase in commodity prices. This slowing down of progress on inflation will add to the problems of external confidence and to our difficulties in borrowing both for the balance of payments deficit and for the fiscal deficit at home. To add substantially to the price level by increasing indirect taxes now or in April 1977 could end progress on inflation altogether. To cut real take-home pay further by increases in income tax could break the 4½ per cent pay policy and remove all hope of moderation in pay increases after July 1977. To cut the PSBR in 1977-78 by £1,000 million through increases in either direct or indirect taxation would cut living standards by a further 2½ per cent on top of the fall already in prospect. The foreigners on whose confidence we rely for financing our external deficit and for maintaining the stability of sterling are well aware of the implications of this for pay policy and inflation.

#### THE PSBR TARGET

10. Nevertheless, a cut of £1,000 million in public expenditure would not by itself be sufficient to satisfy foreign opinion that we were making efforts to reduce our public sector deficit during the upturn in any way comparable with those already undertaken by France, Germany and the United States, none of which have our external problems. That is why I believe we must commit ourselves simultaneously to a PSBR target for 1977-78 which we would express as "of the order of £9 billion". We would, of course, emphasise that this represented a considerable reduction below this year's expected PSBR of £11½ billion, both in terms of money and as a percentage of GDP (from 9½ per cent down to 6½ per cent). Our commitment to this target should not be entirely rigid; we should make it depend on the re-expansion of the economy proceeding in the way we now foresee. But such a commitment would have no credibility without the decision on public expenditure cuts of at least £1 billion now.

11. My judgment is that a reduction of £1 billion in public expenditure in 1977-78 is the minimum required to prevent a further slide of confidence which would compel us to take emergency measures far more damaging to

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employment, living standards and recovery than what is now proposed. I must therefore seek my colleagues' support in securing reductions of that amount, as the major contribution of fiscal policy towards reducing the PSBR to about £9 billion in 1977-78.

D W H

Treasury Chambers

13 July 1976

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PUBLIC EXPENDITURE AND TAXATION 1977-78

Note by the Chancellor of the Exchequer

I attach a memorandum by the Chief Secretary, Treasury.

D W H

Treasury Chambers

13 July 1976

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PUBLIC EXPENDITURE AND TAXATION 1977-78

Memorandum by the Chief Secretary, Treasury.

1. Following our discussion on 6 July, I deal in Part I of this paper with the question whether the early statement envisaged of action to reduce next year's Public Sector Borrowing Requirement should announce tax changes affecting 1977-78 as well as expenditure reductions. Part II compares the effects of tax and expenditure respectively on employment and the retail price index. In Part III I summarise the results of the bilateral discussions which I have now held on a contingent basis with the spending Ministers concerned. Part IV discusses what would be involved in carrying out expenditure reductions so as to effect a rearrangement of priorities.

2. In the concluding paragraphs of the paper I have set out the broad expenditure issues now requiring decision; and the Annex lists the specific changes in particular programmes on which decisions are required.

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1 - TAX CHANGES IN 1977-78

3. We are not concerned here with changes in the level of taxation or expenditure affecting the current year. Our taxation proposals have already been put forward in the Budget and the Finance Bill. On expenditure we have said that we will not cut the planned total this year but that we will not allow it to be exceeded; this may require some reductions to offset increases in particular programmes, with no net change in the total.

4. It is on 1977-78 that we now have to take new decisions. The Chancellor has proposed that we should announce our objective of reducing the Public Sector Borrowing Requirement over the next three years, starting in 1977-78. Action to achieve this can take the form both of reductions in planned expenditure and of tax changes. The expenditure decisions have to be taken well in advance, because of the longer gestation period involved. This is particularly so where the measures have to be carried out by other bodies, mainly the local authorities and nationalised industries, but even for the preparation of departmental Estimates a substantial period of preparation is required.

5. We should therefore have to start taking our expenditure decisions now in any case. The special feature of the situation is that, though we have resisted pressures to make arbitrary cuts before completion of the public expenditure Survey, it is now a matter of urgency to take and announce our initial decisions on the Survey affecting 1977-78.

6. The objective of reducing the borrowing requirement next year will mean that, to the extent that expenditure reductions prove to be insufficient for this purpose, the further adjustment required will have to take the form of tax measures.

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II - EFFECTS ON EMPLOYMENT AND THE RPI

7. The effects which fiscal action to reduce the borrowing requirement produces on the level of economic activity, and therefore on such things as employment and the balance of payments, tend - allowing for the margins of error in all these things - not to diverge very radically over a period of time, whether the reduction is brought about by a general reduction in expenditure or a general increase in taxation. But the particular method adopted can make a difference, especially to the timing and incidence of these effects. When it comes to the effects on the retail price index and on real take home pay, the choice of method can make a very big difference indeed.
8. Expenditure reductions of £1,000 million at 1976 Survey prices involve a bigger expenditure amount in 1977-78 out-turn prices, but probably something less than £1,000 million in terms of reducing the 1977-78 borrowing requirement, after allowing for lower tax revenue and increased outgoings on social security. The expenditure/borrowing ratio will depend on the composition of the package. A £1,000 million expenditure package (in Survey prices) could be constructed from the list under consideration which would reduce the borrowing requirement in 1977-78 by £700-900 million, depending on the package.
9. There is only one cut listed for decision which would have any noticeable effect on the RPI, that is, the £200 million saving in 1977-78 through a faster phasing out of food subsidies; this would have an RPI effect of  $\frac{1}{4}$ - $\frac{3}{4}$ %. An increase in prescription charges, if decided upon, would have an insignificant RPI effect, while dental and optical charges do not affect the RPI at all.
10. The list does not include any further reduction in housing subsidies, but the effects of the reduction in these subsidies which would flow from our existing White Paper decisions, in conjunction with the White Paper decisions on school meals and food subsidies, would affect the RPI to the extent of a little over  $\frac{1}{2}$ %, which has



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already been allowed for in our RPI forecasts. There are additional bids for decision which, if approved, would reduce this effect.

11. The temporary addition to unemployment resulting from the whole package of £1,000 million, if confined to 1977-78 on a once-for-all basis, would tend to build up to a maximum of perhaps 75,000 as compared with what it would otherwise be the first half of 1978, but total unemployment should be coming down well before then. The different elements in the package would have different effects. For example, if the cuts were concentrated on building programmes, a high proportion of this effect would naturally fall upon the construction industry. Reductions in items such as mortgage lending or municipalisation, or a postponement of payment of regional development grants, would have little effect on unemployment.

12. If additional bids were approved which reduced the total net saving on expenditure and the borrowing requirement, they would pro tanto abate these effects. If the additional bids were to exceed the reductions, thus increasing planned expenditure, this would increase the borrowing requirement and the balance of payments deficit.

13. For comparison, the following table shows the effects on the borrowing requirement and on the RPI and on unemployment of a number of illustrative tax changes, each of which would yield, at 1977-78 prices additional revenue in the region of £500-600 million, and would reduce the borrowing requirement by £300-350 million. As in the case of expenditure measures the effects of particular taxes, for instance, on unemployment - in any case subject to a substantial margin of uncertainty - will differ, especially as regards timing.

14. The comparison indicates that a bigger gross revenue package is needed to secure a given cut in the public sector borrowing requirement; and that such a cut, if achieved by reductions in public expenditure of the kind illustrated, would have a much smaller effect on the RPI than a cut of the same amount achieved by increases in taxes. The expenditure method would also tend to produce a smaller effect on unemployment.

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The right time to make these tax changes is in the Spring 1977 Budget. It will not be possible until next Spring to decide how much has to be done, and it also makes sense to decide then which particular tax changes should be used. Otherwise we should be announcing tax increases eight months before they are due to take effect, and without knowing whether the total of the tax increases is right. If Cabinet agree to a £9 billion PSBR target, even with a £1 billion cut in public expenditure, if it were decided the balance must be obtained from indirect tax increases it would be necessary, for the reasons given in paragraph 13 above, to go for a combination of two or more of the items in the attached table.

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ILLUSTRATIVE TAX CHANGES FROM APRIL 1977 TO  
RAISE AS NEARLY AS POSSIBLE £500m IN A FULL YEAR

	<u>Revenue</u> full year 1977/78 £m	<u>PSBR</u> 1977/78 £m	<u>RPI</u> 4th quarter after change %	<u>Real GDP</u> 8th quarter after change %	<u>Unemployment</u> 8th quarter after change 000's
Standard rate of VAT 8%-10%	+670	-350	+1.0	-0.5	+70
Tobacco and alcohol duties +7p on packet of cigarettes } +2½p on pint of beer }	+500	-340	+1.3	-0.4	+70
Petrol and Derv +10p a gallon	+500	-310	+0.8	-0.3	+50
Employers' national insurance contributions + 1% on the contribution rate (see Note 3)	+500 (see note 4)	-310	+0.5	-0.3	+30

- Notes:
1. The illustrative tax increases are put as near £500m of revenue yield as administrative possibilities allow (eg the VAT step has in practice to be from 8%-10%).
  2. The PSBR impact from particular tax measures is less than the revenue yield from those measures first, because of time lags; and second, because a lower GDP (whether resulting from tax increases or public expenditure reductions) produces a lower tax yield across the whole field of taxation, while public expenditure - eg. on social security benefits - increases and hence swells the PSBR.
  3. Use of the employers' National Insurance contribution would require autumn legislation which would also have to make the proceeds available for general revenue by diverting them from the National Insurance Fund.
  4. This estimate excludes receipts in respect of employees in the non-trading public sector.

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III - BILATERAL CONSULTATIONS

15. I have held meetings with the Ministers responsible for the spending programmes which make up the bulk of public expenditure. This programme of consultations has naturally had to be highly compressed and I am grateful to my colleagues for their help in fitting in with the timetable. These discussions have helped to clarify the issues and produce a closer assessment of what is realisable in particular cases, and I am able to report agreement on some few particular proposals. For the most part, however, the main issues remain to be resolved collectively.

16. I must remind my colleagues that in my previous paper I posed two general issues - whether we exclude the main social security benefits from the reductions, and whether we content ourselves with observing the existing White Paper figures for local authority current expenditure rather than go below these. If we do this we reduce the total public expenditure programmes available for savings (£53½ billion at 1976 Survey Prices) by £11½ billion in respect of social security and £10½ billion for local authority current expenditure: we would have to secure the reductions over a smaller area of public expenditure.

Defence

17. I believe that we should seek the full reduction of £140 million which I suggested in my previous paper. But the Defence Secretary considers this saving to be unattainable without fundamental consequences for our defence policy.

Overseas Aid

18. In the case of the Aid Programme I am prepared to scale down my appraisal of the reduction which could be obtained without breaking commitments or near-commitments. I now consider that £50 million can and should be secured by this means. But the Minister for Overseas Development considers that as a matter of principle and moral obligation there should be no cut in this programme. This is a clear political issue which can only be resolved collectively.

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Agriculture, Fisheries and Forestry

19. I have proposed that the additional bids of £9 million should be off-set by implementing in full the policy options set out in the PESC report; and that there should be further savings of £25 million. These further savings could, I suggest, comprise: a reduction of £3 million in forestry expenditure (eg through an embargo on land purchases); a cut of £3 million in R & D expenditure; and a deferral of the payment of capital grants and (if necessary) other agricultural grants and subsidies. The Minister of Agriculture has taken note of these proposals and is considering them with his agricultural colleagues.

20. I remain of the opinion that it would be feasible to secure total net savings of £25 million by these or other means.

Food Subsidies

21. The proposal in CP(76)42 was a faster phasing out of the food subsidy programme to save £200 million. The Secretary of State believes that this rate of rundown would be unacceptable given the reductions already made in the 1975 White Paper, the sharp increases in prices of essential foodstuffs arising for other reasons, eg, under EEC transitional arrangements, and the bunching of increases at a critical period of the 4½% pay policy. The most she felt able to accept was a reduction of £50 million.

22. We have already agreed to phase out food subsidies. Significant price increases are unavoidable and advancing rundown by a year would of itself add only about ¼% to the RPI over 1977-78. To provide some greater room for manoeuvre, however, in the programme of reductions I propose that the saving on the Secretary of State's programme should be in the range of £150-£200 million-provided that sufficient savings are identified elsewhere to make up the target total.

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### Energy

23. The main problem here is BNOC, for which there was no provision beyond 1976-77 in Cmd 6393. BNOC's existing commitments amount to £167 million, and the Secretary of State considers that £30 million should be added to this to cover new requirements which cannot yet be identified. Against this excess of £197 million, the Secretary of State has undertaken to consider, with the Chairmen of the nationalised energy industries and of the AEA, whether cuts of up to £100 million can be made in their existing programmes. Any other possible requirements for BNOC above the £197 million would count as potential claims against the contingency reserve. In addition, I have agreed with him that his additional bid for British Nuclear Fuels Limited (£52.6 million) should be dropped, on the understanding that the company can borrow from the banking sector to finance its development; and that one small additional item of £1.8 million already approved by Ministers should be added to his programme. I have asked him to see whether his other additional bids totalling £34.4 million can be offset by savings within his programme or those of the nationalised energy industries.

### Industry

24. Additional bids, under Programme 4, total some £19 million. Of this figure, some £9.4 million including the bulk of the Concorde provision, seem unavoidable. A further £9.2 million reflects a forecast increase in payment of regional development grant. The Secretary of State has offered savings of £1 million in the Concorde provision and £4 million on R & D expenditure, and has suggested a reduction of £10 million on the provision for selective assistance and minor rescues under Section 7 of the Industry Act. Beyond this he has indicated readiness to contemplate some savings through deferral of payment and reduced industrial coverage of regional development grant (£30 million).

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25. I welcome the savings offered on Concorde and R & D but since those suggested on Section 7 are largely in the nature of estimating changes, I would only score £5 million under this head. As regards regional development grants I propose net savings of £120 million primarily in the form of deferred payment, the details to be settled in agreement with the Secretary of State.

26. Provision of £64 million is proposed under Programme 5 for British Shipbuilders (£56 million) and British Aerospace (£8 million). The Secretary of State would be prepared to accept a reduction of £6 million. Given the uncertainties in this area at this stage, and the absence of a corporate plan, I suggest that the programme provision should be limited to schemes already in progress plus essential renewals and stocks. On this basis I propose a provision of £35 million (including £2 million for British Aerospace), leaving any further provision necessary to be borne on the contingency reserve.

27. The Secretary of State has offered savings of £40 million from the British Steel Corporation and the Post Office.

Trade

28. The additional bids appear unavoidable but the Secretary of State is prepared to make savings of £5 million from the programme for tourism, export promotion, and assistance to the film industry. He has agreed that the investment programmes of British Airways and the British Airports Authority should be cut by a total of £15 million.

Employment

29. Additional bids on these programmes <sup>amount</sup> to £94 million, including the equalisation of men and women's rates of REP at £3 (costing £35 million), the collective funding of apprentice training (£30 million) and miscellaneous items (£29 million).

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30. I proposed in CP(76)42 a net saving of £50 million, by equalising REP at £2 a week after eliminating or offsetting the other additional bids and accepting the 2½% options offered. On REP I now propose a larger saving of about £80 million net by equalising the mens and womens rates of REP at £3 in Special Development Areas only (costing £17 million) and abolishing it in Development Areas (saving about £100 million). This can be done by Statutory Order.

31. On the other items the Secretary of State offered to reduce expenditure on collective funding in 1977-78 to £15 million; and to save £18 million by reducing the employers' rebate on redundancy payments from 50% to 40%, and £15 million by transferring part of the administrative costs of industrial training boards (ITBs) to employers. The last two items would require legislation, and the MSC would need to be consulted on ITBs and collective funding. I still consider that the whole of the additional bids should be offset, which could be done by a further transfer of ITB expenses on the costs of collective funding to employers, bringing the total saving on either of those items to £26 million.

Roads and Transport

England

32. If the Government and local authorities imposed a moratorium on the construction of all new roads in England for one year, the savings would be £240 million, of which £150 million would come from the programme for motorways and trunk roads and the other £90 million from local roads. The Secretary of State for the Environment is prepared to impose a moratorium on the construction of new roads by local authorities which would save the £90 million but he will need that sum to cover the prospective overspending by English local authorities mainly on concessionary fares and on revenue support. The Secretary of State is also prepared to offer savings of £40 million by imposing a moratorium on the construction of new trunk roads in categories III and IV. He would therefore be providing net savings on roads and transport of £40 million. I realise the economic

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disadvantage of a larger cut, but I think we should seek some savings on the construction of trunk roads in categories I and II as well and about a 10 per cent reduction in expenditure on trunk road maintenance. Together these measures could produce a further £35 million and that would still leave a programme of £80 million for new trunk roads. I therefore propose a net saving on this programme of £75 million.

Scotland

33. The Secretary of State for Scotland is willing to take 10 per cent of whatever total cut on roads is agreed for the country as a whole and I therefore propose a net saving on this programme of £8 million.

Wales

34. The Secretary of State for Wales is not prepared to offer savings of more than £2 million because of the need to complete construction of the M4 motorway. I consider however that, as his total programme for motorways and trunk roads is £59 million, he should be able to take a cut of £4 million.

35. Thus I propose a total reduction in this programme of £87 million.

Surface Transport Industries

36. The Secretary of State for the Environment has said that the investment programmes of the minor surface transport industries could be reduced by £5 million if there is a general cut in nationalised industry investment and if the saving can be used to offset additional grant needed for the National Freight Corporation

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Housing

England

37. On the latest information about local authority expenditure and views of feasible rent increases in 1977-78, and trends in housing approvals, there is a prospective overspend in 1977-78 of at least £250 million. Of this, about £150 million would be on new housebuilding, and £100 million on housing subsidies. The Secretary of State has indicated that he is willing to impose immediate control on the new housebuilding programme, which is now open-ended, and to cut the rate of approvals by local authorities from its present level of about 10,000 a month to around 6,000 to 7,000 a month. This would avoid the prospective overspend on this item. In addition, the Secretary of State is willing to find savings of £100 million (gross) on local authority lending, municipalisation, and improvement work.

38. Moreover, if it proves possible to persuade the building societies and banks to replace or refinance a substantial part of local authority lending, he might be able to increase substantially the savings of £100 million (gross). While rejecting the idea of abolishing improvement grants by legislation, he is prepared to see what savings can be achieved by administrative means. Unless a significant contribution can be obtained from these two sources, there would still be no net reduction.

Scotland

39. If a net reduction is made in this programme for Great Britain as a whole, the Secretary of State for Scotland is willing to make a proportionate reduction in expenditure, and to introduce control over new housebuilding, in Scotland.

Wales

40. The Secretary of State for Wales considers that the Survey figures for housing in Wales should be increased by £78 million to

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take account of recent trends in housing approvals, and a proposed increase in improvements, municipalisation and mortgage lending. If the Survey figures were so increased, he would be prepared to contribute proportionately to any net reduction for Great Britain as a whole and to introduce control over new house-building in Wales.

### Great Britain

41. To reach a target of £1 billion, however, I believe we must have a substantial net saving from this programme, at least of the order of £3-400 million.

### Other Environmental Services

42. The Secretary of State for the Environment does not agree to cuts in the community land scheme, but is examining the scope for cuts in capital expenditure of local authorities and regional water authorities. The Secretaries of State for Scotland and Wales would be prepared to make proportionate cuts in their programmes.

43. For Great Britain as a whole it still seems reasonable to seek net savings of £100 million.

### Law, Order and Protective Services

44. In Home Office services, the additional bids for England and Wales amount to £21 million. The Home Secretary has indicated that he is prepared to absorb £16 million for inescapable commitments, and to withdraw £4 million of bids for items of lower priority. The bid of £1 million for the urban programme can be left for later decision. In Scotland, the additional bids amount to £8 million. Of this, £5 million can be treated in the same way as the Home Office bids. The remaining £3 million is for local authority current expenditure and will fall to be considered in that context.

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45. In view of the savings required to offset inescapable increases I am not now suggesting an overall net cut in this programme, although a modest net saving might need to be considered if sufficient savings cannot be found elsewhere.

46. On the remainder of this programme, it should be possible for the Lord Chancellor's additional bids to be fully offset; and the Minister of Agriculture is prepared to withdraw his bid for the food stockpile. No provision need be made at this stage for the contingent bid for Rhodesian refugees.

Education and Libraries, Science and Arts

47. Some four-fifths of this programme consists of local authority current expenditure. Some of the "policy options" affecting that expenditure will be needed to offset the additional bids of £41 million and to reduce a prospective excess on local authority current expenditure generally: thus they cannot be scored as a contribution to a net saving.

48. I therefore discussed three matters with the Secretary of State for Education and Science:

(i) Additional bid for school meals

We have undertaken to the TUC that the present school meal charge of 75p will not be raised during this financial year. To keep to the expenditure figures in Cmd 6393 for 1977-78 the charge would have to be raised by 9p in April 1977; or by 12p in September 1977; or by 5p in April 1977 and a further 5p in the following September. The Secretary of State could recommend only one increase of 5p in September 1977: the consequence of this is an additional bid of £43 million (GB). It is for consideration whether charges should be raised to offset this bid in whole or in part. A single increase of 10p in September 1977 would reduce the additional bid to about £15 million. The charge would then have remained unchanged for 2½ years. The current cost of a school meal.

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is 42p. Net expenditure on school meals (excluding free meals) is running at £285 million a year.

(ii) Net savings on education and libraries

The Secretary of State is prepared to offer savings of £25 million mainly by reducing expenditure on university furniture and equipment, and on computers. I think it should be possible to save a further £23 million by slowing down the growth in the number of full-time students in higher education and limiting the building starts programmes for 1977-78 to those required to meet basic needs for additional places in primary and secondary schools. I should look for a corresponding saving of £2 million from the comparable Scottish programmes, bringing the net saving on education and libraries to £50 million.

(iii) Net savings on science and arts

The Secretary of State for Education and Science is prepared to offer £4 million on this part of the programme. I still consider that it should be possible to make savings of £8 million on science and £2 million on the arts programme, making a total of £10 million.

### Health and Personal Social Services

49. The discussion with the Secretary of State for Social Services covered:-

(i) Charges

The Secretary of State is ready to raise £20 million (GB) by increasing dental and optical charges (though the Scots reserved their position) This would involve charging in full for the supply and dispensing of lenses and a rise in the flat rate charge for dental treatment from £3.50 to £6, as well as increases in denture charges.

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Prescription charges were also discussed, and I may wish to come back to this if the overall savings cannot be secured in other ways.

(ii) Capital Expenditure

The Secretary of State is unwilling to see reductions, although the Scots would prefer this to raising charges. An immediate one/<sup>year</sup> moratorium on all new starts on the health programme would save £35 million (GB) and reduced allocations for minor works should also be possible. I believe a saving of £30 million on the health side would be reasonable, and £70 million on the personal social services capital programme. These are GB figures and each country would contribute its share.

(iii) Current Expenditure

The Secretary of State is not willing to consider any reduction. There is an additional bid of £12 million for the Jubilee holiday, and health authorities are already committed to offset the additional cost of the junior hospital doctors' contract. These additional costs should be absorbed and some savings may also be possible on research. No prospect is seen of securing any reduction in current expenditure on local authority personal social services.

(iv) Levy on Motor Insurers for Road Accident Costs

The Secretary of State proposed the introduction of a statutory levy on motor insurers to cover the full costs of NHS treatment arising from traffic accidents to yield £40 million in 1977-78. I agree that this should be looked at in detail but no feasible proposals have been worked out and it would not be realistic to count on any yield from this in 1977-78.

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Social Security

50. Additional bids of £134 million arise from changes in demographic factors and economic assumptions. These are unavoidable but I discussed the following <sup>matters</sup> with the Secretary of State:-

(i) Mobility allowance.

An additional bid of £2 million arises from proposals to extend eligibility and uprate the allowance to £7 in November 1977 (and by prices at 2 yearly intervals thereafter). The Secretary of State agreed to offset the costs of extension by slowing down the take-on programme but is unwilling however to withdraw the uprating bid. Even though, with slower phasing, this might now cost little or nothing extra in 1977-78, I must oppose it in view of the substantial additions that would arise in later years.

(ii) Non-contributory invalidity pension for housewives.

This is due to be introduced in 1977-78, though there is no precise commitment to a date in that year. The Secretary of State is prepared to consider postponing introduction to about half way through that year, saving some £10 million. I think it should be possible to double this saving by postponing introduction until the end of the year.

(iii) Unemployment benefit for occupational pensioners.

The Secretary of State is prepared to include in the Social Security Amendment Bill early next session a provision to restrict unemployment benefit for occupational pensioners. The reduction would affect those with occupational pensions over, say, £25 and might save about £10 million in 1977-78 (twice as much in a full year). We are agreed on the merits of

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this proposal and I recommend that it should  
be adopted and an early announcement made.

Assistance to Poorer Energy Consumers

51. There is an additional bid for £25 million (of which some £10 million would fall in 1977-78) for a package of measures to help poor consumers next winter. I have discussed this with both the Secretary of State for Energy and the Secretary of State for Social Services. Since neither is prepared to sponsor the scheme in his programme or to find offsetting savings for it, I recommend that the proposal should now be dropped.

Scotland

52. For the generality of programmes, the Secretary of State will accept reduction on the lines of those agreed for the rest of the country. However, he does wish to retain flexibility about priorities in expenditure. He accepted that the open-ended nature of the house-building programme should be ended and thought that savings could be found in the housing programme. For local authority current expenditure, he argued that an extra £22 million is necessary to maintain Cmd 6393 policies affecting this expenditure in 1976-77; without this, he said a painful readjustment of policies would be required. Of course, this applies to the rest of the UK as well. I cannot therefore recommend acceptance of additional expenditure here.

Scottish Nationalised Industries

53. Following my meeting with the Secretary of State officials are to examine the possibility of reducing the investment programmes of the Scottish nationalised industries by £10 million.

Wales

54. Apart from the housing and roads programmes, the Secretary of State will make reductions equivalent to those agreed for the rest of the UK. While he accepts that the open-ended nature of

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the housing programme should be ended, he feels that the base-line for housing in Wales is too low and that it should be increased by some £80 million before net reductions are made comparable to those in England and Scotland. For roads he is concerned about progress on the M4 and has only offered savings of £2 million against the £5 million which I have sought. As indicated in paragraph 34 above I believe the savings here should be £4 million.

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IV

ADDITIONAL BIDS -  
REARRANGEMENT OF PRIORITIES

55. I understand very well the point of view that, even when we have to restrict or reduce public expenditure as a whole, it should be possible to find room for extra expenditure on programmes of special priority, and that general reductions may be politically more acceptable if they can be accompanied by some particular increases of this kind. The practical difficulties of giving effect to this will be different in 1977-78 from those with which we have to deal in the current year.

56. In planning ahead for 1977-78, if we set ourselves a target for reducing the planned total of expenditure, we can deal with proposals for additions to the Survey programmes in one of the following ways:-

- (a) Decide on gross reductions going beyond the target figure, so that some additional bids can be approved while still securing the target figure of net reductions.
- (b) Approve additional bids now as claims on the contingency reserve for 1977-78, thus reducing the size of the contingency reserve for that year.
- (c) Withhold approval from additional bids now, on the basis that they can be considered as potential claims against the contingency reserve in the course of 1977-78 itself, according to the state of the contingency reserve at that time.

57. I should see great difficulties over courses (b) or (c), since even now, nine months before the beginning of the next financial year, the contingency reserve for 1977-78 has already been substantially depleted. It is at present reduced rather below the amount for the corresponding year in the last public expenditure White Paper (Cmd 6393). To publish anything lower than that as a contingency reserve would not carry conviction. Equally, to leave a large overhang of proposals as potential claims on the contingency reserve would be courting the risk of publishing a plan and not being able

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to stick to it. I conclude therefore in favour of course (a), ie that we must only approve additional bids to the extent that they can be balanced by additional gross reductions yielding our net target reduction in planned expenditure compared with the last White Paper, and that potential claims on the contingency reserve should be kept to a minimum.

58. One suggestion put to me in the course of the bilateral discussions was that we should make a proportionate percentage cut in all programmes across the board, excluding social security, where our freedom of action is limited by our statutory commitments, and excluding local authority current expenditure, for reasons with which we are now familiar. As indicated in paragraph 16, these exclusions considerably reduce the total from which savings can be made, and in order to achieve a net reduction of £1,000 million on the remainder of public expenditure by a standard percentage cut, we should have, not merely to reject all additional bids or require them to be absorbed, but to scale all the programmes concerned down by over 3%. If the programmes of industrial expenditure were also excluded from the cuts, remaining programmes would have to be reduced by  $3\frac{1}{2}\%$ . I do not believe that this would be a practicable approach. For some programmes it would fall far short of what is feasible, while for others it would require bigger savings than can be secured in 1977-78.

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V CONCLUSIONS

59. It remains my view that the composition of any package which we announce must be made up out of the items which I list for decision in the Annex to this paper though, as I have already indicated, my assessment of the potential amounts in particular cases has been revised in the light of my consultations with the Ministers concerned. Before we come to decide on these programmes I should like to draw attention again to two general issues which are relevant to our decisions:-

- (a) Whether we rule out any significant amendment to our statutory commitment on social security payments, which constitute the largest single expenditure block;
- (b) whether we confine ourselves to attempting to secure observance of the existing White Paper figures for local authority current expenditure in 1977-78, rather than seek to bring about some further reduction. There is also a question whether the same approach should hold good in this respect for Scotland as for England and Wales; and a further question whether, notwithstanding this general approach, we should allow an increase in that part of local authority current expenditure which goes on fare subsidies.

60. We have to decide not only on possible programme reductions but also on the main additional bids; otherwise we will not know whether total public expenditure is really being reduced or by how much. There are a number of relatively small additional bids which we may not be able to settle in detail now, but if so it would be desirable slightly to overshoot our target in order to accommodate the most pressing cases later. For the rest, I have given an indication in the attached Annex of possible gross reductions in Survey programmes (before taking account of the additional bids); the main additional bids which are still outstanding after our

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bilateral discussions; and my proposals for the net reductions on each main programme from which we should make a choice. The total of these proposals for net reductions adds up to rather over £1 billion in order to leave some room for choice assuming that Cabinet decides that that should be the target figure.

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PUBLIC EXPENDITURE 1977-78 : ISSUES FOR DECISION

<u>Programme</u>	Possible gross reductions (before additional bids)	Main remaining additional bids for decision	Proposed <u>net</u> reductions on Survey figures to be selected from the following	<u>Comment</u>
1. DEFENCE	140	-	140	Mainly deferrals.
2. OVERSEAS AID, ETC.				
Aid programme	50	-	50	Reduced from £100 million for reasons given in paragraph 18.
3. AGRICULTURE, ETC.				
Agriculture, fisheries and forestry	34	9	25	Net savings of £25m (GB) (after absorption of additional bids) to be achieved mainly by deferral of payment of grants and embargo on purchases of forestry land.
Food subsidies	150-200	-	150-200	Secretary of State has offered 50.

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<u>Programme</u>	<u>Possible gross reductions (before additional bids)</u>	<u>Main remaining additional bids for decision</u>	<u>Proposed net reductions on Survey figures to be selected from the following</u>	<u>Comment</u>
4. TRADE, INDUSTRY AND EMPLOYMENT				
Industry	139	18	121	Net savings to be obtained from provision for Section 7 assistance (£5m) and R & D (£4m); and by deferral of payments (£110m) and reduced industrial coverage (£20m) of regional development grants.
Energy	34	36	-2	By absorption of most additional bids within existing programmes.
Employment		94	80	Additional bids (other than for REP) to be absorbed by a combination of reduced provision for collective funding, lower employers' rebate on redundancy payments, and transferring most of cost of ITBs to employers through the levy. Last two require legislation. Net saving of £80m to be obtained by equalising REP at £3 in special development areas and nil elsewhere.
Trade	5	3	2	Additional bids to be offset by agreed gross saving of 5.
DPCP		3½	-2½	Accept continuation of Price commission.
Export credit and shipbuilding refinance		100-200	-	Additional bid to be offset by negotiating increased contribution from the banks (from 18% to 20% of current deposits).

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<u>Programme</u>	<u>Possible gross reductions (before additional bids)</u>	<u>Main remaining additional bids for decision</u>	<u>Proposed net reductions on Survey figures to be selected from the following</u>	<u>Comment</u>
5. NATIONALISED INDUSTRY INVESTMENT				
BNOC	-	197	-197	
British shipbuilders )	-	58	-35	By limiting provision to existing schemes and essential renewals and stocks. An alternative would be to leave the provision for these two industries as a claim on the contingency reserve.
British Aerospace )				
Other nationalised industries	140-240	45	95-195	No major reductions agreed, but small savings from most programmes should be possible without serious damage to investments plans.



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<u>Programme</u>	<u>Possible gross reductions (before additional bids)</u>	<u>Main remaining additional bids for decision</u>	<u>Proposed net reductions on Survey figures to be selected from the following</u>	<u>Comment</u>
6. ROADS AND TRANSPORT				
England				The additional bid is for fare subsidies which are part of local authority current expenditure. If this is approved bigger capital cuts are required than the Secretary of State has proposed.
Roads capital	165	-	75	
Fare subsidies	-	90		
Scotland	8	-	8	Capital expenditure on roads.
Wales	4	-	4	" " " "
7. HOUSING				
England )	380-480	( - )	300-400	Secretaries of State are prepared to introduce control of new house-building to remove additional bid for that item. There is an additional bid for housing subsidies in England which the Secretary of State is prepared to offset by savings in improvement, mortgage lending and municipalisation. Suggested net reduction would require further savings in improvements, mortgage lending, municipalisation, housing associations and new towns; and would be shared proportionately between England, Scotland and Wales.
Scotland )		( - )		
Wales )		( 78 )		

Programme	Possible Gross reductions (before additional bids)	Main Additional bids for decision	Proposed <u>net</u> reduction on Survey figures to be selected from the following	Comment
8. OTHER ENVIRONMENTAL SERVICES	100	8	100	Additional bid is for local authority current expenditure in Scotland. Net savings of 100 (GB) on programme as a whole could be obtained by reductions in local authority capital projects; postponing some capital expenditure by water authorities; postponing some community land purchases.
9. LAW, ORDER AND PROTECTIVE SERVICES	-	35	-	Additional bids should be withdrawn or offset by savings elsewhere in the programme.
10. EDUCATION, LIBRARIES, SCIENCE & ARTS	50	41	50	Additional bids are mainly in local authority current expenditure and would need to be dealt with in that context. Saving would fall mainly on building projects and university expenditure. Secretary of State for Education has offered 25.
Education and libraries				
School meals		43	-15	Additional bid could be reduced to 15, by an increase of 10p instead of 5p in the charge in September 1977.
Science and Arts	10	-	10	Net saving of 8 on science budget and 2 on arts. Secretary of State for Education has offered 4.

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Programme	Possible gross reductions (before additional bids)	Main remaining additional bids for decision	Proposed net reductions on Survey figures to be selected from the following	Comment
11. HEALTH AND PERSONAL SOCIAL SERVICES				
Dental and optical charges	20	-	20	Charge full cost for lenses and increase dental charges.
Prescription charges	25-35	-	-	20p increase
Capital expenditure	40	-	40	30 on health and 10 on personal social services. GB figures to be shared among England, Scotland and Wales.
Current expenditure	30	21	30	Additional bids for cost of Jubilee holiday etc., to be absorbed within existing provision.
Levy on Motor insurers	40	-	-	Proposed by Secretary of State, but legislation required and no feasible proposal yet worked out.

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Programme	Possible gross reductions (before additional bids)	Main remaining additional bids for decision	Proposed net reductions on Survey figures to be selected from the following	Comment
12. SOCIAL SECURITY				
Changed demographic factors and economic assumptions	-	134	[- 134]	This estimate is subject to revision before the public expenditure White Paper.
Mobility allowance		2	-	Defer. (Cost rises substantially later years).
Non-contributory invalidity pension for housewives	20	-	20	Defer for 1 year. Secretary of State is prepared to consider saving of £10m by 6-month deferment.
Restrict unemployment benefit for occupational pensioners	10	-	10	Agreed proposal. Legislation could be included in Social Security Amendment Bill for introduction early next session.
Assistance to poorer energy consumers		10	-	Withdraw. (Neither Energy Secretary nor Social Services Secretary are prepared to find room for this within their programmes.)

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Programme	Possible gross reductions (before additional bids)	Main remaining additional bids for decision	Proposed net reductions on Survey figures to be selected from the following	Comment
13. OTHER PUBLIC SERVICES				
Devolution	-	17	-	Unavoidable once the Devolution Bill is enacted, but can be left as a claim on the contingency reserve.
Broadcasting	-	4	-	4th TV Channel (for Wales) should be postponed. Remainder is mostly unavoidable and should be offset against BBC capital expenditure
14. COMMON SERVICES	10	9	10	Additional bid is inescapable addition to rent bill. Overall net saving of 10 requires 10% of maintenance and new capital expenditure on Government office accommodation.
15. NORTHERN IRELAND	25	-	25	The Secretary of State is prepared to accept a proportionate share (of about £25m) assuming an overall total of £1 billion cuts.
TOTAL NET REDUCTIONS ON SURVEY FIGURES			<u>979-1229</u>	
[excluding estimating change on social security]			[1113-1363]	

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# CABINET

## PUBLIC EXPENDITURE - TREATMENT OF PUBLICLY-OWNED INDUSTRIES AND COMPANIES

Memorandum by the Chancellor of the Exchequer

1. In our discussion of public expenditure on 15 July the question was raised whether a different classification should be adopted for the capital expenditure of the British National Oil Corporation (BNOC). The treatment of the public corporations generally in our published figures of expenditure and borrowing is a matter to which the Chief Secretary, Treasury, and I have been giving thought for some time, and on which we commissioned work from officials for reasons unconnected with the present proposals to reduce public expenditure next year. As a longer-term matter I am personally concerned that we should move away from a presentation of these figures which puts us in an unnecessarily bad light internationally.
2. I enclose a note by the Treasury indicating some possibilities for a different treatment of the various publicly-owned industries and companies in our public expenditure figures. Some of the more radical possibilities would involve more than changes of classification and presentation. For instance, if we were to publish figures in terms of the Government money provided to public sector industry, rather than in terms of their investment expenditure, however financed, this would not only put a new emphasis on Government lending as an instrument of control - and there might be a good deal to be said for this - but, if forward projections of these plans were to appear at all, the Departments and industries concerned would have to prepare financial forecasts for a considerably longer period ahead than they have so far been accustomed to do.
3. I am sure that this work should be pushed ahead so as to enable us to adopt a more satisfactory presentation as soon as possible, but I cannot commit myself now to any of these more radical new departures in time for the public expenditure White Paper next autumn, and I am quite clear that to extemporise an ad hoc new arrangement confined to BNOC only would be out of place and would have the reverse of the desired effect presentationally. The one rearrangement which does seem to me a distinct possibility for

adoption this year, and which I should regard as an important step in the right direction, would be to exclude the nationalised industry figures from the general public expenditure totals in the autumn White Paper, and to show them separately, probably in the same White Paper, this time at any rate, but possibly in a White Paper relating solely to the nationalised industry programmes.

4. However, I am sure that even this could redound to our discredit if it were open to criticism as a means of presenting our public expenditure reductions in a better light than is justified by the facts and of suppressing an awkward addition to the last White Paper figures. Therefore I feel that the prospect of making a change on these lines depends in the first instance on our securing a neutral result, so to speak, in our decisions on the nationalised industry programmes as compared with the last White Paper. That is to say, any additions would have to be balanced by savings within the same set of programmes. Even then I have little doubt that there would be further technical and statistical complications to be dealt with but I should hope that, subject to the important proviso which I have just made, these could be overcome.

D W H

Treasury Chambers

16 July 1976

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PUBLIC EXPENDITURE - TREATMENT OF PUBLICLY OWNED INDUSTRIES  
AND COMPANIES

Note by The Treasury

Treatment in the Public Expenditure Survey

1. The public expenditure Surveys and White Papers include, in Programme 5, the capital expenditure programmes of the nationalised industries (irrespective of the way in which they are financed) because these constitute the expenditure and resources which the Government control in this field.
2. Programme 4 includes loans and grants to private sector companies (not their capital expenditure which is financed by other means) because this constitutes the expenditure which the Government controls and the proportion of resources which it contributes.
3. There is now an increasing number of companies such as BLMC or BNPL which, unlike the nationalised industries, are governed by the Companies Act and not by separate statutes, but in which the Government has a 100% or a majority shareholding. These have so far been treated in the national accounts as part of the private sector, and loans and grants to them are also included in Programme 4 of the public expenditure Survey.
4. A proposal is now being considered to bring together the nationalised industries and the publicly controlled companies in the national accounts in a new public trading sector. The public expenditure Surveys and White Papers aim to be on the same basis as the national accounts so far as possible, but they do not have to be in any particular case where a different treatment is more justifiable for the purposes of control of expenditure and allocation of resources. Whether or not the nationalised industries and the publicly controlled companies were brought together in the national accounts, for public expenditure purposes one could either adopt the existing Programme 4 treatment for all these bodies, showing



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only the Government money provided, or the Programme 5 treatment, showing the whole of the capital programmes concerned; though it would be more suitable to do so in conjunction with a change in the national accounts.

5. Such a change is, however, unlikely to come to fruition this year. An earlier change could be made for public expenditure purposes, if all the implications could be worked out in time for the presentation of these programmes and of the public expenditure figures as a whole; we should also have to work out the necessary changes in planning and forecasting and agree them with the industries concerned. In some respects the practical problems of a new regime on these lines could be more difficult than those of the existing system because, while investment programmes can be projected for a period of years ahead within reasonable limits, financing flows are much more volatile, so that medium-term projections of lending to the nationalised industries could be much more speculative than medium-term projections of investment programmes.

6. There is no possibility whatever of working out new arrangements of this kind in time for any statement on public expenditure before the Recess, and it would be optimistic to expect that they could be introduced in the regular public expenditure White Paper this Autumn. It would be disastrous, from the point of view of relations with the Expenditure Committee, to attempt to do so without clearing the new presentation with them, and particularly so if the Committee believed that the point of the presentational change was artificially to reduce public expenditure. A more feasible course would be to make a clear distinction in the Autumn White Paper between central and local government expenditure programmes and industrial investment programmes, which would be shown separately.

Public Sector Borrowing Requirement (PSBR)

7. By definition the figures for the public sector borrowing requirement which appear in the Red Book (the annual Financial Statement and Budget Report) represent the borrowings (not the

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expenditure on the investment programmes) of public sector bodies from all sources. The introduction of a new public trading sector classification would not in itself reduce the PSBR (it would, if anything, increase it), but it would provide the occasion for a fairly radical change in the presentation of the Budget figures. Emphasis could be laid on the general Government borrowing requirement, which would exclude borrowing by the trading sector from the private sector and abroad, or on the general Government financial balance, which excludes all borrowing for on-lending. But a great deal of further work remains to be done on this subject.

BNOC

8. It would be difficult to exclude BNOC from the public expenditure Surveys and White Papers (in advance of any wider new arrangement) as being a new departure requiring a different treatment because -

- (a) it was included in last year's Survey and White Paper (Cmd. 6393, page 48);
- (b) even if (a) were not the case, to exclude new nationalised industries would mean leaving out the aircraft and ship-building industries also, when they are nationalised, and there would be no logic in this.
- (c) There are no clear grounds of substance for differentiating BNOC from other nationalised industries for this purpose.

9. The fact that BNOC is capable of financing its capital requirements by overseas borrowing would not be a sufficient reason for taking it out of Programme 5 which, as explained above, sets out investment programmes and not the method of financing them. Many of the other nationalised industries have raised large overseas borrowings, but this has not been regarded as grounds for excluding

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their investment programmes from the public expenditure Surveys. Even if BNOC investment were taken out of the public expenditure figures, it would still contribute to the USSR unless BNOC were removed completely from the public sector and obtained its funds direct from the private sector and abroad and not from the National Loans Fund.

10. It would be possible for the Government to announce reductions in public expenditure programmes other than the nationalised industries on the basis that the nationalised industries are the subject of a separate but related review of investment programmes, the results of which would be announced separately. But, if it transpired that the expenditure plans of the nationalised industries had increased as compared with the previous White Paper, it would be apparent that the net reductions in total public expenditure were less than the Government had claimed. Similar considerations would hold good if the Government were to announce reductions in public expenditure programmes with the sole exception of BNOC, but the grounds for excluding BNOC alone would be even weaker than for excluding the whole group of nationalised industries.

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CP(76) 55

COPY NO 81

16 July 1976

CABINET

PUBLIC EXPENDITURE

Memorandum by the Secretary of State for Social Services

1. I thought it would speed discussion of health and social security, if I made firm proposals for finding the greater part of the sum the Chief Secretary is asking of me.

SOCIAL SECURITY

2. On the social security side the Chief Secretary and I are agreed that we should press on to introduce legislation under which occupational pensions of above £25.00 in the age group 60-65 will have the effect of reducing or eliminating entitlement to unemployment benefit. This would save about £20 million in a full year and £10 million in 1977-78. I have also agreed to a postponement in the introduction of non-contributory invalidity benefit to housewives until the autumn 1977. This would save £13 million in 1977-78. Together these measures would save £23 million. Beyond these measures we have already agreed there is no scope for further social security savings.

HEALTH AND PERSONAL SOCIAL SERVICES

3. I have carried out the most searching examination of the health service budget to see what can be saved without cutting services to patients. There is very little room for manoeuvre. The Chief Secretary asked for cuts of £30 million on the health services capital and another £30 million on National Health Service (NHS) revenue. Capital is already very much reduced as a result of the last White Paper on Public Expenditure. A minimum of health service capital is necessary to make it possible to concentrate hospital services and thus make the savings in running costs required by the last series of cuts. I am prepared to find £20 million on capital - £10 million from the NHS and £10 million from local authority personal social services - but to go beyond this would be very damaging indeed. As for running costs, I am cutting administrative costs and pruning central support services to the limit to find the

£30 million needed to pay staff on the Jubilee holiday and to meet the extra cost of junior doctors' overtime. To cut further would be very damaging indeed to the NHS where we already face serious problems through shortage of revenue expenditure.

4. Any additional savings would need to be raised by charges. We would all agree that to try and raise prescription charges would so enrage our supporters and the Trades Union Congress that we might not be able to get the legislation through the House. Increases in dental and ophthalmic charges will be opposed but less strenuously. I think therefore that we must raise them to the limit. Thus I am suggesting a very substantial increase to raise £20 million.

*I consider that*  
5. ~~The Chief Secretary and I agree that in principle~~ we should make motorists pay for the full cost falling on the Health Service from accidents on the roads. This would save £40-£45 million in a full year. The problem is to realise the whole of this saving for the critical year of 1977-78. I am convinced that if we take the decision now and hasten into consultation with the insurance companies and others, it should be possible to start getting in the money soon after April 1977; in the annex to this paper I explain the operational steps which are required. But I am prepared to include only half a full year's savings (ie £20 million) in my package.

6. That makes £60 million on health and personal social services - or more if we can get more than a half year's savings from road accident charges. I hope that this - together with my offer of £23 million on social security - will be accepted as a fair share of the package. If not, and more is needed I suggest that we should adopt the same solution as in the post devaluation cuts announced in January 1968 - namely a small increase in the contribution for the NHS paid by employers with the national insurance contribution. This would make it unnecessary to impose further cuts in the service. We should make it clear that that was why we were doing it. Our creditors would know that the reduction in the Public Sector Borrowing Requirement was guaranteed and not just promised. An increase of 0.1 per cent would raise about £60 million. It can hardly be argued that this would reduce taxable capacity. The effect on the Retail Price Index would be a tiny 0.05 per cent. This would of course require legislation, but provided that at least four months' notice was given, the increase could operate from April 1977.

7. The measures I am suggesting total more than the £100 million I am being asked for on the health programme.

D E

Department of Health and Social Security

16 July 1976

COSTS OF ROAD ACCIDENTS TO THE NHS

1. If my colleagues agree, a change can be made in the arrangements for obtaining from motor users a contribution to the costs of the NHS caused by road accidents, so as to increase the yield from this source from about £10m a year at present to about £40-£25m a year.

2. The present arrangement dates from 1934. It requires individual claims by hospitals following up individual road accidents with drivers and insurers. It is wasteful in administration and limited in scope and the maximum claims and fees were last adjusted in 1969. (The maximum of £200 per case nowhere near reflects our estimate of the full average cost which is nearly £500).

3. I want to introduce a direct levy on motor insurers. The levy, paid into the NHS centrally, would be based on the cost (including a capital element) of maintaining NHS treatment services to handle the patients injured in road traffic accidents. Each insurer's share would be related to their total gross annual income from motor vehicle insurance. The increased premium that insurers would have to charge to offset the levy would amount to about £3 a vehicle (flat rate). The total effect on the RPI, including the indirect effect of increased premiums for commercial vehicles (an allowable cost under the price code), is estimated to be less than 0.1 per cent.

4. The levy would cover NHS costs, and vehicle users, in England, Wales and Scotland and would periodically be reviewed in the light of statistics of usage and costs.

Timing

5. The following steps will be required:

July - announcement of proposal in principle;

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Aug - Sept - discussions begin with AA, insurers, fleet users on the principle, to be followed by detailed arrangements;

Nov, say, - publication of the necessary Clauses in a Bill and Second Reading;

By the New Year - arrangements completed for collection of NHS statistics on a running basis to justify the size of the levy for 1977/78;

Early 1977 - arrangements made with insurers for remission of levy with effect from 1.4.76, and by insurers for up-rating premiums as required;

May 1977 (say) - Royal Assent to Bill. Levy begins to flow into NHS backdated as from 1.4.76. Is adjusted periodically to reflect statistics of cost and usage of NHS.

Legislation

6. The statutory provision for the levy would need several clauses, including repeal of the existing unsatisfactory arrangements. I hope my colleagues will agree that the Drink and Driving Bill, itself of high priority to reduce road accidents, will be in the 1976-77 Session and that these Clauses should be incorporated in it.

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CP(76) 56

COPY NO 33

21 July 1976

CABINET

THE EMPLOYERS' INSURANCE CONTRIBUTION AND  
THE PACKAGE

Memorandum by the Chancellor of the Exchequer

1. I said in my paper of 13 July (CP(76) 52) that there was a powerful feeling in the Party, which I am sure we in the Government share, that this month's package must at least be sufficient to do the job; it must re-establish confidence in sterling and improve our prospects of financing the balance of payments deficit, sufficiently to spare us a repetition within a few months.

THE PACKAGE SO FAR

2. I have been considering whether the elements of the package as they are now emerging are likely to meet this requirement. My statement will say:

i. That if the economy develops as we expect, we intend that the Public Sector Borrowing Requirement (PSBR) for 1977-78 should be in the region of £9 billion.

ii. That we expect the re-expansion of the economy to reduce this year's PSBR of £11½ billion by something approaching £1 billion in 1977-78.

iii. That we propose public expenditure reductions of £1 billion in 1977-78 which (depending on the final make up of the package) will reduce the 1977-78 PSBR by about £0.9 billion.

iv. That we stand ready, by tax action next April if necessary, to complete the PSBR reduction to about £9 billion.

The latest forecast of the 1977-78 PSBR after ii., but before iii. and iv, is £10.6 billion. iii. reduces that to £9.7 billion. The implication would therefore be that further action under iv, to produce a PSBR reduction of £700 million would be necessary - equivalent to tax increases of over £1 billion. I made it clear in my paper of 13 July (paragraph 7) that this would still be necessary after expenditure cuts of £1000 million.



## SHOULD WE STRENGTHEN IT?

3. There is a serious risk that a statement consisting of i, to iv, in paragraph 2 would not be sufficient. I am quite clear, as I said in my earlier paper, that the commitment to £9 billion for the PSBR in 1977-78, qualified in the way suggested above, is the bare minimum required to restore confidence. Assuming that we agree on the £1 billion of public expenditure cuts, we shall have £0.9 billion of hard action and the balance in forecasts (inevitably uncertain) and promises for the future. It seems likely that the market has already largely discounted the £1 billion of public expenditure reductions. Moreover there are serious risks in living for months to come with an implied commitment to £1 billion of tax increases in the 1977 Budget. Overseas observers might take the view, understandably, that these increases when they come would destroy the chances of further pay restraint, and discount the package accordingly. And the possible reduction in real take home pay implied would certainly add substantially to the difficulties of the trade unions in continuing pay restraint. I conclude that we need to strengthen the package with some further hard action. This cannot of course be in substitution for any part of the £1 billion public expenditure reductions. It must be additional to that.

4. For the reasons given in my earlier paper I do not believe that this extra element can take the form of income tax increases or increases in indirect taxes on consumers to be announced now. There is however one form of tax action open to us which it is natural and necessary to announce well in advance and which has less impact on the Retail Price Index (RPI) and adds less to unemployment than other taxes. The table of illustrative tax changes in the Chief Secretary's paper attached to CP(76) 53 showed that an increase in employers' national insurance contributions add only about half as much to the price level and to unemployment for a given reduction in the PSBR as an increase in Value Added Tax (VAT) or in tobacco or alcohol duties.

## EMPLOYERS' CONTRIBUTIONS

5. In these difficult circumstances I propose that we should strengthen the package by announcing a surcharge of 2 per cent on employers' national insurance contributions operative from 6 January 1977. Operation from 6 January 1977 would ensure a full year's yield in 1977-78; there is a delay of six weeks between operative date and first receipt of the increased contributions. The latest estimates I have of the impact of such a change are:-

Revenue, full year: 1977-78	£1050 million*
PSBR: 1977-78	- £680 million
RPI: 4th quarter after the change (end 1977)	1%
Real: Gross Domestic Product (GDP): 4th quarter after the change	- 0.4%
Unemployment: 4th quarter after the change	+ 12,000

\*Excludes receipts from non-trading public sector.

6. This contribution surcharge would require legislation in the autumn, which would also have to divert the proceeds from the National Insurance Fund. There are two main ways of proceeding. One would be to treat the surcharge as a new and separate tax which simply used for convenience the existing machinery for collecting national insurance contributions.

7. The other would be to treat the 2 per cent as an increase in the part of the national insurance contribution which is regarded as being in relief of National Health Service expenditure. This National Health Service (NHS) element of the contribution was fixed at 1 per cent (employer 0.6 per cent, employee 0.4 per cent) in April 1975, when it was intended as the rough equivalent of a contribution hitherto fixed in money terms rather than as a percentage. It now yields about £350 million a year. If this route for the 2 per cent increase were chosen, the employers' contribution would become 2.6 per cent (employee 0.4 per cent). The total yield would still be less than 20 per cent of the £5.6 billion at 1976 Survey prices which is the forecast cost of the NHS in 1977-78. This route would bring us more nearly into line with the much higher level of employer contributions to health and social security services common in other European countries (see Annex) but it would not in fact make more resources available for the NHS and would not be intended to do so. I invite my colleagues' views between the two routes. I rule out a third route, which would be to credit the increased contributions to the National Insurance Fund and reduce the Exchequer contribution to match; that would open up argument on the basis of financing the National Insurance scheme.

8. The 2 per cent surcharge would carry through into export costs but given the proportion of labour costs in total costs would probably add 1 per cent or less; this is acceptable given the improvement in competitiveness due to the depreciation of sterling. A more serious difficulty is the impact on industry. Initially the surcharge would reduce industrial liquidity. After an interval it would be passed on in prices with the usual mark up where market conditions allowed. We would have to expect an adverse reaction from industry, which is particularly hostile to payroll taxation, and this reaction could make it more difficult for the Confederation of British Industry (CBI) to co-operate fully in the industrial strategy. Industry could point out that, allowing for the composition of the public expenditure reductions, the biggest initial impact of the package was on the company sector. Nevertheless there would be real benefits for industry in a more convincing package. If the package succeeds there could be relief to interest rates because of the reduction of the PSBR. Industry would also stand to gain from removal of uncertainty and of the "overhang" of tax increases for the 1977 Budget. The Trades Union Congress (TUC) for their part are likely to be less hostile. They argue that we have done too much so far for company profits. They would see that the effect on prices, take home pay and employment would be less and slower than with other taxes. Certainly, the surcharge would be much more acceptable to them than other increases in direct or indirect taxation.

**SECRET**

**CONCLUSION**

9. I cannot be certain that a package strengthened with the 2 per cent surcharge would achieve all we hope from it, but I must tell my colleagues that without the surcharge there is a serious risk that the package will prove insufficient. With the £1 billion of expenditure reductions and the surcharge we are making final and specific decisions which will reduce the PSBR to the target figure of £9 billion in 1977-78. That should give us a very much better chance of success with the package. I propose that we add this proposal to my statement,

D W H

Treasury Chambers

21 July 1976

Employers Social Security Contributions as Percentages  
of Total Taxation, 1973 (EEC countries)

Italy	33.2%
France	31.4%
Germany	20.7%
Belgium	20.0%
Holland	17.1%
Luxembourg	15.3%
UK	8.8%
Ireland	5.1%
Denmark	1.3%

These are the latest figures published by OECD.  
Contributions in the UK and in other countries have  
risen since then but it is unlikely that the picture  
has altered radically.

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CP(76) 57

COPY NO 81

22 July 1976

CABINET

THE BRITISH AID PROGRAMME IN 1975

Note by the Minister for Overseas Development

1. I am circulating for the information of my colleagues the attached advance copy of "The British Aid Programme in 1975". This is an annual publication and will appear in the Command Series on 28 July.
2. The paper, which gives a detailed account of our aid programme in 1975, was prepared for presentation to the Development Assistance Committee of the Organisation for Economic Co-operation and Development.

R E P

Ministry of Overseas Development

22 July 1976

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MINISTRY OF OVERSEAS DEVELOPMENT

# The British Aid Programme in 1975

Text of United Kingdom Memorandum  
to the Development Assistance Committee  
of the Organisation for Economic  
Co-operation and Development

*Presented to Parliament by the Minister for Overseas Development  
by Command of Her Majesty*

LONDON  
HER MAJESTY'S STATIONERY OFFICE  
50p net

## PREFACE

1. The 1976 United Kingdom Memorandum to the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development is the seventh such Memorandum to be published with the object of providing additional information about United Kingdom development assistance activities. The Memorandum covers activities in the calendar year 1975 with special reference to aspects which the DAC regards as immediately relevant to its purposes. Because the Memorandum has been provided primarily for purposes of international discussion, figures are expressed in dollars as well as sterling (£1 = \$2.2217).

2. The Organisation for Economic Co-operation and Development, established by a Convention in Paris in December 1960, is the principal forum for consultations at both Ministerial and official levels on economic issues of common interest to members, who comprise most of the European and other developed countries. Its work embraces broad aspects of the world economy and its aims include the promotion of policies contributing to sound economic expansion in non-member countries in the process of economic development.

3. The Development Assistance Committee is one of the specialist committees set up by OECD to achieve its aims. It is concerned with the volume and effectiveness of resources made available to less developed countries. Members periodically review together the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult on other relevant aspects of their development assistance policies. The Memorandum now published is the current contribution by the United Kingdom to this process of review.

4. Participating in the work of the DAC are:

Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Economic Communities.

5. The term "official development assistance" used in the Memorandum refers to grants or loans:

- undertaken by the official sector;
- with promotion of economic development and welfare as main objectives;
- on concessional financial terms (if a loan, a grant element of at least 25 per cent).

6. A detailed statistical account of United Kingdom aid is provided in the annual publication "British Aid Statistics".

**DAC ANNUAL AID REVIEW, 1976: UNITED KINGDOM  
MEMORANDUM**

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## DAC ANNUAL AID REVIEW, 1976: UNITED KINGDOM MEMORANDUM

### Introduction

1. United Kingdom official development assistance in 1975 was \$863m (£388m) net and \$959m (£432m) gross compared with \$722m (£309m) net and \$824m (£352m) respectively in 1974. In both years the net amounts were 0.38 per cent of the gross national product (GNP).

2. The 1975 Memorandum stressed that it was a central objective of the United Kingdom aid policy to give a greater emphasis to rural development. This was confirmed by the presentation to Parliament by the Minister of Overseas Development in October 1975 of a White Paper "The Changing Emphasis in British Aid Policy: More Help for the Poorest". (Cmd 6270). When this major policy statement was subsequently debated in both Houses of Parliament it received support from all parties.

3. The United Kingdom has decided that it will no longer use the term "technical assistance" and that it should be replaced by "technical co-operation".

## I. VOLUME AND TERMS PERFORMANCE

### a. Volume

4. The United Kingdom has accepted the United Nations target that the developed countries should transfer to the developing countries a combined total of official and private flows amounting to not less than 1 per cent of their gross national product each year. In addition the United Kingdom has accepted in principle the second United Nations target that the developed countries should provide not less than 0.7 per cent of their gross national product by way of net official development assistance. The United Kingdom will seek in the years ahead to move towards the target but the rate at which it does so must be governed by the pace of its economic recovery and by the other calls on its resources.

5. The United Kingdom's performance against the 0.7 per cent target was 0.38 per cent in 1975, the same level as in 1974. Its likely performance against the 1 per cent target is not yet known because estimates of private investment are not yet available. In any case it has been found that the estimates for net private investment for individual years cannot be used to deduce trends for forecasting since the various elements which make up the total figure fluctuate considerably and independently from year to year.

### Disbursements

6. Gross disbursements in 1975 of official development assistance (which includes the bulk of investments of the Commonwealth Development Corporation (CDC) as well as various transactions not encompassed in the aid programme) amounted to \$959m (£432m) compared with \$824m (£352m) in 1974. After deducting repayments of principal on past loans net official development assistance totalled \$863m (£388m) in 1975 compared with \$722m (£309m) in 1974.

7. The table below shows the breakdown of disbursements by type:—

Disbursements		1974		1975	
	\$m	£m	%	\$m	£m
A. Gross Official Development Assistance (ODA)					
Bilateral:					
Financial grants ...	112	48	14	153	69
Financial loans ...	321	137	39	296	133
Technical co-operation ...	179	76	21	214	96
Total bilateral ...	612	261	74	663	298
Multilateral:					
Financial aid ...	182	78	22	234	105
Technical co-operation ...	30	13	4	62	28
Total multilateral ...	212	91	26	296	133
Total gross ODA ...	824	352	100%	959	432
B. Other official Flows (OOF)					
Bilateral grants ...	56	24		16	7
CDC investment (not qualifying as ODA) ...	24	11		16	7
Total gross OOF ...	80	35		31	14
Official Flows (A&B) gross ...	904	387		990	446
Repayments of principal ...	102	44		97	44
Official Flows net ...	802	343		893	402
Official Development Assistance net	722	309		863	388

Interest repayments were \$99m (£42m) in 1974 and \$92m (£41m) in 1975.

## *Commitments*

8. The United Kingdom aid programme is controlled on a disbursement basis and commitments are entered into and discharged at a rate intended to give rise to the approved level of disbursements. Disbursements forecasts are reviewed during the course of each financial year and steps are taken to control commitments and their discharge according to whether the forecasts are high or low. Methods of improving forecasting are continually being sought in order to achieve the fullest disbursement of the approved programme. In order to allow greater flexibility in managing the aid programme, the Ministry of Overseas Development (ODM) may carry over up to \$22.22m (£10m) of over-expenditure and up to \$11.11m (£5m) (with the possibility of a further \$11.11m (£5m)) under-expenditure from one year to the next.

9. Fluctuations in the rate of annual disbursements to particular countries do not necessarily result from changes in policy towards them: annual disbursement levels are dependent on many factors and may vary from year to year.

## *Prospects for 1976 Onwards*

10. The planned level of the aid programme for the 1976/77 financial year is \$1,146m (£515.8m) net and \$1,243m (£559.3m) gross. Thereafter the aid programme is planned to grow by 16.5 per cent by 1979/80, subject to revision in the annual public expenditure survey. Because the United Kingdom does not publish forecasts of gross national product, it cannot make projections of performance against the United Nations targets.

## *Aid and the Effects of Inflation*

11. The annual White Papers on Public Expenditure indicate planned levels for the net aid programme over a five year period as part of the planning of the public expenditure programme as a whole. The planning figures are on a constant price basis and are rolled forward each year by revaluation based on estimated price changes in the year concerned for the economic categories relevant to the programme. The United Kingdom system, therefore, has a built in adjustment for price changes to the forward planning figures. The figures themselves are of course subject to changes in policy.

## **b. Terms and Conditions**

### *Terms of Aid Disbursed in 1975*

12. Of the total of gross official development assistance amounting to \$959m (£432m) in 1975, \$662m (£298m) or 69 per cent was in grant form (including technical co-operation and contributions to multilateral agencies); \$216m (£97m), or 23 per cent, took the form of loans on interest-free terms; \$38m (£17m) or 4 per cent related to loans provided at fixed concessionary rates of interest; \$44,000 (£20,000) or less than 0.005 per cent related to disbursements from earlier loans at market rates of interest (but including loans with interest waivers for an initial period); and \$43m (£19m) or 4 per cent was in the form of overseas investment by the CDC. Overall the weighted average grant element of government-to-government loans disbursed in 1975, omitting flows through the CDC, was 72.19 per cent.

### *Terms of Aid Committed in 1975*

13. The total value of new commitments of official development assistance in 1975 was \$1,340m (£603m), of which \$1,226m (£552m) or 92 per cent was in grant form (including technical co-operation—for which commitments are taken to be the same as disbursements—and contributions to multilateral agencies) and \$113m (£51m) was in loans. Of the total value of new official development assistance loan commitments entered into during the year, 66 per cent was interest-free and 34 per cent carried an initial grace period for capital repayments. The weighted average grant elements of official development assistance loans was 65 per cent. The grant element of total commitments, including grants, was \$1,299m (£585m) or 96.9 per cent of the commitments.

### *The DAC Recommendations on Financial Terms and Conditions*

14. The United Kingdom complied in 1975 with the overall terms target contained in the DAC Terms Recommendations by attaining an average grant element of 96.9 per cent (against the target of at least 84 per cent) in its total official development assistance commitments. The United Kingdom also complied with the special target set in the Recommendation for Aid to the Least Developed Countries, by providing official development assistance commitments with an average grant element of at least 86 per cent to each least developed country over the three-year period 1973 to 1975.

### *Criteria for Appropriate Terms and Conditions*

15. It is the policy of the United Kingdom to adapt the terms of bilateral aid to suit the economic circumstances of the recipient country, taking especially into account income per head as well as its balance of payments prospects. The terms of aid extended to the recipient country by other donor countries are also taken into account. This policy conforms to the DAC Recommendation on Financial Terms and Conditions in relating the terms of aid on a case-by-case basis to the circumstances of each developing country or group of countries. The policy has been followed regularly by the United Kingdom in consortia and consultative group discussions of the aid to be given to individual countries. As part of its policy of improving the quality of aid to the poorest developing countries, the United Kingdom's development assistance commitments to such countries (which are taken for this purpose to be those shown in the 1974 edition of the World Bank Atlas as having a per capita GNP of less than \$200 in 1972) are now normally on grant terms, except where the country's economic prospects are such as to make this an inappropriate concession.

### *Analysis of Refinancing and Consolidation Operations*

16. The major 'refinancing' operation in the aid programme in 1975 was a debt refinancing grant to India amounting to \$24.9m (£11.2m) to reimburse the Indian Government for certain repayments of capital and interest made on a number of aid loan agreements dating from 1958 to 1968. This refinancing was made available to the Indian Government as the United Kingdom's contribution towards a multilateral debt relief scheme, sponsored by the Aid India Consortium, which is designed to alleviate the burden of debt servicing on the Indian balance of payments arising from the terms of past aid loans. The effect of

the scheme is to release the equivalent amount of free foreign exchange which can then be applied to the purchase of essential imports and it is considered to be one of the most useful ways in which donors can help the development of that country. The refinancing was made available on grant terms in pursuance of the United Kingdom policy of improving the quality of aid to the poorest countries.

#### *Procurement Policy*

17. Whilst the extent of procurement in a donor country which may result from the tying practices of that country is not fully revealed by statistics of contractually tied aid, the proportion of United Kingdom bilateral aid commitments fully tied to United Kingdom goods and services in 1975 was 42 per cent (excluding technical co-operation and aid for compensation and pensions, where expenditure as between sterling and local currencies cannot be clearly identified). In addition to the procurement from this fully tied aid, further procurement in the United Kingdom arises from the considerable amount of bilateral financial aid tied to United Kingdom or local goods and services, the proportions of which are not always laid down in advance in specific terms. The estimated percentage of further procurement in the United Kingdom which results from such aid was 18 per cent, giving an estimated total 60 per cent of bilateral aid effectively tied to United Kingdom procurement, without regard to any further procurement which may result from untied aid.

18. Although United Kingdom bilateral aid is normally tied to the purchase of British goods and services, the United Kingdom is ready to consider untying a limited part of its financial aid for meeting the local costs of projects in exceptional cases where this is judged appropriate. At present some local cost finance for projects is available to 25 independent countries. For the United Kingdom Dependencies, the circumstances require a greater proportion of the aid to be devoted to local costs or to local procurement. Overall, therefore, the United Kingdom aid programme continues to provide flexibility in the treatment of local costs. For a number of countries, particularly the Dependencies, the West Indian Associated States and independent countries in Southern Africa, waivers of procurement restrictions have been granted to allow procurement of specified categories of goods from third countries in the light of the particular circumstances which apply. To facilitate the administration and use of tied aid, some foreign content, up to a maximum of 20%, may be permitted. Budgetary aid, of which the United Kingdom provided \$20m (£9m) in 1974, by its nature cannot be tied formally to overseas procurement; however, the arrangements with the recipient countries are that offshore procurement supported by this budgetary aid will be from the United Kingdom, except where this would be clearly uneconomic.

19. As an additional measure to help the poorest countries, the United Kingdom now unties its official development assistance loan commitments for procurement in developing countries with a per capita GNP of less than \$200. If the recipient country wishes such an arrangement to be made. This measure, which was available from the second half of 1975, should provide an opportunity for the poorest developing countries to increase their export earnings and to stimulate inter-developing country trade.

20. The United Kingdom continued to provide its financial contributions to multilateral institutions on procurement conditions in conformity with the understanding reached by all DAC member countries at the DAC High Level Meeting in October 1973; that is, free for procurement in those countries that are members or associate members of those institutions and—if developed countries—are recognised under arrangements made in the institutions concerned as significant contributors.

## II. DISTRIBUTION OF OFFICIAL DEVELOPMENT ASSISTANCE

### a. Allocation of Bilateral ODA

21. There has been growing international agreement that scarce concessional aid resources ought to be concentrated increasingly on the poorest countries and the United Kingdom is adapting its aid policies to give help to the poorest countries and the poorest people within these countries.

22. The overall change in emphasis of the United Kingdom's policies to poverty oriented programmes will be a gradual process and will inevitably take some time to become fully effective. It is, however, intended that the share of United Kingdom bilateral aid disbursements to the poorest countries (that is, those with a GNP of under \$200 per capita in 1972) will be at least as great as their share of the population of the developing countries as a whole; in 1974 that intention was achieved, but in 1975 the phasing of disbursements to India and Kenya in particular led to a temporary reduction in the share going to the poorest.

23. The table below shows the distribution of gross bilateral official development assistance for certain categories of recipients for 1974 and 1975:—

	\$m	£m	% of gross bilateral ODA	Population millions (1972)	% of total population of LDC's
Least Developed Countries (LLDC's)	1974 100	43	18	227	12
	1975 115	52	20		
Most Seriously Affected Countries (MSA's)	1974 321	137	59	1,197	65
	1975 294	133	51		
Under \$200 in 1972 (includes some LLDC's and/or MSA's)	1974 362	155	66	1,189	64
	1975 329	148	57		

### b. Allocation of Multilateral ODA

24. A major part of the United Kingdom's new aid strategy is to promote situations in which British concessional funds can stimulate matching contributions from other governments and to encourage the deployment of such aid through both multilateral and bilateral channels towards the poorest countries. As a consequence of this it is the policy of the United Kingdom to support a high level of replenishment for the International Development Association

(IDA) and to participate in the International Fund for Agricultural Development (IFAD); and it is to be expected that as a result the proportion of multilateral aid in the total aid programme will rise slightly over the next four years. The table below shows the distribution of gross multilateral official development assistance for 1974 and 1975:—

	1974		1975	
	\$m	£m	\$m	£m
UN agencies ... ..	46	20	88	40
World Bank group ... ..	113	49	146	66
Regional development banks ... ..	11	4	14	6
EEC funds ... ..	36	16	41	18
Other ... ..	4	2	7	3

### c. Technical Co-operation

#### *Recruitment of Operational Personnel and Advisers*

25. During 1975 bilateral appointments made under the auspices of ODM to advisory and operational posts under various bilateral technical co-operation arrangements totalled 2,253 (compared with 2,197 in 1974). This figure includes, for the Education Sector, 44 school teachers and 79 teacher trainers. The Technical Education and Training Organisation for Overseas Countries (TETOC) made 70 operational appointments (72 in 1974), and the British Council 201 operational appointments (210 in 1974). In other sectors the Crown Agents for Oversea Governments and Administrations made, on behalf of ODM, 238 operational appointments (200 in 1974). Appointments to international organisations, including the United Nations, were 231 (210 in 1974).

26. A shortage of suitable candidates in some disciplines continues. There are many reasons for this and remedial measures include the following: more frequent reviews of terms and conditions of service to keep up to date with inflation; an extension of the Home Base Scheme to other non-government public sector institutions to enable more people to be seconded; improved facilities for in-service training to enable experts to keep up to date in their professions; a review of pre-service training schemes; better ways of identifying likely candidates from amongst people with previous aid service overseas; and consideration of an effective system for according priority treatment to requests for key personnel.

#### *The Future Supply of Operational Staff*

27. The schemes under which salary supplements and other benefits are paid to operational personnel employed by overseas governments and other institutions have been extended in all but a few countries for five years from 31 March 1976 when the previous Agreements ended. Manpower reviews are undertaken annually with developing countries to ensure that expatriate manpower is provided on the basis of a country's developmental needs.

#### *Use of Consultants*

28. Through their work overseas, both commercially and under aid arrangements, British consultants continue to play an important part in helping to formulate development programmes and projects. In 1975 technical co-operation

expenditure in respect of the services of consultants and other organisations in undertaking feasibility investigations and in the provision of other kinds of management, operational and advisory services was \$12.3m (£5.521m). The principal fields covered were irrigation and water supplies, agriculture, mining, oil and minerals, transportation, roads and power.

29. Seventy-nine new feasibility and pre-investment studies were commissioned during the year at an estimated cost of \$7.3m (£3.299m) compared with 104 new assignments in 1974 with an estimated cost of \$5.8m (£2.6m). In addition 56 other assignments were initiated totalling some \$4.0m (£1.784m) compared with 43 valued at \$1.2m (£500,000) in the previous year.

30. The Government's White Paper "More Help for the Poorest" noted that consultants could put together multi-purpose teams to help promote rural development. This has been imaginatively demonstrated with the commissioning in 1975 of a firm to carry out an integrated rural development programme in the Sudan. The programme covers some 27,000 sq km in South Darfur and will take at least four years to complete. It is concerned primarily with the sustained improvement of agricultural production in a semi-arid area and focuses attention on the needs of stockholders and cultivators who rely on small-scale livestock and rain-fed crop enterprises for their livelihood. (See also paragraphs 57 and 91).

#### *Volunteers*

31. As in 1974 the four Member Societies of the British Volunteer Programme, namely the Catholic Institute for International Relations (CIIR), International Voluntary Service (IVS), United Nations Association (UNA) and Voluntary Service Overseas (VSO), continued to recruit volunteers for service overseas in response to requests from developing countries. Official government financial support totalling \$2.1m (£926,000) was provided. The British Council continued to act as Overseas Arm for the administration of the programme in many countries, but in a few countries a move was made towards a Society appointing its own representative. The British Volunteer Programme Council and Secretariat continued its co-ordinating role.

32. The number of graduate and similarly qualified volunteers in post at 31 December 1975 was 1,300 compared with the 1974 figure of 1,212. The cadet programme is now defunct except in the Falkland Islands where there is still a small demand for semi-qualified young people.

33. About half of the volunteers are teachers while the rest are engaged mainly in nursing, agriculture, engineering and community development. Demand is continuing to increase for technical volunteers rather than for secondary school teachers, (other than in the fields of English, mathematics, science and vocational subjects) and also for older and more experienced people. Like ODM, the Societies are also attempting to improve living conditions in the poorest sectors by increasing the number of volunteers in the field of rural development.

#### *Training*

34. During 1975 some 14,800 students and trainees followed courses in the United Kingdom under bilateral arrangements as part of the aid programme



at a cost of more than \$35m (£15m). Over 74,000 man months were devoted to different forms of education or training in academic, professional, technical and vocational subjects. The principal fields of study were agriculture, education, engineering, medical science, natural sciences and social sciences.

35. Consultations with overseas governments, with the object of ensuring that requests for training in the United Kingdom are related as closely as possible to the overall manpower requirements of the countries concerned, continue on an annual basis. An important objective is to build up training capability within the countries concerned. For some kinds of training, courses provided in a third country in the developing world have advantages over training in a developed country. Increased attention is therefore being given to support for third country alternatives. In accordance with the United Kingdom's revised aid strategy, the ODM's technical co-operation programmes will place greater emphasis on the needs of primary and non-formal education, and on developing vocational skills.

#### *Research and Development*

36. The United Kingdom has a long tradition of scientific and technical work on problems of specific concern to the developing countries, notably in tropical health and agriculture. Facilities for investigating those problems have been built up at home and overseas, and while the long-term aim is to help developing countries to assume the main responsibility for such investigations, the shortage of expertise and resources overseas means that the United Kingdom will continue to play a major role for some time to come.

37. During 1975 the ODM financed research and development to support a slightly increased programme investigating the economic and social problems of the developing countries. \$21.1m (£9.5m) was spent in all, most of it on problems of global and regional import rather than those confined to a single country. Part of the work consists of research into the major scourges (mainly plant, animal and human diseases) that afflict the tropics and sub-tropics. The remainder is concerned essentially with adapting existing technologies to the circumstances of countries which are tropical and under-developed. The emphasis is on the labour-intensive rather than the labour-saving and the simple rather than the complicated. Above all, special priority is now given to research of direct relevance to the attack on individual poverty—and in particular rural poverty—in the developing countries. The greater part of the expenditure goes on research in the field of renewable natural resources (agriculture, livestock production and health, pest control, fisheries and forestry), and there are also major outlays on medical, economic and social research (including population problems), and research connected with water resources and road and building construction. A fuller account of the ODM research and development activities is contained in the Ministry's "Report on Research and Development 1975", published by Her Majesty's Stationery Office.

38. The ODM supports research and development programmes in, or on behalf of, developing countries in four main ways:—

- (a) by direct grants to support scientific staff and provide equipment and facilities to investigate scientific and technical problems (paragraph 39 *refers*);

- (b) by work carried out by the ODM's Special Units (paragraph 40 refers);
- (c) by annual financial contributions to International Research Centres (paragraph 41 refers); and
- (d) through annual grants to a number of British institutes and centres (paragraph 42 refers).

39. Research connected with renewable natural resources continues to be a major field of effort. For example, in Jamaica a team of British scientists is carrying out research to identify an unknown pathogen (Lethal Yellowing) which kills coconut trees in Jamaica and elsewhere. In the Forestry Research Institute of Nigeria and at the Institute of Terrestrial Ecology Edinburgh, collaborative teams are carrying out research into the vegetative propagation and regular seed supplies of obeche, one of the most important hardwoods of West Africa, and in Kenya a team is collaborating with the Kenya Veterinary Authorities to study the effect of a wide-scale compulsory vaccination campaign against Foot and Mouth Disease. The ODM also makes use of facilities in many British universities, some of which it has itself helped to enlarge. The ODM has built and maintains a Tsetse Research Laboratory at the University of Bristol which breeds tsetse flies for supply to institutions in the United Kingdom and overseas engaged on trypanosomiasis research, and itself undertakes research directed towards the control of trypanosomiasis. At Reading University research is being carried out in collaboration with the International Institute of Tropical Agriculture in Nigeria on the physiology of grain legumes and a long-term study is being carried out at the University of Sussex and in The Gambia on aspects of mosquito behaviour relevant to the transmission of disease and the control of vectors. A research project has been commissioned from Strathclyde University on the costs and benefits of using "Intermediate Technology" techniques in connection with various types of production and distribution processes in developing countries. This project has brought out some preliminary findings of considerable interest and consideration is now being given to how best advantage can be taken of the new knowledge.

40. Funds continued to be provided in 1975 to maintain a number of scientific and technical organisations specialising exclusively in the problems of developing countries. Total support amounted to \$14.0m (£6.3m) of which about \$5.6m (£2.5m) was devoted to research and development. Of these institutions, the Tropical Products Institute, the Centre for Overseas Pest Research (both of which have substantial research programmes), the Land Resources Division, and the Directorate of Overseas Surveys are all functional components of ODM. These establishments carry out advisory and technical survey work for developing countries in addition to their research programmes. Brief descriptions of the organisations are given in an Annex.

41. The growing international dimension is particularly noteworthy. There have been a number of productive initiatives led by various international institutions for the purpose of mobilising scientific and technical resources on a world-wide or regional basis to tackle problems which require a wider base than a single donor country can provide. The most notable is the Consultative Group on International Agricultural Research, which is backed by the World Bank,

the United Nations Development Programme (UNDP), the United Nations Food and Agriculture Organisation (FAO), and various national donors including the United Kingdom, and works in full co-operation with the developing countries. The Group supports nine internationally-run agricultural research centres in Asia, Africa and Latin America whose work is directed to specific food crops, the development of appropriate farming systems and the countering of livestock and animal health problems. Of the \$21.1m (£9.5m) which was spent on research and development, \$2.7m (£1.2m) went to these centres. A comparable international programme in the field of human health is now in prospect under the auspices of the World Bank, the United Nations World Health Organisation (WHO) and UNDP, directed at six major tropical diseases. The United Kingdom is closely involved in all these programmes, not merely as a contributor, but as a prominent partner in their planning and execution. ODM has also welcomed the increased international interest and the wider view of the problems of nutrition which is being taken and which derives from the recent World Food Conference. Considerable support has always been given, both direct and indirect, in this field and to strengthen its capabilities the ODM has recently appointed a Nutrition Adviser.

42. In addition to the activities of the ODM Scientific Units mentioned in paragraph 40, annual grants are made to a number of scientific organisations, some of which are part of other United Kingdom Government Departments, to enable them to undertake research and development work, on behalf of the developing countries. These institutions are also described in the Annex, and their work includes the fields of road construction, building materials and construction, the development of water resources, geological mapping and investigations, tropical veterinary medicine, the development of simple agricultural machinery, tropical forestry and research in intermediate technology.

#### **d. Commonwealth Development Corporation (CDC)**

43. It was announced in 1975 that, as a result of discussions between the ODM and the CDC, the latter had decided over the next five years that it would increasingly seek to place its new commitments into the poorer countries, and into renewable natural resource projects—that is to say, in agriculture, forestry and fisheries—benefiting people living in rural areas. During 1975 new commitments to such projects amounted to \$27.0m (£12.17m) or nearly 55 per cent of total new commitments of \$49.5m (£22.27m). Advances to the CDC for these projects continued to carry a concessionary element.

44. Since the 1975 United Kingdom Memorandum was submitted to the DAC the CDC has been authorised to operate in the Sudan under the arrangements introduced in 1969 whereby it may extend its area of operations to individual non-Commonwealth countries, subject to the consent of the United Kingdom Government in each case. The CDC has now been authorised to operate in a total of 10 non-Commonwealth countries.

### **III. PRIVATE SECTOR**

#### **a. Private Investment**

45. The United Kingdom is a large scale investor in the developing world and the contribution of net private investment to the flow of resources from the

United Kingdom to developing countries over the last few years has been considerable.

46. The Government announced in March 1976 that it proposed to revive the Pre-Investment Studies Scheme which was in operation from 1972 to 1974. This will provide funds to underwrite up to one-half of the cost of pre-investment studies, subject to a maximum of \$111,000 (£50,000), in respect of development to which the host governments attach priority.

#### **b. Investment Protection**

47. The United Kingdom seeks where ever possible to conclude bilateral agreements with other countries for the reciprocal protection of investments and believes that such agreements help to secure fair treatment of private investment overseas. Since December 1974 agreements have been signed with Singapore, Egypt, Korea and Indonesia. Negotiations are continuing with other countries.

#### **c. Investment Insurance**

48. The Export Credits Guarantee Department (ECGD) continues to insure new investment from the United Kingdom against the non-commercial risks of war, expropriation and restrictions on remittances. By the end of 1975 ECGD had concluded 76 insurance agreements worth \$69.9m (£31.46m). These related to 32 projects in Africa, 7 in Central America, 7 in South America, 16 in the Far East, 11 in the Middle East, 2 in Europe and 1 in Oceania.

#### **d. Export Credits Guarantee Department**

49. The net amount of credit in excess of 180 days in length extended to the developing countries in 1975 is provisionally estimated to be \$415.7m (£187.1m), compared with a net total of \$336.6m (£151.5m) in 1974. The provisional total net value of credit extended to all countries was \$1,180m (£531m) in 1975; net credit to developing countries represents 35 per cent of this total.

50. The most significant changes in ECGD facilities during the year were the introduction of a limited scheme to protect exporters against exceptional and unpredictable increases in costs on major capital goods contracts; a scheme to facilitate the provision of working capital for large export contracts for which ECGD is also providing basic cover; cover by ECGD of various forms of bonds demanded of British suppliers by overseas buyers; and a scheme to insure members of a consortium contracting overseas against losses they may sustain as a consequence of the insolvency of a fellow consortium member. The interest rate for business on credit in excess of 5 years remained a minimum of 7½ per cent per annum, for business between 2 and 5 years it remained at a minimum of 7 per cent and for business below 2 years it was still ½ per cent above the relevant bank's base rate.

51. ECGD continued to take part during the year in discussion between certain countries aimed at reaching a consensus on guidelines for determining the maximum lengths of credit and minimum interest rates for different groups of markets.

52. Whilst there are normally no direct consultations on debt servicing between ECGD and the authorities of the importing countries, ECGD controls the volume of officially supported export credit to developing countries by assessing the situation of the recipient country based, *inter alia*, on the overall amount of external debt to be serviced, and it is a standard ECGD requirement that any regulation of the recipient country (such as prior approval registration of credits) must be complied with. ECGD may also stipulate that a guarantee of payment and/or sterling availability should be obtained from the Central Financing Authorities of the importing country to ensure that proper provision is made for payment of the contract. In addition, projects worth over \$4-44m (£2m) in a limited number of developing countries are assessed as to their viability and developmental value before ECGD cover is agreed. However, debt management is primarily the responsibility of the borrower.

#### IV. SOCIAL ASPECTS OF DEVELOPMENT

##### a. Aid to the Poorer Sections

###### *Assistance to the Rural Poor*

53. The White Paper on Overseas Development had as its sub-title "More Help for the Poorest". The major objectives of United Kingdom aid policy is to ensure that more of its aid directly benefits not only the poorest countries but the poorest people in those countries. Since most of the poor live in the rural areas the United Kingdom's main task is to find schemes which help the poor by promoting rural development.

54. This policy was commented on in some detail in the 1975 United Kingdom Memorandum to the DAC but briefly, rural development is interpreted as a strategy designed to improve both the economic and social life of the rural poor. It should not be thought of as merely another term for increased agricultural production. Whilst it is obviously of major importance to raise the incomes of farmers and ensure that there is enough food for everyone, the appropriate and related development of education, health, housing, water and power supply, marketing and communication is also necessary. Very often the successful introduction of one input or the solution of one problem will depend on or affect another. Farmers will have no incentive to increase their production if they are unable to sell their products because of inaccessible markets or poor marketing facilities, or if the supply of necessary inputs and basic economic goods are neglected. Ill-health is hardly conducive to increased production, and widespread malnutrition in turn makes the rural population especially vulnerable to disease. The United Kingdom thus believes that any rural development project, either by itself or in conjunction with other inputs, should aim to improve both the incomes and the welfare of the lower income groups.

55. The United Kingdom is keen to assist countries to increase the volume and improve the quality of agricultural output. But raising agricultural production or productivity is of limited value if it is only a small number of farmers who benefit. The aim should therefore be to design projects so that as large a

number as possible of the poorer farmers are included. It is also vital to maintain a balance between the often conflicting goals of increased production and increased employment. This means that capital intensive schemes will often be less suitable than labour intensive ones, even though such a choice may result in less than optimum production. If, through improved farming methods, a large number of farmers are able not only to grow enough food to feed the local community but are also able to produce cash crops and food surpluses, the consequent increase in local resources will enable farmers to continue creating wealth as well as producing enough food, and the community to establish and support the social and other services needed for a genuine improvement in its standard of living.

56. The United Kingdom has been willing to provide assistance to rural development in a number of different ways, including assistance for integrated rural development projects consisting of a number of inputs in a number of sectors designed collectively to improve the standard of living in one area. Such projects are based on the principle of the interdependence of all sectors in any one area. They ensure that development of one particular sector is not carried out in isolation from activities in other sectors, a haphazard and piecemeal approach which can lead to unforeseen side-effects and an exaggeration of existing distortions in the distribution of income, employment and services. Such projects are not always easy to identify and organise and the United Kingdom is therefore also prepared to support projects dealing with one sector only. However, even in these cases the aim will be to place the project concerned in the context of the development of the rural area as a whole; and it is hoped that it will be possible in a number of cases to extend such projects later by adding inputs in other sectors. For instance, projects designed to increase output in the agricultural, forestry and fisheries sectors, once established, could be expanded by setting up multi-purpose rural training and service centres, constructing rural clinics, schools and feeder roads, improving water and power supplies, reinforcing credit and marketing facilities to cover a wider range of inputs and crops, and developing small-scale processing industries. Equally valid are projects which form part of a wider operation in which other inputs are being provided either by other donors or by the government concerned.

57. Some examples can be given to illustrate the different types of rural development projects that the United Kingdom is currently undertaking. In the Sudan's South Darfur Province the United Kingdom is helping to mount an integrated rural development project (United Kingdom contribution \$1.864m (£839,000)). The initial four-year phase of the project began twelve months ago with work starting on the setting-up of three demonstration farms. The main tasks of these farms are to advise, test and demonstrate improved crop techniques and livestock husbandry. The objective of the project is to lay the foundations for a long term programme to reverse the trend of declining farm and livestock productivity in the area, by reorganising land use and tenure in inhabited areas, by controlled development of an area of land of substantial agricultural potential which is largely uninhabited, by improving agricultural practices generally in the area through research, extension and ancillary services and by extending the area of flood irrigation. If successful, the project will allow significant increases in the incomes of the rural population, in contrast to the presently projected declines in average income. The project is the first of its

kind in the Sudan, and the results will be of potential benefit in planning the development of other areas in the savannah zone. It is also of interest in that Arab funds are financing a major part of the off-shore costs. (See paragraph 91.)

58. The United Kingdom has financed a study of the resources of part of Ethiopia's Tigray Province and a report on soil conservation and rehabilitation requirements and development prospects will soon be presented to the Ethiopian Government. The study cost about \$1.62m (£730,000) with a further \$0.56m (£250,000) provided for pilot projects started during the investigation. The report recommends a long-term development programme for the Province with the object of preventing soil erosion and raising the productive potential and welfare of the population who are presently suffering from extreme poverty and the consequences of recent drought and famine. In another part of Ethiopia, Wollo Province, the United Kingdom is involved in the construction, at a cost of \$3.67m (£1.65m), of three feeder roads principally designed to provide easier access to local markets.

59. In Botswana the United Kingdom is financing a dryland farming project which it is estimated will cost \$0.67m (£300,000) during the period 1975-78. Phase I of the project was designed to carry out research into new farming methods and tools suitable for dryland farming. Under Phase II research is being extended and as a result of work already completed, an evaluation of farming systems is being carried out and an integrated farm project is being established.

60. In 1974, the United Kingdom began to co-operate with the Government of the Yemen Arab Republic in a 2½ year study of the land and water resources of two distinct areas—one in the Montane plains and the other, the Wadi Rima, nearer the coast at a cost of about \$2.89m (£1.3m). The study will provide the basic technical and socio-economic information and analysis required to enable specific proposals for agricultural and social development in these areas to be put forward. A number of possible projects for early implementation have been identified already, one of them being the establishment of an Agricultural Improvement Centre. Such a centre would facilitate investigation of, and experimentation with, more productive farming systems. This would mean examining new crops and varieties, water-use, socio-economic responses to various agricultural innovations and more cost-effective ways of responding to the needs of the rural population for extension. The training of extension staff at the centre would make it easier both to conduct such research and transmit the results to the local farmers.

61. An example of a proposal to extend a project to include other inputs is provided by a project in Eastern Nepal, where the United Kingdom has financed a design and costing survey of a road along the main growth corridor into the Hills. Simultaneously with the construction of the road, which will be financed from United Kingdom capital aid, it is proposed that the United Kingdom should establish a technical co-operation project covering project identification and a resources survey, to help the Nepalese Government in its aim of exploiting to the full the agricultural potential of the area north of the road. Help will also be offered in social services, particularly in the improvement of medical services and family planning.

62. It was recognised from the start that it would take time for the United Kingdom to change the emphasis of its aid programme in accordance with the new strategy. There are a number of reasons for this. In the first place, the identification of sound rural development projects is not always easy and the fact that other bilateral donors and international aid agencies are simultaneously placing greater emphasis on the rural sector increases the problem. Secondly, the problems of working up and implementing rural development projects are numerous and complex. Thirdly, the time scale for the implementation of projects of this kind is likely to be long.

63. As regards identification of projects the United Kingdom is looking into ways of more effectively deploying its existing resources so as to help stimulate more proposals from developing countries and to expedite and improve detailed project preparation and appraisal. It is also examining ways in which it might make further use of the expertise of British consultants and also co-operate more closely with multilateral organisations for the same purpose. The working up and implementation stages are expected to put a strain on the limited manpower resources available within both the United Kingdom and the recipient countries. Difficulties exist in recruiting technical co-operation experts for work in often remote rural areas and the developing country governments also have problems in finding enough suitably qualified counterpart staff. These are all matters which it will be necessary to keep under constant review and with this end in mind the ODM's Steering Group on Rural Development which was set up early in 1975 has recently been reconstituted with a more limited membership and with revised terms of reference which require it "to keep under review the implementation of the proposals concerning the changing emphasis in British aid policies in so far as they relate to schemes for helping the poorer sections of the population in developing countries, particularly those in the rural areas".

#### *Urban Development*

64. The main emphasis of the United Kingdom's aid strategy is on rural development since it is in the rural areas where most of the poor of the Third World live. There are, however, urban poor as well as rural poor and the United Kingdom remains ready to consider any proposals aimed at helping these people also and of alleviating the growing problems of unemployment and underemployment which exist in the towns.

65. A matter of particular concern to the urban poor on which the ODM has issued a position paper, is the provision of housing. Financial resources are completely inadequate for the purpose of resolving by traditional and conventional methods the housing needs (as well as many of the other urban requirements) of the poor countries, and it is the United Kingdom's view that if any immediate impact is to be made on a reasonably equitable basis in reaching the poorest income groups the answer lies in adopting a combination of "site and services" schemes, and the improvement and upgrading of existing informal "squatter settlements". The "site and services" approach minimises labour costs, first by ensuring that participants in each scheme contribute their own labour to the construction of housing and, second, by permitting construction standards determined by the resources, skills and initiatives of individual families, provided necessary standards of health and safety essential in the interests of the whole community are maintained. Schemes can range from the provision of land



with defined boundaries within which people can build their own houses, to the provision of floor slabs, service cores and possibly a single room which can be expanded as and when opportunity occurs. But the less government has to put into each scheme, the larger will be the number of people who will benefit from the limited resources available; and the more each household puts in, the greater the number of households that will benefit.

66. The ODM has made it known that the United Kingdom is ready to consider assisting developing countries in the implementation of site and services schemes through:

- (a) providing advice under technical co-operation, at national or local levels (although the amount of expertise which can be offered in this field is limited);
- (b) financing pilot schemes in selected areas (that is, where there is sufficient support, both local and central, to indicate a reasonable chance of long term effective schemes being undertaken); and,
- (c) providing financial aid for definitive schemes in appropriate cases.

#### *Population Policy*

67. The need to give high priority to aid for population matters is now well established and generally understood and its importance, together with that of the relationship between population and other development, is recognised in the new aid strategy and in the recent Cabinet Office discussion paper on Future World Trends.

68. The considerable upsurge in demands for assistance provides clear evidence that governments in the Third World are increasingly concerned with population questions and there is little doubt that the events of World Population Year played a major part in focusing attention on the vital importance which population change has on development. Moreover the aim of universal responsible parenthood and the recognition of the right of all persons to be able to control their own fertility are now generally accepted by the international community, and the United Kingdom stands firmly behind its pledge to do whatever it can to assist with programmes intended to achieve the implementation of the World Population Plan of Action.

69. Consistent with this policy and as a result of several initiatives, the proportion of the aid programme spent on population matters has risen from about 0.5 per cent in 1973/74 to over 0.8 per cent in 1975/76. This is expected to rise still further as programmes are implemented in response to an increasing number of bilateral requests. The importance of the role of the multilateral agencies is recognised and the United Kingdom has increased its aid to the United Nations Fund for Population Activities (UNFPA) from \$2.22m (£1m) in 1974-75 to \$4.44m (£2m) in 1976-77 and to the International Planned Parenthood Federation from \$1.56m (£700,000) in 1974-75 to \$3.33m (£1.5m) in 1976-77. The United Kingdom has also actively helped to develop the multi-bilateral system for joint funding of population projects which the UNFPA are unable to support wholly for lack of sufficient funds.

### *Private Non-Profit Bodies*

70. As anticipated in the 1975 United Kingdom Memorandum, a scheme for the part funding of development projects undertaken overseas by voluntary agencies came into operation in May 1975. Projects valued between \$6,600 (£3,000) and \$110,000 (£50,000) are eligible for support on a 50/50 basis. \$1.11m (£500,000) was provided for the first year's expenditure but the scheme got off to a slow start and only 16 projects were submitted for consideration during the 7 months to December 1975. Eight were approved with a total value of just over \$358,000 (£161,000). They were concerned with community health, co-operatives, animal health, village betterment, technical training and water supply. Separate provision has also been made for specific support for population activities undertaken by the voluntary agencies in the context of family health and welfare programmes and expenditure on this during the year was in the region of \$351,000 (£158,000). Assistance for this type of activity can be given (and usually is given) on a 100 per cent basis.

71. The agencies themselves, including church and missionary societies, spent an estimated \$53.3m (£24m) on their overseas work in 1975. It is estimated that about 75 per cent of the money was provided by about 10 per cent of the 215 agencies concerned. Their funds were spent mainly on emergency relief, health and education in over 70 developing countries.

### **b. Integration of Women in the Development Process**

72. At the United Nations International Women's Year Conference in Mexico City, 1975, the United Kingdom (having previously made a contribution of \$22,000 (£10,000) to the International Women's Year Voluntary Fund for the promotion of the Year's activities), offered a special contribution of \$1.33m (£600,000) payable in three equal annual instalments to help projects that will primarily benefit rural women in countries with a GNP per capita of less than \$400. It is hoped that as much as possible of this United Kingdom grant will be allocated through UN Regional Commissions for projects at grass roots level, particularly through the Economic Commission for Africa where an ongoing women's development programme is already under way.

73. ODM employs the service of a consultant specially engaged to promote the role of women in the development process, who maintains liaison with the UN Regional Commissions and with others concerned in this field. The ODM is also carrying out an examination of how the position and needs of women can best be taken into account in the context of project appraisals and formulation. Of the activities being supported in other fields of particular relevance to women, mention should be made of the training facilities in nutrition, etc, tailored for overseas needs that are available in Britain under the technical co-operation programme; the increased contribution which the United Kingdom is making towards family planning in furtherance of the World Plan of Action agreed at Bucharest in 1974; and the increased support which is being provided for the United Nations Children's Fund (UNICEF) as an effective means of reaching the least privileged of all groups—mothers and children in poor countries.

### c. Food Production, Security and Aid

74. In general the aim of the United Kingdom's aid in the agricultural sector is to assist developing countries to improve the quantity and quality of production of both food and cash earning commodities. The United Kingdom recognises in particular that the food problem in developing countries is one for grave concern and the steadily rising proportion of imports of cereals by developing countries as a percentage of their total consumption requirements is an indication that substantial food aid will be needed for some years to come. But the United Kingdom also recognises the possible disadvantage of food aid in that it could in certain situations depress local producer prices for food crops and thus adversely affect local food production. While the need for assistance is acknowledged, it is essential that this is accompanied by a real commitment by the governments of developing countries to a programme of increased food production through agricultural development. Food aid is not a desirable alternative to this, nor to better protection against crop losses in the field and in store, production planning and more equitable systems of food distribution. Distribution within a country depends very much on the efficiency of the local distribution system and is thus primarily a matter for the local government. However, the United Kingdom is prepared to offer assistance when asked, for example, in cases where food aid is for stocks, technical co-operation can be provided to strengthen local management.

#### *Food Security*

75. The United Kingdom gives support to the FAO food security assistance programme and has indicated to FAO its wish to receive copies of the individual country reports on food security in order to consider offering bilateral technical co-operation. In 1975 the United Kingdom supplied and paid for an engineer for the Nigeria mission and will be providing two experts for the Tanzania mission in 1976.

76. The United Kingdom is also very active in helping to reduce the losses arising in the transport and stocking of crops. ODM's Tropical Products Institute is concerned with post-harvest handling, processing, quality control and storage.

#### *Fertilizers*

77. The United Kingdom is well aware of the important contribution which fertilizers can make to increasing food production in the developing countries and its policies attempt to ensure that these countries obtain the fertilizer supplies they need at a price which the small farmers can afford. The United Kingdom is also prepared to assist developing countries, wherever possible, to improve or establish their own sources of fertilizer supply. The United Kingdom recognises the need in the short-term to ensure that developing countries obtain the supplies of fertilizer they require, but is not well placed to be able to make any significant impression on this short-term supply situation because it has to import much of the raw material required for fertilizer manufacture. However, the United Kingdom has supported the FAO/International Fertilizer Supply Scheme from its establishment and has been one of the major contributors. The United Kingdom contributed 25,000 tonnes in the United Kingdom financial

year 1974-75 and a further 100,000 tonnes of compound fertilizer to the most needy countries during the financial year 1975-76. In addition, fertilizers were provided on a bilateral basis. As in the past, the United Kingdom is also willing to consider providing capital aid and technical co-operation on a bilateral basis to developing countries to enable them to improve the output of their existing plants or to construct new ones.

#### *Crop Protection*

78. In many countries the overall food losses from pests now amount to some 30 per cent and immediate savings of up to 10 per cent can be expected from simple schemes of pesticide application, suitable for small farmers. The United Kingdom is well qualified to provide the necessary training and technical co-operation through ODM's Centre for Overseas Pest Research and the Tropical Products Institute.

#### *Food Aid*

79. Although the United Kingdom still has basic reservations about the developmental value of food aid, it recognises that a need for food aid exists for the time being, as reflected in the resolutions of the World Food Conference. To this end, the United Kingdom has supported within the EEC a two-year extension of the Food Aid Convention and, although it has not so far proved possible to secure agreement for an increase in the EEC's Cereals Programme an increase in the EEC's Dairy Products Programmes for 1976 and 1977 of 145,000 metric tons of dried skimmed milk has been approved, which will cost the United Kingdom \$6.6m (£3m). The United Kingdom is fully aware of the health hazards inherent in the use of dried skimmed milk and has played a leading role in the EEC to ensure that all possible precautions are taken to avoid them.

80. The United Kingdom aims where possible to link the provision of food aid directly with appropriate developmental projects to secure the maximum beneficial return, with the ultimate hope of rendering food aid unnecessary. There will however always be natural and man-made disasters requiring emergency response. The EEC has, on these occasions, been able to contribute food aid quickly and efficiently. The United Kingdom itself has undertaken emergency action bilaterally. Two recent examples are the supply of grain to Niger and dried skimmed milk to Portugal for Angolan refugees. It is the agreed policy of the EEC to support the creation of an internationally coordinated system of nationally held stocks from which emergency aid may be supplied in times of shortage, but which will primarily serve the purpose of stabilizing markets and prices.

81. The United Kingdom has consistently voiced the view within the EEC that the distribution of food aid should be concentrated as far as possible on the neediest countries; of her own bilateral programme nearly 70 per cent is being sent to developing countries in this category whilst the remainder is being given to the World Food Programme whose policy is to concentrate its aid on the least developed countries. At the same time, the United Kingdom is conscious of the need to ensure that local market prices are not depressed as a result of an influx of food aid, and that the maximum nutritional value is obtained from the food provided.

82. During 1975 the United Kingdom contributed an estimated \$28.2m (£12.7m) to the EEC Cereals and Dairy Products Programmes and spent \$22.9m (£10.3m) on national actions contained within the Community Cereals Programme.

#### *World Food Programme (WFP)*

83. The United Kingdom has promised the WFP a total of \$9.6m (£4.325m) in commodities and cash for the two calendar year period 1977-78, subject to Parliamentary approval. One third will be in cash and two thirds in commodities. This represents an increase of 30 per cent over the previous regular United Kingdom pledge. The United Kingdom's regular pledge for 1975-76 was \$7.4m (£3.325m) but this was supplemented during 1975 by a contribution of \$1.1m (£500,000) to assist the Programme to meet increasing costs and by a further special contribution of \$11.1m (£5m) in cash to be used for the benefit of Bangladesh. The United Kingdom has supported the WFP since its inception and regards it as being more successful than any other organisation in the difficult task of using food as an instrument of economic and social development.

#### *Other Assistance*

84. The United Kingdom is assisting in the promotion of the seed industry in developing countries by the training of technical personnel in the technology of seed production and is also assisting in the improvement of root and vegetatively propagated crops under its technical co-operation programme. The United Kingdom also assists in many other areas relevant to food production including disease and weed control, mechanization, soil and water conservation—reclamation and the livestock industry.

### V. INDUSTRIAL AND TECHNOLOGICAL CO-OPERATION

85. In accordance with the changing emphasis in the United Kingdom aid policy as outlined in the 1975 White Paper, industrial co-operation is given a comparatively low priority, although the increasing attention now given to rural development naturally extends to the promotion of industries—particularly small-scale ones—within the agricultural sector. Nevertheless the United Kingdom has a few industrial co-operation agreements with developing countries and these are nearly all with Middle East countries. Through its contribution to the EEC's Fourth European Development Fund the United Kingdom will also be promoting industrial development in the 46 African Caribbean and Pacific signatory States to the Lomé Convention. An overall objective of the United Kingdom's internal regional and industrial policy is to encourage the transfer of production and workers out of unprofitable sectors into expanding sectors of industry which are internationally competitive both in relation to developing and developed country production and, as a member of the United Nations Industrial Development Organisation (UNIDO) the United Kingdom encourages the efforts of that Organisation to deliver technical co-operation to developing countries' industries in an effective manner.

86. In the field of technological co-operation priority is given to natural resources and poverty orientated projects which include technology relevant to agro-industries, agricultural engineering, transport, building, water supply and sanitation, and intermediate technology for small scale industries. The ODM Scientific Units provide assistance within these fields.

## VI. THE AID RELATIONSHIP

87. The keynote of the United Kingdom's aid policy is partnership with the recipient government and its agencies. This is achieved by a close and continuous dialogue with the recipient government through the British diplomatic mission, where aid is an integral part of their duties, and by frequent visits from members of the team of specialist advisers employed by ODM and based either in the five regional Development Divisions or at Headquarters. The United Kingdom also welcomes opportunities to consult and cooperate with other aid agencies, for example, as a member of Aid Groups. The Commonwealth Ministerial Meeting in Food Production and Rural Development held in March 1975 demonstrated another valuable form of cooperation.

88. In order to arrive at a mutually acceptable aid programme the recipient government outlines its development policies and priorities with a brief assessment of the development potential and prospects by main sectors, identifying the main constraints that have to be overcome. These requirements are considered in the light of the amounts and types of aid provided by international agencies, other bilateral donors and by the United Kingdom. This information is evaluated and a mutually agreed programme and financial limit is achieved where possible.

89. The United Kingdom Government's aid policy has increasingly turned in recent years towards recognition of the criteria of poverty and need as the principal one which should govern the distribution of concessional aid. Parallel to the emphasis on the poorest countries in the distribution of United Kingdom aid, increasing priority is being given to poverty focused programmes of rural development. This change in emphasis requires even closer co-operation and consultation between United Kingdom officials and those of the recipient government on project identification, preparation and implementation.

## VII. JOINT CO-OPERATIVE VENTURES

90. The OPEC countries have established themselves as a significant group of donors providing between them multilateral and bilateral aid flows amounting to some 15 per cent of estimated net financial flows to developing countries. The United Kingdom has established close working relationships on co-operation in joint ventures with the Arab Fund for Economic and Social Development (AFESD), the Kuwait Fund for Arab Economic Development (KFAED) and the Abu Dhabi Fund for Arab Economic Development (ADFAED) and has also

initiated discussions on co-operation with other Funds including the Islamic Development Bank (IDB) and the Saudi Development Fund (SDF). This co-operation has consisted of exchanges of information, periodic visits, regular liaison meetings, provision of experts and joint appraisal of projects. Both ODM and the Funds concerned are acquiring a better understanding of their respective aid philosophies and procedures which it is hoped will lead to increasing practical co-operation in future.

91. Discussions took place during 1975, first with the AFESD and subsequently with the Abu Dhabi Fund, about finance for an integrated rural development project in South Darfur in the Sudan. Agreement has been reached between the Sudanese Government, ODM and the Abu Dhabi Fund under which the Fund will finance the off-shore costs of the project up to \$3.75m (£1.7m), the Sudanese Government will meet the remaining capital costs of approximately \$3.25m (£1.5m) and the United Kingdom finance the continuing work of the consultants at a cost of \$1.7m (£800,000).

92. There have also been discussions with the Jordan Government and the Arab Fund on a joint appraisal by the United Kingdom Government and the Arab Fund of a possible water supply and distribution project for the developing port and town of Aqaba. Other countries where possibilities for co-operation with Arab aid funds are actively being discussed include Egypt and the Yemen Arab Republic (provision of experts for an Arab Fund financed electricity project and co-operation in a livestock project).

93. Discussions were initiated with the Arab Fund on co-operation in feasibility studies for inter-country projects in the Arab region.

94. The United Kingdom has also joined its EEC partners in discussions with Arab countries on Euro-Arab co-operation.

95. The 1975 United Kingdom Memorandum noted the large increase in the demand by the oil rich states for technical expertise of all kinds. The ODM's role in relation to the intensive and continuing negotiations between the United Kingdom and several Middle East Governments includes the provision of professional advice, the co-ordination of information and the identification of British sources of supply or assistance, and of responsibilities for further action so far as this lies with Government Departments and associated organisations.

## VIII. COMPREHENSIVE APPROACH TO DEVELOPMENT

### a. Initiatives in Development co-operation beyond Official Development Assistance

#### *Tariff Matters*

96. The United Kingdom has continued to work within the EEC for improvements to the Community's Generalised Scheme of Preferences (GSP). In March 1975 the Council of Ministers agreed a resolution committing the

Community to further progressive improvements in the GSP, particularly for the benefit of the poorest beneficiaries, and this approach was evident in the improvements agreed for the 1976 scheme at the end of 1975. The Community has also announced its willingness to continue its Scheme after 1981. The United Kingdom also hopes that real progress will be made in the Multilateral Trade Negotiations in Geneva. The EEC Directives for these negotiations take full account of the references in the 1973 Ministerial Declaration at Tokyo for special measures in favour of developing countries, in particular for the poorer amongst them.

### *Commodity Questions*

97. The United Kingdom fully recognises the importance of commodity trade in the development co-operation context and the need to promote measures of stability.

98. At the Commonwealth Heads of Government Meeting held in Kingston in April/May 1975 the United Kingdom recognised the need to aim for a more equitable pattern of economic relationships between the developed and the developing world and proposed an overall approach to international commodity trade which would embody the following general commitments.

- (a) the interdependence of producers and consumers and the desirability of conducting trade in commodities in accordance with equitable arrangements worked out in agreement between producers and consumers should be recognised;
- (b) producer countries should undertake to maintain adequate and secure supplies to consumer countries;
- (c) consumer countries for their part should undertake to improve access to markets for those items of primary production of interest to developing producers;
- (d) the principle should be established that commodity prices should be equitable to consumers and remunerative to efficient producers and at a level which would encourage long-term equilibrium between production and consumption;
- (e) in particular the need to expand the total production of essential foodstuffs should be recognised;
- (f) the efficient development, production and marketing of commodities and the diversification and efficient processing of commodities in developing countries should be encouraged.

99. The United Nations Seventh Special Session in New York in September 1975 took the international discussion of commodity questions a step further and these issues will figure prominently within the Raw Materials Commission of the Conference on International Economic Co-operation (CIEC) as well as at UNCTAD IV in Nairobi in May 1976. The United Kingdom continues to hope that it may be possible to reach a consensus on international guidelines for trade in commodities which could be complemented by appropriate specific arrangements negotiated on a case-by-case basis for individual commodities.



100. The United Kingdom is also participating in the on-going work in international fora concerned with commodity trade—GATT, FAO and UNCTAD. In so far as individual commodities are concerned, the United Kingdom played a full part in the negotiations which led to new international agreements for coffee, cocoa and tin in 1975 and continues to participate in the discussions on grains within the International Wheat Council and the Multilateral Trade Negotiations. The United Kingdom has also recently submitted proposals for a possible international agreement on tea to the FAO Inter-governmental Group concerned with this commodity.

#### *Restructuring of Industry*

101. The United Kingdom accepts that countries should pursue domestic policies which, while taking into account social and economic constraints, encourage their industries which are less competitive internationally to move into more viable lines of production. Industry in the United Kingdom makes its own adjustment decisions as part of a continuing process of adaptation to changed market conditions. The Government takes steps to assist this process in the light of the United Kingdom's economic circumstances and there are generous depreciation allowances for tax purposes on a national level, and a generous system of regional incentives exists to encourage the development of new industries in the Assisted Areas to replace jobs lost in declining industries. Selective financial assistance can also be given throughout the country and is used to help particular sectors of industry on a national basis. It is very much part of the United Kingdom's Industrial Strategy to encourage firms to move out of less viable lines in favour of new investment in profit-making activities.

#### *Developing Countries Import Opportunities Office (DCIOO)*

102. DCIOO was established in December 1973 within the London Chamber of Commerce and Industry and is financed by ODM. It provides information and advice to help developing countries expand their exports to the United Kingdom and it handled over 2,200 enquiries in its first full year of operation up to March 1975. The Office works in close liaison with the European Commission and the ODM's Tropical Products Institute and has established good contacts with the GATT/UNCTAD International Trade Centre in Geneva, and with other national import promotion agencies, for example, the Centre for the Promotion of Imports from Developing Countries (CBI) in Rotterdam.

#### **b. Role of Aid Administrations in the Formulation of Development Co-operation Policies**

103. Plans were made (and implemented in early 1976) to reorganise the work of ODM to take account of the latest changing needs. Two groups concerned in the main respectively with bilateral aid and multilateral aid were created, each under a Deputy Secretary. This involved some adjustment in responsibilities between departments, of which the most important were:—

- (a) the centralisation in Development Co-ordination Department of responsibility for all aspects of relations with the IBRD, IDA, IFC and IMF and general policy towards Regional Development Banks;

- (b) the centralisation in Aid, Trade and Commodities Department, a new department, of all work relating to UNCTAD, the consumer/producer dialogue, and trade and commodity policy generally;
- (c) the centralisation in FAO Department of responsibility for FAO, UNICEF, World Food Council, WFP, IFAD, The Consultative Group on Food Production and Investment and Renewable Natural Resources;
- (d) the centralisation in United Nations Department of responsibilities covering the UN Development System viewed as a whole, including UNDP, UNIDO and UNESCO.

#### **c. Changes in Public and Parliamentary Attitudes**

104. There were no perceptible shifts in public or Parliamentary attitudes in 1975 during a period of increasing preoccupation with domestic problems. The enthusiastic work of non-Government agencies continued undiminished.

105. All-party support was forthcoming for the major policy statement, the White Paper, "More Aid for the Poorest" which was subsequently debated in both Houses of Parliament. The decision to continue the aid programme and to provide for a 4 per cent per year growth in real terms over the coming years was made public on the occasion of the publication of the Government's Annual Expenditure Survey published in January 1976 (Cmd. 6393). It attracted little attention in the face of the many projected cuts in public expenditure then announced.

106. The House of Commons Select Committee on Overseas Development carried out an enquiry into "The World Food Crisis and Third World Development: Implications for UK Policy". In addition to taking formal oral and written evidence it visited Canada and the United States in July 1975 and Kenya, Tanzania and Ghana in November-December 1975. The Select Committee's Report, represents the result of more than a year's work, was published in March 1976. Its conclusion was clear. There was a "food crisis" of appalling dimensions, which could be solved only by a concerted new strategy by all aid donors and by recipient countries themselves. The Select Committee considered that the United Kingdom had a particularly important role to play in this strategy and endorsed the emphasis on rural development in the aid programme as set out in the Government's White Paper.

107. In the wake of the World Food Conference, non-government organisations made concerted efforts to call attention to the new obligations on all governments to tackle threatened world food shortages. These were backed by widespread campaigns for self-denial in domestic consumption.

108. About 1,500 letters on the subject of aid were received by ODM in 1975 of which less than 200 were critical or opposed to aid. 4,500 separate requests from individuals, groups or school classes were received asking for development literature. Parallel inquiries on a rather larger scale were received by the Voluntary Committee on Overseas Aid and Development (VCOAD) which meets requests with its own literature, the publications of the subscribing

organisations and those of ODM. The Ministry's newspaper carried a summary of the White Paper "More Aid for the Poorest" as a supplement. 5,000 copies were distributed over and above the normal circulation of about 10,000.

109. The main information activity continued to be with press and television. During the year, 260 general press notices and 110 specialist ones were issued. Monitoring of press clippings shows that virtually every one finds its way into print, at home or abroad. Television and radio interest was lively, and not, as in 1974, overwhelmingly on account of the number of disaster situations. Assistance was provided to programmes on the work in specialist areas; and, for example, on the Lomé Convention. Several opportunities occurred for members of the allied professional services, for example, pest control, tropical products, geological surveys, land resources, to assist with, or participate in, television and radio programmes. ODM is now supporting a plan to have the 2 hours film "Five Minutes to Midnight", which was shown on BBC television, shown in communities throughout the country.

110. The Ministry's publication programme has in general been kept to fairly specific targets and in response to specific demands. A publication "An Introduction to the Aid Programme" was prepared to answer points made in letters over the previous year and was sent initially to all persons who had written to ODM during the six-months prior to its publication date. Other publications during 1975 included a third edition of "A Guide to Sources of Material" in use particularly by school teachers. A new series of illustrated fold-outs for schools, describing individual developing countries, their achievements and problems, together with an account of the aid they get, is proving popular. So far six of these "country studies" have been issued.

111. Week-end conferences and meetings in many different parts of the country testify to a persistent "grass roots movement". These have often been addressed by Ministers or ODM staff. The main issues in the past year have related to world economic order. The Overseas Development Institute maintained a regular schedule of lunch-time discussion meetings which were always well attended.

*Ministry of Overseas Development,  
London*

## SCIENTIFIC ESTABLISHMENTS UNDERTAKING RESEARCH AND DEVELOPMENT ON BEHALF OF DEVELOPING COUNTRIES

### *ODM'S Special Units*

1. *Tropical Products Institute.* Concerned with agricultural, animal, fisheries, and forest products at the harvest stage and after. It carries out research and development on the use, handling, processing, quality control, preservation and storage of harvested natural resources and their residues, usually at the request of overseas countries and often in collaboration with overseas institutions.
2. *Centre for Overseas Pest Research.* The Centre carries out research and development in the control of insect, rodent and bird pests through its three divisions (biology, ecology and chemical control), often in collaboration with overseas institutions.
3. *Land Resources Division.* The Division is concerned with land use. Its main task is assessing land resources and planning the development of agriculture and forestry. Its work in fields such as agronomy, animal husbandry and soil physics involves some research.
4. *Directorate of Overseas Surveys.* Assists overseas governments in the field of mapping, a basic necessity for all planning and national development.

### *Units of Other UK Government Departments*

5. *Overseas Unit of the Transport and Road Research Laboratory.* Carries out research into road construction and transport planning in developing countries.
6. *Overseas Division of the Building Research Establishment.* Carries out research into building materials and methods for use in developing countries, with particular reference to low-cost housing.
7. *Overseas Unit of the Hydraulics Research Station.* Carries out research into the engineering aspects of the control and management of surface water resources in developing countries.
8. *Overseas Division of the Institute of Geological Sciences.* Undertakes geological mapping and investigations to strengthen the infrastructure of developing countries.
9. *Institute of Hydrology.* The Institute is concerned with the study of the natural water cycle, that is, the measurement and behaviour of surface water resulting from rainfall and the effects of run-off, evaporation etc.

### Other Institutions

10. *Centre for Tropical Veterinary Medicine.* Carries out research into certain aspects of tropical animal health.
11. *Overseas Department of the National Institute of Agricultural Engineering.* Is engaged on research and development on a wide range of simple agricultural machinery for use in developing countries.
12. *Industrial Liaison Unit of the Intermediate Technology Development Group.* Essentially a technical information centre whose purpose is to assist small-scale industries overseas but also carries out some research (for example, on producing glassware and candles by simple means).
13. *Commonwealth Forestry Institute.* The Institute carries out research into biological, silvicultural and economic problems in tropical forestry, including work on pest and disease control.

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26 July 1976

# CABINET

## UNEMPLOYMENT AMONG YOUNG PEOPLE

Memorandum by the Secretary of State for Prices and Consumer  
Protection and Paymaster General

1. At its meeting on 15 July the Cabinet "invited the Ministerial Group on unemployment among young people to consider further the possibility of announcing before the Summer Recess the introduction of a work experience scheme and a job swap scheme; and to report back" (CM(76) 15th Conclusions, Minute 4).

### WORK EXPERIENCE SCHEME

2. The Group agreed that Government support for a work experience scheme should be announced before the Recess. Certain problems remain to be resolved, notably on the tax treatment of the proposed £16 per week allowance. These problems are not, however, such as to stand in the way of an immediate announcement that a scheme will be introduced. The scheme will start in September, will provide places for up to 30,000 young people in the 16-18 age group on courses of 6-12 months duration at a gross cost of £19 million including staff costs, but a net cost of some £10 million since most of those receiving allowances would otherwise be receiving supplementary or other benefits. While applications for the scheme will have to be received in the first instance by the end of March 1977 the need to extend the scheme to allow later application will be kept under review.

### JOB SWAP SCHEME

3. There was agreement among the Group that a job swap scheme, which would provide an allowance until normal retirement age to men aged 64 and women aged 59 who retired and were replaced by the recruitment by their employer of somebody from the unemployment register, was in principle desirable. The scheme proposed by the Secretary of State for Employment would come into effect at the end of the year and run for 6 months. It is estimated to bring about the early retirement of 116,000 people, and to reduce the number of registered unemployed by 92,000 at its

maximum effect. The gross cost is put at £118 million and the net cost £42 million of which £10 million in 1976-77, £29 million in 1977-78 and £3 million in 1978-79. Legislation would be required in the 1976-77 Session. In discussion the Group agreed that the proposal should be amended in one respect - by excluding from eligibility people who were already unemployed, and to whom the replacement condition could therefore not apply; the estimates above do not allow for this change.

4. The Group however also agreed that there are a number of serious problems about the scheme. These include an inevitably wide uncertainty about the cost, the difficulty of enforcing or even policing the replacement condition and the danger that it would add to other existing pressures for earlier retirement. Such a scheme would also not be directed specifically towards unemployment among young people.

5. Some members of the Group considered that despite these problems the Government should announce before the Recess a commitment to introduce a scheme of this sort, since without it the package of employment measures would not be appropriate to the magnitude of the present unemployment problem. Other members considered that since the scheme could not be introduced until the end of the year further work should be done on the problems before any commitment was entered into, and the Chief Secretary reserved his position. Since the meeting of the Group the Chief Secretary and the Secretary of State for Employment have explored further the possibility of a reference in a package to a job swap scheme which would fall short of a commitment in principle but were unable to agree on an approach of this sort.

#### CONCLUSIONS

6. i. The Group recommend that the statement which the Chancellor told the House on 22 July would be made before the Recess should announce the amended unemployed young persons recruitment subsidy and the expansion of training places for young people agreed by the Cabinet at its meeting on 15 July and also the work experience scheme outlined in paragraph 2 above.

ii. The Group also agreed that a job swap scheme would in principle be desirable. They were unable to agree whether, in the light of the difficulties involved, the statement should include a commitment in principle to a scheme based on the proposals so far put forward or a reference to the scheme being under consideration.

S W

Department of Prices and Consumer Protection

26 July 1976

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CP(76) 59

27 July 1976

COPY NO 81

CABINET

THE £140 MILLION CIVIL SERVICE CUTS AND  
THE VEHICLE EXCISE DUTY

Memorandum by the Chancellor of the Exchequer

1. When we discussed the £140 million civil service reductions and the Vehicle Excise Duty (VED) on 8 July, the Prime Minister said in summing up that, while the majority of the Cabinet favoured abolition, there should be no announcement of any kind about VED for the present. I was asked to consider further the question of timing and the possibility of any alternative proposals for dealing with the £140 million. Having considered this further it is still my view that it would be wrong to announce an intention to abolish VED, even from a forward date like 1979-80.

THE PROBLEMS OF ABOLITION

2. The arguments which have led me to resist abolition of VED can be briefly restated as follows.

3. First, abolition means an important narrowing of the fiscal base. The tax this year yields £675 million. It is likely that, in practice, most of that would be lost within 2 or 3 years if the petrol duty had to carry its present fiscal burden and the VED burden as well. The need for an increase of 15p-20p a gallon in the petrol price would prevent us from raising the petrol duty on other grounds for at least 2 or 3 years before and after VED abolition. Our problems would be compounded because the British public would regard such a dramatic increase in the petrol price as particularly odd at the very time we were reaching self-sufficiency on oil production. And as my colleagues know, all the other European Economic Community (EEC) countries have VED as well as petrol taxation.

4. We have been grappling in recent weeks with a need to reduce the Public Sector Borrowing Requirement (PSBR), and to convince external observers that we had a plan for doing so progressively; while at the same time doing as little damage as possible to employment. Abolition of VED is a measure to make it more difficult to reduce the PSBR while reducing employment in a development area (Swansea) where we have no wish to give ammunition to nationalist supporters.



5. Secondly, there are important industrial arguments. There are two aspects of this. The first is the sectoral impact on the car industry. An announcement of an intention to abolish VED, even if after a delay of several years, would encourage the purchase of more small cars where the British industry is not fully competitive. Because of the delay and the room for argument that would provide it would also introduce uncertainty. From the papers about the industrial strategy and the medium term development of the economy which we are putting to NEDC for their meeting on 4 August, it is clear that the success of the British car industry is crucial to success in the industrial strategy as a whole.

6. The second aspect is the impact which an announcement would have on our efforts on the industrial strategy as a whole. The plan to increase the employers' national insurance contribution has inevitably put a strain on our relations with industry and has thus introduced a new factor since the last Cabinet discussion of VED. In two Budget statements I have rejected the proposal to abolish VED on industrial grounds. If now the Government changes its policy on this, we must expect industry to argue that it can put no faith in the Government's commitment to the industrial strategy. And we can expect no support from the trade union side. The trade union representatives, including Jack Jones, on the Secretary of State for Industry's tripartite group on the motor industry have declared their opposition to the abolition of VED.

7. These fiscal and industrial considerations are not matters which concern only the Secretary of State for Industry and myself. They will affect the scale of public expenditure which we can support over the years and are therefore of concern to us all.

8. VED abolition could of itself yield only £12 million towards our shortfall of £45 million on the £140 million target. Securing a further £22 million for a £2 registration fee to be substituted for VED could not fairly be presented as a manpower saving and would risk severe criticism not only that the Government had failed to carry out its intention to find the full £140 million but was attempting to conceal its failure. Even so, we should still be short of the target by £11 million. This does not therefore appear to be a worthwhile way through.

9. I recognise that our chances of reaching the £140 million target in the next few months are not good. Nevertheless, I think we should not give up our efforts to reduce the £45 million gap at this stage. The remaining possibilities may be modest. They may include some limited savings in 1978-79 arising from the 1977-78 exercise, which officials are now engaged in identifying; and some results from a study of the scope for simplification of the tax and social security systems being undertaken by the recently retired Chairman of the Board of Inland Revenue. These could make a contribution to closing the gap.

**SECRET**

**CONCLUSION**

10. I do not believe that this is the right time to make a new statement about the £140 million, whether to reaffirm or to modify the target. The Press has already reported that we have found £95 million of economies and that the search for the balance continues. I realise that it would be helpful in relation to the Staff Side to reach finality on the exercise, but the right time to give a further account of it would be in the Public Expenditure White Paper in the autumn. Since the £140 million relates to 1978-79, it would be better not to link it with the recently announced reductions for 1977-78.

D W H

Treasury Chambers

27 July 1976

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27 July 1976

## CABINET

UNEMPLOYMENT AMONG YOUNG PEOPLE:  
THE JOB SWAP SCHEME

Memorandum by the Secretary of State for Employment

1. I have proposed for early announcement four additional measures against unemployment. The Cabinet agreed on 15 July to two of them - the amended subsidy scheme for the longer term young unemployed (affecting 27,000 young people) and 3,000 additional training places - and CP(76) 58 expresses the agreement of my colleagues in the Ministerial Group on Unemployment among Young People to the introduction of a work experience scheme for about 30,000 young people. The gross cost of these three measures is £24½ million and the net cost £14½ million.
2. This package will make a useful impact on youth unemployment this autumn and winter, but I do not regard it as adequate to the requirement on unemployment generally. Another 37,000 people were added to the seasonally adjusted total of unemployed (excluding school leavers) this month and early intimations suggest that the August figures will show a further rise. So the two months before the Trades Union Congress (TUC) will show unemployment rising more sharply than recently from a rate which is already one of the highest in the European Economic Community. And although we expect unemployment to stop rising later this year, we face the prospect of around 1½ million unemployed right through the winter.
3. If we are to carry the TUC with us, we must show a greater concern to bring down unemployment in the next year than the three measures specifically directed to the young unemployed on their own. The unions are quite alarmed about the very high level of unemployment among their adult members as among school leavers and, although our current unemployment measures should reduce the number unemployed over the period of their operation by a total of about 250,000 below what it would otherwise have been, this is not going to seem enough when the actual figures are now 200,000 above the unemployment level when they were introduced last autumn. The social contract as we have just agreed it with the unions, requires the Government to be ready to take further selective measures as necessary to reduce unemployment in the next year.

4. The job swap scheme would be a substantial and imaginative addition to our battery of measures against unemployment. It has the problems to which CP(76) 58 rightly draws attention, but these are no greater than in other measures that we have adopted or have considered adopting. Its great advantage is that it would produce genuine jobs in situations where the older men are glad to vacate them and substantially reduce the unemployment register in the process (by over 90,000 at the peak of its operation in the first half of next year). Its announcement now would help us with the TUC - it would offset their concern about the future job losses associated with the public expenditure cuts and increased national insurance contributions - and it could help us particularly through the winter by accelerating the trend to lower unemployment next year and by cushioning the termination of the temporary employment subsidy at the end of this year.

5. The scheme has a gross cost of £118 million and a net cost of £42 million and its addition to the other three measures would raise the gross cost of the total package to £142½ million and the net cost to £56½ million.

6. The Ministerial Group agreed to exclude from the scheme those elderly workers already registered as unemployed on the ground that they would not be releasing any jobs and paying the allowance to them would merely be cosmetic in effect. This would reduce the numbers likely to take up the scheme from 116,000 to 87,000 and reduce the gross cost by £25 million and the net cost by £11 million (unless we were to use the money to increase the allowance and the take up from among those in jobs).

7. I think my colleagues should be aware, however, that there are difficulties in excluding the unemployed elderly. They could claim that the operation of this scheme will make it even more difficult for them to get a job. Employers will not be interested in taking on someone who might then apply for release under the scheme (even though his release is within their control) and the elderly unemployed may well feel that the employment services are unlikely to put any effort into their placement when the Government are actively encouraging people of their age to leave employment. In these circumstances it may be regarded as unfair to bar them from access to a scheme which would remove them from the labour market. They could also maintain that, while releasing unemployed elderly workers from the register is not the same as releasing jobs, their removal from the labour market eases the competitive position of other unemployed. I think there is enough in this argument from equity to warrant our keeping an open mind until we have consulted the TUC on the principle of the scheme.

8. I therefore invite my colleagues to agree that I should announce, in addition to the other measures against youth unemployment, that the Government are considering a job swap scheme along these lines, the details of which remain to be worked out in consultation with others

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concerned, but which it is intended to introduce in the autumn at a likely cost of £118 million and which would be expected to cover about 140,000 people, most of whom would be in jobs which would thus be released for unemployed people. I think it would be wise to consult the TUC on the principle of the scheme before making the announcement and to let the Confederation of British Industry know what is in mind; subsequently, I would consult them both about the practical arrangements for operating the scheme so as to achieve its purpose.

A B

Department of Employment

27 July 1976

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CP(76) 61

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27 July 1976

CABINET

DIRECT ELECTIONS TO THE EUROPEAN ASSEMBLY

Memorandum by the Secretary of State for Foreign and  
Commonwealth Affairs

1. Since Cabinet last discussed this question on 8 July agreement was reached at the European Council on the number and distribution of seats. There was further discussion in the Foreign Affairs Council on 19/20 July at which a new situation was created by French insistence that all Member States have the same degree of commitment about the date of the first elections. As a result a new proposal was worked out on the following lines;

- i. The instrument giving effect to direct elections would not lay down the dates on which the first election would be held.
- ii. There would instead be provision for the Council in due course to fix the date (acting unanimously) after consulting the Assembly.
- iii. The preamble to the decision would contain a "best endeavours" passage on the following lines:-

"[The Council]

Intending to reaffirm the desire expressed by the European Council at Rome on 1 and 2 December 1975 that the election of the Assembly should be held on a single date within the period May/June 1978, and determined to do everything possible to obtain that objective, has laid down the provisions annexed to this decision ... "

In practice an alternative shorter formula is likely to be preferred. Whatever the formula it will be declaratory, not binding.

2. A further Council has been arranged on 27 July primarily to deal with direct elections. We will certainly come under pressure to accept this new compromise but our representative will make clear that the matter will need to be considered by Cabinet as a whole before we can move from our previous position. We now need to consider urgently whether we can accept that the absence of any binding commitment to a specific date for the first election removes our need for a derogation enabling us to nominate in 1978. I believe that the proposal last week is acceptable for the following reasons:-

- a. It falls clearly within the conclusions of Cabinet on 8 July: in that the new instrument contains a "best endeavours" clause in the preamble and does not lay down the dates on which the first election should be held.
- b. It removes the possibility that we might need for a time to nominate 81 Members of Parliament.

3. If we do not accept this new proposal, which our Community partners will see as meeting our needs as previously stated, we shall be accused, rightly or wrongly, of holding up progress towards direct elections. As against this, we must consider the possible awkwardness of our being held responsible for delaying elections throughout the Community if we should be the only Member State unable to complete our preparations by May/June 1978. I believe that the clear advantage lies in our accepting the new proposals now and facing the possibility of isolation later because:

- a. I prefer to be isolated in the Community after, rather than before, we have made progress towards a revision of the Common Fisheries Policy.
- b. Other States (particularly France and Italy) seem unlikely to be ready for direct elections in 1978.
- c. If, when the Council comes to consider the election date, we have not made satisfactory Parliamentary progress with a Direct Elections Bill, our resolve to stand out against the majority will be strengthened by our literal inability to meet the proposed timetable.

What is now proposed is in line with the balance of Parliamentary opinion as expressed in the two-day debate on direct elections on 29/30 March. A majority of opinion, as reflected in the debate, favoured holding direct elections in the United Kingdom at the same time as elsewhere, though a good many doubts were expressed as to whether the May/June deadline was not a bit too soon.

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4. I therefore recommend that we should accept an agreement on the lines set out above, which I judge to be fully consistent with the objectives endorsed by the Cabinet.

A C

Foreign and Commonwealth Office

27 July 1976



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27 July 1976

CABINET

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UNEMPLOYMENT AMONG THE YOUNG

Note by the Chancellor of the Exchequer

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I attach a memorandum by the Chief Secretary, Treasury.

D W H

Treasury Chambers

27 July 1976

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YOUTH UNEMPLOYMENT AND THE PROPOSED  
EARLY RETIREMENT ("JOB SWAP") SCHEME

Memorandum by the Chief Secretary to the Treasury

The Paymaster General reports in CP(76)58 the outcome of the discussion in GEN 27 on the proposals for a package of measures to relieve unemployment among young people. The one item on which we have not been able to agree is the so-called "Job Swap" scheme.

2. I agree that the Government should introduce a package of measures; I agree that the package with only the three agreed measures (work experience scheme, training places and recruitment subsidy for under 20's unemployed for 6 months) seems inadequate; but I do not agree that the "job swap" scheme would be a relevant or cost-effective measure in such a package.

Cost

3. The estimated public expenditure cost of the job swap scheme is £118 million gross. Of this, £88 million would fall on the Contingency Reserve in 1977-78. The estimate assumes only 40% of those eligible would opt into the scheme but as many as 80% could do so, in which case all the figures would be doubled.

4. This gross expenditure, like other expenditure from the Contingency Reserve, is partly offset in its effects on the public sector borrowing requirement, by tax flowbacks and lower social security benefits. Offsets of this kind have been allowed for in the PSBR forecast for 1977-78. The offsets in this particular case could be much lower if, as is generally accepted, the condition that the person vacating a job is replaced by someone from the unemployment register, is not enforceable. Indeed "Job Swap" is something of a misnomer in view of this.

5. The scheme will undoubtedly add to the pressures to reduce the qualifying age for a state retirement pension. This could cost some £1800 million if, as many seek, it were reduced to 60 for men. There

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is already strong pressure for this, and as the scheme will require legislation the Government will be vulnerable to amendments in Committee to make the scheme permanent.

Relevance to package

6. The scheme does nothing for young people, and unbalances a package aimed at them. It merely "buys" people off the unemployment register, and in so far as the replacement condition is unenforceable, it does not even do that. Employers may well continue to hire and fire the same numbers as they otherwise would have done and there will be no means of checking on this. The number of job changes in a month is of the order of 800,000: the number of job changes within the over 64 age bracket in a month is 25,000. It is not unreasonable to say that the scheme may well have no effect at all on the unemployment figures.

An alternative

7. I recognise the need to prepare a package which will seem an adequate response to the problem of youth unemployment. But we need to have regard to the damaging effects of announcing, within a few days of the public expenditure cuts, a package which is so large and which contains such a dubious item as the "job swap" scheme. The agreed items come to £24 million. I suggest that a package would be more convincing if in total it amounted to no more than £50 million or so and if it included some extra money (say another £15 million) for the job creation scheme, to help it support all acceptable projects during the winter, and a further margin of (say) £10 million for the work experience scheme. We could announce that this extra £25 million would be placed at the disposal of the Manpower Services Commission, to use in the proportions they found necessary, for the Job Creation Programme and the Work Experience Scheme. I understand that the Manpower Services Commission, at official level, have intimated that this would be acceptable to them, and that they are confident that they could allocate another £15 million to projects under the JCP between now and the end of this calendar year.

JB

Treasury Chambers  
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27 July 1976

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27 July 1976

CABINET

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DEVOLUTION TO SCOTLAND AND WALES:  
SUPPLEMENTARY STATEMENT

Note by the Lord President of the Council

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1. My 25 May statement on devolution promised a further statement on outstanding matters before the Summer Recess.
2. The matters to be covered are too numerous and assorted to be covered in an oral statement of acceptable length and character. The best vehicle for them will be a short White Paper updating Cmd 6348. It would probably be convenient to those who follow devolution if this included the parts of my 25 May statement that modified the content of the devolution schemes.
3. I attach at Annex the draft of a statement. The decision it reflects and the terms in which they are expressed have been agreed by the Ministerial Committee on Devolution Strategy. I envisage that publication would take place on Tuesday 3 August, and that there should be brief oral statements in both Houses the same day.
4. I ask my colleagues to approve the statement for publication.

M F

Privy Council Office

27 July 1976

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**DEVOLUTION TO SCOTLAND AND WALES:**

**A SUPPLEMENTARY STATEMENT**

Presented to Parliament by the Lord President of the Council  
Secretary of State for Scotland and Secretary of State for  
Wales by Command of Her Majesty

August 1976

LONDON

HER MAJESTY'S STATIONERY OFFICE

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ANNEX TO

C(76)63

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DEVOLUTION TO SCOTLAND AND WALES :

SUPPLEMENTARY STATEMENT

PART I: INTRODUCTION

1. Last November the Government published the White Paper "Our Changing Democracy" (Cmd 6348). This set out the Government's comprehensive proposals for devolution to Scotland and Wales, and invited public discussion on them. A few matters were specifically left open for later decision in the light of comments.
2. There has since been much debate in Parliament and throughout the United Kingdom, with extensive comments and suggestions offered by interested bodies and by the general public. The Government have encouraged and valued this process and have carefully considered the views submitted.
3. The general debate has strengthened the Government's conviction that their basic approach is the right one for Britain. That approach emphasises stronger democratic control of public business, and scope for the people of Scotland and Wales to run their own domestic affairs within the secure and essential framework of political and economic unity under the United Kingdom Parliament in which all are represented.
4. In the light of the comments, the Government have decided upon a number of improvements in the proposals, and have reached conclusions on matters previously left open. The present statement explains the main new features, including for convenience those already announced in the Government's statement of 25 May to Parliament. These features, together with those unchanged from Cmd 6348, are being incorporated in the devolution Bill, the drafting of which is now well advanced. It will be introduced in Parliament at the beginning of the forthcoming Parliamentary session.

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5. The new features are set out in the order in which related subjects appeared in the November White Paper, and cross-references are given.

## PART II: SCOTLAND

### Scottish Assembly Seats

6. Paragraphs 32-33 of Cmd 6348 envisaged that at the first elections each Parliamentary constituency would return two Assembly members; and that at later elections the Parliamentary constituencies would be divided as necessary to form one, two or three Assembly constituencies, depending on the size of the Parliamentary electorate.

7. This system of division would give low representation to several widespread rural or island constituencies, and in the light of the views received the Government have decided to change it. Every Parliamentary constituency will now have at least two Assembly seats, and those with electorates more than a quarter above the average for Scotland will have three seats. On present electorates this will produce an Assembly of about 150 instead of 138.

8. The application of these revised arrangements will start with the first elections; it will not be delayed until the Boundary Commission for Scotland has had time to divide the Parliamentary constituencies into separate Assembly ones.

### The Scottish Executive

9. Appointment. Paragraphs 44-45 of Cmd 6348 envisaged that the Secretary of State would invite a prospective Chief Executive to form an Executive, and after Assembly approval would formally appoint him and his

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colleagues. The Government have now decided that it should be entirely for the Assembly to decide who is to be the Chief Executive. The Secretary of State will have merely the role of formally appointing the Chief Executive when approved by the Assembly, and other Executive Members on the advice of the Chief Executive. The Chief Executive will appoint Assistants.

10. Members and Assistants. Paragraph 46 of Cmd 6348 envisaged that it should be possible for Executive Members and Assistants to be appointed from outside the Assembly. The Government have now decided that this possibility should be restricted to posts corresponding to those of law officers at Westminster.

11. Numbers and Pay. Paragraph 48 of Cmd 6348 envisaged that the Secretary of State should determine the pay and allowances of Executive Members and Assistants to begin with; and that the maximum number of them allowed should be laid down in the devolution Act, with the Secretary of State having power to make changes later. The Government have now decided that all these matters should be left entirely to the Assembly.

#### Scottish Assembly Legislation

12. Consideration of Vires of Assembly Bills. Paragraphs 57-59 of Cmd 6348 envisaged that the Secretary of State should be able to reject an Assembly Bill which he judged, on the advice of the Law Officers, to be ultra vires - that is, going beyond the Assembly's legal powers. The Government have decided that the Secretary of State should not after all be able to do this. If there is doubt about the legality of an Assembly Bill, the final decision will lie with the Judicial Committee of the Privy Council.

13. United Kingdom Policy Objection to Assembly Bills. Paragraphs 57-59 also envisaged that the Government should have unqualified general reserve powers, subject to affirmative resolution of Parliament, to reject Assembly Bills on grounds of policy. The Government have now decided that these general reserve powers should be available only if an Assembly Bill is considered by the Government to have unacceptable repercussions on matters for which they remain responsible. They will continue to be controlled directly by Parliament. In addition, the Government have decided to drop the proposal in paragraph 58 that the Secretary of State should be able on his own initiative to send a Bill back to the Assembly for reconsideration.

14. Judicial Review. Paragraphs 62-65 of Cmnd 6348 explained the complex problem of whether, after an Assembly measure has received Assent by Her Majesty in Council and thus become an Act, the courts should be able to consider, at the instance of any litigant, whether it is within the devolved powers. The Government have weighed very carefully the views expressed and have decided that there should be a right of access to the courts in this respect.

United Kingdom Reserve Powers in Executive Matters

15. Paragraphs 71-73 of Cmnd 6348 envisaged a range of general reserve powers which the Government could exercise, with Parliament's approval, in relation to executive actions of the Scottish administration. The Government have decided on two major changes in these powers. Firstly, there will not be a power, as paragraph 73c had envisaged, for the Government to take back devolved functions. Secondly, the remaining powers to give directions or to annul subordinate instruments (paragraphs 73a and b) will be available only if their exercise is considered by the Government necessary to prevent unacceptable repercussions on matters for which they remain responsible.

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Taxation

16. Devolved services will be financed by the block fund voted by Parliament, after consultation with the Scottish administration, and drawn from the national pool of taxes. This is the fairest way of sharing resources, based as it is on local needs. Paragraph 108 of Cmnd 6348 proposed that in addition the Scottish administration should be able to levy an optional surcharge on the rates to supplement the block fund. Thorough re-examination has confirmed that no better method of devolving some revenue-raising power is available within the current framework of national and local taxation, but in the light of the comments received the Government have decided not to pursue this proposal. If future changes are made in the taxation framework, particularly for financing local government, that would make it feasible for the Scottish administration to supplement the block fund while still meeting the conditions set out in paragraph 108 of Cmnd 6348 the Government will be ready to consider incorporating the necessary revenue-raising powers in subsequent legislation.

Universities

17. There has been wide comment on future responsibility for the universities in Scotland. Opinion is sharply divided; but no factors have emerged which the Government did not take into account in reaching the conclusion in paragraph 127 of Cmnd 6348 that responsibility should not be devolved. The Government have therefore decided, on a careful balance of the considerations, to confirm this conclusion. The universities in Scotland benefit from being part of the wider United Kingdom system, and the total and balance of university provision in this system must remain of concern to the Government in the interests of the United Kingdom as a whole. There is general agreement that the University Grants Committee, which operates throughout Great Britain, has worked well as a means of giving state support to the universities whilst permitting substantial autonomy and academic freedom.

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18. The Government recognise that the Scottish administration, with its wide responsibilities in education, will have a close interest in the work of the universities. The University Grants Committee fully shares this recognition. Accordingly, the Government will take account of the views of the Scottish administration in making appointments to the Committee. They will revise the Committee's terms of reference to underline the continuing need to take thorough account of the distinctive Scottish education system outside the university sector, as well as of the distinctive features of the Scottish universities themselves. The Committee itself will invite advisers from the Scottish administration to sit with it at all levels of business, and it recognises that adjustments will be needed in its supporting structure. It will at all times be ready to provide information, advice and evidence to the Scottish administration.

19. The Government also recognise the importance, both for their own planning and for that of the Scottish administration, of viewing post-school education as a whole. The Government therefore intend to propose to the Scottish administration, when it is in being, the setting up of a council for higher education in Scotland, with representatives of all the institutions concerned, to be a forum for the discussion of problems affecting the future development of all parts of the post-school system, including relationships with the schools.

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Scottish Development Agency

20. The Government have decided that responsibility for the operation of the Scottish Development Agency and for all appointments to it should not be divided, as paragraph 138 of Cmnd 6348 envisaged, but should be transferred to the Scottish administration. This includes responsibility for financing the Agency from the resources controlled by the Scottish administration. As the Government's announcement on 25 May stated, the industrial investment operations of the Agency will be subject to guidelines laid down by the Government from time to time, in addition to the guidelines already envisaged dealing with the terms of disposal of factories. With these qualifications, the Agency will be wholly the responsibility of the Scottish administration. The Agency will also retain its existing powers to act under the direction of the Secretary of State in selective industrial assistance cases under Section 7 of the Industry Act, 1972.

Scots Private Law

21. Paragraph 145 of Cmnd 5348 recognised the need to foster the coherent development of Scotland's distinctive system of private law. The Government have now decided that the Assembly should have legislative powers in the whole of this field.

22. It is important that the use of these powers should not damage the consistent United Kingdom framework of law that is essential to continued unity in matters like trade, consumer protection and industrial relations. In these matters United Kingdom responsibilities will clearly continue and must be safeguarded. To ensure this, Parliament's general reserve powers, on the lines explained in paragraph 13 above, will be available in relation to Assembly legislation on private law. The Government will prefer however to rely essentially on close, timely and systematic consultation with the Scottish administration, both when Assembly legislation on Scots private law stands to affect United

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Kingdom matters and when Westminster legislation or other Government work (including European Community business) has to enter the field of Scots private law or otherwise to affect it.

The Scottish Courts

23. The question of responsibility for the Scottish courts and their administration was left open in paragraphs 149-151 of Cmd 6348, except that the appointment and conditions of tenure of the supreme court judges and matters concerned with appeal to the House of Lords were in any event not to be devolved. The Government have considered carefully the many and diverse views which have since been expressed. The main factors remain those summarised in paragraph 150.

24. The Government have concluded that it is possible to make a sound division of responsibility which will recognise, on the one hand, the need for Parliament to retain responsibility for those aspects which ensure the existence and independence of the courts as institutions for administering non-devolved as well as devolved law; and on the other hand the need for the Scottish Assembly to have an appropriate role in relation to this distinctive part of the Scottish legal heritage.

25. The Government have therefore decided that the administration of the courts should be fully devolved, together with responsibility for the law of evidence, diligence and contempt of court and for the district courts, including the appointment of stipendiary magistrates and justices of the peace. The appointment and conditions of tenure of supreme court judges and sheriffs will not be devolved. Parliament will keep sole responsibility for legislating on the basic structure of the court system (other than the district courts) together with the powers of the two supreme courts to regulate procedure in all the courts, and also such aspects of jurisdiction as are essential to safeguard the structure. Other aspects of jurisdiction will be devolved.

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Tourism

26. As paragraph 152 of Cmd 6348 explained, the British Tourist Authority will continue to be financed by the Government, though the Scottish administration will be free to give extra funds of its own to the British Tourist Authority or other agencies. In the face of international competition, there are clear advantages in a combined marketing programme overseas for the United Kingdom's tourism trade. However, the Government recognise that the Scottish administration will have a close interest in the Authority's execution of its role on behalf of Scotland. Accordingly, the Government have decided to provide for a stronger Scottish voice in the management and development of the Authority's work.

27. The Authority will be headed by a smaller Board of only five members, including one member from the Scottish Tourist Board who will be appointed by the Scottish administration. The representative from Scotland, together with the representatives from the other two National Tourist Boards, will carry a decisive influence in the Board's deliberations. Further, the Authority will be specially directed to prepare its annual programmes to reflect the relative marketing requirements of Scotland as well as of England and Wales. For that purpose it will be required to apportion its financial resources, and thereafter to draw up its annual programmes, in consultation with the Scottish Tourist Board and the other National Tourist Boards.

Nominated Bodies

28. Cmd 6348 made no special proposals for the future of the Housing Corporation, which provides finance for housing associations throughout Great Britain. The Government have now decided that for its activities in Scotland the Corporation will be financed by and accountable to the Scottish administration, and the administration will share in making appointments to it.

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Regulation of the Professions

29. Paragraphs 162-163 of Cmd 6348 specially invited comments on how far the Scottish Assembly should have power to legislate about the regulation of the professions. The Government emphasise that this has nothing to do with whether or not there should be political intervention in these matters; the question is solely whether or not to devolve to the Assembly the power which Parliament now has to legislate if it chooses. After weighing the views submitted, the Government have decided that legislative power should be devolved in respect of the professions which operate essentially on a Scottish basis - that is, the distinctively Scottish teaching profession and the two branches (advocates and solicitors) of the Scottish legal profession. Legislative power in respect of other professions will remain with Parliament.

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PART III: WALES

Welsh Assembly Seats

30. Paragraph 177 of Cmd 6348 envisaged that at the first elections each Parliamentary constituency would return two Assembly members; and that at later elections the Parliamentary constituencies would be divided as necessary to form one, two or three Assembly constituencies, depending on the size of the Parliamentary electorate.

31. This system of division would give low representation to several wide-spread rural constituencies, and in the light of the views received the Government have decided to change it. Every Parliamentary constituency will now have at least two Assembly seats, and those with electorates more than a quarter above the average for Wales will have three seats. On present electorates this will produce an Assembly of about 80 instead of 75.

32. The application of these revised arrangements will start with the first elections; it will not be delayed until the Boundary Commission for Wales has had time to divide the Parliamentary constituencies into separate Assembly ones.

United Kingdom Reserve Powers in Executive Matters

33. Paragraph 208 of Cmd 6348 envisaged a range of general reserve powers which the Government could exercise, with Parliament's approval, in relation to actions of the Welsh Assembly. The Government have decided on two major changes in these powers. Firstly, there will not be a power, as paragraph 208c had envisaged, for the Government to take back devolved

functions. Secondly, the remaining powers to give directions or to annul subordinate instruments (paragraph 208a and b) will be available only if their exercise is considered by the Government necessary to prevent unacceptable repercussions on matters for which they remain responsible.

#### Taxation

34. Devolved services will be financed by the block fund voted by Parliament, after consultation with the Welsh Assembly, and drawn from the national pool of taxes. This is the fairest way of sharing resources, based as it is on local needs. Paragraph 229 of Cmnd 6348 proposed that in addition the Assembly should be able to levy an optional surcharge on the rates to supplement the block fund. Thorough re-examination has confirmed that no better method of devolving some revenue-raising power is available within the current framework of national and local taxation, but in the light of the comments received the Government have decided not to pursue this proposal. If future changes are made in the taxation framework, particularly for financing local government, that would make it feasible for the Welsh Assembly to supplement the block budget while still meeting the conditions set out in paragraph 108 of Cmnd 6348, the Government will be ready to consider incorporating the necessary revenue-raising powers in subsequent legislation.

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### Local Government in Wales

35. As paragraphs 236-237 of Cmnd 6348 explained, the devolution Act will not affect the structure of local government in Wales, and the tasks of local government will remain materially unchanged. The key difference, on devolution, will be that where central government now has supervisory responsibilities relating to local government, those responsibilities will mostly pass to the Welsh Assembly. Parliament will remain responsible for primary legislation in this as in other respects, but paragraph 198 of Cmnd 6348 recognised that the Assembly should have wide freedom to comment on or make proposals for legislation affecting Wales in devolved matters. The Assembly will have power to do this under the devolution Act. In the light of this, the Government will ask the Assembly to consider and report, after appropriate consultations, on future local government structure in Wales in the context of the Assembly's own new responsibilities for the whole of Wales.

### Universities

36. For reasons similar to those explained in paragraph 17 above, the Government have decided, in accordance with paragraph 243 of Cmnd 6348, that responsibility for the University of Wales should not be devolved.

37. The Government recognise that the Welsh Assembly, with its wide responsibilities in education, will have a close interest in the work of the University. The University Grants Committee fully shares this recognition. Accordingly, the Government will take account of the views of the Assembly in making appointments to the Committee. They will revise the Committee's terms of reference to underline the continuing need to take thorough account of the Welsh education system outside the university sector. The Committee itself will invite advisers from the

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Welsh administration to sit with it at all levels of business, and it recognises that adjustments will be needed in its supporting structure. It will at all times be ready to provide information, advice and evidence to the Assembly.

38. The Government also recognise the importance, both for their own planning and for that of the Welsh Assembly, of viewing post-school education as a whole. The Government therefore intend to propose to the Assembly the setting up of a council, with representatives of all the institutions concerned, to be a forum for the discussion of problems affecting the future development of all parts of the post-school system in Wales, including relationships with the schools.

#### Welsh Development Agency

39. The Government have decided that responsibility for the Welsh Development Agency should not be divided, as paragraph 251 of Cmnd 6348 envisaged, but should be transferred to the Welsh Assembly on the same basis as that summarised in paragraph 20 above.

#### Tourism

40. As paragraph 152 of Cmnd 6348 explained, the British Tourist Authority will continue to be financed by the Government, though the Welsh Assembly will be free to give extra funds of its own to the British Tourist Authority or other agencies. In the face of international competition, there are clear advantages in a combined marketing programme overseas for the United Kingdom's tourism trade. However, the Government recognise that the Welsh Assembly will have a close interest in the Authority's execution of its role on behalf of Wales.

Accordingly, the Government have decided to provide for a stronger Welsh voice in the management and development of the Authority's work.

41. The Authority will be headed by a smaller Board of only five members, including one member from the Wales Tourist Board, who will be appointed by the Assembly. The representative from Wales, together with the representatives from the other two National Tourist Boards, will carry a decisive influence in the Board's deliberations. Further, the Authority will be specially directed to prepare its annual programmes to reflect the relative marketing requirements of Wales as well as of England and Scotland. For that purpose it will be required to apportion its financial resources, and thereafter to draw up its annual programmes, in consultation with the Wales Tourist Board and the other National Tourist Boards.

#### Nominated Bodies

42. Stronger local democratic accountability of non-elected bodies is a key feature of the Government's approach to devolution in Wales. They have decided to strengthen the role of the Welsh Assembly in this field. The Assembly will therefore be given a new power to take over the functions of statutory nominated bodies operating exclusively in Wales in devolved matters. The Assembly will be able to assume such functions by Order, subject to approval by the Secretary of State for Wales, whereas paragraph 262 of the November White Paper proposed leaving the initiative with the Secretary of State. The initiative will now lie with the Assembly, and the new arrangement will provide a flexible system for transferring the functions of individual bodies to the Welsh Assembly if the Assembly concluded that such a transfer was desirable. New

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financial arrangements would be needed if the Assembly wanted to take over a body with long-term borrowing powers, since the Assembly itself will not possess such powers. In addition, it would be inappropriate for the take-over power to apply to tribunals.

43. The Welsh Committee of the Countryside Commission will be wound up and the devolution Act will provide for the establishment of a new statutory Welsh Countryside Commission, financed and appointed by and accountable to the Welsh Assembly.

44. For its activities in Wales the Housing Corporation, which provides finance for housing associations, will be financed by and accountable to the Assembly, and the Assembly will share in making appointments to it.

#### PART IV : THE WAY AHEAD

45. The devolution Bill to be introduced at the beginning of the next Parliamentary session will reflect all the decisions set out above, and any new features which may result from the Government's continuing work and consultations. As promised in Cmnd 6348, the Government will also publish a consultation document on England.

46. The Government are convinced that the schemes of devolution for Scotland and Wales, fulfilling the clear undertakings they gave in the programme on which they were elected, represent a big step forward in democratic government. Major economic problems must remain principally a matter for combined and coordinated effort by all the people of the United Kingdom. But the schemes will meet the evident desire of the Scottish and Welsh people, within the United Kingdom, to run a wide range of their own domestic affairs in accordance with

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their distinctive outlook and traditions.

47. All this will modernise and strengthen the United Kingdom. The Government believe that their plans deserve the support of all those who are determined to maintain the United Kingdom yet at the same time value the vigour and richness of national diversity within it.

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CP(76) 64

COPY NO 81

27 July 1976

CABINET

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CONTINGENCY RESERVE

Note by the Chancellor of the Exchequer

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I attach a memorandum by the Chief Secretary, Treasury.

D W H

Treasury Chambers

27 July 1976

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PUBLIC EXPENDITURE IN 1976-77

Memorandum by the Chief Secretary, Treasury

At the time of my last progress report to Cabinet on the Contingency Reserve for 1976-77 the position was as follows:-

	£ million At 1976 Survey Prices	£ million At 1976-77 Prices
Contingency reserve for 1976-77	825	875
Approved claims	411	455
	<hr/>	<hr/>
Balance of the contingency reserve	414	420

2. Since then I have had extensive consultations with the Secretary of State for the Environment about the problem of the excess expenditure in the English housing programme which, on the latest estimates, has risen to £208 million at 1976 Survey prices. This excess arises on council house building and on housing subsidies. The Secretary of State has agreed to make reductions in other parts of the English housing programme accounting for all but £74 million of this excess, and I have agreed with him that this balance of £74 million should be a charge on the contingency reserve. In addition I have approved three small items on other programmes involving £3 million between them, leaving a balance of £337 million at 1976 Survey prices available for dealing with further claims.

3. The Treasury has received a multiplicity of small and medium-sized further actual or potential claims for 1976-77, involving between them £224 million, as set out in Annex A. There is also a larger potential requirement of £56 million for the EEC's Second Supplementary Budget for 1976. I will seek to deal with these individually on their merits according to the situation at the time. I do not propose to involve Cabinet in the details of these claims totalling £280 million at this juncture, but I invite them to note that the utmost severity will be needed in eliminating or offsetting as many of them as possible.

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4. There are, however, two major expenditure issues on which decisions are required now. The first of these is the estimated excess on local authority current expenditure which, on the basis of the revised returns which have now been received, is now put at £250 million this year for England and Wales, with a further figure of the order of £30 million for Scotland - all these figures again, being at 1976 Survey prices. Since we lack direct control over this expenditure, we must accept that we have no means of totally eliminating the excess, and I should be prepared to recognise that, after we have done everything possible to get it down to a minimum, we might then have to regard the residual excess as within a reasonable margin of tolerance of this vast sum of over £10 billion a year. However, at the time of preparation of this report, it had not proved possible to reach agreement among the Ministers concerned on steps which could be regarded as adequate to achieve such an effect. Unless, by the time that this paper is discussed, it has been possible to reach agreement on further measures, or unless such measures are decided upon in Cabinet, there will be no alternative but to regard a substantial part of the contingency reserve as pre-empted to offset this overspending.

5. The current position is therefore as set out below:-

		£ million 1976 Survey prices
Balance of Contingency Reserve (paragraph 1)		414
Agreed claims (paragraph 2)		- 77
	Balance	337
<u>Claims:</u>		
Local Authority current expenditure (paragraph 4)	-280	
Other expenditure (paragraph 3)	-280	
		-560
	Excess	-223

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6. It is against this background that we must consider the proposals which are being circulated separately for new job-creation measures, covering more limited schemes to an amount of £24 million and a job-swap scheme estimated to involve £118 million. The amount to be spent this year on this whole set of measures, if they were approved, is put at £33 million. It will be seen from the appraisal which I have set out that, depending in part on our other decisions, there can be no certainty that even this amount will be available without exceeding the contingency reserve. As regards the balance which would fall in 1977-78, the contingency reserve for that year now stands at no more than £700 million which, with the next financial year still eight months away, is less than we had in the contingency reserve for the start of the current financial year and is already too low for credibility.

7. We have repeatedly stated that we will keep within our planned totals of expenditure and that, for the current year in particular, though we will not yield to pressures to cut expenditure this year, the amount available in the contingency reserve will not be exceeded. At the best, acceptance of a batch of substantial new expenditure commitments at this juncture could go far to undo the beneficial effects of the decisions about 1977-78 which we have just reached with so much difficulty. But, more particularly, unless we exercise great stringency, the contingency reserve for the current year could rapidly be seen to be over-committed, and our ability to live within the contingency reserve for next year could be called into question.

Conclusions

8. I invite my colleagues -

- (a) to take note of the limited resources available in the contingency reserve for further commitments at this stage;
- (b) to take account of this in their decisions on any specific proposals requiring immediate decision.

JB

Treasury Chambers  
London SW1

27 July 1976

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## ANNEX A

FOURTH PROGRESS REPORT ON THE CONTINGENCY RESERVE  
CLAIMS ON THE 1976-77 RESERVE EXCLUDING LARGE ITEMS

	£ million	
	At 1976 Survey Prices	1976-77 Outturn Prices
1. Concorde	10	12
2. Thames tidal defences	13	14
3. Crown prosecutions	1	1
4. Legal aid	1	1
5. Port of London Authority	6	7
6. Town and country planning, Scotland	3	4
7. Agriculture - Northern Ireland	3	3
8. Investment grants	3	3
9. Contribution to BBC external services pension scheme	1	1
10. CAA - grant-in-aid	3	4
11. Inland Revenue staff and related expenses	4	4
12. Teachers salary drift (GB)	1	1
13. Slippage in school building (Scotland)	5	5
14. Increase in primary pupil numbers (Scotland)	1	1
15. Increase in school meal uptake (Scotland)	2	2
16. 1½ per cent increase in non-teaching unit cost and meeting 96 per cent of demand in higher & further education (Scotland)	1	1
17. Housing - improvement grants (Wales)	2	2
18. Other aircraft and aeroengine projects	2	2
19. British Aerospace capital expenditure	4	5
20. British Shipbuilders capital expenditure	26	26
21. Health and Safety Executive	3	3
22. Police - Northern Ireland	1	1
23. Sullom Voe	4	4
24. Devolution (excluding accommodation)	3	3
25. Miners' pensions	1	1

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		£ million	
		At 1976 Survey Prices	1976-77 Outturn Price
26.	Coal stocks	20	22
27.	Purchase of shares in National Nuclear Corporation	2	2
28.	Additional capital for National Nuclear Corporation	10	10
29.	Offshore support under S8 of the Industry Act 1972	2	2
30.	Rephasing of compensatory allowances	14	14
31.	Maintenance of other services	5	5
32.	Miscellaneous: LA capital expenditure on small holdings	4	4
33.	Offshore protection force (MAFF)	3	3
34.	Miscellaneous items	2	2
35.	Malta dockyard	10	10
36.	Overseas aid rollover	12	12
37.	BSC counter-cyclical stockpile	30	34
38.	Nursery school building - Scotland	3	3
39.	Redundancy scheme for fishermen	1	1
40.	DNS payments to Post Office	2	2
		<hr/>	<hr/>
Total		224	237
		<hr/>	<hr/>

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CP(76) 65

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81

30 July 1976

CABINETLOCAL AUTHORITY EXPENDITURENote by the Secretary of State for the Environment

I attach a paper setting out my proposals for dealing with an excess on local authority current expenditure of some £250 million (excluding contributions to the Housing Revenue Account) in 1976-77 than was provided for in Cmd. 6393; and for containing local authority expenditure within Cmd. 6393 levels in 1977-78. I had intended that Cabinet should discuss these measures before my colleagues and I met the Local Authority Associations on Tuesday 27 July. But it was not possible to arrange this. However those of my colleagues concerned with local government and I did discuss the paper and, except on one issue, reached agreement on the proposals in it. The exception was my proposal that we should take £50 million off the Increase Order for 1976-77 due to be made this autumn. The Secretary of State for Scotland in particular felt that reducing income by action on the Increase Order would not necessarily reduce expenditure, while damage to the relationships between central and local government at least in Scotland would more than offset any savings made in 1976-77.

2. When I met the Local Authority Associations I made three main points to them:-

a. We could not depart from the Cmd. 6393 figures for 1976-77 and 1977-78.

b. We expected a further cut in current and capital expenditure in 1976-77. A total of £100 million seemed a practicable figure. Amongst the possibilities we were considering of securing this saving would be to reduce the 1976-77 Increase Order. The rest of the overspend must be found in 1977-78 - that is, any excess in the current year would have to be made up by an appropriate cut in 1977-78.

c. At the present time it is neither right nor practicable to introduce any form of discrimination between authorities.

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3. I think the local authorities accepted these proposals as a reasonable package. I made it clear that while we are determined to stop the over-spending in local authority current expenditure we fully appreciate their difficulties and are not making a punitive reaction which should force them into supplementary rating or cause hardship on services. While clearly they would express strong public objections to any reduction of the Increase Order, my impression is that they would not think it unreasonable of us to take the only step open to us to bring direct pressure on current expenditure in 1976-77. Depending on the size of the contribution from other local government expenditures (eg capital expenditure), I would maintain my proposal in my paper to reduce the Order by not more than £50 million for the reasons set out in it. This should result in a cut of about the same size in current expenditure: we would expect the rest of the £100 million to be found from savings from capital expenditure.

4. I therefore ask my colleagues:-

- i. To endorse the measures set out in the paper most of which have already been announced to the local authorities at the meeting of the Consultative Council on Local Government Finance on 27 July.
- ii. To agree that an announcement should be made this week giving our decisions and that a joint circular giving general guidance, which I will clear with my colleagues should be sent to the local authorities as soon as possible thereafter. Both the announcement and the Circular should contain our decision on the Increase Order for 1976-77.

P S

Department of the Environment

30 July 1976

1. We announced on Thursday cuts in public expenditure programmes. These cuts which have some impact on local authority capital expenditure will be discussed by the Consultative Council on 27 July. Against this background it is essential that the Government is seen to be dealing effectively with the problem of local government current expenditure.
2. My colleagues may recall that when we received returns in April about local authorities' plan for current expenditure in 1976/77 they showed that local authorities in England and Wales proposed to spend between £350m and £450m (at November 1975 prices) some of them was compatible with the figures we had agreed in the Public Expenditure White Paper (Cmd. 6393).
3. I agreed with the Chief Secretary and other interested Ministers that the first thing we must do was to ask the authorities to revise these spending plans. We requested them, with the co-operation of the Consultative Council, to send us further returns by July which would give an up-to-date and accurate analysis of their spending plans for a year.
4. These returns have now come in. They show that although authorities have reduced their projected level of expenditure by £200m they are still planning an overspend on current expenditure of about £250m.
5. We have emphasised with the local authorities that the overspending on current expenditure would be unacceptable. The figures that have now come in present two interrelated problems:-
  - i. What, if anything, can be done to reduce and recover the proposed overspend
  - ii. How do we try to ensure that there is no further overspend on 1977/78?
6. Both raise the question whether we should try to act discriminately against those authorities who we think have exceeded our expenditure guide-lines; or whether we should act non-discriminately, as we have always traditionally done, and apply measures to local authorities using the normal mechanisms of loan sanctions and rate support grant.
7. I have considered very carefully whether we should use discriminatory measures. The arguments in equity for so doing are strong. It seems clearly unfair that all local authorities should suffer when we are pretty sure some authorities are trying very hard to obey Government expenditure guidelines while others are not. The pressures from individual local authorities to discriminate amongst them are strong but the official view of the local authority associations is against discrimination as between individual authorities.



8. Discriminatory measures could take the form of reducing capital allocations and, or, grant payments to those authorities who appear to have overspent. By officials have worked out a complex scheme which indicates how this could be done using the present rate support grant mechanism. But there is a crucial difficulty: we just do not have sufficient information about the spending needs of individual authorities to make any certain judgement about what is overspending. We should have to use some crude guidelines and we would almost certainly find ourselves with indefensible distinctions between respective authorities - taking grant or capital allocations away from an authority which had overspent because of some need which we had not taken account of or leaving money with an authority which should have, in accordance with our policies, achieved greater reduction in expenditure than it did. Moreover, many authorities against whom we would have to take discriminatory action would be those governed by our own supporters.

9. In my view the crucial argument against discrimination is that, in our present state of knowledge, it would mean a blind lurch down the road of increased central government control of local government. We would find ourselves inevitably drawn into the discussion of what a particular authority needs to spend on its various services; and if we insisted on reductions in authority's expenditure, of taking responsibility for their effects. To enable us to do this effectively, authority by authority, would inevitably require a considerable number of fairly high level staff. It would pre-empt the question posed by the Layfield Committee on Local Government Finance as to whether we should go for a more centralist or more localist solution to the problem of central government/local government relationships.

10. I have concluded therefore that we should not attempt to present circumstances, to discriminate between individual authorities.

#### The 1976/77 Overspend

11. I am sure we should try to recover as much as possible of the £250m excess in current expenditure but it would be unrealistic to assume that we can do so in the rest of 1976/77. I think therefore we should concentrate our attention on finding compensating reductions over the two years 1976/77 to 1977/78. There are a number of measures we can adopt:

1. We can restrict local authorities' resources for 1976/77 by reducing the amount of additional grant they will expect to receive after November 1976, following the upward movement in pay and prices since the RSG Settlement for 1976/77 was made. (The RSG Settlement was made at November 1975 prices. The RSG Increase Order in November/December 1976 will cover movements in prices between November 1975 and November 1976). The danger with tapering with the Increase Order is that it is unfair

between authorities. It could severely disrupt local authority forward planning and impose an unforeseen financial burden which could lead to some authorities having to levy supplementary rates. It will also raise doubts in authorities as to whether the grant arrangements will go on providing this cushion against increased costs, and hence they may raise higher rates to cover themselves against such increases. Against this, news set in the Increase Order for this year will be a clear warning of our determination to get the overspending eliminated. We should have no doubt however about the strongly adverse reaction to this proposal, particularly if the sum reduced was as high as anything over £50m - as to necessitate the imposition of a supplementary rate.

- (ii) The returns received suggest that local authorities are proposing to reduce their capital expenditure in 1976/77 by about £20m.

This is too small and too uncertain for us to take into account as an offset to the current overspend. However, when we make clear to them our resolve to keep current expenditure within the Grant 6393 limits for 1976/77 and 1977/78 they may be prepared to make a more substantial cut. I would like to ask them to consider this option in the hope that we can achieve a real saving of £30m.

- (iii) As we have agreed not to reduce current expenditure in 1977/78 below the levels set out in Grant 6393 the only avenue left to us is to seek further savings in local authority capital expenditure in 1977/78. But I cannot see where the necessary savings can be found. Each Key Sector service and the whole of the locally determined sector would have to contribute. Yet their programmes have already been reduced in the cuts in public expenditure we have just agreed. Then we shall be a long way short of closing the gap in 1976/77 with savings of some £80m - £90m on current expenditure and £30m on capital.

#### The 1977/78 position

12. Unless local authority expenditure in 1976/77 is reduced below the level indicated by the returns the planned figures for 1977/78 will involve a reduction of 4% in present levels. A cut of this nature will face local authorities with a very difficult task in 1977/78 and could entail substantial reductions in the numbers employed. Following a decade of continued growth in local authority expenditure the public expectation is that the present standards of service will at the very least be maintained. But the reports of central and local government officials for the Committee Council on expenditure in 1977/78 has shown that even to keep

existing standards will cost more next year. As for local authorities being to reduce expenditure will mean that they will have to reduce, along, perhaps as well, of course, as their own wishes. Nevertheless, our plans require a lot of cut to be made. The question is, what pressures do we bring on local authorities to ensure the cuts are made? I think the pressure we should exert should be through the Rate Support Grant system. We must uphold the decision we took in the earlier circular that the Rate Support Grant settlement for 1977/78 would assume that the Cmd. 6393 figures are held to and that over-riding this year has produced balances on local authority accounts which can be used to hold down rate increases next year. I believe that only by squeezing local authorities' finances in 1977/78 and telling them now that this is what we are going to do will we persuade them to spend less. But we should be aware that a severe settlement on these lines for 1977/78 might involve a reduction in the grant percentage of about 5 percentage points below the percentage 6.2% for 1976/77. In this event compensatory rate rises may well have to be substantial, perhaps an average of 2% rising to 2.5% in places.

13. These calculations assume that authorities will succeed in reducing their expenditure in both 1976/77 and 1977/78 to Cmd. 6393 levels. But we know that they will not succeed in doing so in 1976/77. If they persist in spending plans for 1977/78 which are higher than the Cmd. 6393 levels then they will get no grant in respect of this extra expenditure which will have to be met entirely from rates. In this event we would be talking of average rate increases of over 30%. I believe that at this level pressure from local government electors will be so strong that authorities will be forced to reduce their plans.

14. It follows from this approach, which rests on the responsibility of local government to their electors, that we should not give detailed advice on what should be done, service by service. Local authorities must choose for themselves. The Rate Support Grant is a block grant. The PESC provisions which it covers are guidelines not fixed totals. Local authorities are free, subject to fulfilling their statutory obligations to allocate the Rate Support Grant in a block grant. The PESC provisions which it covers are guidelines not fixed totals. Local authorities are free, subject to fulfilling their statutory obligations to allocate the Rate Support Grant to whatever purposes they like. This means that we should be prepared for authorities to use their own discretion on where they should seek the necessary reductions.

/conclusion

Conclusion

19. I therefore propose:

- i. That we should tell local authorities now that planned expenditure appearing from the recent returns is still too high.
- ii. That a joint circular or general guidance, which I will clear with my Minister, should be sent to local authorities as quickly as possible after the meeting of the Consultative Council on 27 July. We will need to consult with the Local Authority Associations about the drafting of a Circular.
- iii. We should reiterate our decision to settle the 1977/78 rate support grant settlement on a basis which ensures that local authorities do not have the resources available to finance expenditure outside the Genl. 6393 guidelines.

Department of the Environment

23 July 1976

CP(76) 66

COPY NO 81

30 July 1976

CABINET

EDUCATIONAL MAINTENANCE ALLOWANCES

Memorandum by the Secretaries of State for  
Education and Science and for Wales

1. Following two previous discussions on educational maintenance allowances, the Social Services Committee has again considered modified proposals for the introduction in England and Wales of a scheme broadly resembling the existing Scottish scheme. While we secured strong support for the scheme, the Committee was unable to reach an agreed view. We now seek agreement that these proposals should be implemented and that an announcement to this effect should be included in the forthcoming statement by the Secretary of State for Employment of measures to combat juvenile unemployment.

THE CASE FOR A NEW SCHEME

2. The present system in England and Wales under which the level of grants varies widely between areas at the discretion of local education authorities has been much criticised by Parliament, our own Party, the Trades Union Congress (TUC) (see Annex) and the general public.

3. Energetic steps have been taken through the agency of the Manpower Services Commission (MSC) to alleviate juvenile unemployment through job creation and improved training opportunities, but nothing has yet been done to help those whose interests would be best served by staying at school or in full-time further education after 16.

THE PROPOSED SCHEME

4. We propose that all allowances to boys and girls over 16 but under 19 in full-time education should be paid on a mandatory national means-tested basis. The details would in certain respects differ from those of the Scottish scheme but allowances and income scales would be on a basis of parity; for illustrative purposes the calculations in this paper have assumed an average allowance of £185 per annum and a maximum of about £300 per annum. Local education authorities would, however, have discretion whether or not to pay an allowance in respect of any particular student. Eligibility for an allowance would depend on the student's admission to or continuation on a suitable and available educational course. This reservation is necessary because we recognise that the educational courses will be limited to what can be provided from available resources of staff and buildings.

## FINANCE

5. We estimate that additional expenditure would be about £14 million in a full year if 21,000 extra students stayed in education; for 44,000 students it would be £21 million. The Treasury consider that these figures underestimate the additional cost in the third and subsequent years of providing education for an extra 44,000 students. Students receiving allowances - being in full-time education - would not be registered as unemployed and would not be eligible to receive supplementary benefit; offsetting savings on this score might amount to £6 million in 1977-78. The expenditure would be an addition to our departmental programmes and would therefore be a claim on the contingency reserve.

6. It would be unrealistic to expect local education authorities to pay such allowances without specific government grant, which we propose should be at the rate of 90 per cent as for mandatory higher education awards. The Chief Secretary is opposed to the specific grant feature of the scheme on the ground that it is not necessary for its effective operation and is inconsistent with the general policy underlying the Rate Support Grant system. More generally, the Chief Secretary considers that the introduction of this new scheme would be totally at variance both with the Government's recent decisions on public expenditure and with their specific request to local authorities to reduce their budgets this year and next. He thinks it would represent a permanent commitment and not one that could be terminated when juvenile unemployment returned to more normal levels.

## LEGISLATION

7. New legislation would be required to empower the Government to lay down the scales of allowances and to pay 90 per cent grant to local education authorities. A new clause for this purpose could be introduced at committee stage into the Education Bill which has just received its Second Reading in the House of Lords. Since such an amendment would be outside the existing Money Resolution its enactment by the Lords would technically constitute a breach of Commons privilege, but we might reasonably hope that the House of Commons would waive this by passing a further Money Resolution. If we proceed in this way the scheme could be in operation by Easter 1977.

## CONCLUSION

8. We seek the agreement of our colleagues that:-

1. the announcement of measures against juvenile unemployment to be made by the Secretary of State for Employment should include a statement, in terms to be agreed with the Department of Education and Science, the Welsh Office, and the Treasury, of the Government's intention to introduce a new scheme of educational maintenance allowances;

- ii. consultations should be started immediately after the statement by the Education Departments with the local authority associations, and other interested bodies, about the details of the scheme;
- iii. an appropriate Government amendment to the present Education Bill should be introduced during the course of its passage through the House of Lords.

FWM  
JM

Department of Education and Science

30 July 1976

## TRADES UNION CONGRESS

GENERAL SECRETARY, LIONEL MURRAY OBE

CONGRESS HOUSE · GREAT RUSSELL STREET · LONDON WC1B 3LS

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July 26, 1976

The Rt.Hon.F.Mulley, M.P.,  
Secretary of State for Education and Science,  
Department of Education and Science,  
Elizabeth House,  
York Road,  
LONDON, S.E.1.

Dear Mr.Mulley,

Educational Maintenance Allowances

Since the recent meeting between yourself and representatives of the TUC General Council, we have given further consideration to the Education Service's role in reducing the unacceptably high level of unemployment among school leavers and young people generally.

In recent years the rising trend of youth unemployment, combined with the significant growth in the numbers of school leavers that will take place up to 1980, in our view demands medium and long term action to reinforce the short term measures that the Government has now taken.

It was for these reasons that the TUC's 1976 Economic Review pressed the Government to encourage more young people to stay on at school beyond sixteen, to follow existing and new courses that are currently being developed in sixth forms, and by improving the existing discretionary scheme of local, authority educational maintenance allowances.



Since we met your proposals that have apparently been the subject of consideration by a Department of Employment's Manpower Study Group for a mandatory, means-tested scheme of educational maintenance allowances, have come to our notice. The conclusion that the scheme could encourage as many as 20,000 extra young people to remain at school in the first year of the scheme, with cost implications that are not out of line with other MSC measures to control youth unemployment, would seem to make this proposal (given the positive contribution it can make to the well-being of the young people concerned) a particularly strong candidate for the additional measures that are now under consideration. The TUC consider it a matter of urgency that this issue is discussed with you immediately.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Lionel Murray', written in a cursive style.

General Secretary

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CP(76) 67

COPY NO 81

30 July 1976

CABINET

THE WORLD FOOD CRISIS AND THIRD WORLD DEVELOPMENT:  
IMPLICATIONS FOR UNITED KINGDOM POLICY

Note by the Minister for Overseas Development

I am circulating, for the information of my colleagues, the attached copies of my observations on the Select Committee on Overseas Development's Report "The World Food Crisis and Third World Development - Implications for United Kingdom Policy". The Report, Cmnd 6567, was published on 29 July 1976.

R E P

Ministry of Overseas Development

30 July 1976



MINISTRY OF OVERSEAS DEVELOPMENT

FIRST REPORT FROM THE SELECT COMMITTEE  
ON OVERSEAS DEVELOPMENT  
SESSION 1975-6

**The World Food Crisis and Third World  
Development: Implications for UK Policy  
Observations by the Minister for Overseas  
Development**

*Presented to Parliament by the Minister for Overseas Development  
by Command of Her Majesty*

LONDON  
HER MAJESTY'S STATIONERY OFFICE

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## THE WORLD FOOD CRISIS AND THIRD WORLD DEVELOPMENT: IMPLICATIONS FOR UNITED KINGDOM POLICY

### Observations by the Minister for Overseas Development

1. The Minister for Overseas Development welcomes the Select Committee's endorsement, in its Report "The World Food Crisis and Third World Development: Implications for UK Policy", of the new aid strategy set out in the White Paper "The Changing Emphasis in British Aid Policies. More Help for the Poorest" (Cmd 6270). The Minister would, however, like to express his concern at the Committee's general verdict, much emphasised in press reports, that the Ministry's approach to implementing this policy is "faltering" and makes too much of the difficulties. We have already given considerable thought to devising the best means for implementing this shift in emphasis in our aid programme, but the speed with which we can do so will depend on a number of constraints, many of them outside our control, and must be consistent with the wise use of scarce concessional resources. Other donors pursuing similar policies have encountered similar constraints; and in the replies to the Committee's specific recommendations we have thought it right to be frank about the difficulties as we see them. Though we believe that we shall achieve our objective of ensuring that more of our aid reaches the poorest people in the poorest countries, we must identify at the outset the very real practical problems which we are likely to encounter: in our view this is to be realistic, not cautious. Against this background, the Minister has the following observations on the recommendations in the Committee's Report.

- (1) The Ministry of Overseas Development should have joint and equal responsibility with the Ministry of Agriculture in all the negotiations on world food security stocks. (Paragraph 32)

2. Food security is based upon the production of, and trade in, cereals and, as far as the European Economic Community is concerned, on its support policy under the Common Agricultural Policy. These are central to agricultural policy and as the Minister for Overseas Development said in evidence to the Committee at its hearing on 19 November 1975, the Minister of Agriculture, Fisheries and Food has primary responsibility for world food security matters insofar as these relate to agricultural support policy and international discussions on trade in agricultural commodities. This does not mean, however, that that Ministry formulates the United Kingdom position on its own. The fullest possible consultation is carried out with the Ministry of Overseas Development and other interested Departments on matters of joint concern, prior to discussions in the international organisations concerned, in order that the MAFF spokesmen may represent the views of the United Kingdom Government as a whole. We therefore see no advantages in altering the present position.

- (2) The British Government should use its influence to bring world food security stocks negotiations to a speedy conclusion and should aim for significant solutions. (Paragraph 35)

3. The Minister agrees that the United Kingdom Government, in concert with the rest of the European Community, should use its influence to this end. We are working actively with our Community partners to promote a successful outcome to the current discussions on world food security stocks. These are taking place in the GATT Multilateral Trade Negotiations, which are the main forum for international trade negotiations, and in the International Wheat Council, which is the body which would be responsible for administering an agreement and which has the necessary technical expertise. These discussions are related and do not duplicate one another. The matters are of a complex technical nature and there are many practical difficulties which must be resolved in order to achieve a satisfactory solution. We shall also play a full part in discussions in the World Food Council, which has a general responsibility for reviewing progress towards better world food security.

- (3) The United Kingdom should oppose proposals that the European Community should produce planned food surpluses for food aid except as part of an EEC contribution to agreed world food security stocks. (Paragraph 38)

4. Decisions affecting Community food production policies have to be taken within the common agricultural policy. The Minister agrees that, in considering the level of Community food production and the use of Community production for food aid, it is essential to try to ensure the efficient use of resources. The Government have made clear the importance they attach to discouraging wasteful agricultural surpluses within the Community. We will continue to pursue this policy. At the same time, we will certainly take account of the development of international policies for ensuring world food security.

(4) The British Government should spell out clearly to the recipient governments the purposes for which UK aid is made available. (Paragraph 50)

5. The Ministry of Overseas Development is making clear to recipient governments our wish to concentrate on poverty-focused projects, particularly those aimed at the rural poor. We shall continue to do this and are taking a positive line in seeking out projects which accord with the new aid strategy (see paragraph 7 below). The Department has been instructed to be more energetic in this than in the past. However, we believe that the Committee may have underestimated the problems of succeeding with the new strategy without the full co-operation of the sovereign governments concerned. A project which does not have the support of the recipient government will not be successful.

6. This apart, poverty-focused and rural projects often take time to prepare and disbursements are likely to start only slowly. Despite the increasing emphasis we are putting on these projects we shall wish to continue to finance other developmentally sound projects of priority to recipient governments. Many of these projects will indirectly benefit the poor, for example, by creating employment opportunities. But we expect the implementation of the policy to gather momentum first in agreement with recipient governments and then in disbursements.

(5) The British Government should play a more positive role in the identification and selection of individual projects. (Paragraph 51)

7. The Minister recognises that if we are to fulfil our objectives of concentrating on poverty-focused projects we shall need in future to be more active than hitherto in identifying them. The headquarters staff of ODM and the overseas posts and Development Divisions are taking positive action in this regard in consultation with recipient governments. We plan to make more use of project identification teams, made up of experts on different sectors, drawn from ODM's administrative and advisory staff or from our posts overseas or Development Divisions, and complemented where necessary from other sources of expertise such as consultants. We are encouraging consultants to come to us with ideas for projects suitable for aid finance, and are developing closer contacts with international agencies such as the World Bank and FAO.

(6) The Ministry of Overseas Development should recognise that the primary objective of the aid programme is to help poor people. (Paragraph 54)

8. This is the main objective of the Government's aid policy, as set out in the White Paper "More Help for the Poorest" (Cmd 6270). We recognise that there are very poor people in the richer as well as in the poor developing countries. Where we continue to give aid to the richer developing countries we shall try to concentrate on the poorer sections of their communities. However, we believe that our main concern should be with those countries which are least able to finance their own development. Our aim will, therefore, be to concentrate our aid on the poorest sections of the community in the poorest countries.

(7) The Ministry of Overseas Development should show more willingness to meet requests for the payment of local and recurrent costs. (Paragraph 61)

9. Recent evidence suggests that with one or two major exceptions ODM's present procedures have not seriously hindered the selection or implementation of capital projects. Problems have, however, arisen on technical co-operation projects over local and recurrent costs. We recognise that these problems may become more severe as we place more emphasis on poverty-focused projects. We shall need to look at these problems case by case.

(8a) The Ministry of Overseas Development should:

- (a) Set out new criteria and procedures for the identification, selection, implementation and monitoring of new programmes and projects for reaching the poorest.

10. These matters will be kept under review by the Steering Group on Rural Development now set up in ODM, which has already drawn up guidelines for the selection of projects, emphasising the question "who benefits?". Further guidance on how best to implement the new policy will be issued as necessary. Particular attention is being paid to ensuring that in selecting projects full account is taken not only of the economic benefits but also of the social benefits involved in, for example, rural health or family planning projects. We realise that these measures are only a start. As the implementation of our policy progresses we shall learn more about the procedures and criteria necessary at all stages of project selection and implementation.

(8b) The Ministry of Overseas Development should:

- (b) Estimate the additional manpower this will require and its allocation between UK and overseas posts.

11. It is clear that the new policy will put a strain on available manpower in ODM and in some overseas posts. This is likely to increase as we become involved in more poverty-focused projects, which are staff intensive at every stage. We have already made some additions to the staff to take account of the new policy, for example, an additional agricultural economist in ODM itself; a social development adviser for the Middle East Development Division; an agricultural economist for the East Africa Development Division; an agricultural economist and two social development advisers for the Caribbean Development Division; and the attachment of agricultural specialists to the posts in Dacca and Jakarta.

12. The additional manpower requirements will be kept under review but other action to limit the size of the Civil Service and the Diplomatic Service is likely to prove a serious constraint. We are considering the extent to which staffing problems can be met by making more use of outside experts (see paragraph 13 below).

(8c) The Ministry of Overseas Development should:

- (c) Estimate the extent to which it will need to make greater use of experts outside its own employment and whether such manpower will in fact be available.

13. There is a great deal of expertise on rural development within ODM and its Scientific Units (for example, the Land Resources Division, the Tropical Products Institute and the Centre for Overseas Pest Research). It may be possible to augment it by appointments under the Home Based Scheme, but we shall certainly need to make more use of outside experts (eg, consultants, experts from United Kingdom universities, and technical co-operation experts in between overseas assignments), especially for project identification missions. Manpower constraints can also be lessened by closer co-operation with other donors and, for example, closer links are being developed with the FAO and the World Bank. On the other hand, increasing demand for scarce expertise in the rural development field, not just by ODM but by international organisations, is likely to make it difficult always to find the right people, but measures to overcome this are being considered (see paragraph 25 below).

(8d) The Ministry of Overseas Development should:

- (d) Estimate the shift within its own staff in areas of expert knowledge that will be needed, appraise retraining and other implications and make proposals for effecting the necessary action.

14. Some intensified expertise may be needed in areas directly related to capital aid for rural development, particularly to its social aspects. As mentioned in paragraph 11 above, some changes in this direction have already been made. This will be kept under review.

15. One implication of increasing ODM's staff is that it means tapping the same limited pool of expertise as is needed to serve overseas in implementing projects we finance. This conflict may well be lessened by the various methods we are now considering of increasing the pool of expertise in the ways set out in paragraph 25 below, for example, by instituting appropriate training and retraining arrangements.

(8e) The Ministry of Overseas Development should:

- (e) set out a target for the proportion of aid that can be used for rural development over the next five years. (Paragraph 67)

16. The constraints on aid to rural development are not so much financial as managerial. For example, projects are often complex and take time to prepare and implement. Many involve relatively small amounts of money. The amount we can spend on rural development will vary from country to country, depending in part on how far we can succeed in securing the co-operation of the recipient government. We think it better to concentrate on measures to increase the aid we can give to rural development in each country, rather than to set an overall target. A recent analysis shows that more of our total aid programme is going to the rural poor than the 10 per cent figure mentioned in paragraph 66 of the Select Committee's report. The analysis was not of our whole aid programme and so we do not have a definite figure. But it is now clear that in 1974 about half of our bilateral project aid (which is about 30 per cent of our total aid programme) went on projects to help the rural poor.



- (9) The Ministry of Overseas Development should create or adapt courses more appropriate to the needs of students from developing countries at educational institutions in the UK and should be prepared to finance the acquisition of overseas experience by staff involved in such courses.  
(Paragraph 85)

17. This recommendation is accepted. Many standard courses attended by ODM-financed students meet their requirements satisfactorily or can be adapted to do so. We already make special payments for such courses but it is not practicable to create special courses unless there is adequate demand from developing countries, nor is it desirable, as the Committee have noted, to encourage the formation of small "cells" of overseas students within British education institutions.

18. Our policy is to strengthen, with appropriate technical co-operation, training facilities at every level in the developing countries themselves, and to concentrate UK training in those subject areas in which it will remain necessary for some time.

19. We already finance visits overseas by UK course staff to enable them to acquire experience.

- (10) The Ministry of Overseas Development should be prepared to finance post-graduate research in developing countries as well as in the UK.  
(Paragraph 86)

20. The Minister accepts this recommendation in principle. We will continue to try to increase the proportion of research training carried out in developing countries and are willing to promote schemes for "split training". We are ready to examine any financial obstacles to the pursuit of this policy.

- (11) The Ministry of Overseas Development should give greater publicity and encouragement to on the job training courses with British firms. (Paragraph 87)

21. ODM had this in hand when the Committee was appointed. There has been an increase of almost 50 per cent in the number of such trainees (296 in 1974/75, 429 in 1975/76) since the Committee received its evidence (on 21 May 1975); and the trend continues.

- (12) In future far less rigid criteria should be applied to third country training programmes with a view to switching a significant proportion of training funds to this purpose. (Paragraph 91)

22. We have already reviewed policy on third country training and initially are promoting it at least to the level of our present authority. As a first step we are compiling a list of acceptable institutions in third countries. We shall increase third country bilateral training in appropriate cases. We are already financing third country training through multilateral agencies.

- (13) The Ministry of Overseas Development should make full use of the opportunities provided by the technical assistance and consultancy it finances to send young professionals, such as agriculturalists, economists, engineers, rural sociologists and teachers, abroad to work alongside more experienced UK personnel. (Paragraph 97)

23. The Minister agrees with this recommendation. ODM already operates or helps to finance a number of schemes which provide young professionals with first-hand knowledge of overseas conditions—these include the Natural Resources Studentship Scheme (which has recently been increased to provide for 40 studentships), the Overseas Development Institute Nuffield Scholarships Scheme (ODINS) for young economists (15 a year), and some ODM-sponsored research projects. We have started to include younger people in teams which consultants send out under our auspices. Many people, including teachers, gain useful overseas experience when serving as volunteers. We are joining the FAO Associate Expert Scheme. There is clearly, however, a need for us to extend our assistance in this area so that a pool of younger experienced professionals can be maintained.

- (14) The Ministry of Overseas Development should provide without delay a projected manpower requirement, identifying the needs in the technical assistance programme and proposing means of meeting such needs. (Paragraph 99)

24. The Ministry's Manpower Planning Unit has a particular responsibility to monitor manpower needs of developing countries and the United Kingdom's capacity to supply those needs. While, however, we will continue closely to monitor future manpower requirements, and do all we can to limit the manpower constraint on the technical co-operation programme, it is unlikely that a firm projection of manpower requirements could be produced at this stage, or that it would be useful for long. The precise requirements will be dependent on the development of country programmes.

25. Some countries are at present highly dependent on United Kingdom personnel in, for instance, secondary education and the number of United Kingdom teachers will not therefore decline suddenly. It is policy, however, to concentrate on teacher trainers rather than on the supply of teachers. The Manpower Planning Unit, in collaboration with Geographical Departments, undertakes regular country manpower reviews looking three years ahead. The switch in emphasis will develop from these at the same time as we maintain pressure for localisation and reduced requirements for United Kingdom personnel in areas of relatively low priority. We have already taken some steps to expand the future supply of expertise in some fields for new programmes and projects for the poorest people in developing countries. Examples of the steps taken or under consideration to meet future needs are:

- (i) Expansion of the Corps of Specialists for Renewable Natural Resources staff.
- (ii) Expansion of the Home Based Scheme for various disciplines, including the establishment of additional posts at ODM's Scientific Units.
- (iii) Provision of mid-career refresher training for technical co-operation officers and supplemented staff.

- (iv) Use of FAO Associate Expert Scheme.
- (v) Expansion of the Natural Resources Studentship Scheme.
- (vi) Other measures to provide pre-service training and overseas experience for young professionals in required disciplines (see paragraph 23 above).
- (vii) Giving greater priority in the Educational Development Awards programme to areas of education of increasing priority.
- (viii) Increased attempts to attract returning technical co-operation officers, supplemented staff and volunteers in scarce disciplines to further service overseas.
- (ix) Improvement of information retrieval of available expertise for technical co-operation assignments.

(15) The Ministry should systematically link scientific and socio-economic research based on their field and project experience. (Paragraph 107)

26. The Minister agrees that a more systematic link between science and socio-economics will be required both in the planning of research and in its implementation, and will seek to strengthen it.

(16) The Ministry should encourage the CGIAR research institutes to take more positive steps to assist small farmers. (Paragraph 108)

27. The Minister is keen that the work of the International Agricultural Institutes under CGIAR auspices should assist small farmers and we shall continue to encourage work to this end. Indeed, the latest programmes of both the older and the newly-established Institutes are aimed at the problems of the rural poor. Many of the crops and farming systems under examination are those of small farmers, for example, millet, sorghum, rice, various legumes and animal production: an important function of the Institutes is to collaborate with developed and developing country research programmes and services in testing varieties and systems and adapting them to specific needs.

(17) The Ministry should appoint a Research Publications Officer to co-ordinate and publicise research results at more popular levels than those of the scientific literature. (Paragraph 110)

28. The Minister recognises that there is a need for further action in this sphere and is considering how this can be provided. As explained in evidence to the Committee we believe that the major popularisation of results for use in developing countries, particularly by small farmers, must come through national extension services.

(18) The British Government should seek to improve the machinery for co-operation, consultation and exchange of information at all stages between aid donors. (Paragraph 113)

29. We already attach great importance to encouraging co-operation between aid donors, both in respect of individual recipient countries and generally, on matters of aid policy and administration, and we have always taken a leading

role in trying to improve the existing machinery. An increasing number of developing countries are covered by consultative groups or consortia in which donors and recipients meet regularly, usually under the chairmanship of the World Bank, to discuss aid needs. There are also frequent informal contacts between ODM officials and their opposite numbers in other donor countries and institutions and regular informal meetings between donor representatives in many recipient countries. The degree to which we and other donors can foster such co-operation does, however, depend on the views of the recipient government; some are more enthusiastic about it than others. Some donor governments also show reluctance to participate in such activities.

30. We participate fully with other donors in discussing aid policies and practices in the Development Assistance Committee of OECD and in the EEC, where efforts are now being made to improve the harmonisation and co-ordination of bilateral aid programmes.

(19) The Ministry of Overseas Development should take part in joint development projects designed to relieve poverty even where the contribution, intrinsically valuable, lacks international recognition. (Paragraph 114)

31. The Minister accepts this recommendation. It is not a precondition of our participation in joint projects that there should be recognition of our contribution outside the recipient country.

(20) ODM should immediately institute a series of meetings with the voluntary agencies to review the working of the joint funding scheme and to speed up its implementation. (Paragraph 117)

32. Progress with this scheme has improved since the Select Committee was informed of the initial progress and to date almost £350,000 has been committed to sixteen projects; contributions amounting to over £300,000 for twenty-three further projects are under consideration. But there is room for further improvement and The Minister shares the Committee's concern that the scheme should not become bogged down with procedural difficulties. We are considering possible relaxations of our accounting requirements consistent with the Accounting Officer's responsibility to Parliament and the possibility of reducing the detail of information for which the agencies are asked. We are constantly in touch with the United Kingdom agencies and welcome discussion with them about ways in which the scheme can be developed.

33. In addition to the joint financing scheme, special arrangements have been made to assist voluntary agencies which are extending maternal and child health care and family planning services to the poorer communities of the Third World. To date £157,000 has been spent in this way.

(21) The Ministry of Overseas Development should ensure that, through regular meetings and other means, there is greater interchange of information and expertise on rural development with British consultant firms and should make positive proposals for the utilisation of this knowledge. (Paragraph 118)

34. To follow up the October 1974 Conference with British consultants ODM held a meeting with the British Consultants Bureau (BCB) in January

this year at which progress on the rural development policy, the role of consultants and other items of current concern were discussed. In response to an ODM invitation the consultants expressed a willingness to help identify projects for possible aid financing and we are advising overseas posts that they should give consultants positive support in this. We shall continue to make use of consultants' expertise for pre-investment studies and in connection with project implementation.

35. We plan to hold regular meetings with the BCB so that there can be more exchange of information and consultants can be kept informed of changes of emphasis or new directions in ODM policies. We have also asked consultants to keep in touch with country aid programme changes by contacting the appropriate ODM Geographical Department before visiting a country.

(22) In the context of creating rural jobs, a fresh look should be taken at the decision not to implement the scheme of support for pre-investment studies authorised by the Overseas Investment and Export Guarantee Act 1972. (Paragraph 122)

36. The Minister has had a fresh look at the Pre-Investment Studies Scheme and announced on 22 March 1976 the decision to revive the scheme in respect of development, particularly of course that which is likely to create rural employment, to which the host governments attach priority.

(23) The Ministry of Overseas Development should investigate the possibility of financing, or helping to finance, an institution designed to improve the capacity of developing countries for gaining access to foreign investment. (Paragraph 123)

37. Many developing countries need help and advice on foreign investment and the safeguarding of national interests. The United Nations and the World Bank Group, both important sources of capital assistance, increasingly offer advice on investment policy. The Commonwealth Development Corporation and the International Finance Corporation, with wide experience of project appraisal, can bring domestic and foreign interests together in exploring investment opportunities. IFC plans in future to provide poorer countries with additional technical advice; and the new Investment Co-operative Programme Office of UNIDO has been created with a similar purpose in mind in the field of industrial investment.

38. The UN Information and Research Centre on Transnational Corporations is also setting up a technical co-operation programme to assist developing countries in the co-ordination of investment policy, project formulation and appraisal, competitive bidding procedures and the negotiation of agreements with multi-national corporations. It aims to provide technical advisers, training, information services and to stimulate discussion between the governments of developing countries and representatives of multinational corporations.

39. The Minister is prepared to supplement such activities, where necessary, within the general framework of our policy of concentrating aid on the poorest countries and particularly projects likely to benefit people in rural areas. We are, however, inclined to think that an increase in assistance of this nature is probably best achieved through existing institutions.

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CP(76) 68

COPY NO 81

2 August 1976

CABINET

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THE LICENSING AND SUPERVISION OF DEPOSIT-TAKING  
INSTITUTIONS

Note by the Chancellor of the Exchequer

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1. I am circulating to colleagues for information the attached advance copy of a White Paper on 'The Licensing and Supervision of Deposit-Taking Institutions'.
2. It will be published as a command paper (Cmnd 6584) on Tuesday, 3 August at 3.30 pm.

D W H

Treasury Chambers

2 August 1976



# The Licensing and Supervision of Deposit-Taking Institutions

*Presented to Parliament by the Chancellor of the Exchequer by  
Command of Her Majesty  
August 1976*

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Ccmd. 6584

# THE LICENSING AND SUPERVISION OF DEPOSIT-TAKING INSTITUTIONS

1. Last autumn the Government announced their decision in principle to introduce legislation which would provide for the prior authorisation of deposit-taking institutions. The Government believe that institutions which take deposits from the general public or from the wholesale money markets should be subject to an adequate system of authorisation and supervision, backed by statute where necessary. The building societies and trustee savings banks are already subject to prudential supervision under statute. The primary banking sector is already subject to supervision by the Bank of England. There are, however, other deposit-taking institutions which are not at present subject to continuing supervision. The proposals in this White Paper are, therefore, directed to the improvement of those arrangements, and in particular to the extension of the system to close this gap. The Government are confident that the changes will both provide greater protection for depositors and strengthen the financial system generally.

## The Need for Legislation

2. With certain exceptions, such as building societies, a deposit-taking institution in the United Kingdom requires no licence or other authorisation before it commences business. Nor is there any statutory regulation of its subsequent performance. However, the Bank of England has for many years operated a system of prudential supervision over banks and its supervisory rôle, although not deriving from specific statutory authority, has long been accepted throughout the primary banking sector. This system has a number of advantages. The ability of banks to adapt to changing circumstances has not been hindered by the comparative inflexibility which could result from a more formalised regulatory apparatus. Furthermore, the customs and conventions of a self-regulatory system are likely to command more willing and effective support in this field than formal rules imposed by law.

3. Although there is no comprehensive statutory definition of a bank in the United Kingdom, institutions may be given specific recognitions as banking undertakings under a variety of statutes for the limited purpose of each statute. Under the Exchange Control Act 1947, institutions may be authorised to deal in foreign exchange; these have become known as the "authorised banks". Institutions recognised as banking or discount companies under paragraph 23 to the Eighth Schedule of the Companies Act 1948 may in producing their published accounts exercise the right to maintain hidden reserves. Institutions recognised as banks under Section 127 of the Companies Act 1967 are exempted from those provisions in the Protection of Depositors Act 1963 which deal with advertising and the submission of accounts. Institutions recognised as banks under Section 123 of the Companies Act 1967 are exempted from the provisions of the Moneylenders Acts. Finally, institutions recognised as banks under Section 54 of the Income and Corporation Taxes Act 1970 have the right to pay and receive interest gross of tax. These recognitions do not in themselves imply anything about the financial standing of the institutions concerned, although in practice the first three have normally been granted only



to institutions belonging to the primary banking sector. This proliferation of recognitions—with differing criteria and coverage—causes confusion, which is compounded by the inadequacies of the present arrangements for regulating the use of the word "bank" and its derivatives in corporate names and descriptions. This makes it difficult for depositors to distinguish between the different categories of deposit-taking institution, not all of which are subject to continuing supervision by the Bank.

4. The events of late 1973 and 1974 demonstrated these defects. A number of those companies which found themselves in difficulties were deposit-taking institutions not regarded as banks by the Bank of England and were thus not subject to its supervision. Many of them, however, were recognised under Section 123 of the Companies Act 1967, and frequently described themselves as banks in promotional material. But the Department of Trade had insufficient powers to supervise them, since the Protection of Depositors Act 1963 protected depositors merely by providing for the publication of accounts in specified forms and by imposing certain not very effective limitations on advertising; it did not provide for the continuing prudential supervision of institutions falling within its scope. This state of affairs scarcely conformed to the minimum desirable standards of consumer protection. However, arrangements were made through the support operation known as the "lifeboat" to safeguard the deposits of the public in a large number of cases where deposit-taking institutions ran into difficulties.

5. The Government believe that these deficiencies should be remedied. The new arrangements which they intend to introduce are described below. They will meet the United Kingdom's obligations under the EEC's prospective directive on the commencement and carrying on of business by banks and other credit institutions.

### **Licensing**

6. Under the new system, institutions will be allowed to carry on the business of taking deposits only if they hold a licence granted by the Bank of England, unless they are either recognised as a bank under the new arrangements described in paragraph 9 below, or are covered by one of the existing statutory schemes referred to in paragraph 13 below. In order to obtain and hold a licence, institutions will also be required to comply with certain general conditions laid down in the legislation and with published prudential criteria which will be determined by the Bank of England with the agreement of the Treasury. Although the Government have already formed some view about the nature of these criteria they do not think it would be right to settle the details in advance of consultations with those most closely affected.

7. No company will be granted a licence unless its capital and reserves exceed a minimum figure. The Government will have to strike a balance, in fixing the figure, between the need for it to be high enough to provide sufficient assurance of financial substance and the need for it not to be so high that it constitutes an undue deterrent to otherwise suitably qualified persons who wish to enter the deposit-taking field. Institutions will also have to satisfy the Bank of England that their management is honest, trustworthy and suitably qualified to undertake the kind of business which they intend to conduct. In deciding

whether to grant a licence to an existing institution, the Bank of England will also look at its past performance and will assess whether it is likely to be able to meet the standards of liquidity and solvency appropriate to a deposit-taking institution.

8. Institutions which receive a licence will thereafter have to satisfy the Bank of England that they continue to meet those criteria and conform to the required standards in conducting their business. In assessing a deposit-taking institution's business, the Bank will examine appropriate balance sheet relationships and ratios relating to the capital adequacy and liquidity of the institution, the degree of risk attaching to various assets, the matching of liabilities and assets in both sterling and other currencies, the reliance placed on deposits from connected companies and the institution's lending to connected organisations, the distribution of its lending among economic sectors and the provisions and profits that have been made. This information will be interpreted flexibly taking account of the particular circumstances of each institution. The Bank will be able to attach further conditions to the granting and renewal of licences covering such matters as the appointment of directors or management, and the injection of extra capital. They will be able to revoke or suspend a licence if they consider that the company no longer meets the standards required of a deposit-taking institution. There will be a right of appeal to the Treasury against the refusal or revocation of a licence.

#### **Recognition as a Bank**

9. The Bank of England will be empowered to grant a new statutory recognition as a bank to certain deposit-taking institutions which will exempt them from the licensing provisions of the Act. Exacting criteria for such recognition, covering such matters as minimum capital and reserves, the type or range of banking services required to be provided, and the reputation or status needed, will be determined by the Bank with the agreement of the Treasury and will be published. It is expected that most of the institutions which comprise the present primary banking sector will qualify for such recognition. The arrangements for their supervision will remain unchanged, although in the considerably strengthened manner that has recently been introduced in response to the experience of the early 1970's. There will be a right of appeal to the Treasury against the refusal or revocation of this recognition.

#### **Banking Names and Advertising**

10. The Government intend to extend the existing controls over the use of the word "bank" and its derivatives. Recognised banks will be permitted to use the word "bank" in their name and to describe themselves as banks or as carrying on the business of banking; licensed institutions will not. The National Savings Bank and the trustee savings banks will be permitted to continue to use the word "bank". The proposed legislation will also empower the Treasury, acting in consultation with the Bank of England, to issue regulations governing the content and form of advertising for deposits: this will replace the comparable provisions in the Protection of Depositors Act.

### **Deposit Protection Fund**

11. In any system of prudential supervision a balance must be struck between ensuring on the one hand that deposit-taking institutions conduct their affairs with an appropriate degree of caution, and on the other that they are free to explore and develop new areas of business which may be profitable not only to the institutions themselves but also valuable to the economy as a whole. No supervisory system can exclude altogether the possibility of an institution finding itself in difficulties. The Government, therefore, propose to institute a mandatory deposit protection fund which will provide the public with an additional safeguard against the loss of deposits. The Government are still considering the details of the scheme, but they intend that it should relate to sterling deposits up to £10,000 (or the first £10,000 of larger deposits) with all licensed deposit-takers and recognised banks. The fund will be administered by the Bank of England.

### **Northern Ireland**

12. Financial institutions in Northern Ireland are subject to statutory controls similar to those in force in Great Britain. Some of these are administered by Northern Ireland departments under powers conferred by separate legislation; others are administered on a United Kingdom basis. The Government have decided that the proposed licensing and supervisory system will apply in Northern Ireland as in Great Britain through a single Act of Parliament.

### **Exclusions**

#### ***Building Societies, Giro, Trustee Savings Banks and Friendly Societies***

13. The supervisory arrangements described above will not cover the building societies, trustee savings banks, the National Savings Bank, the National Giro and friendly societies which are already satisfactorily regulated and supervised under statute. But the trustee savings banks have recently begun a transformation process which will, over the next few years, enable them to expand progressively their range of banking services. The Government envisage that they will be brought within the arrangements proposed in this White Paper at the appropriate stage in their development. The arrangements will also not apply to stockbrokers who are regulated by the Council of the Stock Exchange.

#### ***"Deposits" with Estate Agents and Traders***

14. "Deposits" will be defined in the legislation in a way which will exclude part payments for future acquisitions or services. The legislation will, therefore, not apply to deposits taken by solicitors, estate agents and a wide range of other traders who take deposits as such part payments.

### **Branches of Overseas Deposit-Taking Institutions**

15. Branches of overseas deposit-taking institutions operating in the United Kingdom will, like deposit-takers incorporated in this country, need to hold a licence or be recognised as a bank in order to take deposits. The Bank will be concerned to ensure that they conform to appropriate standards in the conduct of their business, but the arrangements for their prudential supervision will remain primarily a matter for the supervisory authorities in the country of origin. Branches of overseas deposit-taking institutions will not be required to have

separate endowment capital in the UK. Branches of overseas deposit-taking institutions with head offices elsewhere in the EEC which are licensed in the UK may be entitled to use the banking names by which they are known in their country of origin.

### **Transition and Special Cases**

16. The new system will apply both to institutions wishing to take deposits for the first time and to deposit-taking institutions in existence at the time the Act comes into force. The latter will be given an adequate period, probably twelve months after the Act receives the Royal Assent, in which to meet the new requirements. The Bank of England will be prepared to discuss with any of the institutions affected its prospects of obtaining a licence or being granted recognition as a bank.

17. Certain institutions which carry on the business of taking deposits and which are not supervised under existing legislation, for example credit unions, certain retail co-operatives, municipal or local banks and the Scottish uncertified savings banks, may not fit easily into the proposed arrangements. The Government will, therefore, hold consultations with these and any other groups of institutions which may find it difficult because of their special circumstances to comply with the requirements of the proposed legislation.

### **Legislation**

18. The Government have already begun to rationalise the existing statutory banking recognitions. Once the Consumer Credit Act 1974 is fully in operation, the Moneylenders Acts and Section 123 of the Companies Act will be repealed. The implementation of the proposals outlined above will involve the repeal of the Protection of Depositors Act and of Section 127 of the Companies Act 1967. The provisions of the Income and Corporation Taxes Act 1970 in respect of institutions carrying on banking business in the United Kingdom will be amended in due course to take account of the new system. However, the existing system of authorisation under the Exchange Control Act 1947 will continue separately, since that has to take into account additional criteria specifically relating to foreign exchange business. The existing recognitions which have been granted in the past for the purposes of the Eighth Schedule of the Companies Act 1948 will continue, pending review of the provisions. Once the new arrangements come into force, the status of any deposit-taking institution will be clear from its designation under the new legislation. No institution will be permitted to take deposits unless it satisfies the criteria in the legislation about financial stability and probity. The Government hope to introduce the legislation to give effect to these proposals as soon as the Parliamentary timetable permits.

### **Parliamentary Accountability**

19. The general arrangements for supervision will be subject to Parliamentary scrutiny in three ways. The framework will be laid down in the legislation. The criteria to be used by the Bank in deciding whether individual institutions should be licensed or recognised as banks will be agreed between the Bank and the

Treasury; they will be laid before Parliament when they are originally prescribed, and as and when they are varied to meet changing circumstances. Finally, the Bank will report annually on the exercise of its supervisory responsibilities: these reports will be laid before Parliament, and will thus be available to the Select Committee on Nationalised Industries. There will, therefore, be full accountability to Parliament through Treasury Ministers for the operation of the overall system by the Bank. The handling of individual cases will be a matter for the Bank; Treasury Ministers will not be in a position to answer questions on them, unless there is an appeal, which will be subject to a statutory inquiry within the meaning of the Tribunals and Inquiries Act 1971.

#### **Conclusion**

20. The Government believe that these reforms will be widely welcomed within the financial community. By better protecting the interests of depositors, the new arrangements will increase confidence in the strength of the financial system and help to ensure that it will be able in the future to make an even greater contribution to the national economy.

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EXPENDITURE COMMITTEE

GOVERNMENT OBSERVATIONS ON THIRD REPORT  
SESSION 1973-74

POSTGRADUATE EDUCATION

Note by the Secretary of State for Education and Science

1. I am circulating to colleagues for information the attached advance copy of a White Paper on Postgraduate Education.
2. It will be published as Command Paper (Cmd 6611) on Tuesday 24 August at 11.00 am.

FM

Department of Education and Science

23 August 1976



DEPARTMENT OF EDUCATION AND SCIENCE

## **Expenditure Committee**

Government Observations on Third Report  
Session 1973-74

## **POSTGRADUATE EDUCATION**

*Presented to Parliament  
by the Secretary of State for Education and Science  
by Command of Her Majesty  
August 1976*

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**EXPENDITURE COMMITTEE**  
**GOVERNMENT OBSERVATIONS ON THIRD REPORT**  
**SESSION 1973-74**

**POSTGRADUATE EDUCATION**

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# **EXPENDITURE COMMITTEE**

## **GOVERNMENT OBSERVATIONS ON THIRD REPORT**

### **SESSION 1973-74**

#### **POSTGRADUATE EDUCATION**

##### **Introduction**

1. In their Third Report, Session 1973-74, the Expenditure Committee put forward a number of recommendations about the financing and administration of postgraduate education. Their recommendations were wide-ranging and some of them raised fundamental questions about the purpose of postgraduate education and the roles of the various bodies concerned with the system of higher education in this country. This system is highly decentralised, with a great deal of responsibility exercised by autonomous bodies such as the universities and research councils, and by local education authorities. The Secretary of State for Education and Science is responsible for overall policy, but it is part and parcel of the system that policy making on major issues should be undertaken in full partnership with the various bodies concerned. Consequently it was not possible for the Government to express a view on the recommendations of the Expenditure Committee without first collecting and considering the opinions of the relevant bodies in the field.

2. This process in fact got under way very soon after the Report appeared at the end of January 1974. But it soon became apparent that many of the bodies concerned were not content to comment on the recommendations as they stood. They considered it necessary to think through some of the fundamental policy issues involved. Thus the Committee of Vice-Chancellors and Principals (CVCP) set up a working party in November 1974 which produced an interim report in July 1975, and which is continuing to give the matter further study. The Science Research Council (SRC) set up a working party in March 1974 which produced a report in September 1975; the Council are now assessing the reaction to this report. Thus a far-reaching public debate is still in process, but it now appears to the Government that the point has now been reached where the Government are able to outline their own position. This is the purpose of this White Paper. It does not attempt to answer all the questions about postgraduate education; it does set out the Government's present attitude on the issues raised by the Expenditure Committee.

3. These issues have been grouped under three headings—the objectives of postgraduate education; the content, type and balance of the courses offered; and administrative and financial arrangements. There then remains a number of miscellaneous recommendations made by the Expenditure Committee: these are dealt with in an Annex.

##### **The Objectives of Postgraduate Education**

4. The term "postgraduate education" covers a wide variety of activities leading to a wide variety of qualifications. Underlying this variety, however, the broad objectives of postgraduate education may be summarised as:

- (i) the training of men and women in the skills and attitudes required to

meet the future needs of industry and commerce, the professions, the public services and, of course, the higher education institutions themselves ("manpower needs");

- (ii) the satisfaction of the demand from students who, in the words of the CVCP's interim report, are "qualified, suitable and keen to proceed beyond a first degree" ("individual demand");
- (iii) the contribution which research students while still under training make as a manpower resource to the advancement of knowledge or to the research capability of an institution ("institutional demand").

There is a separate range of objectives related to overseas students: aid for developing countries, improvement of international relations, building up good will amongst people who will one day be in a position to buy British goods and, perhaps, attracting foreign exchange. The Government do not question the desirability of making provision for overseas students. The problem is however to decide, in relation to other desirable objectives both inside and outside the educational sphere, what resources the country can afford to devote to this purpose and what return can be expected from an investment of this kind. This aspect of the matter has been covered, so far as the academic year 1977-78 is concerned, by the Government's announcement of 5 July. The following paragraphs are concerned mainly with the objectives as they affect home students.

5. Students may satisfy two or three of these objectives at the same time, but they will not necessarily do so. The objectives cannot therefore be regarded as additive; but neither can they be regarded as overlapping completely. It is accordingly necessary for the Government, in exercising its responsibility for the broad development of the higher education system, to decide what relative weight

- (a) it should give to these objectives for the purpose of assigning priorities and resources; and
- (b) it should advise others to give them in making the decisions for which they are responsible.

6. The Government broadly accept the view of the Expenditure Committee that "postgraduate education should be shaped, not by student demand alone, but principally by the needs of the economy and of society as a whole". Institutional demand, though it must receive due recognition, clearly cannot be regarded as the overriding objective. The Government believe that a system primarily designed to satisfy individual demand would be too haphazard a way of meeting manpower needs. Accordingly, they agree with those who urge that resources for postgraduate education should be provided primarily in order to meet the country's need for trained manpower. This seems to be the most comprehensive principle within which it should be possible to go a long way, if not the whole way, towards meeting the other objectives.

7. Meeting the country's need for trained manpower goes somewhat wider than an attempt to match the output of postgraduate students to the demand for specific skills as reflected in the job market (ie satisfying "manpower demand"). Certainly such an attempt should be made by the award-making bodies but it would only be a starting point. The Government do not under-

estimate the many practical problems which arise here, including the need to allow for the long interval between the onset of training and the start of a career; the rapid and often dramatic changes in demand which result from changing economic and social circumstances; and the mobility in employment which is to be expected of people with postgraduate qualifications. Because of these factors, it is unlikely that a close match between supply and demand could ever be achieved and it will be important to resist the temptation to forecast and plan with spurious precision. A certain looseness of fit is necessary not only because the knowledge and techniques for bringing about a close match are lacking, but also to allow for the fact that some of the best post-graduates put their education and training to good use in ways which it is impossible to predict or relate to any mere extrapolation of the existing job market.

### Content and Type of Course

8. The Expenditure Committee proceeded to argue that, judged from the standpoint of the objective just described, the existing pattern of postgraduate education left much to be desired. Specifically their recommendations were—

*Rec 3 Pre-experience students should be discouraged from taking non-vocational courses; but encouraged to take vocational taught courses leading to qualifications which are a pre-requisite for entry to a career. The number of pre-experience students doing postgraduate research should be considerably reduced.*

*Rec 4 Vocational taught courses and short courses should be orientated towards the needs of post-experience students. New ways should be sought to enable post-experience students to do postgraduate research.*

*Rec 5 More short courses, particularly in applied subjects, should be provided in universities and polytechnics.*

9. The Government agree that the problems to which the Committee have addressed themselves in these recommendations are important, but consider that too little account has been taken of the moves which have already been made and are still being made to shape postgraduate education towards vocational ends, or of the complexity of this objective. It would be an over simplification to regard research training leading to the PhD as non vocational, or taught courses as fulfilling the main vocational needs. PhD training is in the nature of an apprenticeship to a future career in scholarship, aimed at careers not only in university research and teaching, but also in research in the public service and in industry. This said, since the mid-sixties and indeed earlier, both the University Grants Committee (UGC) and the research councils have been actively encouraging the expansion of postgraduate taught courses relative to research studies (including the introduction of taught course elements in PhD programmes); and of collaboration by employers in the specification of content, in contributing to the teaching and in the supervision of courses designed to meet specific training needs. The following figures speak for themselves:

#### *Growth of Full time Postgraduates in Universities in 1966/67-1974/75*

	1966-67	1974-75	Percentage increase
Research training .. ..	18,409	24,103	31
Taught courses .. ..	13,564	23,767	75
All postgraduates .. ..	31,973	47,870	50

The Committee of Vice-Chancellors and Principals in their report have drawn attention to the universities' record in this field, pointing out also the need to strike a balance between introducing new courses quickly in response to an emerging need, and running the risk of unnecessary duplication. On the further education side, while the number of full time postgraduates is much smaller (1,664 in Great Britain in 1966-67 rising to 3,711 in 1974-75), the great majority of these are following courses with a strongly vocational aim. The polytechnics and other establishments of further education are well placed through their close contacts with industry to develop the courses which employers say they need. A report by the Council for National Academic Awards has drawn attention to the need for these institutions to develop research and postgraduate work of this kind, and the Science Research Council is giving them active encouragement.

10. This is not to say that there is no need to do more. On the research training side the recently published report of the SRC on postgraduate training shows that the research councils and the members of universities who serve on their various boards and committees are conscious of the need to broaden the course element in research training, and to make the research experience more relevant to the subsequent careers of the students. On the taught courses side, further development will call for still closer links between universities and polytechnics and employers, both at local level and through national bodies such as the committee set up jointly by the CVCP, the Committee of Directors of Polytechnics and the Confederation of British Industry. A notable recent development has been the "teaching company" scheme launched by the Science Research Council in co-operation with the Department of Industry, under which postgraduate research and training is undertaken in an industrial setting with support from selected institutions of higher education.

11. The value of post experience training is generally recognised though it is necessary to weigh the advantages and the disadvantages in different fields. In some areas of study such as mathematics or non-clinical medical research, there may be positive disadvantage in a break after the first degree. This said, the Government agree that ways and means should be found of attracting a higher proportion of post experience students in appropriate fields. They welcome the decision of the Science Research Council to allocate an increased number of studentships under their INSTANT scheme, which provides for graduates in industry who wish to undertake postgraduate training; and the Council's successful encouragement of postgraduate work involving collaboration with industry (Co-operative Awards in Science and Engineering).

12. It should however be noted that in two ways the post-experience student already plays a greater part in postgraduate education than is generally recognised. In the first place there is an increasing number of part-time postgraduates, in the universities and in further education. In the universities there were in 1974/75 over 21,000 part-time students at post-graduate level, compared with about 12,500 in 1966/67. In further education over the same period the number increased from 4,600 to nearly 7,600. Secondly, universities and polytechnics provide an immense variety of short courses which are particularly attractive to people in employment, not merely for financial reasons but because they involve less interruption of career patterns. Such courses figure hardly at all in

the published statistics and the Government welcome the attention which the University Grants Committee is now giving to this matter, following the recommendation from the Committee of Vice-Chancellors and Principals that more information should be collected.

13. In sum, the Government consider that the institutions of higher education and the award-making bodies in this country have, on the record of the last ten years, and in the reports recently published, shown a marked responsiveness to what the Expenditure Committee described as "the needs of the economy and of society as a whole". These bodies would be the first to agree that more can and should be done. The Government believes that the content and balance of postgraduate training, in all its complexity, are best left to the autonomous interaction of the institutions themselves, the research councils and employers. The Government accepts however that it has a responsibility for regulating the overall scale of the system, for monitoring its broad development, and for ensuring that the financial and administrative arrangements are such as to promote and not hinder the appropriate course of development. This matter is dealt with in the following section.

#### **Administrative and Financial Arrangements**

14. From the evidence which they collected the Expenditure Committee inferred not only that there was a mismatch between the pattern of postgraduate education and the needs of the economy and society, but also that the system itself was not sufficiently under control. The Committee accordingly proposed a radical re-shaping of the administrative and financial structure, as shown in the following recommendations:—

*Rec 6 The UGC in its guidance to universities should introduce quotas to ensure that an increasing proportion of postgraduate students are post-experience.*

*Rec 11 Tuition fees should cease to be charged to UK postgraduate students for courses lasting a year or more. A Working Party should examine the case for abolishing fees for short courses.*

*Rec 12 Studentships and bursaries should cease to be awarded. All students on approved postgraduate courses should receive a grant calculated in accordance with a new national formula. Loans to supplement this grant should be available. A Working Party should be set up to make proposals for a suitable loan system for postgraduate students. Those on certificate of education courses should continue to receive undergraduate maintenance grants.*

*Rec 13 More effective administrative machinery, modelled on the University Grants Committee system, should be set up in the further education sector.*

*Rec 16 A Postgraduate Advisory Council should be set up to monitor the implementation of these recommendations and to make regular progress reports to the Secretary of State for Education and Science; an early task should be to plan a measure of rationalisation of postgraduate courses and research.*

15. The Government recognises that these recommendations do not embody a fully worked out plan. The intention, however, seems to be that there should be a move towards a more centralised system of control over student numbers and distribution and expenditure. The Government's view is that the present system embodies a degree of control which is sufficiently effective in itself, appropriate to the complexity of the situation with which it deals, and compatible with the autonomy of the institutions in the field; and that it is not necessary to re-structure the system in order to secure any changes in content or pattern which may be agreed to be desirable.

16. The present system, as the Expenditure Committee have pointed out, is dual, in the sense that finance for the provision of training facilities is made available through the UGC, or by the local authorities through the Advanced Further Education pool, while student support is provided largely through the research councils (for the natural and social sciences) or by the Department of Education and Science and the Scottish Education Department (in the case of the arts and humanities). It is not a fair criticism of the degree of control embodied in this system to point, as the Committee do, to the rapid growth of postgraduate numbers in the 1967-72 quinquennium. The target of 220,000-225,000 students on which the 1967-72 recurrent grants settlement and the related capital programme were based did not distinguish between postgraduate and undergraduate students; and universities were encouraged to exceed the target so far as they could because this was at the time considered to be educationally desirable and to make the most economical use of resources. The universities' response to that encouragement in both the postgraduate and the undergraduate sphere, is shown in Table 3 of the Committee's Report. The circumstances in the 1972-77 quinquennium are quite different. The quinquennial settlement specified separately the number of postgraduate and undergraduate students for which the grants were intended to provide; and the UGC indicated to each university the number of postgraduate students by subject for which provision had been made in the allocation of grants. In their Memorandum of Guidance the UGC explained their policy as follows:—

"In particular, the Committee have had to consider whether to allocate their grants on the assumption that the reduction in postgraduate numbers in comparison with universities' estimates will be effected in equal measure in all disciplines and in all universities. They have concluded that some discrimination is necessary and that it will be helpful to universities to be informed of the varying assumptions that the Committee have made. In general, they have taken the view that while the Government's figures necessitate some reductions below universities' estimates of growth rates in all disciplines these should be smallest in medicine, social studies and business studies and greatest in physical and biological sciences and in technology. In reaching this view they have borne in mind the already high level of postgraduate training in these disciplines, and on the other hand the vocational demands in social and business studies and in medicine, the projected demand for teachers of the social sciences in all sectors of higher education and the relatively low level at which postgraduate numbers in social studies and medicine now stand."

The following table shows that, over the 1967-72 quinquennium, when the overall rate of increase was high, postgraduate numbers increased proportion-

ately much more rapidly than undergraduate numbers, whereas in the first three years of the current quinquennium the rate of increase of both undergraduate and postgraduate numbers has been about the same, and much less:

		Full-time Ug students	Increase %	Full-time Pg students	Increase %
1966-67	...	152,828	—	31,973	—
1971-72	...	190,593	24.7	44,492	39.2
1974-75	...	202,695	6.3	47,870	7.6

17. On the side of student support, a strict control of expenditure on maintenance awards for postgraduate study is exercised by the award-making bodies, both in total and in distribution. This control is partial since only a proportion of home postgraduates are dependent on awards from public funds. But the proportion is sufficient to exercise a considerable leverage on the system as a whole.

*Sources of Support of Home Postgraduates in GB Universities 1974/75*

	Science and Technology		Arts and Humanities		Total	
	No.	%	No.	%	No.	%
Government departments (including DES and SED) ...	773	5.9	8,448	45.0	9,221	29.0
Local Government ...	232	1.8	1,774	9.3	1,976	6.2
Research Councils ...	7,935	60.8	3,150	16.8	11,085	34.8
University/College ...	961	7.4	646	3.4	1,607	5.0
Industry ...	474	3.6	121	0.6	595	1.9
International and overseas support	154	1.2	187	1.0	341	1.1
Self-supporting ...	1,477	11.3	2,831	15.1	4,308	13.5
Other (eg charities) ...	1,053	8.1	1,640	8.7	2,693	8.5
	<u>13,059</u>	<u>100.0</u>	<u>18,767</u>	<u>100.0</u>	<u>31,826</u>	<u>100.0</u>

18. If it were thought desirable to increase the leverage on the numbers and distribution of postgraduate students, there are a variety of means open to the Government within the present system. One is an increase in the level of tuition fees, which by making students more dependent on awards from public funds sharpens the selective influence of the award-making bodies, whose policies reflect currently perceived social needs. Such an increase, raising postgraduate fees both absolutely and in relation to undergraduate fees, was proposed in the Government's announcement of 5 July. Another lies in the structure of postgraduate awards, which is also subject to review by the Education Departments and the research councils.

19. There are two further points to be made on this group of recommendations. The first concerns the Committee's proposal that part of the support for a postgraduate student should take the form of loans. This is put forward partly in order to help contain public expenditure and partly because they would contribute to a re-ordering of priorities in education expenditure to promote equality of opportunity. It has been urged, against even a partial loan system, that its unpredictable effects would militate against efforts to match the output of postgraduates to manpower requirements, and that the consequences would be potentially damaging in terms of social equity. The Government do not consider that it would be possible to achieve worthwhile public expenditure savings in the near future by a loans scheme which spread the repayments over

a reasonable period. The Government will continue to bear in mind the possibility of achieving savings in the longer run through such a change, but they have no present intention of introducing a loans scheme in partial or complete substitution for grants.

20. The second point relates to the identification of manpower needs. The Science Research Council in their recent report have pointed out the extreme difficulty in obtaining reliable figures, even of a general kind, as a basis for planning. The Government view, as already stated, is that too close a "match" is in any case undesirable, but that there is scope for improvement in the collection and analysis of information about long-term employment prospects for highly qualified people. Such work is being carried out by the Unit for Manpower Studies (UMS) in collaboration with the Manpower Services Commission and the DES.

21. The Expenditure Committee considered it anomalous that support for students who were taking advanced taught courses, rather than undergoing research training, should be the responsibility of the research councils; and indicated in para 125 of their report that if they had not been recommending that the councils should cease to have any responsibility for postgraduate student support, they would at least have recommended that responsibility for the support of non-research students should pass from the councils to the DES. The Government do not share this view. The Charters of the research councils specify amongst the objects for which the councils are established, that of making grants for postgraduate instruction in the relevant fields. There is no clear cut distinction between a "taught course" and "research training": the former may include a dissertation and the latter may include some taught subjects. The councils have shown themselves to be very much alive, as indicated in paras 9 and 10 above, to the need to innovate and develop taught courses to serve the needs of industry, commerce and the public services. To transfer the support function for these courses elsewhere would merely mean more committees and more bureaucracy.

22. The last of the Expenditure Committee's proposals in this group, that there should be a Postgraduate Advisory Council, stems from the recommendation that the system of control and student support be radically changed. If that is not done, there would be no need for a council with the functions described in the report. Nevertheless the Government acknowledge the need under the present system for close co-operation between the award-making bodies, the University Grants Committee and the institutions of higher education. This is provided for in a variety of ways—by cross-representation on the network of committees in the University Grants Committee and the research councils, through the participation of university and polytechnic staff on the committees of the research councils, by official contacts at all levels, and especially through the Committee on Postgraduate Support of the Advisory Board for the Research Councils (ABRC). The latter committee was set up soon after the ABRC itself was established, to bring together the data relevant to the support of postgraduate students and to provide a forum for the exchange of views among the various bodies concerned. The Government agree that the question of the need for some form of broadly based advisory machinery, to provide strategic advice over the whole field of postgraduate education, needs examination, and is



pursuing this matter with the University Grants Committee and the Advisory Board for the Research Councils.

23. Finally, with regard to Recommendation 13, the Government's reply (Cmd. 5368, July 1973) to the Committee's Report on Further and Higher Education (HC 48-1, 1972-73) pointed out the problems involved in establishing central machinery to administer and finance the whole higher education sector. Problems arise similarly with any scheme to set up machinery for the further education sector (with more than 500 colleges, providing a great variety of courses at all levels); there is great advantage in the close identification of colleges with their local communities, permitting flexible and fruitful contact with local industry and other important interests. These are complex matters which will need further consideration in the light of developments on the Layfield Report and devolution. The specific question of improving the co-ordination of higher education in the public sector is to be examined urgently, following recent consultations with the Council for Local Education Authorities and other bodies concerned, by a working group under the Chairmanship of the Minister of State with responsibility for higher education, Department of Education and Science.

## Miscellaneous Recommendations of the Expenditure Committee

## Rec 1

*Study should be made to enable postgraduate education to be costed separately from undergraduate education. The costs of different types of postgraduate course in different disciplines should also be separately calculated.*

Studies of various kinds to apportion expenditure between undergraduate work, postgraduate work, research and other activities have been undertaken by the DES, the UGC and others. The central difficulty is that universities are engaged in a number of inter-related activities such as teaching undergraduates and postgraduates, research, advice and consultancy to government and industry. Teaching, administrative and other staff, equipment and buildings contribute jointly to these activities, making apportionment of costs extremely difficult. The Government's conclusion is that to produce separate costs for postgraduates would entail making arbitrary assumptions about the apportionment of costs and that the results would be unreliable.

## Rec 2

*Statistics of postgraduate education collected by the UGC and DES should be improved in depth and published sooner. In particular more information should be provided about postgraduates in the further education sector, those studying part time and those on short courses.*

The DES has been developing new statistical systems based on individual student records over the past few years. The University Statistical Record is now fully operational, and a similar system is under development for further education establishments. These systems will produce statistics of the kind suggested in the Report earlier than was possible in the past. Problems of definition concerning post-experience students are being studied. The Government accept that the possibility of obtaining information on numbers of students on short courses should be explored, and this is being done.

## Rec 7

*Universities' appointments officers should, ex officio, be members of the interviewing boards for postgraduate candidates.*

This is a matter for individual universities.

## Rec 8

*The appointment of industrial liaison officers at universities and polytechnics should be supported from public funds.*

The main objective of the Industrial Liaison Scheme was to assist the smaller manufacturing firm to improve its efficiency and technological strength. In carrying out this work the officers would use the educational institution where they were based as one of the many sources of help available to small businesses. At no time was it intended that the service would be a major source of postgraduate projects. The Department of Trade and Industry (now Department of Industry) withdrew financial

support from the scheme on the advice of the Committee of Inquiry on Small Firms (the Bolton Committee) which had concluded that a different type of information service was needed for small firms covering both the service and manufacturing sectors. It was thought likely that many of the universities and colleges would continue to finance their centres as a means of keeping in touch with local industry, and in the event more than 30 have done this. The Small Firms Information Centres that were established on the recommendation of the Bolton Committee have always referred enquirers to educational institutions where appropriate; and as a result of the differing role of these centres universities and colleges are now put in touch with a much wider range of small businesses than was possible under the previous more limited arrangement.

*Rec 9*

*The research councils should continue to provide research training support grants to selected university and polytechnic departments and to award research fellowships to students of exceptional promise.*

There are no plans for altering the existing arrangements for Research Training Support Grants for selected university and polytechnic departments. The current rate per student is £300.

*Rec 10*

*More members of the academic staff of polytechnics should be appointed to the research councils and to their committees and boards.*

As a general rule members of the research councils and their boards and committees are appointed because of their personal ability and suitability, and not to represent particular organisations or interests. As polytechnics develop their expertise in subjects for which research councils are responsible, the appointment of members of their staffs to the councils and their boards and committees can naturally be expected to increase; the Science Research Council has 18 polytechnic members on its boards and committees; the SSRC has 11.

*Rec 14*

*Senior civil servants and senior staff from industry and commerce should, as far as possible, be trained together in management studies.*

The Government agree with this recommendation and are already implementing it in a variety of ways.



# **REPORT OF THE WORKING PARTY ON THE PRACTICE OF GENETIC MANIPULATION**

*Presented to Parliament  
by the Secretary of State for Education and Science  
by Command of Her Majesty  
August 1976*

**LONDON  
HER MAJESTY'S STATIONERY OFFICE**

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The Right Hon. Frederick W. Mulley, MP

Dear Secretary of State,

I have pleasure in submitting the report of the Working Party that you appointed in August 1975 to follow up the recommendations of the Ashby Report on the Experimental Manipulation of the Genetic Composition of Micro-Organisms and, in particular, to draft a code of practice and to make recommendations on the establishment of a central advisory service.

We have consulted many of the individuals and organisations likely to be concerned with the techniques of genetic manipulation and we believe that there is a pressing need for the implementation of a system of advice and control for experiments in this field, in order that valuable work may proceed both rapidly and safely. We trust therefore that you will agree to publish this report and that you will give consideration to our recommendation that the central advisory service that we propose should be set up as quickly as possible.

Yours sincerely,

PROFESSOR SIR ROBERT WILLIAMS

June 1976.

# REPORT OF THE WORKING PARTY ON THE PRACTICE OF GENETIC MANIPULATION

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### APPENDICES:

- I. List of organisations and individuals consulted.
- II. Code of practice.

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### Secretaries:

Dr. E. J. Herbert	Department of Education and Science
Dr. G. N. J. Port	Department of Education and Science

## I. INTRODUCTION

1.1 Following the report of Lord Ashby's Working Party,\* which assessed the benefits and hazards of techniques of genetic manipulation, we were appointed by the Secretary of State for Education and Science, in consultation with his colleagues, with the following terms of reference:

"In the light of the reports of the Advisory Board for the Research Councils' Working Party on the potential benefits and potential hazards associated with the genetic manipulation of micro-organisms\* and of the Working Party on the Laboratory Use of Dangerous Pathogens†—

- (a) to draft a central code of practice and to make recommendations for the establishment of a central advisory service for laboratories using the techniques available for such genetic manipulation, and for the provision of necessary training facilities;
- (b) to consider the practical aspects of applying in appropriate cases the controls advocated by the Working Party on the Laboratory Use of Dangerous Pathogens."

We have met nine times and have received evidence from the bodies and individuals listed in Appendix I, of whom some met the Working Party and some submitted written evidence. We are grateful to our witnesses for the trouble they took to let us have their views, which have helped us in our considerations.

1.2 We record our warm appreciation of the work of our two secretaries Dr. E. J. Herbert and Dr. G. N. J. Port, whose assistance and skill have contributed substantially to our considerations, and of the help we have had from the presence at our meetings of Mr. K. N. Burns (Agricultural Research Council), Dr. D. O. Haines (Health and Safety Executive) and Dr. T. Vickers (Medical Research Council). We also thank Miss Lynda Ison of the Department of Education and Science who typed most of our working papers and the several drafts of our report.

1.3 We have concentrated our attention on work involving the creation of new genetic elements by methods such as those described in the Ashby Report whereby restriction enzymes or comparable biochemical methods are used to prepare fragments of nucleic acid and to link them into the genomes of viable heterologous organisms in which they are capable of continued propagation.‡ This excludes genetic manipulations carried out by previously established methods that in principle simply add special selective methods to genetic changes that must occur in nature. We briefly considered the implications of the probable eventual use of genetic manipulation techniques in large-scale manufacturing processes and concluded that this use is so remote that the increase in knowledge preceding such development will greatly contribute to their safety. The Government may need at a later stage to reconsider our proposed control measures in the light of such developments but we have concentrated in the present report on the types of laboratory experiment that we can foresee being undertaken in the next few years. We agree with the

\* Report of the Working Party on the Experimental Manipulation of the Genetic Composition of Micro-Organisms (Cmd 5880, HMSO, January 1975).

† Report of the Working Party on the Laboratory Use of Dangerous Pathogens (Cmd 6054, HMSO, May 1975).

‡ References in this report to "genetic manipulation" are to be read in this limited sense.



conclusion of the Ashby Working Party that genetic manipulation using restriction enzymes offers opportunities of great potential value and we are anxious to provide guidance on the appropriate conditions for such work as quickly as possible. It should be recognised moreover that the techniques we have been asked to consider are not the only ones that may have associated hazards. However, a variety of other genetic techniques leading to the introduction of new characteristics into cells have been employed for many years and such epidemiological surveys as have been conducted show no evidence of hazard.

1.4 The underlying reason for the present review, and of course for the establishment of the Ashby Working Party, was the concern of the scientific community that some experiments involving the techniques of genetic manipulation might lead, perhaps inadvertently or in an unpredictable manner, to the release of harmful products into man, animals or plants. It should be stressed at the outset that most of the hazards that may be involved are conjectural. At present there is no experimental evidence that some of the most serious hazards that can be envisaged—for example those due to the incorporation of deoxyribonucleic acid (DNA) from oncogenic viruses, or from bacteria carrying mammalian DNA, into the human body—are real; but equally there is no proof that they are not. It is clear however that the introduction of drug resistance into a drug-susceptible pathogenic bacterium could have serious consequences if the organism should escape. Until further knowledge is gained of the use of the novel genetic techniques under discussion, it seems to us essential that rigorous precautions, based on the best estimate of possible hazard, should be observed by all laboratory workers using these techniques. We therefore consider that work in this field should be done only under appropriate containment conditions and to this end we have devised a set of guidelines for categorising experiments (Section 2 below) that take account both of the conjectured hazards and of methods available for biological containment; and we have drawn up a code of practice (Section 3 below and Appendix II) for the operating procedures and physical containment levels appropriate to each category of experiment.

1.5 In the present state of knowledge of the field, containment measures should allow a suitable margin of safety until any areas of doubt can be clarified by further experimental evidence. We see a need for a flexible approach and consider this will be better met by requiring those who plan to work in the field of genetic manipulation to submit their experimental protocols to a central advisory group—referred to below as the Genetic Manipulation Advisory Group (GMAG)—for advice on the appropriate safety precautions, rather than by imposing rigid guidelines. We define certain cases in which work should not proceed until the GMAG has given approval and we can envisage circumstances in which the group could advise against the conduct of a particular experiment because of the possible hazard, or could propose modifications of the experimental procedures or safety precautions. As work proceeds, the experience gained should quite quickly build up into a body of "case law" on which future experimental protocols could draw, and the GMAG should gain valuable expertise not only in the design of safe experiments but also in related matters such as training, health monitoring and epidemiological studies and the role of safety committees and safety officers.

1.6 Conscious of the restraint already shown by the scientific community, and of the importance of work in this field, we consider that certain types of experiment (ie those falling into categories I and II defined below), which would

not in our view carry a serious hazard, should proceed subject to the precautions recommended below and subject to the filing of an experimental protocol with the GMAG. Work in other categories for which adequate higher degrees of containment are available should, subject to the advice of the GMAG, be encouraged, both for its intrinsic importance and to increase understanding of the techniques and of any associated hazards. We recommend that further work should be done on the development and characterisation of disabled organisms which will offer an important safeguard against hazard and that any such organisms that are developed should be made freely available to all workers in the field.

1.7 We define in the remainder of our report and in the code of practice measures that we consider necessary to ensure that work proceeds as safely as possible. These include the provision of training, the involvement of local safety committees and biological safety officers, the establishment and operation of the GMAG and the application of a central code of practice, and could be put into early operation on a basis of voluntary co-operation by laboratories. We believe that these measures will provide a system to safeguard the public; the working of the system in practice will also enable the Government to consider the desirability of introducing statutory powers additional to existing powers, such as those in the Health and Safety at Work Act.

1.8 We have of course been aware of consideration of this subject similar to our own in other countries, particularly at the National Institutes of Health in the United States of America, and within various international scientific organisations. We believe that our own proposals for categorisation of experiments are generally in line with those developing in the United States although we envisage that the central advisory body—the GMAG—in the United Kingdom should advise on all experiments in genetic manipulation wherever these are carried out. We support the view expressed in various places that there should be some international action to ensure widespread consultation and even co-ordination of principles on a world-wide basis, perhaps through the World Health Organisation, which we understand has begun to consider the question. This course would be for the Government to pursue, but in the meantime we recommend that there should be no delay in implementing the system of advice and control which we believe to be necessary in the United Kingdom.

## 2. CATEGORISATION OF EXPERIMENTS

2.1 It is a central feature of our recommendations that all experiments involving genetic manipulation should be considered by the Genetic Manipulation Advisory Group (GMAG), which will assess the hazards\* and will categorise experiments according to the appropriate level of physical containment and other safety precautions. The basis for categorisation described below is one that leans on the side of caution and should reduce to manageable proportions the task of assigning suitable protective measures to particular experiments. We intend it as a guide to assist the initial deliberations of the GMAG and envisage that, with experience and as the field develops, the GMAG will be able to build up a body of "case law" against which to judge individual experiments.

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\* We refer simply to "hazards" throughout the remainder of the report without repeating the point in paragraph 1.4.

2.2 The techniques of genetic manipulation with which we have been concerned usually involve the use of a restriction enzyme to cut a fragment of nucleic acid from an organism in such a way that the fragment can be recombined with a similarly cut fragment of nucleic acid (the "vector", often a plasmid or bacteriophage) in a different organism. The multiplication of the nucleic acid fragment in the vector occurs by its growth in a host cell, often a bacterium.

The hazards involved depend on the following factors:

- i. the source of the nucleic acid from which the fragment to be linked is derived;
- ii. the degree of specification, that is the purity, of the nucleic acid sequence;
- iii. the vector/host system to be involved in the recombination and in which the sequence is to be multiplied; and
- iv. the manipulative procedures proposed.

2.3 In the following paragraphs we refer in general terms to the weight which should be given to the four factors referred to in paragraph 2.2. It will be important for the GMAG to obtain quantitative assessments of hazard wherever possible but in our opinion this cannot be done with any precision at this stage and we have not therefore attempted to give figures either for the purity of the nucleic acid sequence needed to meet the criterion of sub-paragraph 2.5.i below or for the degree of biological containment required in sub-paragraph 2.6.i. In paragraphs 2.4 - 2.7 we lay most emphasis on the risk to man, since laboratory workers will be involved in all experiments; but in particular circumstances the hazard of the nucleic acid for animals or plants may be equally important.

#### 2.4 Source of the nucleic acid

Sources of the nucleic acid are of three main types:

- i. nucleic acid from bacteria, fungi or protozoa should be categorised according to the known ability of the source microbe to infect or cause disease in man, animals or plants;
- ii. nucleic acid from viruses should be categorised according to the "hazard classification" of their host or for viruses with a range of hosts, of the highest class of host indicated in paragraph iii;
- iii. nucleic acid from higher organisms is generally considered to offer a hazard related to the closeness of the evolutionary relationship between the organism constituting the source of the nucleic acid and the organism at risk. On this basis we should regard nucleic acid from plants and invertebrates as carrying a low hazard to man (except perhaps for invertebrates that may harbour microbes pathogenic for man); nucleic acid from amphibia, reptiles and birds would be assigned an intermediate hazard classification, and nucleic acid from mammals, including man, would be the most hazardous.

#### 2.5 Specification of the nucleic acid sequence

- i. The safest nucleic acid fragments are well-characterised sequences that do not specify a known hazard. One way of initially purifying such sequences would be by selection and growth in a vector/host system under rigorous containment conditions;

- ii. the use of random nucleic acid fractions that may include any component of the genome introduces greater possible hazards;
- iii. nucleic acid sequences selected on the basis of their intrinsic pathogenicity, or of the known toxicity of their products, are still more likely to be dangerous.

## 2.6 The vector/host system

Vectors for the recombinant nucleic acid include free DNA, plasmids, bacteriophages and viruses, and the viable hosts into which the nucleic acid is linked may be prokaryotic (bacteria) or eukaryotic (eg animal and plant cells). The first two of the systems listed below employ the principle known as biological containment:

- i. the safest system is considered to be a combination of a host bacterium that is "disabled" and has been shown by *in vivo* experiments to have a very small chance of survival in, or of transferring information to, man or animals (or plants as appropriate), with a vector that is specific and confined to that host. A less well-attested system, which might be as safe, is one differing from the above only in that the "disablement" of the bacteria has been demonstrated by *in vitro* rather than *in vivo* experiments;
- ii. phage or plasmid vectors used in conjunction with, and able to grow only in, attenuated laboratory strains of bacteria also provide a degree of biological containment;
- iii. those systems in which the vectors are capable of infecting the cells of higher eukaryotes are considered the most potentially hazardous.

## 2.7 Manipulative procedures

Simple experimental procedures (for example, the inoculation of culture plates with bacterial colonies) involving small volumes of material offer the smallest hazard. Special methods of manipulating hosts and their vectors with rigorous containment may be developed which could further reduce any hazard. Use of an increased volume of material or the introduction of operations such as centrifugation, fraction collection or sonic disintegration, with the risk of aerosol production, clearly increases the hazard.

## 2.8 Containment measures

The hazards have their origin in the nucleic acid but these may be reduced, depending on the vector/host system into which it is to be introduced. When this system is such that the nucleic acid can survive and replicate only in highly artificial conditions, any hazardous element that might escape could not survive. This is the principle of biological containment. Physical containment measures, on the other hand, are designed to ensure that any hazardous elements that are created do not escape from the laboratory. We have defined four levels of physical containment and associated safety measures in the code of practice referred to in Section 3 below and set out in full in Appendix II and we propose that an experiment should be assigned to one of these levels on the basis of the factors in paragraph 2.2 above. Even though genetic material thought to be completely harmless is being used in an experiment it is conceivable that a hazardous product might result because of an unexpected interaction and for this reason we recommend that no genetic manipulation experiment should be undertaken in containment conditions less stringent than

those used for work with common pathogens\* corresponding to the conditions of our level I. The four levels are described in detail in the code of practice (Appendix II) but may be briefly summarised as follows:

- I. conditions conforming to the standard necessary for the maintenance of good microbiological practice, as required for work with common pathogens in a medical microbiology laboratory;
- II. conditions as at I above in a laboratory which is additionally sited away from areas used by the general public and has controlled air flow and an exhaust-protective cabinet for aerosol-producing operations;
- III. conditions as at II above but with access to the laboratory only through an airlock containing washing facilities and with an autoclave and provision for decontamination of all effluent from the laboratory;
- IV. conditions provided by a laboratory equivalent to the category A toxic laboratory referred to in Appendix III to the Report of the Working Party on the Laboratory Use of Dangerous Pathogens, ie those at III above with, additionally, provision for a full change of clothing and showering on leaving the laboratory and a double-ended autoclave.

## 2.9 Categorisation

There is a continuous spectrum of hazard but any categorisation must be done in steps. We assume that there are conditions of biological containment and nucleic acid purity that will allow an experiment to be moved from one category to another but these cannot be absolutely defined without reference to the individual experiment. We therefore give some examples to illustrate the principles we have adopted in the following table. It will be seen that, experiments involving recombination between the nucleic acids of non-pathogenic bacteria are considered to require only category I containment. Depending on the degree of biological containment achieved, and on the nature of the nucleic acid sequence inserted, certain other classes of experiment can be acceptably undertaken with Category I or II containment and some examples of such experiments are given in the following table. We stress that the table gives illustrative examples of some typical experiments and is intended to serve only as a guide and not as a definition of the whole area of possible work in each category. It will of course be for the GMAG to advise on specific cases and to establish a more complete categorisation as part of the "case law" as the work proceeds.

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\* For example, streptococci, staphylococci, salmonellae and other pathogens commonly present in the community and not especially liable to cause laboratory-acquired infection.

**Suggested categorisations for some typical experiments in Categories I, II, III & IV**

(These examples all assume standard biochemical manipulations)

<i>Source of nucleic acid</i>	<i>Specification of nucleic acid sequence</i>	<i>Vector/Host System</i>	<i>Category</i>
<i>Mammals</i>	Random	Phage or plasmid/bacteria, not disabled	IV
	Random	Phage or plasmid/bacteria, disabled	III
	Purified*	Phage or plasmid/bacteria, not disabled	III
	Purified*	Phage or plasmid/bacteria, disabled	II
<i>Amphibians and reptiles</i>	Random	Phage or plasmid/bacteria, not disabled	III
	Random	Phage or plasmid/bacteria, disabled	II
	Purified*	Phage or plasmid/bacteria, not disabled	II
	Purified*	Phage or plasmid/bacteria, disabled	I
<i>Plants and invertebrates and lower eukaryotes</i>	Random	Phage or plasmid/bacteria, not disabled	II
	Random	Phage or plasmid/bacteria, disabled	I
	Purified*	Phage or plasmid/bacteria, not disabled	I
<i>Mammals Amphibians and reptiles Birds</i>	Random	Virus capable of infecting man or growing in tissue culture cells	IV
	Purified*	Virus capable of infecting man or growing in tissue culture cells	III
<i>Viruses pathogenic to vertebrates</i>	Random	Phage or plasmid/bacteria, disabled	IV
	Purified*	Phage or plasmid/bacteria, disabled	III
<i>Animal viruses, non-pathogenic to man</i>	Random	Phage or plasmid/bacteria, disabled	II

\* The term "purified" means fractions with little chance of including any unrecognised extraneous sequences (see paragraph 2.6.1). It is of course possible to have sequences selected because of their pathogenicity and these would raise the level of containment required.

<i>Source of nucleic acid</i>	<i>Specification of nucleic acid sequence</i>	<i>Vector/Host System</i>	<i>Category</i>
<i>Bacteria specifying toxins virulent to man</i>	Random	Phage or plasmid/bacteria, disabled	IV
<i>Plant pathogenic bacteria</i>	Random	Phage or plasmid/bacteria, not disabled	II
<i>Plant viruses</i>	Random	Phage or plasmid/bacteria, not disabled	II
<i>Bacteria or fungi non-pathogenic to man, animals or plants</i>	Random	Phage or plasmid/bacteria, not disabled	I

### 3. CODE OF PRACTICE

3.1 We were asked to draft a central code of practice for laboratories undertaking experiments involving the techniques of genetic manipulation. We have done this on the basis of the four levels of physical containment (I-IV) summarised in paragraph 2.8 above; the code of practice is set out in full in Appendix II, together with a table illustrating the major differences between the four containment levels. The following headings are used in the code, as far as these are applicable to the particular level of containment being described:

Laboratory (premises and facilities)

Biological Safety Officer

Staff—selection

training

supervision

protective clothing

health

discipline

Packaging and transport of samples

Security

Special requirements of experiments involving laboratory animals or plants.

3.2 In drawing up the code of practice, we have taken account of the code set out in the Report of the Working Party on the Laboratory Use of Dangerous Pathogens and in view of the similar requirements of our category IV containment level and the category A level for dangerous pathogens, we have tried as far as possible to follow the provisions and wording of that Working Party's code of practice. We also noted that a code of practice covering three containment levels is being prepared by Sir James Howie's Working Party on the Prevention of Infection in Clinical Laboratories.

3.3 As indicated in the introduction to the code of practice, we have not attempted to deal with all the technical queries that may arise on various aspects of the recommended containment levels: we have sought rather to provide guidelines for the GMAG to build on in drawing up the detailed specifications that may be necessary for assessment of individual laboratories.

3.4 We recommend that every laboratory conducting genetic manipulation experiments must have both a properly constituted and representative local safety committee and a Biological Safety Officer answerable to the administrative head of the establishment or department, who must ensure that the Biological Safety Officer, on whose role we place particular emphasis, has the necessary training, experience and authority to enable him to carry out his duties. As we explain in Section 5 below, these are factors that we believe should be taken into account by the GMAG when it advises on whether or not a particular experiment should be conducted at a particular laboratory. We discuss training further in Section 4.

#### **Experimental Animals**

3.5 From time to time there will be a need to introduce live bacteria, viruses or phages bearing introduced genetic material into laboratory animals, initially to study whether genetic information is indeed transferred to animals in particular circumstances and to study the distribution, survival and replication of the vector in the animal. If this is done, the animals used must be kept in appropriate isolation facilities offering at least the level of containment appropriate to the experiment in question and desirably a higher level in view of the increased risk of dissemination when animals are involved.

3.6 Once the results of such experiments are available it may be possible to reduce the strictness of isolation for further experiments of the same type, if for example it has been shown that genetic information is unlikely to be transferred from the vectors. But it will need to be remembered that host-parasite relationships are rather specific and although there may be no undesirable sequels when a vector is put into one species, the outcome may be different if a different vector of species of animal is used, or if germ-free animals are used instead of conventional animals.

#### **Plants**

3.7 When suitable vectors become available, there will undoubtedly be proposals to introduce foreign nucleic acid into whole plants, especially if some of the exciting possibilities for genetic manipulation referred to in the Ashby Report (paragraph 3.4) are to be explored. Suitable measures of containment for the plants will be needed and we include some comments in Section 34 of Appendix II. These will vary with the nature of the vector and of the foreign nucleic acid etc, as in paragraphs 2.4-2.7 above.

3.8 In view of the availability of experience and expertise in plant pathology in the Agriculture Departments, and of the rather general nature of the measures required under the present licensing system for known plant pathogens, as summarised in Section 34 of the code of practice, which in any case apply only to imported organisms, we feel it would be illogical to attempt to make detailed recommendations for the containment of plants inoculated with vectors of recombinant nucleic acid that might involve a hazard to plant populations. We therefore recommend that, for the present, all experiments involving the introduction of recombinant nucleic acid into plants should require the prior approval of the GMAG and that the GMAG should, at an early stage, agree with the Agriculture Departments a procedure for specifying suitable containment measures for such experiments proposed to it. However, it should be borne in mind that by no means all such experiments will necessarily require measures as strict as those needed for the pathogens at present covered by licences and it may be possible to reduce the strictness of isolation procedures as more knowledge of the properties of the new genetic entities becomes available.



#### 4. TRAINING

4.1 The Ashby Report (paragraph 7.3) recommended that all those who work with these techniques should have training in the handling of pathogens. We were asked to make recommendations for the provision of necessary training facilities.

4.2 The first generation of workers in genetic manipulation will be largely self-taught, but we consider that appropriate training should be made available to all research workers, technicians and Biological Safety Officers intending to work in the field and that the head of each establishment or department, advised by the Biological Safety Officer, should ensure that anyone selected for the work has satisfactorily completed an appropriate course of training.

4.3 Biological Safety Officers will need:

- i. to understand both the nature and implications of the genetic experiments being undertaken, and also the methods advised for physical containment;
- ii. to judge the training requirements of the research workers and technicians and, as necessary, to recommend appropriate courses, or arrange to supplement a new entrant's experience with in-house training;
- iii. to be familiar with health monitoring procedures and to be able to collaborate with the supervisory medical officer in organising them; and
- iv. to understand the legal and medical provisions relating to work in laboratories (for example, the Health and Safety at Work Act, relevant codes of practice and the organisation of local health services) and the procedures for consulting the Genetic Manipulation Advisory Group (GMAG).

Training for Biological Safety Officers will best be provided by special courses, preferably at, or in association with, a laboratory that has the necessary containment facilities and experience of containment techniques.

4.4 For research workers and technicians, we see a need for three types of training:

- i. general education in the science of genetic manipulation, in the nature of the potential hazards and of the special precautions required to counter them. This should be required for all research workers without relevant experience and would include molecular biology and genetics, microbiology, epidemiology and relevant aspects of other disciplines. Such training might be provided at a university summer school;
- ii. as a minimum, practical training in the procedures and manipulations appropriate to work in a genetic manipulation laboratory at the physical containment level of categories I and II above. This might be provided by industrial employers or at special university, polytechnic or other suitable courses; and
- iii. special training for anyone intending to work in a genetic manipulation laboratory at the physical containment level of categories III or IV above. Such training should include practice in the use of such facilities and there is therefore a need for specimen physical containment laboratories which can be made available for training as well as for research.

4.5 The demand for training is difficult to judge and flexible arrangements will be needed. Training facilities will necessarily be found mostly in universities and polytechnics although industrial employers and appropriate Government laboratories will also have a part to play. Universities and polytechnics are already providing some related courses and, suitably modified, these should be appropriate. The GMAG will need to be aware of the general nature of the training being provided since this will be relevant in the consideration of advice on individual experiments. They should also maintain a register of training courses and facilities and be prepared to provide information and advice about training.

## 5. CENTRAL ADVICE AND CONTROL

5.1 The Ashby Report (paragraph 6.5(d)) suggested that "as an initial step a widely publicised advisory service, perhaps offered by public health laboratories, would help to safeguard the interests of the public and of those engaged in the experiments". The Government has already accepted that it has a responsibility to ensure that authoritative advice and guidance are available to laboratories using the techniques available for genetic manipulation and we were asked to make recommendations for the establishment of a central advisory service.

5.2 We were also asked to consider the practical aspects of applying in appropriate cases the controls advocated by the Working Party on the Laboratory Use of Dangerous Pathogens, which recommended that initially control should be on the basis of voluntary acceptance by laboratories of the advice of a centrally appointed Dangerous Pathogens Advisory Group (DPAG), but that various existing legal powers which could be invoked to give statutory force to such advice should "be consolidated so that the Departments of Health and Agriculture can act with full authority, without delay and with uniform principles."\*

### A voluntary system of advice and control

5.3 We recommend the establishment of a Genetic Manipulation Advisory Group (GMAG). Since a central advisory service will need to command the respect of the public as well as of the scientific community, including scientists in industry, the membership of the GMAG should include not only scientists with knowledge both of the techniques in question and of relevant safety precautions and containment measures but also individuals able to take account of the interests of employees and the general public. We hope that the Government will agree to the establishment of the GMAG on this basis at an early date so that work which is scientifically desirable may proceed quickly and safely.

5.4 The main functions of the GMAG should be to advise on the category into which a particular experiment would fall, taking into account the factors discussed in Section 2 above and on the application to particular cases of the code of practice recommended in Section 3 above. To do this the GMAG will need to maintain records of the facilities available in different laboratories and the qualifications of Biological Safety Officers: in time it should in effect establish a register of approved laboratories. It should also review experimental protocols regularly as part of a continuing assessment of precautions which

\* Report of the Working Party on the Laboratory Use of Dangerous Pathogens, paragraph 61.

may need to be changed as the subject develops. In particular, the GMAG should assess any new methods of physical or biological containment that may be developed by laboratories and consider whether they would justify major modifications of practice. Such assessment would need to be on the basis not only of submitted documents but also of independent technical evaluation and validation and all interested laboratories should be kept informed of such developments. A procedure for the acceptance by the GMAG of new methods of containment and of disabled strains might be introduced. The GMAG should publish an annual report and be ready to advise on general matters connected with the safety of genetic manipulation, including health monitoring, for which it should be able to call upon the experience of epidemiologists, and the training of staff.

5.5 At first sight, there would seem to be a case for assigning to the existing DPAG the functions which we envisage for the GMAG. But those functions go considerably beyond the current activities of DPAG and the factors to be considered in assessing genetic manipulation experiments are different from those where dangerous pathogens are involved. The control of dangerous pathogens involves the application of well-known precautions against a small number of easily identifiable and well characterised agents. With genetic manipulation on the other hand the hazards and the precautions to be taken will depend on the detail of the experiment being undertaken. It will therefore be necessary for the GMAG to scrutinise individual scientific proposals in detail and perhaps to establish a dialogue with the scientists concerned about, for example, particular details of the conditions in the laboratory concerned. It seems to us that the roles and methods of working of the proposed GMAG and of the existing DPAG will be so different that the combination of the two roles as the responsibility of a single group would reduce the efficiency with which both tasks were carried out. We therefore recommend that the GMAG should be separate from the DPAG but that, because comparable laboratory containment measures are key safety features in both fields, there should be liaison between the two groups: in particular, if a proposed genetic manipulation experiment involved the use of a dangerous pathogen in the DPAG's Category A, then DPAG procedures for control would apply, although the GMAG would clearly need to be involved as well.

5.6 We envisage the following stages in the consideration of a proposal for an experiment involving genetic manipulation:

- i. discussions within the laboratory both of scientific merits and of potential hazards. The laboratory's Biological Safety Officer and a properly constituted and representative safety committee should have key roles to play and the discussions should lead to provisional conclusions about the desirability of conducting the experiment and about the containment category into which the experiment should fall;
- ii. if as a result of these discussions there is no doubt that the proposed experiment belongs to Category I or II the GMAG should be notified immediately, but work could proceed under the appropriate conditions as specified in the code of practice;
- iii. if the discussions suggest that the proposed experiment falls into category III or IV, reference must be made to the GMAG for advice before a final decision to undertake the experiment is taken;

- iv. a proposal referred to the GMAG will be examined for the detail of the proposed experimental protocol and of the physical facilities and safety measures at the laboratory concerned. After such consideration the GMAG would either:
- (a) advise that there would be no objection to the work proceeding as proposed; or
  - (b) advise that there would be no objection if specified precautions were adopted; or
  - (c) advise that the experiment could not be undertaken safely.

5.7 It will be important for rapid assessments to be made of category I and II protocols which are reported to the GMAG so that any inconsistencies in a local decision can be quickly corrected. The GMAG will therefore need a scientific secretariat able to react quickly to protocols (consulting a member of the GMAG as necessary) and to deal directly with a laboratory if it seems necessary to question a local decision and to ask for delay pending consideration by the GMAG. Such cases may be rare but the possibility emphasises the need for speed and flexibility in the procedures for transmitting advice to laboratories.

5.8 The protocols of experiments likely to fall into category III or IV will need more thorough consideration by the GMAG, possibly at a regular meeting of the whole group, taking into account:

- i. the nature of the experiment, with special reference to the biological factors referred to in Section 2;
- ii. the facilities at the laboratory concerned. An inspection may be necessary for this purpose in the early stages until a register of approved laboratories (paragraph 5.4 above) is established;
- iii. the experience, ability and training of the research workers and technicians and of the Biological Safety Officer; and
- iv. the arrangements for monitoring the health of staff.

5.9 Formulation of advice on protocols for experiments in category III or IV may take some time and could in general proceed in parallel with a laboratory's preparations and planning. But if a voluntary system is to maintain the confidence and co-operation of the scientists concerned, it is important that the time taken should be kept to a minimum and should only rarely exceed three months.

5.10 The efficacy of the advisory machinery recommended above will depend on the willingness of laboratories to accept and act on central advice. Our consultations with both academic and industrial scientists convince us that scientists will in fact welcome and be ready to comply with authoritative guidance from the centre.

#### **Statutory control**

5.11 On the basis in paragraph 5.10 above, the advisory system we describe would in practice amount to a system of control broadly comparable to that now operating through the DPAG for laboratories working with dangerous pathogens. Some of our witnesses urged that there was a need for specific statutory powers similar to those advocated by the Working Party on the Laboratory Use of Dangerous Pathogens (paragraph 5.2 above). We carefully considered these views and set out our conclusions below.

5.12 We noted that the Health and Safety at Work Act lays a clear duty on the employer to protect his employees and also to avoid hazard to the public. We were advised that in the event of legal action a court, in considering whether an employer had taken all reasonably practical steps, would be likely to give great weight to whether he had sought or taken advice from the Genetic Manipulation Advisory Group once it was set up. The Health and Safety Executive also has powers of inspection to ensure compliance with requirements for the safety of workers and the public. These existing powers and duties arising from the Health and Safety at Work Act already provide a safeguard to the public. We were advised that as an additional measure, regulations could be made under the Act to require laboratories to submit experimental protocols and appropriate supporting information to the GMAG and we recommend that this should be done. Given such a requirement, it seems very unlikely that the advice of the GMAG would be disregarded.

5.13 The Health and Safety at Work Act does not however cover hazards to the plant and animal populations and it seems unlikely that existing powers available to the Agriculture Departments could be invoked to provide any necessary statutory controls in this field. In any case, if statutory control is to be envisaged it may be desirable, on the analogy of the recommendations of the Working Party on the Laboratory Use of Dangerous Pathogens referred to in paragraph 5.2 above, to envisage some consolidating legislation. Such specific legislation might be directed simply towards compulsory consultation with the GMAG or perhaps extend to a system of licensing for laboratories. A practical difficulty is that a definition of the work to be controlled (for example, on the lines in paragraph 1.3 above) would almost inevitably become outdated as the science developed and as new techniques emerged. Such a difficulty could be met by a provision that the work subject to control should be specified in regulations which could be amended as necessary more readily than major legislation.

5.14 We recommend that the system of voluntary control we have described should be established as quickly as possible since we believe this could provide immediate and effective control of the hazards while permitting valuable work to proceed safely. The operation of this system will enable the Government to consider the desirability and practicability of introducing specific consolidating legislation at a later date.

#### **Procedure**

5.15 We have considered whether the GMAG should tender its advice direct to laboratories or to a Government department. We understand that it is intended that laboratories wishing to work with dangerous pathogens will submit their applications to the appropriate Health or Agriculture Department and that the Department concerned will reply after consulting the DPAG and other interested departments; but in our view this analogy should not be pressed too far for the reasons we have discussed in paragraph 5.5 above. The role we see for the GMAG will be a scientific advisory one requiring it to maintain close and continuing contact with the laboratories where the work is being done. The GMAG will need to be aware of new developments in the science of genetic manipulation and in health monitoring, training and other safety related matters and it will need to be able to respond quickly to request from laboratories for advice on these topics. This is rather different from the role of the existing DPAG, which is essentially running a licensing system for laboratories working with dangerous pathogens. Because of possible doubts

about what should be within the remit of the GMAG and of the need for speed and flexibility in dealing with a succession of protocols, each of which will need to be reviewed by scientific experts, we consider that it would be best if the GMAG is an independent advisory body dealing directly with the laboratories concerned. It would certainly be appropriate for the GMAG to come under the aegis of a Government department which could for example provide a secretariat and supporting services, and it would be necessary for the GMAG to keep appropriate Government departments informed of the advice given to laboratories.

5.16 We would in any case expect Government departments, Research Councils and other grant-giving bodies to make it a condition of granting funds for genetic manipulation research that institutions and individual investigators should follow the advice of the GMAG and conduct their experiments in accordance with the procedures recommended. We would also hope that all scientific papers in this field would include a statement of both the physical and biological containment measures involved in the experiments.

## 6. RECOMMENDATIONS

We recommend that:

- i. experiments in genetic manipulation, conducted in appropriate conditions of physical and biological containment, should be encouraged (1.3);
- ii. further work should be done on the development and characterisation of disabled organisms and that any which are developed should be made freely available to all workers in the field (1.6);
- iii. no genetic manipulation experiment should be undertaken in containment conditions less stringent than those used for work with common pathogens (2.8);
- iv. the code of practice in Appendix II should be adopted as a basis for the conduct of these experiments (3.1);
- v. every laboratory conducting these experiments should have a safety committee and a Biological Safety Officer (3.4);
- vi. appropriate training should be made available and be required for all research workers, technicians and biological safety officers in genetic manipulation laboratories (4.2);
- vii. a Genetic Manipulation Advisory Group (GMAG) should be established to advise on appropriate precautions for the conduct of these experiments (5.3);
- viii. the GMAG should be separate from the Dangerous Pathogens Advisory Group (DPAG) although there should be liaison between the two groups (5.5);
- ix. a system of voluntary control should be established as quickly as possible (5.14);
- x. regulations should be made under the Health and Safety at Work Act to require laboratories to submit experimental protocols to the GMAG (5.12);

(Numbers in brackets refer to paragraphs in the report)

## 7. CONCLUSION

We see the system of advice and control we have proposed as providing a framework within which progress can be made in an exciting and important new field of science that offers great potential benefit. Provided that the system operates flexibly so that advice to laboratories can be made available quickly and so that there can be a rapid response to new developments (with a view for example to modification of precautions if necessary), we believe that scientists will welcome and act on authoritative guidance from the centre. We think that it may be necessary for the Government to consider the introduction of specific statutory powers to control genetic manipulation but that a decision on this should be deferred until there is experience of the operation on a voluntary basis of the system which we recommend.

## APPENDIX I

### LIST OF ORGANISATIONS AND INDIVIDUALS CONSULTED

#### (a) who provided written statements:—

The Association of Colleges for Further and Higher Education	Institute of Biology Medical Research Council
Joint Co-ordinating Committee for Cancer Research	The Royal Society
Committee of Directors of Polytechnics	Science Research Council
Department of the Environment	
Department of Health and Social Security	
Professor E. S. Anderson, Enteric Reference Laboratory	
Dr. R. Dulbecco, Imperial Cancer Research Fund Laboratories	
Dr. B. D. Harrison, Scottish Horticultural Research Institute	
Professor B. S. Hartley, Department of Biochemistry, Imperial College of Science and Technology	
Dr. C. Milstein, MRC Laboratory of Molecular Biology	
Dr. K. Murray, Department of Molecular Biology, University of Edinburgh	
Dr. J. Paul/Dr. R. Williamson, Beatson Institute for Cancer Research	
Professor J. R. Postgate, ARC Unit of Nitrogen Fixation	
Professor J. H. Subak-Sharpe and staff, Institute of Virology, University of Glasgow.	

#### (b) who supplied oral evidence:—

*Association of University Teachers*  
Professor J. M. Ashworth, Mr. J. R. Akker, Dr. C. F. Wells

*Committee of Vice-Chancellors and Principals*  
Sir Brian Windeyer, Dr. C. E. Gordon Smith, Mr. T. S. Rawlinson

*Confederation of British Industry*  
Dr. B. W. Langley, Dr. E. C. Dart, Miss M. C. Everson, Dr. M. Richards

*Institution of Professional Civil Servants*  
Mr. D. W. Downton, Dr. D. Bannister, Mr. C. Evans, Miss M. Platt, Miss E. Stallibrass

*Trades Union Congress*  
Mr. R. Bird (ASTMS), Mr. J. Williams (ASTMS), Dr. R. Williamson (ASTMS), Dr. J. Durrant (NALGO), Dr. A. W. Walker (NALGO), Mr. T. Mawer (TUC Head Office)



## **APPENDIX II**

### **CODE OF PRACTICE**

#### **INTRODUCTION**

The following code is intended to provide guidelines for the four physical containment levels listed in paragraph 2.8 of the report; they will need to be supplemented by a local code for each laboratory, drawn up in consultation with the GMAG and taking account of local circumstances.

For all four categories, doors to the laboratory must be marked with a "biohazard" or other appropriate sign and a figure (I-IV) indicating the level of containment.

#### **CATEGORY I CONTAINMENT LABORATORY**

##### **1. LABORATORY**

1.1 The laboratory should not, as far as is practicable, be used for purpose other than the work in question.

1.2 The laboratory must have a fume cupboard or negative pressure cabinet with filtered extract to contain aerosol-producing equipment, if such equipment is to be used.

1.3 Potentially hazardous waste, eg supernatant from cultures of micro-organisms, cell debris, harvested agar cultures etc, must be rendered safe before discarding.

1.4 The laboratory must contain a hand basin with elbow- or foot-operated hot and cold water taps. The basin should be situated near the exit.

1.5 Apart from these conditions, the potential hazards arising from work in this laboratory are controlled by the procedures set out in the applicable paragraphs in the booklet "The Prevention of Laboratory Acquired Infection—Public Health Laboratory Service—Monograph 6."

The most important of the applicable paragraphs are the following:

- no smoking, eating or drinking;
- no mouth pipetting of any liquid;
- a properly designed laboratory overall;
- no unaccompanied visitors;
- all untoward incidents as well as accidents to be recorded;
- all biological material for transport to other establishments to be packed in accordance with Post Office Regulations.

##### **2. BIOLOGICAL SAFETY OFFICER**

2.1 A Biological Safety Officer must be appointed who will be answerable to the head of the establishment or department for enforcing the above conditions.

## **CATEGORY II CONTAINMENT LABORATORY**

### **3. LABORATORY**

3.1 The laboratory must not be sited adjacent to, and must not open from, corridors used by the general public.

3.2 The laboratory air must be extracted through independent ducting to the open air, or through a HEPA filtered extract.

3.3 There must be an exhaust-protective cabinet available for containing aerosol-producing equipment.

3.4 Material for autoclaving must be transported to the autoclave in sealed containers.

3.5 Potentially hazardous waste, eg supernatant from cultures of micro-organisms, cell debris, harvested agar cultures etc, must be rendered safe before discarding.

3.6 The laboratory must contain a hand basin with elbow- or foot-operated hot and cold water taps. The basin should be situated near the exit.

### **4. SELECTION OF STAFF**

4.1 The head of the establishment or department must ensure that staff selected to fill posts in his laboratory are informed of the potential hazards and consequent precautions applicable to experiments on which they may be required to work.

4.2 A special health declaration form, with the possibility of a medical examination, will be necessary to identify staff who ought not to work in a Category II laboratory because of prohibitive conditions, particularly those that increase susceptibility to infection.

### **5. BIOLOGICAL SAFETY OFFICER**

5.1 A Biological Safety Officer must be appointed; ideally, he should have had experience in working within such a laboratory or with similar forms of protective techniques, but this condition should not exclude an individual who is otherwise well suited for the position, eg who has a sense of responsibility, strength of character and the necessary authority. He should be suitably trained and provided with technical assistance as necessary. Appropriate deputising arrangements must be made.

5.2 The Biological Safety Officer will act as adviser to the head of the establishment or department in all matters relating to the containment of biological hazards and the safety of staff.

### **6. TRAINING**

6.1 Before allowing a new entrant to work in a Category II laboratory, the Biological Safety Officer must be satisfied that the individual concerned understands the regulations and can safely use all equipment within the laboratory. Ideally, the new entrant should have recognised training in medical microbiological techniques but in-house training will suffice.

## **7. SUPERVISION**

7.1 The Biological Safety Officer must have a list of all employees working in the laboratory.

7.2 A senior member of the laboratory staff should supervise the work of a new entrant and in any case a senior member of staff who is responsible for a particular experiment must be responsible for all staff working on this experiment.

7.3 No one may enter the laboratory for cleaning, servicing of equipment, repairs or other activities unless a senior member of the staff has been informed and laboratory surfaces have been disinfected in accordance with paragraph 10.1 (vii) below.

7.4 The senior member of staff responsible for an experiment will be personally answerable to the Biological Safety Officer for the safe execution of the work in progress at any time and for the day-to-day cleanliness of the laboratory.

## **8. PROTECTIVE CLOTHING**

8.1 In the containment area, an authorised overall must be worn; when aerosol-producing equipment is used, gloves and a face shield must also be worn.

8.2 Protective clothing must not be worn outside the laboratory; it must be transported to the decontamination area in sealed bags or boxes.

## **9. HEALTH**

9.1 A supervisory Medical Officer must be appointed.

9.2 An appropriate general health check on each employee should be carried out annually or at other intervals determined by the Medical Officer.

9.3 Records of health, family history and vaccination status of employees in the laboratory must be retained by the Medical Officer.

9.4 Before employees are allowed to work in the laboratory, samples of blood serum must be collected from them and stored.

9.5 Where an employee fails to attend without notification the supervisor should immediately institute enquiries and, except where the absence is not due to ill-health, report this to the Biological Safety Officer, who will contact where appropriate, the employee's family practitioner.

## **10. DISCIPLINE**

10.1 The Biological Safety Officer will be answerable to the head of the establishment or department for:

- i. enforcing the code of practice;
- ii. all aspects of training;

- iii. investigating all accidents, spillages etc in the laboratory and taking what action he considers necessary. Each incident and the action taken must be recorded, together with the names of the personnel involved;
- iv. the safe storage of pathogenic or potentially pathogenic material and the maintenance of an inventory of these materials;
- v. the transport of pathogenic or potentially pathogenic material to any site outside the Category II laboratory. Each transfer must be recorded;
- vi. liaison with the supervisory Medical Officer, family practitioners of employees working in the laboratory, and community physicians;
- vii. ensuring that laboratory surfaces are disinfected prior to the start of new experiments involving a different agent (vector, host, etc) or the entry of maintenance personnel;
- viii. the security of the laboratory.

### **CATEGORY III CONTAINMENT LABORATORY**

#### **11. LABORATORY**

11.1 The laboratory must not open on to a busy corridor or a corridor that is used by members of the public; if possible it should be sited in a no thoroughfare area such as the dead end of a corridor. The laboratory must not be sited next to a known fire hazard (eg the solvent store) or be in danger of flooding.

11.2 Entry to the laboratory must be through an airlock which is divided, eg by an 18" high removable partition, into a clean and restricted side. The restricted side must have sufficient space for handwashing and for removing and discarding protective clothing, shoes and gloves.

11.3 The laboratory and airlock must be ventilated by a plenum and exhaust air system; the exhausted air must, before it leaves the laboratory, be filtered through a HEPA filter. To protect the extract filter, the input air should be filtered to remove coarse particles. At all times, the airflow must be from the outside area into the laboratory; this is ordinarily achieved by a negative pressure of at least 7.00 mm of water, this reading to be displayed on a manometer which can be read from both inside and outside the laboratory.

11.4 There should be a double-ended autoclave going from the laboratory through a wall to a clean area; a connecting autoclaving room dedicated to laboratory use; a double-ended dunk-tank for the removal of material to an autoclaving facility; or a safe variation of any of these provisions.

11.5 The laboratory must be sealable to permit fumigation.

11.6 The laboratory must be animal and insect proof.

11.7 All effluent, including that from handwashing in the airlock, must be rendered safe before leaving the laboratory.

11.8 There must be adequate space in the laboratory; a guideline of 24 m<sup>2</sup>, including essential equipment, is recommended for each worker.

11.9 There must be an exhaust-protective cabinet for containing aerosol-producing equipment; it should have a facility for glove ports. In all cases, the extract must be filtered through a HEPA filter. There should also be a second protective cabinet with an air curtain.

11.10 Removal of infected material must be carried out only with the authority of the Biological Safety Officer and under defined conditions.

## 12. BIOLOGICAL SAFETY OFFICER

12.1 A Biological Safety Officer must be appointed; ideally he should have had experience in working within such a laboratory or with similar forms of protective techniques but this condition should not exclude an individual who is otherwise well suited for the position, eg who has a sense of responsibility, strength of character and the necessary authority. He should be suitably trained and provided with technical assistance as necessary. Appropriate deputising arrangements must be made.

12.2 The Biological Safety Officer will act as adviser to the head of the establishment or department in all matters relating to the containment of biological hazards and the safety of staff.

## 13. SELECTION OF STAFF

13.1 The head of the establishment or department must ensure that staff selected to fill posts in his laboratory are informed of the potential hazards and consequent precautions applicable to experiments on which they may be required to work.

13.2 A special health declaration form, with the possibility of medical examination, will be necessary to identify staff who ought not to work in a Category III laboratory because of prohibitive conditions, particularly those that increase susceptibility to infection.

13.3 Frequent changes of staff are undesirable. Where rotation through departments is practised, this should be so organised that staff have sufficient time to accustom themselves to local conditions.

## 14. TRAINING

14.1 Before allowing a new entrant to work in a Category III laboratory, the Biological Safety Officer must be satisfied that the individual concerned understands the regulations and can safely use all necessary equipment within the laboratory. Ideally, the new entrant should have recognised training in medical microbiological techniques but in-house training or appropriate experience over a period of time in a Category II laboratory will suffice.

## 15. SUPERVISION

15.1 No one may work in the laboratory unless they have received written authority from the Biological Safety Officer; before granting authority the Biological Safety Officer must have knowledge of each individual's duties.

15.2 Notwithstanding the above conditions, a senior member of the laboratory staff must supervise the work of the new entrant and in any case the senior member of staff who is responsible for a particular experiment must be responsible for all staff working on this experiment.

15.3 No one may enter the laboratory for cleaning, servicing of equipment, repairs or other activities, unless written authority has been given by the Biological Safety Officer and the laboratory has been disinfected in accordance with paragraph 18.1 (vii) below. Equipment must not be removed from the laboratory without further written authority.

15.4 The senior member of staff responsible for an experiment will be personally answerable to the Biological Safety Officer for the safe execution of the work in progress at any time and for the day-to-day cleanliness of the laboratory.

15.5 At all times when someone is working in the laboratory, there must be a second competent person able to assist in case of emergency.

## 16. PROTECTIVE CLOTHING

16.1 In the containment area, an authorised overall, gloves and overshoes must be worn; when aerosol-producing equipment is used, a face shield must also be worn.

16.2 Protective clothing must not be worn outside the laboratory; it must be autoclaved or disinfected before being removed from the containment area.

## 17. HEALTH

17.1 A supervisory Medical Officer for the laboratory must be appointed.

17.2 An appropriate general health check on each employee should be carried out annually or at other intervals specified by the Medical Officer.

17.3 Records of health, family history and vaccination status of employees must be retained by the Medical Officer.

17.4 Before employees are authorised to work in the laboratory, samples of blood serum must be collected from them and stored.

17.5 All employees must carry a card which states that, if they are ill, they MAY have contracted a laboratory infection requiring their isolation, and requesting the Medical Officer or family practitioner treating them to contact the Biological Safety Officer.

17.6 The name of the family practitioner, to whose list an employee is attached, must be recorded by the Biological Safety Officer.

17.7 It is desirable that, on appointment of employees to work in the laboratory, their family practitioners should be informed of the nature of their work.

17.8 Where an employee fails to attend without notification, the supervisor should immediately institute enquiries and, where the absence is due to ill-health, report this to the Biological Safety Officer, who must contact the employee's family practitioner if there is any reason to believe a laboratory infection may have been contracted.

## 18. DISCIPLINE

18.1 The Biological Safety Officer will be answerable to the head of the establishment or department for:

- i. enforcing the code of practice;
- ii. all aspects of training;
- iii. investigating all accidents, spillages etc in the laboratory and taking what action he considers necessary. Each incident and the action taken must be recorded, together with the names of personnel involved;
- iv. the safe storage of pathogenic or potentially pathogenic material and the maintenance of an inventory of these materials;
- v. the transport of pathogenic or potentially pathogenic material to any site outside the Category III laboratory. Each transfer must be recorded;
- vi. liaison with the supervisory Medical Officer, the family practitioners of employees working in the laboratory, and community physicians;
- vii. ensuring that the laboratory is disinfected prior to the start of new experiments involving a different agent (vector, host etc) or the entry of maintenance personnel;
- viii. the security of the laboratory.

## 19. PACKAGING AND TRANSPORT OF SAMPLES

19.1 Containers with liquid samples should be sealed in a metal container identified with a biohazard label and filled with sufficient absorbent material wholly to mop up a spill; a label inside the metal container must provide information on the sample.

19.2 Solid samples must be placed in a glass or plastic container securely packed within a metal container so that in the event of the latter being ruptured, it will be apparent whether the material could have escaped; a label inside the metal container must provide information concerning the sample.

## 20. SECURITY

20.1 The laboratory must be secure against the entry of intruders or vandals.

20.2 Security patrols must not enter the laboratory. If it appears that an adjacent fire or water hazard threatens the room, the Biological Safety Officer must be informed immediately.

20.3 A key to the laboratory must be held centrally for emergency access but should only be released on the instruction of the Biological Safety Officer (eg if he knows that the room is clean then he can do this by telephone).

## CATEGORY IV LABORATORY (Total containment)

### 21. LABORATORY

21.1 The laboratory must form an isolated part of the establishment or department in order to remove the possibility of laboratory workers or the general public passing by en route to another area. The laboratory must not be sited next to a known fire hazard (eg the solvent store) or be in danger of flooding.

21.2 Entry to the laboratory must be through an airlock. The clean side of the airlock must be separated from the restricted side by changing and showering facilities. There must be provision for a double-ended autoclave with entry in the restricted area and exit in a clean area outside the laboratory.

21.3 The laboratory and airlock must be ventilated by a plenum and exhaust air system; and the exhausted air must, before it leaves the laboratory, be filtered through a HEPA filter. To protect the extract filter, the input air should be filtered to remove coarse particles. At all times, the airflow must be from the outside area into the laboratory; this is ordinarily achieved by a negative pressure of at least 7.0 mm of water, this reading to be displayed on a manometer which can be read from both inside and outside the laboratory.

21.4 The laboratory must be sealable to permit fumigation.

21.5 The laboratory must be animal and insect proof.

21.6 All effluent, including that from the shower, must be rendered safe before leaving the laboratory.

21.7 There must be adequate space in the laboratory; a guideline of 24 m<sup>3</sup> including essential equipment, is recommended for each worker.

21.8 The Biological Safety Officer must agree adequate fire precautions with local fire officers.

21.9 Provision must be made for a gas-tight glove box with HEPA filtered extract and for a second cabinet (through which room air is extracted to a HEPA filter) for containing aerosol-producing equipment, unless this can be used in the gas-tight glove box.

21.10 ALL material must be rendered safe before removal from the laboratory: there must be a double-ended "dunk-tank" to allow the removal through a suitable disinfectant of material which cannot be autoclaved, eg samples for transport to other laboratories. Removal of material in this way should be as rare an occurrence as possible and must be carried out only with the authorisation of the Biological Safety Officer and under defined conditions.

### 22. BIOLOGICAL SAFETY OFFICER

22.1 A Biological Safety Officer must be appointed; ideally he should have had experience of working within such a laboratory or with similar forms of protective techniques but this condition should not exclude an individual who is otherwise well suited for the position, eg who has a sense of responsibility, strength of character and the necessary authority. He should be suitably trained and provided with technical assistance as necessary. Appropriate deputising arrangements must be made.



22.2 The Biological Safety Officer will act as adviser to the head of the establishment or department in all matters relating to the containment of biological hazards and the safety of staff.

## 23. SELECTION OF STAFF

23.1 The head of the establishment or department must ensure that staff selected to fill posts in his laboratory are informed of the potential hazards and consequent precautions applicable to experiments on which they may be required to work.

23.2 A special health declaration form, with the possibility of medical examination, will be necessary to identify staff who ought not to work in a Category IV laboratory because of prohibitive conditions, particularly those that increase susceptibility to infection.

23.3 Frequent changes of staff are undesirable. Where rotation through departments is practised, this should be so organised that staff have sufficient time to accustom themselves to local conditions.

## 24. TRAINING

24.1 Before allowing a new entrant to work in a Category IV laboratory, the Biological Safety Officer must be satisfied that the individual concerned understands the regulations and can safely use all necessary equipment within the laboratory. Ideally, the new entrant should have recognised training in medical microbiological techniques but in-house training or appropriate experience over a period of time in a Category III laboratory will suffice.

## 25. SUPERVISION

25.1 No one may work in the laboratory unless they have received written authority from the Biological Safety Officer; before granting authority, the Biological Safety Officer must have knowledge of each individual's duties.

25.2 Notwithstanding the above conditions, a senior member of the laboratory staff who is responsible for a particular experiment must be responsible for all staff working on this experiment.

25.3 No one may enter the laboratory for cleaning, servicing of equipment, repairs or other activities, unless written authority has been given by the Biological Safety Officer and the laboratory has been decontaminated in accordance with paragraph 28.1 (vii) below. Equipment must not be removed from the laboratory without further written authority.

25.4 The senior member of staff responsible for an experiment will be personally answerable to the Biological Safety Officer for the safe execution of the work in progress at any time and for the day-to-day cleanliness of the laboratory.

25.5 At all times when someone is working in the laboratory, there must be present a second competent person able to assist in case of emergency.

## 26. PROTECTIVE CLOTHING

26.1 Personal clothing must not be worn inside the laboratory and such clothing, along with other personal effects, will be kept in a locker in the clean area. Within the restricted area, suitable protective clothing will be supplied as well as face shields, caps, respirators, surgical gloves and shoes.

26.2 On each occasion that any one leaves the laboratory they must remove all protective clothing and take a shower. Protective clothing must be autoclaved before being removed from the laboratory.

## 27. HEALTH

27.1 A supervisory Medical Officer for the laboratory must be appointed.

27.2 An appropriate general health check on each employee must be carried out annually and also in certain cases of absence, as specified by the Medical Officer.

27.3 Records of health, family history and vaccination status of employees must be retained by the Medical Officer.

27.4 Before employees are authorised to work in the laboratory samples of blood serum must be collected from them and stored.

27.5 All employees must carry a card which states that if they are ill, they MAY have contracted a laboratory infection requiring their isolation, and requesting the Medical Officer or family practitioner treating them to contact the Biological Safety Officer.

27.6 The name of the family practitioner, to whose list an employee is attached, must be recorded by the Biological Safety Officer.

27.7 It is desirable that, on appointment of employees to work in a Category IV laboratory, their family practitioners should be informed of the nature of their work.

27.8 Where an employee fails to attend without notification, the supervisor should immediately institute enquiries and, where the absence is due to ill-health, report this to the Biological Safety Officer, who must contact the employee's family practitioner if there is any reason to believe that a laboratory infection may have been contracted.

## 28. DISCIPLINE

28.1 The Biological Safety Officer will be answerable to the head of the establishment or department for:

- i. enforcing the code of practice;
- ii. all aspects of training;
- iii. investigating all accidents, spillages etc in the laboratory and taking what action he considers necessary. Each incident and the action taken must be recorded, together with the names of personnel involved;

- iv. the safe storage of pathogenic or potentially pathogenic material and the maintenance of an inventory of these materials;
- v. the transport of pathogenic or potentially pathogenic material to any site outside the Category IV laboratory. Each transfer must be recorded;
- vi. liaison with the supervisory Medical Officer, the family practitioners of employees working in the laboratory, and community physicians;
- vii. ensuring that the laboratory is disinfected prior to the start of new experiments involving a different agent (vector, host, etc) or the entry of maintenance personnel;
- viii. the security of the laboratory.

## 29. PACKAGING AND TRANSPORT OF SAMPLES

29.1 Containers with liquid samples must be sealed in a metal container identified with a biohazard label and filled with sufficient absorbent material wholly to mop up a spill; a label inside the metal container must provide information on the sample.

29.2 Solid samples must be placed in a glass or plastic container securely packed within a metal container so that in the event of the latter being ruptured, it will be apparent whether the material could have escaped; a label inside the metal container must provide information concerning the sample.

## 30. SECURITY

30.1 The laboratory must be secure against the entry of intruders or vandals.

30.2 Security patrols must not enter the laboratory. If it appears that an adjacent fire or water hazard threatens the room, the Biological Safety Officer must be informed.

30.3 A key to the laboratory must be held centrally for emergency access but should only be released on the instruction of the Biological Safety Officer (eg if he knows that the room is clean then he can do this by telephone).

## EXPERIMENTAL ANIMALS

Accommodation should in the main conform with the principles set out for the equivalent categories of physical containment described above.

## 31. CATEGORY II

31.1 Animals must be kept in a negative pressure isolation room in the animal house.

31.2 One member of the animal house staff with an authorised back-up system must be responsible for the care of animals.

31.3 Inoculation and handling of animals must be carried out by two people.

31.4 All refuse and carcasses must be securely bagged before being removed from the room and then incinerated or autoclaved.

## 32. CATEGORY III

32.1 Animals must be kept in a Category III laboratory in an exhaust-protective cabinet or isolation facilities that meet the same type of requirement. All refuse and carcasses must be autoclaved and then incinerated.

32.2 Inoculation and handling of animals must be carried out by two people.

32.3 Live animals must not be removed from the laboratory.

32.4 Animal tissue may be removed from the laboratory only with the authority of the Biological Safety Officer and under defined conditions.

## 33. CATEGORY IV

33.1 Animals must be kept in a Category IV laboratory in an exhaust-protective cabinet or isolation facilities that meet the same type of requirement. All refuse and carcasses must be autoclaved and then incinerated.

33.2 Inoculation and handling of animals must be carried out by two people.

33.3 Live animals must not be removed from the laboratory.

33.4 Animal tissue may be removed from the laboratory only with the authority of the Biological Safety Officer and under defined conditions.

## PLANT EXPERIMENTS

### 34. CONTAINMENT PROCEDURES

34.1 Suitable containment procedures will be required for plants into which recombinant DNA (and perhaps eventually RNA) is introduced in viral, bacterial or fungal vectors. Owing to the need for special conditions of illumination, humidity, temperature, etc, for satisfactory growth of higher plants, it is not appropriate to specify that the plants should be kept in a laboratory of one of the types described in this code of practice. Instead, suitable glasshouses or controlled environment cabinets will be needed.

34.2 It is unlikely that extraordinary containment measures will be required for any experiments; measures similar to the quarantine procedures specified in licences for the retention of imported plant pathogens issued to laboratories by MAFF or DAFS would be adequate. The conditions specified in such licences vary with the class of pathogen (virus, bacterium or fungus), its virulence and its means of dissemination. Requirements for insect-proofing and fumigation, for the avoidance of root or leaf contact with other plants, etc, may be included in licences. There are also standard provisions for destruction of unwanted cultures or plant parts by heat or disinfection and for the prohibition of unauthorised distribution of cultures. The choice of appropriate containment measures is normally left to the licensee, who typically agrees to "take whatever precautions as are necessary to ensure that the organisms do not escape", or words to this effect, but advice is available from the appropriate branch of MAFF or DAFS, whose officers have the right to inspect premises where the organisms are kept.

34.3 All experiments involving the introduction of recombinant DNA into plants should require the prior approval of the GMAG (see paragraph 3.8 of the report).

# PHYSICAL CONTAINMENT LABORATORIES

## DIFFERENCES BETWEEN IV AND III

	IV	III	
Shower and changing facilities	Yes	No	Saving in expense and space Ease of working
Double-ended autoclave	Yes	*	Saving in expense and space
Dunk-tank	Yes	No	Saving in expense and space
Isolated area of building	Yes	No	Less restriction on siting
Operations under negative pressure or in negative pressure glove boxes	Yes	No	Ease of working

## DIFFERENCES BETWEEN III AND II

	III	II	
Airlock	Yes	No	Saving in expense and space. Ease of working
Extract filtered	Yes	*	Saving in expense
Contiguous autoclaving facilities	Yes	No	Saving in expense and space
Effluent disinfected	Yes	No	Saving in expense and ease of working
Sealable laboratory	Yes	No	Saving in expense
Operations in safety hood	Yes	No	Saving in expense and ease of working

## DIFFERENCES BETWEEN II AND I

	II	I	
Negative pressure	Yes	No	Saving in expense
Material for autoclaving in sealed containers	Yes	No	Saving in expense and ease of working
Particular siting	Yes	No	

## SIMILARITIES BETWEEN IV AND III

	IV	III	
Airlock	Yes	Yes	III airlock much simpler, less expense and space
Negative pressure	Yes	Yes	
Extract filtered	Yes	Yes	
Sealable laboratory	Yes	Yes	
Effluent disinfected	Yes	Yes	

## SIMILARITIES BETWEEN III AND II

	III	II	
Negative pressure	Yes	**	
Cabinet for aerosol- producing equipment	Yes	Yes	

## SIMILARITIES BETWEEN II AND I

	II	I	
Hand basin	Yes	Yes	
Cabinet for aerosol- producing equipment	Yes	Yes	

\* Optional see Code

\*\* The aim is to ensure at all times that air flows into the laboratory from the corridor



REPORT OF THE COMMITTEE ON

# FINANCIAL AID TO POLITICAL PARTIES

Chairman

THE RT HON LORD HOUGHTON OF SOWERBY, CH

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REPORT OF THE COMMITTEE ON

**FINANCIAL AID  
TO POLITICAL PARTIES**

Chairman  
THE RT HON LORD HOUGHTON OF SOWERBY, CH

*Presented to Parliament  
by Command of Her Majesty  
August 1976*

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Cmnd. 6601

## COMMITTEE ON FINANCIAL AID TO POLITICAL PARTIES

An independent committee was appointed in May 1975 to consider whether provision should be made from public funds to assist political parties in carrying out their functions outside Parliament.

The members of the Committee were:

The Rt Hon Lord Houghton of Sowerby, CH

I Aitken Esq

Sir Tatton Brinton

Sir Edmund Compton

Professor M P Fogarty

Lord Greene of Harrow Weald

J Haviland Esq

Professor D N MacCormick

Lord McCarthy

Mrs M H Thomas

H R Underhill Esq, CBE

Lord Wall, OBE

The Secretariat was provided by the Cabinet Office.



The Rt Hon Michael Foot, MP  
Lord President of the Council  
Privy Council Office  
68 Whitehall  
London SW1

On 8 May 1975 you informed the House of Commons that a committee had been established to consider the question of financial aid to political parties.

The terms of reference were:

"To consider whether, in the interests of Parliamentary democracy, provision should be made from public funds to assist political parties in carrying out their functions outside Parliament; to examine the practice of other Parliamentary democracies in this field, and to make recommendations as to the scope of political activities to which any such provision should relate and the method of its allocation."

We now have the honour to submit our Report.

Four of our members (Mr Ian Aitken, Sir Tatton Brinton, Mr Julian Haviland and Professor MacCormick) do not consider that the case has been made out for the introduction of state financial aid to the political parties at this time. Accordingly, whilst agreeing that Chapters 1 to 8 inclusive of the Report represent a fair account of the facts and evidence given to the Committee, and accepting with the rest of the Committee that the schemes proposed in Chapter 10 would provide the best and fairest means of administering a system of financial aid to the political parties, they do not support their introduction in present circumstances. Their dissenting view is expressed in the Minority Report.

Sir Edmund Compton, whilst associating himself with the majority of the Committee, has submitted a note of reservation on one aspect of the Report.

HOUGHTON OF SOWERBY (*Chairman*)  
I AITKEN  
TATTON BRINTON  
EDMUND COMPTON  
M P FOGARTY  
GREENE OF HARROW WEALD  
J HAVILAND  
D N MacCORMICK  
McCARTHY  
M H THOMAS  
H R UNDERHILL  
WALL

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## FOREWORD BY THE CHAIRMAN

This Report breaks new ground in the perennial debate about the boundaries of state action in our modern society.

We cover a field of public and political activity in which traditionally the state has hitherto played no part. Although political parties have long been essential to the working of our parliamentary system, their management, organisation and effectiveness usually arouse no great public interest. Political party finances do however make fairly frequent news, especially when appeals are launched for more money. It is safe to say that this Report will shed more light on the domestic affairs of our political parties, and on public reactions to them, than has been possible before.

The idea of state aid to political parties in this country extends discussions we have already had about the pay and facilities for Members of Parliament, grants to opposition parties at Westminster, and the broadcasting of proceedings in Parliament. The desirability of actually underwriting politics by the state has never been seriously considered by Parliament in this country. The effects of inflation and rising costs upon party finances have now raised the question of state grants as a desirable, and possibly the *only*, way of supporting the minimum standards of political activity and efficiency required to maintain the vitality of our system of representative government.

That is where this Committee came in fourteen months ago.

We have received the views of many organisations, companies, trade unions, political parties and persons of wisdom and standing in public life. Some of them clearly had not previously believed this to be a matter requiring their deep consideration. It soon became apparent however that there existed sharp divisions of opinion, almost of doctrine, on the principles of state intervention in party politics at all.

It is not surprising that the critics of state aid found some response on the Committee itself. Regrettably we cannot present a unanimous Report. Four members are unable to go along with the general tenor of the Report of the majority of the Committee. As will be seen however there is a good deal of agreement upon the growing importance of political parties and the additional responsibilities which direct elections to a European Parliament and elected Assemblies in Scotland and Wales will impose upon them. The difficulty on the Committee has been to express hopes and to sound warnings in words which twelve members can individually and collectively endorse, even though the judgement behind them may rest largely upon common ground. For that reason, both groups of opinion on the Committee have thought it best to put their respective points of view separately.

Our Report is made in a period of keen political and economic debate about the level of public expenditure. Indeed it is the prevailing economic conditions which precipitated our appointment in the first place. Otherwise there would have been much less urgency and less of a problem to consider. It is not part

of the work of our Committee to join in the controversy about cuts in public expenditure or to comment upon pronouncements made by Ministers and others, or even to refer to them. Still less is it appropriate for us to relate the needs of our party political and parliamentary institutions to other claims upon public funds.

That is not our business. While it is proper for us to have full regard to present economic conditions, and this we do, it would be quite wrong for us to assume the role of arbiter on public expenditure. Weightier opinion than our own must decide where the interests of our parliamentary democracy comes on the list of priorities.

Our business is to stick to our terms of reference and judge the matter to the best of our ability after long and searching study and discussion. This we have done in a spirit of harmonious understanding of the issues involved and their importance to the future of Parliament. The majority and minority on the Committee have come to different conclusions on the wider questions of the desirability and the need for state action though the Committee is agreed upon the rejection of a number of ideas which have been put to us. By this process of elimination of some proposals the Committee has come more closely together on the sort of schemes which would be the most suitable for our political and parliamentary system if practical action is decided upon.

There are a few cardinal points to make absolutely clear.

One is that no candidate and no party need feel obliged to claim the financial aid we propose. It would be entirely optional.

Equally plainly it should be stated that contracting out by any candidates or parties should in no way prejudice—still less veto—the claims of others. Our proposals are not so much a means test as an efficiency rating. The possibility that some candidates or parties may decide to do without state aid and to rely on existing or alternative sources of finance must not be allowed to weaken the position of candidates or parties who are not so well placed.

The next question of vital importance is the position of candidates and parties whose policies and activities may be abhorrent to many people. The argument is that to give state aid to parties and candidates we may loath would be an affront to those who find extreme policies repugnant. Some would go further and declare that these extremists are a danger to social and industrial peace and a threat to Parliament.

This is a political and not a constitutional argument. So long as no political party is banned in Britain all are equal before the law. No political party has to take an oath of allegiance and all candidates for election, irrespective of their views, however extreme or crackpot, qualify for all the state-aided facilities already given to all other candidates at election times. There is no discrimination. Any group of opinion or of the community is free to seek by lawful and peaceful means what support it can get for whatever political aims it may have.

Under our proposals the sole test of the credentials of any candidate or any party is one of substantial electoral support through the ballot box. Only by putting up candidates for election can anybody or any party come within our proposals. The willingness of all concerned to work through the electoral and parliamentary system is the absolute test. The "threshold" conditions are not designed to keep any party out but to lay down the conditions of electoral support which a party must satisfy before they can be brought in. We have not invented this "threshold" formula. It is already being applied in two of its three conditions in connection with state aid to opposition parties in Parliament. We have added a third qualifying condition (that of a party having to gain the electoral support necessary to save their candidates' deposits in at least six constituencies in a general election) in order to meet the case of a party which has considerable electoral support spread over a wide area but which fails to win a seat in Parliament.

I must deal with the criticism that state aid means compelling taxpayers to contribute to causes they abhor. The long answer is given in our Report: the short answer is that all of us have to put up with that already.

I emphasise the need for early decisions to be taken on our Report. It will be harmful if the parties are kept waiting very long about their financial future.

I express warm thanks to my colleagues on the Committee, secretariat and staff, who have devoted themselves to what many candid friends have described as a thankless task. We have been happy in our work and in the discussion, argument, disagreement and the co-operation and good humour of it all.

I conclude by quoting some words written by Mr George Hutchinson in *The Times* newspaper on 27 December 1975 (under the title, aptly enough, "The voices of leadership that should be heard").

"The ordinary person does not aspire to lead or govern his country. In a democracy he elects others to do so, reposing hope and confidence not only in their goodwill, as expressed in their acceptance of a larger public responsibility, but in their capacity as well—their actual ability to do what is expected of them or at least to attempt it.

Although in practice the precept falls short of perfection, it is a good one. Instead of knocking our parliamentary system and institutions, we should take pride in them for all their faults."

Our Report goes on from there.

HOUGHTON OF SOWERBY

## SUMMARY OF RECOMMENDATIONS

We recommend the introduction of a system of state financial aid for political parties in the United Kingdom.

Such aid should take the form of:

- (i) annual grants to be paid from Exchequer funds to the central organisations of the parties for their general purposes, the amounts being determined according to the extent of each party's electoral support;
- (ii) at local level, a limited reimbursement of the election expenses of Parliamentary and local government candidates.

In order to qualify for a grant a party must at the previous general election have either:

- (a) saved the deposits of its candidates in at least six constituencies; or
- (b) had at least two of its candidates returned as Members; or
- (c) had one of its candidates returned as a Member, and received as a party a total of not less than 150,000 votes.

The amount of the annual grant payable to each of the qualifying parties shall be calculated on the basis of 5p for each vote cast for its candidates at the previous general election.

The scheme for the limited reimbursement of candidates' election expenses should apply to all Parliamentary elections, and to all elections for county and district councils in England and Wales, regional, island and district councils in Scotland, and the Greater London Council and London borough councils.

Reimbursement should be restricted to those candidates who poll at least one-eighth of the votes cast, and the amount to be reimbursed should be the candidates' actual election expenses up to a limit of half his legally permitted maximum expenditure. Payment shall be made directly to the candidate.

It is recommended that the first payment of the proposed annual grants payable to the parties should be on 1 April 1977, and that the scheme for the limited reimbursement of candidates' election expenses should operate for all Parliamentary and relevant local government elections held on or after 1 April 1977.

The total cost of state aid to the political parties under these proposals is estimated at, on average, about £2½ million a year. Of this, the annual grants to the parties would comprise about £1,440,000 and the reimbursement of candidates' election expenses approximately £860,000 a year (including £360,000 in respect of Parliamentary candidates and £500,000 for local government candidates).

It is proposed that the reimbursement schemes should be extended to include elections to the European Parliament and to the Scottish and Welsh Assemblies as occasion arises.

## CHAPTER 1

### BACKGROUND

#### Introduction

1.1 The Committee was set up by the Government in May 1975, with the following terms of reference:—

"To consider whether, in the interests of Parliamentary democracy, provision should be made from public funds to assist political parties in carrying out their functions outside Parliament; to examine the practice of other Parliamentary democracies in this field, and to make recommendations as to the scope of political activities to which any such provision should relate and the method of its allocation."

1.2 The Committee has met 32 times. Visits have been made to Austria, the Federal Republic of Germany, The Netherlands and Sweden, and individual members have visited Washington and Paris.

1.3 The establishment of the Committee formed part of a broader initiative concerning the work of the political parties both inside and outside Parliament. The Lord President of the Council (Mr Edward Short) had announced on 29 July 1974 that:—

- (a) financial aid would be provided for opposition parties in Parliament;
- (b) a select committee of Members of Parliament would be set up to examine the support facilities available to back-bench Members;
- (c) an independent committee would be set up to look at the question of financial assistance for political parties in respect of their work outside Parliament.

This last proposal foreshadowed the establishment of this Committee.

1.4 Financial aid to opposition parties to assist them in carrying out their Parliamentary work was approved by the House of Commons on 20 March 1975. Under this scheme opposition parties are able to claim financial assistance in respect of expenses incurred in carrying out their Parliamentary business up to an annual limit based on £500 for each seat won by the party concerned plus £1 for every 200 votes cast for it at the preceding general election, subject to a maximum of £150,000 for any one party. In order to qualify for assistance a party must either have had at least two Members of Parliament elected at the previous general election, or had one Member elected and received a minimum of 150,000 votes. Under this formula £203,570 is currently payable to the opposition parties annually, including a maximum of £150,000 to the principal opposition party.

1.5 A select Committee on Assistance to Private Members was set up by the House of Commons in December 1974 with the following terms of reference:—

"To examine the present support facilities available to Private Members in carrying out their duties in this House, in particular research assistance on matters before Parliament and to make recommendations for such improvements as they consider necessary."

The reports made by this Committee recommended considerable increases in Members' secretarial and research assistance, in order that each Member should be in a position to employ a full-time secretary and a research assistant. The Committee stressed, however, that the assistance they were proposing would be personal to the individual Member, and should not be regarded as an indirect subsidy to the party organisations.\* The Committee's recommendations have not so far been implemented, but the House of Commons accepted in July 1975 a recommendation made by the Top Salaries Review Body to increase substantially the Members' secretarial allowance to £3,200 a year, and for this to be available for either secretarial or research assistance. This allowance was recently raised to £3,512 a year.

1.6 Aside from these particular initiatives, the question of the financing of political parties cannot be isolated from more general constitutional developments. There has in recent years been a widespread questioning of many of our institutions of government, Parliamentary and otherwise. In particular, the whole structure of local government has been radically reorganised; a major revision of procedure in the House of Commons has recently begun; the implications of our membership of the European Economic Community are still being absorbed; and new national assemblies are in prospect for Scotland and Wales. It is in this context of widespread re-examination, reform and renewal that this examination of the financing of the political parties has to be considered.

#### **Existing Aid**

1.7 State aid to the political parties has hitherto been principally confined to the indirect benefit that parties derive from the fact that Members of Parliament receive a Parliamentary salary and allowances and from the scheme introduced in 1975 (see paragraph 1.4) for financial assistance to opposition parties.

1.8 The state also provides political parties with certain aid in kind, mainly at election times. It is not possible to put a precise figure on this assistance, but the following paragraphs give some general indication of its present extent.

#### **Registration**

1.9 In some countries political parties incur a great deal of expense in ensuring the registration of everyone entitled to vote. In the United States, for example, whilst the state pays for the actual registration process it is left to the parties to encourage individuals to register. This is normally done by means of expensive publicity drives conducted on television and in the press. In the United Kingdom local authorities are responsible for all aspects of registration, and in 1973-74 local authorities (excluding Northern Ireland) spent a net total of £6,025,000 on this service.†

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\*Select Committee on Assistance to Private Members, Second Report, paragraph 16, HC 662, October 1975.

†Local Government Financial Statistics (England and Wales), 1973-74, Local Financial Returns (Scotland) 1973-74.

### *Postage*

1.10 A Parliamentary candidate is entitled to send free of any postal charge to each elector one postal communication containing matter relating to the election only. The Post Office is reimbursed by the Treasury and for the General Election in October 1974 received £2.1 million, covering the cost of delivery of 75 million communications. At current postal rates the cost would be £3.9 million.

### *Meeting halls*

1.11 During a Parliamentary or local election campaign a candidate is entitled to hold meetings in schools which are situated in his or an adjoining constituency. For Parliamentary elections this entitlement also extends to any meeting rooms available for public meetings that are maintained wholly or mainly out of public funds. The candidate is not required to pay for the hire of the room, but he has to pay for any heating, lighting and cleaning costs.

### *Broadcasting*

1.12 During a general election campaign the allocation of broadcasting time is decided by a committee of party representatives and the broadcasting authorities. Apart from election campaigns, the committee decide each year on the party political broadcasting arrangements for the following year. The number and length of non-election broadcasts are related to votes received in the previous general election. In 1974 there were in total 18 television and 26 radio non-election party political broadcasts.\*

1.13 No charge is made to the parties for any of their radio broadcasts. For television, the expense to the parties need only be small—generally no more than £100. If the parties had to buy advertising time on the ITV television network in the usual way the cost would, of course, be very considerable.

### *Recent Developments*

1.14 Under the Referendum Act 1975 grants of £125,000 each were authorised to the two "umbrella" campaigning organisations, Britain in Europe and the National Referendum Campaign. The Government also printed and distributed at public expense a document by each of the organisations setting out their side of the case. The overall assistance from public funds was about £1½ million.

1.15 The two organisations produced detailed accounts which were audited by the Comptroller and the Auditor General and published in a White Paper presented to Parliament by the Lord President of the Council in October 1975 (Cmnd 6251).

1.16 During the course of our work two further developments affected our enquiry. The first was the Government's White Paper "Our Changing Democracy: Devolution to Scotland and Wales" (Cmnd 6348), presented to Parliament in November 1975. This White Paper put forward proposals for

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\*BBC Handbook 1976.

devolving some functions of the Westminster Parliament to Assemblies in Scotland and Wales. Elections to these Assemblies would clearly make for additional costs to the political parties.

1.17 The second was the publication of the Green Paper "Direct Elections to the European Assembly" (Cmd 6399) in February 1976. This was a consultative paper about the elections of members of the European Parliament. Part III set out the matters for decision by the United Kingdom Parliament on the conduct of elections, but financial arrangements for the elections were not discussed. Nevertheless, it became clear that the political parties in the United Kingdom would be concerned in these elections, and that the financial arrangements and expenditure incurred would be a matter of concern to the Committee.

#### **Northern Ireland**

1.18 Since we were appointed the Constitutional Convention was elected to work out a new constitution for Northern Ireland. The constitution proposed by that Convention was unacceptable to the Government, and consequently, after further meetings at which it was unable to make progress, the Convention was dissolved on 5 March 1976. We understand that it is unlikely to be reconvened. The position is, therefore, that Northern Ireland continues to be governed directly from Westminster. There seems no likelihood in the immediate future of a regional or devolved government there. Political parties in Northern Ireland, therefore, are most apparent in local government elections and in the elections for the United Kingdom Parliament at Westminster.

1.19 The Northern Ireland parties function regionally and the major United Kingdom parties barely feature there. National parties based on the concept of nationhood, such as the Scottish National Party and Plaid Cymru, do not exist in Northern Ireland. Instead, there are a number of parties based broadly on different proposals for the ultimate constitutional status of Northern Ireland.

1.20 In response to our invitation, we received written evidence from some Northern Ireland parties (see paragraph 2.24). We decided that in view of the political situation in Northern Ireland we would not ask the parties there to come to see us. We concluded that in the circumstances we could not usefully make recommendations on whether aid should be given to parties in connection with any future Northern Ireland legislature.

#### **Outline of our Work**

1.21 From the start of our enquiry we have appreciated the need for urgency because of the continuing effects of inflation and the two 1974 General Elections on the financial position of the parties. We decided at an early stage that we must aim at reporting by the summer of 1976.

1.22 It has also been the Committee's aim from the outset that the evidence we took should be as broadly based as possible. We have sought facts and opinions not only from the political parties themselves, but also from a wide



range of other public and private bodies with a general or specialised interest in our enquiry. We have been anxious, too, that apart from those known to have a particular interest in this subject, members of the general public should also have an opportunity to express their opinion.

1.23 As a first step we sent out invitations to give evidence to a number of interested organisations, including political parties, academic bodies, and representatives of local authority interests, the trades union movement, and of commerce and industry. We also invited certain individual firms and trade unions, as well as a number of persons in political and academic life with special knowledge in these matters, to give the Committee the benefit of their views. An invitation to the general public to give evidence was extended through the Press.

1.24 As a result of these invitations we received a great deal of information both from organisations and individuals, for which we are grateful. A list of the organisations and individuals who gave evidence is at Annex A together with a copy of a list of questions sent by us to our witnesses. There was little response to our general public invitation, although some organisations did submit papers as the work of the Committee became more widely known.

1.25 Despite the valuable evidence which we received as a result of these invitations, however, it soon became clear to the Committee that there was still a lack of sufficient evidence in several areas of enquiry if the Committee were to have a satisfactory factual basis for their recommendations. In particular, there appeared a need for more detailed material covering the changes in the financial position of the central organisations of the parties in recent years; the situation of the parties at local level; the attitude of the general public towards the possibility of the introduction of state aid to political parties; and, finally, in accordance with our terms of reference, for evidence on the experience of other countries who have introduced such aid.

1.26 In order to provide this evidence we found it necessary to undertake a number of special surveys and enquiries. For this work we received assistance from a number of individuals and organisations. We should like to express our thanks to Professor Louis Moss (formerly of the Government Social Survey), Dr David Butler, Professor Martin Harrison, Professor Richard Rose, Dr Ivor Crewe, Dr Michael Pinto-Druschinsky and Dr Michael Tappin, who at various stages helped us with comments and advice. We are particularly grateful also to the Central Statistical Office for their assistance in connection with these surveys.

### **Outline of Report**

1.27 The succeeding chapters in this Report largely reflect the evidence we received as a result of our requests for evidence and our subsequent enquiries. Chapter 2 summarises generally the views expressed to us; Chapter 3 reviews the work of the parties; Chapter 4 examines the financial position of the parties at the centre; Chapter 5 is concerned with the constituencies; Chapter 6 summarises the overall income of the parties; Chapter 7 is concerned with what

the public thinks about the question of state aid to political parties; Chapter 8 deals with foreign practice; Chapter 9 presents the case for state aid; Chapter 10 contains our recommendations and Chapter 11 our conclusions.

1.28 A minority of the Committee considered that there was no case for the introduction of state aid in present circumstances. Their views are expressed in a Minority Report (see page 75). Sir Edmund Compton, whilst associating himself with the majority of the Committee, has submitted a note of reservation on one aspect of the Report (see page 74).

## CHAPTER 2

### THE VIEWS OF THE PARTIES AND OTHER WITNESSES

#### Introduction

2.1 This chapter summarises the views put to us on state aid for political parties by the parties themselves and by other organisations and individuals. These are set out as follows:—

Political parties	— paragraphs 2.2 to 2.24
Commerce and industry	— paragraphs 2.25 to 2.28
Trade unions	— paragraphs 2.29 to 2.33
Other groups	— paragraphs 2.34 to 2.36
Individual witnesses	— paragraphs 2.37 to 2.39
Local government	— paragraphs 2.40 to 2.41
Constituency officers	— paragraphs 2.42 to 2.55

#### Political Parties

##### *The Conservative Party*

2.2 The Conservative Party Organisation opposed state aid. It would, in their view, diminish the party's ability to provide an effective countervailing force to the power of the state and state bureaucracy. Moreover, although inflation has hit political parties, they are not alone in suffering these effects, and there would be no justification for their receiving preferential treatment over other voluntary organisations. Any inability on the part of parties to attract voluntary support is an indication of general public disillusionment with politics. State aid would only lead to further alienation. It would also damage local political activity in so far as its focal point is voluntary fund raising, which provides a large proportion of the Conservative Party's total income.

2.3 These views were shared and reinforced by the Central Fife Conservative Association, Tory Action and by Mr Russell Lewis, of the Selsdon Group. The National Society of Conservative and Unionist Agents also gave evidence. They argued that more money is needed to strengthen the party organisation, but they did not commit themselves on the question as to whether or not state aid should be introduced.

##### *The Labour Party*

2.4 The Labour Party stated categorically that political parties are indispensable to parliamentary democracy and that they cannot function properly in current circumstances without state aid. Parties are essential to communication between the electors and the government; to proper policy formulation; and to the running of elections. Such activities are being restricted because of present financial difficulties. Some injection of public funds is therefore necessary. State aid is not new in principle. Aid for parties is already provided for candidates at elections, and in certain respects for parties—for example,

special broadcasting facilities and aid to opposition parties in Parliament. Parties must be allowed to decide for themselves without state interference how further state aid could best be used. Any subsidy should therefore go to the national headquarters as being in the best position to decide how it should be allocated.

2.5 The scheme of state aid proposed by the Labour Party was for an Exchequer grant to go to all parties subject to a minimum level of parliamentary representation. This amount should be calculated on a combination either of seats and votes won, or of seats won and the number of party candidates who save their deposits. It should be conditional on a limitation of donations from other sources, although not on affiliation fees. They did not favour a flat-rate grant, or one based on votes only, or one matching a party's income from other sources.

2.6 The National Union of Labour Party Organisers put the case for stronger party organisation. They said that because of low salaries, good calibre agents were not being recruited. Voluntary staff cannot effectively substitute for full-time agents, and the continuing reduction in the number of professional staff meant an inevitable decline in the services provided by the parties to the public generally.

#### *The Co-operative Party*

2.7 The Co-operative Party stated that until recently they would have been overwhelmingly opposed to state aid. They now considered, however, that government influence had become so extensive, particularly in economic and consumer affairs, that the parties had to be better equipped to exercise effective control and supervision of government institutions; their research and training departments particularly needed to be improved. The electors themselves needed more education in democratic practice and procedures. The parties were unlikely to be able to finance such extra activities from their traditional sources of income; subsidies from public funds were therefore desirable.

2.8 The Co-operative Party advocated a fixed grant, not determined as a proportion of total expenditure or of expenditure in any particular field. They made no recommendations about the amount of state aid to be given or the method of its allocation.

#### *The Liberal Party*

2.9 The Liberal Party gave evidence in their constituent federal units, England, Wales and Scotland. The Liberal Party (England) presented the main evidence. It argued that parties are necessary to democracy but, because of present difficulties, they are all operating well below the levels necessary to ensure the proper functioning of parliamentary democracy in this country. Because of inadequate funds, parties are failing to carry out enough research, to establish adequate communications with the electorate, or to encourage political education. The British in effect are "getting their

politics on the cheap" and, as a consequence, are getting bad politics. State aid would enable parties to develop properly researched policies, and to engage in a greater degree of political education.

2.10 A further advantage of state subsidies would be that they would reduce the dependence of the two main parties, and particularly the Labour Party, on corporate finance. The Liberal Party has never received long-term institutional support, and consequently has traditionally relied for its central income on trusts and donations from a small number of wealthy individuals. This number is now decreasing and the Liberal Party are therefore at a disadvantage compared with the Conservative and Labour parties in not having institutional support. Such a situation has a harmful effect on democracy in Britain.

2.11 State aid should be given for specific purposes and should be designed to encourage maximum voluntary support, to encourage political activity, and to reduce the risk of excessive powers going to the party headquarters. The Liberals' proposals are linked to a number of changes proposed for electoral procedures, the replacement of the deposit system by a large number of nominating signatures and a fixed parliamentary term of four years.

2.12 Under the Liberal Party scheme an annual £8 million political fund would be set aside by the government from general taxation, based on a calculation of 20p per registered voter. Any voter who wished to have his 20p withdrawn from the fund could write to the Inland Revenue notifying them of his wish to contract out. This fund would be used for two main purposes: to strengthen the regional organisations of all parties; and to be channelled through a Political Research Council to the parties for research, political education, information and training. Such a subsidy would be allocated to the parties in proportion to the votes cast for each party at general elections. It should not, however, exceed 50% of a party's income overall or 75% of the income at national and regional levels. State aid should be conditional on a limitation of donations above £500.

2.13 Money should also be raised for political parties by means of a "tax check-off" system somewhat similar to the one used in the United States for the Presidential Campaign Fund (see paragraph 10.15). Broadly speaking, an individual should be able to allocate part of his income tax to any political party at any level he wished, by making his choice known on his income tax form. The Inland Revenue would then be directed to allocate that money to the particular group concerned.

2.14 Further state aid should be given by reimbursing 75% of candidates' permitted maximum expenses in all elections above County Council level—that is for elections to Parliament, to the Scottish and Welsh Assemblies, and to the European Parliament. Printing and posting of election addresses and the travelling expenses, within maximum limits, of all national officers and members of the national executive should be met by the state. Civil servants should be seconded to parties' organisations; and local government information centres should be set up.

2.15 Finally, there should be a registrar of elections and political parties to supervise the running of these schemes.

2.16 The Welsh Liberal Party agreed generally with the Liberal Party (England)'s schemes. State aid should be directed to research, regional organisation and, in Wales, to county organisations. It also supported tax concessions on donations.

2.17 The Liberal Party agents supported state aid of a limited but different kind. Parties, to operate properly, should be able to rely on a firm financial basis. The aid should accordingly be directed to those constituencies in greatest need. A grant of £3,000 a year should be given through the national headquarters to all constituency organisations gaining at least one-eighth of the votes cast at the previous general election. This would enable professional agents to be employed to provide constituents with the necessary point of contact with both their Member of Parliament and central and local government. The sum so fixed would make it necessary for constituencies still to raise part of the money.

2.18 The evidence of the Scottish Liberal Party differed from the other Liberal evidence. They argued that the introduction of state aid could well be more damaging than actual poverty, and that it would be wrong to compel the public to contribute through taxation what they declined to give voluntarily. State subsidy would have the damaging effect of reducing the voluntary effort needed for fund raising. They questioned whether research should be conducted by the parties, and took the view that strengthening the party organisation and employing agents was not really deserving of support from public funds. If, however, state aid ever were to be introduced, it should be allocated in relation to the votes cast. It should be earmarked for specific projects, and channelled to the constituencies rather than to headquarters. It should also be accompanied by a monetary ceiling on donations received from any other single source, and by a ceiling on expenditure by any party. Donations should, however, be encouraged by tax concessions and a "tax check-off" scheme.

#### *The Scottish National Party*

2.19 The Scottish National Party, although it believes that political parties are essential to democratic government, is of the opinion that the right freely to withdraw support from a political party is as vital a democratic right as that freely to grant such support. It, therefore, considers that any direct subsidising of political parties from public funds would be inimical to democracy. The interests of parliamentary democracy are not being endangered by the poverty of the parties; state aid would be used merely to shore up those parties unable to attract a sufficient income. While more money would be welcomed, the party is confident that adequate support for its developing role will be received through voluntary effort and subscriptions. On the other hand, public funds should be used for improving research facilities and services for Members of Parliament and Assembly members; nor would it be unreasonable for the state to meet the cost of printing as well as distributing election addresses by candidates.

2.20 Like other of our witnesses the Scottish National Party argued that state aid, if introduced, should be accompanied by certain conditions as regards institutional donations. There should be a statutory requirement to make public all political contributions, and payments from company funds should be made only with the agreement of the shareholders. The trade union political levy should be changed from a basis of "contracting out" to one of "contracting in".

#### *Plaid Cymru*

2.21 Plaid Cymru similarly opposed state aid as a device to bolster ailing parties no longer able to attract sufficient voluntary support. It is essential for parliamentary democracy that parties should remain responsive to the will of their supporters, and for this reason Plaid Cymru were prepared to stand or fall by their members' support. State aid would stifle emerging parties and make existing parties dependent on the state. Moreover, they mistrusted the intentions of the major parties; from their own experience over the allocation of party political broadcasting time they suspected that minor parties would be denied their proper share of the facilities by the state. If state aid is to be introduced at all it should be linked to specific items such as research.

2.22 Plaid Cymru, like the Scottish National Party and the Scottish Liberals, were strongly critical of all institutional aid. Their remedy is to restrict institutional support to some 25% of a party's overall expenditure.

#### *The Communist Party*

2.23 The Communist Party were prepared to accept a small extension of aid in kind for candidates, such as a free postal service for election material in municipal elections. Nevertheless they opposed state aid in the form of cash for parties; this would in their view put parties in a position of dependence on public funds, thus harming the democratic system since parties should be sensitive to their members' opinions. Subsidies would do nothing to revive political life or restore the prestige of Parliament and local government.

#### *The Northern Ireland Parties*

2.24 Broadly speaking, the Northern Ireland parties expressed the same range of views as those outlined above. Evidence was received from five parties; two were in favour of state aid, one was strongly opposed and two did not offer firm views. Both the Social Democratic and Labour Party and the Unionist Party of Northern Ireland considered state aid to be necessary to enable the parties to improve their organisation and extend their research activities. The Ulster Unionist Party, on the other hand, opposed state aid on the grounds that it would be likely to lead to a reduction in voluntary support and a greater centralisation of administrative and political power within the parties. The Northern Ireland Labour Party supported state aid if limited to financing educational activities. In their view a general subsidy would tend to give parties too much independence from their support in the country, and might tend to obstruct progress towards unity in Northern Ireland. The Alliance Party of Northern Ireland said that state aid, if given, should be restricted to parties that had demonstrated their ability to win significant electoral support.

## Commerce and Industry

2.25 *The Confederation of British Industry* came down reluctantly in favour of a limited form of state aid. They conceded that political parties are finding it difficult to raise funds. Government grants could with advantage be given to improve both research, particularly on the economy and industry, and political education among the public. Nevertheless, parties should have to find the bulk of their money from their own sources so that they remain sensitive and responsive to the opinion of their supporters. To encourage individual donations, there should be tax concessions on gifts up to a maximum of £50; there should be no limitation on political donations from private industry.

2.26 State aid should be based on votes and seats in the last two general elections, although allocations should have some regard to the amounts raised from private sources. Parties receiving state aid should have to disclose their income from specified broad categories of donors.

2.27 *As against this view, British United Industrialists* and the *Association of Independent Businesses* argued that state aid should not be given. *British United Industrialists* were in favour of the present system of donations by individuals and companies. The *Association of Independent Businesses*, together with *Aims for Freedom and Enterprise*, advocated increased research facilities for Members of Parliament. *Aims for Freedom and Enterprise* also proposed better pay for Members of Parliament; the abolition of the trade union political levy or, at least, a return to "contracting in" arrangements; and the introduction of a "tax check-off" scheme.

2.28 The Committee also invited evidence from a number of individual firms, including some who made political donations. There was no concerted view, but there was general agreement in the evidence that donations to political parties, where given, were based on consideration of commercial interests only. Some firms were against state aid, but others were in favour; of those in favour, some wanted state aid made conditional on the limitation of donations and contributions from other sources, apart from individual subscriptions.

## Trade Unions

2.29 We were advised that the Trades Union Congress would not give formal collective evidence because it contains a wide variety of unions, some, but not all, having political affiliations. Consequently we approached a number of individual trade unions, including some who sponsored candidates for Parliament.

2.30 Certain trade unions, including the Engineering and the Technical Administrative and Supervisory Sections of the Amalgamated Union of Engineering Workers (AUEW), the Union of Mineworkers (NUM), the Union of Construction, Allied Trades and Technicians (UCATT) and the Union of Agricultural and Allied Workers (AAW) were against state aid. The NUM, however, suggested that state aid in kind should be increased and UCATT deplored the inadequate facilities available to Members of Parliament and wanted them increased.



2.31 Other unions were in favour of state aid. A strongly argued memorandum in support of state aid was submitted by the *Transport and General Workers Union (TGWU)*. This said that political parties are necessary in their present form, but that their work is taken for granted by the public, and that their organisations had been run down. State aid is urgently needed, but should be related to specific activities. Other sources of income for the parties should be unrestricted and local activities encouraged. Aid should be directed towards providing parties with headquarters, party newspapers and with printing and distributing election broadsheets. Overall expenditure of the parties should, however, be limited, in order to prevent the costs of election campaigns from rising too fast.

2.32 *The Association of Scientific, Technical and Managerial Staffs (ASTMS)* also gave evidence, coming down reluctantly in favour of state aid. Their general view was that parties not receiving enough money must lack genuine public support, and should not be shored up by state aid. Nevertheless they felt that in present circumstances the poverty of all parties made state aid necessary. Such aid should be based on present electoral practice, particularly on the deposit system for general elections; all candidates who save their deposits should be refunded their election expenses in full, payments being made to the local political party nominated by the candidate. At national level, there should be an overall limit on election expenditure, determined by the total amount of allowable election expenses for all the constituencies being contested by that party. After the election the national party should be paid a sum equal to the maximum allowable election expenses for every candidate who saved his deposit, provided that at least ten of the party's candidates saved their deposits. The scheme would produce, on the basis of the February 1974 General Election results, about £1,000,000 each for the Labour and Conservative parties; £800,000 for the Liberals; £100,000 for the Scottish National Party; £16,000 for Plaid Cymru, and £17,000 for the United Ulster Unionist Coalition. Payment of this money would be spread over four years and should be available for general purposes.

2.33 *The Association of Professional, Executive and Computer Staffs (APEX)* believed that it would be in the interests of democracy in Britain for some state aid to be given to the political parties, although they appreciated the precedent this would set. They considered that any such aid must be strictly defined and controlled. The links between Members of Parliament and their constituencies needed to be strengthened, perhaps by the provision of more agents. There should also be better party support for Members of Parliament at Westminster.

#### Other Groups

2.34 *The Political Association*, an association of teachers of politics, concluded that the partial public funding of parties is necessary in the current situation. Poor public support of the parties is due to the deficiencies in systematic civic education in Britain. Increased finance would help the parties to establish more effective communication with the public. Subscriptions and donations from trade union and industrial sources should continue. Money from public funds, to the order possibly of £300,000 per year, should be given only for research and "evaluation functions" including market research. The subsidy should not

be used for organisation (for example, the salaries of agents) or for election campaigns. State aid should be allocated to the parties according to votes cast, perhaps with a minimum qualification of 5% of the votes cast and a ceiling for any one party of 50% of the money provided.

2.35 The Politics Association, like other political scientists from whom we received evidence, considered that parties should be required to adopt procedures involving all members in the selection of candidates. Similarly, all members should be involved in the formulation of policy. Subsidising parties would help restore their prestige and make them a more acceptable part of British democracy.

2.36 We also saw representatives of *Political and Economic Planning* (PEP) who gave their personal support to the view expressed in a booklet written by Mr Dick Leonard, which PEP had recently published. This study, entitled "Paying for Party Politics: the Case for Public Subsidies", examines state aid to political parties in a number of countries, including, in detail, Germany, Sweden and Finland. It concludes that British parties were impoverished even before the recent years of inflation, and are now suffering also from a decline in membership. State aid of about £10,000,000 a year is desirable to supplement, not replace, existing income. It should neither fossilise the existing position of the parties, nor encourage splinter parties. Half the subsidy should go to the headquarters of each party, based on the number of Parliamentary seats held, and half should go to the constituencies, based on the number of votes for each party in that constituency.

#### **Individual witnesses**

2.37 We saw, and received written evidence from, a number of individuals connected with the universities and the political parties. The names of those who gave evidence are given in Annex A. Fourteen individual witnesses appeared before the Committee and 13 submitted written evidence. We were much impressed by the quality of the evidence we received, and are grateful to all these witnesses for their invaluable assistance.

2.38 Not unexpectedly, the views we received ranged from unreserved support to absolute opposition. Those in favour of state aid emphasised the dependence of a healthy parliamentary democracy upon the existence of vigorous and effective political parties. The parties were failing to carry out sufficient research and, because of inadequate organisation, to stimulate political activity at local level; a lack of finance was seen as being one of the principal causes of these deficiencies. They considered that the necessary additional resources would either not be forthcoming, or would be provided mainly by trade unions and industry and so would increase the parties' dependence on these sources. Some witnesses saw the provision of public subsidy as a means of effecting a reform of the parties, for example by making the grant conditional upon the introduction of new procedures for candidate selection. Others saw it as a means of changing the balance of administrative and political power within the parties, or of loosening the ties between the parties and their traditional sources of income.

2.39 Most of the witnesses who opposed state aid recognised that the parties were currently short of money, but they considered that the parties should raise the necessary money by their own efforts. Public subsidy would be likely to shore up ailing parties that no longer deserved support and could also weaken the parties' links with their traditional supporters. At a time of economic stringency, a decision by the parties to vote themselves a state subvention would inevitably result in a loss of public esteem which would be reflected in a lack of respect for the country's democratic institutions.

#### **Local Government**

2.40 *The Convention of Scottish Local Authorities* and the *Association of Local Authorities in Northern Ireland* declined to give evidence, and we received none from the Association of Metropolitan Authorities. From the other associations we received fairly brief replies. The *Association of County Councils* took the view that while political parties were clearly short of money there was no evidence that this was damaging democracy at local government level. The *Association of District Councils* felt that any state aid should be given at national level and should come from Exchequer funds.

2.41 We received more detailed views from the two largest local authorities in Britain, the *Greater London Council* and the *Strathclyde Regional Council*. The Greater London Council was divided on the issue. We were informed that a motion supporting state aid was rejected in favour of another motion arguing that public support of parties should not be extended without strict proof of benefit to the population as a whole and independent investigation by a completely impartial body; no state aid should be given at regional and local authority level. The supporters of this motion, drawn from both Conservative and Labour parties, felt that state aid brought a risk of political interference in administration. The Strathclyde Regional Council, on the other hand, sent us memoranda showing support for state aid both from Labour and Conservatives; only the independent group opposed it. The arguments put forward were the need to give more support to local councillors and strengthen political parties in local government. Money for support at local level should come from the rates.

#### **Constituency Officers**

2.42 We also received views on state aid as part of a survey of parties in 100 constituencies, described in Chapter 5. As a final question in that survey we asked whether the party officers completing the questionnaire would give us their personal views on state aid. The question posed was as follows:—

"The Committee is looking at the proposal that political parties should be given state aid, in some form, for their activities outside Parliament. Some state aid is already given chiefly to candidates for general and local elections. We are interested in your personal views on this question. We should make it clear that your answers will not commit you or your local party in any way."

2.43 Out of a possible 350 party organisations, 264 replies were received on this question made up as follows:—

Labour 91

Conservative 84

Liberal 80

SNP 5

Plaid Cymru 4

The replies were given sometimes by the secretary/agent, sometimes by the party treasurer, sometimes by the party chairman, and in some instances collectively by the party officers. The views expressed were entirely personal and did not commit the party organisations in any way.

#### *Labour Party*

2.44 From the officers in the Labour Party organisations—91—there was a clear majority in favour of state aid—69 as against 10 who opposed it; 5 expressed a neutral view, and 7 made no comment.

2.45 The reasons given in support of state aid were as follows: it was necessary in order to overcome the parties' present financial difficulties; it would help relieve the time-consuming and discouraging burden of fund-raising; and party workers needed to be better paid to arrest the recent decline in the quantity and quality of full-time paid staff. State aid should go towards providing more full-time agents; better election expenditure; rate relief; research. Some suggested state aid in kind; for example, free post, telephones, stationery, printing facilities, office accommodation and transport.

2.46 The officers who opposed state aid stated that: it might lessen voluntary participation by party workers; parties should retain their dignity and independence and achieve survival by their own efforts; non-democratic parties might receive the money; and it would be undemocratic to force people who had no political interests to contribute to the parties through taxation.

#### *Conservative Party*

2.47 Of the replies from the Conservative signatories, 39 were against state aid; 32 were in favour; 6 expressed no positive view one way or the other; and 7 did not comment.

2.48 Their case for state aid was on the same lines as that advanced by the Labour Party officers. State aid was necessary to overcome the present difficulties of the parties and ensure their survival; and it would give party workers more time for political activities. The following uses for state aid were put forward: election costs; agents' salaries; constituency costs; research and training. The extension of the free post arrangements for general elections to local authority elections was also suggested.

2.49 Those who opposed state aid put forward the following reasons: it would damage voluntary support and participation; it would deprive the parties of

their independence; it would encourage small parties; it was too uncertain a source of income since it could be withdrawn at any time; it would assist non-democratic parties such as the Communists; it would waste money; and the public should not be forced to contribute to parties through taxation.

#### *Liberal Party*

2.50 Of the 80 replies from officials in the Liberal organisations, 63 supported state aid; 10 were opposed; 6 were neutral, and 1 did not comment.

2.51 The view of those who supported state aid was that: it would enable party workers to spend more time on political activities; the Liberal Party would be able to compete on more equal terms with other parties who were backed by the trade unions and industry; it would overcome the parties' present financial difficulties; it would make parties more efficient and increase membership; it would reduce the dependence of any party on individual or group benefactors. The following objects for state aid were advanced: it should go to employ more full-time staff; or to purchase office furniture or other equipment; or to election expenses; it should be given in kind by way of free post, office accommodation, and free telephones.

2.52 Those who opposed state aid believed that: it would bring about a decline in voluntary support and participation; it would be squandered; it would assist small parties with no genuine public support; it would result in the loss of independence by parties and the risk of state interference; and the taxpayers should not be forced to help political parties.

#### *Scottish National Party*

2.53 The replies from the five Scottish National Party officials opposed state aid. Four said they believed that a party that could not survive by its own efforts should not be shored up by subsidies; and one felt that state aid would perpetuate the current political situation.

#### *Plaid Cymru*

2.54 Of the four Plaid Cymru replies, three opposed state aid and one expressed no view. State aid was opposed because it would encourage the development of a corporate state; there were better uses for public money in the present financial situation; it would weaken voluntary effort and would help only the main parties.

2.55 To sum up, the replies received were as follows:—

<i>Party</i>	<i>Replies received</i>	<i>In favour of state aid</i>	<i>Opposed to state aid</i>	<i>Neutral or no comment</i>
Labour ... ..	91	69	10	12
Conservative ... ..	84	32	39	13
Liberal ... ..	80	63	10	7
Scottish National ... ..	5	—	5	—
Plaid Cymru ... ..	4	—	3	1

## CHAPTER 3

### THE WORK OF THE PARTIES

#### General

3.1 We outline in this chapter what we see as the purpose and main tasks of political parties.

3.2 Political parties are essential because they carry out a number of vital functions in our political and parliamentary life which cannot be successfully undertaken in any other way. Parties are the agencies through which the electorate can express its collective will. However much some people may dislike, or even despise, party politics, some kind of recognised grouping of citizens with broadly similar political views is indispensable to our system of representative government.

3.3 In Parliament itself, if reasonable stability of government and consistency of direction are to be maintained, Ministers must have the general support of the House of Commons. A government cannot normally carry on for long without a working majority. This requires some form of party system in the House. Moreover, the party political system in Parliament provides an orderly framework within which political leaders can emerge, develop, and strive for political office.

3.4 Political parties not only form the essential basis for stable government in an elected Parliament: they are also the means whereby members of the general public are able to participate in the formulation of policies. Through the links which they provide between Parliament and the constituencies, they promote and maintain political awareness within society at all levels. They provide the framework within which differing political views can be formulated, debated and translated into practical political programmes, and the many demands and efforts of smaller groups in society can be aggregated and merged into a small number of workable alternative political programmes. If sufficient candidates for election to Parliament support a party group from which a government may be formed to carry out its policies, that group is fulfilling the role of a political party. If a body of electors with broadly similar views can achieve the election of a sufficient number of Members to ensure that the policies and actions of the government party are fully debated and scrutinised, that body too is fulfilling an essential role in our political system.

3.5 Out of the need for a party system of political groupings in Parliament has naturally evolved an almost universal practice of selecting and nominating candidates for election to Parliament on a "party ticket". These selections are made by the respective political parties in the constituencies and this adds to their importance and responsibility. On this process of selection depends the quality of Members of Parliament and ultimately the quality of Ministers and the competence of government. It is therefore important that the political forces behind candidates and Members of Parliament should be effective and well-informed. No other system would, in our view, provide an alternative acceptable to the people of this country.

3.6 Accepting that the existence of political parties is an essential feature of our system of parliamentary democracy, it surely follows that they should perform their role as effectively as possible. Are they doing so? Have they adequate tools for the job of politics in a modern state and a mature democracy? Or are they pedalling what Sir Harold Wilson once described as "a penny-farthing machine"? Policies apart, do the parties maintain reasonable standards of management and organisation? Do they command the means and the resources necessary to fulfil their primary purpose of providing the structure within which alternative policies on major national issues can be formulated and determined, from the local ward level to the top?

3.7 In their wider context, these questions can only be answered as a matter of broad judgement. It would be difficult to lay down a generally agreed schedule of essential party activities, or to specify in any detail what the nation expects of them. Obviously the people want good government, well thought-out policies for internal order and external security and economic and social management, and a country with a satisfying way of life which reasonable citizens and their families will find worthwhile. But political parties are voluntary bodies; each sees its functions and its priorities differently, and in our view they should continue to be able to do so.

3.8 The parties themselves expressed in evidence varying views as to how well they were able to carry out what they saw as their necessary functions, centrally and in the constituencies. The Conservative Party gave evidence in general terms on the financial difficulties confronting them, but did not name any particular areas of work where they might be prevented by shortage of money from carrying out essential tasks.

3.9 The evidence from the Labour and Liberal parties was, however, somewhat more specific. They acknowledged that there were serious shortcomings, actual and potential, in their respective organisations, their communications with the electorate and in their research effort. The Labour Party expressed concern as to how far as they would be able to maintain their existing level of activities in the near future. The Liberal Party pointed to recent cut-backs they had been forced to introduce to help deal with their present financial problems.

3.10 The results of our survey of public opinion (see Chapter 7) produced criticisms of the way in which the parties were now being operated, and showed that there was substantial support, for example, for the proposal that more resources should be allotted to the formulation of party policy and to research. Moreover, whilst people generally felt that parties should communicate their policies to the public, many thought that they were not, in practice, keeping in sufficiently close contact with the electorate.

3.11 In the light of these criticisms we considered a number of aspects of party work and organisation where there appeared to be scope for possible improvement; in particular, research and the formulation of policy; staffing; accommodation; training and political education; and communication and participation by the electorate.

### **Research and the Formulation of Policy**

3.12 The word "research" was used frequently by witnesses in the catalogue of party needs. The main work of a party research organisation is not research as generally understood in the academic and scientific world. It is rather that of a secretariat servicing working parties, providing briefs and an information service, and keeping in touch with, and when necessary stimulating, research done elsewhere. The range of government activities is now so wide and so complex that no party research department can possibly function properly unless its own organisation matches the diversification of public administration. This entails a degree of expertise and specialisation more like that of a party "civil service" to back up policy committees, the Shadow Cabinet, liaison committees and the rest of the network required in an efficient and modern political party. The resources required for this purpose are, however, limited in relation to the total budget of a well staffed party headquarters. The Conservative Party, and possibly the Labour Party, are in a relatively good position to provide the minimum requirements for this purpose. The Scottish National Party and Plaid Cymru have the advantage of concentrating their efforts in Scotland and Wales where the distribution of population means that a high proportion of those who might contribute to voluntary research work are within relatively easy reach of their central offices. The Liberal Party have been unable to assign enough staff to its policy department, but this is the result not of any special shortage of resources for research but of its general shortage of central income. We regard the question of provision for research, therefore, as essentially an aspect of the general adequacy or otherwise of parties' central income. We do not overlook the external associated groups and individuals, inside and outside the universities, who are able to help on a voluntary basis. But there is a shortage of adequate support facilities for the analysis and interpretation of the research done by these individuals and groups, and some parties may well have too few full-time staff of their own.

3.13 It has been suggested that deficiencies in the parties' research facilities are revealed when policies formulated in opposition prove to be impracticable in government. When this occurs the fault may not lie with the research staff so much as with the party's policy committee or even the party conference. Policy-making is "politics", and the light of more and better research may not always shine through. There are perhaps as many examples of mistaken policies based upon careful preparation of a doctrine and inflexible approach as of woolly proposals with little solid research to support them. All we can say is that party politics are too important to be shaped and formulated without fully adequate research services, and mistakes are likely to be made if these are lacking.

### **Staffing**

3.14 We are bound to take notice of the evidence that emerged about the lack of resources available to parties for staffing the day-to-day running of their organisations. In our view it is not in the interests of maintaining, let alone expanding, the popular basis of democratic government in this country, for so many local constituency and regional organisations of the major parties to be unable to support a single full-time paid official. Even the best placed



party in this respect, the Conservative Party, has a paid agent in only half of the constituencies. It is becoming increasingly difficult for parties to support what paid agencies they have; as a consequence, the Conservative, Labour and Liberal party agencies have all been reduced. There is also great difficulty in keeping up with rising salary rates in order to attract suitable candidates. In the Labour Party this has already got to the stage where very few appropriately qualified candidates are applying for full-time agency posts. It may well be that job-security is a vital consideration here; the present financial position of the party is such that it is impossible to say how many full-time agents it will be able to afford over the next ten years. This is not a matter of minor importance related to a higher or lower level of party bureaucracy. Political parties, like all bodies of any size and range of responsibility, must have good organisation and management. If the parties are to maintain and improve their efficiency, it will be necessary for them to find the resources with which to maintain adequate staffs, properly remunerated. The aim should be to ensure that all parties are able to recruit sufficient agents and headquarter staff and give them reasonable job security, adequate salaries and pensions.

### **Accommodation**

3.15 The evidence we have taken, and our own observation, has confirmed that the typical office accommodation occupied by the parties is at best spartan and at worst inaccessible and depressing, with few amenities and maintained only to minimum standards. It is traditional in this country for parties to operate in such drab surroundings. Whether the electorate respect the parties more for these outward signs of financial stringency, or whether it leads to low morale and lowered efficiency—and drives away many who might otherwise play a valuable role in the country's political life—must be a matter for conjecture. It is indisputable, however, that no party in Britain can compare in accommodation standards with, for example, the main political parties in West Germany.

### **Training and Political Education**

3.16 The business of government at both national and local level is now more complex than ever. The powers, services and administration of government, both centrally and locally, come into the lives and homes of us all. Social services, education, housing, land use, wages, industry, state enterprise, prices, municipal services, rents, rates, taxation, the interests and rights of the citizen and the impact of bureaucracy can all be regarded as "politics" and all party workers need to be informed about them. Local councillors, in particular, should be prepared in advance for the work they have to do by close and guided study of the scope and powers of local authorities. Although schools and seminars for members and prospective members of local councils are becoming a very necessary form of training and education, the facilities in all political parties for education for both central and local government are becoming less and less adequate. This is regrettable because political education is a legitimate and important role for all parties in Britain, and we are concerned about the extent to which financial stringency may force them to abandon even what they now provide.

### **Communication and Participation by the Electorate**

3.17 In spite of television, radio and the press, the party organisations still have an important role to play in informing the electorate about party policies, particularly in relation to local government matters where television and radio are much less dominant. Moreover, the local party organisations are a valuable means of keeping party representatives constantly aware of the views and concerns of their supporters.

3.18 The role of the parties in communication is thus a complex process: from the parties to their members and to the public; and from the public and party members to the parties and to party headquarters. Some of our witnesses felt that parties were failing in what might be expected of them in this field. This evidence was supported by our survey of public opinion (see Chapter 7). The parties in the countries we visited laid emphasis on the amount of effort and money they devoted to improved communication, although it was difficult to assess how successful this had been.

3.19 The agents from the Labour and Liberal parties saw a need to develop party communications with the public in the direction of local parties acting rather as citizens advice bureaux. Traditionally this role of citizens' friend is more frequently filled by the Member of Parliament or local Councillor offering his help and advice at "surgeries" to all who seek it, irrespective of party affiliation. In most European countries, partly because of their different electoral systems (by no means all members of parliament have constituencies, and those who do normally have larger constituencies than their United Kingdom counterparts), the "constituency" role of the member of parliament is not so highly developed towards help and advice to the individual citizen. By contrast, their political parties often play a much wider part in local community activity. People go to "the party" for a great deal more personal service than they usually do here. The failure of the parties in Britain to satisfy the growing demand for participation and involvement in policy making may account for the note of disappointment we heard from some witnesses.

3.20 How far such trends as low political activity, low election turn-outs, and low attendances at political meetings, can be put down to failures of communication is of course conjectural. It may well be that the causes are far more fundamental. Nevertheless, we believe that a positive attempt to improve the level of all communication between the parties and the public is an effort which is well worth making at the present time, and that bearing the European evidence in mind, could be an important factor in raising the general level of political education, and in arresting, if not reversing, the current decline of general public participation in party activity. The dangers which can arise from our democratic procedures falling into the hands of a narrow and unrepresentative minority need not be emphasised.

### **Further Tasks Ahead**

3.21 Independently of the scope for improvement in the carrying out of their present functions, certain important additional tasks seem almost certain to be placed upon the parties in the next few years. These are in connection with the

introduction of direct elections to the European Parliament and the establishment of national assemblies in Scotland and Wales. It is difficult at this stage to forecast the cost to the parties of participating in direct elections to the European Parliament, but it seems likely at present that any aid that may be provided by the EEC would go towards the actual costs of election rather than to the parties, which in some European countries are already state-aided. The costs involved in elections to the Scottish and Welsh Assemblies would fall particularly heavily on the Scottish National Party and Plaid Cymru. As regards elections to the European Parliament, the White Paper proposals envisage an entirely new geography of constituencies, smaller in number but vastly enlarged in the size of their electorates. Not only will the political parties have to select candidates and work for their election, but they will also have to have policies for Europe. Parties will presumably formulate policy documents and party manifestos for Brussels as well as for Westminster and will need for this purpose to maintain regular and expensive contacts with related parties elsewhere in Europe and with the European Community institutions. This will require a new dimension to party organisation and to party thinking.

## CHAPTER 4

### THE PICTURE AT THE CENTRE

#### General

4.1 In this chapter we describe our conclusions about the state of the political parties at the centre. This means describing the "national" parties, as they are sometimes called—the Labour Party with its headquarters in Transport House, the Conservative Party Organisation and the National Union of Conservative Associations in Smith Square, the Liberal Party at its headquarters in the Strand; and outside London, the Scottish Conservative Party, the Scottish Liberal Party and the Scottish National Party at their headquarters in Edinburgh; the Welsh Liberal Party and Plaid Cymru in Cardiff.

4.2 These national parties are all to be distinguished from their parties or associations in the constituencies. Generally speaking, the constituency parties have separate and independent existences, although they are affiliated to the central party and many contribute to its upkeep. The national parties direct the overall national policy and affairs; they may also run and direct the regional offices; but at membership and community level they have to work through the constituency organisations. In particular, membership of a party is generally through the constituency organisation or through branches operating within constituency areas.

#### Financial Structure

4.3 The income of the central parties comes from a variety of sources. They include payments—in the form of affiliation fees (see paragraph 4.17), "quotas" (see paragraph 5.44)—sent in by the constituencies; contributions or affiliation fees from trade unions and other groups, such as women's and youth organisations; donations from individuals or corporate bodies; and a negligible amount from investment and property rents. Unlike the position in many continental parties there is no income from commercial enterprises run by the parties themselves. The proportion of central income from these different sources varies considerably from party to party.

4.4 The parties at the centre spend their money in the main on headquarters administration; on area or regional offices and constituency organisations; publicity; and on research and policy formulation. Until recently a considerable amount went on providing services for the parties in Parliament—briefing party spokesmen and providing research and support facilities—but some of this burden has now been lifted by the annual grants to opposition parties in Parliament (see paragraph 1.4).

#### Financial State of the Parties at the Centre

4.5 We sought from the parties returns of their central income and expenditure since 1967, broken down as far as possible into certain prescribed categories. In order to highlight trends these returns were then recast in terms of constant prices, namely in terms of 1970 prices. An account of the results, with graphs, is at Annex B. The main facts which emerged are summarised in the following

paragraphs. The figures quoted are actual figures as provided by the parties; where they have been based on 1970 prices this has been specifically indicated.

4.6 The Conservative and Labour parties appear to be in the strongest financial position, with annual incomes at the centre currently running at approximately £1.7 million (1975-76) and an estimated £1.2 million (1976) respectively. In addition, the Scottish Conservative Party has a current annual income of about £93,000 (1975). Since 1967 the Conservative Party has generally had a larger income than the Labour Party but, with an appreciable fall in real terms in Conservative Party income, the gap between the two parties has narrowed.

4.7 The Liberal Party had a central income in 1975 of about £96,000\* and the Scottish and Welsh Liberal parties had incomes of about £14,000 and £2,000 respectively. The income of the Scottish National Party is estimated to be about £61,000 in 1976 and Plaid Cymru expects its 1976 central income to be £85,000. The Co-operative Party's central income in 1975 was £105,000 and the Communist Party had an average annual income of £88,000 during the two-year period 1973-74.

4.8 Overall, the pattern of central party incomes over the period does not appear to indicate any fundamental change except in so far as levels of income and expenditure have reached their peak in general election years. Allowing for the impact of general elections, the level of central party incomes appears to have remained relatively stable in real terms.

4.9 The central reserves of the parties however are falling (see Annex B). Although this may be partially attributable to fluctuations in the value of investments and property, it seems clear that the parties now have considerably less in reserve than a few years ago. This fall has occurred most severely in the case of the Conservative and Co-operative parties. It will also be noticed that the Liberal Party has a substantial deficit. The Labour Party reserves are at a particularly low level, and have been falling steadily in real terms since 1970. In 1975 they stood at £419,000 compared with a level of £774,000 in 1968; in real terms (ie at 1970 prices) they fall from £870,000 in 1968 to £190,000 in 1975.

#### **Income**

4.10 There were considerable variations in the sources of income received centrally by the parties. In the case of the Conservative Party, £1,137,000 of the party's total central income of £1,739,000 for the year ending 31 March 1976 came from donations; £574,000 from constituency payments (including "quotas"); and £28,000 (net) from investments. The party's main source of central income throughout the period examined has been donations from individuals and corporate bodies. These have tended to rise when general elections have been imminent, both in absolute terms and as a proportion of total income. There is some indication that, general elections apart, company

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\*The Liberal Party figures for 1975 are provisional.

donations are not keeping pace with inflation. "Quotas" (see paragraph 5.44) paid from the constituencies to the central party, and which include a subscription element, form a substantial part of central party income.

4.11 The Labour Party estimate their 1976 central income at £1,211,000, of which £1,150,000 would come from subscriptions, including principally trade union affiliation fees; £51,000 from donations, appeals etc; and £10,000 from investment income. Subscriptions and union affiliation fees could account for 95% of the party's central income in 1976. The extra income received by the party in election years usually comes from increases in donations, and in general election years a special fund is normally established. The 1974 fund raised £915,000.

4.12 The latest income figures from the Liberal Party were for 1975. These provisional figures showed a total income of £96,000 but no breakdown is available. Subscription income fell significantly in 1970. This has since levelled out, but even now it constitutes only a minor element in central party income. Virtually all the increases in central party income received in the election years of 1970 and 1974 came from gifts and donations from sources other than constituency parties. The Scottish Liberals receive just under half their income in the form of subscriptions. The main source of income for the Welsh Liberal Party is donations, other than those from constituency parties.

4.13 Of the Scottish National Party's estimated central income of £61,000 about two-thirds comes from membership subscriptions. This element has progressively risen over the period. Three-quarters of Plaid Cymru's total income is derived from donations other than those from the constituency parties, and from miscellaneous sources, including the sale of literature.

4.14 The Co-operative Party had a total central income in 1975 of about £105,000, of which by far the largest element (88%) was derived from affiliated societies. Donations are received mainly in election years. Donations accounted for about one-half of the Communist Party's average annual income of £88,000 in the period 1973-74.

#### **Support from Trade Unions and Companies**

4.15 It may be helpful here to give an account of the statutory provisions under which financial help is given to the Labour Party by the trade unions, and company donations are made to the Conservative and other parties.

4.16 The statutory provision under which the trade unions contribute to Labour Party funds is the Trades Union Act 1913. Under this provision any union wishing to use funds for "political objects" has first to obtain the approval, by ballot, of its members. Secondly, rules have to be made setting up a separate political fund which are approved by the Registrar of Friendly Societies. The rules must include a provision for "contracting out" ie for a member to be exempted from paying a political fund contribution. The Industrial Relations Act 1971 transferred functions under the 1913 Act from the Registrar of Friendly Societies to the Registrar of Trade Unions and Employers Associations.

Unions with political funds were to furnish returns to this Registrar. Under the Trade Unions and Labour Relations Act 1974 the 1971 Act was repealed, and all trade unions, whether registered or not, were required to make an annual return covering the political fund where this is set up. Returns are available for inspection at the Office of the Registrar of Friendly Societies. All trade unions which sponsor parliamentary candidates have political funds.

4.17 Most trade unions with political funds pay affiliation fees to the Labour Party at constituency and national level. The fees payable to the national party are currently based on 21p a year for each affiliated contributor to a union political fund. The number of votes each union is entitled to record at the Labour Party's Annual Conference is based on the number of its affiliated members.

4.18 Some trade unions also use their political funds for sponsoring parliamentary candidates. At the October 1974 General Election 143 candidates were sponsored in this way—details are given in Annex C. Under existing Labour Party rules, however, a union or any other affiliated organisation cannot contribute to the election expenses of a candidate a sum in excess of 80% of the maximum expenses allowed by law. Moreover, the sponsoring organisation has to undertake to limit its contributions to the funds of a constituency Labour party to £350 a year in a borough constituency or £420 a year in a county constituency. Where a full-time agent is employed, however, the organisation may contribute up to 60% of the agreed salary scale for agents in a borough constituency or 65% in a county constituency.

4.19 Many donations come to the Conservative Party from companies, either directly or through organisations such as the British United Industrialists or the Regional Industrial Councils. The Companies Act 1967, Section 19 requires a company in Great Britain to declare in its accounts any money given for political purposes if it exceeds £50, the name of the person to whom the money has been given, the identity of the party and the amount of money given. This requirement applies if the money is given for political purposes directly or indirectly.

#### **Expenditure**

4.20 We asked for details of the parties' total central expenditure, analysed in two different ways:

- A. Headquarters administration; area and regional services including grants to constituency parties; publicity, press relations and broadcasting; research and policy formulation; other expenditure.
- B. Salaries and wages; printing, postage, telephones and stationery; rent, equipment and office services; travelling, conference etc. expenses; fees to consultants, agencies etc. for public opinion research, public relations and advertising etc; other expenditure.

It was not possible to ensure that each party interpreted these categories of expenditure in precisely the same way; nor are the accounts of the parties strictly comparable. We considered, therefore, that it would be unwise to

attempt a comparison of the relative proportionate expenditure spent on each category by the various parties. The value of any such comparative analysis is also limited by the fact that the Conservative Party were able to apportion their expenditure in category B above only between salaries and wages and other expenditure.

#### *Expenditure analysis A*

4.21 The Labour Party's estimate of central party expenditure for 1976 was £1,280,000. Of this, regional, area and headquarters' services were expected to account for about 90%. The amount spent by the Labour Party on headquarters' administration has increased in real terms since 1967, perhaps with the introduction of the Labour Party's newspaper *Labour Weekly*, for which extra staff had to be employed. The estimate of the amount to be spent on publicity, press relations and broadcasting in 1976 was £64,000. This item has increased markedly in general election years; for example, by a special addition of £174,000 in 1974. As with other parties, the amount spent on research and policy formulation (estimated for 1976 at £82,000) has remained fairly static, in real terms, since 1967.

4.22 The Conservative Party's total expenditure for 1975-76 was £1,724,000. Of this, the largest element arose from expenses in headquarters and area/regional administration. The amount spent on publicity, press relations and broadcasting has fluctuated considerably over the past nine years, with very heavy expenditure in general election years, for example £931,000 in 1974-75. The amount spent on research and policy formulation has fallen, in real terms, over the period although remaining at around 12% of total central party expenditure.

4.23 The figures of expenditure by the other parties over recent years illustrate the amount that has to be spent by any party, regardless of its size, on its headquarters administration. The Liberal Party has consistently spent a very high proportion of its income on headquarters administration, but the amount spent on area and regional services has fluctuated. In 1974 expenditure on both headquarters and area services increased considerably. The Scottish National Party spent hardly anything from their central funds on area services, but it estimates that in 1976 it will allocate over two-thirds of the party's total expenditure to headquarters administration.

4.24 The cost of research and policy formulation normally formed a high proportion of Liberal Party expenditure. This may account for the emphasis placed by the Liberals in their evidence on financing research from state aid. It must be remembered, however, that the parties' accounts do not include the research carried on by bodies independent of the parties' central headquarters and separately financed: for example the Fabian Society, the Bow Group, and the Centre for Political Studies.

#### *Expenditure analysis B*

4.25 Political parties are labour-intensive. The analysis of party expenditure under the second set of headings emphasised the high proportion of party expenditure that goes on salaries and wages. The Conservative Party in 1975-76



spent £1,231,000 (71%) on salaries and wages out of a total expenditure of £1,724,000. The Labour Party allocated about 60% of their 1975 income to salaries and wages. The Liberals normally spend about half their income on salaries as do the other parties, with the exception of Plaid Cymru who spend only about one-third of their income on salaries.

4.26 As a general point, it should be emphasised that the high proportion of party expenditure spent on salaries is not a reflection of high salaries. The remuneration of party workers in the central organisations is generally admitted to be low in relation to comparable employment elsewhere.

## CHAPTER 5

### THE PICTURE IN THE CONSTITUENCIES

#### General

5.1 The picture presented to the Committee of the state of political parties at constituency level is a variable one but some broad outlines are clear. The Conservative associations on the whole are better off, better staffed and better housed than those of any other party. The Labour parties exist on lower standards of accommodation and equipment and have smaller resources. The Liberals and Nationalists are the poorest in material terms.

5.2 By comparison with what we gathered of some other European parties, accommodation and staffing at local levels here are distinctly unfavourable. It seems to be traditional for British parties to operate on the austerity standards commonly found in voluntary organisations.

5.3 The paid agents of all parties were fully conscious of the shortcomings of local organisation. Support for state aid came from paid field workers in the major parties; about half of the Conservative agents expressed, with some reservations, sympathy with the idea of a public subsidy for political parties.

5.4 The Labour and Liberal agents strongly supported state aid. They considered that agents of good calibre will become increasingly difficult to recruit at present salary levels, and that too much of their time is now being spent on raising money and too little as the party's political representative.

5.5 Low party membership is frequently a feature in the constituencies, people can now see and identify with party leaders on television or listen to them on radio. Large public meetings and rallies organised by local parties are rarely held. Politically interested people do not have, as in former years, to become members to learn about the ideology and the policies of the party. Nevertheless the local parties still have important tasks. They must communicate policies in local terms. They must organise and fight the elections which put particular leaders and policies into power. And they must choose the candidates for Parliament. Generally speaking, only through local parties can anyone gain a seat in the House of Commons or become a Minister. This picture is even more true today than a century ago, when there was a higher proportion of independent Members. Today an aspiring politician has to be a member of a local party. Thus it is important that the local party should be responsible and mature in its choice. All parties must bear in mind the importance of keeping the local organisations strong, independent, representative of their community and politically active. They carry a heavy responsibility for presenting to their community the objectives and policies of the party in an informed and democratic manner.

5.6 There was unanimity among all our witnesses on the importance of the parties at constituency level; but remarkably little detailed knowledge of constituency finance. The various national headquarters could guess at the total

income of their constituency organisations, and they could give us estimates of probable membership, and the proportion of income spent on salaries and wages. But they could not give us any firm figures, much less any detailed breakdown, of sources of income or items of expenditure. A number of studies have been carried out by political scientists on constituency finances and activities, generally confined to Conservative and Labour organisations. We found these studies useful. Nevertheless, we felt that overall we lacked sufficient information on the present position of constituency organisations.

5.7 We therefore carried out a survey, covering 100 constituencies in Great Britain, of all local parties who put forward candidates in those constituencies in the October 1974 General Election. The basis on which the 100 constituencies were chosen is given in Annex D. The survey was restricted to a number of key questions, and carried out by means of a postal questionnaire followed by telephone enquiries where necessary. Details of income and expenditure requested were confined to 1973 and 1974.

5.8 The findings of the survey were used, together with evidence from the parties' agents and other witnesses, and with published studies, to build up a picture of the main parties at local level. The other parties and the independent candidates whom we also contacted were not able to provide us with the required information. Research Surveys of Great Britain Ltd, were commissioned to code and analyse the returns from the Conservative, Labour and Liberal parties. Their report is at Annex E. Annex F is a supplementary paper by the Central Statistical Office on marginal constituencies. The following paragraphs deal mainly with the results of this survey.

### **Membership**

5.9 Membership of political parties is not easily defined. Most parties do not always collect subscriptions regularly, and they may continue to regard as members people who have not kept up their subscriptions, or who are known supporters and have worked for the party without ever paying subscriptions. The Labour Party's figure of some 892,000 is clearly an overestimate, because it is based on rules which require local constituency parties to join the central party on a minimum of 1,000 members. The Liberals stated that membership was still under the 1964-5 peak of 250,000. The Conservatives gave no figures.

5.10 We tried to keep the estimates as realistic as possible by asking for the number of individual subscription-paying members. About one-half of the local organisations replying said they had less than 500 members. The average memberships in 1974 for the constituency parties were approximately: Conservative 2,400, Labour 500 and Liberal 300.

5.11 Membership was thus much lower in the Labour parties than in the Conservative associations. Most of the Labour parties had under 1,000 individual members, and none had over 2,000; of the Conservative associations over half claimed over 1,000 members and one-third over 3,000. The Liberals had developed a large number of organisations between 1972 and 1974, but most of their organisations still had under 500 members in 1975.

5.12 There was little indication of what caused large or small membership. The presence of a paid agent was generally associated with large membership, but it was impossible to say which was cause and which effect. A large membership can be a financial burden to a local party because of the costs of the paper work and circulation of party material to members who may take no active part in constituency affairs. From another standpoint, however, a large membership can compensate for such drawbacks by providing a ready supply of voluntary workers for fund-raising activities.

#### **Branches**

5.13 Most constituency parties have branch or ward organisations, often corresponding to local government electoral divisions. These smaller organisations often have considerable independence; they are manned by volunteer workers; they have their own income and expenditure and may supply most of the money and the party workers for local government election campaigns.

5.14 The survey showed that nearly all the Labour and Conservative parties had branch organisations. The Conservatives tended to have many more than the others and to receive more money from them. It was perhaps a sign of weakness in the Liberal associations that some 14% did not have branches. This may have been due to the recent formation of many of the associations.

#### **Staffing**

5.15 Three-fifths of the 240 constituency organisations providing information had no paid officers. Only one-quarter had a full-time paid agent, and only a further eighth had a part-time or shared agent. Thus most local parties depend on voluntary help to maintain party organisation.

5.16 The survey findings, and the evidence from the central parties, both showed that the Conservative associations were far better staffed than those of other parties. Over half of them have a full-time paid agent, and a further quarter a part-time or shared one. Thus only one-quarter of the Conservative associations were without a paid full-time, part-time or shared agent, compared with three-quarters of the Labour constituency parties and 90% of the Liberal associations.

5.17 In recent years the Labour Party have introduced a scheme whereby the central party pays the salaries of some of the agents while the constituency parties concerned make contributions of varying amounts to the central party to assist in meeting the cost involved. The objective of this innovation is to create a national agency network, and to remove insecurity and lay the basis of a career structure for paid party workers. The scheme appears, however, to have met with only qualified success, mainly because the entire party has lacked sufficient funds to pay adequate salaries and to extend the number of constituencies involved (at present only some thirty, or one-third, of the Labour Party agents are in this scheme). The remaining two-thirds of the agents are paid directly by the constituency parties; in a few cases the central party may give a small grant-in-aid.

5.18 The great majority of Conservative agents are employed by local constituency associations, who pay their salaries and expenses. The associations also make an annual "quota" payment to Central Office. The remaining constituency agents are at present employed centrally in a Central Employment Scheme. A Central Employment Board pays their salaries, but the individual associations for whom the agents work pay their expenses. These constituencies also reimburse the Board with, as near as they can afford, the gross cost of their agents' salaries, as well as making the normal "quota" contributions. It has been found, however, that most constituencies prefer to employ their own agents, and to be responsible for raising the money involved. The decision has therefore been taken to end the Central Employment Scheme, and those agents previously centrally employed are now being negotiated back into the employment of their constituencies.

5.19 Generally speaking, there were even fewer supporting paid staff than agents, and most of these were in the Conservative associations. Two-thirds of the Conservative associations with full-time agents also had another full-time official, generally a typist or secretary. Only in four organisations was more than one additional worker employed. Such support for agents was much less marked in the Labour parties, who tended to employ part-time or shared staff. The practice of paying subscription or donation collectors was confined to some 5% of constituency organisations.

#### **Accommodation**

5.20 Nearly all Conservative associations had the use of an office, either rented, owned, or shared, whereas two-fifths of the Labour and three-quarters of the Liberal organisations did not have the use of an office. As might be expected, organisations that have paid agents normally own or have the use of an office.

#### **Local Government Elections**

5.21 We had been told in evidence that local government elections were becoming increasingly party-political; more candidates belonged to political parties, and more councillors were members of party groups. We could not test such tendencies in the survey, but asked about the amount of party activity in the last full round of local government elections. These elections were somewhat unusual since they were the first for the new reorganised local government authorities in England, Wales and Scotland. The only "regular" elections were those for the London Boroughs of 1974. It will be seen from Table B in paragraph 2.6.3 of Annex E that there was a high party political involvement in the elections. About 80% of Conservative and Labour parties, compared with less than 50% of Liberal parties, put forward candidates in at least half the seats in their area.

#### **Financial Situation**

5.22 We found it difficult to assess the financial situation of the constituency organisations, and we are grateful to the many party officers who filled in this part of the questionnaire. It was not always easy, however, for them to provide

information in the categories we requested. The figures supplied to us, therefore, whilst valuable as an indication of the relative importance of the various sources of income and areas of expenditure, must be treated with some caution.

5.23 The average income and expenditure of the constituency organisations in the two years under review is shown in the Table in paragraph 3.2.6 of Annex E. The table also indicates the differences associated with the presence of a full-time agent.

5.24 The Conservative associations had approximately twice as large a financial turnover as Labour parties, and Labour parties approximately twice as much as Liberal parties. All income and expenditure increased considerably in 1974, a year with two general elections; and although the estimated 1975 cash levels were above those of 1973, in real terms they were lower. It must be remembered, however, that a large number of local government elections took place in England and Wales during 1973. This may have made the 1973 cash levels higher than would be normal in a non-general election year.

5.25 There was a considerable range in income and expenditure for the three parties. These are shown in the Tables in paragraph 3.3.2 of Annex E.

5.26 The presence of a full-time paid agent was associated with organisations in the higher income ranges. In 1974 none of the 55 constituency organisations in the sample which had an agent received less than £1,000, and only one received less than £2,000. Most of them had an income of over £5,000. Even so, the difference between Labour and Conservative organisations remained. A Labour party with an agent had, on average, more money than one without an agent, but still had less than the average income of a Conservative association without an agent. Again, the survey cannot show cause and effect. From our own experience we would say that agents increased the income of constituency organisations, and that richer organisations tend to employ agents.

#### *Financial position of branches and wards*

5.27 To round off the picture we needed some idea of income and expenditure in the party groupings below constituency level. Branches and wards have their own income and expenditure. We could not in the time available enquire closely into these smaller groups. Although some of the returns included branch or ward turnover in their general income and expenditure, most did not. The constituency parties themselves often do not know the financial position of their branches or wards. Accordingly we had to rely on estimates of the separate financial positions of these bodies. Twenty-three organisations gave estimates of the income and expenditure of their branches and wards: these averaged about £600. Sixty-six gave estimates of their working funds: these averaged about £400.

#### *Sources of local party income*

5.28 The Labour parties draw most of their income from lotteries, subscriptions, social functions, trade union and Co-operative Party grants. The Conservative associations rely mainly on branch quotas, social functions,

subscriptions and lotteries. The Liberals depend mainly on social functions, ward or branch grants, individual donations, headquarters' grants and subscriptions. For those Liberal organisations which had a grant from headquarters, the grant is the biggest single source of income. Conservative associations with a full-time paid agent have higher income from most sources. In the Labour parties the presence of a full-time paid agent coincided with a greater incidence of grants from trade unions and the Co-operative Party.

5.29 The 1974 general elections caused some changes in income patterns. There were special general election appeals and, in the case of the Labour organisations, grants from headquarters were increased.

#### *Individual membership fees*

5.30 These are at present annually:—

Communist	—£3 for employed members; 60p for housewives and unemployed
Conservatives	—varies according to local organisations: but the average is probably around 25p
Co-operative	—30p
Labour	—£1-20
Liberal	—£1
Plaid Cymru	—30p for adults
Scottish National Party	—£1

By European standards these are undoubtedly low. In the countries we visited annual subscriptions are much higher, and generally graded according to income. In The Netherlands they may vary from £2 to £25 according to income. In Germany the minimum is about £5 but members are expected to pay more according to income. In Austria the minimum is about £4.

5.31 Membership subscriptions represented some 12% of total income for the Labour parties in 1973 and 7% in 1974. They accounted for 16% and 11% of income for Conservative parties and 8% and 3% for Liberal parties.

#### *Institutional donations*

5.32 Labour parties received about 11% of their income in 1973 from trade union donations and grants from trade unions and the Co-operative Party in respect of sponsored candidates. In 1974 this increased to 19%. Conservative associations received about 5% of their income from company donations in 1973 and 6% in 1974.

#### *Social events*

5.33 Bazaars, jumble sales and social functions are traditional money-raising methods used by most parties. Conservative constituency parties appear to raise on average at least about £900 annually from these sources, representing some 18% of total income in 1973 and 12% in 1974; Labour parties raised about £150 in 1973 (8% of income) and £180 (5%) in 1974; and Liberal parties just under £300 in both years (28% of income in 1973 and 13% in 1974).

### *Lotteries*

5.34 A fairly high proportion of some parties' constituency income comes from lotteries, football pools etc. Local Labour parties raise on average about £700 from this source, representing some 39% of their income in 1973 and 20% in 1974; Liberal parties raised £70 (7%) in 1973 and £170 (8%) in 1974.

### *Expenditure*

5.35 All organisations, whether or not they have an agent, spent most of their money on salaries and wages, office administration, rents and rates. These items together accounted in the survey for 50% of Liberal expenditure, 57% of Labour expenditure and 88% of Conservative expenditure.

5.36 The survey showed that some 5-7% of expenditure went on affiliation fees and "quotas" to the central parties, but the returns of income and expenditure received from Conservative Central Office suggest that this may be on the low side, at least so far as Conservative associations are concerned.

5.37 The proportion of income going on local government elections was high for the Liberal organisations (25%), lower for Labour (18%) and lowest of all for the Conservatives (7%). In absolute terms, however, the order is reversed with, in 1973, average local government election expenses for the Conservative associations of £382, Labour parties £331 and Liberal parties £200.

### *Trade union backing*

5.38 Some of the Labour parties had Members of Parliament or candidates sponsored by trade unions and by the Co-operative Party.

5.39 If a constituency party selects as its candidate a nominee of a trade union, the union may give an annual grant of up to £350 (for boroughs) and £420 (for counties) towards the constituency expenses, or where there is a full-time agent, may pay up to 60% of the salary of the agent in a borough constituency and up to 65% in a county constituency; and up to 80% of the expenses of the general election, together with grants for the maintenance of the candidate if elected. The amount of help a constituency party gets from a trade union varies considerably within these limits. Some trade unions also give grants to candidates who, although not sponsored, are members of the trade union. The arrangements are similar for the Co-operative Party, but, by agreement, not more than 30 candidates sponsored by the Co-operative Party may be selected by constituency Labour parties. Annex C shows the number of candidates sponsored by trade unions at the October 1974 General Election.

5.40 Financially there were obvious differences between the two groups. The "sponsored" parties tended to receive less from individual donations and social functions. This suggests a lower level of activity in fund-raising from individuals by such constituency parties; as against that, however, the amount from wards and branches was greater for 1973, though not for 1974, and membership subscriptions about the same. Trade union donations were much



more important. Sponsored parties were generally also far less dependent on grants from party headquarters, as one would expect with the alternative source of income.

5.41 Sponsored parties tended to spend about the same as, or more than, the non-sponsored parties on most items. Expenditure was much greater (by about 1½ times) on salaries and rent/rates.

5.42 Generally speaking, sponsored parties both received and spent more than non-sponsored parties, but the difference was wholly or more than accounted for by the grants from the sponsors. It cannot be said, therefore, that the assurance of a basic minimum sum by way of grants increased the money-raising activities of the organisations. Sponsored parties were more likely to have full-time agents than non-sponsored parties.

5.43 Trade union or Co-operative Party sponsorship seemed to be unrelated to the number of members in a constituency party. The average membership for sponsored parties (450 in 1973) is not significantly different from the average membership for non-sponsored parties (470 in 1973). Similarly, the amount raised by membership subscriptions is about the same. There was also no discernible difference in satisfaction with the level of membership.

#### *Financial links with headquarters*

5.44 There is a considerable flow of money both ways between national party headquarters and the constituencies. Constituency organisations in most parties pass to headquarters a proportion of their income from subscriptions or other activities. In the Labour Party, constituency parties affiliate to the national party on a basis of 21p per constituency member per year, with a minimum of 1,000 members. They may also make grants to the headquarters over and above that sum, perhaps for special or general election appeals. Conservative constituency associations agree with the headquarters a "quota" that they will pay each year. This is not based on the number of members, but on a formula reflecting Conservative voting strength in the constituency.

5.45 Similarly the national headquarters pay out money to constituency organisations. In all parties such grants tend to go to the financially weaker constituency organisations; and, more particularly when a general election is imminent, to organisations in marginal constituencies. Some headquarters' money also goes in financing the salaries of the agents.

5.46 In terms of the total "quotas" from associations and total headquarters grants, there was fairly substantial and constant financial support from the Conservative associations for their national headquarters; the Liberal organisations, in total, gave as much as they received in 1973, and received from headquarters about double the amount they gave in fees to headquarters in 1974. In 1973 the Labour parties overall paid out to headquarters more than they received from headquarters: in 1974, however, the position was reversed. Over half the Labour organisations received grants in 1974, compared with one-fifth of the Conservative associations and one-quarter of the Liberals.

5.47 The survey also showed that marginal constituencies were more likely to be the recipients of a headquarters grant, and that the grants themselves were slightly larger in such constituencies.

5.48 The survey again confirmed what is generally known about the financial situation of the Conservative and Labour parties, in relation to the size of majority in the constituency. Generally constituency parties with little hope of returning a Member had the lowest income and expenditure. The Conservative associations in safe Conservative seats had the highest income and expenditure; but Labour constituency parties had the highest income and expenditure in the marginal seats. The same broad pattern emerged for membership and the proportion of full-time paid agents. Labour parties tend to have highest memberships and the highest proportion of full-time paid agents in their marginal seats while for the Conservative associations this is true of the safe seats.

#### *Nationalist parties*

5.49 The financial position of the Scottish National Party and of Plaid Cymru was analysed separately. The small number of replies received—5 from the Scottish National Party and 4 from Plaid Cymru—inevitably limited the value of the results.

#### *The Scottish National Party*

5.50 Financially the Scottish National Party constituency organisations seemed comparatively poor by general United Kingdom standards. The small number of parties covered made it difficult to form a general view of the average amount of their incomes or expenditure. Most income appeared to come, however, from individual donations, membership subscriptions, and grants from branches. There were no paid full-time or part-time agents. Money was spent chiefly on office administration, rents and rates, but there was a high election expenditure in 1974 because of the two general elections and the elections for the new Scottish local authorities. Assets were low.

5.51 There was roughly the same range of membership as for the United Kingdom parties; three associations had under 1,000 members and two had between 1,000 and 3,000. It may be noted that branches are obliged to forward one-half of the membership subscription to central party funds.

#### *Plaid Cymru*

5.52 The income of the Plaid Cymru parties from which replies were received was drawn from subscriptions, grants from branches, and grants from headquarters. Money went chiefly on local government elections in 1973 and the general elections in 1974.

#### *Are Constituency Parties in Financial Difficulties?*

5.53 Constituency parties were asked if they thought their party was experiencing serious, moderate, minor, or no financial difficulty. In reply most organisations said that they were in serious or moderate financial difficulties; one in ten reported minor difficulties, and few said that they had no financial difficulties.

Conservative associations generally appeared to be a little less likely than others to be experiencing financial difficulties. There was no clear indication that organisations having a paid agent were either more or less likely to feel they were in financial difficulty. In response to a list of possible areas of economy, the most common areas of expenditure being cut back reported by organisations in any degree of financial difficulty were communications, local election expenses, and conference delegates' expenses. Cutting down on staff salaries was the least common.

5.54 Parties were also asked how much additional income they thought would be necessary "to discharge their functions in an efficient and economical manner". Answers ranged from nil to over £10,000 a year. Labour constituency parties apparently had the lowest level of additional requirements; half said that their minimum needs would be satisfied with less than £1,000 additional income. Only a quarter of Conservative organisations matched this estimate of need, most of them estimating their requirements at between £1,000 and £5,000. Some 41% of the Liberal associations considered they needed less than £1,000 additional income a year; but most of them would prefer between £1,000 and £5,000. It may be, however, that many parties were reconciled to being without an agent and limited their estimates of additional income accordingly.

5.55 The Scottish National Party associations were relatively happy with their financial situation. Two associations claimed to have no financial problems, and two were experiencing only minor difficulties. Of the latter, one was limiting expenditure on premises and advertising. Only one was experiencing serious financial difficulty and would be cutting expenditure on all items but particularly on communications, leaflets and delegates to conferences.

## CHAPTER 6

### TOTAL OVERALL INCOME OF THE PARTIES

6.1 Any attempt to determine the overall income of the political parties at the present time can only be an approximation. As indicated at Chapter 4, the income of the parties at the centre can be established with reasonable accuracy, although note has to be taken of the marked upturns of income in general election years and the setting up of election funds. The overall income of the constituency parties is, however, far more difficult to ascertain.

6.2 As stated in paragraph 5.6, there is generally no central record kept by the parties of constituency party incomes and, short of making detailed enquiries of all constituency parties, there is no way of getting to know with accuracy what their total income amounts to. Furthermore, because there are no reliable records of overall party membership, it is not possible to make any reliable estimate of total constituency incomes from individual subscriptions. The problem of computing total party incomes is further complicated by the risk of double counting that income which goes either from the constituencies to the central party organisations, or from the central party organisations to the constituencies. For example, we find that in a general election year an average Labour constituency party might well get a grant of £300 or so from headquarters, but might also pay out to headquarters some £160 in affiliation fees. Despite these inevitable uncertainties, however, we considered it necessary at least to attempt some estimate of total constituency party income, and thereby an estimate of the overall income of the parties at the present time.

6.3 It was necessary to use for this purpose the results of the constituency survey covering 100 constituencies, described at Chapter 5. The aim was to make the sample as representative a cross-section of constituencies as possible. But it must be recognised that because of the wide discrepancies in constituency incomes between different parts of the country, and between different types of constituency, the incomes of individual constituencies may in practice differ very widely from the average incomes as indicated by the survey. The returns of income on which the survey's estimates of average constituency incomes were based came from 73 Conservative associations, 75 Labour parties and 37 Liberal parties.

6.4 The constituency survey covered two calendar years, 1973 and 1974. 1974 was, of course, an exceptional year because of the two general elections. In order to arrive at a more representative figure, and on the basis that there were likely to be three non-election years to one general election year, we trebled the 1973 average constituency income figures, added the 1974 figures, and then divided the result by four to arrive at our estimate of annual constituency incomes. These figures have been expressed in terms of 1975 prices. General election funds have been included but, in order to avoid the double counting of constituency and headquarters income, payments to and from party headquarters have been discounted. For the purpose of estimating the constituency incomes of the Scottish National Party and Plaid Cymru we have assumed that these are broadly in line with those of the Liberal Party organisations.

6.5 On the foregoing basis we have arrived at the following estimates of current annual income for the main parties.

<i>Party</i>	<i>Central Incomes</i>	<i>Constituency Incomes (at 1975 prices)</i>	<i>Total</i>
Conservative (including Scottish)	£ 1,790,000	£ 4,500,000	£ 6,290,000
Labour	1,200,000	1,750,000	2,950,000
Liberal (including Scottish and Welsh)	113,000	750,000	863,000
Scottish National Party	60,000	160,000	305,000
Plaid Cymru	85,000		
<b>TOTAL</b>	<b>3,248,000</b>	<b>7,160,000</b>	<b>10,408,000</b>

6.6 It is emphasised that the above figures are necessarily based on certain general assumptions. In so far as the figures of central party incomes relate to a non-election year, it can be assumed, however, that the overall figures for total party incomes are, if anything, an underestimate.

## CHAPTER 7

### WHAT THE PUBLIC THINKS

#### Introduction

7.1 We considered it to be essential to our enquiry to find out how the public saw the position of political parties in a parliamentary democracy, and how they might react to the proposal that state aid should be given to the parties.

7.2 We accordingly commissioned Research Surveys of Great Britain Limited to carry out a public opinion survey on our behalf. This survey was based on interviews with a representative sample of over 2,000 electors drawn at random from a representative sample of 105 constituencies in Great Britain. The interviews took place in December 1975 and January 1976. The results of the survey are at Annex G. A copy of the survey report and the full tabulations will be sent to the Social Science Research Council Data Archive at Essex University. The following paragraphs summarise the main findings.

7.3 The survey confirmed that people in this country clearly accept that political parties, with all their faults, are essential to the running of our democracy. Whilst it is recognised that the parties need adequate financial resources to enable them to carry out their functions effectively, people are not generally aware that parties are short of money. On the central issue of whether, on the assumption that parties are in need of money, state financial aid should be provided, public opinion was evenly divided (see paragraph 7.22).

#### Knowledge of Political Parties

7.4 It was important to ascertain how much the general public knew about political parties. From this information the Committee was able to judge what value to place on the opinions expressed in the survey on the parties' need for more money; and to assess the public reputation of political parties.

7.5 The respondents were asked which parties they considered the main ones in national and local government. The Labour and Conservative parties were mentioned most frequently (over 80% each for national government, and 65% and 55% respectively for local government). The Liberals were regarded by only 42% as a main party in national government and by only 22% in respect of local government. In Scotland over a quarter of the respondents mentioned the Scottish National Party as a main party in national government and nearly one-fifth in local government. 16% in Wales mentioned Plaid Cymru for national government and 17% for local government.

7.6 People were asked in an open question what the parties did. For national government 29% of the sample mentioned the parties as running or governing the country and another 11% as deciding and carrying out policies. 11% referred to the parties' role in looking after individuals.

7.7 As regards local government, 23% of the sample felt that parties had an interest in local affairs and running the community, 18% mentioned specific services such as police, education, health and housing. 9% felt that the parties either did nothing or "made a mess of things". The proportion of "don't knows" and "no answers" was nearly a quarter of the sample.

7.8 Respondents were asked for their views on which people or organisations were important in deciding what political parties do and what policies they follow. For the Labour Party about one-third mentioned the Prime Minister and Ministers, whereas only 10% mentioned back-bench Members of Parliament. 40% mentioned trade unions compared with only 6% who referred to local party workers and 3% mentioning the party conference. For the Conservative Party, 35% and 27% mentioned the Leader of the Opposition and Opposition spokesmen; 15% mentioned back-benchers; just over one-fifth mentioned companies.

7.9 People were much less certain about who determined policy in the Liberal and Nationalist parties. 43% of the sample were unable to give an answer. The largest single mention was of the party leadership (29% of respondents) followed by Members of Parliament (18%) and local party workers (11%).

#### **General Attitudes to Political Parties**

7.10 Having ascertained what people thought parties actually did, respondents were then asked what they thought the parties should do. In contrast to the open question used for what the parties did, this time they were asked to choose from a number of possible activities. Nearly everyone agreed that parties should explain their policies to the public. Most felt that the parties should help to decide government policies. 77% thought the parties should encourage people to vote in elections and 71% said that they should provide a government team. On the other hand, only just over half thought that the parties should "organise MPs in the House of Commons" or choose parliamentary candidates.

7.11 There was general agreement that parties were essential to our form of national government; that the parties "kept the government on its toes"; and were the only way to represent the public's views.

7.12 Some unfavourable views of parties were expressed. Two-thirds agreed with the view that parties opposed each other "for the sake of it", and half agreed that they were not necessary in local politics. People with a higher than average political interest tended to be more favourably disposed towards political parties.

7.13 We found strong minority support for the statement that it was a good idea to have a number of small parties as well as two or three big ones; but 38% agreed with the statement that "we would be better off with just one national party".

### **Awareness of Problems Facing the Parties**

7.14 People were also asked if they knew of any internal problems facing the parties. Only 6% spontaneously mentioned problems of finance. The major area of concern was the internal trouble arising from rival or extremist groups—mentioned by 30% of respondents. Half of the sample were, however, unable to think of any problems facing parties.

7.15 People were also asked whether they thought parties had enough money to run their national and local organisations or whether some of them were short of money. Half the sample felt that at least some parties were short of money although one-third of the sample did not think so.

7.16 The Liberal Party was the party most often mentioned as being short of money followed by the Labour Party, the Scottish National Party, Plaid Cymru and the Conservative Party.

### **Awareness of Parties' Financial Situation**

7.17 When people were asked what parties needed money for, their answers indicated that the public are more alive to the intermittent public activity of parties than to their continuing administrative requirements. By far the largest group of references related either to election canvassing or campaigns or more generally to advertising, publicity and propaganda. These were followed by references to headquarters, national administration, and the payment of staff.

7.18 The public were asked where they thought each of the main parties got its money from. Institutional sources dominated the answers in respect of the two major parties—exactly half of those mentioning sources of funds for the Conservative Party mentioned large companies, and a further 6% mentioned "smaller firms"; and 57% of those answering questions about the Labour Party mentioned the trade unions. As regards the Liberal and other parties individual donations and subscriptions were the most frequently mentioned sources. In general the public appeared to be reasonably well informed about the sources of party finance.

### **Attitude to Sources of Income**

7.19 Nearly one-third of all persons interviewed thought that the unions were a bad source of income for the Labour Party. Of those who thought that way, two-thirds did so because they considered that the unions thereby acquired too much influence over the party. About one-fifth of all persons interviewed thought that large companies were a bad source of support for the Conservative Party. Of these, just over half took this view because they considered that such firms likewise acquired too much influence.

7.20 The respondents were asked whether they agreed with a series of general statements about political parties and their money. 70% agreed that parties needed money to inform people about what they are doing. When asked whether political parties had far too much money, about half disagreed and one-third



agreed. Opinion was evenly divided on whether parties that failed to get sufficient funds from their own supporters were worth supporting. Respondents were also evenly divided on whether they would be worried if they knew that the main political parties were short of money. Three-quarters agreed with the statement that parties were too much influenced by people who gave them funds. Two-thirds agreed that parties could easily find other ways of getting money if they needed it.

7.21 Respondents were also asked "if the parties *needed* more money, in what ways do you think it *could* be provided?" The four sources most frequently suggested were: taxation/"money from the Government" (20%); more money from supporters (16%); a national lottery (13%); social events (10%). Three-quarters of the 8% of respondents who identified themselves as members of a party, and about one-third of the remainder, said that they would be prepared to contribute more to party funds if asked.

#### Attitude to State Aid

7.22 The question "assuming that the parties needed money, would you be prepared for some of it to be provided by the state from public funds" produced an almost equal division of opinion, 45% saying "yes"; 44% saying "no"; and 11% "don't know". Men in the middle-age groups and people with "high political interest" were more in favour of the proposal than the average.

7.23 There were a number of reasons given for the rejection of the principle of state aid. 32% felt taxes/rates were too high already; 18% felt the money was needed for essentials and would be wasted; and 16% felt that the parties should raise their own money.

7.24 To test further the acceptability or otherwise of providing parties with state aid people were asked whether money should be provided immediately. Only 15% were in favour of immediate action but 55% would be in favour in a better economic situation.

7.25 There was considerable divergence of opinion about the need for restrictions on state aid. Almost one-third thought that state aid should not be used for entertaining and 11% thought it should not be used for foreign visits. One-third of the respondents did not mention any restrictions.

7.26 In reply to the question "if money were provided from public funds, should it be to all parties?", about two-thirds said "yes". 10% of the total sample (47% of those who wished there to be restrictions) said they would like to see the Communist Party excluded.

7.27 As regards allocation, respondents were asked whether they thought most of the money for state aid should go to the national party; or to the local constituency parties; or about the same to each; or should the party decide how to divide it. 42% said that the parties should be left to decide themselves how their state aid should be allocated, while 25% thought that the aid should be equally divided between the national and constituency parties.

## CHAPTER 8

### FOREIGN PRACTICE

#### Introduction

8.1 Our terms of reference required us to examine the ways in which political parties were financed in other parliamentary democracies. Many countries have in recent years introduced some form of public financing of parties, and it seemed likely that, even allowing for political, social and economic differences, a great deal could be learned from an examination of overseas experience.

8.2 Groups of the Committee visited four countries—Austria, the Federal Republic of Germany, The Netherlands and Sweden. During these visits we had discussions with politicians, party officers, government officials, academics and political commentators. We were also able to visit two of West Germany's political education and research institutions. In addition, one of our members took the opportunity, while on a private visit to the United States, to discuss the recently introduced Federal Election Campaign Act Amendments.

8.3 We chose to visit these particular four countries because they had introduced different forms of state aid for their political parties or party activities and their schemes had reached various stages of development. The political parties in West Germany and Sweden had been receiving aid at both national and provincial level for some years. In Austria a decision was taken in 1975 to extend considerably what had been previously a fairly modest scheme of state aid. The Netherlands had no general subsidies to the parties, but grants on a small scale had recently been introduced for the parties' research and education institutes.

8.4 We wish to place on record our thanks to all whom we met on our visits. We were received everywhere with considerable courtesy and hospitality; everyone gave generously of their time and we invariably received full and frank replies to our many questions. We are also grateful to HM Ambassadors in Vienna, Bonn, The Hague and Stockholm, and their staffs, who were responsible for arranging our visits; and to HM Ambassador in Washington and his staff. In the course of our enquiries generally we received much useful information from the Foreign and Commonwealth Office Research Department, and we were also helped by written material submitted by Mr Herbert Alexander, Mr Neville Johnson, Mr Dick Leonard and Mr Alan Watson.

8.5 We also took the opportunity of discussing party financing with a group of Canadian politicians, an American Congressman and a member of the American Federal Elections Commission, and a member of the Danish Parliament, all of whom were visiting London and kindly agreed to meet us.

8.6 Accounts of our visits to the four European countries are given in Annex H. These include details of the various subsidy schemes and what we saw as their effects on the countries' political affairs. Information on the forms of state aid adopted in several other countries is given in Annex I. Included are Denmark,

Finland, Italy and Norway, where the parties receive a fairly substantial measure of aid; Canada and the United States, where aid has been introduced on a limited scale; and France and Japan, where aid, in so far as it exists, is confined to assistance at elections and the parties' activities in parliament.

8.7 We were always conscious of the different historical backgrounds and varying circumstances that led up to the decisions to introduce state aid, although the parties' difficulties in meeting rising costs was a recurring theme in most parliamentary democracies. Nevertheless our recommendations in this Report are influenced in no small measure by what we learnt overseas. We were impressed, for example, with the apparent efficiency of the German and Swedish parties and their interest in stimulating political debate at all levels. Party morale was high and they had the resources to enable them to compete on equal terms with other institutions. The introduction of subsidies had produced few adverse side-effects. Other forms of income, other than donations from industry, had not fallen and party membership had in fact risen appreciably. Great care had been taken in all the countries we visited to ensure that the subsidies were distributed fairly, usually on the basis of the parties' electoral performance at the preceding general election. This had undoubtedly contributed greatly to the general acceptance of the subsidies by the parties and the public generally.

#### **How the Parties are Financed**

8.8 Political parties in the parliamentary democracies are essentially voluntary organisations. Until comparatively recently they were generally financed solely from money provided by their members; by their own investments and commercial undertakings; and by those institutions, for example, trade unions and companies, whose interests they represent.

8.9 Most West European parties rely heavily on membership dues, which are usually set at a fairly high level (see paragraph 5.30). In France, however, regular membership subscriptions form only a small part of the parties' total income, although large amounts are received from individual supporters by means of periodic appeals. In most European democracies right wing parties generally receive substantial financial backing from industry, and in many countries socialist parties are supported by the trade unions. A notable exception to this, however, is West Germany where direct political contributions to the parties by the trade unions are forbidden by law. In Austria, France, Italy and West Germany most parties require their members of parliament to contribute a proportion of their salaries to party funds.

8.10 This general pattern is followed outside Europe, although in most non-European parliamentary democracies the amounts received by way of regular membership dues appear to be small. In the United States and Canada, for example, a great deal of money is raised at elections by special fund-raising appeals.

#### **Extent of State Support**

8.11 Although direct state financial aid to political parties in Western Europe and elsewhere is a fairly recent development, many political parties have long

benefited from state support in a number of other ways. For example, aid has been frequently given to party groups in the legislatures towards the cost of employing secretarial and research assistance; and financial help at elections is often given through free television and radio time and other electoral aids. But subsidies for party activity unconnected with elections or the legislature have only existed for the last twenty years.

#### **Reasons for the Introduction of Public Subsidies**

8.12 The widespread development of subsidies to political parties during the last two decades suggests that the countries concerned have been moved by common needs. Apart from the obvious fact that most of the parties involved were finding it difficult to maintain their existing activities from traditional resources it is not easy to say what these common factors were. It is true that all the parties have been affected by inflation in recent years, although the introduction of a party subsidy in some instances pre-dated the more serious inflation rates of the last few years. The costs of communication, always one of the main items of party expenditure, have risen sharply in many countries. Parties have had to improve their standards of presentation in order to get their political messages across to the general public in competition with the rival attractions of television. But several party representatives told us that rising costs in the communications field made such improvements increasingly difficult to achieve.

8.13 Although rising costs were common to most countries the decision to introduce some form of public subsidy seems to have been arrived at by different routes in the different countries, as the following examples show.

8.14 In Sweden, the newspaper industry, which was very closely linked with and partly owned by the political parties, underwent a severe financial crisis in the 1950s and early 1960s. As a direct result, public funds were made available to the parties in 1966. A Royal Commission set up to examine the plight of the press had recommended that a subsidy should be paid to the industry via the political parties. In the event aid was given to the parties without conditions.

8.15 In the *Federal Republic of Germany*, on the other hand, it appears that subsidies were introduced primarily in order to free the parties from dependence on financial support from business interests. To do this donations to parties were made taxable in 1968 and state aid was introduced.

8.16 In *Austria* the parties found that they were no longer able to raise sufficient income to meet increased costs. The governing party, the Socialist Party of Austria, was anxious that legislation should be introduced to require parties to publish their accounts and to settle their legal status. The parties' need for a subsidy provided an opportunity for this to be done.

8.17 State aid was provided in *The Netherlands* for the parties' research institutes and political education centres because the main parties were finding it increasingly difficult to finance these activities. They were regarded as essential to the country's democratic system of government and steps were therefore taken to ensure their survival and development.

8.18 In the *United States*, public funds have been made available for the 1975-76 Presidential election campaign under the Federal Election Campaign Act Amendments. This legislation stemmed mainly from widespread public demand for radical changes in the system of campaign finance, particularly in view of the campaign finance abuses revealed during the Watergate affair.

#### The Cost of Party Subsidies

8.19 Where aid is given to the parties generally, the amounts paid are often very large, both in absolute terms and as a proportion of the parties' total income. In *Sweden*, a country of some 8 million people, the parties will receive a total of approximately 118 million kroner (about £14.8 million) in national, county and municipal subsidies in 1976 and state support now represents a major source of income for all established parties in that country.

8.20 In *West Germany*, aid is given for election campaign costs, although its payment is spread over non-election years also, and in support of the research and education institutes associated with the parties. A total of DM 145.6 million (about £31.7 million) will have been paid to the parties at national level during the four years 1973-76, and a further DM 100 million (about £22 million) over the five-year period 1970-75 at Land level. This does not include the grants given to the institutes.

8.21 A total of AS 50 million (about £1.5 million) is distributed to the *Austrian* parties each year at national level in addition to up to AS 20 million (£614,000) a year paid to the parties' political academies, and AS 5 million (£154,000) for political publications. In addition, the parties receive substantial subsidies from the provincial governments.

8.22 As a result of legislation introduced in 1974, *Italian* parties now share 45 billion lire (about £30 million) a year, plus a further 15 billion lire (about £10 million) at each general election. A total of 16 million marks (£2.3 million) is given to the parties each year in *Finland*. *Norwegian* parties represented in Parliament receive an annual subsidy; the total paid to the parties in 1973 was approximately 11 million kroner (£1.1 million). In *The Netherlands*, while no state aid is given directly to the political parties, a total of Fls 1,520,000 (£312,000) a year is given to the parties' research institutes and a further Fls 1,970,000 (£400,000) a year is provided for their political education institutes.

#### Reaction to the Subsidies

8.23 In the countries we visited public reaction to party subsidies seemed to be one of acceptance or indifference, and there was no evidence of any pressure to end them. The public generally seemed to have accepted that some form of financial assistance was inevitable if the parties were to carry out their essential functions effectively. They saw the state subsidy as a more attractive alternative than the parties' dependence on business interests.

8.24 We were told that the principle of state aid had been accepted also by virtually all the political parties, despite initial hesitation by some. There had been early opposition to the subsidies in *Sweden*, but this had changed

to acquiescence. Generally, the party subsidies were no longer questioned in debate. It seemed that once introduced they were quickly accepted by the public as a reasonable method of helping to finance parties.

8.25 During our visits to the four European countries we heard repeatedly that people generally realised the importance of political parties in maintaining their democratic system. This feeling was particularly strong in those countries where dictatorships or foreign occupation had in the past destroyed their democracies. They were therefore prepared to ensure that the parties were adequately financed and the high level of membership dues reflected this. In Austria and West Germany in particular we were deeply impressed by a determination to maintain and nurture their political institutions. We were told on more than one occasion that because of the chequered history of their democratic institutions everything was now being done to ensure that political parties were able to operate freely and effectively.

#### **Effects of State Aid**

8.26 In Sweden and West Germany where subsidies have been in being for some years, we noted the apparent affluence, by British standards at least, of the major parties. They seemed to be well organised and well housed. They said that by paying salaries at competitive rates they were able to attract staff of good calibre. They claimed that during elections they were able to conduct effective campaigns. In non-election years they were apparently able to maintain excellent communications with party members and initiate a great deal of internal debate on policy matters at all levels.

8.27 The main parties in both Sweden and West Germany said that they had found that the additional income provided by the subsidies had enabled them to function in a much more professional manner. They had built up large and well-serviced staffs and they had been able to develop first class links both with their own local workers and the public generally. Members were kept well informed and encouraged to participate fully in the formulation of policy.

8.28 These organisational improvements were also to be found at provincial level. In West Germany substantial subsidies are paid to the Land party organisations by the provincial governments, and in Sweden the parties also receive aid at county and municipal level. This means that the regional and local parties are in the main financially independent of the party headquarters and were in a position to stimulate interest in local political issues.

8.29 It appears that thorough training facilities have been established for party workers and candidates. Training courses and seminars are provided by the main German parties through their national research and education institutes, which are partly financed by state funds. In Austria, a similar role is played by the parties' political academies, which have been receiving subsidies since 1972.

8.30 We were told that during elections the parties in Sweden and West Germany are able to create considerable public interest, although we had no means of verifying this. Despite the absence of a strong tradition of voluntary

canvassing, the parties are said to be able, through their increased resources, to establish contact with the public through the distribution of written material and the mounting of extensive advertising campaigns. In Germany, in particular, the parties spend a great deal of money on election campaigning (about DM 100 million (£21.8 million) was spent in 1972), and it seems generally agreed that it would be sensible to reduce this expenditure. There is a tradition of very high polls in both countries, and a 90% turnout is not unusual for either national or local government elections.

8.31 One of the objects of providing the parties with public funds was to reduce their dependence on financial support from any one source, for example industry. This object seems to have been achieved in both Sweden and Germany. In Sweden the subsidy now forms by far the main source of income for the major parties' central organisations, and it seems doubtful whether many of the parties could now survive without it. In Germany, too, public aid now accounts for a substantial proportion of income for the major parties at central and Land level.

8.32 We heard no evidence in Sweden and Germany to suggest that dependence on the state for such a high proportion of their income inhibited the parties in any way. None of the opposition parties considered that there was any risk of interference by government in any of their activities. On the contrary, it was clear that money provided from state funds was regarded as the only "neutral" money received by the parties.

8.33 Subsidies do not appear to have had any adverse effect on party membership or voluntary activity in these two countries. Membership of all the German parties, and all but one of the Swedish parties, has increased in recent years. We were assured that the additional income had made it possible for the parties, by improving organisation and increasing their written material, to stimulate more political activity amongst their members.

8.34 In both Sweden and Germany there has been some falling off, in real terms, in the level of voluntary donations including contributions from industry.

#### **Accountability and Disclosure**

8.35 The parties in Sweden and West Germany are not obliged to account for the spending of any of the extensive subsidies received. In West Germany, for example, the major parties receive substantial amounts of assistance towards the cost of running their research and education institutes, but are not required to publish accounts in respect of these establishments. The parties generally are obliged to publish only sources of income, with donations of over 20,000 DMs (£4,357) specified and the name and address of the donor given. They are not required to produce any details of expenditure. There is no requirement placed on the Swedish parties to publish any information about their financial affairs.

8.36 In *Austria*, on the other hand, parties receiving a subsidy have to present audited accounts of total income and expenditure to the Federal Minister of Finance. They are also required to prepare detailed records showing how their grant was disbursed.

8.37 In *Finland* the parties are required to give an annual account of how the subsidies have been spent but, in practice, all normal party activities are considered acceptable. In *Italy* details of party income must be published but information on expenditure is not required. In *The Netherlands*, where aid is directed solely to the support of the parties' research and education institutes the subsidies are linked to the inspection of accounts. In the *United States*, the disclosure requirements are extensive.



## CHAPTER 9

### THE CASE FOR STATE AID

#### Party Politics and Democracy

9.1 Effective political parties are the crux of democratic government. Without them democracy withers and decays. Their role is all pervasive. They provide the men and women, and the policies for all levels of government—from the parish council to the European Parliament. The parties in opposition have the responsibility of scrutinising and checking all the actions of the Executive. Parties are the people's watchdog, the guardian of our liberties. At election times it is they who run the campaigns and whose job it is to give the voters a clear-cut choice between different men and different measures. At all times they are the vital link between the government and the governed. Their function is to maximise the participation of the people in decision-making at all levels of government. In short they are the mainspring of all the processes of democracy. If parties fail, whether from lack of resources or vision, democracy itself will fail.

9.2 What some sections of public opinion may not have fully realised, however, is that the manifold tasks and responsibilities of political parties are very much more demanding on physical and material resources today than they used to be. And they are more demanding because of the enormous expansion in the functions of government. A century ago the tasks of government were mainly passive and regulatory. Now they involve a much more active and positive engagement in our affairs. The government's traditional regulatory functions have multiplied and greatly broadened in scope. To these have been added vast new responsibilities. This has been particularly marked since the Second World War. The role of government now embraces responsibility for the maintenance of full employment and the provision of comprehensive social services; and such general economic aims as a satisfactory rate of growth, stable prices and a healthy balance of payments. Through public ownership government has become responsible for most of our basic industries. It has assumed responsibility, too, for town and country planning. The latest and perhaps most far-reaching duty we now call on government to perform is the general preservation and improvement of the environment.

9.3 Our position in the world has also changed out of all recognition. Our economy is at present weak and our international relationships are of an entirely different order. If we are to survive in this new world, we need not only the finest industrial, business and commercial skills, but also the highest standard of political discussion and decision. In this the parties have a crucial role to play.

#### The Performance of Parties

9.4 It is against this changing background that we must measure the performance of our political parties. Everything that government is nowadays concerned with should also be the concern of political parties. But whilst the bureaucracy and powers of the state have been greatly expanded to carry out

its greatly enlarged responsibilities, our political parties have lagged behind. To be effective in the context of the vastly expanded role of modern government, the parties need to raise their sights, widen their vision and greatly expand their efforts and resources.

9.5 We might accordingly have recommended committing really substantial resources to improving the quality of the political parties' performance in Britain, even at this time of economic difficulty. The one type of additional expenditure that can be justified at a time like this is investment in national efficiency, and there is every reason for including political parties within that category. We must, however, be realistic and take into account the speed with which the parties could reorganise and expand to attain the higher standards and wider scope that we envisage, as well as the present restraints imposed upon all increases in public expenditure. Both these factors have led us to concentrate upon bare essentials as our immediate task.

9.6 This means that the parties must be able to carry out at least a reasonably efficient job of research, policy formulation, publicity and communication to standards which match the expectations and requirements of today's electorate, and which are commensurate with the problems now facing the country. In effect, we are arguing that there is a minimum level of activity and efficiency for political parties, and that it would seriously hamper the working of democracy and the machinery of government if they fell below this level for any length of time.

9.7 What particularly impressed us on our visits to Europe was not so much the details or history of the various schemes for state aid, which are obviously influenced by local circumstances, as the realisation, brought home to us as we visited party offices and talked to party and government officials, of how much could be done to improve the effectiveness of parties in their role of political and national leadership if adequate resources were available.

9.8 By contrast, the evidence we have gathered in this country shows that party organisation is in a number of cases weak at national level, and at local level generally exists on a pitifully inadequate scale of accommodation, equipment, trained staff and resources. Membership fees are low; fund-raising takes up too much time; organisation is frequently inadequate; and the level of political activity is far below what is needed to gain the attention and interest of the general body of the electorate, especially the young. Our considered view is that British political parties frequently operate below the minimum level of efficiency and activity required.

9.9 If this is the state of our parties now, how then are they likely to fare in the immediate future? The range of work required of political parties is continually on the increase. Merely on the basis of their existing responsibilities, and to cope with inflation, parties would still have to raise additional finance. But these responsibilities are likely to be increased in the next few years by the repercussions of devolution to Scotland and Wales, and by the introduction of direct elections to the European Parliament. Parties will therefore need to raise very substantial additional funds if they are to achieve even a modest improvement in their present degree of effectiveness.

9.10 Parliament itself has recognised in recent years the increasing cost of all forms of political activity. For example, the salaries and allowances of Members of Parliament have been raised; increased provision has been made for research and secretarial assistance; and a scheme to provide financial assistance to opposition parties in carrying out their Parliamentary business has been introduced (see paragraph 1.4). Proposals have also been put forward by a Select Committee of the House for further improvements in the free support services available to Private Members (see paragraph 1.5).

#### **Potential Sources of Additional Finance**

9.11 Given the action already taken within Parliament, how is the extra money to be found for the political activities of the parties outside Parliament? Could it be raised from the parties' traditional sources? We have noted the considerable efforts the parties have made to raise their incomes over the last few years. But we have also noted that their best efforts have done no more than enable them to keep pace with inflation, and that they have maintained their existing inadequate level of activity only at the expense of drawing heavily upon their reserves. Obviously the parties cannot go on like this. We have seen no sign of an increase in their real resources which the situation of the country requires, and there is at least a doubt whether they can maintain even their present level of activity.

9.12 As regards membership fees, these have traditionally been largely nominal. This is probably because parties have been regarded as a voluntary movement born of idealism, and sustained by a plentiful supply of disinterested service on the doorstep and in the market place. Members of parties have neither expected nor received much attention or service from their party. On such low subscriptions increased membership has scarcely been worthwhile financially. Few constituency parties have developed efficient systems of collection, though some have tried employing paid collectors. In our view the parties have very little scope for increasing their income from individual membership subscriptions on anything like a scale sufficient to meet future needs. Although membership fees are low, there is clearly a risk that any marked increase in fees would result in a loss of membership. Furthermore, party members provide voluntary service as well as financial support. They are the willing horses of politics, and all parties are already heavily indebted to them. If membership fees are increased it is they, the loyal and devoted members, who will have to pay. It is not surprising, and certainly not unworthy, that parties should look elsewhere for the extra money they need.

9.13 We do not believe that other traditional fund raising activities in the constituencies can be expanded on the necessary scale. For example, in the case of lotteries, the Labour agents assured us that because of growing competition it would be extremely difficult to increase income from this source; and our evidence shows that a number of constituency parties would in any case be opposed in principle to raising more money in this way.

9.14 If additional resources are to be forthcoming on the scale required, they can only come from industry and business for the Conservative Party, and from the trade unions for the Labour Party. But the signs are not encouraging. The record over recent years suggests a drop in donations to the Conservative Party in real terms, especially between elections. And for its part, the Labour Party has already brought forward by one year an agreed increase in trade union affiliation fees, making two increases in a single year, and in evidence some trade unions expressed caution as to whether the political levy could be further increased to a point out of scale with the general level of union contributions. The trend of other future events may also be unfavourable. We have yet to see, for example, what difference worker participation may make to company donations.

9.15 But even if sufficient funds were forthcoming from these sources we would nevertheless see this further dependence on institutional support as an undesirable development. Whilst we received no evidence to suggest that institutional supporters make their support conditional upon the right to influence party policies\*, we feel that the standing of the Labour and Conservative parties with the general public might well be seriously impaired if they were seen to depend for their continued existence on ever increasing amounts of institutional support.

9.16 Other parties, in any case, cannot expect institutional support to provide the additional funds they need. The Scottish National Party and Plaid Cymru are unlikely to escape financial problems in future, especially as they come to undertake new responsibilities within their respective national assemblies, and develop a stronger European dimension.

#### **The Need for State Aid**

9.17 Under these circumstances we consider that a modest injection of state aid is the best, and perhaps the only, way of arresting the run-down of the parties, and of starting the process by which their effectiveness can be raised to an adequate level. Such a boost would enable the parties to extend their activities. Moreover, the higher efficiency attained would, we believe, itself generate more support and increase their capacity to raise more money themselves.

9.18 The amount of aid required in present circumstances must inevitably rest on a general judgment: it is not susceptible to precise assessment. Clearly, however, there are certain broad factors to be taken into account. The amount should provide significant help to the parties, but should not be too high in relation to their other financial resources. It is desirable that the amount of aid given should not discourage voluntary effort or the constituency activity which at present centres around fund-raising. Above all, no proposal for expenditure at the present time can ignore the country's economic position and the pressure of competing demands on the nation's resources.

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\*Although the influence of the trade unions on Labour Party policies through affiliation fees which carry a card vote at the Party Conference must not be overlooked.

9.19 Having carefully considered what scale of state aid would best satisfy these criteria, we *recommend* that the total amount should be no more than about 20% of the present combined central and constituency incomes of the parties.

9.20 We *recommend* that this help should be given to the parties at both the central and local levels. In the next chapter we outline the details of a scheme, costing on average about £860,000 a year, to assist the parties at constituency level through the partial reimbursement of candidates' election expenses, both at parliamentary and local government elections. We see these reimbursement proposals as a means of directly aiding local party funds. They would also provide support for the electoral system and be a means of equalising opportunities for candidature. In this regard we would point out the benefit which many independent candidates would also derive from these proposals, particularly in local government elections.

9.21 But there is also a need to provide help specifically for the parties at the centre. For this purpose we propose that assistance totalling about £1½ million a year should be allocated to party headquarters on the basis of their electoral success. Details of this scheme are also given in the following chapter. This would mean that the total amount of state aid provided would be something over £2½ million a year. Most of this money would go, either directly or indirectly, to the main political parties, and this would represent something of the order of 20% of our estimate of their present combined annual central and constituency incomes (see Chapter 6).

9.22 We recognise that by comparison with the countries that we visited these proposals together represent a very modest scheme for state aid. For example, Sweden with a population less than one-sixth of that of the United Kingdom, provides aid to its political parties on a scale approximately six times that which we propose. We do not consider, however, that we should recommend more in present circumstances. But it will be necessary to examine from time to time the extent to which the sums proposed succeed in maintaining and improving the effectiveness of the parties. We would therefore propose that there should be a review of the amounts paid under the annual grant scheme towards the mid-term of every Parliament of normal length. Provided the criteria outlined in paragraph 9.18 are adhered to, regular reviews should ensure that aid is kept to a reasonable level.

#### **Difficulties Raised in Evidence**

9.23 A number of our witnesses opposed state aid on various grounds, some of which they saw as matters of fundamental principle. We have examined these objections with care, especially in the light of what actually happens in the many countries which already have state aid, and find them to have little substance.

9.24 Central to these objections has been the argument that political parties are voluntary bodies formed and supported by like-minded people to further their aims by political means, and that the voluntary nature of this free association is fundamental and must be strictly maintained. It is feared that any

breach of this principle will lead to some loss of independence, and that the state may interfere with their affairs by attaching conditions to a subsidy. In other words, if the state helps to pay the piper, the state may want to call some part of the tune.

9.25 Clearly the introduction of state aid would mark a new departure in British political life in the sense that never before has public money been granted to the political parties, except in relation to their parliamentary business or as part of the machinery of elections. Novelty is, however, no disqualification for a good idea supported by experience in other parliamentary democracies and shown in our view to be desirable here.

9.26 We do not consider that political democracy in the United Kingdom is above the reach of change. The experience of other political democracies must be of some account. In most Western European democracies the political parties now receive state aid. Even in the United States it exists in a limited form. Over and over again it has been found that the doubts and fears expressed by the opponents of state aid have not been realised. There has been no evidence that state aid necessarily affects the independent status of the parties, or the balance of power within them. Nor has it led to any reluctance to criticise the government of the day. On the contrary, in the European countries that we visited state aid is regarded, unlike business or other institutional support, as "neutral" money—aid without strings. It is seen as a buttress to their system of representative government, inseparable in principle from the state-financed institution of parliament itself and of the electoral system of a parliamentary democracy.

9.27 As to public acceptability, the European evidence suggests that any public disquiet there may have been at the introduction of state aid soon evaporated in the light of experience. Our own public opinion survey shows that opinion in this country is almost equally divided between those who favour and oppose state aid in principle. We are confident, however, that if a scheme of state aid with appropriate safeguards were to be introduced here, the experience in this respect would be similar to that of other European countries.

9.28 It has also been argued that it is unacceptable in principle that people should be compelled to contribute, through taxation, to the maintenance of political parties of whose aims they do not approve. In this respect we would not see the introduction of state aid as raising any different questions of principle from those that arise in many other instances where a taxpayer is required to contribute towards areas of government expenditure with which he may not be personally in sympathy, but which Parliament has approved. We take the view that it is manifestly in the public interest that the parties should be run on an effective basis; our political institutions depend upon this. The amount paid by an individual taxpayer should be regarded as supporting the party system as a whole, and the essential part which it plays in our form of parliamentary democracy.

9.29 As a development of this argument the point has been made that if state aid were introduced it would be possible for extremist parties to qualify for assistance. Under our qualifying provisions (see paragraph 10.22) it would,

however, be necessary for a party to have a substantial body of electoral support before it could receive any aid. If a party achieved this level of public support, payment would be justified, not by that party's policies but by the votes of the people, and the general democratic principle of equal opportunity for all lawful competitors in politics. Moreover, no party is at present excluded from the assistance now given in kind at elections, for example, free poll cards and the free delivery of an election address. The right answer to extremism is effective, healthy rivalry from parties which are not extreme, and this is precisely what our proposals for state aid are designed to promote.

9.30 Again, some witnesses have alleged that the introduction of state aid would lead to the decline of voluntary effort and other sources of financial support, and would also have a serious detrimental effect on the structures of the parties themselves, leading inevitably to over-centralisation. We are confident that nothing we have proposed would in fact have any adverse effect on the parties' existing fund-raising activities, whether it be individual donations, the trade union political levy or company support. For some parties at least the pump-priming effect of state aid may actually increase their capacity to raise their own finances. We have deliberately limited the amount of aid which parties would receive to ensure that no party would be able to rest on its oars.

9.31 As to whether the introduction of state aid might dry up either financial support for the parties from other sources, or voluntary activity by their members, we draw once more upon European evidence. We saw nothing to suggest that the volume of voluntary effort in those countries we visited has been significantly affected; indeed, it has sometimes increased. Alternative sources of funds do not dry up. Neither from our own visits nor from written memoranda on the experience of other countries have we found any evidence that a well-thought out scheme of state aid need have these disadvantages. State support in Germany, Austria, and Sweden has proved consistent with rising membership and with subscription levels on a scale far beyond what even the most optimistic could expect in Britain.

9.32 In putting forward our proposals for state aid we have tried to ensure that they would not entail any distortion of the party structures. All parties should continue to be what their members want them to be. We have refrained from recommending anything which, in our view, would change the structure of the parties. As regards the risk of over-centralisation, we believe that the proposals for the partial reimbursement of candidates' election expenses, (see paragraphs 10.38 to 10.59) will significantly aid the parties at constituency level. This would act as a counter-weight to our other proposal to aid the parties centrally. Indeed, if no state aid were to be introduced at all it is inevitable that the Labour and Conservative parties would look to their institutional supporters for additional funds. The bulk of this would be received by the parties centrally, and would be more likely than our proposals to lead to further centralisation.

9.33 The effect of state aid on party activity at the local level is clearly one of the factors which must be taken into account in considering the scale of assistance to the parties. This we have done. We believe that the injection of state aid on the limited scale we propose will, for the reasons we have stated, tend to stimulate rather than depress local political activity.

9.34 We fully recognise that state aid for the political parties represents some additional burden on public expenditure at a time when other desirable calls on the public purse cannot be fully met. We consider, however, that the needs of the parties are urgent and, in the modest form we propose, the total cost is small. It has been suggested that we should delay giving aid until the parties are faced with bankruptcy. This would be too late, more expensive and would gravely disrupt our political and parliamentary life. Our recommendations amount to a provident stitch in time. Similar arguments lay behind the proposals of the Royal Commission on the Press for aid to newspapers. In any case if we do nothing to aid the parties we put in jeopardy all our political institutions. This is a gamble which the country cannot afford to take.

9.35 It has also been argued that the financial difficulties of the parties are temporary, and have only arisen because of the two general elections in 1974 and the recent high rate of inflation. But that is not what is shown by the records we have obtained of party income. To measure up to the growing responsibilities which we have described they should have been increasing their income and expenditure in real terms. In spite of continuous and vigorous efforts they have been unable to do so. There could be more than a passing connection between this and the relative backwardness of the country in recent years, compared to a number of other democracies, in solving its economic as well as its political problems. The parties are an essential means of participation by citizens in our system of government. Inasmuch as the parties are unable to respond to their rising responsibilities, the whole process of government must suffer.



## CHAPTER 10

### FORMS OF STATE AID

#### Introduction

10.1 This chapter deals with a number of general considerations relating to schemes for state aid, examines a series of different forms which state aid might take, and then puts forward detailed proposals for an annual grant to political parties based on their electoral performance and for the limited reimbursement of candidates' expenses at Parliamentary and other elections.

#### Fairness

10.2 Any scheme for financial aid to political parties must be scrupulously fair. As far as possible the nature of any such scheme must not favour one party's electoral prospects in relation to that of any other. Nor should it disproportionately favour larger established parties to the disadvantage of smaller or new parties. The scheme should be impartial and should not stand in the way of any change in the pattern of our political parties that the public may wish to make. The basis of the amounts payable to the parties must be clearly known and create as few marginal problems as possible.

#### Nature of Payment

10.3 As we see it, state aid for the political parties should be given at two levels: central headquarters and the constituency organisations.

10.4 Costs at headquarters level are increasing all the time and the expansion of research and policy departments will further this trend. Moreover, it is only at central and regional levels that an overall view can be taken of the competing needs of individual constituencies for available resources, and of which particular aspects of local party work, such as accommodation or staffing, need attention.

10.5 The advantage of a separate measure of direct aid at constituency level is that it would help to offset some of the additional power at the centre that might otherwise arise from the introduction of state aid. Aid at local level would be particularly valuable in relation to local government work, where at present the cost falls primarily on the constituency organisations.

#### Aid for General or Specific Purposes?

10.6 We have considered whether any grant of financial aid to the parties should be made conditional on its being used for specific purposes, such as research, accommodation, or other particular areas of party expenditure. Whilst we consider that any funds made available to the parties should be subject to a measure of public accountability, it is desirable that the use to which these are put should be left to the parties themselves. They are in the best position to assess where their needs lie and, whilst attention has been drawn to areas of party work where we consider improvements could usefully be made (see paragraphs 3.12 to 3.20), it would be wrong to use state aid to

influence the development of political parties by stipulations of any kind. Different parties have different priorities. Aid for a particular purpose might thus help one party but not another. A subsidy granted for a specific purpose, for example research or organisation, would merely lead to a re-allocation of a party's own resources. We therefore favour block grants for the parties to allocate as they think best.

10.7 We considered especially carefully whether to recommend making grants separately and directly for political education, but in the end we came down against it. Although this form of aid to the quality of politics is used in some European countries, we believe it would only complicate matters to include such proposals in our present recommendations. This does not imply in any way a lack of concern about the paucity and poverty of the education services provided by our political parties, or for the financial struggles of the few societies which are doing good work in this field, most of it without any help from the political parties themselves.

#### **Schemes Considered and Rejected**

10.8 In the light of these general considerations we have examined and rejected a number of possible forms which state aid to political parties might take.

##### *State aid in kind*

10.9 Whilst we see no reason for questioning the existing aid in kind to candidates and parties (see paragraphs 1.8 to 1.13) we do not consider that a case has been made out for its extension. The needs of the parties differ considerably; whilst one party might want free accommodation and a party newspaper, another might prefer to have free research facilities, and another more staff at regional or constituency level. Such a scheme could therefore in our view only be of selective value to the parties, and its effects might be unfair.

##### *Matching aid*

10.10 A "matching aid" scheme would provide that the amount of state aid made available to a political party would depend on what it raised from other sources; that is to say, the money raised from these other sources would be matched by a similar amount from the state. Such a scheme would favour the parties who are already better placed to raise funds from institutional sources. Some limit on the amount of "matching aid" would clearly be necessary. The accounting and audit arrangements would present special problems. The main objection is, however, that the amount of state aid would be in proportion to the fund-raising capacity of the respective parties and not to their needs or to the extent of their electoral support.

##### *Flat rate grant to parties*

10.11 Although perhaps superficially attractive on grounds of equality of treatment, such a proposal assumes the existence of comparable basic needs in all parties which the state should meet. This would not achieve the purpose

of state aid, which is to support and stimulate activity and efficiency in relation to the performance and success of the parties. We do not recommend such a proposal.

#### *Aid related to membership of parties*

10.12 We also examined, and decided against, schemes for financial assistance to parties based on the size, or increases in the size, of their respective memberships. As noted in Chapter 5, membership of some parties is not closely defined, and any scheme based on "membership" would therefore be difficult to audit and control. As membership depends to some extent on the amount of subscription; increased membership stimulated by lower contributions would open up the possibility of abuse.

#### *Voluntary contributions to qualify for "charitable status" for tax purposes*

10.13 We also considered whether there was a case for tax concessions on donations to political parties, and whether this would be the right way of encouraging individual contributions. There appear to be three possibilities:

- (a) arrangements similar to those for charities whereby the parties could claim reimbursement of income tax on donations or subscriptions covenanted for more than six years;
- (b) arrangements rather more favourable than that for charities, whereby political parties could claim reimbursement of income tax on total donations or subscriptions at a composite rate without direct evidence that the tax had in fact been paid by the donors;
- (c) making subscriptions and donations to political parties a "professional" or "business" expense deductible from taxable income.

10.14 These suggestions might appear attractive, but the anomalies they would introduce and the administrative difficulties of operating them, including the difficulty of distinguishing between corporate and individual donations, outweigh the advantages. Moreover, all of them would breach important existing principles of tax law. The main disadvantage is that such concessions would operate in favour of the parties with better-off members and institutional support. They would also make it necessary for individuals to declare their political loyalties to the Inland Revenue. The first and second arrangements would make the tax law unfair to charities. At present charities are not allowed to take part in political activities, and those that do so may forfeit their right to be regarded as charities and to the accompanying financial benefits. The third alternative would equate the tax law relating to deductible business expenses with donations to political parties. The amounts raised by all three schemes would be unpredictable, and there would be no necessary relationship between the amounts raised and the needs of the parties. We do not therefore recommend any of these schemes.

#### *Allocation of part of tax payment*

10.15 A number of our witnesses recommended the "tax check-off" arrangements recently introduced in the United States for the Presidential election

campaigns. As the scheme now works, an American taxpayer can on his self-assessment form indicate whether or not one dollar of his taxes (two dollars for husband and wife) should be allocated to a Presidential Election Campaign Fund.

10.16 From the fund so formed payment is made to Presidential candidates who fulfil certain qualifications. One of the qualifications which particularly interested our witnesses was that candidates must raise 5,000 dollars in each of 20 states in contributions of no more than 250 dollars each.

10.17 This scheme is part of a wide package of laws relating to the Presidential election campaigns in the United States. Details are given in Annex I.

10.18 The chief merit of such a scheme is that it would require a positive choice on the part of the donor. It would thus avoid the criticism that people were being forced to contribute to political parties, whether they wanted to or not. However appropriate such a scheme may be to American needs, we doubt whether it would work satisfactorily in the United Kingdom. The main objection to the adoption of a similar scheme here is that a diminishing number of United Kingdom taxpayers are required to make an annual return to the Inland Revenue. This distinguishes our tax system of PAYE from the American self-assessment system. There would also be formidable administrative problems arising from the complexities and cost of dealing with millions of tax allocations of necessarily small individual amounts. Furthermore, there would be no necessary relationship between the amount raised in this way and what was needed.

#### **Recommended Schemes**

10.19 Having rejected the various schemes outlined in the foregoing paragraphs and taking account of the general considerations referred to in paragraphs 10.2 to 10.7, we *recommend* that state aid should be given to political parties in the United Kingdom under a combination of two schemes only. These are:—

- (i) annual grants to be paid from Exchequer funds to the central organisations of the parties for their general purposes, the amounts being determined according to the extent of each party's electoral support; and
- (ii) at local level, a limited reimbursement of the election expenses of Parliamentary and local government candidates.\*

#### **Annual Grant**

##### *Basis of entitlement*

10.20 In our view, parties claiming the annual grant should be able to demonstrate a reasonable minimum of electoral support. Our starting point here is that if the candidates of a particular party gain enough votes in at least six Parliamentary constituencies to save their deposits (that is one-eighth or more of

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\*We recommend that the reimbursement scheme should be extended to include elections to the European Parliament and the Scottish and Welsh Assemblies as the occasion arises (see paragraphs 10.60 and 10.61).

the votes cast in each one), they should qualify for state aid. We would relate this performance wholly to the results of the previous general election. This qualifying condition of "six saved deposits" would apply to all parties, including those operating in one part of the United Kingdom only, eg Scotland. We think that any party which succeeds in gaining one-eighth of the votes cast in at least six constituencies is a party with a foothold in our political life and should share in any scheme for state aid.

10.21 It may be, however, that the criterion of a reasonable measure of electoral support could also be satisfied in other ways. If at a general election a party secured the election of two Members of Parliament, this alone and irrespective of the votes or saving of the deposits of other candidates for that party, could be accepted as meeting our qualifying standard of electoral support. Again, a party which gained one seat only might claim recognition provided that it had significant electoral support, say a total of 150,000 votes cast for that party in all the seats it contested in the same election. These two secondary qualifying conditions which we add as alternatives to the main "six saved deposits" requirement are those which have already been accepted by Parliament as qualifying conditions for state aid to opposition parties at Westminster (see paragraph 1.4).

10.22 We accordingly *recommend* that to be eligible for grants under this scheme a party must, at the previous general election, have either:

- (i) saved the deposits of its candidates in at least six constituencies; or
- (ii) had at least two of its candidates returned as Members; or
- (iii) had one of its candidates returned as a Member, and received as a party a total of not less than 150,000 votes.

10.23 We believe that entitlement based solely on the previous general election provides a simple and fair basis for calculating the amount of aid under the scheme.

10.24 We considered whether by-elections should be taken into account either for passing the threshold or for calculating the annual grant. We decided that the scheme should be kept as simple as possible, and that after each general election the eligibility and scale of entitlement of the parties should be determined and remain undisturbed for the duration of that Parliament.

#### *Calculation of amount*

10.25 The calculation of the annual grant payable to qualifying parties should be based on a specified sum per vote cast at the previous general election for candidates, whether elected or not, who declared themselves to be standing in the name of the party. This declaration might best be done on the ballot paper. Votes cast for candidates who lose their deposits would be reckonable.

#### *Cost*

10.26 We have already recommended in paragraph 9.21 that the total amount to be paid to the parties under this scheme should be about £1½ million a year.

To achieve this we *recommend* that each of the qualifying parties should be paid an annual sum, rounded to the nearest £1 above, calculated on the basis of 5p for each vote cast for its candidates at the previous general election. The annual amounts, totalling £1,442,379, that would be currently payable on the basis of 5p for each vote cast at the October 1974 General Election are shown at Annex J. We do not *recommend* any ceiling on the amount payable to an individual party. The size of the electorate will provide an overall ceiling on the amounts potentially payable.

#### *Administrative arrangements*

10.27 The annual grant would be a grant in aid to the central organisations of the parties concerned for use as part of their general income subject to certain conditions of audit and the submission of annual returns of income and expenditure as outlined below. The grant would be payable quarterly. In the event of a general election a party's eligibility and scale of entitlement would remain unaffected until the next quarter day. Thereafter they would be based on the results of the new general election.

#### *Audit and accountability*

10.28 The audit and accounting arrangements for the annual grant which we *recommend* are as follows.

10.29 Provision should be made for payment out of the appropriate vote of a grant in aid to each party eligible, the amount in each case being calculated in accordance with the scale approved by Parliament. The estimate should provide that expenditure from the grant in aid will not be accounted for in detail to the Comptroller and Auditor General. Accordingly the receipt of the grantee would be a sufficient voucher for the issue of the sum granted so far as the appropriation account is concerned.

10.30 It will be necessary for the Accounting Officer of the Vote to which the grant is charged to identify the person who can give a valid receipt for the money on behalf of the recipient party, and who can account for it. We understand that this is now done by the Accounting Officer for the House of Commons Vote for the purpose of payments out of that Vote in respect of expenses incurred by the opposition parties in relation to their Parliamentary business. Accordingly we do not feel we need concern ourselves with the legal identity of parties as accountable persons.

10.31 The grant would be in aid of the general income of the party, not earmarked for expenditure on any specific object. Therefore, the normal requirement for a government grant of the surrender of any unexpended balance at the end of the year of account will not apply. In fact, the only condition attached to the grant in aid would be the requirement that the recipient party should produce professionally audited accounts and should ensure that the form and content of the accounts give a correct and informative view of the party's finances.

10.32 The object of this accounting condition will be first to assure Parliament and the public that the disposition of the taxpayers' money included in the

resources of the party is under responsible control; and secondly, to give Parliament and the public an informative view of the relationship of the state subsidy to the other resources of the party, and of the activities that are being financed out of the party's resources.

10.33 To this end we have drawn up a table (Annex K) showing the information which, in our view, should be included in the annual accounts of the income, expenditure and assets of a party in receipt of state aid. In drawing up this table we have suggested the disclosure of large sums given to parties without identifying the donors. We do not feel it is part of our task to discourage such donations or to encourage evasion by the use of "front" organisations. We do, however, consider it important and necessary that the existence of large donations from whatever source should be known.

10.34 Ideally, a complete return of a party's finances would include, not only the accounts of the central party to whom the state aid is given, but also the income, expenditure and assets of the parties in the constituencies. We would have liked to recommend that the consolidation of headquarters and constituency accounts should be made a condition of state aid. We understand, however, that this is not a requirement with which any of the major parties can comply, since under their constitutions each constituency party is a separate entity responsible for its own finances. We accept, therefore, as a second best, that the central party receiving the state aid should render an audited account of its own finances, including its transactions with the constituency parties, but without consolidating its accounts with those of the constituencies. We suggest, however, that Parliament might wish to ask the parties to provide information, such as we collected in the course of our enquiry, about their constituency finances to add to the information in their central accounts, when the time comes to review the working of the state aid system and take decisions on its continuance with or without modifications.

10.35 There remains the question whether the accounts of state-aided parties should be subject to Parliamentary scrutiny. The recognised rule for grant-aided bodies is that where the Comptroller and Auditor General is not appointed to audit the grantee's accounts, but the greater part of the grantee's income derives from public funds, the paying department should ensure, as a condition of grant, that the books and accounts of the grantee are open to inspection by the Comptroller and Auditor General. The Comptroller and Auditor General does not duplicate the work of the professional auditor, but satisfies himself that any statutory requirements, or conditions made by government on behalf of Parliament, are observed. His inspection is also directed to the grantee's systems of financial administration and control. In such cases, the report of the Comptroller and Auditor General on the Vote Account from which the grant in aid was issued could provide the opportunity for the Public Accounts Committee to question the Accounting Officer of the Vote accompanied by the appropriate officer of the grant-aided body, with the accounts of the grant-aided body made available at the hearing.

10.36 We have said (see paragraph 9.18) that state aid should not be too high in relation to the other financial resources available to the parties. If the

amount paid in state aid were assessed in accordance with this principle, the normal Parliamentary rule requiring access for the Comptroller and Auditor General is not likely to come into force for most recipient parties. But it might apply to some where the incidence of aid was exceptional—for example, an emerging party qualifying for aid for the first time, or an established party whose electoral support is particularly high in relation to its financial resources.

10.37 It might be thought unfair that access by the Comptroller and Auditor General should be confined to the accounts of parties in these exceptional situations. The House of Commons can of course make such provision as it thinks fit for Parliamentary scrutiny as a condition of assistance from public funds. We are disposed to suggest that the Comptroller and Auditor General should have access to the books and accounts of all parties receiving state assistance, for the limited "systems audit" described above. Such a provision would serve the useful purpose of disarming some part at least of the criticism that state aid to a party is a present of taxpayers' money with no questions asked, as well as acting as a safeguard against allegations of abuse. It would have the additional advantage that any matter arising from the scrutiny by the Comptroller and Auditor General of the accounts of a state-aided party would be considered on behalf of Parliament by the non-partisan Public Accounts Committee.

#### **Reimbursement of Expenses of Election Candidates**

10.38 As indicated in paragraph 10.19, the view of the Committee is that a scheme for financial assistance to political parties should also be introduced at local level. This should be by way of a limited reimbursement of candidates' election expenses.

#### **Parliamentary Candidates**

##### *Basis of entitlement*

10.39 We recommend that reimbursement should be restricted to those Parliamentary candidates at general or by-elections who save their deposit, that is who poll at least one-eighth of the votes cast. Saving the deposit is traditionally regarded as minimum evidence of popular support. Without that condition, the numbers of frivolous candidatures might increase.

##### *Extent of reimbursement*

10.40 The amount to be reimbursed should be the candidate's actual election expenses subject to a limit of half his legally permitted maximum expenditure.

10.41 The extent of reimbursement to candidates must be of significant benefit to them. Its basis must also be fair as between rival candidates. On the other hand, we would not want to stimulate unnecessary additional expenditure or remove the need for candidates or constituency parties to raise money themselves. We believe that the formula we have proposed is consistent with these aims.



10.42 Our proposal is, we believe, to be preferred to the alternative which we considered of reimbursing half a candidate's actual expenditure. This alternative would penalise those candidates who kept their election expenses down. Our proposal applies a cut-off point which is common and fair to all.

#### *Cost*

10.43 The maximum permitted expenditure per candidate is at present £1,075 plus 6p for every 6 electors (county constituency) or every 8 electors (borough constituency). Constituency electorates range in size from 22,338 in Glasgow Central to 122,666 in South Antrim and the permitted maximum expenditure varies accordingly. The average maximum per candidate at the time of the October 1974 General Election was £1,627.

10.44 In the two 1974 general elections the average number of candidates saving their deposits was 1,807, giving a ratio of 2.8 candidates per seat. On this basis the maximum total cost of the scheme would be something under £1½ million for each general election. Assuming that general elections take place every four years the average annual cost of the scheme, ignoring by-elections, would be of the order of £360,000. In practice the cost will be somewhat lower because not all candidates who save their deposits will necessarily spend as much as half their legally permitted maximum expenditure.

#### *Administrative arrangements*

10.45 The scheme would use the present arrangements for the determination and declaration of candidates' expenses in Parliamentary elections. Under the Representation of the People Acts a candidate for election has to appoint an election agent, who may be the candidate himself, to look after the conduct of the campaign, and in particular to control the expenditure on it. After the poll, the candidate and his agent make a declaration of expenses before a Justice of the Peace, a Chairman or the proper officer of the County Council, District Council or Greater London Council in England and Wales, an officer appointed for the purpose by a Scottish local authority, or, in Northern Ireland, a Clerk to the District Council, the declaration being supported by bills and receipts. Election expenses are limited both in amount and in kind, and the declaration covers both aspects. The declaration and supporting documents are sent to the returning officer to be held available for inspection. It is open to challenge in the Courts if, for example, the validity of an election is called in question.

10.46 We feel therefore that it is reasonable to expect the declaration of expenses to be a correct account of what the candidate actually spends, and that there is no need for further checking or auditing except through the Courts.

10.47 The candidates who wished to claim reimbursement would apply to the Government department administering the scheme, quoting their declaration of expenses and the number of votes cast for them. These claims would be checked against the returning officer's count of the votes and the declaration of expenses held by him. Payment would then be made *directly to the candidate*.

10.48 Since the Home Office publishes a report of the voting figures and expenses of candidates in each constituency, we think it would be helpful and informative if they were to include in that report the amounts paid out in reimbursement.

#### *Audit and accountability*

10.49 Unlike the scheme for direct aid to parties, the reimbursement of candidates' election expenses presents no problem of public accountability. The Accounting Officer for the Vote from which the payments are made would account for the amount paid to each candidate on the basis of the candidate's eligibility claim and declaration of expenses, checked against the records of the returning officer.

#### **Local Government Candidates**

10.50 With the re-organisation of local government, candidates in local government elections have been faced with increased expenses and problems of communication arising from the larger electoral areas. The low level of turnout in local government elections also makes state aid at this level particularly important at the present time as a stimulus to wider participation and interest. We accordingly *recommend* that a scheme for limited reimbursement of election expenses should also be introduced for local government candidates.

#### *Basis of entitlement*

10.51 Under this scheme, candidates in local government elections, that is elections for county and district councils in England and Wales, regional, island and district councils in Scotland, the Greater London Council, the London borough councils and the Common Council of the City of London would be eligible, if they polled a certain proportion of the votes cast, for the reimbursement of their actual expenses up to a prescribed limit. We do not recommend the extension of this scheme to elections for parish or community councils. The cost of administering such an extended scheme, and the small individual sums involved, would outweigh any likely benefits. If a candidate standing at a local government election within the scope of the proposed reimbursement scheme was also standing on the same day for election to a parish or community council, only that part of his expenses relating to his eligible candidature should be taken into account for reimbursement purposes.

10.52 In Northern Ireland local government elections are based on a system of proportional representation. It would therefore be inappropriate for the scheme we recommend with regard to local government elections for the rest of the United Kingdom to be adopted in Northern Ireland without modification. We *recommend* that consideration should be given to the adaptation of our proposals to cover district council elections in Northern Ireland.

10.53 No deposits are required in local government elections. Consequently we have had to decide on some minimum qualification of electoral support. It seems reasonable to require candidates to qualify on the same basis as Parliamentary candidates. Accordingly, we *recommend* that candidates, to be eligible

for reimbursement, should have polled at least one-eighth of the votes cast. In electoral areas which have a number of seats, as in some district councils, the total votes cast in the area should be divided by the number of seats being contested and the candidate should have polled at least one-eighth of the resulting sum. Otherwise, since parties normally put forward more than one candidate in a multi-member area, the threshold qualification for individual candidates in such areas would effectively be much higher than in single-member areas.

#### *Extent of reimbursement*

10.54 The amount reimbursable should again be the candidate's actual election expenses subject to a limit of half his legally permitted maximum expenditure.

#### *Cost*

10.55 The present maximum permitted expenditure for each local government candidate is: the Greater London Council, £200 plus 5p for every 4 electors; for other relevant local government areas, £45 plus 1p for every elector. We have looked at recent election results in the Greater London Council, London Boroughs and a small sample of counties and districts. The ratio of candidates who won at least one-eighth of the votes cast to the number of seats was approximately: Counties: 2:1; Districts: 2:1; GLC: 2.4:1; London Boroughs: 2.3:1. On this basis the approximate number of candidates likely to win at least one-eighth of the poll in the various elections would be:

Counties (England and Wales)	4,303 seats—	8,606 Candidates
Districts (England and Wales)	17,582 seats—	35,164     "
Regions and Islands (Scotland)	507 seats—	1,014     "
Districts (Scotland)	1,116 seats—	2,232     "
GLC	92 seats—	221     "
London Boroughs	1,867 seats—	4,294     "

10.56 On the basis of these figures, we estimate that, ignoring by-elections, the total number of local government candidates qualifying for reimbursement over a four-year period would be about 52,000, and that their total annual maximum permissible expenditure would be on average about £1 million. Under our proposals reimbursement would be limited to a maximum of half of this. Assuming that qualifying candidates spent at least this amount, the estimated maximum cost of reimbursement would be in the region of £500,000 a year.

10.57 Local elections are at present financed from the rates, although the expenditure qualifies for rate support grant. It could be argued therefore that any scheme for reimbursement of local government candidates' election expenses should be financed in the same way. On the other hand, schemes of state aid can be regarded as relating to the whole system of parliamentary democracy, nationally and locally, and therefore chargeable to central funds. This is a matter which falls to be decided by Parliament.

#### *Administrative arrangements*

10.58 The statutory requirements, set out in paragraph 10.45, concerning the appointment of agents, the limitation of expenses to a maximum and to certain prescribed items, the declaration before a Justice of the Peace, and the availability of the declarations for inspection apply to local government elections as to Parliamentary elections.

10.59 The claim for reimbursement would be made by the candidate to the appropriate officer of the local authority who would check the claim against the returning officer's list of candidates, votes cast, and declaration of expenses. Payment would be made *directly to the candidate*.

#### **Elections to Assemblies and European Parliament**

10.60 We recommend that if a scheme of reimbursement of election expenses is adopted, it should be extended to cover any elections to the Scottish and Welsh Assemblies. We assume that somewhat similar electoral procedures will apply. If deposits are not required, candidates should be required to poll one-eighth of the votes cast, with necessary adjustments for two-member constituencies in order to be eligible for reimbursement.

10.61 It has been suggested that the EEC may help with the cost of direct elections to the European Parliament. Whether or not this is so, any such help would probably be granted solely towards the expenses of the electoral machinery eg returning officers' expenses. We therefore recommend that our scheme of reimbursement of Parliamentary election expenses should, as necessary, be extended to candidates for any direct elections to the European Parliament.

#### **Date of Commencement**

10.62 We recommend that legislation to provide for the implementation of the schemes proposed in this Chapter should be introduced as soon as possible. Our scheme for the limited reimbursement of candidates' election expenses should operate for all relevant Parliamentary and local government elections held on or after 1 April 1977. The first payment of the proposed annual grants should be made on 1 April 1977 and quarterly thereafter.

## CHAPTER 11

### CONCLUSIONS

11.1 It is disappointing not to be able to present a unanimous Report, though our differences of opinion will cause no surprise. They will doubtless be reflected in the political and public debate which is likely to follow.

11.2 We have done our best and it is now for Parliament to decide. It is desirable to avoid undue delay in coming to conclusions. All political parties face financial problems and the sooner they know where they stand the better. We have pressed on with our Report in the hope of being in time for discussions at the party conferences in the autumn. We are sure that the need to reach early decisions is fully realised.

11.3 We wish to thank our secretariat for their devoted services throughout our enquiry. To Miss Dora Pease, our secretary until a few weeks ago, we record our warmest thanks for her unfailing efficiency, devotion to our work, and unsparing attention to our many requirements.

11.4 Mr Michael Townley succeeded Miss Pease when she had to leave for family reasons. He undertook with conspicuous success the daunting task of assimilating the results of a year's work and of helping us through the intensive final phase of the Report. We are most grateful to him.

11.5 Mr Geoffrey Griffiths and Miss Beryl Mortimer have been in constant and cheerful attendance coping with the weight of administration of continuous sessions for fourteen months. We thank them too.

11.6 We have welcomed the opportunity of studying this important aspect of our parliamentary system, in which we all firmly believe. All of us, of whatever shade of opinion, have one aim in common which is to promote the strength and effectiveness of our parliamentary democracy.

## NOTE OF RESERVATION by SIR EDMUND COMPTON

1. My reservation relates to the *scale* on which the parties should be expected to increase their activities. As stated in paragraph 3.6 of the Report, the parties are an essential feature of our system of Parliamentary democracy, and it makes for the health of the system that they should have the means to perform their role effectively. But I have reservations about an assessment of that role that leads to the judgement that "to be effective in the context of the expanded role of modern government, the parties need to raise their sights, widen their vision, and greatly expand their efforts and resources" (paragraph 9.4), with the implication that "we might accordingly have recommended committing really substantial resources to improving the quality of the political parties' performance in Britain" (paragraph 9.5).

2. I have no reservation, however, about the judgement on which the recommendations of the majority are actually based, namely that the working of Parliamentary democracy would be seriously hampered if the performance of the parties were to fall below a minimum level of activity and efficiency (paragraph 9.6), and that a "modest injection of state aid is the best, and perhaps the only, way of arresting the run-down of the parties, and of starting the process by which their effectiveness can be raised to an adequate level" (paragraph 9.17); and I join the majority in recommending that the amount of state aid on the minimal basis should be no more than about 20% of the combined annual central and constituency incomes of the parties, the annual sum being of the order of £2 million (paragraph 9.21).

3. As to methods of payment of state aid, I appreciate the arguments of the minority in favour of confining Exchequer support to "candidates in the field" (Minority Report, paragraph 7), and would have wished if possible to exclude direct Exchequer grants to party headquarters. But it has to be recognised that if state aid were only to be provided by the scheme for a limited reimbursement of the election expenses of parliamentary and local government candidates, as described in (paragraphs 10.38-59), the amount of aid so given would fall far short of the addition to the parties' resources that I, with the majority, believe to be required on the minimal basis. Therefore I join in recommending, as well as the partial reimbursement of election expenses, the scheme for annual grants to parties for their general purposes, as described in paragraphs 10.20-37. In doing so, I would place special emphasis on the importance of requiring parties so assisted to comply with the conditions of public accountability for which our scheme provides.

**MINORITY REPORT by MR I AITKEN, SIR TATTON BRINTON,  
MR J HAVILAND and PROFESSOR D N MacCORMICK**

1. The four members of the minority make no apology for submitting a dissenting conclusion on the difficult and complex question which was placed before the Committee. Although we share with the majority a feeling of regret that we were unable to reach a unanimous verdict, it quickly became apparent in the drafting stages of the Committee's work that the differences between us and our colleagues in the majority group are not about matters of detail but about the diagnosis, the prognosis and the prescription. We wish fully to associate ourselves with the majority of the Committee in their expressions of gratitude to all who gave evidence to the Committee or assisted it in other ways and above all to the secretariat of the Committee: Miss Pease, Mr Townley, Mr Griffiths and Miss Mortimer. We wish also to thank the Chairman and our other colleagues for the friendly and co-operative spirit in which all our deliberations took place, even when it became clear that there could not be an agreed final report.

2. Although it is true that no member of either group on the Committee has expressed total opposition to the provision of any form of state assistance to the political process in any circumstances whatever, we reached the conclusion that the weight of the evidence did not justify a recommendation in favour of state aid in present circumstances. It should be noted, however, that the minority does not dissent from the expository material in Chapters 1 to 8. Nor do we dissent from the descriptions of the two schemes of state aid which the Committee as a whole found most worthy of attention. We agreed with our colleagues in the majority group that the two schemes outlined in Chapter 10 represent by far the best and fairest means by which taxpayers' money could be deployed, either directly to political parties or indirectly through the electoral system. We also agree with their reasons for rejecting a variety of other schemes, and that they should be dismissed from further consideration. We wish it to be clearly understood, however, that this highly qualified endorsement is given only on the strictly hypothetical basis that, if there is to be state aid of one kind or the other, these two systems are the best available, presenting fewer dangers than any of the others considered by the Committee.

3. Our dissent is partly explained by the fact that our conception of the nature and role of political parties differs, perhaps fundamentally, from that of our colleagues as described in Chapter 9. There may well be, as they argue, a "minimum level of activity and efficiency" for parties, below which they cannot fall without hampering the working of democracy, but we do not consider that it is possible to determine what that level may be, or whether it would be the same for all parties, or to measure the parties' shortfall, or to calculate the resources they require. Indeed, we think it mistaken and possibly dangerous to suggest that any work can be required of a political party—by the State, by Parliament or by anyone other than its members. We accept the importance of the survival of political parties—though not necessarily the present ones—if our existing system of parliamentary government is to continue in its current form. But we do not believe that political parties represent more than one among the several pillars which support our parliamentary democracy. It is the commitment of the British electorate to parliamentary democracy, and its willingness

to work it, which ultimately sustains the system; the parties are part of the expression of that commitment and that willingness. We therefore cannot accept the majority's view that the parties are the "mainspring of all the processes of democracy". But even if they were, our approach has been that the injection of large sums of state money into our essentially voluntary system of party politics is so grave a departure from historical practice as to represent, in itself, a threat to that system. We believe that such a risk could only be justified if it could be shown that parliamentary democracy was in danger because of the imminent bankruptcy of the major political parties. We do not consider that the evidence placed before the Committee (particularly the survey of central party finances—Annex B) suggests that this position either exists now or is likely to exist in the near future. It is worth noting, in this connection, that the majority does not differ from us on this point; their recommendations are not based on any assertion of acute financial need.

4. We acknowledge that additional financial burdens are likely to be placed on the parties if the proposed legislation to establish elected assemblies in Scotland and Wales reaches the statute book next year, and if Britain fulfils its obligation to adopt direct elections for the European Parliament. But we believe that traditional sources of funds will be capable of meeting the extra cost of party politics, especially in the light of the extremely low level of British party subscriptions. If this optimism proves to be misplaced, the minority group believes strongly that direct aid in the form of annual grants to national party headquarters should be avoided at all costs, and that state assistance to the political process should be exclusively directed to the point at which the additional cost arises—namely, the expenses of candidates participating in elections.

5. The minority group recognises that its hostility to direct aid may stem from what one witness described as a "gut reaction". They have preferred this phrase to the more elegant expression "a matter of principle" on the grounds that experience has shown that one kind of principle can be over-riden by another in the normal practice of politics. The rescue of parliamentary democracy from imminent collapse would undoubtedly be such an over-riding principle in this case, if it could be shown to be at stake. In the absence of evidence that it is, the minority believes that there are overwhelming arguments against a direct state subsidy which apply to the immediate circumstances of the present, together with others which apply more generally. The immediate arguments can be summarised as follows:

- (i) The current financial difficulties of the parties are due in part to inflation and in part to the accident of two costly general elections in the single year of 1974. It seems to the minority that it would be wrong to take a highly contentious and probably irreversible step simply to meet a situation which is quite likely to be temporary. Despite some fashionable gloomy views (some of which are reflected in the majority report) Britain's current crisis is in our view economic rather than political, and the most effective solution to the difficulties of the parties would be an improvement in the general state of the



economy. That is an aim to which all the mainstream parties have given first priority.

- (ii) Besides forcing painful economies on the party machines, the nation's economic difficulties are imposing severe financial restraints on all forms of public and private expenditure. There is no justification for cushioning political parties from the impact of the crisis, and there may even be a case for allowing them to experience it in full. In particular, it would be morally offensive to provide them with a state subsidy at a time when programmes of vital social and environmental importance are being drastically cut, and when the Government is facing heavy pressure for still more painful and immediate cuts. The Prime Minister has said more than once that there can be no initiation of new expenditure while the crisis persists. It is inconceivable to us that the Government could make an exception for the party organisations at a time when, to take just one example, it is apparently impossible to preserve a world famous women's hospital like the Elizabeth Garrett Anderson Hospital.
- (iii) Though it is risky to try to interpret the minds of the ministers who set up this Committee, it is probably safe to assume that the immediate stimulus was the expectation of a severe financial crisis in the Labour Party and a somewhat less severe one in the Conservative Party. Subsequent analysis of the figures supplied by the parties have not supported this doomsday view of the situation in Smith Square, and it is arguable that the Conservative Party's heavy reliance on fluctuating corporate donations rather than dependable subscriptions and affiliation fees has now placed it in a slightly more vulnerable position than the Labour Party. Yet the Conservative Party has consistently proclaimed its opposition to state aid in any form. It would be peculiar, to say the least, to offer them money which they persist in saying they neither need nor want; it would be even more peculiar (not to say distasteful to Conservative-minded taxpayers) to go ahead with state aid for the Labour and Liberal parties if the Conservatives declined to accept their share—a situation which may very well develop.
- (iv) The Liberal Party is undeniably in a chronically worse financial position than either of the other two major United Kingdom parties. Its own scheme for state aid, which it has placed before the Committee in detail, seems to the minority to be wildly more ambitious than anything the Committee could or should recommend. Though acutely conscious of Liberal poverty, we regretfully conclude that there is no way in which we could justify proposing a nation-wide scheme of state aid solely in order to meet the needs of the Liberal Party. In this context, we note that the Scottish National Party and Plaid Cymru are firmly opposed to state aid and prefer to rely upon the enthusiasm of their members to sustain them. The Liberal Party naturally looks to electoral reform as the real source of its eventual salvation, but the recommendation of such reforms is no part of this

Committee's business. We also note that, even among the Liberals, the Scottish Liberal Party has declared against state aid.

6. The more general arguments against state aid can be summarised as follows:

- (i) Direct state aid would breach the established British constitutional practice that organisation for political ends is a strictly voluntary activity. Even voting is not yet compulsory, and to compel taxpayers to finance political parties with which they have no sympathy would undoubtedly antagonise a large number of citizens. The antagonism would amount to outrage in many cases if the aid were to extend, let us say, to the Communist Party, the Trotskyists or the National Front. Moreover, those who are worried about a threat posed by these extremist groups cannot argue that they are too insignificant to qualify for aid under any realistic scheme. The recent rapid advance of the National Front has shown that this need not always be so. Yet to "rig" the system to exclude these and other more-or-less extremist groups would be an even graver offence against democratic practice and the simple rules of fairness.
- (ii) Political parties have always been short of funds, and have habitually claimed to need more money to fulfil their functions and extend their activities. But there can be no guarantee that the provision of state money would of itself "improve" the performance of parties, particularly if there is to be no public accountability for its use. Moreover, quite apart from the oddity of choosing an economic crisis as an appropriate moment to "improve" the performance of political organisations, the very activity of raising money has always been recognised as one of the cohesive forces holding parties together. There is a basic inconsistency in arguing that a state subsidy would release party workers for "more productive activity" while also claiming that it would have no harmful effect on the flow of voluntary contributions. Both propositions cannot be true at the same time, and the minority group is inclined to believe that, in spite of the claims for the European experience, it would be the voluntary contributions which would suffer. This would probably be felt most severely by the Conservative Party, partly because of its dependence on donations from individuals and companies as a major source of its headquarters income, but even more because of the relatively high proportion of its overall income which is derived from voluntary fund raising in the constituencies.
- (iii) Direct state aid would tend to weaken the links between political parties and their traditional sources of support. Indeed, many of the most enthusiastic supporters of state aid cheerfully advance this argument as a positive benefit, believing that it would diminish the element of confrontation in British political life and lead to a greater degree of consensus between the parties. The argument is usually associated with a belief in radical electoral reform and progress towards coalition government on the European pattern. It is an attractive case, provided

one believes in the other elements too. But the Committee as a whole has reached agreement on the proposition that its recommendations should not attempt to reshape the British party political system, and should be designed as far as possible to be neutral in matters of constitutional practice—a subject which in any case has no place in our terms of reference. Moreover, the minority group believes that any tampering with traditional party alignments, even by accident, would be profoundly mistaken. The existing alignments reflect a degree of actual conflict in society, and to that extent any attempt to distort it would threaten to drive those left wing and right wing elements which currently stay within the mainstream of party politics into extra-parliamentary activity of a potentially dangerous kind. It is almost certainly true that the existence of the Labour Party as a broad alliance covering the whole territory from the centre leftwards has protected Britain from any significant Communist or ultra-left challenge on the French or Italian pattern. It is probably also true that the breadth of the Conservative Party appeal has had a similar influence on the politics of the right.

- (iv) There is no evidence that the dependence of the Labour and Conservative parties on institutional support from the trade unions and industry has distorted their overall political direction. On the contrary, it can be argued that the two parties exist to represent these legitimate interests, among others, and that they attract the financial support of industry and the trade unions precisely because they do. It was the trade unions which founded the Labour Party; they remain an integral part of it, and the affiliation fees which they pay to it must therefore be sharply distinguished not only from individual membership subscriptions but also from "donations". But the Committee was unanimous that there should be no attempt to ban institutional contributions and donations, or to limit their amount. Indeed, even if a successful attempt were to be made along these lines, it is certain that the trade unions would continue to be a powerful force in the Labour Party, and equally that the Conservative Party would continue to reflect the interests of free enterprise and private industry. Should the financial dependence of either party on sectional interests ever lead to a serious narrowing of its appeal, then the electorate can be counted upon to provide the appropriate democratic antidote. We are also sceptical about the concept of public money as in some way laundered, and therefore "neutral". On the contrary, we find it as dubious as the concept of a free lunch. It is only a short step from the injection of state funds to direct demands on the party organisations for a quid pro quo in the form of radical changes in their rules and practices. There may be a case for this in a different context but such a development would be a long way from neutrality.
- (v) Direct subsidies to the national headquarters of the parties would greatly strengthen the central organisations at the expense of the rank and file in the constituencies at a time when all the pressure

is in the opposite direction. It is arguable that this might not be too harmful in the Labour Party, at least under its present management, since it draws its extra-parliamentary leadership by election from a delegate conference. But there have been times, even in the Labour Party, when these checks have been ineffective, and they could well return. The Conservative Party is already heavily centralised in the sense that its national organisation and research agency is virtually controlled by the party leader in the Commons, and the provision of an independent source of so-called "neutral" money could only increase the centralisation.

- (vi) Cynicism about politics and politicians is already at an alarmingly high level, partly because of the inability of successive governments to solve Britain's economic problems, but partly because of a lengthening series of financial scandals involving political personalities at national and (more often) local level. The sight of political representatives at Westminster voting substantial sums of public money to their parties could only deepen this cynicism still further. The minority group is somewhat sceptical about the weight that can be placed on the findings of the social survey commissioned by the Committee, because the method of questioning which had to be adopted sought an "informed" response from the small sample which was interviewed. When, or if, a system of state aid is adopted, it is highly unlikely that the public in general will react in an equally "informed" way.
- (vii) The practices of the four European countries which the Committee had the good fortune to visit seem to the minority to have little, if any, relevance to British experience. Sweden, in spite of a relatively long and successful history of parliamentary democracy, operates its system of state subsidies against a background of vastly greater economic prosperity; moreover, the opulence of its aid, not to mention the extent to which its parties have become dependent on it, is enormously greater than anything this Committee could or would recommend. Neither Austria nor West Germany has more than a brief uninterrupted experience of true parliamentary democracy, and it is probable that one of the underlying reasons for introducing state aid is a desire to provide a reliable clockwork driving force for the new machine until it has become more securely established. Holland, where some members of the Committee felt most at home, has yet to decide in favour of direct aid and has so far only experimented with a somewhat ghostly system of indirect aid to institutes for research and education. The claims made for the Dutch institute system were by no means grandiose, and more than one distinguished politician and academic in Holland was unaware even of the existence of the educational bodies.
- (viii) All members of the Committee, majority as well as minority, have been at pains to avoid the danger of ossifying the existing party political structure by bolstering the established parties at the expense

of emerging groups. But there is an equal and opposite risk of over-compensation in the effort to construct a strictly neutral system. The danger here is of providing emerging parties with a new, wholly artificial and continuing stimulus once they have passed the qualifying threshold which is a feature of almost every practical scheme of aid. Recent experience suggests that the National Front could well become a beneficiary in the very near future.

7. The arguments above summarise the factual and logical case against state aid, even if much of the minority group's opposition is founded on a simple distaste for what we regard as a dangerous and irreversible departure from British constitutional practice. However, we accept that a sharp deterioration in the financial viability of the parties might justify a re-examination of the case. Should any future government conclude that the situation had become critical, and that a genuine rescue operation was essential, we believe strongly that it should direct its attention to a scheme of indirect aid channelled to candidates in the field rather than to a system of block grants to party headquarters. Such a scheme is described in the second half of Chapter 10, and would involve the reimbursement of a proportion of the legally allowable election expenses of each candidate who saves his deposit or its equivalent. It could easily be applied not only to Westminster elections but also to elections for the European Parliament, the Scottish and Welsh Assemblies, and even county and district elections. The overriding advantage of this approach over block aid to parties at the centre is that it would be a subsidy to the electoral system, and would therefore represent direct aid to the democratic process by assisting voters to make an informed choice between candidates. The bulk of the funds thus provided would of course find their way into party coffers, but this could be regarded as a legitimate reimbursement for a valuable and necessary service to the electorate. Such a scheme would be in line with historic British practice in this field, which has always concentrated state aid to the political process outside Westminster on measures which have helped the electorate to know who and what they are being asked to vote for, and where and when to vote. This is demonstrably true of those subsidies which, in the view of some of our witnesses, have already established "the principle" of state aid—namely, the provision of free postal facilities and the delivery of polling cards during general elections, and the allocation of free television and radio facilities to the parties during and between campaigns. Members of the minority therefore believe that some such system would involve far fewer serious risks than a scheme of block grants, and could well be kept in reserve against any serious deterioration in the situation in the future.

8. Finally, and with some diffidence, we would like to offer a warning. The majority fairly insists that it is proposing no more than a modest injection of funds, largely in the nature of a shot in the arm designed to stimulate renewed activity. But we believe that the experience of European countries confirms that state aid, once started, never diminishes and almost always increases. As one distinguished Swedish politician told us, in what was intended to be a piece of helpful advice: "start small—you can always increase it later".



## ORGANISATIONS AND INDIVIDUALS WHO GAVE EVIDENCE

**Members of Parliament**

Mr Michael Hamilton, MP  
 Mr Eric Heffer, MP  
 Mr Douglas Hurd, MP  
 Mr Nigel Lawson, MP  
 Mr Dennis Skinner, MP

**Political Parties**

Alliance Party of Northern Ireland  
 Communist Party of Great Britain  
 Conservative and Unionist Party  
 Co-operative Party  
 English National Party  
 Labour Party  
 Liberal Party  
 Northern Ireland Labour Party  
 People and Agrarian Association  
 Plaid Cymru  
 Scottish Liberal Party  
 Scottish National Party  
 Social Democratic and Labour Party  
 Ulster Unionist Party  
 Unionist Party of Northern Ireland  
 Welsh Liberal Party

**Political Organisations**

Central Fife Conservative Association  
 Liberal Party Agents  
 National Society of Conservative and Unionist Agents  
 National Union of Labour Party Organisers  
 Tory Action

**Local Government**

Association of County Councils  
 Association of District Councils  
 Greater London Council  
 Mr J Gyford—Deputy Leader, Labour Group Essex County Council  
 Strathclyde Regional Council

**Trade Unions**

Amalgamated Union of Engineering Workers (Engineering Section)  
 Amalgamated Union of Engineering Workers (Technical, Administrative and Supervisory Section)  
 Association of Professional, Executive, Clerical and Computer Staff  
 Association of Scientific, Technical and Managerial Staffs

Iron and Steel Trades Confederation  
National Union of Agricultural and Allied Workers  
National Union of Mineworkers  
National Union of Railwaymen  
Transport and General Workers Union  
Union of Construction, Allied Trades and Technicians

**Firms and Business Interests**

Aims for Freedom and Enterprise  
Association of Independent Businesses  
British United Industrialists  
Confederation of British Industry  
General Electric Company Limited  
Grand Metropolitan Hotels Limited  
Guest Keen and Nettlefolds Limited  
Newarthill Limited  
Plessey Company Limited  
Unilever Limited

**Other Groups**

Political and Economic Planning  
The Politics Association

**Private Individuals**

Lord Armstrong  
Lord Aylestone  
Dr David Butler  
Professor Bernard Crick  
Professor R Dahrendorf  
Professor M Harrison  
Lord Hill of Luton  
Mr N Johnson  
Mr R Klein and Miss R Rajkumar  
Sir Frank Marshall  
Mr D Robertson  
Professor Richard Rose  
Mr O Stutchbury  
Lord Gordon Walker  
Mr A Watson  
Mr Michael Wolff



## GUIDELINES SENT BY THE COMMITTEE TO THOSE SUBMITTING WRITTEN EVIDENCE

1. It may be helpful for those giving evidence to have an idea of the questions the Committee has under review.

2. The terms of reference of the Committee are as follows: "To consider whether, in the interests of parliamentary democracy, provision should be made from public funds to assist political parties in carrying out their functions outside Parliament; to examine the practice of other parliamentary democracies in this field; and to make recommendations as to the scope of political activities to which any such provision should relate and the method of its allocation."

3. These terms cover a wide field: they include both Northern Ireland and local government. The Committee is looking at the aspects listed below, and would welcome information or comments you may have on those of particular interest to you. The list is not exhaustive; nor is it meant to be restrictive. Comments on any matters of relevance will be helpful. You may find of use a discussion of the whole subject in a recently published book "The Problem of Party Government" by Professor Richard Rose, Macmillan, 1974, especially chapters 9 and 10.

### A Factual Information

This section is primarily for the political parties to answer, since only they are likely to have the information needed. The Committee wishes to find out how parties have got into their present difficulties, just what these difficulties are and whether they were causing anxiety before the sharp rise in the rate of inflation. Information in the following categories or some other equivalent classification will be helpful.

For each party:

(i) membership trends over, say, 10 years;

(ii) income

(a) national

(b) constituency

listing the amounts or estimated proportions from

—donations

—affiliation fees

—membership subscriptions

—sale of literature

—lotteries, football pools, etc

—other eg bazaars, fetes, coffee mornings, etc.

and if possible giving figures over several years to demonstrate trends;

(iii) expenditure

(a) national

(b) constituency

- salaries
- postage, accommodation etc
- publications
- other (specify)

Indicating any changes over past years and demonstrating trends;

- (iv) flow of funds between different parts of party, eg constituency and headquarters;
- (v) expenditure on and trends in staffing at headquarters and constituency level, by function eg balance between agents, research workers, publicity and information staff, administrative staff, etc;
- (vi) any other relevant trends (with measurements where possible) eg:
  - expenditure on general and local authority elections
  - constituency activities
  - balance of voluntary/paid work.

## B Future Prospects

The Committee is also concerned with what the future holds and how parties, Parliament, local authorities and the political structure generally, may be expected to develop, with or without some financial aid to parties. We hope it is not necessary to contemplate inflation at anything like the present rate, though rising costs are bound to come into the picture. Since much of such forecasting is guesswork, the Committee would find useful opinions on these aspects from all who feel able to give them.

- (i) forecasts of future income, expenditure, membership trends, activities, etc for each party;
- (ii) possible effects of devolution eg of elected assemblies in Wales or Scotland;
- (iii) possible effects of membership of BEC and European Assembly.

## C Expression of Opinion

This section contains questions which the Committee must attempt to answer affecting as they do the basic philosophy and the value judgements in any recommendations. Opinions are bound to be subjective here and for that reason the Committee will welcome yours.

- (i) the functions of political parties; whether the United Kingdom could do without political parties as now organised;
- (ii) whether, and if so, how far, the interests of parliamentary democracy are being damaged by shortage of money in the parties; what desirable work is not being done;
- (iii) whether present funds are used effectively; what activities will be curtailed if shortages continue;

- (iv) reasons for the present difficulties in raising money; whether falling off of interest by industry and/or trade unions;
- (v) reasons for the alleged decline in membership; whether membership important; what attempts made to increase membership;
- (vi) how active constituency parties should be; whether there should be full-time or part-time agents in every constituency;
- (vii) how necessary are research activities in each party; what "research" actually consists of; what improvement could more money bring;
- (viii) how much parties should cost at current prices—in total or by activities; whether ways of raising more money, other than getting Government aid, have been fully explored; whether donations should be exempted from tax; what "easy payment" methods could be devised to raise money from eg small subscribers;
- (ix) what, if any, other ways there are of "helping" political parties in the interests of parliamentary democracy;
- (x) in what, if any, ways the interests of parliamentary democracy might be damaged or put at risk by the provision of money for political parties out of public funds; in what, if any, ways it would be possible to guard against such risks.

#### **D Special Aspects of Interest**

This section refers to special aspects of interest to particular parties which the Committee must look at; factual information and examples will be useful.

- (i) the importance to the trade unions/Labour Party of the practice of sponsoring candidates and the political levy; possible effect on national or local policies;
- (ii) the basis on which the political levy is collected and the basis on which affiliation fees are paid to the Labour Party, the difference in numbers between the two; and the justification for it;
- (iii) the importance to business/Conservative Party of donations from industry; possible effect on national or local policies;
- (iv) the importance of Aims of Industry and other groups in this connection.

#### **E If Money Given From Public Funds**

It is clear that different ways of using public funds to help political parties are practised in a number of countries. Whatever the Committee may recommend one way or the other, it is likely to examine possible methods of financial assistance suited to the particular political, social and governmental circumstances in the United Kingdom. Your views would be helpful.

- (i) where money should come from—exchequer, rates, allocation by individuals of part of income tax to "a political fund" (on lines of USA presidential campaign fund);
- (ii) the extent, if any, to which it should be made conditional on support from other sources, eg subscriptions, donations or contributions, being refused or prohibited;

- (iii) the amount needed for each party; whether given at constituency and/or national level;
- (iv) whether and what conditions should be attached eg given for expenditure on particular activities—agents' salaries, educational work, research; or made conditional on particular organisational aspects eg specified procedures for selecting parliamentary candidates; or limited to reimbursement of election expenses;
- (v) how money should be allocated; by number of votes in general elections; number of MPs; flat rate; linked to amounts raised from other sources eg on a £ for £ basis; whether some at least should be given in connection with elections for local authorities and other bodies;
- (vi) whether ceilings should be imposed on total expenditure of each party;
- (vii) grants from public funds would possibly be subject to some form of audit and report to Parliament: would this be acceptable; whether accounts of party income and expenditure should be published;
- (viii) how far experience of the practice in other countries is relevant to United Kingdom circumstances.

## FINANCIAL STATE OF THE PARTIES AT THE CENTRE

1. This Annex contains details of the main parties' central finances over the period 1967 to 1976. The parties submitted returns of income, expenditure and reserves, presented as far as possible under certain broad headings. In order to highlight trends the figures have been recast in terms of constant (1970) prices; a note explaining how this was done is included as an Appendix.
2. It was not possible for the parties to provide the information in identical form, and some inconsistencies in presentation were therefore unavoidable. The main differences are as follows:
  - (a) the Welsh Liberal Party, the Scottish National Party and Plaid Cymru did not provide figures for the years prior to 1970;
  - (b) the Scottish Conservative Party were unable to provide information about reserves or analyses of income and expenditure;
  - (c) the Communist Party submitted two-yearly returns of income and expenditure and no information about reserves;
  - (d) the 1975 figures for the Labour and Liberal parties are provisional;
  - (e) the Liberal Party was unable to provide an analysis of income and expenditure for 1975.
3. Amounts have been expressed to the nearest £ thousand; because of this rounding, figures under the separate headings do not always add up exactly to the totals shown.

**PARTY CENTRAL INCOME  
AT CONSTANT (1970) PRICES  
(£000s)**

Party	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	
Conservative	1,041	2,413	1,076	1,823	816	967	2,043	950	801	
	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976 (est)
Scottish Conservative	—	—	—	—	82	71	60	105	47	—
Labour *†	457	414	403	559 513 GE	552	645	707	684 607 GE	584	515
Liberal*	112	111	127	216	68	60	95	180	49	—
Scottish Liberal	—	9	12	14	7	7	7	17	7	7
Welsh Liberal	—	—	—	1.2	1.6	1.5	1.8	0.9	1.0	0.9
Scottish National	—	—	—	36	21	16	20	38	27	26
Plaid Cymru	—	—	—	41	27	44	29	47	37	37
Co-operative	79	74	67	67	66	66	64	76	51	—
Communist‡	70	70	65	65	54	54	61	61	—	—

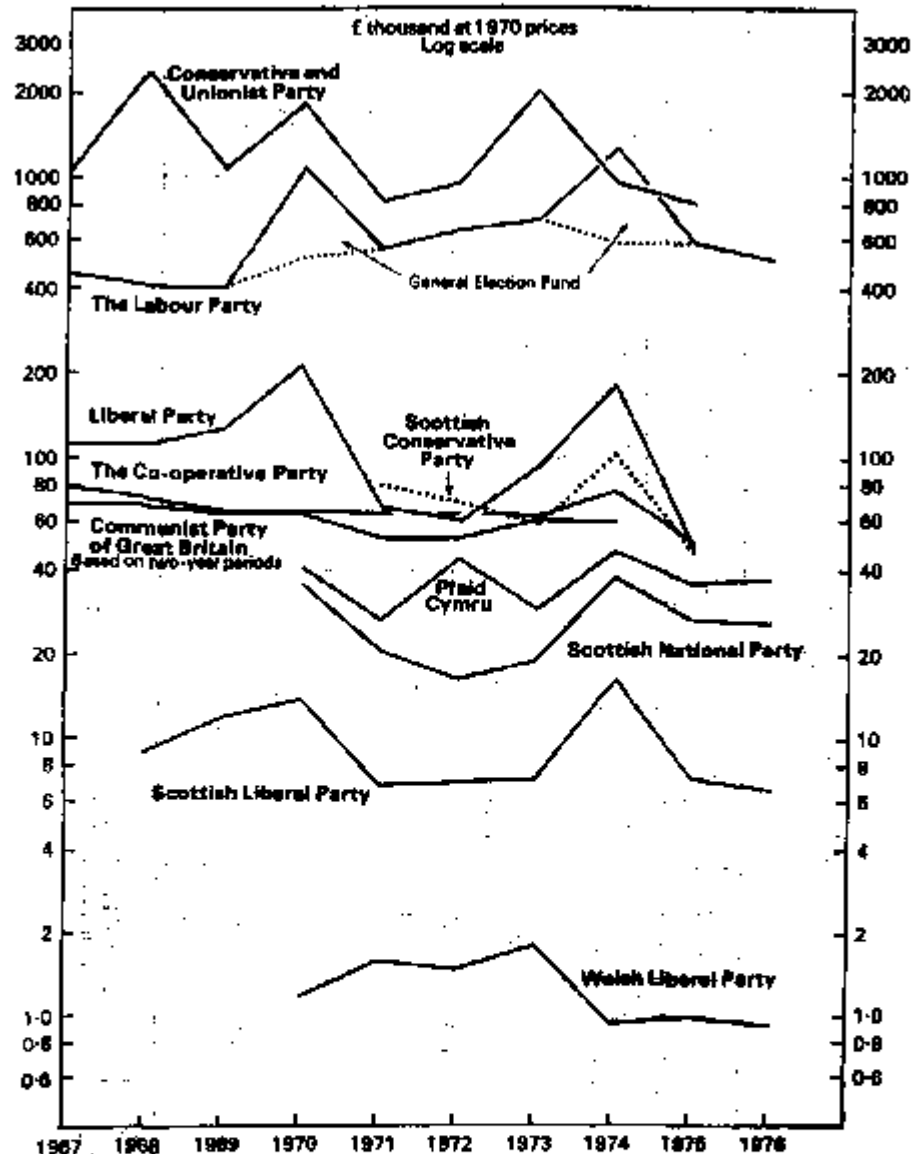
\* Figures for 1975 are provisional.

† GE — General Election Fund.

‡ Two-yearly accounts submitted—figures have been divided equally for the period.

# Party Central Accounts

## Total Income



**PARTY CENTRAL EXPENDITURE  
AT CONSTANT (1970) PRICES  
(£000s)**

<i>Party</i>	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	
Conservative	1,320	1,208	1,447	1,628	1,092	1,196	1,550	1,719	794	—
	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976 (est)
Scottish Conservative	—	—	—	—	82	70	62	102	51	—
Labour *†	499	493	566 114 Sp	643 347 Sp	630 24 Sp	709 11 Sp	703 27 Sp	891 470 Sp	585 16 Sp	544 6 Sp
Liberal*	160	137	114	99	74	72	86	207	57	—
Scottish Liberal	—	10	9	13	10	9	9	21	7	6
Welsh Liberal	—	—	—	0.6	0.6	0.9	1.1	1.1	1.2	1.3
Scottish National	—	—	—	36	20	17	21	32	29	28
Plaid Cymru	—	—	—	43	29	46	33	50	38	39
Co-operative	85	78	75	78	63	62	57	80	54	—
Communist‡	72	72	66	66	57	57	58	58	—	—

\* Figures for 1975 are provisional.

† Sp = Special expenditure paid from the General Election Fund.

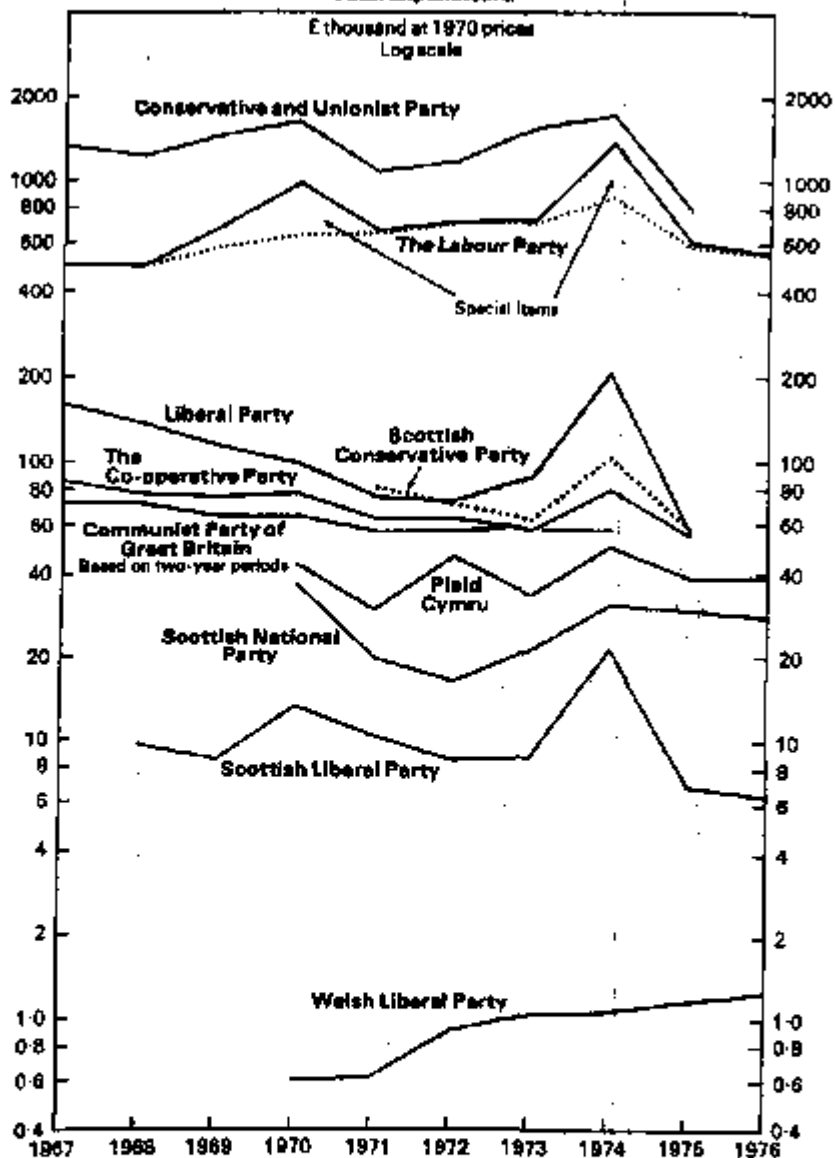
‡ Two-yearly accounts submitted—figures have been divided equally for the period.



# Party Central Accounts

## Total Expenditure

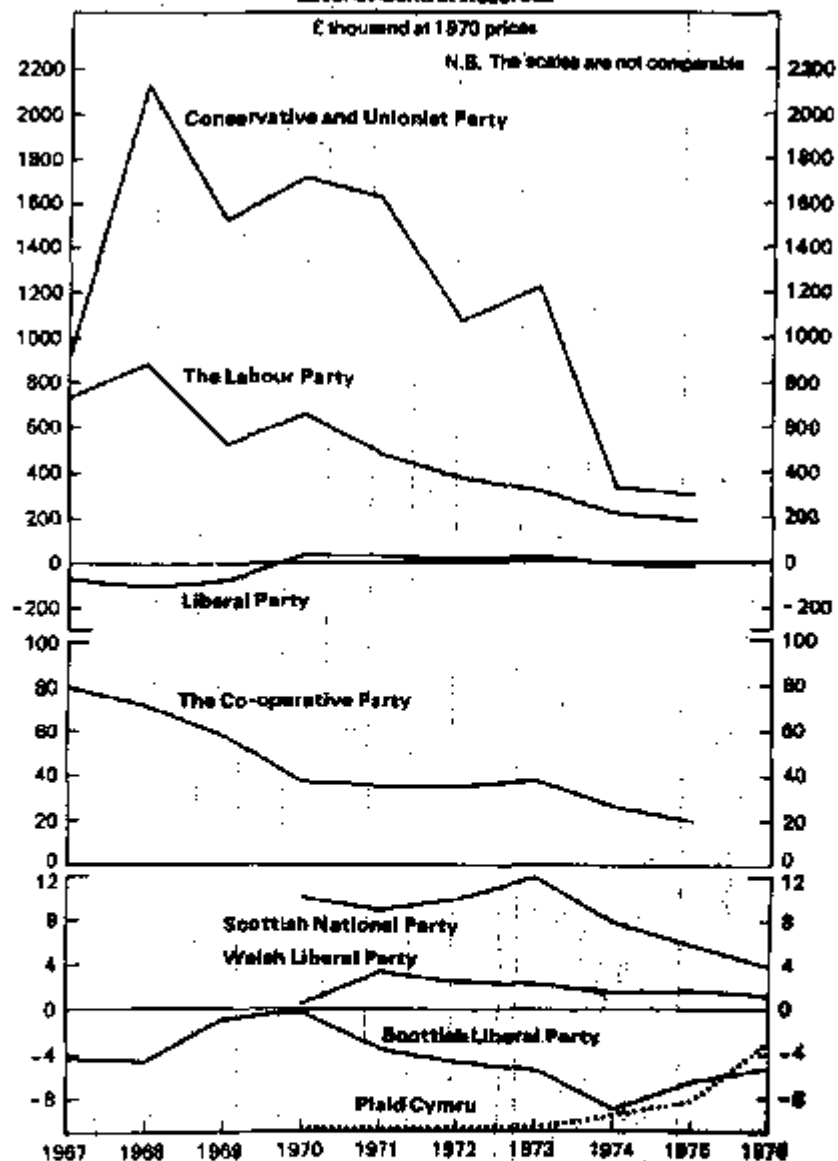
£ thousand at 1970 prices  
Log scale



**PARTY CENTRAL RESERVES  
AT CONSTANT (1970) PRICES  
(£000s)**

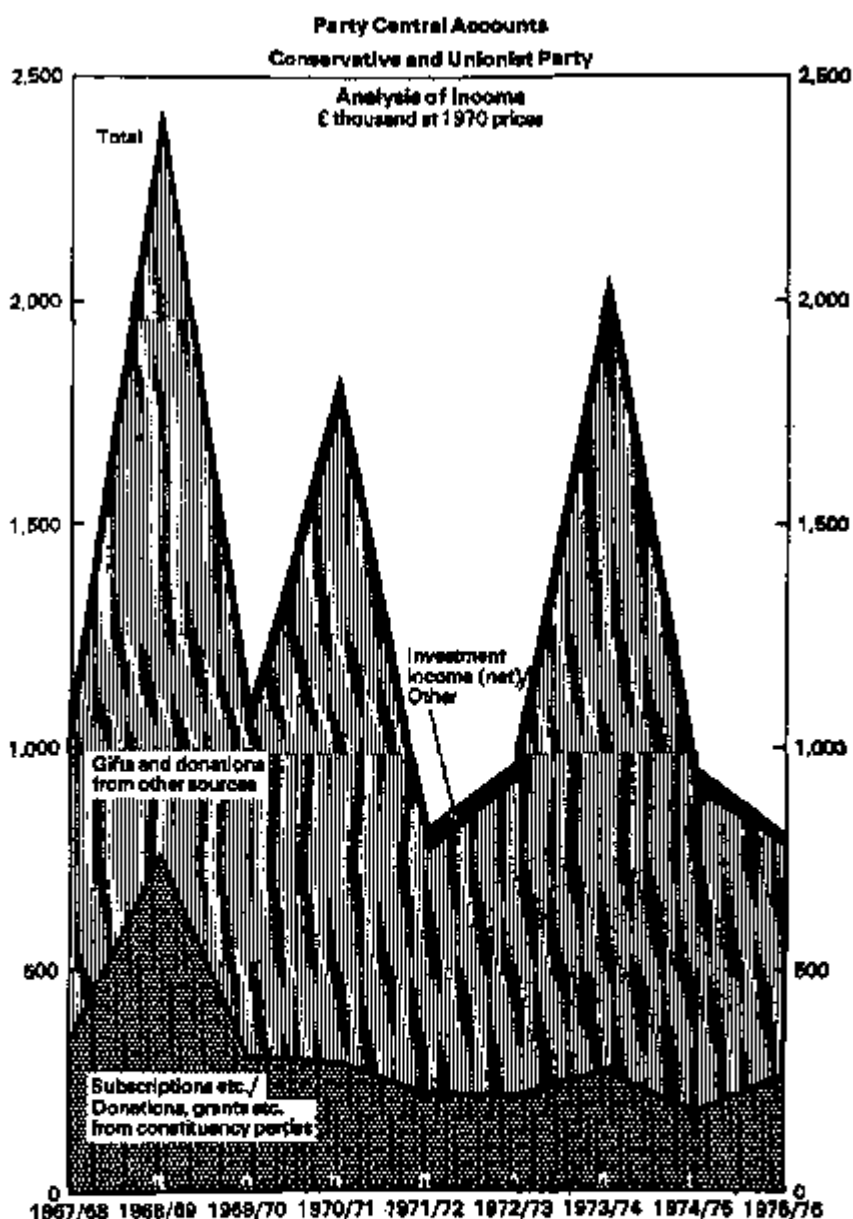
Party		31.3.68	31.3.69	31.3.70	31.3.71	31.3.72	31.3.73	31.3.74	31.3.75	31.3.76
Conservative		913	2,132	1,534	1,709	1,624	1,094	1,227	338	304
	31.12.67	31.12.68	31.12.69	31.12.70	31.12.71	31.12.72	31.12.73	31.12.74	31.12.75	31.12.76
Labour	737	870	541	660	491	385	312	203	190	—
Liberal	-83	-104	-84	34	29	9	15	-10	13	—
Scottish Liberal	-4.5	-4.8	-1.0	-0.2	-3.7	-4.8	-5.6	-8.8	6.6	-5.3
Welsh Liberal	—	—	—	0.5	3.5	2.8	2.4	1.7	1.8	1.2
Scottish National	—	—	—	10	9	10	12	8	6	4
Plaid Cymru	—	—	—	-11	-11	-11	-11	-10	-5	-3
Co-operative	80	71	57	36	34	35	37	26	20	—

**Party Central Accounts  
Level of Central Reserves**



**CONSERVATIVE PARTY  
INCOME AT CONSTANT (1976) PRICES**

	<i>Constituency affiliation fees and/or constituency "quota" payments to headquarters £000</i>	<i>Donations, grants or other uncovenanted payments received from constituency parties £000</i>	<i>Gifts and donations from other sources including appeals £000</i>	<i>Investment income (net) £000</i>	<i>Income from other sources £000</i>	<i>Total £000</i>
1967/68	343	673	25	—	1,041	
1968/69	760	1,625	28	—	2,413	
1969/70	308	720	49	—	1,076	
1970/71	292	1,477	54	—	1,824	
1971/72	224	546	46	—	816	
1972/73	215	720	31	—	967	
1973/74	273	1,724	46	—	2,043	
1974/75	179	726	44	—	950	
1975/76	265	524	13	—	801	

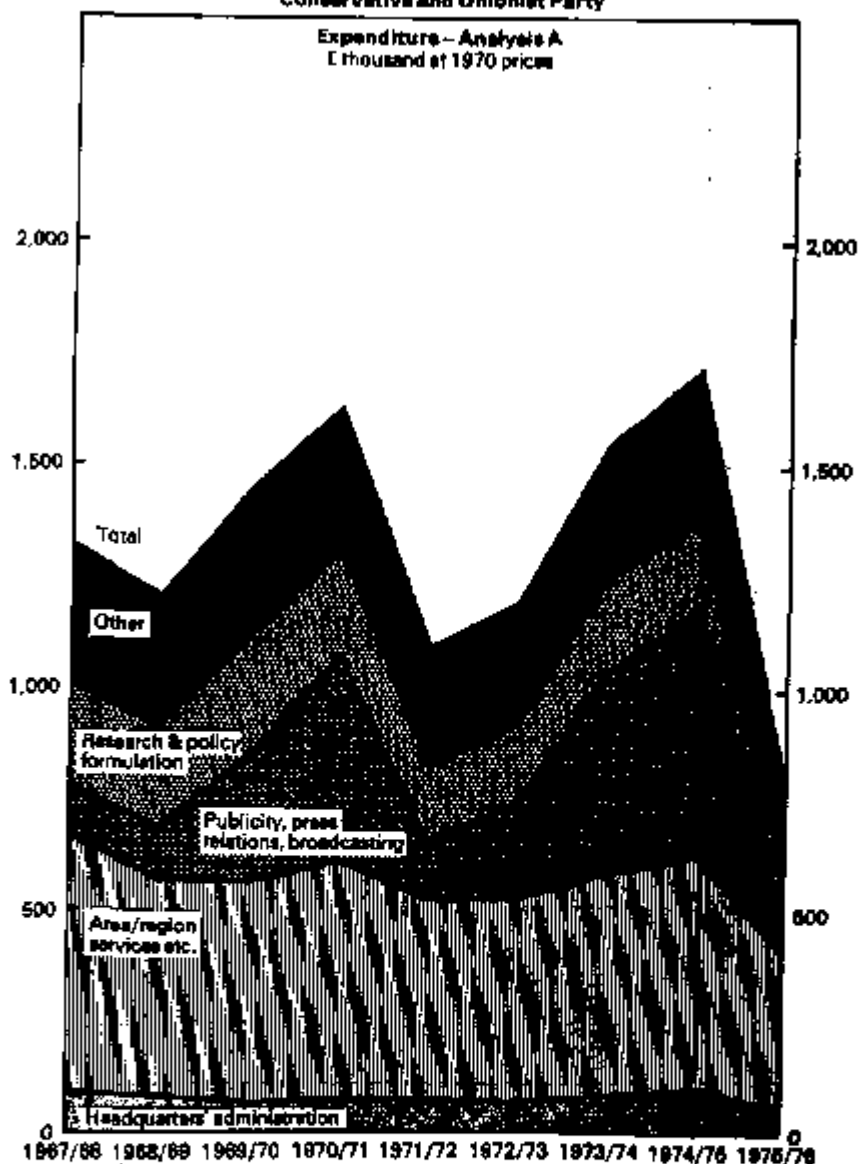


CONSERVATIVE PARTY  
EXPENDITURE 'A' AT CONSTANT (1970) PRICES

	Headquarters administration £000	Area/region services agency services, grants to constituencies internal communications etc where these are paid for by HQ £000	Publicity, press relations, broadcasting £000	Research and policy formulation £000	Other expenditure £000	Total £000
1967/68	93	574	110	230	317	1,320
1968/69	82	487	117	225	299	1,206
1969/70	69	498	282	268	340	1,447
1970/71	76	541	460	238	320	1,628
1971/72	76	457	128	169	264	1,092
1972/73	73	464	214	180	265	1,196
1973/74	75	513	452	218	288	1,550
1974/75	104	525	557	193	339	1,719
1975/76	72	349	77	106	196	794

Party Central Accounts  
Conservative and Unionist Party

Expenditure - Analysis A  
£ thousand at 1970 prices



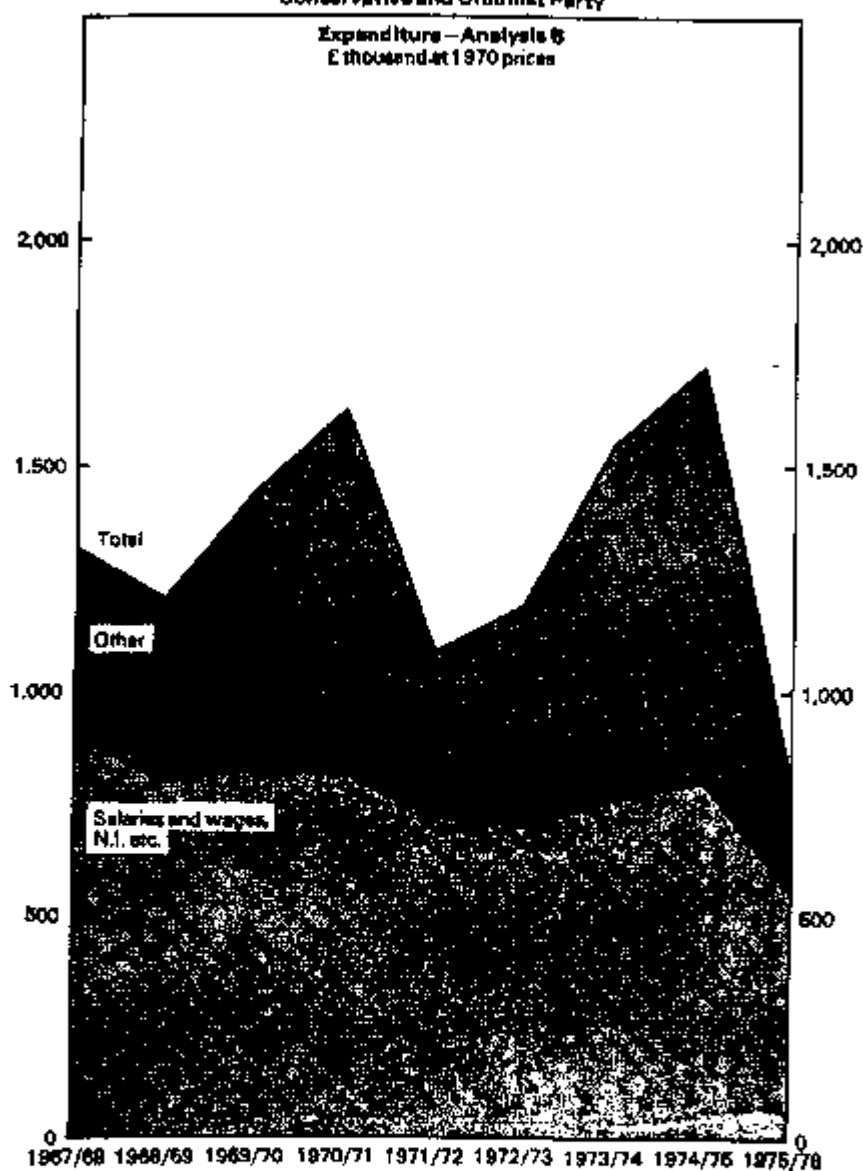
CONSERVATIVE PARTY  
EXPENDITURE 'B' AT CONSTANT (1970) PRICES

	Salaries and wages, NI etc £000	Pricing, postage telephone and stationery £000	Rent, equipment, office services £000	Travelling, Conferences, etc expenses £000	Fees to consultants, agencies etc for public opinion research, public relations, advertising etc £000	Other expenditure £000	Total £000
1967/68	901			419			1,320
1968/69	801			407			1,208
1969/70	830			617			1,447
1970/71	824			804			1,628
1971/72	728			364			1,092
1972/73	708			489			1,196
1973/74	764			786			1,550
1974/75	807			911			1,719
1975/76	547			246			794



Party Central Accounts  
Conservative and Unionist Party

Expenditure - Analysis by  
£ thousand at 1970 prices



**LABOUR PARTY**  
**INCOME AT CONSTANT (1970) PRICES**

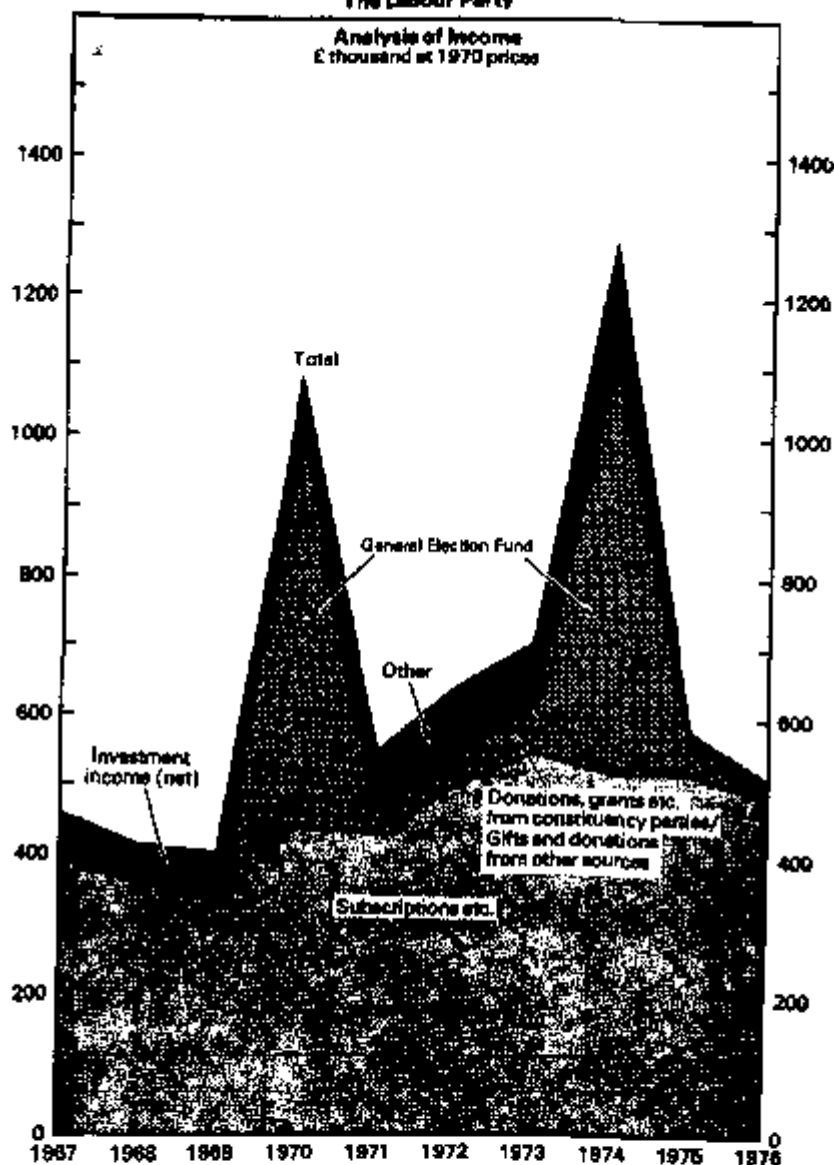
	<i>Subscriptions (including where appropriate union affiliation fees and/or constituency "quota" payments to headquarters)</i> £000	<i>Donations, grants or other uncorroborated payments received from constituency parties</i> £000	<i>Gifts and donations from other sources including appeals</i> £000	<i>Investment income (net)</i> £000	<i>Income from other sources</i> £000	<i>Total</i> £000
1967	390	2		26	38	457
1968	362	1		21	30	414
1969	334	18		17	34	403
1970	444	43 513 GE		21	51	559 513 GE
1971	435	38		23	57	552
1972	507	36		21	83	645
1973	566	34		17	70	708
1974	526	3 607 GE		16	139	684 607 GE
1975	527	43		34	—	584
1976 (estimate)	489	22		4	—	515

1975 Figures are provisional.  
GE = General Election Fund.

# Party Central Accounts

## The Labour Party

Analysis of Income  
£ thousand at 1970 prices



**LABOUR PARTY  
EXPENDITURE 'A' AT CONSTANT (1970) PRICES**

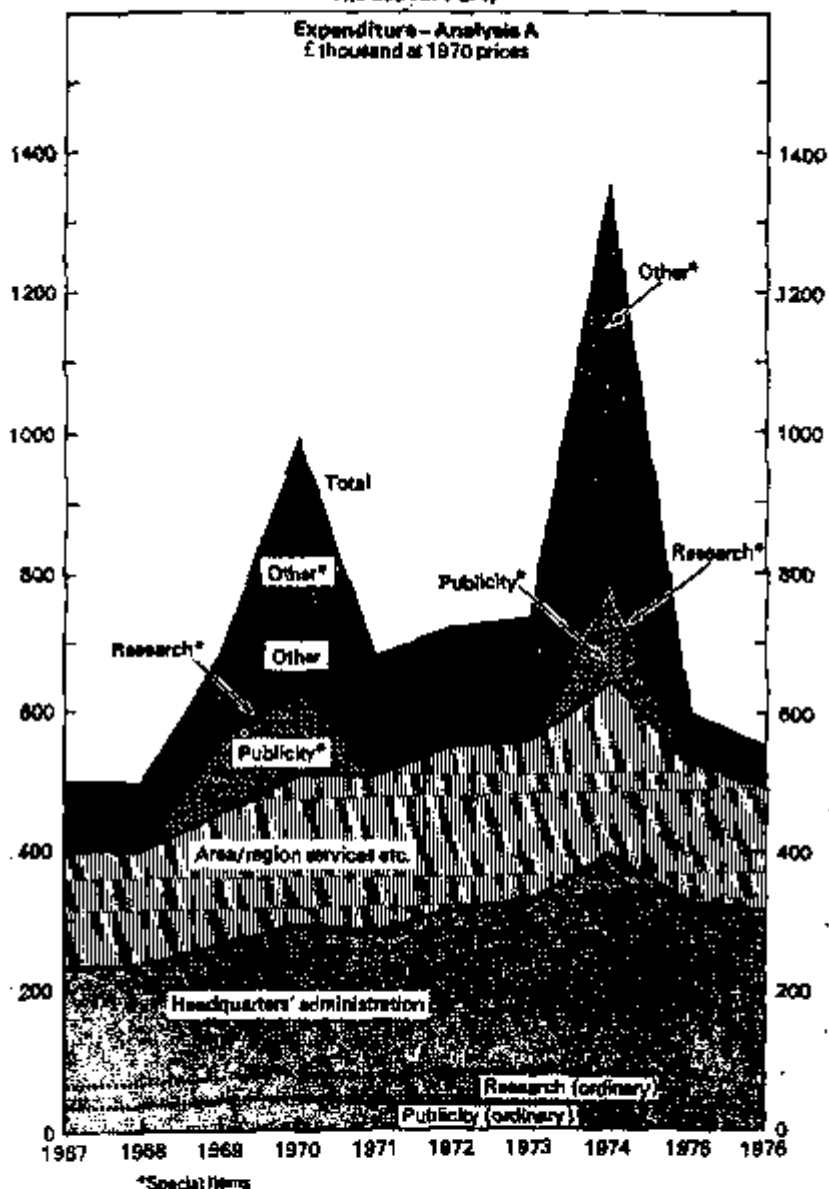
	<i>Headquarters administration £000</i>	<i>Area/region services, agency services, grants to constituencies, internal communications etc. where these are paid for by HQ £000</i>	<i>Publicity, press relations, broadcasting* £000</i>	<i>Research and policy formulation* £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	232	168	40	27	99	499
1968	235	166	38	30	92	493
1969	265	190	101 Sp 42	6 Sp 34	6 Sp 111	114 Sp 566
1970	294	213	116 Sp 47	8 Sp 36	223 Sp 134	347 Sp 643
1971	286	227	2 Sp 39	37	22 Sp 140	24 Sp 650
1972	320	234	41	4 Sp 44	7 Sp 135	11 Sp 709
1973	332	228	38	9 Sp 44	18 Sp 146	27 Sp 703
1974	398	248	115 Sp 38	29 Sp 45	326 Sp 245	470 Sp 891
1975	329	200	35	38	16 Sp 56	16 Sp 585
1976 (estimate)	316	177	27	33	6 Sp 52	6 Sp 544

\*Expenditure under Publicity etc. and Research etc. is also included under Headquarters Administration and Other Expenditure.  
Sp = Special expenditure paid from the General Election Fund.  
1975 Figures are provisional.

# Party Central Accounts

## The Labour Party

Expenditure - Analysis A  
£ thousand at 1970 prices



**LABOUR PARTY  
EXPENDITURE "B" AT CONSTANT (1976) PRICES**

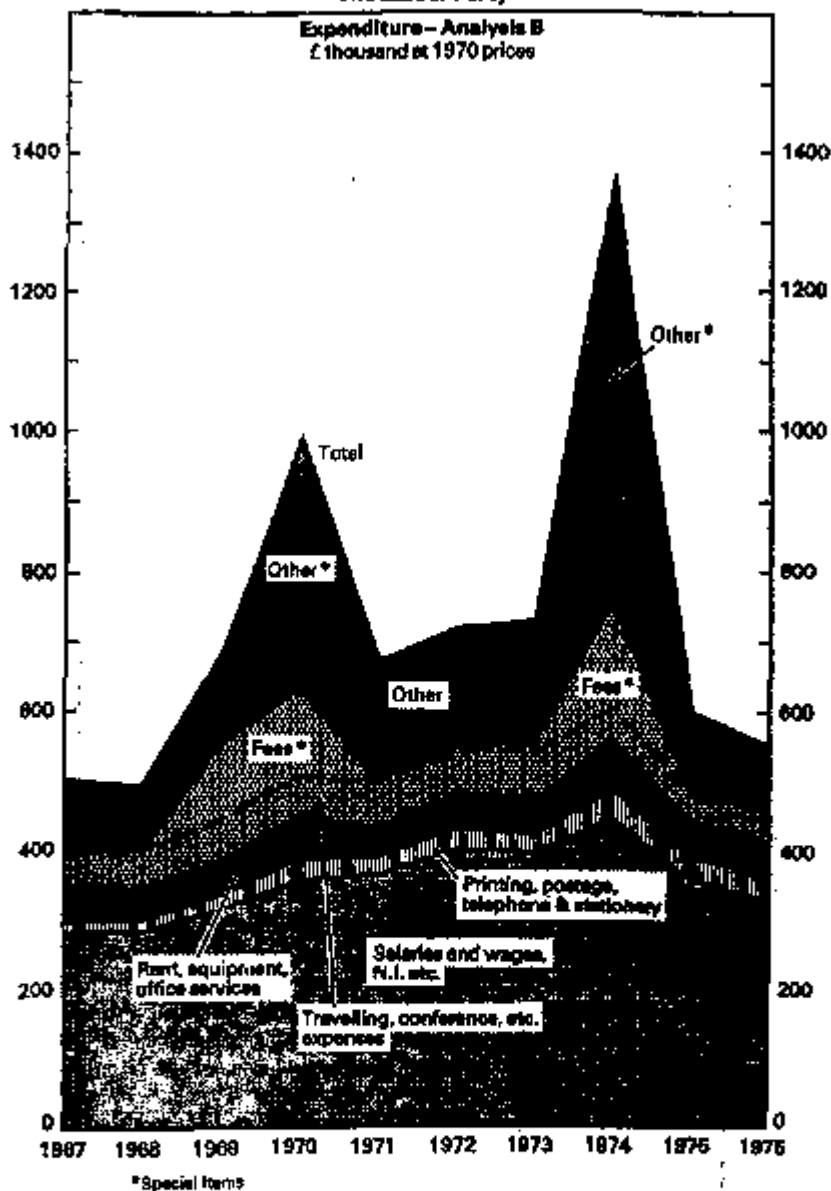
	<i>Salaries and wages, N.I. etc. £000</i>	<i>Printing, postage, telephone and stationery £000</i>	<i>Rent, equipment, office services £000</i>	<i>Travelling, Conference, etc expenses £000</i>	<i>Fees to consultants, agencies etc for public opinion research, public relations, advertising etc £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	279	19	44	53	—	104	499
1968	281	19	42	58	—	93	493
1969	314	22	49	58	108 Sp	6 Sp 123	114 Sp 566
1970	359	28	63	57	124 Sp	223 Sp 136	347 Sp 643
1971	364	27	44	64	2 Sp	22 Sp 152	24 Sp 650
1972	404	30	47	66	4 Sp	7 Sp 161	11 Sp 709
1973	398	30	49	66	9 Sp	18 Sp 160	27 Sp 703
1974	450	38	72	49	144 Sp	326 Sp 282	470 Sp 891
1975	360	34	50	41	—	16 Sp 100	16 Sp 585
1976 (estimate)	331	33	52	43	—	6 Sp 86	6 Sp 544

Sp = Special expenditure paid from the General Election Fund.  
1975 Figures are provisional.

# Party Central Accounts

## The Labour Party

Expenditure - Analysis B  
£ thousand at 1970 prices



**LIBERAL PARTY**  
**INCOME AT CONSTANT (1970) PRICES**

	<i>Subscriptions (including where appropriate union affiliation fees and/or constituency "quota" payments to headquarters) £000</i>	<i>Donations, grants or other unrequited payments received from constituency parties £000</i>	<i>Gifts and donations from other sources including appeals £000</i>	<i>Investment income (net) £000</i>	<i>Income from other sources £000</i>	<i>Total £000</i>
1967	30		79	—	2	112
1968	26		84	—	2	111
1969	21		102	—	4	127
1970	9		200	1	5	216
1971	7		49	3	8	68
1972	6		44	3	7	60
1973	7		79	1	7	95
1974	9		165	1	5	180
1975	—		—	—	—	49
1976 (estimate)	—		—	—	—	—

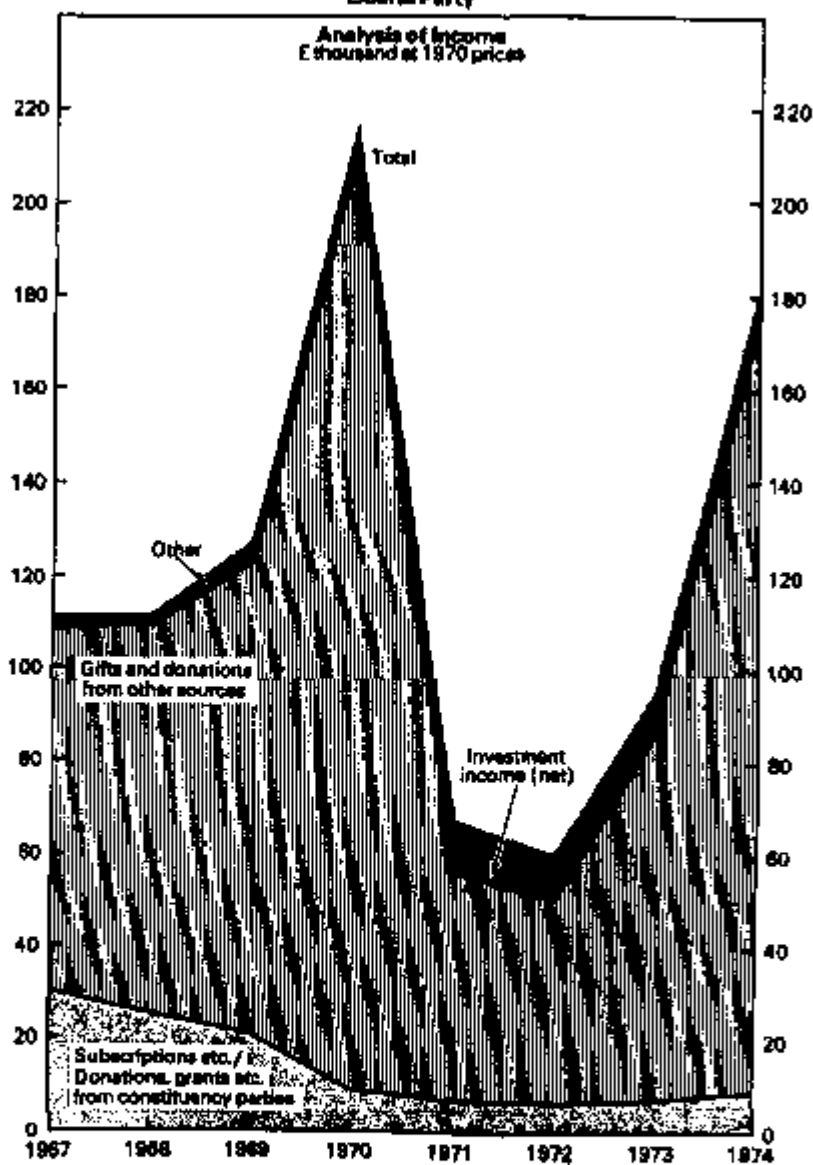
Figures for 1975 are provisional. Detailed analysis not available.



# Party Central Accounts

## Liberal Party

Analysis of Income  
£ thousand at 1970 prices



**LIBERAL PARTY**  
**EXPENDITURE 'A' AT CONSTANT (1978) PRICES**

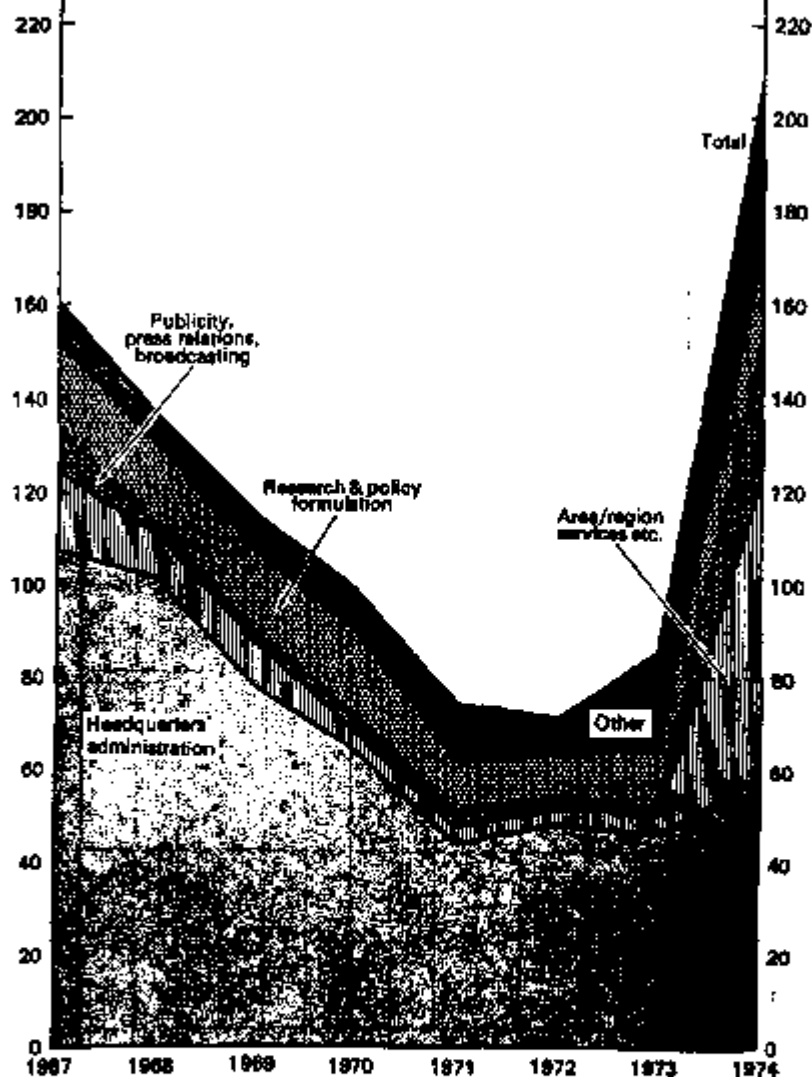
	<i>Headquarters administration £000</i>	<i>Area/region services, agency service, grants to constituencies, internal communications etc where these are paid for by HQ £000</i>	<i>Publicity, press relations, broadcasting £000</i>	<i>Research and policy formulation £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	108	17	9	19	9	160
1968	102	9	1	18	7	137
1969	78	9	2	17	8	114
1970	64	4	4	18	9	99
1971	45	4	4	10	12	74
1972	49	3	3	9	8	72
1973	47	5	1	14	20	86
1974	59	63	30	20	35	207
1975	—	—	—	—	—	57
1976 (estimate)	—	—	—	—	—	—

Figures for 1975 provisional. Detailed analysis not available.

# Party Central Accounts

## Liberal Party

Expenditure—Analysis A  
£ thousand at 1970 prices



**LIBERAL PARTY**  
**EXPENDITURE 'B' AT CONSTANT 1970 PRICES**

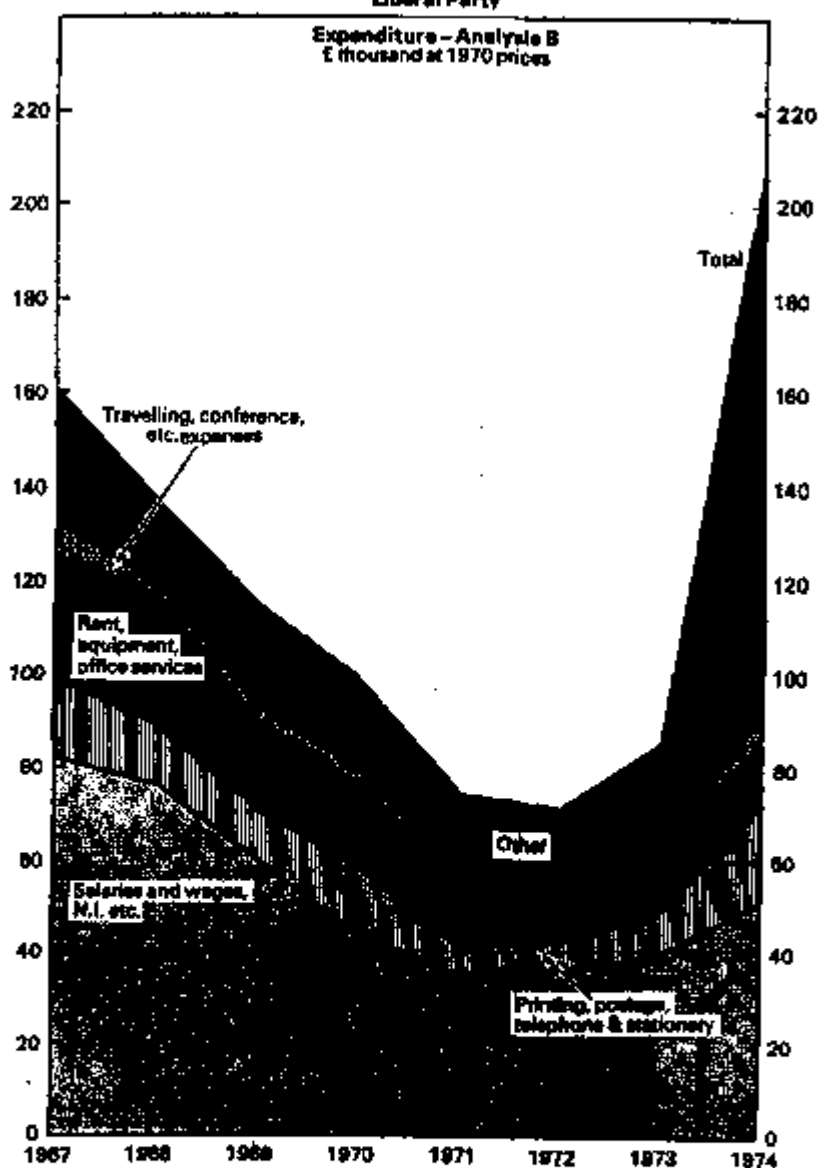
	<i>Salaries and wages, NI etc £000</i>	<i>Printing, postage, telephone and stationery £000</i>	<i>Rent, equipment, office services £000</i>	<i>Travelling, Conference, etc expenses £000</i>	<i>Fees to consultants, agencies etc for public opinion research, public relations, advertising etc £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	82	17	27	7	—	27	160
1968	77	13	27	3	—	18	137
1969	61	11	18	4	—	21	114
1970	44	15	17	3	—	19	99
1971	36	6	15	1	—	17	74
1972	36	6	13	1	—	15	72
1973	40	9	14	—	—	23	86
1974	51	22	13	7	30	84	207
1975	—	—	—	—	—	—	57
1976 (estimate)	—	—	—	—	—	—	—

Figures for 1975 are provisional. Detailed analysis not available.

# Party Central Accounts

## Liberal Party

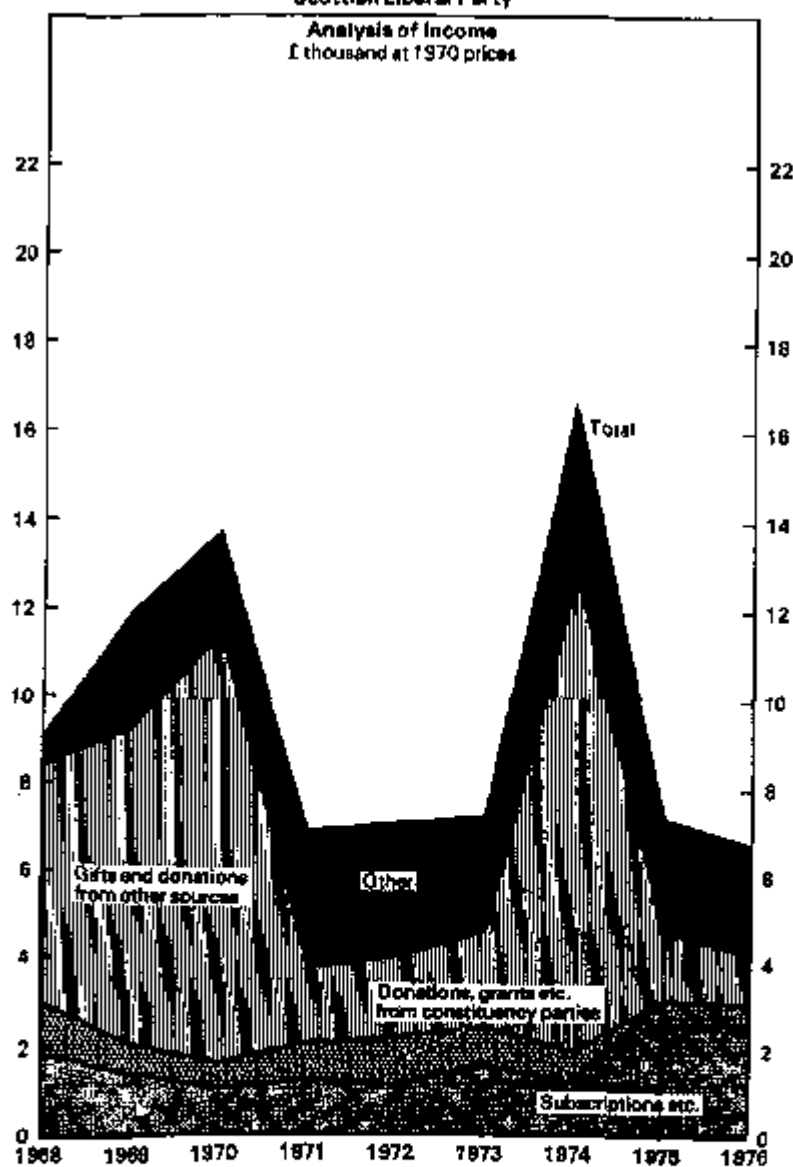
Expenditure - Analysis B  
£ thousand at 1970 prices



**SCOTTISH LIBERAL PARTY**  
**INCOME AT CONSTANT (1970) PRICES**

	<i>Subscriptions (including where appropriate union affiliation fees and/or constituency "quota" payments to headquarters) £000</i>	<i>Donations, grants or other uncommenced payments received from constituency parties £000</i>	<i>Gifts and donations from other sources including appeals £000</i>	<i>Investment income (net) £000</i>	<i>Income from other sources £000</i>	<i>Total £000</i>
1967	—	—	—	—	—	—
1968	2	1	5	—	1	9
1969	1	1	7	—	3	12
1970	1	1	10	—	2	14
1971	1	1	2	—	3	7
1972	1	1	2	—	3	7
1973	2	1	2	—	3	7
1974	1	1	11	—	4	17
1975	3	—	2	—	3	7
1976 (estimate)	3	—	1	—	2	7

Party Central Accounts  
 Scottish Liberal Party  
 Analysis of Income  
 £ thousand at 1970 prices



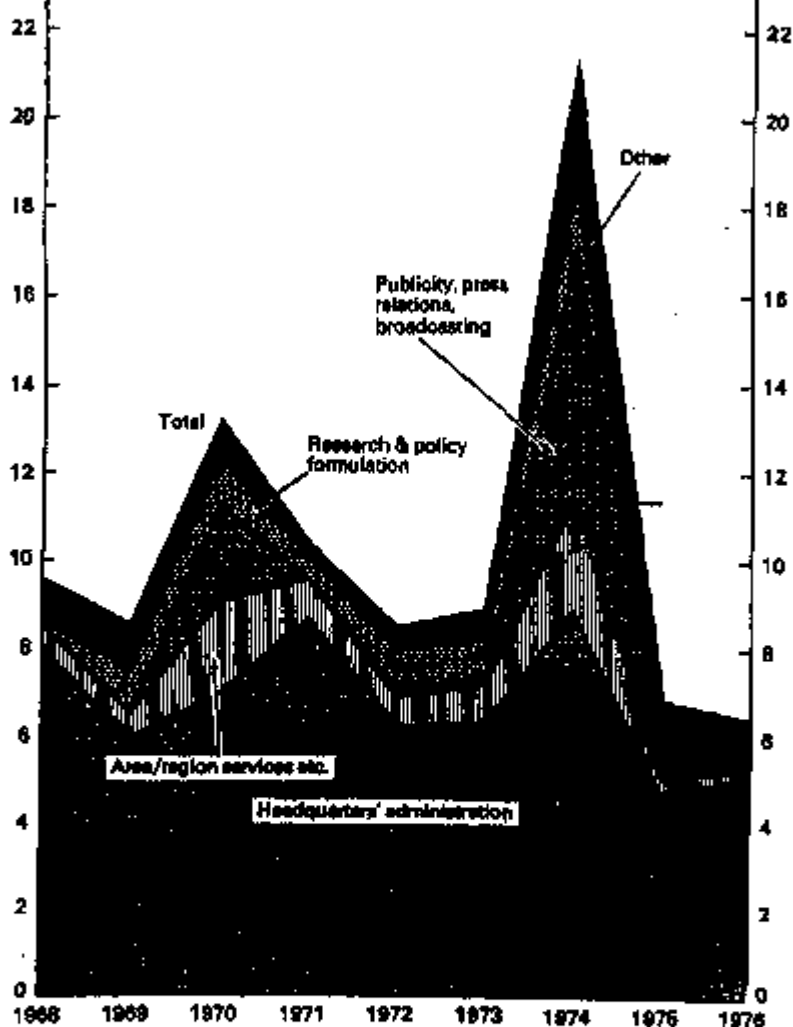
**SCOTTISH LIBERAL PARTY**  
**EXPENDITURE 'A' AT CONSTANT (1970) PRICES**

	<i>Headquarters administration £000</i>	<i>Area/region services, agency service, grants to constituencies, internal communications etc where these are paid for by HQ £000</i>	<i>Publicity, press relations, broadcasting £000</i>	<i>Research and policy formulation £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	—	—	—	—	—	—
1968	8	1	—	—	1	10
1969	6	1	—	1	1	9
1970	7	2	2	1	1	13
1971	9	1	—	—	—	10
1972	6	1	—	1	1	9
1973	6	1	—	1	1	9
1974	9	2	6	2	3	21
1975	5	—	—	—	2	7
1976 (estimate)	5	—	—	—	1	6



Party Central Accounts  
Scottish Liberal Party

Expenditure - Analysis A  
£ thousand at 1970 prices

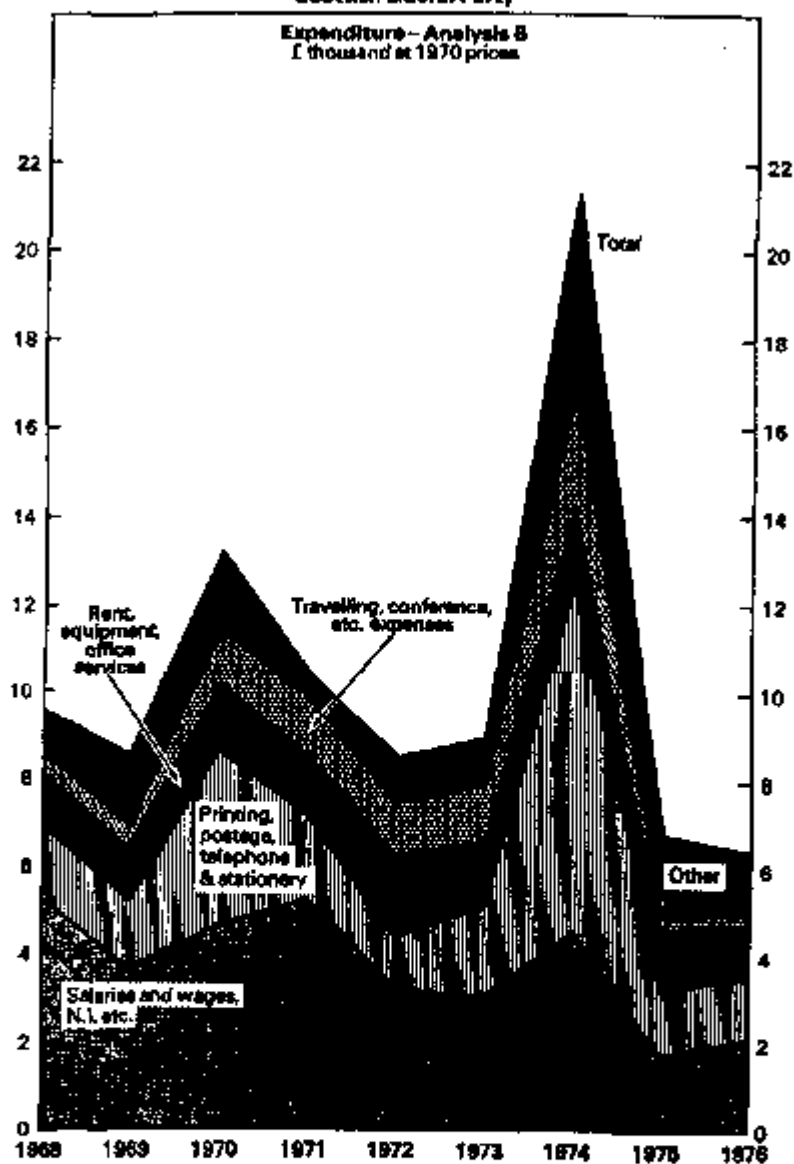


**SCOTTISH LIBERAL PARTY**  
**EXPENDITURE 'B' AT CONSTANT (1970) PRICES**

	<i>Salaries and wages, N.I. etc £000</i>	<i>Printing, postage, telephones and stationery £000</i>	<i>Rent, equipment, office services £000</i>	<i>Travelling, Conferences, etc expenses £000</i>	<i>Fees to consultants, agencies etc for public opinion research, public relations, advertising etc £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	—	—	—	—	—	—	—
1968	5	2	1	1	—	1	10
1969	4	2	1	1	—	2	9
1970	5	4	2	1	—	2	13
1971	5	2	1	1	—	—	10
1972	3	1	2	1	—	1	9
1973	3	2	2	1	—	1	9
1974	5	8	2	3	—	5	21
1975	2	2	1	—	—	2	7
1976 (estimate)	2	1	1	—	—	1	6

Party Central Accounts  
Scottish Liberal Party

Expenditure—Analysis B  
£ thousand at 1970 prices



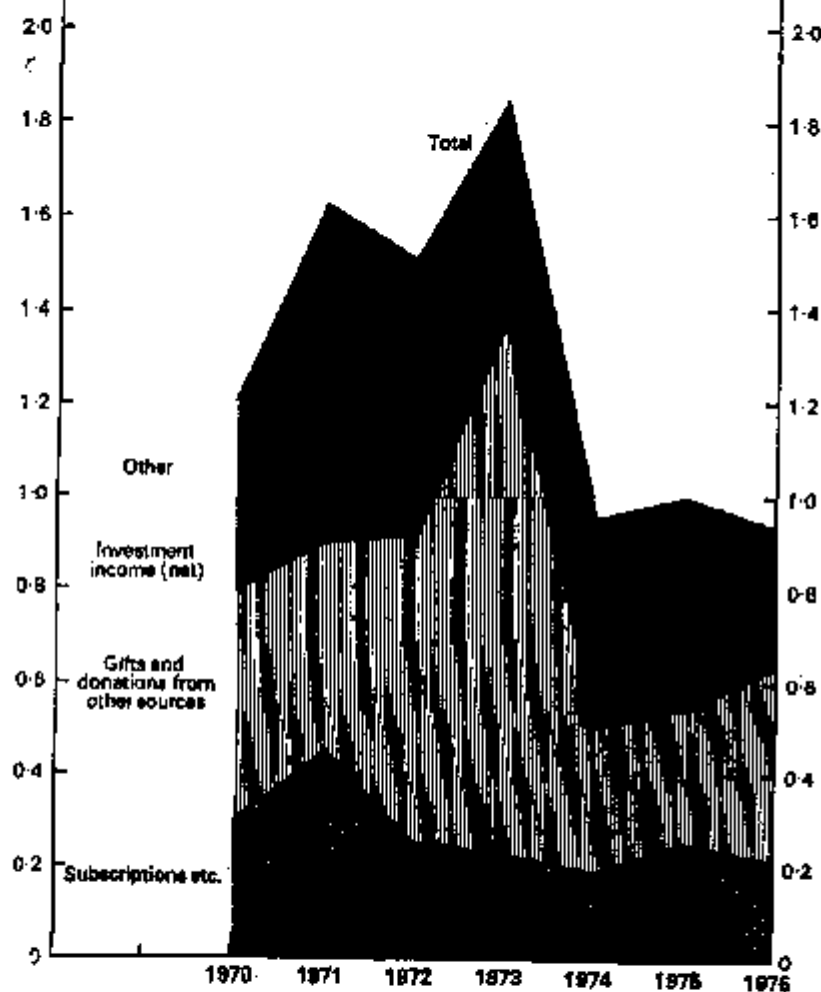
**WELSH LIBERAL PARTY**  
**INCOME AT CONSTANT (1970) PRICES**

	<i>Subscriptions (including where appropriate union affiliation fees and/or constituency "quota" payments to headquarters) £000</i>	<i>Donations, grants or other uncovenanted payments received from constituency parties £000</i>	<i>Gifts and donations from other sources including appeals £000</i>	<i>Investment income (net) £000</i>	<i>Income from other sources £000</i>	<i>Total £000</i>
1967	—	—	—	—	—	—
1968	—	—	—	—	—	—
1969	—	—	—	—	—	—
1970	0.3	—	0.5	0.1	0.3	1.2
1971	0.5	—	0.5	0.1	0.6	1.6
1972	0.1	—	0.7	0.2	0.4	1.5
1973	0.2	—	1.1	0.2	0.4	1.8
1974	0.2	—	0.3	0.1	0.3	0.9
1975	0.2	—	0.3	0.2	0.2	1.0
1976 (estimate)	0.2	—	0.4	0.1	0.2	0.9

# Party Central Accounts

## Welsh Liberal Party

Analysis of Income  
£ thousand at 1970 prices

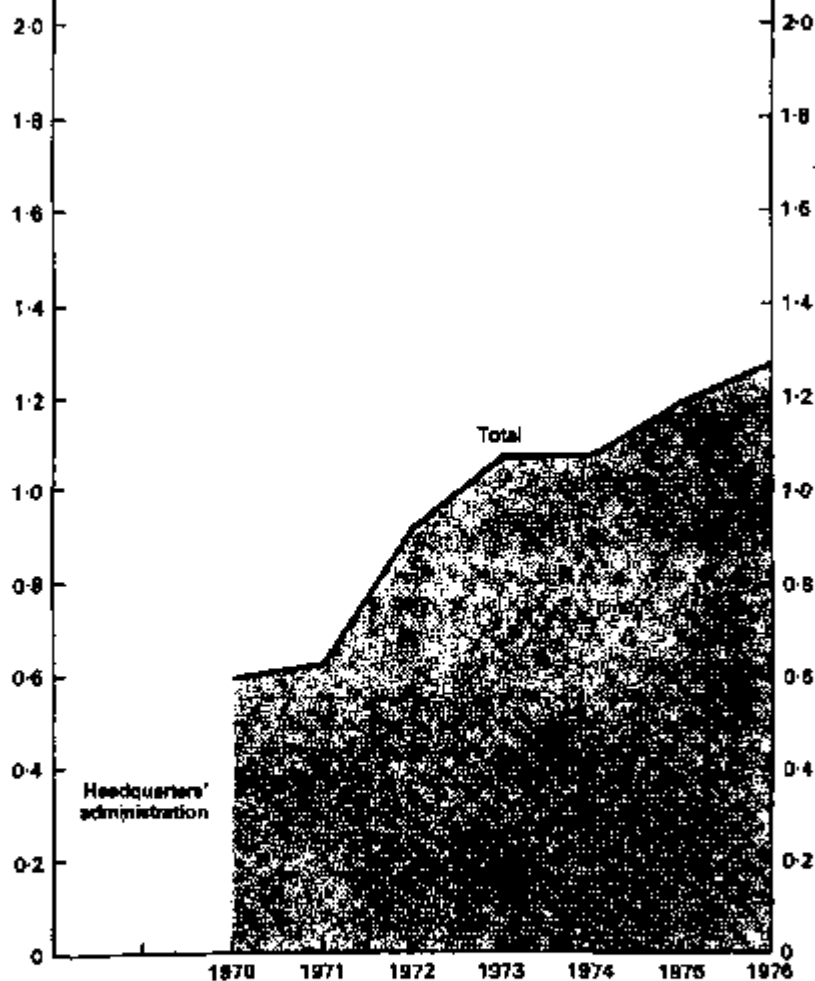


**WELSH LIBERAL PARTY**  
**EXPENDITURE 'A' AT CONSTANT (1970) PRICES**

	<i>Headquarters administration £000</i>	<i>Area/region services, agency services, grants to constituencies, internal communications etc, where these are paid for by HQ £000</i>	<i>Publicity, press relations, broadcasting £000</i>	<i>Research and policy formulation £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	—	—	—	—	—	—
1968	—	—	—	—	—	—
1969	—	—	—	—	—	—
1970	0.6	—	—	—	—	0.6
1971	0.6	—	—	—	—	0.6
1972	0.9	—	—	—	—	0.9
1973	1.1	—	—	—	—	1.1
1974	1.1	—	—	—	—	1.1
1975	1.2	—	—	—	—	1.2
1976 (estimate)	1.3	—	—	—	—	1.3

Party Central Accounts  
Welsh Liberal Party

Expenditure - Analysis A  
£ thousand at 1970 prices



WELSH LIBERAL PARTY  
EXPENDITURE "B" AT CONSTANT (1970) PRICES

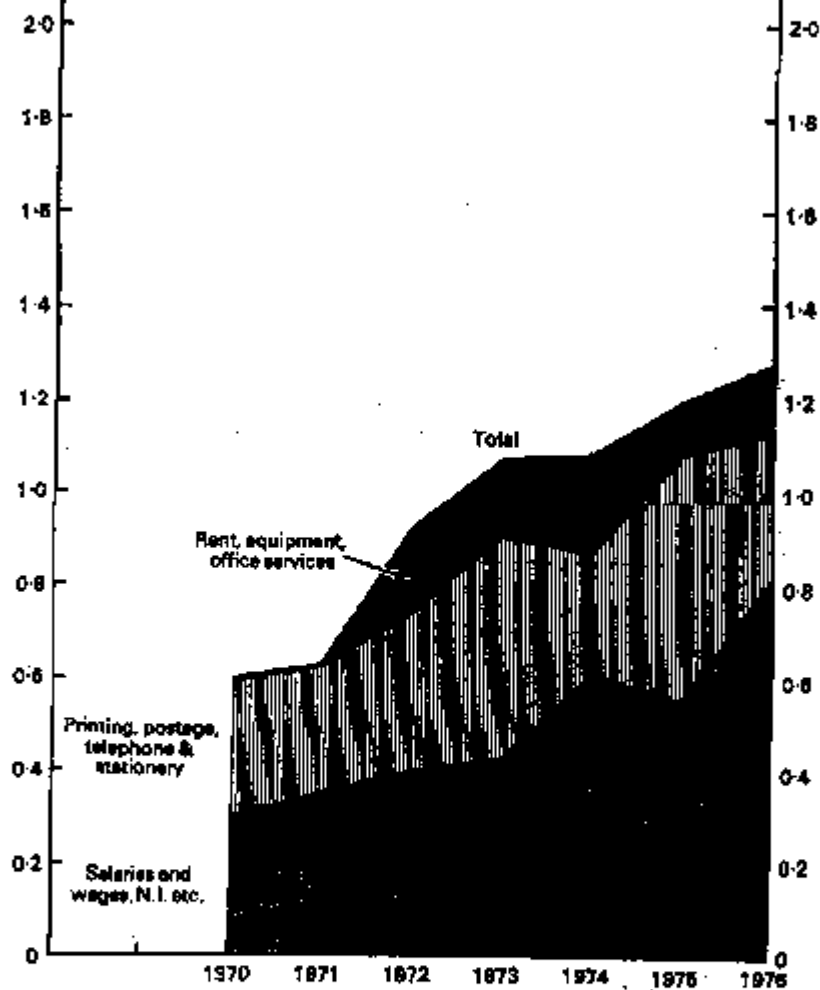
	<i>Salaries and wages, NI etc £000</i>	<i>Printing, postage, telephone and stationery £000</i>	<i>Rent, equipment, office services £000</i>	<i>Travelling, Conference, etc expenses £000</i>	<i>Fees to consultants, agencies etc, for public opinion research, public relations, advertising, etc £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	—	—	—	—	—	—	—
1968	—	—	—	—	—	—	—
1969	—	—	—	—	—	—	—
1970	0.3	0.3	—	—	—	—	0.6
1971	0.4	0.3	—	—	—	—	0.6
1972	0.4	0.3	0.2	—	—	—	0.9
1973	0.4	0.5	0.2	—	—	—	1.1
1974	0.6	0.3	0.2	—	—	—	1.1
1975	0.6	0.5	0.1	—	—	—	1.2
1976 (estimate)	0.8	0.3	0.1	—	—	—	1.3



# Party Central Accounts

## Welsh Liberal Party

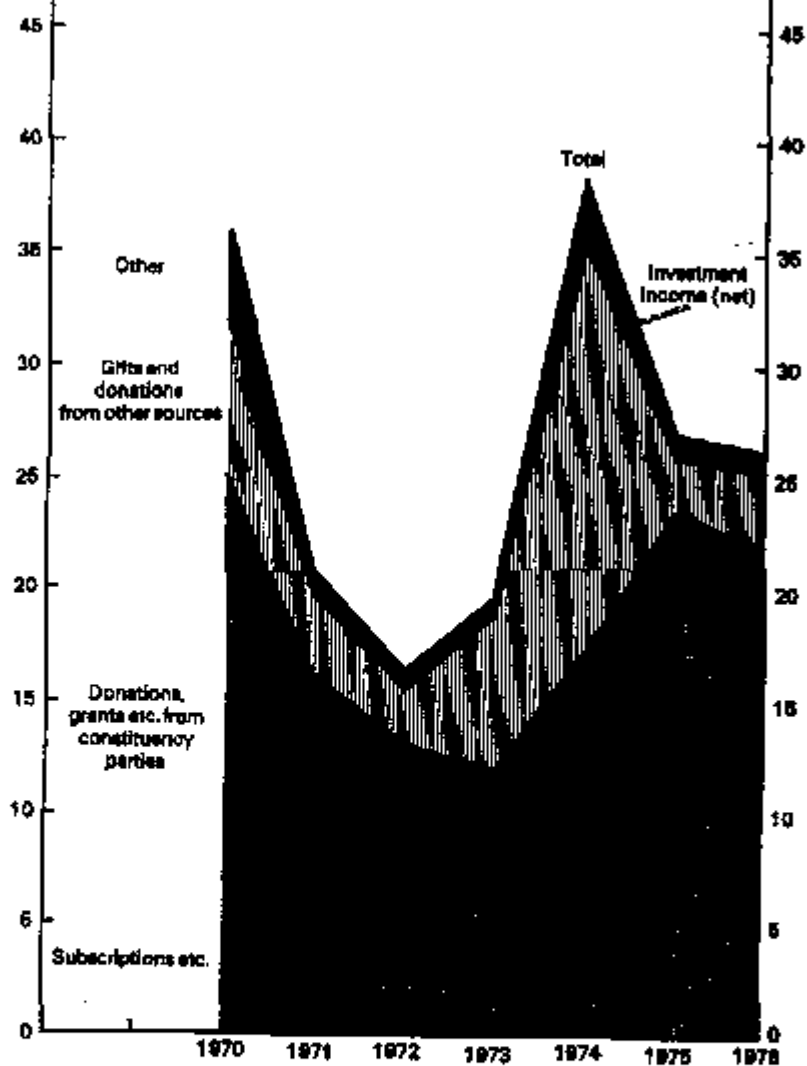
Expenditure - Analysis B  
£ thousand at 1970 prices



**SCOTTISH NATIONAL PARTY**  
**INCOME AT CONSTANT (1970) PRICES**

	<i>Subscriptions (including where appropriate union affiliation fees and/or constituency "quota" payments to headquarters)</i> £000	<i>Donations, grants or other unrecouped payments received from constituency parties</i> £000	<i>Gifts and donations from other sources including appeals</i> £000	<i>Investment income (net)</i> £000	<i>Income from other sources</i> £000	<i>Total</i> £000
1967	—	—	—	—	—	—
1968	—	—	—	—	—	—
1969	—	—	—	—	—	—
1970	7	18	7	—	3	36
1971	5	12	4	—	1	21
1972	6	7	2	—	1	17
1973	6	6	7	—	1	20
1974	12	5	18	1	2	38
1975	19	5	3	1	1	27
1976 (estimate)	19	3	3	1	—	26

Party Central Accounts  
 Scottish National Party  
 Analysis of Income  
 £ thousand at 1970 prices



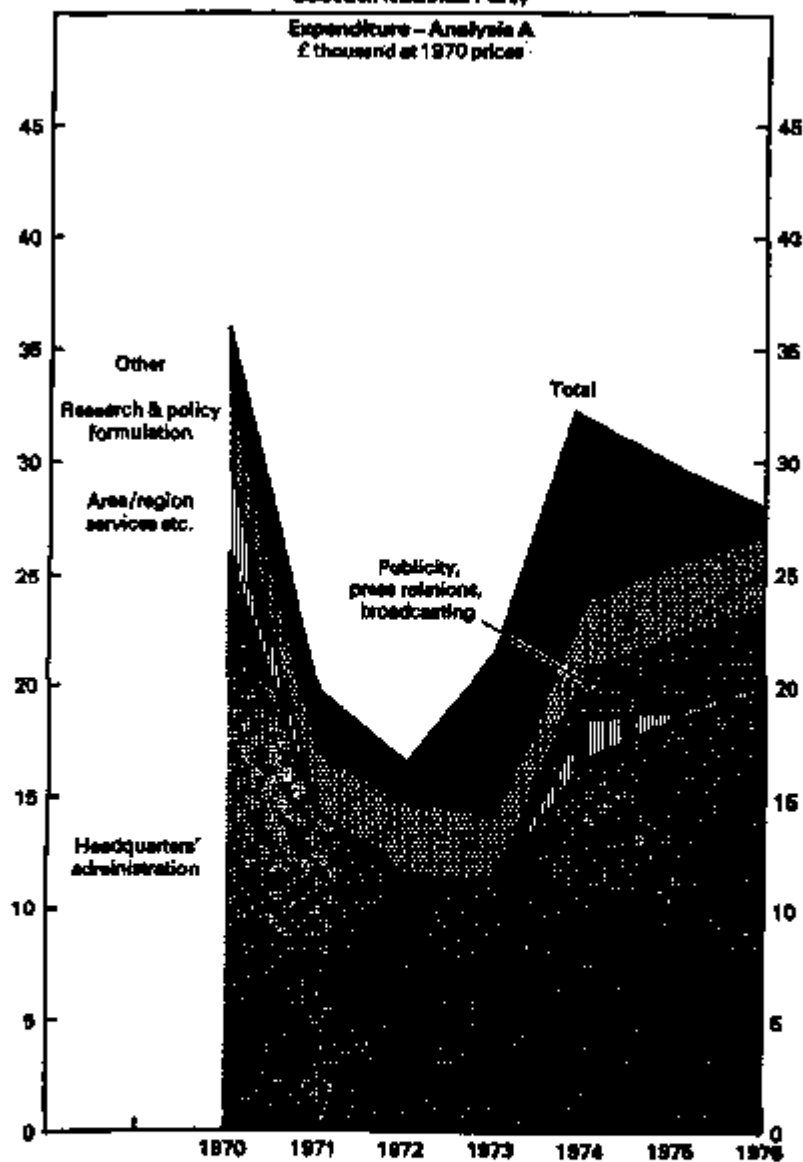
**SCOTTISH NATIONAL PARTY**  
**EXPENDITURE 'A' AT CONSTANT (1970) PRICES**

	<i>Headquarters administration £000</i>	<i>Area/region services, agency service, grants to constituencies, internal communications etc where these are paid for by HQ £000</i>	<i>Publicity, press relations, broadcasting £000</i>	<i>Research and policy formulation £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	—	—	—	—	—	—
1968	—	—	—	—	—	—
1969	—	—	—	—	—	—
1970	26	4	—	3	3	36
1971	14	—	—	3	3	20
1972	12	—	—	3	2	17
1973	11	—	—	3	7	21
1974	17	2	2	3	8	32
1975	19	1	3	4	4	29
1976 (estimate)	20	—	3	3	1	28

# Party Central Accounts

## Scottish National Party

Expenditure - Analysis A  
£ thousand at 1970 prices

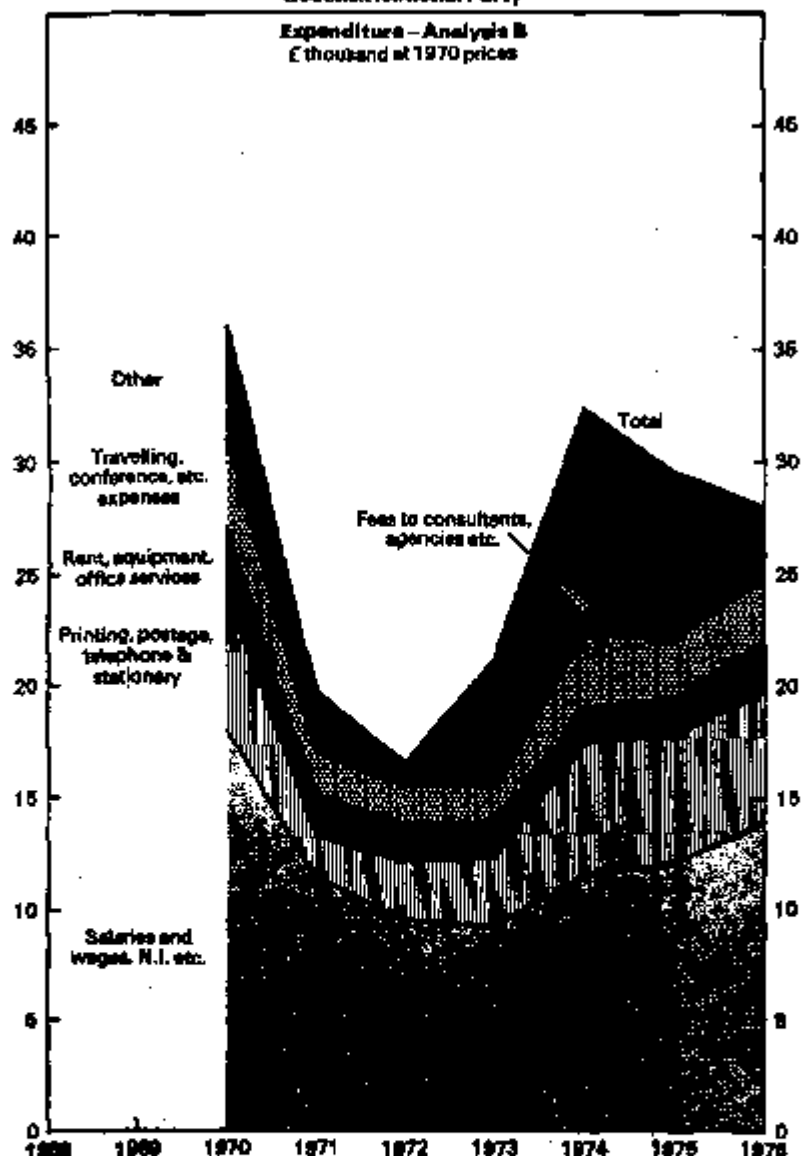


**SCOTTISH NATIONAL PARTY**  
**EXPENDITURE 'B' AT CONSTANT (1976) PRICES**

	<i>Salaries and wages, N.I. etc £000</i>	<i>Printing, postage, telephone and stationery £000</i>	<i>Rent, equipment, office services £000</i>	<i>Travelling, Conference, etc expenses £000</i>	<i>Fees to consultants, agencies etc for public opinion research, public relations, advertising etc £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	—	—	—	—	—	—	—
1968	—	—	—	—	—	—	—
1969	—	—	—	—	—	—	—
1970	18	6	3	4	—	5	36
1971	12	2	2	2	—	3	20
1972	10	3	2	2	—	1	17
1993	9	3	2	2	—	6	21
1974	12	6	1	3	1	9	32
1975	12	6	2	3	1	7	29
1976 (estimate)	14	6	2	3	—	3	28

Party Central Accounts  
Scottish National Party

Expenditure - Analysis B  
£ thousand at 1970 prices



PLAID CYMRU  
INCOME AT CONSTANT (1970) PRICES

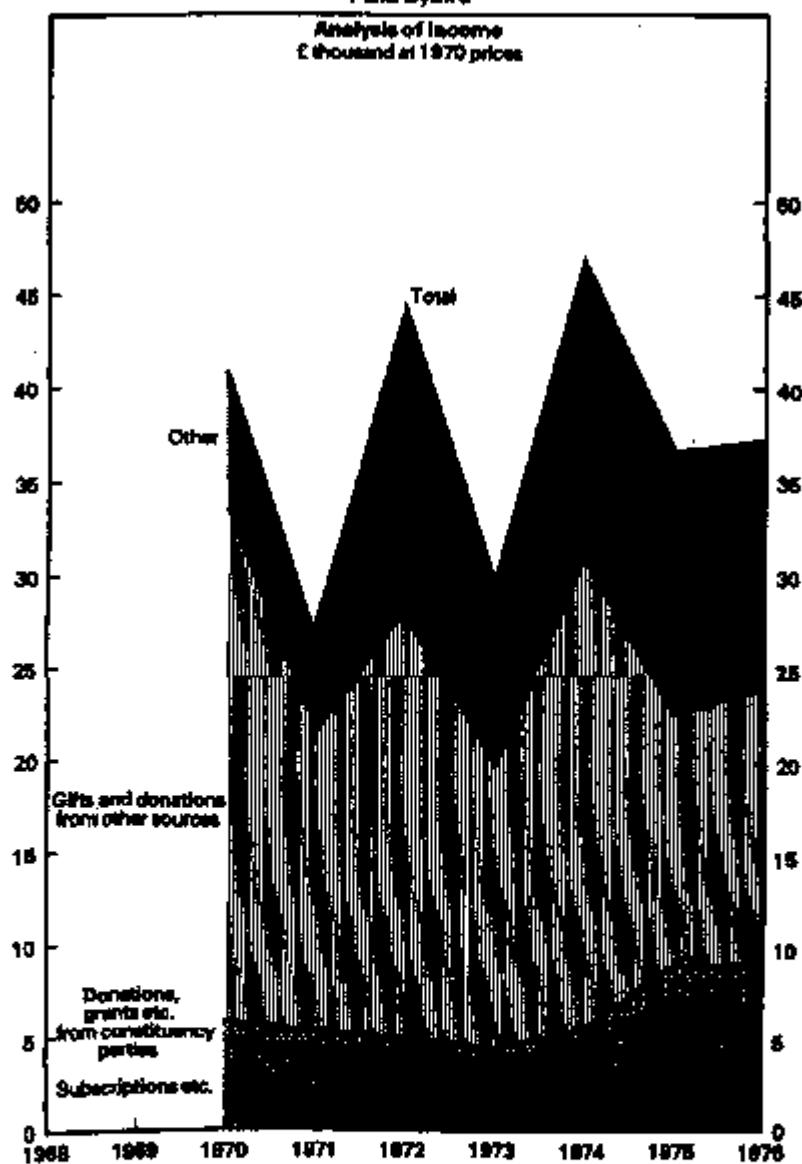
	<i>Subscriptions (including where appropriate union affiliation fees and/or constituency "quota" payments to headquarters)</i> £000	<i>Donations, grants or other unconvenanted payments received from constituency parties</i> £000	<i>Gifts and donations from other sources including appeals</i> £000	<i>Investment income (net)</i> £000	<i>Income from other sources</i> £000	<i>Total</i> £000
1967	—	—	—	—	—	—
1968	—	—	—	—	—	—
1969	—	—	—	—	—	—
1970	5	1	28	—	7	41
1971	5	1	16	—	5	27
1972	4	1	23	—	16	44
1973	4	1	15	—	9	29
1974	5	1	25	—	16	47
1975	7	2	14	—	14	37
1976 (estimate)	7	2	15	—	13	37



# Party Central Accounts

Field Dynru

Analysis of Income  
£ thousand at 1970 prices



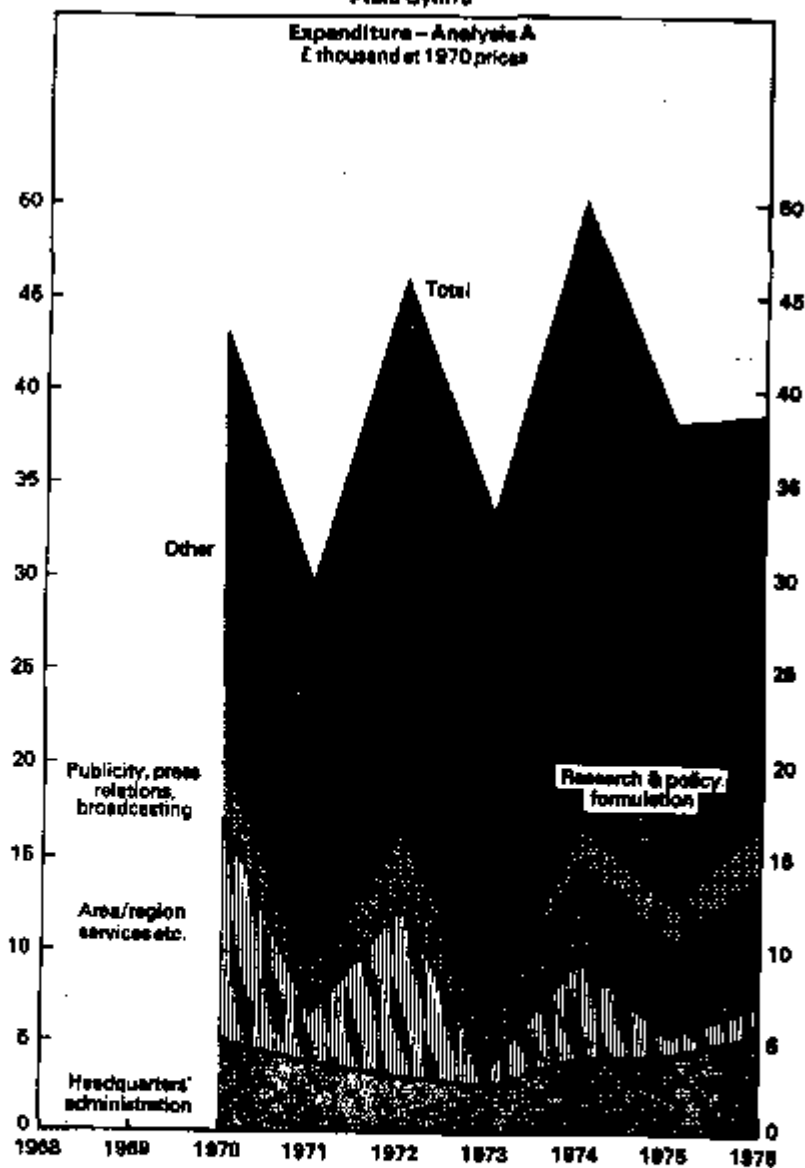
**PLAID CYMRU**  
**EXPENDITURE 'A' AT CONSTANT (1970) PRICES**

	<i>Headquarters administration £000</i>	<i>Arm/region services, agency services, grants to constituencies, internal communications etc. where these are paid for by HQ £000</i>	<i>Publicity, press relations, broadcasting £000</i>	<i>Research and policy formulation £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	—	—	—	—	—	—
1968	—	—	—	—	—	—
1969	—	—	—	—	—	—
1970	5	12	3	—	23	43
1971	4	3	3	—	20	29
1972	3	9	4	—	29	46
1973	3	1	3	—	27	33
1974	4	6	5	2	33	50
1975	4	1	5	3	26	38
1976 (estimate)	5	2	7	3	22	39

# Party Central Accounts

Pleid Cymru

Expenditure - Analysis A  
£ thousand at 1970 prices



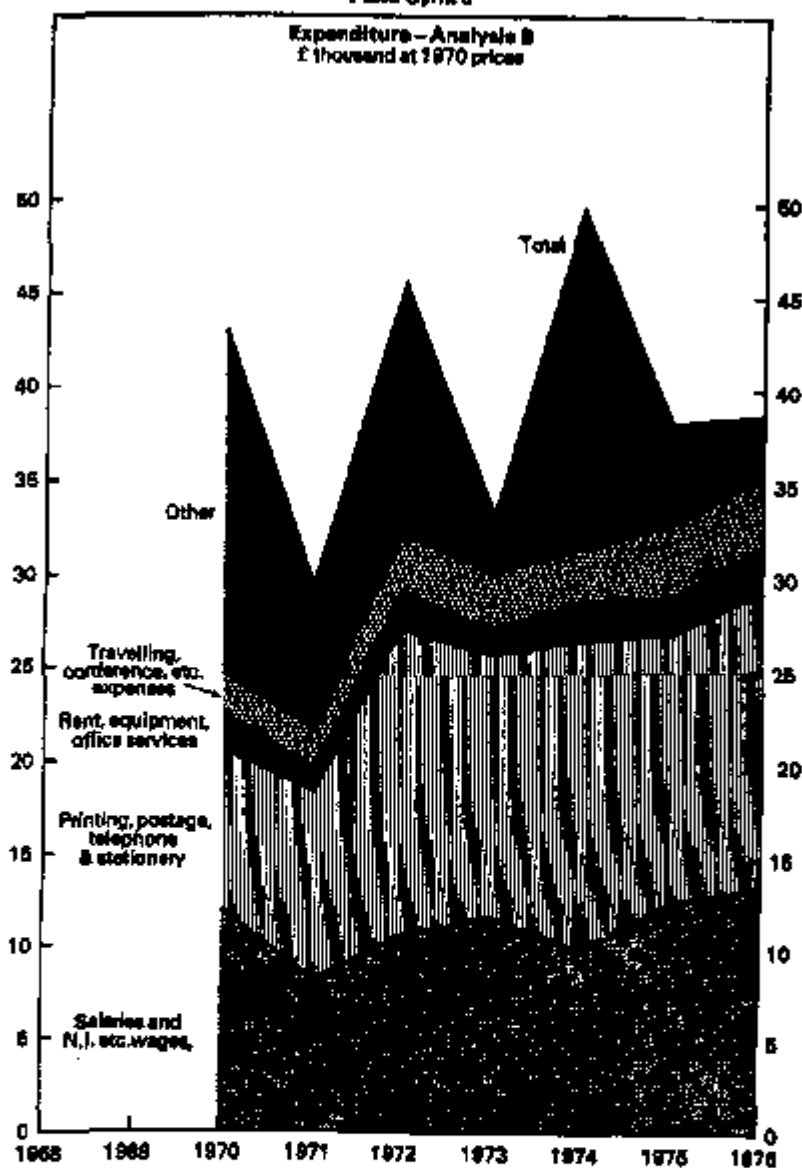
**PLAID CYMRU**  
**EXPENDITURE 'B' AT CONSTANT (1970) PRICES**

	<i>Salaries and wages, N.I. etc. £000</i>	<i>Printing, postage, telephones and stationery £000</i>	<i>Rent, equipment, office services £000</i>	<i>Travelling, Conference, etc. expenses £000</i>	<i>Fees to consultants, agencies etc. for public opinion research, public relations, advertising etc. £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	—	—	—	—	—	—	—
1968	—	—	—	—	—	—	—
1969	—	—	—	—	—	—	—
1970	12	8	2	2	—	18	43
1971	9	10	1	2	—	8	29
1972	11	16	2	3	—	13	46
1973	12	14	1	3	—	3	33
1974	10	17	2	3	—	18	50
1975	13	15	2	4	—	5	38
1976 (estimate)	13	16	2	4	—	3	39

Party Central Accounts

Ffild Cymru

Expenditure - Analysis B  
£ thousand at 1970 prices



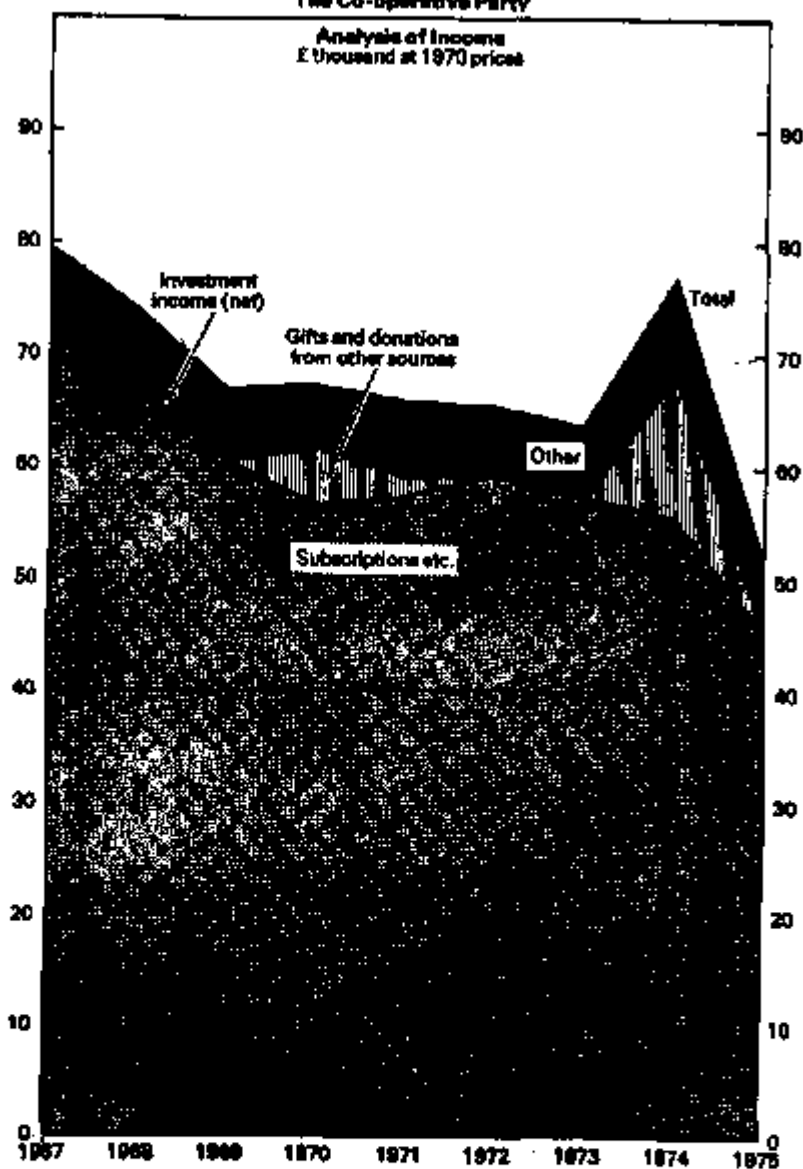
**CO-OPERATIVE PARTY**  
**INCOME AT CONSTANT (1970) PRICES**

	<i>Subscriptions (including where appropriate union affiliation fees and/or constituency "quota" payments to headquarters)</i> £000	<i>Donations, grants or other uncovenanted payments received from constituency parties</i> £000	<i>Gifts and donations from other sources including appeals</i> £000	<i>Investment income (net)</i> £000	<i>Income from other sources</i> £000	<i>Total</i> £000
1967	71	—	—	1	7	79
1968	66	—	—	1	6	74
1969	60	—	—	1	5	67
1970	57	—	5	1	3	67
1971	57	—	2	—	6	66
1972	59	—	—	—	6	65
1973	57	—	—	—	6	64
1974	55	—	13	1	8	77
1975	46	—	—	—	6	52
1976 (estimate)	—	—	—	—	—	—

# Party Central Accounts

## The Co-operative Party

Analysis of Income  
£ thousand at 1970 prices



**CO-OPERATIVE PARTY**  
**EXPENDITURE 'A' AT CONSTANT (1970) PRICES**

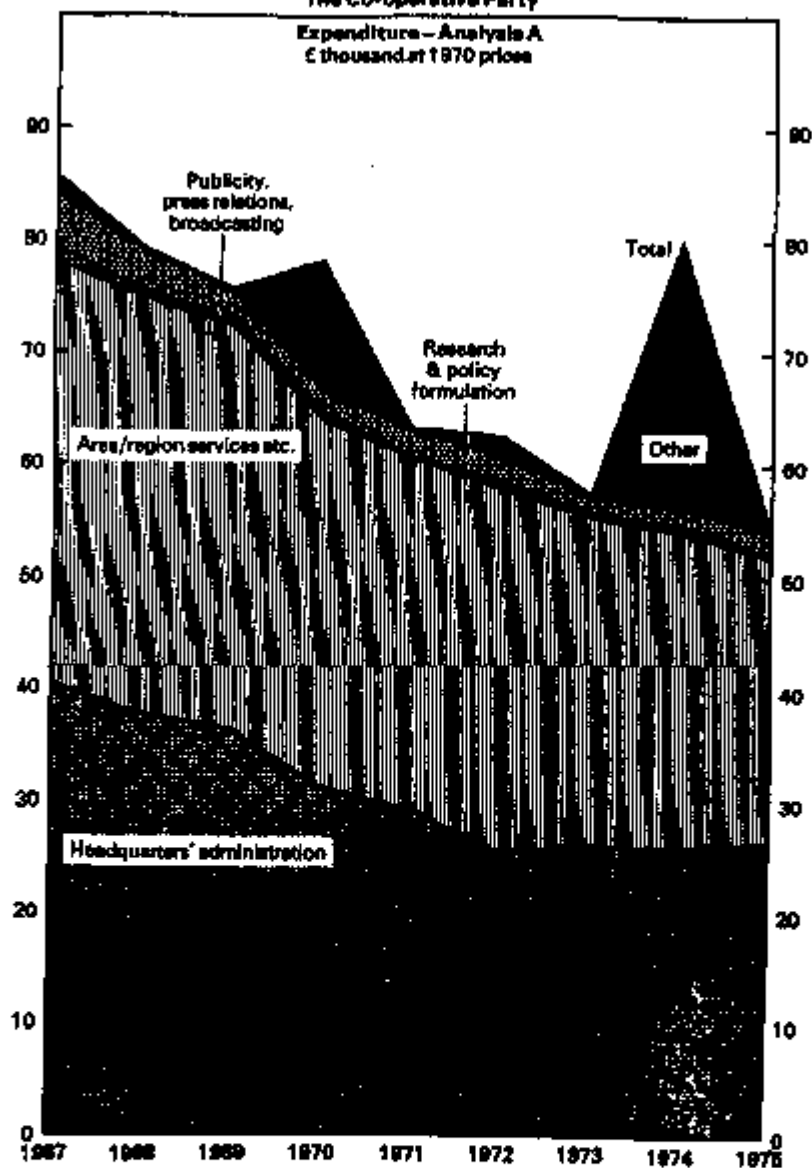
	<i>Headquarters administration £000</i>	<i>Area/region services, agency service, grants to constituencies, internal communications etc where these are paid for by HQ £000</i>	<i>Publicity, press relations, broadcasting £000</i>	<i>Research and policy formulation £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	40	38	1	5	1	85
1968	38	37	1	3	—	79
1969	36	36	1	3	—	75
1970	32	33	1	2	12	78
1971	29	31	—	3	—	63
1972	26	32	1	2	2	62
1973	26	29	—	2	—	57
1974	26	28	—	2	24	80
1975	26	26	—	2	—	54
1976 (estimate)	—	—	—	—	—	—



# Party Central Accounts

## The Co-operative Party

Expenditure - Analysis A  
£ thousand at 1970 prices

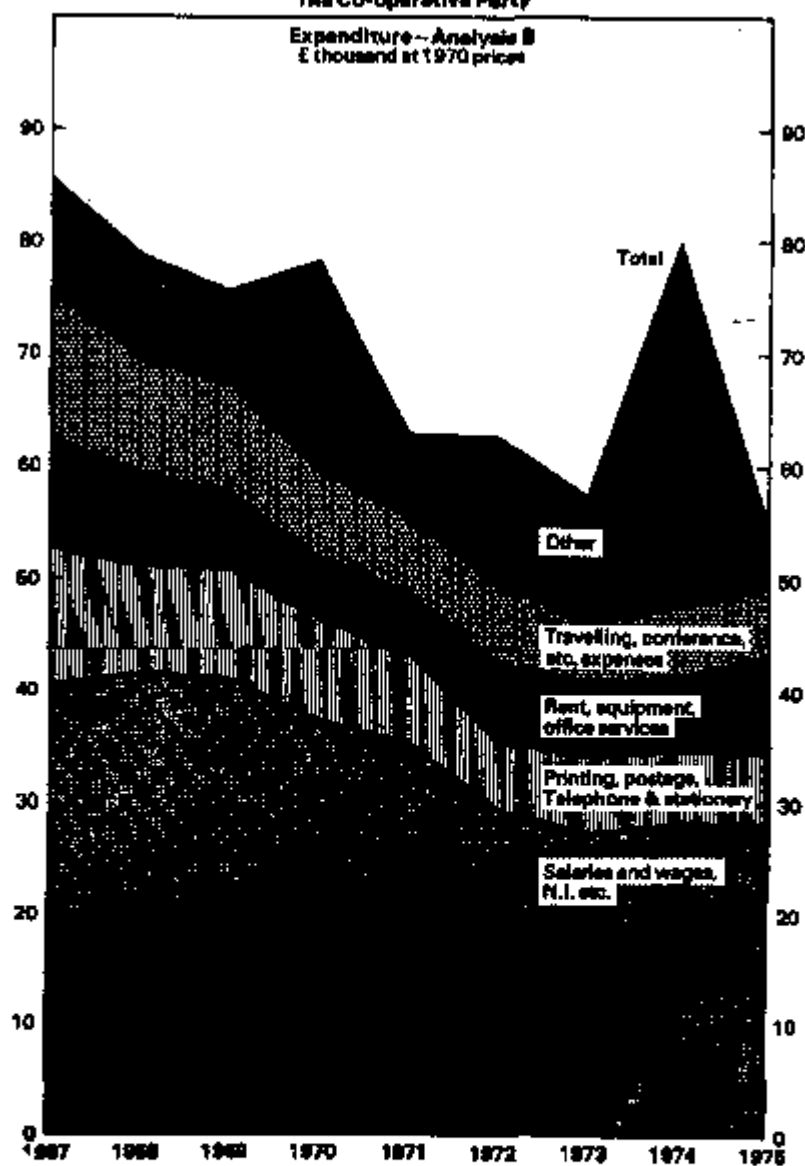


**CO-OPERATIVE PARTY**  
**EXPENDITURE 'B' AT CONSTANT (1970) PRICES**

	<i>Salaries and wages, N.J. etc. £000</i>	<i>Printing, postage, telephone and stationery £000</i>	<i>Rent, equipment, office services £000</i>	<i>Travelling, Conferences, etc. £00</i>	<i>Fees to consultants, agencies etc. for public opinion research, public relations, advertising etc. £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	40	12	9	13	—	10	83
1968	42	9	8	10	—	9	79
1969	41	9	7	10	—	8	75
1970	38	9	6	8	—	19	71
1971	35	8	5	7	—	7	63
1972	30	6	7	7	—	13	62
1973	27	7	7	6	—	11	57
1974	28	7	6	6	—	32	80
1975	28	7	8	6	—	5	54
1976 (estimate)	—	—	—	—	—	—	—

Party Central Accounts  
The Co-operative Party

Expenditure - Analysis B  
£ thousand at 1970 prices

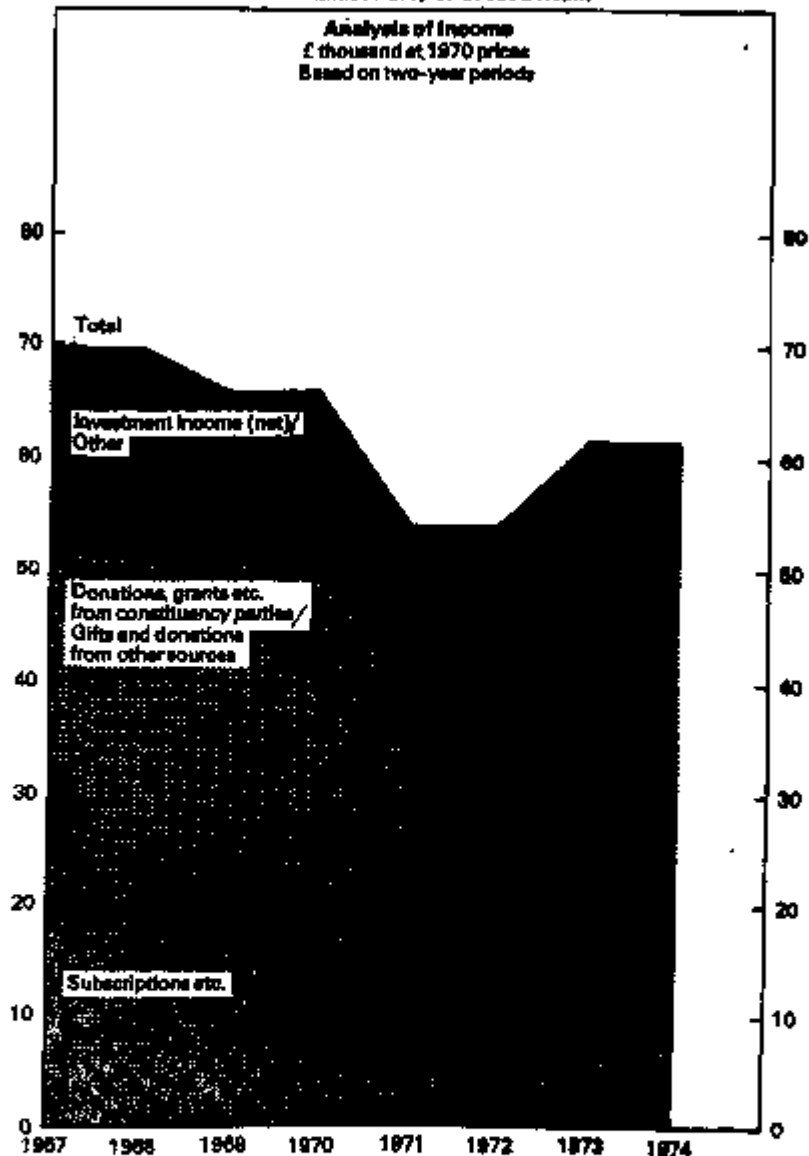


**COMMUNIST PARTY**  
**INCOME AT CONSTANT (1970) PRICES**

	<i>Subscriptions (including where appropriate union affiliation fees and/or constituency "quota" payments to headquarters) £000</i>	<i>Donations, grants or other uncommitted payments received from constituency parties £000</i>	<i>Gifts and donations from other sources including appeals £000</i>	<i>Investment income (net) £000</i>	<i>Income from other sources £000</i>	<i>Total £000</i>
1967	18	34		17		70
1968	18	34		17		70
1969	16	35		14		66
1970	16	35		14		66
1971	13	28		13		54
1972	13	28		13		54
1973	12	33		16		61
1974	12	33		16		61
1975	—	—		—		—
1976 (estimate)	—	—		—		—

The Communist Party submitted two-yearly accounts. Figures have been divided equally for the period.

**Party Central Accounts  
Communist Party of Great Britain**

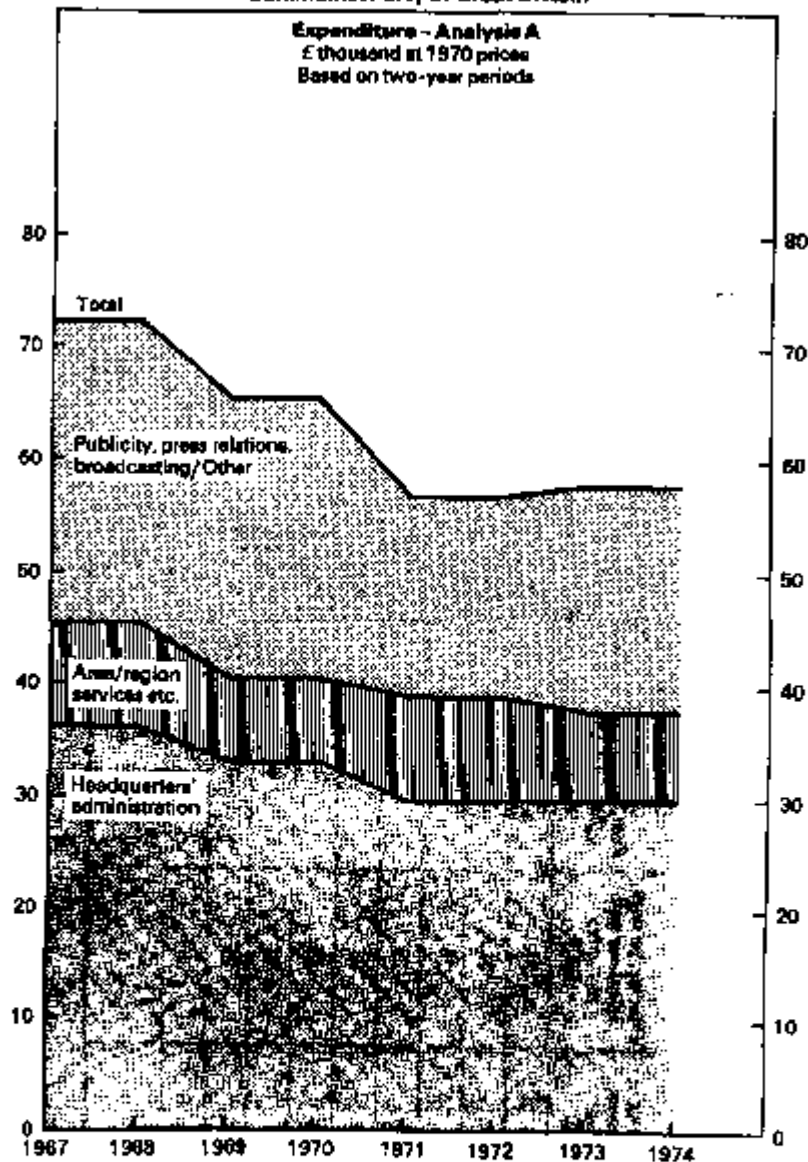


**COMMUNIST PARTY**  
**EXPENDITURE "A" AT CONSTANT (1970) PRICES**

	<i>Headquarters administration £000</i>	<i>Area/region services, agency service, grants to constituencies, internal communications etc where these are paid for by HQ £000</i>	<i>Publicity, press relations, broadcasting £000</i>	<i>Research and policy formulation £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	36	9	27	—	—	72
1968	36	9	27	—	—	72
1969	33	7	25	—	—	66
1970	33	7	25	—	—	66
1971	31	8	18	—	—	57
1972	31	8	18	—	—	57
1973	30	7	20	—	—	58
1974	30	7	20	—	—	58
1975	—	—	—	—	—	—
1976 (estimated)	—	—	—	—	—	—

The Communist Party submitted two-yearly accounts. Figures have been divided equally for the period.

Party Central Accounts  
Communist Party of Great Britain



COMMUNIST PARTY  
EXPENDITURE "B" AT CONSTANT (1970) PRICES

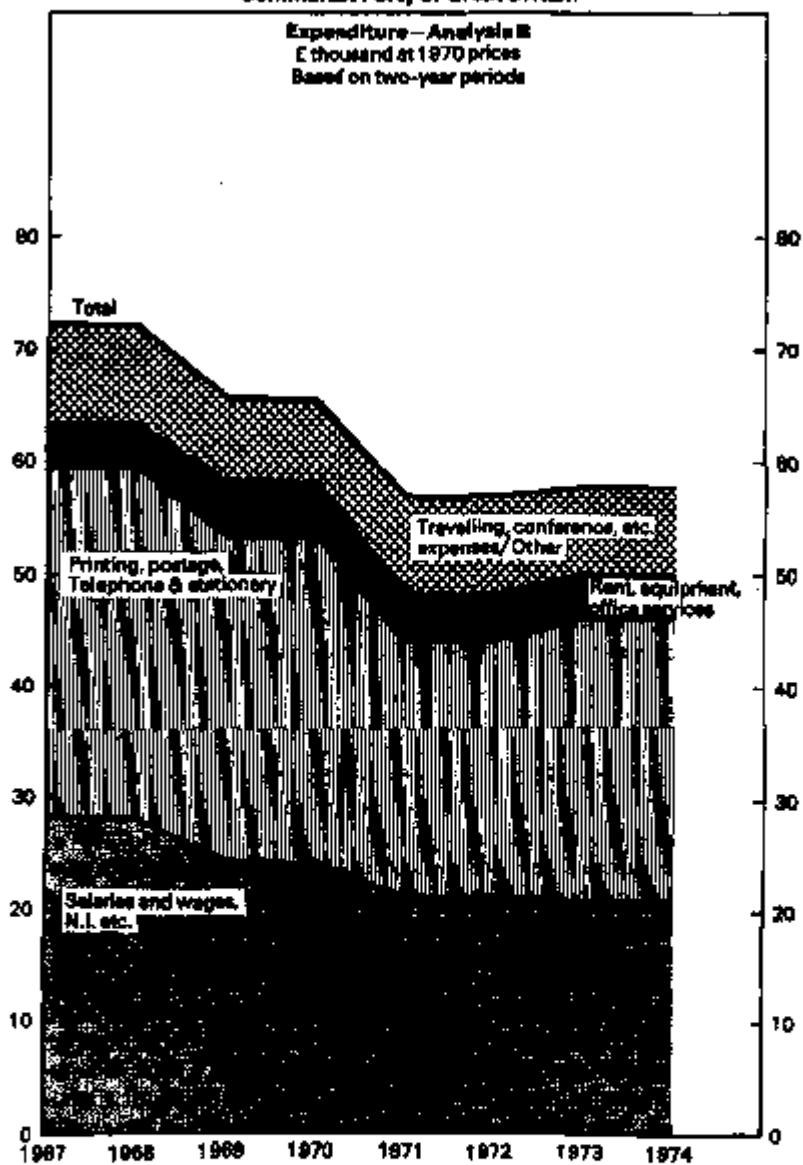
	<i>Salaries and wages, N.I. etc £000</i>	<i>Printing, postage, telephones and stationery £000</i>	<i>Rent, equipment, office services £000</i>	<i>Travelling, Conference, etc expenses £000</i>	<i>Fees to consultants agencies etc for public opinion research, public relations, advertising etc. £000</i>	<i>Other expenditure £000</i>	<i>Total £000</i>
1967	28	31	4	9	—	—	72
1968	28	31	4	9	—	—	72
1969	25	29	5	7	—	—	66
1970	25	29	5	7	—	—	66
1971	22	23	4	8	—	—	57
1972	22	23	4	8	—	—	57
1973	21	25	4	8	—	—	58
1974	21	25	4	8	—	—	58
1975	—	—	—	—	—	—	—
1976 (estimate)	—	—	—	—	—	—	—

The Communist Party submitted two-yearly accounts. Figures have been divided equally for the period.



**Party Central Accounts  
Communist Party of Great Britain**

Expenditure—Analysis II  
£ thousand at 1970 prices  
Based on two-year periods



**Note on the figures and graphs of party income, expenditure and reserves at constant (1970) prices.**

**Introduction**

1. This note explains how the figures from the parties' central accounts for 1967-1976 have been expressed in terms of constant prices—that is to say, how they have been "deflated" so as to reflect 1970 prices rather than the actual prices of the year in question. It is convenient to begin by dealing separately with salaries etc, which represent a separate heading in Expenditure Analysis B (described in paragraphs 4.20 and 4.25 of the Report).

**Salaries, Wages, Employers' National Insurance Contributions etc (Employee Payments)**

2. Parties' central employee payments have been deflated primarily by reference to the Department of Employment annual index numbers of salaries of non-manual employees in all industries in Great Britain, which today relate to April of each year. For the years up to 1970, these figures were supplemented by those for manufacturing industries only, since these used then to be available twice a year. Average salary index numbers for 12 months' periods were then estimated in the light of movements in the Department of Employment monthly index numbers of basic wages received by United Kingdom manual workers; it was mainly for 1975 and 1976 that this additional information was used. Within a single 12 months' period, the different index numbers were assumed to have moved more or less in proportion to one another.

**Other Payments**

3. The remainder of parties' central expenditure was deflated by means of specially calculated price index numbers (deflators) of consumer expenditure, derived from the Central Statistical Office publication "National Income and Expenditure 1964-74". Their coverage was limited to the items in the list at the end of this Note, ie to those items most likely to figure in office expenditure. The price deflators for these different items were then combined with one another in proportion to their relative importance in aggregate United Kingdom consumers' expenditure, during the relevant 12 months' period.

4. The deflators thus arrived at were used for the non-salary items in Expenditure Analysis B as well as, in the case of the Labour Party, for the "special expenditure" items in its Expenditure Analysis A (which included no element of headquarters' salaries), and for the income from its General Election Fund (from which that special expenditure may be assumed to have been largely met).

**General**

5. All these calculations were carried out for calendar years, for financial April-March years (in order to obtain deflators for the Conservative Party's central figures), and for pairs of calendar years (in order to obtain deflators for the Communist Party's two-yearly accounts). The resulting deflated figures for the Communist Party have normally been spread over the two relevant calendar years in equal halves.

6. In order to be able to deal with items related partly but not wholly to employee payments, an average price deflator was calculated, separately for each party and for the 12 (or 24) months' period appropriate to it. This combined the deflators for employee payments and for other payments, described above, in the proportions which these two types of spending bore to one another for the relevant party and period.

7. The resulting general deflator was then used for all items in Expenditure Analysis A and in the income analysis, except that, for the reasons given in paragraph 4, it was not used for the Labour Party's special expenditure or for the income from its General Election Fund.

#### **Reserves**

8. The levels of reserves at the closing date of each accounting period were also deflated by the general deflators described above, averaging the relevant pairs of deflators for the immediately preceding and following 12 months' periods. Care must therefore be exercised in comparing the resulting figures with deflated figures of income or expenditure, since the latter are based on deflators relating to a single year only.

*List of items of consumer expenditure of which the average price was used to deflate parties' central expenditure, other than employee payments:—*

Fuel and light; furniture and floor coverings; stationery (and other miscellaneous non-recreational expenditure); postage, telephone and other communication charges; contract cleaning (and other forms of domestic service); insurance; occupiers' expenditure on property maintenance, repairs and improvements; motor vehicles and their running costs; other travel; and meals and accommodation away from home.

**LABOUR PARTY CANDIDATES SPONSORED BY TRADE UNIONS  
at the October 1974 General Election**

<i>Trade Union</i>	<i>No. of sponsored candidates</i>
National Union of Agricultural and Allied Workers	1
National Union of Blastfurnacemen, Ore Miners, Coke Workers and Kindred Trades	1
Union of Construction, Allied Trades and Technicians	3
Electrical, Electronic, Telecommunication and Plumbing Trades Union	3
Amalgamated Union of Engineering Workers (Engineering Section)	18
Amalgamated Union of Engineering Workers (Constructional Section)	1
Amalgamated Union of Engineering Workers (Technical Administra- tive and Supervisory Section)	4
Furniture, Timber and Allied Trades Union	2
National Union of General and Municipal Workers	14
National Graphical Association	1
Iron and Steel Trades Confederation	2
National Union of Mineworkers	20
Musicians Union	1
Post Office Engineering Union	2
Union of Post Office Workers	4
Association of Professional, Executive, Clerical and Computer Staff	6
National Union of Public Employees	7
National Union of Railwaymen	6
Association of Scientific, Technical and Managerial Staffs	14
National Union of Seamen	1
Union of Shop, Distributive and Allied Workers	5
Transport and General Workers Union	23
Transport Salaried Staffs Association	4
	<hr/> 143 <hr/>

## CONSTITUENCY SURVEY: CHOICE OF SAMPLE

Paper prepared by the Central Statistical Office

### 1. Introduction

A postal sample survey was undertaken by the Committee for the purpose of gathering information concerning constituency party organisations in Great Britain (see Chapter 5). This Annex describes the design considerations involved in selecting the sample of constituencies. The survey needed to cover three main categories of information; membership, staff and activities, and finance; and the survey was designed accordingly.

### 2. The design

#### 2.1 *Background to the design*

Considerations of time and cost made it necessary to rule out direct interviewing of constituency parties, either by the Committee or by professional interviewers, in favour of a postal questionnaire; similar considerations restricted the enquiry to a sample of the 623 constituencies. An informal pilot survey, consisting of 13 constituency parties, was carried out to gather facts needed for the design of the questionnaire and of the survey. The constituency parties covered all had associations with members of the Committee. Although not from a randomly selected pilot sample, replies received were extremely helpful.

#### 2.2 *The sample size*

After some discussion between representatives of the Committee Secretariat, the Office of Population Censuses and Surveys, Research Surveys of Great Britain Ltd (the firm of consultants commissioned to analyse the survey results) and the Central Statistical Office, it was decided, balancing coverage on the one hand against resources available on the other, that the sample would consist of 100 constituencies, taking in each selected constituency every party which contested the October 1974 General Election. This was expected to realise about 350 constituency parties. In order to have a better chance of obtaining an adequate picture of the Scottish National Party and Plaid Cymru, over sampling (in proportionate terms) of Scotland and Wales was decided upon. The sample was to be comprised of 74 constituencies of the 516 in England (approximately 1 in 7), 15 of the 71 constituencies in Scotland (approximately 1 in 5) and 11 of the 36 constituencies in Wales (approximately 1 in 3).

#### 2.3 *The stratification*

If the field to be sampled is first stratified according to factors which are associated with the major variations in the information being sought, then the use of stratified selection will increase the representativeness of the sample and the precision of resulting estimates. After grouping the constituencies into homogeneous strata, one constituency is selected at random from each stratum. The main factors which might influence constituency party organisation, besides of course the general differences between the parties, were thought to be:

- (i) geographical location;
- (ii) county or borough constituency;

- (iii) size of the electorate; and
- (iv) the winning party and the size of its majority

The relevant information about the factors (ii), (iii) and (iv) for the October 1974 General Election is to be found in the House of Commons Return "Election Expenses"<sup>\*</sup>. The first factor, while of course likely to be of some significance here, is in any case of almost mandatory importance in a survey of this type in order to ensure that the sample is geographically representative. Five regions were used, namely:

1. The South East of England (including Greater London);
2. The South West, West Midlands, East Midlands and East Anglia;
3. North West, Yorkshire and Humberside and North;
4. Scotland; and
5. Wales.

The sub-division of England was chosen to give a fairly natural grouping with roughly equal numbers of constituencies. The second and third factors, county/borough and electorate, are already established in Law.

The Representation of the People Act 1974 lays down the maximum permissible election expenditure that may be incurred by a candidate at a parliamentary election. The maximum is specified in terms of whether the constituency is county or borough and the number of registered electors. As to the fourth factor, it is important that the sample should be representative not only by winning party but also by size of majority because it is possible that parties may devote proportionately more resources to constituencies they have a hope of winning or a fear of losing.

### 3. Selecting the sample

The stratification scheme was implemented in the following manner. The 623 constituencies were assigned according to the 5 geographical regions and county or borough into 10 groups. Within each of these groups the constituencies were ranked in order from those with the highest electorate to those with the lowest. Each group was then subdivided, the number of sub-groups formed being equal to the number of constituencies to be sampled from the group, and the sub-groups being as nearly as possible of equal size; the constituencies with the highest electorate formed the first sub-group, and so on. For example there are 125 constituencies in the first group, which is SE England boroughs, and a sample of 18 was to be chosen; the group was therefore divided into 17 sub-groups of 7 constituencies and one of 6. Within sub-groups the constituencies were then ranked again in terms of the winning party at the October 1974 Election and the winning margin. Safe Labour seats were placed on the left, then marginal Labour, marginal Conservative and safe Conservative on the right. Constituencies represented by one of the nationalist parties or by the Liberal Party were placed in the middle in that order. It is worth noting that the double ranking mechanism (first by electorate and then by majority) is only a device to facilitate the choice of a sample that has proportional representation of the constituencies in terms of the factors electorate size and majority size.

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<sup>\*</sup>HC 478 28 July 1975.

The ranking could have been in order of lowest electorate to highest electorate, or some other ordering of the parties, to achieve the same end. Within each of the re-ranked sub-groups one constituency was selected at random subject to the constraint that the various positions of ranking were each selected, as nearly as possible, the same number of times, thus ensuring a representative sample.

#### 4. The Sample

The above technique is termed multi-stage stratified random sampling. In the chosen sample of 100 constituencies, constituencies which had previously been used in the informal pilot survey were replaced with the most similar constituency in the same sub-group. The selected sample is listed in Table 1. The distribution of the sample in terms of which party won the seats concerned at the 1974 (October) General Election is shown in Table 2 with, for comparison, the figures for the country as a whole and the number expected in the sample. There are no marked disparities. There are 15 constituencies in the sample where the winning margin at the 1974 (October) General Election was less than 2,000, compared with an expected number of 12. The breakdown of these 15 marginal constituencies by country is given in Table 3. Finally the geographical distribution of the 100 constituencies in the sample is shown in Fig. 1, the constituencies being shown on the map of Great Britain by the corresponding numbers used in Table 1. The boundaries of the five regions used for stratification are shown with pecked lines.

TABLE 1

## THE SAMPLE OF 100 CONSTITUENCIES

## 1A—England

1 Hounslow, Feltham and Heston	2 Hove
3 Hounslow, Brentford and Isleworth	4 Chertsey and Walton
5 Newham, North East	6 Havering, Uppminster
7 Eton and Slough	8 Bexley, Erith and Crayford
9 Bromley, Beckenham	10 Hammersmith, Fulham
11 Harrow West	12 Southwark, Bermondsey
13 Bromley, Chislehurst	14 Haringey, Wood Green
15 Barnes, Hendon North	16 Gosport
17 Islington Central	18 City of Westminster, St Marylebone
19 Maidstone	20 Hertford and Stevenage
21 South West Hertfordshire	22 Dover and Deal
23 Wokingham	24 Shoreham
25 Aylesbury	26 Epping Forest
27 Dorking	28 Derby North
29 Cambridge	30 Wolverhampton North East
31 Exeter	32 Coventry North East
33 Warley West	34 Sutton Coldfield
35 Birmingham, Yardley	36 Lincoln
37 Northampton North	38 North Norfolk
39 Leam	40 Cirencester and Tewkesbury
41 South Gloucestershire	42 Ashfield
43 North Devon	44 Tiverton
45 Chippenham	46 Harborough
47 Rugby	48 Kingswood
49 South East Derbyshire	50 Ludlow
51 Wallasey	52 Newcastle upon Tyne West
53 Bradford South	54 Hazel Grove
55 Bradford North	56 Leeds North West
57 Halifax	58 Dewsbury
59 Liverpool, Wavertree	60 Kingston upon Hull West
61 Barrow-in-Furness	62 Liverpool, Walton
63 Bolton West	64 Warrington
65 Manchester, Central	66 Brigg and Scunthorpe
67 Macclesfield	68 Bishop Auckland
69 Chester-le-Street	70 Thirsk and Malton
71 North West Durham	72 Consett
73 Skipton	74 Berwick-upon-Tweed

## 1B—Scotland

75 Dundee West	76 Greenock and Port Glasgow
77 Edinburgh, Pentlands	78 Glasgow, Maryhill
79 Glasgow, Hillhead	80 Glasgow, Central
81 Midlothian	82 East Renfrewshire
83 Bothwell	84 Inverness
85 South Angus	86 West Dunbartonshire
87 Rutherglen	88 North Angus and Mearns
89 Western Isles	

## 1C—Wales

90 Rhondda	91 Cardiff South East
92 Cardiff North	93 Wrexham
94 East Flint	95 Aberavon
96 Denbigh	97 Brecon and Radnor
98 Neath	99 Caernarvon
100 Merioneth	



TABLE 2

THE SAMPLED CONSTITUENCIES—BY COUNTRY AND BY PARTY WINNING THE SEAT AT THE 1974 (OCTOBER) GENERAL ELECTION

		<i>Conservative</i>	<i>Labour</i>	<i>Liberal</i>	<i>Plaid Cymru</i>	<i>SNP</i>
England	Total in country	253	255	8	—	—
	Number in sample	36	36	2	—	—
	Expected number*	36	37	1	—	—
Scotland	Total in country	16	41	3	—	11
	Number in sample	4	8	1	—	2
	Expected number*	3	9	1	—	2
Wales	Total in country	8	23	2	3	—
	Number in sample	2	7	0	2	—
	Expected number*	2	7	1	1	—

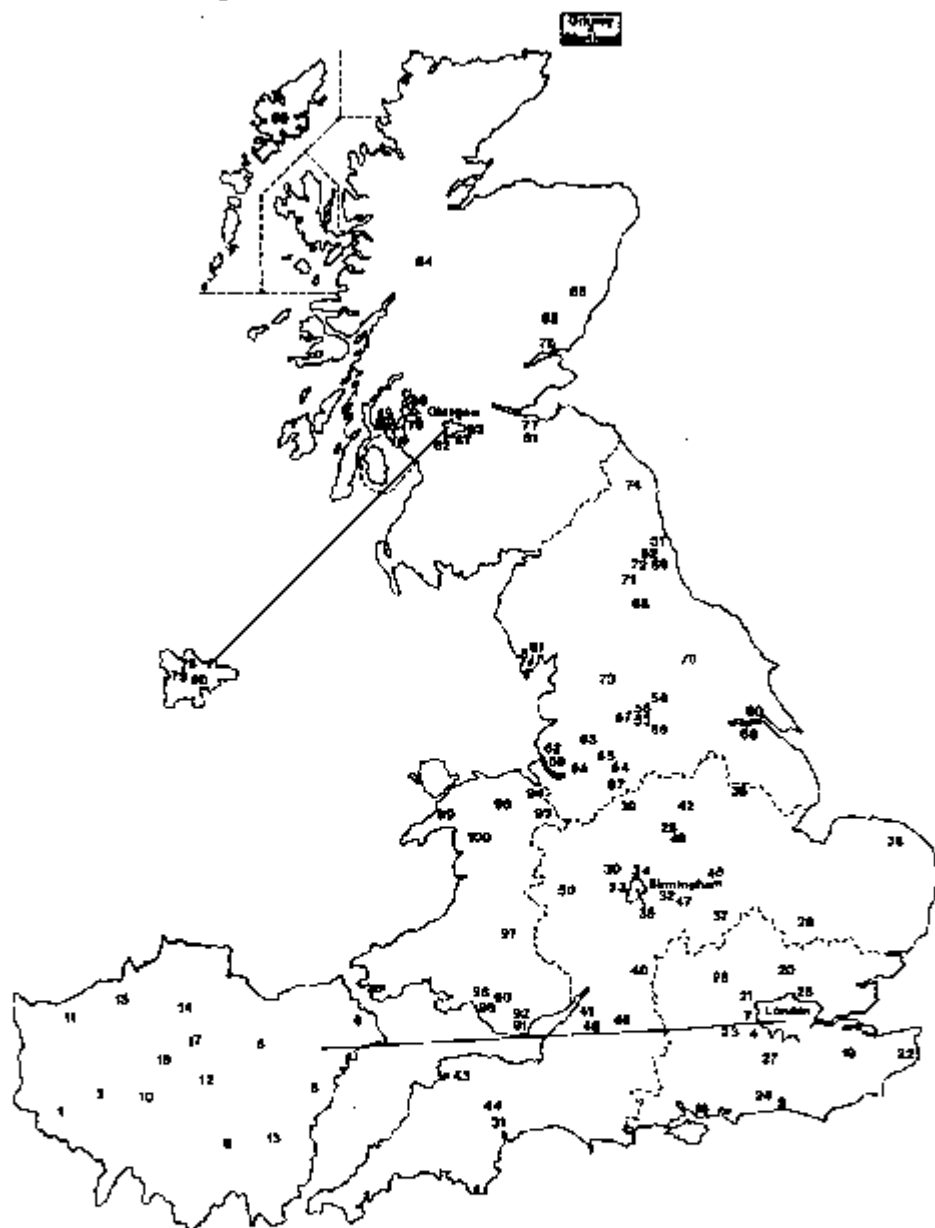
\*denotes the figures are rounded to the nearest integer.

TABLE 3

THE SAMPLED CONSTITUENCIES—THE MARGINALS

<i>Country</i>	<i>Constituencies with less than 2,000 majority</i>		
	<i>Total in country</i>	<i>Number in sample</i>	<i>Expected number</i>
England	99	11	8½
Scotland	17	4	3½
Wales	1	0	½

Fig. 1 GEOGRAPHICAL DISTRIBUTION OF SAMPLED CONSTITUENCIES



# CONSTITUENCY SURVEY REPORT

Prepared by Research Surveys of Great Britain Ltd

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### Introduction

The aim of the survey reported in this Annex was *primarily* to obtain as quickly as possible for the use of the Committee detailed factual information about the organisation and financial state of local parties—*on a formal basis* as distinct from unsolicited national information or information reported through central party organisations.

### Organisation and Methodology of the Survey

RSGB was specifically responsible for the analysis and reporting stages of this study, but was involved in discussions of other stages. In summary the survey was organised as follows:

#### *Sampling*

This was undertaken by the Central Statistical Office—the universe of constituencies being stratified by region, county/borough, size of winning margin and electorate size. A small degree of over-sampling was adopted both in Scotland and Wales, since it was felt that these areas were of particular interest in view of the national party activity.

In each selected constituency—100 in all—all parties presenting a candidate in the October 1974 election were taken, providing a total of 357. Fuller details of the sampling are given in Annex D.

#### *Questionnaire*

The information was collected via a self-completion questionnaire, developed following an informal pilot conducted by the Committee Secretariat. A copy of the questionnaire will be found in the appendices to this Annex.

### *Contact*

Co-operation from central party organisations was obtained by the Secretariat in the case of Labour, Conservative and Liberal Parties, and Plaid Cymru and the Scottish National Party. Lists of names and addresses for local parties were normally provided by the Secretariat but the Conservative Party Central Office and the Scottish National Party despatched and collected their questionnaires themselves.

The Communist Party central organisation advised that the survey—that is of *local parties*—was not relevant to their party structure and provided information centrally. Questionnaires were therefore *not* sent to these parties. Copies of the questionnaire were sent to the headquarters of the National Front and the Workers' Revolutionary Party with a covering letter and the situation was explained on the telephone but no replies were received.

Attempts to locate addresses of minor parties were made on an ad hoc basis—the existence of some organisations is of course limited to the period of an election campaign.

All contact was organised and undertaken by the Committee Secretariat. The prime contact was postal—a copy of the questionnaire, covering letter and reply paid envelope being sent—usually to a named party agent or treasurer. There followed a telephone contact to encourage response and to answer any queries. Further such contacts including a reminder letter were made as necessary.

Questionnaires were despatched in the week commencing 3rd November and the eventual closing date for replies was Friday 5th December (it was in fact possible to include one or two questionnaires received after this date, in the main analysis).

An analysis of the response rate is shown in Appendix A. Response rates for the three major parties were: Labour 87% Conservative 82% Liberal 70%. (That is in terms of analysable questionnaires.)

### *Information quality*

An initial check of the completeness of returned questionnaires was made by the Secretariat and in many instances further telephone calls were made to fill gaps or to resolve ambiguities.

It was impossible however to resolve all queries and while some could be adequately dealt with in the coding process, others—particularly incomplete financial data or financial data shown in a form different from that requested, led to questionnaires being rejected.

A summary of the nature of rejections is shown in Appendix B. In particular, it was decided that the main analysis would be based on Labour, Conservative

and Liberal party records only, since a combination of low response, incomplete records and apparently weak local party structures meant that analysis of other parties' returns would be of doubtful value.

### *Coding and Analysis*

This was undertaken by RSGB. Before analysis the sample was weighted to take into account the oversampling in Scotland and Wales. The weighting was undertaken on the basis of the sample originally selected. No attempt has been made to correct for variations in response rate. The analysis is based on 238 Labour, Conservative and Liberal questionnaires. A selection of Summary tables appear in this report.

### **Note on Interpretation**

The aim of this survey and of the analysis and reporting of it has been to provide as detailed and reliable a picture as possible of the nature of the operation and finances of constituency party organisations. It should be remembered that the accuracy of the results reported will be affected by a number of factors, the most important of which are:

(i) **The Sample achieved.**

The original sample was drawn in a way so as to maximise its representations of the universe of constituencies. The sample analysed excludes a number of organisations who either did not reply, did not reply in sufficient detail or replied too late.

In particular there is some under-representation of Labour constituency parties in Scotland.

The analysis is confined to Labour, Conservative and Liberal.

(ii) **The ability to provide information requested.**

Particularly on questions of numbers—membership and finance there is some level of non-response to individual questions, which will affect the overall accuracy. (On occasion this may represent the deliberate withholding of information.)

In the analysis of income and expenditure, organisations not replying in terms of calendar years (both in 1973 and 1974) have been excluded since it was felt that they would distort the pattern.

(iii) **Differences in interpretation of questions.**

This is a problem which relates mainly to the few attitudinal questions included, but may also affect other questions (eg precise definition of membership) to a small extent.

*Given all these points it is recommended that the results should primarily be interpreted in terms of patterns and trends rather than in absolutes.*

## Commentary

### 1. Membership

#### 1.1 Membership numbers

1.1.1 Constituencies were asked to say how many individual subscription paying members they had at the end of 1972, 1973, 1974 and at the latest available date in 1975.

1.1.2 Table A shows the overall position for the three main parties combined. It will be seen that at each point in time *over two-thirds* of constituencies who were able to give information for the required periods claimed memberships of 1,000 or less.

#### 1.1.3

TABLE A  
Summary of Combined Membership Levels  
of Labour, Conservative and Liberal Parties

Base = 238	December			Latest
	1972	1973	1974	
No of members:				
0	9%	4%	*	*
Under 200	20%	23%	22%	25%
201-500	20%	24%	27%	24%
501-1,000	13%	16%	19%	20%
1,001-3,000	11%	12%	13%	16%
3,000+	9%	9%	10%	7%
No information	17%	12%	8%	8%

\* = Less than 0.5%.

1.1.4 These figures must of course be viewed within party, and the growth of the Liberal party is particularly relevant to their interpretation. In the two earlier years the substantial levels of nil membership relate almost entirely to Liberal constituency organisations, presumably not yet formed, or at least not operating formally.

	1972	1973	1974	Latest
Total "O"	22	10	1	1
Liberal "O"	18	10	1	---

1.1.5 The conversion of these organisations into ones with subscription paying members has contributed to an overall improvement in the three party membership position. For 1972 only 33% of the constituencies could claim membership in excess of 500. This figure has risen gradually to 42% for the "latest" date.

1.1.6 The vast majority of *Labour* constituency organisations have a membership of less than 1,000, although there was a small overall tendency for growth between 1972 and 1974. (The trend from 1974 to the latest 1975 figures is uncertain because of a rise in the number of constituencies unable to give figures

for that period.) Whilst an eighth of Labour constituency parties claim membership of over 1,000 none claims membership of more than 2,000.

1.1.7 *Conservative* constituency parties have on average much higher paid membership than their Labour counterparts—and between 1972 and 1974 the situation appears relatively stable. Because of a high level of “no information” returns (approaching one-quarter in 1972 and 1973, slightly lower in 1974) the figures must be interpreted cautiously; of the organisations quoting figures:

- more than half claim over 1,000 members
- about one third claim over 3,000
- 12–15% claim membership of over 5,000 (10–12 organisations of the 82 surveyed).

The “latest” figures show a number of changes; a decrease in the number with no information; a considerable decrease, from 23–15, in the number with more than 3,000 members; a largely compensating increase in those with 1,000–3,000 members (18–24), and with 500–1,000 members (7–10). Thus there is an overall suggestion of a shrinkage in membership after 1974.

1.1.8 The development of “new” *Liberal* constituency organisations was noted above. At the time of the “latest” figures nearly four-fifths of the sample of 69 had a membership of less than 500. There was a single organisation with more than 3,000 members. By this time only 2 were unable to provide information compared with 16 for 1972.

1.1.9 Both because of varying trends within party, together with fluctuating levels of “no information”, and because of the nearness of the last election, it is not possible to show a clear relationship between membership and elections. Only in the case of the *Conservative* party is there a suggestion of a fall-off in membership after the elections of 1974.

1.1.10 Membership levels were tabulated against a number of other variables which might be related. Though the presence of a *paid agent* varies considerably by party (see later) and is so low as to make analysis difficult for *Liberal* constituency organisations, and to an extent for *Labour* organisations, there is some evidence to suggest a link between agents and high membership. Taking the “latest” 1975 membership analysis:

- Of 22 *Labour* organisations with a full or part-time paid agent, 6 had more than 1,000 members, compared with only 4 of the 66 organisations without agents.
- 28 of the 62 *Conservative* constituency organisations with full or part-time agents had 2,000 or more members, compared with *none* of the 20 organisations without agents.

1.1.11 Relationships between membership and *electorate* size exist but are relatively slight. About 16% of the 32 smallest constituencies (less than 50,000 electors) have more than 1,000 members compared with 21% of the 73 constituencies with more than 70,000 electors, taking “latest” figures.

1.1.12 Similarly, some relationship is found by analysing membership against majority\*.

	Total	Majority			
		Less than 3,000	3,000-6,999	7,000-11,999	12,000 or more
% of parties having more than 1,000 members (latest 1975 figures)	23%	28%	22%	23%	12%

Thus there is an inference that the more marginal a constituency the stronger the party organisations it contains will be, in membership terms.

## 1.2 Membership drives

1.2.1 Constituencies were asked to answer a direct question—"When did you last have a membership drive"?

1.2.2 12% answered that they held drives "all the time", while a further 16% were currently holding one. 21% had held one since September 1973, and a similar proportion had held one in the six months prior to that date.† Almost two-thirds of the organisations had held a drive at some time in 1975.

1.2.3 15% of constituency organisations had last held a drive in 1974, 8% in 1973 and 8% in 1972 or earlier.

1.2.4 There is no significant variation in this activity by party, but there is some evidence that organisations without agents were less likely to have had a drive in 1975 than those with full or part-time agents.

	Paid agents (full or part-time)	No agent
Total Labour, Conservative and Liberal organisations	89	149
% whose last drive was before 1975	29%	35%

1.2.5 Size of electorate does affect the recency of a membership drive: 13 of the 32 organisations in constituencies of less than 50,000 electors (41%) did not have a drive in 1975, compared with 46 of 133 organisations in 50,000-70,000 electorate constituencies (35%), and only 17 of the 73 largest constituencies (23%).

1.2.6 Organisations in constituencies with larger majorities are somewhat less likely to have held a 1975 membership drive than those in more marginal constituencies.

\* is between winning and second party.

† Some double counting arises because of organisations with drives which span several periods.



1.2.7 Analysis by membership\* shows a split in the activity of *largest* party organisations—while a high proportion have had a very recent drive, there are also a significant number with no drive at all during 1975.

<i>Last drive</i>	<i>1974 Membership</i>		
	<i>Less than 200</i>	<i>201-1500</i>	<i>More than 1,500</i>
<i>Since September 1975</i>	36%	53%	58%
<i>Before 1975</i>	39%	26%	40%

1.2.8 Canvassing was the main method used—by 82% of the organisations, letters and leaflets were used by 62% and meetings held by 22%. Other canvassing approaches were insignificant.

1.2.9 There is a roughly equal split between those who are satisfied to an extent with the results of the drive (47%) and those who are dissatisfied (50%).

1.2.10 Conservative organisations were a little more likely to be satisfied (55%) than their Labour and Liberal counterparts (44% and 43% respectively).

1.2.11 There is apparently a much higher level of satisfaction with the drives held in Southern England (64%) than in other parts of the country (37% on average).

1.2.12 Perhaps unsurprisingly, 54% of winning party organisations claim to be satisfied to an extent, compared with 44% of losing organisations.

### 1.3 *Satisfaction with current membership*

1.3.1 Constituencies were asked whether their current membership figures were very satisfactory, satisfactory, unsatisfactory or very unsatisfactory.

1.3.2 Not a single organisation thought the figures to be "very satisfactory", while 11% answered "satisfactory", 58% "unsatisfactory" and 31% "very unsatisfactory".

1.3.3 Organisations with full or part-time paid agents are rather more likely to be satisfied than those without.

1.3.4 As would be expected organisations having a larger membership and 1974 winners were more likely to express satisfaction, than others.

\*1974 claims.

## 2. Staff and activity

### 2.1 Paid secretary or agent

2.1.1 One quarter of the constituency organisations (26%) have a *full-time paid secretary or agent*, while a further 12% have the services of a part-time secretary/agent or one shared with another constituency or borough organisation. The remaining three-fifths of the sample had no paid official acting in this capacity.

2.1.2 There is a considerable variation by party; over half the Conservative constituencies have a full-time agent, compared with 16% of Labour organisations, and 3% of Liberal (ie 2 constituencies of the 69 analysed). Only a quarter of Conservative organisations are without a full or part-time agent (Labour three-quarters, Liberal nine-tenths).

2.1.3 There is a positive relationship between presence of an agent and election victory (October 1974).

Total	Labour		Conservative	
	Won 43	Lost 44	Won 37	Lost 45
Agent/Secretary Full-time	20%	11%	89%	27%
Part-time/shared	15%	2%	11%	29%
None	65%	86%	—	44%

2.1.4 Because of the great variation between party it is necessary to interpret other patterns emerging from the analysis with care. Constituency organisations with large memberships are, unsurprisingly, much more likely to have a full-time agent than smaller organisations (we saw in Section 1 that Conservative organisations tended to be larger than Labour or Liberal ones).

2.1.5 'Marginal' constituency organisations were more likely to have a full-time agent than safe ones:

	Majority		
	Under 3,000	3,000-11,999	12,000 or more
Full-time agent	40%	24%	13%

2.1.6 A majority of constituencies with a full or part-time agent, pay the salary from constituency funds (64%). Only a small proportion of agents (11%) are paid directly or indirectly from party headquarters. The remainder—a quarter—have their salary paid by some combination of constituency and headquarters funds.

## 2.2 *Other full-time staff*

2.2.1 Less than one in five constituencies employed any other full-time staff (17%), and almost all of these are employed by Conservative organisations (37 of 40). Only in 4 cases is more than one additional worker employed.

2.2.2 As many as two-thirds of Conservative constituencies with a full-time agent have an additional full-time official.

2.2.3 Three-quarters of Labour organisations employ neither a full or part-time agent/secretary nor any other full-time staff, compared with less than one-quarter of Conservative constituency organisations.

2.2.4 Almost all these additional full-time workers were typists or secretaries.

2.2.5 In addition to the above just under one-fifth (19%) of constituencies shared the services of other full-time staff with city, borough or regional organisations. In the case of Labour and Liberal, these staff were almost exclusively used by organisations who did not have paid agents.

2.2.6 These shared officials are "organisers" in about half of the instances; almost all the remainder are secretaries, typists or clerks.

## 2.3 *Part-time staff*

2.3.1 Just under one-quarter of constituency organisations (23%) employ part-time staff (excluding collectors). The majority of these are secretaries, typists or clerks.

2.3.2 Only 5% of constituency organisations (11 of 238) employ subscription or donation collectors.

## 2.4 *Office*

2.4.1 The majority of constituency organisations have the use of an office (62%). About a quarter own an office, a similar proportion rent one, while 10% share an office with a city, borough or regional organisation. The remainder operate from private houses.

2.4.2 Virtually all Conservatives have the use of an office, while three-fifths of Labour and a quarter of Liberal organisations have the use of an office.

2.4.3 Almost all organisations with full-time paid agents/secretaries have the use of an office while two-thirds of them own their own office.

## 2.5 *Branches and ward parties*

2.5.1 Virtually all Labour and Conservative organisations have branches or ward parties, while 14% of Liberal constituency parties do not. Around two-thirds of Labour and Conservative organisations have more than five branches/ward parties, whereas only about two-fifths of Liberal organisations do.

2.5.2 About one-third of Conservative organisations have *twenty or more* branches/ward parties compared with only 2% of Labour.

2.5.3 There is evidence that the number of branches/ward parties is positively related to the presence of a paid agent in the organisation. The link is strongest with regard to the Conservative constituency organisations, which as noted, accounted for the vast majority of agents found.

2.5.4 It should be noted that there were some unanswered questions ranging from 10% for Liberal, 13% Labour, 15% Conservative which will affect the accuracy of these results.

## 2.6 *Local government election candidates*

2.6.1 Constituency organisations were asked for information with regard to:  
 District Council and County Council Elections, 1973—England and Wales  
 London Borough Elections, 1974  
 District Council and Regional Council Elections, 1974—Scotland.  
 1975 elections for English metropolitan districts were to be excluded.

2.6.2 From Table B below it will be seen that there are slight differences in the level of coverage, both by party and within party by presence of an agent.

### 2.6.3

CANDIDATES AT LAST LOCAL GOVERNMENT ELECTIONS TABLE B

	Labour			Conservative			Liberal
	All	Agent*	No	All	Agent*	No	All
Candidates: One or more	95%	100%	93%	94%	94%	92%	83%
Less than half seats covered	11%	—	15%	16%	11%	32%	52%
Half or more seats covered	26%	18%	28%	34%	39%	19%	18%
All seats covered	57%	82%	50%	44%	45%	41%	12%
None	—	—	—	—	—	—	6%
Not answered	5%	—	7%	6%	5%	8%	11%

\* Full-time or part-time

2.6.4 The level of coverage is generally lower for Liberal than for the other parties, while Labour "total coverage" of seats is higher than that of Conservatives. The presence of an agent in a Labour organisation is strongly related to total coverage, whereas there is no such link in Conservative organisations. (The analysis for Labour organisations with agents is on a base of only 22.)

2.6.5 "Total coverage" is much more likely in *Borough* constituencies (65%) than in *County* constituencies (13%).

### 3. Finance

3.1 In order to make realistic comparisons it has been necessary to restrict analysis to those constituency organisations providing usable data for both calendar years for which information was requested—1973 and 1974.

#### 3.2 Outturn for 1973 and 1974 (and 1975 Estimates)

3.2.1 The analysis of this information is based on a sub-sample of 184 of the organisations who were able to provide calendar year information for both years. Of the 54 organisations not included, three-fifths (32) were Liberal organisations. Over four-fifths of both Labour and Conservative organisations were able to provide the required information. (Non-calendar year information for 1973 and 1974 was excluded because of the distortion. 1975 information was also based on all who gave calendar year information and information for 1973 and 1974).

3.2.2 The overall picture is as follows, indexed on 1973 income=100.

	Total	Labour		Conservative		Liberal
		Total	Full-Time Paid Agent	Total	Full-Time Paid Agent	All
1973 Income	100	100	100	100	100	100
Expenditure	97	98	99	97	97	90
1974 Income	172	193	145	157	152	227
Expenditure	174	200	152	153	146	270
1975 (Estimates) Income	121	116	109	121	122	137
Expenditure	125	119	116	127	129	122

3.2.3 Both income and expenditure grew by an average of just over 70% during the election year. Labour and Conservative constituency organisations roughly broke even in both 1973 and 1974 whereas Liberal organisations after being slightly in credit in 1973 moved into deficit in 1974.

3.2.4 It will be seen that the rate of growth in both income and expenditure was greater for Labour than Conservative, and significantly greater still for Liberal.

3.2.5 The 1975 estimates show that the level of income, though higher than that in 1973, has decreased since the election year. The overall picture in 1975 indicates that the constituency parties expect to approach the break-even point and the Liberal constituency organisations expect to be in credit overall.

3.2.6 The disproportionate growth mentioned in 3.2.4 offsets only to a small extent the difference in the average income and expenditure between organisations of the three parties.

	<i>Labour</i>		<i>Conservative</i>		<i>Liberal</i>
	<i>Total</i>	<i>Full-Time Paid Agent</i>	<i>Total</i>	<i>Full-Time Paid Agent</i>	<i>Total</i>
	£	£	£	£	£
1973					
Average income	1,804	4,632	4,713	6,595	964
Average expenditure	1,761	4,585	4,572	6,414	872
Average surplus (deficit)	43	47	141	181	92
1974					
Average income	3,486	6,722	7,421	10,003	2,189
Average expenditure	3,608	7,035	7,217	9,634	2,603
Average surplus (deficit)	(122)	(313)	204	369	(414)
1975 (ESTIMATES)					
Average income	2,089	5,027	5,700	8,045	1,320
Average expenditure	2,148	5,363	5,988	8,518	1,176
Average surplus (deficit)	(59)	(336)	(288)	(473)	144

3.2.7 Organisations with a shared or part-time agent had an overall average deficit of about £50 in 1973, while those with either full-time or no agent were in surplus, overall.

3.2.8 Analysis of the performance of individual constituency parties confirms the change in financial position between 1973-74. Whereas in 1973 just over half of organisations were in surplus and just under half were in deficit, by 1974 just over half were in deficit. The position remained the same for Conservative organisations, improved for Labour organisations and deteriorated markedly for Liberal organisations. In 1975 Labour organisations expected to remain in the situation where about half of them are in deficit, whereas almost two-thirds of Conservative organisations expected to be in deficit, and Liberal organisations expected to be in deficit had reduced to just over a quarter.

	<i>Labour</i>		<i>Conservative</i>		<i>Liberal</i>
	<i>Total</i>	<i>Full-Time Paid Agent</i>	<i>Total</i>	<i>Full-Time Paid Agent</i>	<i>Total</i>
% in deficit in:					
1973	50%	49%	49%	51%	40%
1974	48%	57%	49%	37%	77%
1975 (Estimate)	51%	74%	63%	61%	27%

3.2.9 The presence of a full-time paid agent in the Conservative party decreased the likelihood of an organisation being in deficit in 1974 but had no effect in 1973 or 1975, whereas the presence of a full-time paid agent in the Labour party, increased the likelihood of the organisation being in deficit in both 1974 and 1975 though it had no effect in 1973.

3.2.10 Winning parties are no more likely to be in surplus than parties in general, and there are no clear links between surplus/deficit and majority size.

TOTAL SAMPLE

TABLE C(8) (3.3.2)

	<i>Ranges</i>			
	1973		1974	
	<i>Income</i>	<i>Expenditure</i>	<i>Income</i>	<i>Expenditure</i>
No. for analysis	184	184	184	184
Amount £				
Under 250	11%	12%	1%	2%
250-499	11%	13%	3%	2%
500-749	11%	12%	5%	3%
750-999	7%	6%	2%	2%
1,000-1,249	6%	4%	5%	4%
1,250-1,499	3%	3%	5%	4%
1,500-1,749	2%	3%	3%	4%
1,750-1,999	2%	3%	4%	3%
2,000-2,499	8%	5%	10%	10%
2,500-2,999	5%	7%	6%	7%
3,000-3,499	3%	2%	7%	7%
3,500-3,999	1%	3%	6%	4%
4,000-4,999	6%	5%	8%	14%
5,000-5,999	5%	5%	6%	5%
6,000-6,999	6%	7%	5%	5%
7,000-7,999	4%	4%	3%	2%
8,000-9,999	7%	3%	9%	9%
10,000-11,999	1%	2%	6%	9%
12,000-14,999	*	-	4%	3%
15,000 or more	-	-	2%	1%

\* = less than 0.5%.

3.2.11 Parties in larger constituencies (number of electors) are somewhat less likely to have suffered a deficit in 1974 than those in smaller constituencies. Whereas 64% of those with less than 60,000 electors were in deficit in 1974, only 47% of those with more than 60,000 electors were in this position.

### 3.3 *Ranges of income and expenditure*

3.3.1 Tables C (a-d) (3.3.2) show the ranges of income and expenditure for the total sample and the three parties for both years.

#### LABOUR

TABLE C(b) (3.3.2)

	<i>Ranges</i>			
	1973		1974	
	<i>Income</i>	<i>Expenditure</i>	<i>Income</i>	<i>Expenditure</i>
No. for analysis	75	75	75	75
<i>Amount £</i>				
Under 250	9%	8%	1%	1%
250-499	14%	12%	2%	2%
500-749	16%	22%	2%	1%
750-999	13%	10%	2%	1%
1,000-1,249	9%	6%	2%	3%
1,250-1,499	3%	4%	3%	5%
1,500-1,749	—	4%	4%	4%
1,750-1,999	3%	1%	6%	3%
2,000-2,499	7%	4%	18%	16%
2,500-2,999	6%	10%	8%	11%
3,000-3,499	4%	4%	13%	13%
3,500-3,999	—	1%	7%	5%
4,000-4,999	7%	5%	11%	6%
5,000-5,999	1%	1%	6%	6%
6,000-6,999	3%	1%	3%	3%
7,000-7,999	1%	1%	1%	3%
8,000-9,999	1%	—	7%	6%
10,000-11,999	—	1%	1%	—
12,000-14,999	—	—	—	1%
15,000 or more	—	—	—	—



## CONSERVATIVE

TABLE C(c) (3.3.2)

	<i>Ranges</i>			
	1973		1974	
	<i>Income</i>	<i>Expenditure</i>	<i>Income</i>	<i>Expenditure</i>
No. for analysis	73	73	73	73
Amount £				
Under 250	5%	3%	1%	—
250-499	2%	7%	—	1%
500-749	4%	1%	—	—
750-999	1%	2%	2%	2%
1,000-1,249	—	2%	5%	1%
1,250-1,499	3%	2%	2%	3%
1,500-1,749	4%	4%	1%	1%
1,750-1,999	3%	7%	2%	—
2,000-2,499	11%	6%	3%	1%
2,500-2,999	6%	5%	4%	7%
3,000-3,499	1%	2%	2%	5%
3,500-3,999	3%	6%	7%	3%
4,000-4,999	7%	7%	7%	12%
5,000-5,999	11%	9%	9%	6%
6,000-6,999	12%	17%	9%	9%
7,000-7,999	8%	8%	6%	3%
8,000-9,999	14%	7%	12%	15%
10,000-11,999	5%	4%	12%	22%
12,000-14,999	1%	—	10%	3%
15,000 or more	—	—	5%	3%

## LIBERAL

TABLE C(d) (3.3.2)

	Ranges			
	1973		1974	
	Income	Expenditure	Income	Expenditure
No. for analysis	37	37	37	37
Amount £				
Under 250	28%	36%	3%	6%
250-499	23%	25%	9%	1%
500-749	15%	14%	18%	12%
750-999	5%	3%	1%	3%
1,000-1,249	13%	6%	11%	10%
1,250-1,499	3%	4%	15%	6%
1,500-1,749	—	—	6%	8%
1,750-1,999	—	—	3%	11%
2,000-2,499	3%	3%	5%	14%
2,500-2,999	3%	3%	6%	—
3,000-3,499	—	—	6%	—
3,500-3,999	—	—	3%	3%
4,000-4,999	3%	—	4%	14%
5,000-5,999	—	3%	3%	1%
6,000-6,999	—	—	—	3%
7,000-7,999	3%	3%	—	—
8,000-9,999	—	—	3%	3%
10,000-11,999	—	—	3%	3%
12,000-14,999	—	—	—	—
15,000 or more	—	—	—	—

3.3.3 In 1973 about two-fifths of the constituency organisations had an income/expenditure of less than £1,000. In the election year of 1974 about one-tenth fell in this category. There was relatively little growth in the size of the group of top earning/spending organisations—whereas 23% had an income in excess of £5,000 in 1973 the figure had only grown to 34% by 1974. The income/expenditure groups showing the greatest growth were the £2,000-£5,000 range which accounted for slightly over one-fifth of organisations in 1973, slightly over two-fifths in 1974, and the £8,000+ group—less than one-tenth of organisations in 1973 and over one-fifth in 1974.

3.3.4 Paragraph 3.2.6 above pointed to the difference in average income and expenditure between parties and this difference is reflected in the distributions. Examination of *income* ranges for 1974 shows that:

almost a third of Liberal organisations (12 of 37 analysed) earned less than £1,000, compared with only 7% of Labour, and only 3% of Conservative.

almost one-quarter of Liberal constituency parties earned between £2,000 and £5,000 and a further 9% (3 organisations) over £5,000. The comparable figures for these ranges are—

Labour	57% and 18%
Conservative	23% and 63%

3.3.5 In 1974 no constituency party with a full-time paid agent earned less than £1,000, and only 1 (of a total of 55 with a full-time agent analysed) earned less than £2,000. Forty-seven (85%) of these 55 organisations had 1974 income in excess of £5,000.

3.3.6 Tabulation of the ranges of *deficit* shows that while in 1973 only two (1%) party organisations had a deficit of greater than £1,000, in 1974 the proportion was slightly over a tenth. A single Labour and a single Conservative organisation had a deficit exceeding £3,000 in 1974.

3.3.7 Around 16% had a *surplus* of over £500 in both 1973 and 1974.

#### 3.4 1973 and 1974 Income and expenditure from wards/districts/branches

3.4.1 Income, expenditure or working funds from wards etc, not included in previous sections applied to two-thirds of the organisations replying. The average amounts, based on those organisations giving a figure at all, for each category, are as follows:

	<i>Income and Expenditure from Wards etc</i>			
	1973		1974	
	<i>Number giving figure</i>	<i>Average amount</i>	<i>Number giving figure</i>	<i>Average amount</i>
Total income	23	£580	24	£604
Total expenditure	22	£539	23	£565
Working funds	66	£393	67	£427

(Those who were unable to provide income and expenditure were asked for information on working funds. Some were unable to give answers for any of these categories.)

3.4.2 Two-thirds of those giving income and expenditure data for wards etc, are Labour organisations, while this party accounts for around half of those providing working funds information.

### 3.5 Assets and loans in 1973 and 1974

3.5.1 In Table D we show the average level of assets and loans per organisation, analysed within party for 1973. Table E shows the equivalent picture for 1974.

#### 3.5.2

AVERAGE CONSTITUENCY ORGANISATIONS  
ASSETS AND LOANS—1973

TABLE D

Average per organisation	Base:	Labour	Conservative	Liberal
		75	73	37
Total Assets		£ 4,377	£ 7,806	£ 932
Fixed*		3,290 (71%)	5,759 (68%)	513 (28%)
Bank Current Account		264 (88%)	675 (79%)	101 (63%)
Bank Deposit Account		229 (32%)	492 (47%)	124 (39%)
Building Society		431 (20%)	436 (34%)	149 (23%)
Co-operative Society		23 (14%)	—	neg. (3%)
Other Investment		115 (11%)	370 (21%)	43 (12%)
Cash		25 (40%)	74 (47%)	2 (23%)
Total Loans and Overdrafts		88 (17%)	955 (20%)	6 (16%)

\* includes property, furniture, equipment, vehicles  
neg. = negligible

3.5.3 The percentages in brackets in Tables D and E show the proportions of all organisations within each party having assets (or loans) of each type.

#### 3.5.4

AVERAGE CONSTITUENCY ORGANISATION  
ASSETS AND LOANS—1974

TABLE E

Average per organisation	Base:	Labour	Conservative	Liberal
		75	73	37
Total Assets		£ 4,374	£ 8,639	£ 1,079
Fixed		3,424 (71%)	6,513 (72%)	564 (39%)
Bank Current Account		331 (88%)	548 (76%)	74 (59%)
Bank Deposit Account		168 (35%)	757 (50%)	48 (33%)
Building Society		302 (19%)	378 (32%)	371 (20%)
Co-operative Society		15 (13%)	—	neg. (3%)
Other Investment		99 (11%)	366 (21%)	17 (12%)
Cash		35 (41%)	97 (54%)	5 (26%)
Total Loans and Overdrafts		127 (21%)	1,061 (22%)	169 (36%)

3.5.5 These data confirm the expenditure and income differences in the parties noted in section 3.3, and emphasise the very slender financial state of Liberal organisations in relation to the other parties. The proportion with any fixed assets is, in particular, much lower.

3.5.6 Labour average total assets remained the same between 1973-74 whereas there was an average growth in assets in the same period of the order of 11% for Conservative organisations. Liberal average loans and overdrafts increased dramatically while Conservative's increased by 11% and Labour's by 44%.

3.5.7 In 1974 the average total assets in organisations with *full-time paid agents* was £13,481 (Conservative) and £8,011 (Labour). The difference between these two figures (and bearing in mind the large number of Conservative organisations with a full-time agent) accounts for most of the "difference" between Labour and Conservative organisations who have one in 1973 is around £4,650 and among the 22% in 1974, is almost £4,850. In 1973 17% of Labour organisations had a loan, with an average value of about £500. In 1974 slightly more (21%) had one, and the average value was almost £600.

3.5.8 When size of loans are reanalysed on just the organisations claiming to have a loan at all, it is found that the average size of loan among the one-fifth Conservative organisations who have one in 1973 is around £4,650 and among the 22% in 1974, is almost £4,850. In 1973 17% of Labour organisations had a loan, with an average value of about £500. In 1974 slightly more (21%) had one, and the average value was almost £600.

### 3.6 *Breakdown of income and expenditure*

3.6.1 The following tables show the average income and expenditure by source for the constituency organisations. The percentages in brackets represent the proportion of organisations within each party having income or expenditure of each type.

3.6.2 *See table overleaf*

3.6.3 The rank order of importance of sources of income in 1973 for the *Labour Party* as a whole were: 1st—Lotteries etc (39%)\*, 2nd—Subscriptions (12%), 3rd—Miscellaneous (10%), 4th—Social Functions (8%) and 5th TU/Coop Party Grants (7%). (Necessarily "averages" conceal some information, and some minor sources of income overall will be important to the small number of organisations receiving them—eg regional or headquarter grants).

3.6.4 For the *Conservative Party* as a whole the rank order was: 1st—Ward/branch grants (33%), 2nd—Social Functions (19%), 3rd—Subscriptions (16%), 4th—Lotteries etc (9%), 5th—Miscellaneous (8%).

3.6.5 For the *Liberal Party* as a whole the rank order was 1st—Social Functions (28%), 2nd—Ward/branch grants (27%), 3rd—Individual Donations (14%), 4th—Grants from Headquarters (11%), 5th—Subscriptions (8%). For those who have a grant from Headquarters this was by far the most important source of income.

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\*Proportion of identifiable income for party organisations.

**INCOME—1973**  
**AVERAGE INCOME OF CONSTITUENCY ORGANISATIONS**

	<i>Labour</i>		<i>Conservative</i>		<i>Liberal</i>
	<i>Total</i>	<i>With Full-Time Paid Agent</i>	<i>Total</i>	<i>With Full-Time Paid Agent</i>	<i>Total</i>
<b>Base:</b>	75	13	73	40	37
<b>TOTAL</b>	£ 1,804	£ 4,632	£ 4,713	£ 6,595	£ 964
Subscriptions	219 ( 98 %)*	390 (100 %)	750 ( 87 %)	1,100 ( 83 %)	74 ( 79 %)
Company Donations	—	—	291 ( 48 %)	333 ( 49 %)	4 ( 3 %)
T.U. Donations	80 ( 61 %)	207 ( 74 %)	—	—	—
Other Bodies Donations	32 ( 23 %)	10 ( 17 %)	98 ( 31 %)	139 ( 39 %)	9 ( 5 %)
Individual Donations	48 ( 67 %)	49 ( 74 %)	134 ( 48 %)	189 ( 54 %)	136 ( 80 %)
Affiliation Fees	113 ( 94 %)	173 (100 %)	—	—	—
Regional Grants	2 ( 7 %)	2 ( 9 %)	73 ( 19 %)	83 ( 19 %)	—
H.Q. Grants	41 ( 10 %)	155 ( 23 %)	81 ( 11 %)	89 ( 8 %)	106 ( 4 %)
T.U./Coop Party Grants	128 ( 26 %)	403 ( 49 %)	—	—	—
Ward/Branch Grants	92 ( 49 %)	271 ( 69 %)	1,548 ( 87 %)	2,282 ( 90 %)	255 ( 37 %)
Social Functions	146 ( 71 %)	300 ( 83 %)	869 ( 88 %)	1,294 ( 95 %)	267 ( 82 %)
Lotteries etc.	698 ( 70 %)	2,262 ( 91 %)	399 ( 66 %)	589 ( 68 %)	68 ( 31 %)
Miscellaneous	185 ( 42 %)	386 ( 60 %)	384 ( 63 %)	487 ( 60 %)	41 ( 22 %)
Total income not allocated to the above categories	20	24	86	10	4

\*Proportion of party organisations receiving income in each case.

3.6.6 Where there was a full-time *paid agent* in the *Labour Party*, TU/Coop Party Grants were in the second most important position but there were no other changes in the rank order of importance of the other main sources of income. However, the presence of a full-time paid agent was associated with a threefold increase in the average income from Lotteries and TU/Coop Party Grant sources and a doubling of that from Subscriptions, Miscellaneous sources and Social Functions.

3.6.7 There was no apparent relationship between the presence of a full-time *paid agent* in the *Conservative Party* and the rank order of importance of sources of income, but the presence of a full-time agent was associated with a 50% increase in Ward/branch grants, Social Functions, Subscriptions and Lotteries.

3.6.8 The comparable situation in 1974 is as follows:

**INCOME—1974**  
**AVERAGE INCOME OF CONSTITUENCY ORGANISATIONS**

	<i>Labour</i>		<i>Conservative</i>		<i>Liberal</i>
	<i>Total</i>	<i>With Full-Time Paid Agent</i>	<i>Total</i>	<i>With Full-Time Paid Agent</i>	<i>Total</i>
Base:	75	13	73	40	37
<i>TOTAL</i>	£ 3,486	£ 6,722	£ 7,421	£ 10,003	£ 2,189
Subscriptions	244 ( 98%)	512 (100%)	823 ( 88%)	1,162 (83%)	66 ( 79%)
Company Donations	neg. (1%)	—	391 ( 37%)	371 (53%)	21 ( 6%)
TU Donations	403 ( 78%)	626 ( 74%)	—	—	—
Other Bodies Donations	82 ( 36%)	48 ( 26%)	139 ( 35%)	142 (33%)	17 ( 7%)
Individual Donations	203 ( 74%)	180 ( 74%)	442 ( 57%)	696 (65%)	545 ( 80%)
Affiliation Fees	114 ( 98%)	163 (100%)	—	—	—
Regional Grants	45 ( 33%)	17 ( 9%)	105 ( 18%)	84 (17%)	14 ( 17%)
HQ Grants	334 ( 52%)	364 ( 49%)	150 ( 19%)	112 (11%)	141 ( 26%)
TU/Coop Party Grants	254 ( 28%)	833 ( 49%)	—	—	—
Ward/Branch Grants	190 ( 63%)	289 ( 74%)	1,678 ( 85%)	2,454 (87%)	429 ( 49%)
Social Functions	179 ( 66%)	412 ( 83%)	928 ( 95%)	1,380 (95%)	294 ( 87%)
Lotteries etc.	708 ( 80%)	2,251 (100%)	394 ( 70%)	541 (76%)	169 ( 48%)
Miscellaneous	786 ( 64%)	1,118 ( 83%)	2,308 ( 86%)	3,048 (88%)	479 ( 40%)
Total income not allocated to the above categories	56	—91	63	13	14

3.6.9 The rank order of importance of the different sources of income for the *Labour Party* as a whole in 1974 were: 1st—Miscellaneous (22%)\*, 2nd—Lotteries (20%), 3rd—TU donations (11%), 4th—Grants from Headquarters (9%), 5th—TU/Coop Party Grants (7%). (The most noticeable change is the increase in importance of TU donations and headquarters grants).

3.6.10 The rank order of importance of the different sources of income for the *Conservative Party* as a whole in 1974 were: 1st—Miscellaneous (31%), 2nd—Wards/Branches Grants (23%), 3rd—Social Functions (13%), 4th—Subscriptions (11%), 5th—Individual Donations (6%).

\*Proportion of identifiable income for party organisations.

3.6.11 For the *Liberal Party* as a whole the order was: 1st—Individual Donations (25%), 2nd—Miscellaneous (22%), 3rd—Wards/Branches Grants (20%), 4th—Social Functions (14%), 5th—Lotteries (8%). (The most noticeable change from 1973 is the increase in importance of Individual Donations).

3.6.12 The presence of a *full-time agent* in the *Labour Party* was associated with a threefold increase in the average income from Lotteries, and TU/Coop Party Grants, a doubling in that from Subscriptions and Miscellaneous sources, and a 50% increase in that from TU Donations. The rank order of importance for organisations with a full-time paid agent was therefore: 1st—Lotteries (33%), 2nd—Miscellaneous (16%), 3rd—TU/Coop Party Grants (12%), 4th—TU Donations (9%), 5th—Subscriptions (8%).

3.6.13 The presence of a *full-time paid agent* in the *Conservative Party* was associated with 50% increase in income from each of the five major sources.

3.6.14 Between 1973 and 1974 the overall level of subscriptions changes little for any party, but becomes relatively less important in each case.

3.6.15 The main changes from 1973 to 1974 are: (Figures in brackets denote the increase in percentage of constituency organisations within each party having income from the particular source).

#### **Labour**

- a more than eight-fold increase in grants from Headquarters (+42%).
- a five-fold increase of TU Donations (+17%).
- a quadrupling of Individual Donations (+7%).
- a quadrupling of Miscellaneous income (see below) (+22%).
- a doubling of TU/Coop Party Grants (+2%).
- a doubling of Wards/Branches Grants (+14%).

#### **Conservative**

- a six-fold increase of miscellaneous income (+23%).
- a trebling of donations from individuals (+9%).
- an almost doubling of Grants from Headquarters (+8%).

#### **Liberal**

- a more than eleven-fold increase in miscellaneous income (+18%).
- a quadrupling of donations from individuals.
- an increase of two and a half times of income from lotteries (+17%).
- an increase of one and a half times of Ward/sBranches grants (+12%).

3.6.16 The *Liberal Party* was the only one to significantly increase income from lotteries.



3.6.17 The items of miscellaneous income most often mentioned in 1974 are (in order of frequency of mention):

Bank or investment interest.

Rents.

General Election appeals.

Duplicating services/publication sales.

3.6.18 The 1973 expenditure breakdown is as follows: (bracketed percentages indicate the proportion claiming expenditure of that type):

**EXPENDITURE 1973**  
**AVERAGE EXPENDITURE OF CONSTITUENCY ORGANISATIONS**

	<i>Labour</i>		<i>Conservative</i>		<i>Liberal</i>
	<i>Total</i>	<i>With Full-Time Paid Agent</i>	<i>Total</i>	<i>With Full-Time Paid Agent</i>	<i>Total</i>
<b>Base:</b>	75	13	73	40	37
	£	£	£	£	£
<b>TOTAL</b>	1,761	4,585	4,572	6,414	872
Salaries/Wages	521 (72%)	1,981 (91%)	2,137 (88%)	3,224 (100%)	193 (13%)
Rent/Rates	259 (71%)	349 (91%)	454 (85%)	654 (100%)	72 (27%)
Office Admin.	205 (97%)	300 (100%)	412 (98%)	586 (97%)	182 (85%)
Postage	40 (98%)	73 (91%)	108 (94%)	144 (94%)	19 (62%)
Telephone/Grams	40 (83%)	73 (100%)	110 (93%)	149 (100%)	21 (24%)
Travel Expenses	75 (46%)	296 (77%)	254 (67%)	403 (84%)	48 (12%)
Conference Exp.	57 (95%)	107 (100%)	40 (49%)	57 (61%)	5 (19%)
Hire of Halls	8 (44%)	25 (66%)	26 (58%)	38 (62%)	23 (39%)
Local Govt. Elections	331 (75%)	687 (83%)	382 (78%)	435 (71%)	200 (80%)
Affil. Fees/Quotas	120 (96%)	133 (100%)	235 (74%)	347 (72%)	57 (76%)
Regional Organisations	14 (91%)	13 (83%)	71 (25%)	91 (20%)	20 (57%)
Miscellaneous	77 (55%)	133 (43%)	123 (34%)	121 (39%)	23 (28%)
Expenditure not allocated to the above categories	14	15	218	165	9

3.6.19 Tables F (a)—(b) below show (a) the rank order of importance of items of expenditure in 1973 for the parties as a whole; and (b) for organisations with a full-time paid agent.

TABLE F(a)

1973  
RANK ORDER OF IMPORTANCE OF ITEMS OF EXPENDITURE

Order	Labour	Conservative	Liberal
1	Salaries/Wages (30%)*	Salaries/Wages (49%)	LOCAL GOVERNMENT ELECTIONS (23%)
2	LOCAL GOVERNMENT ELECTIONS (19%)	Rent/Rates (10%)	Salaries/Wages (22%)
3	Rent/Rates (15%)	Office Administration (9%)	Office Administration (21%)
4	Office Administration (12%)	LOCAL GOVERNMENT ELECTIONS (9%)	Rent/Rates (8%)
5	Affiliation Fees (7%)	Travel Expenses (6%)	Affiliation Fees (7%)

\* Proportion of identifiable expenditure for party organisations.

TABLE F(b)

1973  
RANK ORDER OF IMPORTANCE OF ITEMS OF EXPENDITURE FOR ORGANISATIONS WITH A FULL-TIME PAID AGENT

Order	Labour	Conservative
1	Salaries/Wages (43%)**	Salaries/Wages (52%)
2	LOCAL GOVERNMENT ELECTIONS (15%)	Rent/Rates (10%)
3	Rent/Rates (12%)	Office Administration (9%)
4	Office Administration (11%)	LOCAL GOVERNMENT ELECTIONS (7%)
5	Travel Expenses (6%)	Travel Expenses (6%)

\*\* Proportion of identifiable expenditure for party organisations with a full-time paid agent.

3.6.20 The presence of a full-time paid agent was associated with an increase in the importance of travel expenses for Labour Organisations and with the following changes in average expenditure.

**Labour**

- a quadrupling of salaries/wages expenditure.
- a quadrupling of travel expenses.
- a more than doubling of Office Administration expenditure.
- a doubling of Local Government Election expenditure.
- a doubling of Rents/Rates.

**Conservative**

- an increase by a half in salaries/wages.
- an increase by a half in travel expenses.

3.6.21 The corresponding data for 1974 is:

**EXPENDITURE 1974**  
**AVERAGE EXPENDITURE OF CONSTITUENCY ORGANISATIONS**

	<i>Labour</i>		<i>Conservative</i>		<i>Liberal</i>
	<i>Total</i>	<i>With Full-Time Paid Agent</i>	<i>Total</i>	<i>With Full-Time Paid Agent</i>	<i>Total</i>
Base:	75	13	73	40	37
	£	£	£	£	£
<b>TOTAL</b>	3,608	7,035	7,217	9,634	2,603
Salaries/Wages	540 (67%)	2,035 (91%)	2,359 (88%)	3,650 (100%)	343 (28%)
Rent/Rates	322 (70%)	738 (91%)	608 (86%)	834 (100%)	72 (35%)
Office Admin.	299 (98%)	686 (100%)	607 (96%)	874 (94%)	324 (91%)
Postage	51 (99%)	96 (100%)	156 (95%)	213 (97%)	35 (68%)
Telephone/Grams	58 (87%)	121 (100%)	142 (92%)	194 (100%)	49 (41%)
Travel Expenses	71 (48%)	252 (91%)	282 (63%)	439 (82%)	64 (23%)
Conference Exp.	46 (92%)	82 (100%)	17 (32%)	20 (39%)	7 (25%)
Hire of Halls	11 (43%)	20 (66%)	35 (53%)	56 (59%)	27 (65%)
Local Govt. Elections	113 (38%)	145 (49%)	144 (40%)	130 (30%)	91 (59%)
'74 General Elections	1,829 (96%)	2,546 (100%)	2,281 (97%)	2,607 (94%)	1,465 (100%)
Affil. Fees/Quotas	166 (98%)	184 (100%)	289 (71%)	439 (73%)	77 (81%)
Regional Organisations	11 (92%)	13 (86%)	124 (25%)	192 (22%)	23 (62%)
Miscellaneous	106 (57%)	141 (51%)	151 (38%)	160 (42%)	27 (22%)
Expenditure not allocated to the above categories	15	24	22	174	1

The items do not add exactly to the totals shown owing to small discrepancies in the information originally supplied.

3.6.22 The rank order of importance of items of expenditure in 1974:

1974 TABLE G (a)  
**RANK ORDER OF IMPORTANCE OF ITEMS OF EXPENDITURE**

<i>Order</i>	<i>Labour</i>	<i>Conservative</i>	<i>Liberal</i>
1	GENERAL ELECTIONS (50%)*	Salaries/Wages (33%)	GENERAL ELECTIONS (56%)
2	Salaries/Wages (15%)	GENERAL ELECTIONS (32%)	Salaries/Wages (13%)
3	Rent/Rates (9%)	Rent/Rates (8%)	Office Admin. (12%)
4	Office Admin. (8%)	Office Admin. (8%)	LOCAL GOVERNMENT ELECTIONS (3%)
5	Affiliation Fees (5%)	Quotas (4%)	Affiliation Fees (3%)
6	LOCAL GOVERNMENT ELECTIONS (3%)	Travel Expenses (4%)	Rent/Rates (3%)

\*Proportion of identifiable expenditure for party organisations.

**RANK ORDER OF IMPORTANCE OF ITEMS OF EXPENDITURE FOR  
ORGANISATIONS WITH A FULL-TIME PAID AGENT**

<i>Order</i>	<i>Labour</i>	<i>Conservative</i>
1	GENERAL ELECTIONS (36%)**	Salaries/Wages (37%)
2	Salaries/Wages (29%)	GENERAL ELECTIONS (27%)
3	Rent/Rates (10%)	Office Administration (9%)
4	Office Administration (10%)	Rent/Rates (9%)
5	Travel Expenses (4%)	Travel Expenses (4%)
6	LOCAL GOVERNMENT ELECTIONS (2%)	Quotas (4%)

equal 5th

\*\*Proportion of identifiable expenditure for party organisations with a full-time paid agent.

3.6.23 As in 1973, the presence of a full-time paid agent increased the travel expenses for Labour organisations. The presence of a paid agent increased the average General Election expenditure by two-fifths for Labour organisations and by a seventh for Conservative organisations. Increases in other items of expenditure were slightly less than those in 1973 (see 3.6.20).

3.6.24 The rank order for the Labour and Conservative organisations remains almost the same in 1974, except that expenditure on Local Government Elections has decreased in importance. (*Excluding General Election expenditure.*)

3.6.25 Salaries and wages are more than four times greater than the next item for Conservatives in each year; for Labour salaries and wages are more than double the second item in each year. (*Excluding General Election expenditure.*)

3.6.26 There were no *major* changes in the levels of non-election expenditure between the two years.

3.6.27 **ELECTION EXPENDITURE:** In absolute terms Conservative organisations spent slightly more on Local Government elections in 1973 and the General Elections in 1974 than Labour. However, while General Election expenditure accounted for about half of all Labour and Liberal expenditure, it only accounted for one-third of all Conservative expenditure. Liberals spent just over half that spent by the other parties on the 1973 Local Elections and almost two-thirds of the Conservative expenditure on the 1974 General Elections.

3.6.28 It is understood that branches and wards bear most of the cost of Local Elections so that there is further expenditure not reported in this survey.

3.6.29 The effect of Trade Union or Co-operative Party Grants (to the Labour Party only) is shown below:

**AVERAGE INCOME AND EXPENDITURE OF LABOUR ORGANISATIONS  
WITH AND WITHOUT TRADE UNION BACKING**

	Income—1973		Income—1974	
	T.U. Backing	No T.U. Backing	T.U. Backing	No T.U. Backing
Base:	20	55	20	55
	£	£	£	£
Subscriptions	191 (100%)*	229 (97%)	255 (100%)	240 (97%)
Company Donations	—	—	—	neg. (2%)
TU Donations	110 (73%)	69 (57%)	524 (75%)	358 (79%)
Other Bodies Donations	33 (15%)	32 (25%)	110 (35%)	72 (37%)
Individual Donations	14 (51%)	60 (72%)	57 (46%)	256 (85%)
Affiliation fees	116 (96%)	113 (93%)	118 (96%)	112 (98%)
Regional Grants	2 (4%)	2 (8%)	4 (14%)	59 (40%)
HQ Grants	1 (4%)	55 (12%)	45 (20%)	439 (64%)
TU/Coop Party Grants	478 (100%)	—	953 (100%)	—
Wards/Branches Grants	118 (49%)	83 (50%)	187 (44%)	191 (70%)
Social Functions	56 (71%)	178 (71%)	105 (59%)	206 (69%)
Lotteries etc	703 (48%)	697 (78%)	653 (53%)	727 (91%)
Miscellaneous	325 (43%)	135 (41%)	1,040 (59%)	694 (66%)

\* Proportion of organisations receiving income in each case.

neg. — negligible

**AVERAGE INCOME AND EXPENDITURE OF LABOUR ORGANISATIONS  
WITH AND WITHOUT TRADE UNION BACKING**

	Expenditure 1973		Expenditure—1974	
	T.U. Backing	No T.U. Backing	T.U. Backing	No T.U. Backing
Base:	20	55	20	55
	£	£	£	£
Salaries	689 (79%)*	461 (69%)	773 (72%)	455 (65%)
Rent/Rates	375 (78%)	217 (68%)	405 (68%)	291 (71%)
Office Admin.	264 (100%)	184 (95%)	339 (100%)	285 (97%)
Postage	44 (94%)	38 (99%)	57 (100%)	48 (99%)
Telephones	40 (78%)	40 (85%)	67 (82%)	55 (89%)
Travel Expenses	34 (34%)	90 (50%)	55 (43%)	76 (51%)
Conference Expenses	53 (100%)	58 (93%)	50 (91%)	45 (93%)
Hire of Halls	7 (42%)	9 (44%)	8 (34%)	13 (47%)
Local Govt. Elections	333 (79%)	330 (73%)	230 (50%)	71 (33%)
1974 General Elections	—	—	1,952 (89%)	1,785 (99%)
Affiliation Fees	116 (94%)	121 (96%)	185 (100%)	159 (98%)
Regional Organisations	27 (94%)	10 (90%)	17 (86%)	9 (95%)
Miscellaneous	81 (54%)	76 (56%)	153 (57%)	89 (57%)

\*Proportion of organisations receiving income in each case.

In 1973 organisations with Trade Union backing received a greater average income from TU donations (one and a half times as much), wards/branches grants, and miscellaneous sources than those without Trade Union backing. However, those with Trade Union backing received less average income from Individual Donations (a quarter of that received by those without backing). Grants from Headquarters (only £1 on average compared to £55), and social functions (a third).

In 1974 organisations with Trade Union backing again received a greater average income from TU donations (one and a half times as much) and miscellaneous sources. (Grants from wards/branches was the same for both groups this year.) As in 1973, those with Trade Union backing received less average income from Individual Donations (a quarter of that received by organisations without backing), Grants from Headquarters (a tenth—£45 compared to £439) and social functions (a half). In 1974 income from Regional Grants remained the same for organisations with Trade Union backing but increased for those without.

Expenditure on each item in 1973 was either greater or approximately equal by organisations with Trade Union backing. (The only exception was Travel expenses.) Expenditure on Salaries, Rent/Rates and Office Administration was about one and a half times greater.

In 1974 organisations with Trade Union backing spent three times as much on Local Government Elections and roughly one and a half times as much on Salaries and Rent/Rates as those without. Expenditure on all other items was again greater or approximately equal by organisations with Trade Union backing.

In both years the average overall income for organisations with Trade Union backing was greater than for those without. In 1973 organisations without Trade Union backing earned £1,653 on average and those with backing earned £494 more. Trade Union or Co-operative Party Grants accounted for almost all of this difference—£478. In 1974 those without Trade Union backing earned £3,354 and those with backing earned £697 more, however, the average Trade Union or Co-operative Party Grant received by Labour organisations that year was £953.

The overall average expenditure for organisations without Trade Union backing was £1,634 in 1973 and £3,381 in 1974 and for organisations with Trade Union backing it was £2,063 in 1973 and £4,291 in 1974.

### 3.7 *Income from and expenditure to headquarters*

3.7.1 Table H shows the average grants from headquarters and the average affiliation fees payable to headquarters. The importance of these as sources of income and expenditure can be seen in section 3.6.

TABLE H

#### THE ROLE OF HEADQUARTERS IN INCOME AND EXPENDITURE OF CONSTITUENCY ORGANISATIONS: GRANTS AND AFFILIATION FEES

		<i>Labour</i>	<i>Conservative</i>	<i>Liberal</i>
<b>Base:</b>		73	73	37
<b>GRANTS FROM HEADQUARTERS</b>				
1973—number receiving		10%	11%	4%
—average amount they received		£439	£739	£1,956
1974—number receiving		52%	19%	26%
—average amount they received		£642	£781	£521
<b>AFFILIATION FEES TO HEADQUARTERS</b>				
1973—number paying		96%	74%	76%
- average amount they paid		£126	£318	£76
1974 -number paying		98%	71%	81%
—average amount they paid		£171	£414	£94
<b>OVERALL BALANCE</b>				
<b>Average amount (based on all organisations):</b>				
<i>received in grants</i>	1973	£41	£81	£37
	1974	£334	£150	£141
<i>paid in fees</i>	1973	£120	£235	£57
	1974	£166	£289	£77
<i>Balance</i>	1973	- £79	- £154	
	1974	+ £168	- £139	+ £64

3.7.2 Considering the parties separately—(figures for organisations with paid agents are not shown in the tables to avoid over-complicating the presentation).

#### **Labour**

- 5 times as many organisations received grants in 1974 as in 1973 and on average they each received one and a half times as much.
- Twice as many organisations with full-time paid agents received grants in 1974, though the amount they received in the two years remained almost static.
- Nearly all organisations paid affiliation fees or quotas in both 1973 and 1974. (All organisations with a paid agent paid fees or quotas each year.) The amount payable on average from each organisation increased by a third over the two years.
- The balance shows that the net increase in income exceeded the net increase in outflow to headquarters producing an overall surplus to the constituency organisations and a deficit to headquarters in 1974.

#### **Conservative**

- There was little change in either the number of organisations receiving income (less than double in 1974) or the amount received on average by each organisation (increased by less than 6%).
- Roughly three-quarters of the organisations had expenditure in the form of affiliation fees or quotas in both years. The amount they each paid increased on average by about three-tenths in 1974.
- Overall the constituency organisations were in deficit and headquarters was in credit by approximately the same amount in both years.
- The presence of full-time paid agents increased by about a half both the grants received from headquarters and the outflow to headquarters in both years.

#### **Liberal**

- In 1973 only 2 organisations received income from headquarters and the average amount they received was in excess of £1,000. In 1974 five times as many organisations received income from headquarters but the average amount received decreased by almost three-quarters.

3.7.3 Overall, those organisations which received income from headquarters' grants had a positive balance between headquarters income and outflow to headquarters but as a whole the Labour Party had moved from a small negative balance to a positive balance, the Conservative Party had maintained a negative balance of about £150 per organisation and the Liberal Party broke-even in 1973 and had a small positive balance in 1974.



3.7.4 Over three-quarters of organisations which received income from headquarters used the grants to cover election expenses or as unspecified grants. As mentioned in section 2.1.6 only 11% of agents are paid directly or indirectly from party headquarters and a further quarter by a combination of constituency and headquarters funds.

3.7.5 There is no relationship between overall party surplus/deficit (section 3.2.6) and the balance of income/expenditure to and from party headquarters.

3.7.6 The table below shows the relationship between the average grants from headquarters and the size of the majority between winning and second party in the constituency.

GRANTS FROM HEADQUARTERS ANALYSED BY MAJORITY

	MAJORITY			
	Less than 3,000	3,000 - 6,999	7,000 - 11,999	More than 12,000
Base:	50	43	57	35
<i>Grants from HQ</i>				
1973—number receiving	13%	12%	2%	13%
—average amount they received	£1,482	£495	£222	£326
1974—number receiving	39%	34%	31%	30%
—average amount they received	£883	£562	£444	£768

3.8 *The effect of support from headquarters and grants from trade unions or co-operative party on the membership of the organisations*

3.8.1 In both 1973 and 1974 all organisations with Trade Union backing had a membership of under 1,000 compared to those without Trade Union backing (just over three-fifths). In 1973 no organisation with Trade Union backing had a membership under 100 and in 1974 only a single organisation did.

Membership levels were very similar in 1973 and 1974 for both organisations with and without support from headquarters.

3.8.2 The table below shows the recency of last membership drive by presence of Trade Union backing and support from headquarters in 1974.

	LAST MEMBERSHIP DRIVE			
	TU Backing	No TU Backing	HQ Support	No HQ Support
Base:	26	212	75	163
Currently	24%	15%	11%	18%
All the Time	9%	12%	15%	10%
September–November 1975	23%	21%	27%	18%
January–August 1975	12%	26%	25%	25%
1974	13%	16%	15%	15%
1973	11%	8%	5%	10%
1972 and Before	10%	8%	8%	8%
Never	—	1%	1%	—

There is no marked difference between those parties with and without support.

3.8.3 The presence of Trade Union backing or support from headquarters does not make any significant difference to either the method of, or satisfaction with, membership drive.

3.8.4 In conclusion there does not appear to be a strong relationship between Trade Union or Headquarters support and level of activity within the constituency organisations.

### 3.9 *Examination of specific influences on financial state*

3.9.1 Several other factors were considered to see if they had any effect on income and expenditure. It was found that:

3.9.2 **TOTAL INCOME:** Constituency organisations in the Midlands had the greatest average total income in 1973—£3,370 followed closely by those in the South—£3,338. In 1974 organisations in the South had an average total income of £5,607 and in the Midlands—£3,407. In both years average total income in the North—£2,164 in 1973 and £3,947 in 1974—exceeded that in Scotland—£1,684 and £3,115—which exceeded that in Wales—£1,095 and £2,724.

Average total income for County organisations was £2,921 in 1973 (10% higher than in Borough organisations) and £5,157 in 1974 (16% higher than in Borough organisations).

In both years organisations in the constituencies with the lowest majority had the highest average total income and those in constituencies with the highest majority had the lowest average total income.

### 3.9.3 INCOME BY SOURCE:

*Subscriptions.*—The average level was approximately between two and three times higher in the South of England than anywhere else. There was very little difference between Borough constituencies and County ones. Constituencies with the largest majority (more than 12,000) had an average income of about three-quarters of that for constituencies with smaller majorities.

*Company Donations.*—The Midlands was the region with the greatest proportion of organisations receiving Company donations and the average amount received there increased from about £80 in 1973 to almost £250 in 1974. However, Company donations in the North were on average £190 in 1973 and increased by about a half in 1974. Borough constituencies received three and a half times as much as County constituencies in 1973 and one and a half times as much in 1974.

*Trade Union Donations.* The level of these was highest in the South and the Midlands (about three times that in the other regions in 1973 and one and a half times in 1974). Only 13% of organisations in Scotland and no organisations in Wales received TU donations in 1973 whereas nearly a third of organisations in these two regions received income from this source in 1974.

*Donations from Individuals.*—In 1973 the level of these donations was lowest in Scotland (£57 compared with about £100 in the other regions). In 1974 they increased by about five times in Scotland and the South compared with between one and a half and three and a half times in the other regions. Although the overall level of individual donations increased by less than four times in 1974, donations to organisations in constituencies with a majority of less than 3,000 increased more than five and a half times to £557. In both years the level of donations from individuals was lowest for constituency organisations with a majority of more than 12,000.

*Regional Organisations.*—Income from this source is at a lowest level in Scotland, 9% of the Scottish organisations receiving £11 on average in 1974 compared with 23% of organisations in the South (£46 on average) and about 30% elsewhere, each receiving more than £60.

*Trade Union/Co-operative Party Grants.*—Organisations in the Midlands received about a quarter of the average income received from these grants in 1973 by organisations in the South and Scotland and less than a half in 1974. Borough organisations received three times as much as County ones in both years.

*Wards/Branches.*—In the South and Midlands a slightly greater proportion of organisations receive grants from their Wards or Branches and the amount received in these two areas is almost twice as much as in each of the other regions. County organisations receive more than twice as much as Borough

ones. Organisations in constituencies with a majority of less than 3,000 have the highest average income and those with a majority of more than 12,000 have the lowest average income from this source.

*Social Functions.*—Organisations in the South receive more income from social functions than anywhere else and organisations in Wales receive least income from social functions. County constituency organisations receive about a fifth more than Borough ones. Organisations in constituencies with a majority of less than 7,000 receive almost twice as much from social functions as those in constituencies with a majority over 7,000.

*Lotteries etc.*—Average income from Lotteries is distributed in the following ways: Midlands (£750), South (£650), North (£200), Scotland (£150), Wales (£85) and about one and a half times as many organisations receive income from Lotteries in the South as in Wales. County constituency organisations receive about a fifth more than Borough ones. The average amount received by organisations in constituencies with a majority of over 12,000 is less than half that received in each of the more marginal constituencies.

3.9.4 In 1973 the level of average total expenditure was greatest in the Midlands—£3,301 followed closely by the South—£3,193 and in 1974 the position was reversed—South £5,580, Midlands £5,483. The next highest average total expenditure in both years was the North followed by Scotland, then finally Wales (£1,089 in 1973 and £2,917 in 1974).

Expenditure for County organisations was 11% higher than in Borough organisations in 1973, and 21% higher in 1974.

### 3.9.5 EXPENDITURE BY SOURCE:

*Salaries/Wages.*—Constituency organisations in the South and Midlands spent most on salaries and wages. The difference was most marked in 1974 when these organisations spent £1,500 on average which was £600 more than organisations in the North—the area with the next greatest expenditure. County organisations (£1,400) spent £350 more on average than Borough organisations. Average expenditure on salaries/wages was inversely related to the size of constituency majority.

*Rent/Rates.*—The average amount spent in the South was more than double that spent anywhere else. Borough organisations spent a third more than County ones.

*Office Administration.*—The average amounts spent in the South and Midlands exceeded those spent in any of the other regions by at least 75%. County organisations spent about one and a half times as much as Borough organisations. The smaller the majority in the constituency the greater the amount spent.

*Travel Expenses.*—Were twice as high for County organisations as for Borough ones. The smaller the majority the greater the travel expenses.

*Local Government Election*—In 1973 organisations in the South, Midlands and North each spent about £350 on average whereas those in Scotland and Wales spent about £100. (Approximately 80% of organisations in the South, Midlands, North and Scotland itemised Local Government Election expenditure compared with 50% in Wales.) In 1974 organisations in Scotland spent £322 each on average and this expenditure was itemised by 83% of Scottish organisations. The average amount spent in the South had reduced to £175 (the proportion who itemised this had fallen from 77% to 55%). In each of the other regions the proportions and amounts also fell in 1974—Midlands to £30 (20%) and the North to £40 (30%) and Wales to £2 (7%). In 1973 expenditure for Borough organisations was about 45% greater than that for County organisations and in 1974 it was over twice as high for Borough organisations. The proportions itemising this expenditure were greater in the Borough organisations—71% in 1973 and 51% in 1974 compared to 60% in 1973 and 33% in 1974 in County organisations.

*General Elections*—The table below shows the distributions of average General Election expenditure in 1974 across the regions and the proportion of organisations within each region which itemised election expenditure.

	REGION				
	South	Midlands	North	Scotland	Wales
Base:	79	32	49	—	8
Average General Election Expenditure 1974	£1,994 (97%)	£2,272 (100%)	£1,781 (95%)	£1,574 (100%)	£1,699 (93%)

County organisations spent slightly more on average than Borough organisations—£2,140 compared to £1,760. Organisations in constituencies with a majority of less than 3,000 had the greatest expenditure of £2,232. Organisations in constituencies with a 3,000–6,999 majority spent £1,976, with a 7,000–11,999 majority—£1,857 and with the highest majority—over 12,000—the least expenditure of £1,584.

3.9.6 All the preceding figures relating to income and expenditure must be treated with caution because it is clear from reports during the fieldwork period, and scrutiny of the questionnaires that book-keeping procedures are far from uniform. This comment applies not only to election expenditure but to other expenditure items, and also to income items.

#### 4. Effect of Financial Situation

4.1 In a brief final section to the questionnaire, party organisations were asked three direct questions on the effect of their present financial situation. The replies to these questions are the personal opinions of those who filled in the questionnaire and not those of party organisations as such.

4.2 Over four-fifths of the sample are experiencing "serious" or "moderate" financial difficulty, a further one in ten have "minor" difficulty only 7% claim no financial difficulty.

4.3 Conservative organisations are apparently a little less likely to be experiencing financial difficulty than those of the other parties. In particular only one-quarter are experiencing "serious" difficulty compared with around two-fifths of Labour and Liberal.

4.4 There is no clear indication that having a paid agent makes an organisation either more or less likely to be in financial difficulty.

4.5 Organisations which claimed any financial difficulty ("serious", "moderate" or "minor") were asked which items they were having to limit or cut back. The answers, in rank order of importance were as follows:

Communications/Leaflets	79%
Local election expenses	58%
Delegates to conferences	51%
General election expenses	41%
Numbers of staff	40%
Premises	38%
Salaries of existing staff	23%

4.6 The Conservative organisations were somewhat less likely to cut back on either general or local election expenses, than Labour or Liberal and somewhat more likely to cut back on salaries of staff. (It must be borne in mind that staff levels in Conservative organisations are higher, thus this is a bigger area of potential saving for them.)

4.7 Finally parties were asked how much *additional* income they thought would be necessary to "discharge (their) functions in an efficient yet economical manner". The range was from *none* to in excess of £10,000.

4.8 The distribution of requirements is summarised below:

TABLE I

<i>Additional Income (£)</i>	<i>Labour</i>	<i>Conservative</i>	<i>Liberal</i>
None	4%	1%	—
Up to 1,000	43%	23%	41%
1,000-2,000	12%	17%	15%
2,000-3,000	14%	24%	10%
3,000-5,000	11%	21%	26%
5,000-10,000	7%	7%	3%
Over 10,000	—	3%	2%
Not answered	6%	5%	5%

4.9 Thus Labour organisations apparently have the lowest level of requirement—half believe that less than £1,000 additional income is required. Slightly fewer Liberal organisations would be satisfied with this, while only a quarter of Conservative organisations would be.

## RESPONSE RATES AND ANALYSIS OF THE SAMPLE

Total constituency parties sampled	357	
Low: Rejected	25	
Non-response	92	
	117	33%
Total Questionnaires analysed	240	67%

		Total	South East	South West	East Anglia	East Mids.	West Mids.	Yorks. & Humber	North West	North	Scotland	Wales
Conservative	Tot.	100	27	7	2	6	8	8	8	8	15	11
	Anal.	82 (82%)	28	7	2	5	8	7	6	7	13	7
	Rej.	2 (2%)	2	—	—	—	—	—	—	—	—	—
	NR	16 (16%)	5	—	—	1	—	1	2	1	2	4
Labour	Tot.	100	27	7	2	6	8	8	8	8	15	11
	Anal.	87 (87%)	28	7	2	6	6	7	6	8	10	9
	Rej.	4 (4%)	—	—	—	—	1	1	—	—	1	1
	NR	9 (9%)	1	—	—	—	1	—	2	—	4	2
Liberal	Tot.	99	27	7	2	3	8	8	8	8	15	11
	Anal.	69 (70%)	17	7	2	3	6	4	4	7	11	6
	Rej.	10 (10%)	4	—	—	—	2	1	1	1	1	—
	NR	20 (20%)	6	—	—	—	—	3	3	—	3	5
Plaid Cymru/ SNP	Tot.	26	—	—	—	—	—	—	—	—	13	11
	Anal.	2 (8%)	—	—	—	—	—	—	—	—	—	2
	Rej.	1 (4%)	—	—	—	—	—	—	—	—	—	2
	NR	22 (85%)	—	—	—	—	—	—	—	—	13	7
Others	Tot.	32	12	2	1	2	6	1	2	1	2	3
	Anal.	—	—	—	—	—	—	—	—	—	—	—
	Rej.	7 (22%)	2	1	—	1	2	—	1	—	—	—
	NR	25 (78%)	10	1	1	1	4	1	1	1	2	3
Total	Tot.	357	93	23	7	19	30	25	26	25	62	47
	Anal.	240 (67%)	61 (66%)	21 (91%)	6 (86%)	16 (84%)	20 (67%)	18 (72%)	16 (62%)	22 (88%)	34 (55%)	24 (51%)
	Rej.	25 (7%)	8 (9%)	1 (4%)	—	1 (5%)	5 (17%)	2 (8%)	2 (8%)	1 (4%)	2 (3%)	3 (6%)
	NR	92 (26%)	22 (24%)	1 (4%)	1 (14%)	2 (11%)	5 (17%)	5 (20%)	8 (31%)	2 (8%)	26 (42%)	20 (43%)

Tot. — Total

Anal. — Number Analysed

Rej. — Number Rejected

NR — Non-Response



## SUMMARY OF REJECTED QUESTIONNAIRES

APPENDIX B

	<i>Total</i>	<i>Conservative</i>	<i>Labour</i>	<i>Liberal</i>	<i>Plaid Cymru/ SNP</i>	<i>Others</i>
Total Rejected Questionnaires	25	2	4	10	2	7
Total refusal	1	—	—	—	1	—
Refused financial data	3	1	—	2	—	—
Insufficient or no financial data <sup>(1)</sup>	12	1	3	6	1	1
No local party as such <sup>(2)</sup>	6	—	—	—	—	6
Too late for inclusion	3	—	1	2	—	—

<sup>(1)</sup> e.g. Party only formed in late 1974/Records of finance unobtainable/local party restructured.

<sup>(2)</sup> e.g. Candidate gave up after election campaign/finances not organised on a local party basis.

CONFIDENTIAL

CONSTITUENCY

PARTY

NAME		I.D.		SERIAL NO.													
1	2	3	4	5	6												
(1)	(2)	(3)	(4)	(5)	(6)												
OFFICE USE ONLY																	
<table border="1"> <tr> <td>7</td> <td>8</td> <td>9</td> <td>10</td> <td>11</td> <td>12</td> </tr> <tr> <td>(7)</td> <td>(8)</td> <td>(9)</td> <td>(10)</td> <td>(11)</td> <td>(12)</td> </tr> </table>						7	8	9	10	11	12	(7)	(8)	(9)	(10)	(11)	(12)
7	8	9	10	11	12												
(7)	(8)	(9)	(10)	(11)	(12)												

INSTITUTE ON AID TO POLITICAL PARTIES

QUESTIONNAIRE TO CONSTITUENCY PARTIES

**NOTE:** Most questions can be answered by ticking the appropriate box. Some need written replies: if the space provided is not adequate, please write on an extra sheet of paper and attach it to the completed questionnaire. Please ignore code numbers which are for computer analysis.

1. **MEMBERSHIP**

2. How many subscription paying individual members did you have:
- a) in December 1972 ? .....
  - b) in December 1973 ? .....
  - c) in December 1974 ? .....
  - d) at latest available date ?  
month ..... number .....

**NOTE:**

If December figures not available please give those at nearest available date.

3. When did you last have a membership drive ? (Please state month(s) and year).

- 3a. Please tick below which method(s) were used in this membership drive. (TICK ALL WHICH APPLY)

conven ..... ☐ 1  
 meetings ..... ☐ 2  
 letter ..... ☐ 3  
 other (please specify .....  
 .....

4. On the whole were (are) you: **TICK ONE ONLY**

very satisfied ..... ☐ 1  
 fairly satisfied ..... ☐ 2  
 fairly dissatisfied ..... ☐ 3  
 or very dissatisfied ..... ☐ 4

with the results of this membership drive (so far) ?

OFFICE USE ONLY

(a)

(b)

(c)

(d)

O.U.O.

(e)

(f)

(g)

<p>8. On the whole do you feel that <u>current</u> membership figures are:</p> <p>TICK ONE ONLY</p>			
	very satisfactory ?	<input type="checkbox"/>	1
	satisfactory ?	<input type="checkbox"/>	2
	unsatisfactory ?	<input type="checkbox"/>	3
	or very unsatisfactory ?	<input type="checkbox"/>	4
<p>9. <u>STAFF AND ACTIVITY</u></p>			
1.a)	<p>Do you have a full-time paid Secretary/Agent, or do you share a Secretary/Agent with another constituency or city organisation ?</p> <p>or do you not have the services of a paid Secretary/Agent ? PLEASE TICK ONE ONLY</p>		(2)
	Yes - Full-time	<input type="checkbox"/>	1
	Yes - Shared	<input type="checkbox"/>	2
	No	<input type="checkbox"/>	3
1.b)	<p>IF YES, is his/her salary paid .... (TICK ONE ONLY)</p> <p>directly by headquarters ?</p> <p>indirectly by a grant from headquarters ?</p> <p>out of constituency funds ?</p> <p>or by some combination of these ?</p>		(3)
		<input type="checkbox"/>	1
		<input type="checkbox"/>	2
		<input type="checkbox"/>	3
		<input type="checkbox"/>	4
2.a)	<p>Does your constituency currently employ any other full-time staff ?</p> <p>Yes</p> <p>No</p>		(3)
		<input type="checkbox"/>	1
		<input type="checkbox"/>	2
2.b)	<p>IF YES, please specify number &amp; type .....</p> <p>.....</p>		(4) D.U.O.
			(5)
3.a)	<p>Does your constituency currently share the services of full-time staff employed by a central city, borough or regional organisation ?</p> <p>Yes</p> <p>No</p>		(11)
		<input type="checkbox"/>	1
		<input type="checkbox"/>	2
3.b)	<p>IF YES, please specify number and type .....</p> <p>.....</p>		(14) D.U.O.
			(15)
4.a)	<p>Does your constituency currently employ any paid part-time staff (excluding collectors) ?</p> <p>Yes</p> <p>No</p>		(16)
		<input type="checkbox"/>	1
		<input type="checkbox"/>	2
4.b)	<p>IF YES, please specify number and type .....</p> <p>.....</p>		(17) D.U.O.
			(18)

5.a)	Do you currently have any paid subscription or donation collectors ?	Yes <input type="checkbox"/>	(x)	1
		No <input type="checkbox"/>		2
b)	IF YES, how many ? .....		(x)	D.U.O.
6.	Does your constituency have its own office ?		(x)	
	TICK <u>ONE</u> OF THE FOLLOWING			
a)	Yes, owns its own office(s)	<input type="checkbox"/>		1
b)	Yes, in rented or borrowed accommodation	<input type="checkbox"/>		2
c)	No, shares central city, borough or regional party office	<input type="checkbox"/>		3
d)	No, operates from private house	<input type="checkbox"/>		4
e)	Other (please specify and tick) .....	<input type="checkbox"/>		5
7.	How many branches or ward parties does your constituency have ? .....		(x)	D.U.O.
8.	Did you put up candidates for seats in the last Local Government elections ? *	Yes <input type="checkbox"/>	(x)	1
		No <input type="checkbox"/>		2
	IF YES, (i) how many candidates did you put up ? .....		(x)	D.U.O.
	(ii) how many seats were available in the constituency ? .....		(x)	
<p>* <u>NOTE:</u> the elections we refer to are:</p> <ol style="list-style-type: none"> <li>1. District Council and County Council elections, England and Wales 1973 (excluding Greater London).</li> <li>2. London Borough Elections 1974.</li> <li>3. District Council and Regional Council elections, Scotland 1974.</li> </ol> <p><u>N.B.</u> Figures for the 1975 elections in metropolitan districts for England should <u>not</u> be used.</p>				

C.

FINANCE

In this section we are asking for details of income and expenditure to help assess the overall financial state of the parties. This information, like the remainder of the questionnaire, will be treated in strict confidence by the Committee Secretariat. To help analysis of the data:

- i) Please use figures for the calendar years 1973 and 1974. If these are not available please give figures for financial years 1972/73 and 1974/75 and state what period your financial year covers.
- ii) Please give figures to the nearest whole pound, not pounds and pence.
- iii) If items cannot be given separately please bracket them and give combined figures.
- iv) Please do not leave any box blank. If you have no income from a source, enter

NIL

If you cannot provide the figure, enter .....

N.K.

(not known)

1.

Period

Please indicate the period covered. (PLEASE TICK ONE ONLY)

(a)

- calendar year ☐ 1
- financial years 1972/3 (months ..... ) ☐ 2
- financial years 1974/5 (months ..... ) ☐ 3
- Other (specify and tick) , , ..... ☐ 3

2.

Summary for 1973 and 1974

(NOTE: Do not include balances carried over from previous years)

	1973		1974
	£		£
Total Income	<input type="text"/>	(1 - 3)	<input type="text"/>
Total Expenditure	<input type="text"/>	(4 - 6)	<input type="text"/>

D.U.O.  
73 - case 2  
74 - case 3  
SECRET CODE  
1 - 9

3. Income

	1973 £	1974 £
Membership subscriptions	(11 - 14)	
Donations from companies	(15 - 16)	
trade unions	(17 - 18)	
other bodies	(19 - 20)	
Donations from individuals (incl. collections)	(21 - 22)	
Affiliation fees (from trade unions, etc.)	(23 - 24)	
Grants or quotas from Regional Funds	(25 - 26)	
headquarters *	(27 - 28)	
grants from T.U. or Co-op Party for sponsored candidates	(29 - 30)	
wards or branches	(31 - 32)	
Surplus from social functions & special efforts e.g. bazaars, fairs, etc.	(33 - 34)	
Surplus from lotteries, bingo, football pools, etc.	(35 - 36)	
Other major sources of income (please specify and write in amount in total)	(37 - 38)	

\* Please specify with amounts any individual items specifically covered by headquarters grants.

1973 .....

1974 .....

G.U.O.  
1973 = 0000  
1974 = 0000  
after 1974  
1 = 1

4. Expenditure

	1973 £	1974 £
Salaries, wages, honoraria	(1 - 4)	
Rent, rates, upkeep of premises	(5 - 6)	
Office administration: stationery and sundries, purchase or hire of equipment, printing or purchase of posters, leaflets, advertising, etc.	(7 - 12)	
Postage	(13 - 14)	
Telephones and Telegrams	(15 - 16)	
Travelling expenses, including car allowance	(17 - 18)	
Conference expenses	(19 - 20)	
Hire of halls for public meetings	(21 - 22)	
Expenditure on Local Government elections	(23 - 24)	
Expenditure on Feb. & Oct. 1974 general elections	(25 - 26)	
Affiliation fees or quotas payable for headquarters to Regional organisation	(27 - 28)	
Other major items of expenditure (please specify)	(29 - 30)	

\*\* Based on a membership  
of 1973 .....

1974 .....

G.U.O. CONT. 1

(49)

(50)

G.U.O.

5.a) Do the accounts you have given at questions 3 and 4 include income and expenditure of ward/district/branch parties and other related party organizations?

	Yes	No	None
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	1	2	3

5.b) If NO, OR SOME, please estimate total income and expenditure (excluding any given to constituency party) of those organizations not so covered.

IF THIS IS IMPOSSIBLE, please give estimate of working funds held.

	1973	1974
	£	£
Total income	<input type="text"/> (£ - 5)	<input type="text"/>
Total expenditure	<input type="text"/> (£ - 10)	<input type="text"/>
Working funds	<input type="text"/> (£ - 15)	<input type="text"/>

6. Assets (including special funds)

G.U.G.  
7/3 - 648-5  
7/4 - 648-6  
7/5 - 648-7

	1973	1974
	£	£
Fixed assets: property furniture and equipment (incl. car)	<input type="text"/> (£ - 10)	<input type="text"/>
Balance in: bank current account	<input type="text"/> (£ - 10)	<input type="text"/>
bank deposit account	<input type="text"/> (£ - 10)	<input type="text"/>
building society	<input type="text"/> (£ - 10)	<input type="text"/>
co-operative society	<input type="text"/> (£ - 10)	<input type="text"/>
other investment	<input type="text"/> (£ - 10)	<input type="text"/>
Cash	<input type="text"/> (£ - 10)	<input type="text"/>
<b>Total</b>	<input type="text"/> (£ - 10)	<input type="text"/>

7. Loans and overdrafts (total)

<input type="text"/>	(£ - 10)
----------------------	----------

8. Would you please estimate what the local constituency party is likely to receive and spend this year?

G.U.G.  
CARD CONT. 1

	1975
	£
Estimated total income	<input type="text"/> (£ - 10)
Estimated total expenditure	<input type="text"/> (£ - 10)

9.a) If you are likely to be in deficit, will you:

a) draw on reserves?	<input type="checkbox"/>	1
b) curtail expenditure?	<input type="checkbox"/>	2
c) other? (Please specify)	<input type="checkbox"/>	3

9.b) If you have ticked (b), please specify which items you think will be cut.

.....  
.....  
.....  
.....

G.U.G.  
(a)  
(b)

**D EFFECT OF FINANCIAL SITUATION ON PARTY ACTIVITIES**

1.a) Would you say your constituency party is experiencing:

FROM ONE ONLY

- |                                 |                          |   |
|---------------------------------|--------------------------|---|
| serious financial difficulty ?  | <input type="checkbox"/> | 1 |
| moderate financial difficulty ? | <input type="checkbox"/> | 2 |
| slight financial difficulty ?   | <input type="checkbox"/> | 3 |
| no financial difficulty ?       | <input type="checkbox"/> | 4 |

(G)

b) If you are experiencing any difficulty, please tick or specify below those items which you are having to limit or cut back on.

- |                               |                          |   |
|-------------------------------|--------------------------|---|
| general election expenses     | <input type="checkbox"/> | 1 |
| local election expenses       | <input type="checkbox"/> | 2 |
| communications, leaflets etc. | <input type="checkbox"/> | 3 |
| numbers of staff              | <input type="checkbox"/> | 4 |
| salaries of existing staff    | <input type="checkbox"/> | 5 |
| premises                      | <input type="checkbox"/> | 6 |
| delegates to conferences      | <input type="checkbox"/> | 7 |
| Other (please specify).....   |                          |   |
| .....                         |                          |   |
| .....                         |                          |   |
| .....                         |                          |   |

(H)

c) How much additional annual income, at current prices would in your view be needed for your local party to discharge its functions in an efficient yet economical manner ?

.....

U.U.U.

(I)



STATE AND FMS PARTIES

The Committee is looking at the proposal that political parties should be given state aid, in some form, for their activities outside Parliament. (Some state aid is already given, chiefly to candidates, for general and local elections).

We are interested in your personal views on this question. We should make it clear that your answers will not commit you or your local party in any way.

COMMENTS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_

Would you please give your name and telephone number in case we need to contact you to clarify any of the answers you have given.

NAME: \_\_\_\_\_  
TELEPHONE NO: \_\_\_\_\_

THE COMMITTEE THANKS YOU FOR THE TIME TAKEN IN COMPLETING THIS QUESTIONNAIRE.

## PARTY ORGANISATIONS IN MARGINAL CONSTITUENCIES

Paper prepared by the Central Statistical Office

**Introduction**

1. This note presents the results of an investigation into the relationship between the finances, memberships and presence of agents in constituency party organisations and the winning or losing margin achieved by the organisations at the October 1974 General Election. The results of the October 1974 election, which were not substantially different from those of February 1974 in terms of marginality, were taken as the closest available measure of the state of political activity in the constituencies in 1973 and 1974, the years for which information was gathered.

The possibility that marginality could be an important factor, influencing constituency party activity and finance was allowed for at the design stage of the survey by using, as one of the stratification factors in choosing the sample of 100 constituencies, the elected party and the size of its winning margin at the October 1974 General Election. (The other three stratification factors were geographical location, county/borough and electorate size.)

There are many possible ways in which to define marginality. The analysis here is based on the following two-part definition of winning and losing margins:

- (i) winning margin—majority over the second placed party; and
- (ii) losing margin—number of votes polled by the losing party minus the number of votes polled by the winning party in that constituency.

Hence winning margins are defined by positive numbers of votes and losing margins by negative numbers of votes. An alternative definition of margin would be the above winning and losing margins expressed as a proportion of the electorate of the constituency. This variation was tried and produced no noticeable differences from the results obtained using the above definition.

**Finance**

2. To preserve the confidentiality of replies from individual constituency parties the information from this analysis is summarised in tables 1-3 below. Tables 1 and 2 show, for the Conservative and Labour organisations respectively, the middle 60% range of income and expenditure for the intervals of margin (i) losing margins greater than 4,000 votes, (ii) winning or losing margins less than 4,000 votes, and (iii) winning margins greater than 4,000 votes. For the Liberal parties, table 3, the range of margin is divided into only two intervals (i) losing margin greater than 8,000 votes and (ii) losing margin less than 8,000 votes or winning margin. It is felt that the tables give a fairly clear picture

of the levels and variability of income and expenditure in the different margin groups. The differences in patterns between the parties are shown by the tables and may be summarised as follows:—

- (i) For all parties there is, on average, lowest income and expenditure in seats with the largest losing margins.
- (ii) The general level of finance is highest for the Conservative associations.
- (iii) The Conservative associations have highest income and expenditure in their safe seats while for Labour parties the highest average income and expenditure is in their marginal seats. For the Conservative associations the main individual items contributing to the pattern of income are membership subscriptions, income from wards and branches and surplus from social functions and special efforts, items which are clearly connected to the level of membership. The majority of items of expenditure of the Labour parties tend to conform to the overall pattern of being highest in the marginal seats, with the exception of trade union donations and grants from trade unions and Co-operative parties, which are approximately the same in the marginal and safe seats.
- (iv) Because of the small number of marginal and safe Liberal seats little can be deduced from the table other than noting that income and expenditure are higher in this category than in seats where the losing margin was larger. The zero entries for 1973 in table 3 are due to the fact that a number of the Liberal constituency parties only came into existence in 1974.

Although, as we have shown, income and expenditure patterns are related to margin, a similar analysis of surplus or deficit against margin shows no discernible pattern—winning parties are just as likely as losing parties to be in either surplus or deficit.

### Membership

3. Tables 4, 5 and 6 give the middle 60% ranges of membership against margin for the Conservative, Labour and Liberal parties respectively. The patterns for membership are very similar to those for finance, with the possible exception that, for the Labour parties, the levels of membership are about the same in their marginal and safe seats. All three parties have the lowest levels of membership in seats with their largest losing margins. The Conservative associations have their highest memberships in their safest seats.

### Agents

4. The numbers of organisations having no paid agent, a shared or part-time paid agent, or a full-time paid agent are given in table 7. The Conservative associations have the highest number of paid agents—in fact none of the marginal or safe Conservative seats supplying information are without a paid agent. Almost 80% of Labour parties have no paid agent. There is a slightly higher proportion of paid agents in the Labour marginals than in the safe Labour seats. The Liberal parties have the lowest number of paid agents with more than 90% without a paid agent.

TABLE 1

MIDDLE 60% RANGE OF INCOME AND EXPENDITURE AGAINST  
MARGIN FOR THE CONSERVATIVE PARTY

£

<i>Year</i>		<i>Losing margin greater than 4,000 votes</i>	<i>Winning or losing margin less than 4,000 votes</i>	<i>Winning margin greater than 4,000 votes</i>
1973	Income Expenditure	700-4,300 500-4,000	3,600-7,450 3,900-7,000	5,350-9,350 5,800-9,450
1974	Income Expenditure	1,550-6,850 2,100-6,050	1,650-12,050 3,750-10,950	9,100-12,650 9,300-12,550

TABLE 2

MIDDLE 60% RANGE OF INCOME AND EXPENDITURE AGAINST  
MARGIN FOR THE LABOUR PARTY

£

<i>Year</i>		<i>Losing margin greater than 4,000 votes</i>	<i>Winning or losing margin less than 4,000 votes</i>	<i>Winning margin greater than 4,000 votes</i>
1973	Income Expenditure	350-2,000 350-2,300	700-4,400 750-4,350	500-2,150 600-2,500
1974	Income Expenditure	1,650-3,300 1,900-3,700	2,500-7,050 2,850-7,900	1,250-4,500 1,550-4,650

TABLE 3

MIDDLE 60% RANGE OF INCOME AND EXPENDITURE AGAINST  
MARGIN FOR THE LIBERAL PARTY

£

<i>Year</i>		<i>Losing margin greater than 8,000 votes</i>	<i>Losing margin less than 8,000 votes or winning margin</i>
1973	Income Expenditure	0- 500 0- 500	1,100- 4,950 1,300- 5,500
1974	Income Expenditure	600-1,850 700-2,100	4,050- 9,750 4,200-10,000

TABLE 4

MIDDLE 60% RANGE OF MEMBERSHIP AGAINST MARGIN FOR THE  
CONSERVATIVE PARTY

Year	<i>Losing margin greater than 4,000 votes</i>	<i>Winning or losing margin less than 4,000 votes</i>	<i>Winning margin greater than 4,000 votes</i>
1972	250-1,590	1,640-4,100	2,800-6,500
1973	240-1,210	1,250-4,570	2,800-6,250
1974	250-1,250	880-4,830	2,230-6,330
Latest	275-1,200	950-4,840	2,500-7,230

TABLE 5

MIDDLE 60% RANGE OF MEMBERSHIP AGAINST MARGIN FOR THE  
LABOUR PARTY

Year	<i>Losing margin greater than 4,000 votes</i>	<i>Winning or losing margin less than 4,000 votes</i>	<i>Winning margin greater than 4,000 votes</i>
1972	110-600	190-690	190-750
1973	150-530	190-790	180-770
1974	170-650	200-860	250-760
Latest	190-660	190-980	180-810

TABLE 6

MIDDLE 60% RANGE OF MEMBERSHIP AGAINST MARGIN FOR THE  
LIBERAL PARTY

Year	<i>Losing margin greater than 8,000 votes</i>	<i>Losing margin less than 8,000 votes or winning margin</i>
1972	0-120	80-550
1973	0-225	200-500
1974	40-320	350-550
Latest	40-300	350-550

TABLE 7

## PRESENCE OF PAID AGENT IN RELATION TO PARTY AND MARGIN

<i>Party</i>	<i>Paid Agent</i>	<i>Losing margin greater than 4,000 votes</i>	<i>Winning or losing margin less than 4,000 votes</i>	<i>Winning margin greater than 4,000 votes</i>
Conservative	No	21	0	0
	Shared or part-time	10	6	2
	Full-time	7	19	17
Labour	No	28	12	27
	Shared or part-time	1	2	4
	Full-time	1	6	6
Liberal	No	62	1	0
	Shared or part-time	1	2	0
	Full-time	1	1	1

**PUBLIC OPINION SURVEY REPORT**  
**Prepared by Research Surveys of Great Britain Ltd**

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## INTRODUCTION

This Annex contains a Report of a survey conducted by Research Surveys of Great Britain Ltd of the public's knowledge of and attitude towards political parties and, in particular, their opinions about state aid for the parties.



## METHODOLOGY

### Sampling

A representative sample of electors was drawn at random from electoral registers chosen from a nationally\* representative sample of 105 constituencies. Interviews were conducted with the individuals selected from the electoral registers. At addresses where the named individual was not available for interview, as many recalls as possible were made to ensure a high response rate.

Details of the analysis of the sample and response rate are shown in the appendices to this document together with a list of the sample points.

### Fieldwork

Interviewing was conducted between 5-19 December 1975 and 5-20 January 1976 by fully trained members of RSGB's national fieldforce, under the supervision of 14 nationally based supervisors. All interviewers were personally briefed on the study by a senior RSGB executive. Personal recalls were made by supervisors on a proportion of all interviewers' work as a check on the interviewing conducted.

A copy of the questionnaire used is included in the appendices to this report. This questionnaire was developed from a two stage pilot survey which investigated understanding of the political system and established the "language" used by the general public.

### Analysis

The analysis is based on 2,147 records. Before analysis, the sample was weighted to bring it in line with national population estimates. Summary tables are included in the body of the report. Other tabulations referred to in the text will be found at the end of each section. A copy of the complete tabulations will be sent to the Social Science Research Council Data Archive at Essex University.

---

\* Great Britain (does not include Northern Ireland).

## SUMMARY AND CONCLUSIONS

### General Observations

In interpreting the results of this study the methodology used and the limitations of such an approach should be borne in mind. Firstly, it must be recognised that for most people political parties and their financial situation is not a "top-of-the-mind" consideration. Therefore, in a detailed investigation such as this it is inevitable that some *education* of respondents will take place. The study reported in this document was preceded by considerable pilot work to investigate the public's understanding of politics and thus to optimise the way of asking the questions. For this main stage of the research a structured questionnaire—that is, one using direct questioning together with a pre-printed list of answers—was used. On most questions interviewers were given strict instructions not to prompt respondents using the list of printed answers and there was facility for interviewers to write in answers which fell outside the list given.

The actual scope of the final questionnaire was agreed with the Committee and it was decided not to include some of the areas investigated in the pilot work.

### The Importance of the Political Parties to the General Public

The overall results of the questions directly concerned with party finance have to be viewed in the context of the public's overall appreciation of parties' importance. Some preliminary questions revealed that a large proportion of the population did not consider "political parties" as being especially important for policy making, day-to-day running of the country, or looking after ordinary people, when compared with other "organisations" and in particular with "Government Ministers" and the "House of Commons". (Ref Tables A and C.)

Answers to some other questions revealed some confusion as to the precise nature of parties, more particularly this affected women and older people who tended to be less interested in politics.

Specifically with regard to the question of finance for political parties, it is worthy of note that only a very small proportion of the sample *spontaneously* believed that some or all might be short of money. Nevertheless about half the sample thought that some parties, at least, might be short of money when asked a *direct* question. (Ref Sections 3.4 and 3.5.)

### Is the General Principle of Financing Parties from Public Funds Acceptable?

A straightforward question on the acceptability of "money from public funds" produced an almost equal division of opinion (45% in favour, 44% against, 11% with no view). A further question investigated timing of provision of public funds: only a minority of the public is in favour of providing money before the economic situation improves. Cross-relation of the answers to these questions classifies people more clearly and in particular reveals a higher level of uncertainty than the straightforward question suggested.

- little more than one-tenth of the sample of electors are in favour of immediate state aid to political parties

- however, about two-fifths of the sample are *clearly* in favour of the *principle* of state aid
- one-third of the sample is *clearly* opposed to state aid
- the remaining quarter of the sample did not have definite or consistent views.

It will be seen that a majority of those with a *clear* view accept the idea of state aid to political parties. (Ref Sections 5.3 and 5.5.)

#### **What are the Reasons for Accepting or Rejecting the Principles?**

As noted, there is little spontaneous awareness of the financial problems which political parties may be experiencing, although more direct questioning reveals both that on balance some or all parties are thought to be short of money, while attitudinal questions indicate majority acceptance of the idea that parties need an adequate financial basis.

Overall the grounds for rejection of the principle tend to reflect doubts on parties' place in the list of national priorities and on the ways the money would be used.

There is a link between acceptance of the principle and concern over the two major industrial sources of party funds—companies and trade unions—which substantial sections of the sample felt might adversely affect parties' policies. (Ref Sections 6.8 and 6.9.)

It can be said that acceptance or rejection of the principle is not strongly linked to interest in politics or the lack of it. Rather, it appears that those people with less certain views are likely to be less politically concerned. (Ref Section 6.6.)

## COMMENTARY

### 1. Political Parties in context

1.1 As an introduction to the topic and to provide some measure of the standing and salience of political parties, respondents were asked to say which one of a number of "organisations" was *most* important, and which *least* important, in each of three roles.

The organisations, presented to respondents on a show card were: Large Companies; Government Ministers; The Civil Service; The Political Parties; Your Local Council; Trade Unions; The House of Commons.

1.2 As the summary Table A opposite shows the level of mentions is relatively low for political parties—further analysis shows that over three-quarters of the sample (76%) did not mention them as *most* important on any of the three issues, and over four-fifths (81%) did not mention them as *least* important.

1.3 Of the three issues covered, political parties were most strongly identified with "policy decisions".

**TABLE A**  
**Q1A/B/C (SUMMARY): WHICH OF THESE ORGANISATIONS IS MOST/LEAST IMPORTANT IN THESE ASPECTS OF THE RUNNING**  
**OF THE COUNTRY?**

COL %

	<i>Deciding country's policies: most important</i>	<i>Deciding country's policies: least important</i>	<i>Running country day to day: most important</i>	<i>Running country day to day: least important</i>	<i>Needs of ordinary people: most important</i>	<i>Needs of ordinary people: least important</i>
Weighted Base	2,151	2,151	2,151	2,151	2,151	2,151
Unweighted Base	2,147	2,147	2,147	2,147	2,147	2,147
Large Companies	109 5%	385 18%	82 4%	436 20%	32 1%	644 30%
Government Ministers	486 23%	60 3%	563 26%	84 4%	185 9%	170 8%
Civil Service	121 6%	324 15%	312 14%	246 11%	197 9%	220 10%
Political Parties	303 14%	71 3%	176 8%	213 10%	99 5%	165 8%
Your Local Council	139 6%	469 22%	347 16%	302 14%	998 46%	82 4%
Trade Unions	230 11%	413 19%	101 5%	329 15%	261 12%	249 12%
House of Commons	566 26%	43 2%	369 17%	91 4%	125 6%	139 6%
DK/NA	200 9%	387 18%	203 9%	451 21%	255 12%	483 22%

## 2. Knowledge of Political Parties

2.1 Although a number of questions were included to assess knowledge of parties and the party system in a general sense, it was made clear to respondents that their views were being sought and that there were no "right" answers.

### 2.2 Perceptions of main parties in national and local government

2.2.1 The pattern of mentions was as follows (respondents could mention as many or as few as they wished):

	National %	Local %
<i>Those mentioning ..... as a main party</i>		
Labour	84	65
Conservative	80	55
Liberal	42	22
SNP	7	3
Plaid Cymru	3	2
Communist Party	2	1
Ulster Unionists	1	*
National Front	1	1
SDLP	*	*
Ratepayers' Associations	—	2
Don't Know	6	16

Overall, women, older people and those completing their full time education early—(TEA)† tended to mention fewer parties. (Ref. tables 2a(i)—(iv).)

2.2.2 Socio-economic group influences the pattern of mentions; thus it must be noted that the answers reflect attitudes as well as knowledge.

While mentions of the Labour Party as a "main" party is relatively stable across the four class groupings, the level of mentions for Conservatives and Liberals falls among the lower socio-economic groups (SEG) for both "National" and "Local" Government.

	Total	"Main" Parties Socio-Economic Group‡			
		AB	C1	C2	DE
<i>% Mentioning:</i>		%	%	%	%
National—					
Labour	84	87	84	84	83
Conservative	80	94	88	80	70
Liberal	42	47	49	42	38
Local					
Labour	65	69	64	63	65
Conservative	55	74	67	52	42
Liberal	22	32	30	19	17

\* = Less than 0.5%

† = See Appendix A—Definitions

‡ AB = Professional, managerial etc.

C1 = Other white collar

C2 = Skilled working class

DE = Unskilled working class and state pensioners

see Appendix A for  
full definitions

2.2.3 In Scotland 28% of respondents mentioned SNP as a "main" party in national government, 18% for local government. 16% of the sample in Wales mentioned Plaid Cymru for national government, 17% for local government. There is no indication of "mutual support" between followers of the two national parties.

### 2.3 What do the parties do?

2.3.1 Respondents were asked what the parties they had mentioned *did*—both in national and local government—and the open-ended answers were subsequently grouped into appropriate categories. Some people gave more than one answer.

The range of answers points both to some confusion as to the nature of parties, and to some concern about their operations.

	National Government %	
<i>Those mentioning:</i>		
Run/govern the country	29	} POSITIVE
Decide/carry out policies	11	
Decide legislation/pass bills	6	
National finance/economy	6	
Housing/environment/services etc	2	
Worldwide issues	2	
Look after individuals	11	}
Democracy/freedom etc	2	
Increase standard of living	1	
Fight each other/look after own interest	6	} NEGATIVE
Look after their own kind	2	
Cater for specific groups (Business, free enterprise, TU's etc)	1	
Cause chaos/do a bad job	4	
Do very little/nothing	7	
Other specific answers	3	
Vague answers	5	
Irrelevant answers	4	
Don't know/no answer	15	

*Local  
Government*  
%

<i>Those mentioning:</i>	
Local affairs/community etc	23
Police/education/health/housing etc	18
Policies for local party	7
Responsible to Whitehall/local parties' hands tied	2
Co-operate with public/be helpful	13
Spend too much/put rates up	5
Make a mess/do little/nothing	9
Disagree amongst themselves	2
Confuse situation with party issues	2
Other specific answers	3
Vague answers	3
Irrelevant answers	3
Don't know/no answer	23

#### 2.4 *Decision makers within parties*

2.4.1 Respondents were asked which people or organisations were important in deciding what political parties do, and to assist in doing so were asked to reply specifically for Labour and Conservative, with a third more general question covering the Liberal party and the nationalist parties.

2.4.2 While the Prime Minister/Leader of the Opposition and Ministers/Opposition spokesmen (either generally described or specifically named) jointly attracted mentions from over three-fifths of respondents in each case, there were substantial mentions of "outside" forces—Trade Unions and "Large Companies". The importance of "non-parliamentary" party organisations is felt to be slight.

	<i>Labour</i>	<i>Conservative</i>
<i>Those mentioning:</i>	%	%
Prime Minister/Leader of Opposition	55	55
Ministers/Opposition Spokesmen	32	27
MPs/Backbenchers	10	15
Local Party Workers	6	7
Party conference	3	2
Transport House/Central Office	3	3
Young Socialists/Conservatives	1	2
Left/Right Wing groups*	1	1
Trade Unions/TUC	40	2
Companies	2	22
Civil Service	1	1
General Public	3	2
Other answers	4	5
Irrelevant answers	1	1
Don't know/No answer	17	22

\* Includes Tribune Group, Monday Club



2.4.3 It can be seen that the pattern is very similar for the two parties—except that Trade Unions are more widely thought to have influence on Labour than Companies are on the Conservatives.

2.4.4 The level of mentions of Trade Unions increases significantly among those who left school at 17 or later, and among the ABC1 socio-economic groups, and the likelihood of mentioning Large Companies also increases among these groups. In contrast, these groups are less likely than average to believe that the Prime Minister or Leader of the Opposition is important. Among ABs in particular the level of mentions for Trade Unions was over two and a half times that for the Prime Minister, while Large Companies received about half as many mentions again as the Leader of the Opposition. (Ref. tables 2b(i)–(ii).)

2.4.5 The respondent's sex also affected the level of mentions of these answers. Nearly half of men mentioned trade unions (Labour) compared with under one-third of women; and about one-third of men mentioned Large Companies (Conservative) compared with 14% of women. Women were *more* likely to mention the Prime Minister/Leader of the Opposition. (Ref. tables 2c(i)–(ii).)

2.4.6 The general question about the Liberal, and Scottish or Welsh national parties revealed a great deal of uncertainty as to the people or organisations important in deciding policies—43% of the sample was unable to give an answer. The largest single mention was of the party leadership (a relatively broad term)—by 29% of respondents, followed by MPs (18%) and local party workers (11%).

**TABLE 2a(i)**  
**Q1A: WHICH DO YOU CONSIDER TO BE THE MAIN POLITICAL PARTIES IN NATIONAL GOVERNMENT?**

COL %

	Total	Sex		Age					
		Men	Women	18-24	25-34	35-44	45-54	55-64	65+
Weighted Base	2,151	1,025	1,126	300	388	351	367	349	395
Unweighted Base	2,147	998	1,149	210	445	343	389	314	446
NATIONAL									
Conservative	1,724 80%	831 81%	893 79%	237 79%	333 86%	293 84%	294 80%	271 78%	296 75%
Labour	1,807 84%	900 88%	907 81%	260 87%	344 88%	307 88%	322 88%	280 80%	295 75%
Liberal	914 42%	427 42%	487 43%	139 46%	179 46%	165 47%	146 40%	134 38%	151 38%
Communist	33 2%	23 2%	10 1%	10 3%	5 1%	5 1%	2 *	9 2%	3 1%
National Front	32 1%	19 2%	13 1%	9 3%	7 2%	4 1%	5 1%	5 1%	2 1%
Scottish National Party/SNP	140 7%	82 8%	58 5%	29 10%	37 10%	32 9%	20 5%	14 4%	8 2%
Plaid Cymru/Welsh Nationalist Party	59 3%	32 3%	27 2%	12 4%	13 3%	15 4%	6 2%	8 2%	6 2%
Ulster Unionist	19 1%	13 1%	6 1%	1 *	9 2%	5 2%	2 *	2 1%	1 *
NI Social Democratic Labour Party/SDLP	10 *	6 1%	4 *	4 1%	1 *	3 1%	2 *	0 —	0 —
Rate Payers' Associations	0 —	0 —	0 —	0 —	0 —	0 —	0 —	0 —	0 —
Others	26 1%	16 2%	10 1%	2 1%	2 1%	6 2%	5 1%	4 1%	7 2%
DK/NA	129 6%	34 3%	95 8%	25 8%	16 4%	16 4%	16 4%	22 6%	35 9%

\* = Less than 0.5%.

TABLE 2a(4)

Q2A: WHICH DO YOU CONSIDER TO BE THE MAIN POLITICAL PARTIES IN NATIONAL GOVERNMENT?

COL %

	Total	Terminal Education Age				Social Class				Housewives	
		15-16	17-19	20+	Not yet completed	AB	CI	C2	DE	Working	Not working
Weighted base	2,151	1,800	215	127	9	266	460	717	707	348	471
Unweighted base	2,147	1,817	198	123	9	261	453	716	717	368	483
<b>NATIONAL</b>											
Conservative	1,724 80%	1,402 78%	197 92%	118 93%	7 75%	250 94%	405 88%	575 80%	493 70%	283 81%	372 79%
Labour	1,807 84%	1,483 82%	195 91%	122 96%	7 75%	231 87%	384 84%	602 84%	590 83%	292 84%	376 80%
Liberal	914 42%	743 41%	104 48%	63 50%	4 46%	126 47%	224 49%	298 42%	266 38%	166 48%	179 38%
Communist	33 2%	23 1%	7 3%	3 3%	0	6 2%	7 1%	13 2%	7 1%	3 1%	5 1%
National Front	32 1%	27 1%	5 2%	0	0	5 2%	6 1%	14 2%	7 1%	4 1%	6 1%
Scottish National Party/SNP	140 7%	93 5%	31 14%	15 12%	2 22%	28 10%	39 9%	35 5%	38 5%	23 7%	25 5%
Plaid Cymru/Welsh Nationalist Party	59 3%	41 2%	12 5%	7 5%	0	13 5%	13 3%	19 3%	14 2%	6 2%	19 4%
Ulster Unionist	19 1%	8 *	4 2%	7 6%	0	5 2%	7 1%	5 1%	2 *	1 *	3 1%
NI Social Democratic Labour Party/SDLP	10 *	7 *	2 1%	1 1%	0	3 1%	1 *	6 1%	0	0	3 1%
Rate Payers' Associations	0	0	0	0	0	0	0	0	0	0	0
Others	26 1%	23 1%	1 *	2 2%	0	3 1%	5 1%	8 1%	9 1%	2 1%	5 1%
DK/NA	129 6%	120 7%	5 2%	2 2%	2 17%	6 2%	23 5%	43 6%	57 8%	22 6%	38 8%

\* = Less than 0.5%.

\* = Less than 0.5%.

**TABLE 2a(ii)**  
**Q2B: WHICH DO YOU THINK ARE THE MAIN POLITICAL PARTIES IN LOCAL GOVERNMENT?**

COL %

	Total	Sex		Age					
		Men	Women	18-24	25-34	35-44	45-54	55-64	65+
Weighted Base	2,151	1,025	1,126	300	388	351	367	349	395
Unweighted Base	2,147	998	1,149	210	445	343	389	314	446
<b>LOCAL</b>									
Conservative	1,178 55%	597 58%	581 52%	135 45%	243 63%	209 60%	204 55%	194 56%	193 49%
Labour	1,393 65%	737 72%	656 58%	207 69%	262 67%	249 71%	250 68%	219 63%	206 52%
Liberal	483 22%	249 24%	235 21%	65 22%	101 26%	91 26%	88 24%	72 21%	66 17%
Communist	18 1%	14 1%	4 *	4 1%	2 *	7 2%	2 1%	1 *	2 *
National Front	14 1%	9 1%	5 *	3 1%	5 1%	1 *	1 *	2 1%	1 *
Scottish National Party/SNP	57 3%	40 4%	18 2%	20 7%	11 3%	12 3%	8 2%	4 1%	2 1%
Plaid Cymru/Welsh Nationalist Party	35 2%	23 2%	12 1%	7 2%	7 2%	7 2%	6 2%	4 1%	3 1%
Ulster Unionist	5 *	3 *	2 *	1 *	1 *	2 1%	1 *	0 —	0 —
NI Social Democratic Labour Party/SDLP	2 *	1 *	1 *	1 *	0 —	0 —	1 *	0 —	0 —
Rate Payers' Associations	35 2%	17 2%	17 2%	5 2%	10 2%	6 2%	3 1%	7 2%	4 1%
Others	73 3%	40 4%	33 3%	6 2%	14 4%	8 2%	11 3%	16 4%	18 5%
DK/NA	350 16%	108 11%	242 21%	58 19%	50 13%	41 12%	53 14%	56 16%	91 23%

\* ... Less than 0.5%.

TABLE 2a(iv)  
Q2B: WHICH DO YOU THINK ARE THE MAIN POLITICAL PARTIES IN LOCAL GOVERNMENT?

COL %

	Terminal Education Age					Social Class				Housewives	
	Total	15-16	17-19	20+	Not yet completed	AB	C1	C2	DE	Working	Not Working
Weighted Base	2,151	1,800	215	127	9	266	460	717	707	348	471
Unweighted Base	2,147	1,817	198	123	9	261	453	716	717	368	483
<b>LOCAL</b>											
Conservative	1,178 55%	939 52%	146 68%	89 70%	5 53%	198 74%	307 67%	373 52%	300 42%	204 58%	220 47%
Labour	1,393 63%	1,130 63%	158 73%	100 78%	6 68%	183 69%	296 64%	454 63%	460 65%	215 62%	268 57%
Liberal	483 22%	370 21%	67 31%	46 36%	0 —	86 32%	136 30%	139 19%	122 17%	87 25%	88 19%
Communist	18 1%	15 1%	3 1%	0 —	0 —	0 —	5 1%	7 1%	7 1%	0 —	2 *
National Front	14 1%	10 1%	2 1%	0 —	1 7%	0 —	2 *	7 1%	5 1%	2 *	1 *
Scottish National Party/SNP	57 3%	36 2%	17 8%	4 3%	0 —	13 5%	14 3%	16 2%	15 2%	5 1%	11 2%
Plaid Cymru/Welsh Nationalist Party	35 2%	22 1%	9 4%	4 3%	0 —	8 3%	10 2%	6 1%	12 2%	3 1%	8 2%
Ulster Unionist	5 *	4 *	0 —	1 1%	0 —	0 —	2 *	1 *	2 *	0 —	1 *
NI Social Democratic Labour Party/SDLP	2 *	2 *	0 —	0 —	0 —	0 —	1 *	0 —	1 *	0 —	0 —
Rate Payers' Associations	35 2%	24 1%	3 2%	7 6%	0 —	7 3%	8 2%	12 2%	7 1%	5 2%	11 2%
Others	73 3%	53 3%	10 5%	10 8%	0 —	9 3%	25 6%	18 2%	21 3%	11 3%	14 3%
DK/NA	350 16%	315 17%	24 11%	10 8%	2 17%	26 10%	61 13%	123 17%	140 20%	60 17%	108 23%

\* = Less than 0.5%

**TABLE 260**  
**Q6: WHICH PEOPLE OR ORGANISATIONS ARE IMPORTANT IN DECIDING WHAT THE LABOUR PARTY DOES AND WHAT POLICIES IT FOLLOWS?**  
**COL %**

	<i>Terminal Education Age</i>					<i>Social Class</i>				<i>Housewives</i>	
	<i>Total</i>	<i>15-16</i>	<i>17-19</i>	<i>20+</i>	<i>Not yet completed</i>	<i>AB</i>	<i>C1</i>	<i>C2</i>	<i>DE</i>	<i>Working</i>	<i>Not Working</i>
Weighted Base	2,151	1,800	215	127	9	266	460	717	707	348	471
Unweighted Base	2,147	1,817	198	123	9	261	453	716	717	368	483
<b>LABOUR</b>											
Prime Minister/Harold Wilson	763 35%	662 37%	58 27%	41 33%	2 22%	64 24%	151 33%	250 35%	298 42%	135 39%	191 41%
Government/Cabinet Ministers	695 32%	569 32%	68 32%	53 42%	5 60%	103 39%	152 33%	243 34%	197 28%	102 29%	149 32%
MPs/Backbenchers	214 10%	166 9%	32 15%	16 12%	1 7%	32 12%	59 13%	60 8%	63 9%	36 10%	52 11%
Young Socialists	22 1%	13 1%	6 3%	2 2%	0	2 1%	3 1%	10 1%	7 1%	10 3%	4 1%
Local Party Workers	137 6%	107 6%	15 7%	14 11%	1 15%	27 10%	33 7%	45 6%	32 5%	24 7%	18 4%
Trade Unions/TUC	852 40%	632 35%	128 60%	87 69%	5 54%	168 63%	238 32%	274 38%	172 24%	134 38%	126 27%
Transport House/Headquarters/Nat Exec Committee	56 3%	37 2%	7 3%	10 8%	1 14%	12 5%	22 5%	13 2%	9 1%	1 *	10 2%
Party Conference	60 3%	35 2%	14 6%	12 10%	0	12 5%	16 3%	20 3%	12 2%	4 1%	15 3%
General Public	56 3%	42 2%	4 2%	10 7%	1 8%	9 3%	17 4%	14 2%	16 2%	7 2%	10 2%
Left Wing/Tribune Group/Communists	12 1%	8 *	3 2%	1 1%	0	5 2%	2 *	2 *	4 1%	4 1%	0
Companies/CBI	48 2%	31 2%	8 4%	9 7%	0	13 5%	14 3%	15 2%	5 1%	4 1%	5 1%
Civil Service	19 1%	12 1%	5 2%	2 1%	0	5 2%	8 2%	3 *	3 *	1 *	5 1%
Others	77 4%	51 3%	9 4%	18 14%	0	18 7%	25 5%	18 3%	16 2%	6 2%	10 2%
Irrelevant	11 1%	8 *	2 1%	2 1%	0	1 *	2 *	7 1%	2 *	1 *	3 1%

\* = Less than 0.5%

TABLE 28(1)  
Q4: WHICH PEOPLE OR ORGANISATIONS ARE IMPORTANT IN DECIDING WHAT THE CONSERVATIVE PARTY DOES AND WHAT POLICIES IT FOLLOWS?

COL %

	Total	Terminal Education Age				Social Class				Housewives	
		15-16	17-19	20+	Not yet completed	AB	C1	C2	DE	Working	Not working
Weighted base	2,151	1,800	215	127	9	266	460	717	707	348	471
Unweighted base	2,147	1,817	198	123	9	261	453	716	717	368	483
Leader/Margaret Thatcher	756	652	58	41	5	69	156	256	275	138	193
Opposition Spokesmen/Shadow Cabinet	35%	36%	27%	32%	60%	26%	34%	36%	39%	40%	41%
MPs/Backbenchers	571	452	67	47	6	93	150	193	134	87	129
	27%	25%	31%	37%	61%	35%	33%	27%	19%	25%	27%
Young Conservatives	323	260	38	25	1	47	64	107	106	62	80
	15%	14%	18%	19%	7%	17%	14%	15%	15%	18%	13%
Local Party Workers	46	32	8	5	1	12	10	15	9	15	5
	2%	2%	4%	4%	7%	5%	2%	2%	1%	4%	1%
Large Companies	147	113	21	13	1	30	35	36	46	30	28
	7%	6%	10%	10%	7%	11%	8%	5%	7%	9%	6%
Central Office/Headquarters	478	344	76	58	0	101	134	159	84	66	54
	22%	19%	35%	46%	—	38%	29%	22%	12%	19%	11%
Party Conference	64	42	5	14	3	12	20	18	14	6	5
	3%	2%	2%	11%	31%	5%	4%	3%	2%	2%	1%
General Public	52	31	11	10	0	13	11	17	10	3	17
	2%	2%	5%	8%	—	5%	2%	2%	1%	1%	4%
Right wing/Monday Club	46	34	4	7	0	9	13	10	13	3	11
	2%	2%	2%	6%	—	3%	3%	1%	2%	1%	2%
Trade Unions	15	8	5	2	0	6	6	3	1	0	2
	1%	*	2%	2%	—	2%	1%	*	*	—	*
Civil Service	38	23	10	5	0	13	14	5	6	4	3
	2%	1%	5%	4%	—	5%	3%	1%	1%	1%	1%
Others	16	11	1	4	0	4	6	3	3	1	4
	1%	1%	*	3%	—	2%	1%	*	*	*	1%
Irrelevant	101	70	18	12	1	22	28	23	29	10	12
	5%	4%	9%	9%	7%	8%	6%	3%	4%	3%	3%
	1%	*	*	4%	—	*	2%	*	*	1%	1%

\* = Less than 0.5%.

TABLE 2a(i)  
Q6: WHICH PEOPLE OR ORGANISATIONS ARE IMPORTANT IN DECIDING  
WHAT THE LABOUR PARTY DOES AND WHAT POLICIES IT FOLLOWS?

COL %

	Total	Sex		Age					
		Men	Women	18-24	25-34	35-44	45-54	55-64	65+
Weighted Base	2,151	1,025	1,126	300	388	351	367	349	395
Unweighted Base	2,147	998	1,149	210	445	343	389	314	446
LABOUR									
Prime Minister/Harold Wilson	763	303	458	119	115	131	133	122	142
	35%	30%	41%	40%	30%	37%	36%	35%	36%
Government/Cabinet Ministers	695	344	350	109	114	111	126	116	119
	32%	34%	31%	36%	29%	32%	34%	33%	30%
MPs/Backbenchers	214	108	106	23	35	38	39	46	34
	10%	11%	9%	8%	9%	11%	11%	13%	9%
Young Socialists	22	6	16	3	6	3	7	1	2
	1%	1%	1%	1%	2%	1%	2%	*	1%
Local Party Workers	137	89	48	20	29	26	27	18	18
	6%	9%	4%	7%	7%	8%	7%	5%	4%
Trade Unions/TUC	852	503	348	111	198	166	150	130	98
	40%	49%	31%	37%	51%	47%	41%	37%	25%
Transport House/Headquarters/ Nat Exec Comm	56	40	15	6	12	11	5	16	6
	3%	4%	1%	2%	3%	3%	1%	5%	2%
Party Conference	60	39	21	4	15	13	11	9	9
	3%	4%	2%	1%	4%	4%	3%	3%	2%
General Public	56	31	25	8	12	4	13	8	11
	3%	3%	2%	3%	3%	1%	3%	2%	3%
Left Wing/Tribune Group/ Communists	12	5	7	2	1	1	2	5	2
	1%	1%	1%	1%	*	*	*	1%	*
Companies/CBI	48	37	11	13	14	7	8	4	3
	2%	4%	1%	4%	4%	2%	2%	1%	1%
Civil Service	19	13	6	2	5	5	5	2	1
	1%	1%	1%	1%	1%	1%	1%	*	*
Others	77	59	18	9	20	15	15	9	9
	4%	6%	2%	3%	5%	4%	4%	3%	2%
Irrelevant	11	5	6	0	0	3	3	4	2
	1%	1%	1%	—	—	1%	1%	1%	*

\* = Less than 0.5%



TABLE 2c(II)  
Q6: WHICH PEOPLE OR ORGANISATIONS ARE IMPORTANT IN DECIDING WHAT THE CONSERVATIVE PARTY DOES  
AND WHAT POLICIES IT FOLLOWS?

COL %

	Total	Sex		Age					
		Men	Women	18-24	25-34	35-44	45-54	55-64	65+
Weighted Base	2,151	1,025	1,126	300	388	351	367	349	395
Unweighted Base	2,147	998	1,149	210	445	343	389	314	446
Leader/	756	297	459	111	110	127	123	134	150
Margaret Thatcher	35%	29%	41%	37%	28%	36%	34%	38%	38%
Opposition Spokesmen/	571	266	306	84	100	93	103	91	101
Shadow Cabinet	27%	26%	27%	28%	26%	27%	28%	26%	26%
MPs/Backbenchers	323	153	169	33	58	50	56	58	68
	15%	15%	15%	11%	15%	14%	15%	16%	17%
Young Conservatives	46	23	21	5	11	8	13	6	2
	2%	2%	2%	2%	3%	2%	3%	2%	1%
Local Party Workers	147	83	65	24	34	20	31	20	19
	7%	8%	6%	8%	9%	6%	8%	6%	5%
Large Companies	478	325	154	52	124	111	94	63	35
	22%	32%	14%	17%	32%	32%	26%	18%	9%
Central Office/ Headquarters	64	45	19	8	12	9	5	20	9
	3%	4%	2%	3%	3%	3%	1%	6%	2%
Party Conference	52	31	21	1	15	13	10	8	5
	2%	3%	2%	*	4%	4%	3%	2%	1%
General Public	46	28	17	4	9	3	10	10	9
	2%	3%	2%	1%	2%	1%	3%	3%	2%
Right Wing/ Monday Club	15	12	3	2	4	2	4	3	1
	1%	1%	*	1%	1%	1%	1%	1%	*
Trade Unions	38	31	7	7	10	5	8	4	4
	2%	3%	1%	2%	2%	1%	2%	1%	1%
Civil Service	16	11	5	3	3	3	5	2	1
	1%	1%	*	1%	1%	1%	1%	*	*
Others	101	72	29	15	19	20	16	21	10
	5%	7%	3%	3%	5%	6%	4%	6%	3%
Irrelevant	11	5	6	3	1	1	2	1	4
	1%	1%	1%	1%	*	*	*	*	1%

\*=Less than 0.5%.

### 3. General attitudes to Political Parties

3.1 Attitudinal questions were phrased in terms of the parties in general, respondents therefore being encouraged to put aside particular prejudices.

#### 3.2. *What should the parties do?*

3.2.1 Having already asked people's understanding of what parties *did*, the survey investigated what they thought parties *should do*. Because of the difficulty in obtaining clear unambiguous answers to open-ended questions, respondents were asked to react to six possible activities.

	% Answering		
	Yes	No	Don't know
<i>Should the parties:</i>			
Help to decide what the government policies should be?	86	7	7
Get people to vote in elections?	77	16	6
Provide a government team?	71	14	15
Help to run local government?	59	32	9
Organise MPs in the House of Commons?	55	31	15
Choose parliamentary candidates?	55	35	10
Explain policies to the public?	95	2	3

(Percentages sum to 10 horizontally—subject to rounding.)

3.2.2 In general, women, people aged 65 or over and those in the lower socio-economic groups were more likely *not* to give a definite answer to these questions.

3.2.3 It can perhaps be inferred that it is largely acceptable for parties to be involved in the overall running of the government but somewhat less so for them to be involved in influencing the choice or action of *representatives* of the people.\*

3.2.4 The level of acceptability of "getting the people to vote" suggests little concern with the dangers of influencing the choice of the people *themselves*.

#### 3.3. *Agreement with Statements about Political Parties in general*

3.3.1 Eleven statements were read to respondents who were asked to answer in terms of one of the following:

- Agree Strongly (4)
- Agree a Little (3)
- Disagree a Little (2)
- Disagree Strongly (1)

\*At the time of fieldwork the Newham/Prentice issue was in the public mind and may have affected the pattern of answers to these questions.

3.3.2 Table B overleaf shows the overall distribution of answers to each of the statements. The mean score shown is produced by assigning each answer above with the score shown in brackets, summing these scores and dividing by the total sample (less those respondents answering "don't know" or not giving an answer). Therefore, the *higher* the score the greater the propensity of the sample to *agree* with the statement. (The range of scores is 4.00—1.00, with 2.50 as the mid-point.)

**TABLE B**  
**Q6 (SUMMARY): HOW FAR DO YOU AGREE OR DISAGREE WITH THESE STATEMENTS ABOUT THE POLITICAL PARTIES IN GENERAL?**  
 COL. %

	<i>Essential to our form of national government</i>	<i>Oppose each other for the sake of it</i>	<i>Only way to represent public's views</i>	<i>Would be better off with one national party</i>	<i>Keep Gov't on its toes by criticizing</i>	<i>Not necessary in local politics</i>	<i>Alternative to political parties dictatorship</i>	<i>Good idea many small as well as two or three big ones</i>
Weighted Base	2,151	2,151	2,151	2,151	2,151	2,151	2,151	2,151
Unweighted Base	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147
Agree Strongly	1,175 55%	754 35%	691 32%	545 25%	815 38%	461 21%	435 20%	377 18%
Agree a little	677 31%	709 33%	719 33%	281 13%	843 39%	643 30%	326 15%	497 23%
Disagree a little	116 5%	310 14%	367 17%	271 13%	206 10%	477 22%	274 13%	451 21%
Disagree strongly	69 3%	264 12%	232 11%	877 41%	123 6%	342 16%	889 41%	654 30%
DK/NA	114 5%	114 5%	142 7%	177 8%	164 8%	227 11%	227 11%	173 8%

Continued opposite.

TABLE B (Continued)  
 Q6 (SUMMARY): HOW FAR DO YOU AGREE OR DISAGREE WITH THESE STATEMENTS ABOUT THE POLITICAL PARTIES IN GENERAL?  
 COL %

	<i>In general parties are good thing for Britain</i>	<i>Follow policies of extremists</i>	<i>Tell the public about important political issues</i>
Weighted Base	2,151	2,151	2,151
Unweighted Base	2,147	2,147	2,147
Agree strongly	999 46%	118 5%	397 18%
Agree a little	819 38%	464 22%	840 39%
Disagree a little	128 6%	661 31%	453 21%
Disagree strongly	88 4%	609 28%	337 16%
DK/NA	117 5%	306 14%	125 6%

3.3.3 It will be seen that there are some contradictions in the answers given, suggesting an uncertainty about political parties and their roles.

3.3.4 On the positive side, parties are seen as:

- essential to our form of national government—86 % agree, 55 % strongly
- a good thing for Britain—84 % agree, 46 % strongly
- keeping the Government on its toes—77 % agree, 38 % strongly
- the only way to represent the public's views—65 % agree, 32 % strongly
- telling the public about important political issues—57 % agree, but only 18 % strongly.

3.3.5 But against this there was majority agreement that:

- they oppose each other for the sake of it—68 % agree, 35 % strongly
- they are not necessary in local politics—51 % agree, (though 38 % disagree).

And a majority (54 %) *disagree* that the alternative to political parties is dictatorship (35 % agree). (There may, however, have been some misinterpretation of this statement; some respondents may have answered in terms of *preference*, others in terms of *practical alternative*.)

3.3.6 There was relatively little agreement with the idea that parties follow the policies of extremists (27 % agree, 59 % disagree).

3.3.7 There was strong minority support for the statement that it was "a good idea to have a lot of small parties as well as two or three big ones"—41 % agree, 51 % disagree.

3.3.8 Yet, another statement representing almost the opposite end of the spectrum—"we would be better off with just one national party" produced very similar levels of agreement (38 %) and disagreement (54 %).

3.3.9 There are a number of differences by demographic group (sex, age, s.e.g., etc) on individual statements but no clear pattern emerges. For the purposes of analysing this data a number of alternative methods of sub-dividing the population have been used. One of these referred to as "Political Interest" is particularly relevant both to this question and a number of others. This is a composite grouping made up of the answers to eight questions on political activity and interest. (A full definition is shown in Appendix A). Briefly, however, respondents were scored from 0 (low interest) to 8 (high interest), and were then grouped, thus isolating the extremes:

<i>Political Interest Score</i>	<i>% of Population in Group</i>
Very High (7 - 8)	5
High (5 - 6)	29
Medium (3 - 4)	50
Low (1 - 2)	13
Nil (0 )	4

It will be noted that the distribution of "interest" is skewed to the positive end of the scale. Clearly a different distribution could have been produced by

reorganising the groupings, nevertheless it is worthy of note that one-third of the population is sufficiently interested in politics to "score" 5 or more out of 8, while only half this number "score" as little as 2 or less.

3.3.10 People with a *higher* than average political interest tend to be *more favourably* disposed towards political parties. In addition, unsurprisingly, they are more likely than average to be able to express an opinion (ie a low level of "don't knows" is found).

TABLE C  
GENERAL ATTITUDES TO PARTIES

Mean Score—

(4=Agree Strongly)

(1=Disagree Strongly)

Political Interest Group

	Total	Very High	High	Medium	Low	Nil
<i>Favourable Attitudes to Parties</i> (Higher scores are more favourable)						
Political parties are essential to our form of national government	3.45	3.80	3.51	3.43	3.35	3.11
In general the parties are a good thing for Britain	3.34	3.62	3.41	3.34	3.19	2.88
They keep the Government on its toes by criticising it	3.18	3.32	3.27	3.16	3.04	2.92
They are the only way to represent the public's views	2.93	3.22	2.95	2.93	2.81	2.67
Parties tell the public about important political issues	2.64	2.79	2.64	2.65	2.54	2.59
It's a good idea to have a lot of small parties as well as two or three big ones	2.30	2.30	2.30	2.38	2.35	2.59
The alternative to political parties is dictatorship	2.16	2.28	2.25	2.13	1.97	2.14
<i>Unfavourable Attitudes to Parties</i> (Lower scores are more favourable)						
They follow the policies of extremists	2.05	1.99	2.11	2.00	2.20	1.94
We would be better off with just one national party	2.25	2.05	2.07	2.28	2.54	2.56
They are not necessary in local politics	2.63	2.64	2.68	2.58	2.69	2.75
They oppose each other for the sake of it	2.96	2.69	2.94	2.96	3.08	3.03

3.3.11 "High" interest people score parties more favourably on:

- essential to our form of national government
- only way to represent the public's views
- a good thing for Britain

and to a lesser extent on:

- (do not) oppose each other for the sake of it
- (would not) be better off with just one national party
- keep the Government on its toes.

3.3.12 Analysis of favourable or unfavourable attitudes to political parties against agreement with state aid to the parties shows that people with a more favourable attitude towards political parties are slightly more willing for the parties to be financed from public funds.

#### GENERAL ATTITUDES TO PARTIES

Mean Score—

(4=Agree Strongly)

(1=Disagree Strongly)

IN FAVOUR OF STATE AID  
TO POLITICAL PARTIES—  
Q.15a

	Total	Yes	No
<i>Favourable Attitudes to Parties</i> (Higher scores are more favourable)			
They are essential to our form of national Government	3.45	3.51	3.40
In general the parties are a good thing for Britain	3.34	3.44	3.29
They keep the Government on its toes by criticising it	3.18	3.24	3.15
They are the only way to represent the public's views	2.93	3.02	2.84
Parties tell the public about important political issues	2.64	2.74	2.56
It's a good idea to have a lot of small parties as well as 2 or 3 big ones	2.30	2.33	2.27
The alternative to political parties is dictatorship	2.16	2.16	2.14
<i>Unfavourable Attitudes to Parties</i> (Lower scores are more favourable)			
They follow the policies of extremists	2.05	2.05	2.03
We would be better off with just one national party	2.25	2.27	2.19
They are not necessary in local politics	2.63	2.62	2.67
They oppose each other for the sake of it	2.96	2.89	3.03

#### 3.4 Parties' problems

3.4.1 A question was asked to investigate people's views on problems which parties might have, particularly to assess the spontaneous awareness of their



financial situation. The major areas of concern mentioned, however, were, firstly, the internal strife which parties were thought to be suffering from rival or extremist groups (mentioned by 30% of respondents) and the "squabbling" between parties, apparently for the sake of it (17%). *Problems of finance were mentioned by 6%. (Ref tables 3a (i)-(vi).)*

Half the sample was unable to think of any problems which parties had.

3.4.2 People who claimed party membership (8% of the sample) were not surprisingly rather more likely to mention parties' financial troubles, and the level of mentions rose to 15% amongst those who contribute money other than normal subscriptions. (However, the sample for analysis in this case is only 46.)

3.4.3 Problems of finance were mentioned with the same frequency by both those in favour of parties receiving money from public funds and by those who were not.

### 3.5 *Do the parties have enough money?*

3.5.1 The more direct question—"do you think the parties have enough money to run their national and local organisations or are some of them short of money?"—produced a majority view that some were short of money (51%), with 32% disagreeing and 16% uncertain. (Ref tables 3b(i)-(vi).)

3.5.2 People less likely to think that some parties were short of money, were women aged 45 or over, people with a terminal education age of 16 or younger, those in the C2DE groups, and those with less interest in politics. (The first three variables tend to be indicators of the fourth.)

3.5.3 Regionally, Scotland is *most* likely to think that some parties are short of money (60%), followed by South East England (58%). Wales is the region *least* inclined to this view—almost as many respondents in this region thought parties had enough money (41%) as thought that some were short (46%).

3.5.4 Over three-fifths of party members think that some parties are short of money, while three-quarters of those making additional contributions think so (compared with exactly half of non-members).

3.5.5 People who were in favour of Government funds for parties were more likely to think that some parties were short of money (58%) than those who were against state aid (50%).

3.5.6 The Liberal Party was easily the party most often mentioned as being short of money, followed by Labour, SNP, Plaid Cymru and Conservative in that order. One-quarter of those who had said that some parties were short of

money answered in terms of "all" to the subsidiary question, and if this figure is added to each party's specific mentions the following picture is seen:

#### **PARTIES SHORT OF MONEY**

Base: 51 % of sample saying some were "short of money"

<i>Those mentioning:</i>		%
Liberal	(+ All)	75
Labour	(+ All)	55
SNP	(+ All)	40
Plaid Cymru	(+ All)	36
Conservative	(+ All)	34

3.5.7 Quite clearly there must be doubt as to each respondent's definition of "all" and it would be unwise therefore to treat the combined level of mentions for each party too literally. *Specific* mentions of other parties were no greater than 5%.

TABLE 3a(i)  
Q9: DO YOU KNOW OF ANY PROBLEMS THAT PARTIES HAVE AT THE MOMENT IN RELATION TO THEIR INTERNAL WORKINGS?  
COL %

	Total	Sex		Age					
		Men	Women	18-24	25-34	35-44	45-54	55-64	65+
Weighted base	2,151	1,025	1,126	300	388	351	367	349	395
Unweighted base	2,147	998	1,149	210	445	343	389	314	446
Extremists/left/right/internal troubles/ disagreement	652 30%	398 39%	254 23%	67 22%	119 31%	130 37%	122 33%	122 35%	92 23%
Squabbling/disagree with each other/ for sake of it	362 17%	163 16%	200 18%	44 15%	57 15%	66 19%	58 16%	63 18%	73 19%
Need money/lack of money/in debt	136 6%	76 7%	60 5%	12 4%	30 8%	25 7%	28 7%	22 6%	19 5%
Waste time/too slow	6 *	4 *	2 *	0 —	3 1%	1 *	0 —	1 *	1 *
Overloaded with work	1 *	0 —	1 *	0 —	0 —	0 —	0 —	1 *	0 —
Indecisive	11 *	7 1%	4 *	0 —	2 *	3 1%	3 1%	2 1%	1 *
Lack of communication to public	12 1%	9 1%	3 *	2 1%	4 1%	0 —	4 1%	1 *	1 *
Selection of party candidates	20 1%	14 1%	6 1%	2 1%	7 2%	3 1%	4 1%	3 1%	2 *
Too much control from TUC/CBI/ large companies	22 1%	18 2%	4 *	1 *	3 1%	5 1%	1 *	4 1%	9 2%
Irrelevant/national problems of government	74 3%	49 5%	25 2%	9 3%	23 5%	11 3%	7 2%	14 4%	12 3%
Others	34 2%	17 2%	17 2%	1 *	7 2%	9 3%	7 2%	5 1%	5 1%
DK/NA	1,083 50%	430 42%	653 58%	189 63%	190 49%	154 44%	178 48%	155 44%	220 56%

\*= Less than 0.5%.

**TABLE 3a(i)**  
**Q9: DO YOU KNOW OF ANY PROBLEMS THAT PARTIES HAVE AT THE MOMENT IN RELATION TO THEIR INTERNAL WORKINGS?**  
 COL %

	Total	Sex/Age											
		Men 18-24	Men 25-34	Men 35-44	Men 45-54	Men 55-64	Men 65+	Women 18-24	Women 25-34	Women 35-44	Women 45-54	Women 55-64	Women 65+
Weighted base	2,151	153	196	178	181	166	151	147	193	173	186	184	244
Unweighted base	2,147	110	195	166	184	155	188	100	250	177	205	159	258
Extremists/left/right/ internal troubles/disagreement	652 30%	46 30%	73 37%	83 47%	74 41%	68 41%	54 36%	21 15%	46 24%	47 27%	48 26%	54 29%	37 15%
Squabbling/disagree with each other/for sake of it	362 17%	24 15%	31 16%	29 16%	22 12%	30 18%	27 18%	21 14%	27 14%	37 22%	36 19%	32 18%	47 19%
Need money/lack of money/in debt	136 6%	7 4%	19 10%	15 8%	15 8%	13 8%	8 5%	6 4%	12 6%	11 6%	12 7%	9 5%	11 4%
Waste time/too slow	6 0	0 —	3 2%	0 —	0 —	0 —	1 —	0 —	0 —	1 1%	0 —	1 1%	0 —
Overloaded with work	1 0	0 —	0 —	0 —	0 —	0 —	0 —	0 —	0 —	0 —	0 —	1 —	0 —
Indecisive	11 0	0 —	2 1%	1 1%	2 1%	2 1%	0 —	0 —	0 —	1 1%	1 —	1 —	1 1%
Lack of communication to public	12 1%	2 1%	2 1%	0 —	4 2%	0 —	1 1%	0 —	2 1%	0 —	0 —	1 —	0 —
Selection of party candidates	20 1%	2 1%	5 3%	2 1%	2 1%	2 1%	1 —	0 —	2 1%	1 1%	2 1%	3 1%	1 —
Too much control from TUC/CBI/large companies	22 1%	1 0	2 1%	3 1%	0 —	4 2%	9 6%	0 —	1 1%	3 1%	1 —	0 —	0 —
Irrelevant/national problems of government	74 3%	9 6%	15 8%	5 3%	6 3%	9 5%	5 3%	0 —	5 3%	6 4%	1 1%	5 3%	7 3%
Others	34 2%	0 —	6 3%	5 3%	3 2%	1 1%	3 2%	1 1%	2 1%	5 3%	4 2%	3 2%	2 1%
DE/NA	2,085 96%	85 55%	76 39%	67 38%	74 41%	61 37%	67 44%	104 71%	114 59%	87 50%	104 56%	93 51%	153 63%

**TABLE 3a(II)**  
**Q9: DO YOU KNOW OF ANY PROBLEMS THAT PARTIES HAVE AT THE MOMENT IN RELATION TO THEIR INTERNAL WORKINGS?**  
**COL %**

	Total	Terminal Education Age				Social Class				Housewives	
		15-16	17-19	20+	Not yet completed	AB	C1	C2	DE	Working	Not working
Weighted Base	2,151	1,800	215	127	9	266	460	717	707	348	471
Unweighted Base	2,147	1,817	198	123	9	261	453	716	717	368	483
Extremists/Left/Right/Internal troubles/Disagreement	652 30%	480 27%	96 44%	73 57%	3 37%	139 52%	168 37%	198 28%	147 21%	104 30%	98 21%
Squabbling/Disagree with each other/for sake of it	362 17%	301 17%	34 16%	25 19%	3 31%	46 17%	76 17%	119 17%	121 17%	63 18%	76 16%
Need money/Lack of money/in debt	136 6%	104 6%	20 9%	13 10%	0 -	19 7%	30 7%	41 6%	46 6%	23 7%	24 5%
Waste time/Too slow	6 *	5 *	0 -	1 *	0 -	1 *	0 -	2 *	4 *	2 *	1 *
Overloaded with work	1 *	0 -	0 -	1 *	0 -	1 *	0 -	0 -	0 -	1 *	0 -
Indecisive	11 *	10 1%	0 -	1 *	0 -	1 *	6 1%	3 *	1 *	3 1%	1 *
Lack of communication to public	12 1%	8 *	2 1%	2 2%	0 -	0 -	5 1%	4 1%	2 *	1 *	1 *
Selection of party candidates	20 1%	10 1%	5 2%	6 4%	0 -	8 3%	9 2%	2 *	2 *	3 1%	4 1%
Too much control from TUC/ CBI/large companies	22 1%	17 1%	4 2%	0 -	1 7%	7 2%	4 1%	5 1%	6 1%	3 1%	2 *
Irrelevant/National problems of Government	74 3%	58 3%	6 3%	10 8%	0 -	9 3%	22 5%	24 3%	20 3%	9 3%	9 2%
Others	34 2%	24 1%	5 2%	5 4%	0 -	8 3%	9 2%	6 1%	12 2%	8 2%	7 2%
DK/NA	1,085 50%	960 53%	88 41%	34 27%	3 32%	85 32%	206 45%	379 53%	415 59%	180 52%	284 60%

\* - Less than 0.5%

Q9: DO YOU KNOW OF ANY PROBLEMS THAT PARTIES HAVE AT THE MOMENT IN RELATION TO THEIR INTERNAL WORKINGS? COL %

	Total	RGSR										
		Greater London	South East	South West	Wales	East Anglia	West Midlands	East Midlands	North-West	Yorks, Humber	North	Scotland
Weighted base	2,151	308	393	151	111	71	197	139	267	189	131	194
Unweighted base	2,147	288	317	196	123	71	228	163	287	186	125	163
Extremists/Left/Right/Internal trouble/Disagreement	652 30%	110 36%	112 28%	44 29%	26 24%	12 17%	52 26%	33 24%	77 29%	65 35%	37 28%	84 43%
Squabbling/Disagree with each other/for sake of it	362 17%	65 21%	58 15%	23 15%	16 14%	5 8%	30 15%	15 11%	54 20%	40 21%	15 11%	41 21%
Need money/Lack of money/In debt	136 6%	20 7%	14 4%	4 3%	5 4%	4 5%	10 5%	7 5%	29 11%	13 7%	9 7%	20 10%
Waste time/Too slow	6 *	0 —	1 *	1 *	0 —	0 —	1 *	0 —	0 —	1 1%	0 —	3 1%
Overloaded with work	1 *	0 —	0 —	1 *	0 —	0 —	0 —	0 —	0 —	0 —	0 —	0 —
Indecisive	11 *	1 *	2 *	1 *	1 1%	1 1%	4 2%	0 —	1 *	1 *	0 —	0 —
Lack of communication to public	12 1%	0 —	1 *	5 3%	1 1%	0 —	1 1%	0 —	2 1%	0 —	0 —	2 1%
Selection of party candidates	20 1%	8 2%	2 *	3 2%	0 —	0 —	1 *	2 1%	3 1%	0 —	1 1%	2 1%
Too much control from TUC/CBI/large companies	22 1%	3 1%	4 1%	2 1%	1 1%	0 —	2 1%	2 1%	3 1%	0 —	1 1%	5 3%
Irrelevant/National problems of Government	74 3%	9 3%	21 5%	3 2%	2 2%	2 3%	8 4%	4 3%	9 3%	4 2%	6 4%	6 3%
Others	34 2%	4 1%	4 1%	0 —	1 *	0 —	5 3%	2 2%	4 1%	5 3%	3 2%	6 3%
DK/NA	1,085 50%	141 46%	203 52%	82 54%	66 60%	52 74%	101 51%	85 61%	123 46%	90 48%	69 53%	74 38%

**TABLE 3a(v)**  
**Q9: DO YOU KNOW OF ANY PROBLEMS THAT PARTIES HAVE AT THE MOMENT IN RELATION TO THEIR INTERNAL WORKINGS?**  
 COL %

		Voting			Political Interest					Trades Union Member			
	Total	All Three	Some	None	7-8	5-6	3-4	1-2	0	Yes	No	Official	Pay Levy
Weighted Base	2,151	1,485	519	147	100	616	1,068	285	83	636	1,515	28	301
Unweighted Base	2,147	1,490	506	149	104	611	1,060	289	83	622	1,525	29	297
Extremists/Left/Right/ Internal troubles/ Disagreement	652 30%	502 34%	133 26%	17 11%	47 47%	279 45%	286 27%	33 11%	7 8%	223 35%	429 28%	13 47%	114 38%
Squabbling/Disagree with each other/for sake of it	362 17%	256 17%	81 16%	25 17%	25 25%	108 17%	181 17%	34 12%	14 17%	100 16%	262 17%	5 18%	53 18%
Need money/Lack of money/In debt	136 6%	101 7%	27 5%	3 2%	5 5%	55 9%	64 6%	10 4%	2 2%	45 7%	91 6%	1 3%	27 9%
Waste time/Too slow	6 *	5 *	0 —	1 *	1 1%	2 *	3 *	0 —	0 —	3 *	3 *	1 3%	1 *
Overloaded with work	1 *	1 *	0 —	0 —	0 —	1 *	0 —	0 —	0 —	0 —	1 *	0 —	0 —
Indecisive	11 *	9 1%	2 *	0 —	3 3%	2 *	6 1%	0 —	0 —	2 *	9 1%	0 —	1 *
Lack of communication to public	12 1%	8 1%	2 *	2 1%	0 —	4 1%	5 1%	1 *	2 2%	7 1%	5 *	2 6%	4 1%
Selection of party candidates	20 1%	17 1%	2 *	1 1%	2 2%	12 2%	5 *	1 *	0 —	2 *	18 1%	1 4%	1 *
Too much control from TUC/CBI/large companies	22 1%	16 1%	5 1%	1 1%	1 1%	10 2%	10 1%	2 1%	0 —	4 1%	18 1%	0 —	3 1%
Irrelevant/National problems of government	74 3%	46 3%	23 4%	6 4%	7 7%	25 4%	32 3%	5 2%	5 6%	24 4%	51 3%	0 —	10 3%
Others	34 2%	25 2%	8 1%	1 1%	2 2%	13 2%	18 2%	2 1%	1 1%	11 2%	24 2%	1 4%	4 1%
DK/NA	1,085 50%	697 47%	290 36%	98 67%	30 30%	220 36%	572 54%	207 73%	57 69%	298 47%	787 52%	7 26%	129 43%

\* = Less than 0.5%.

TABLE 3a(10)  
Q 9: DO YOU KNOW OF ANY PROBLEMS THAT PARTIES HAVE AT THE MOMENT IN RELATION TO THEIR INTERNAL WORKINGS?  
COL %

	Total	Party Member			Parties' Money		Govt Funds		Govt Funds (Q 17)		
		Yes	Contrib- ute	No	Enough	Some Short	Yes	No	Should Get	When Econ. Imp.	Should Not
Weighted Base	2,151	181	47	1,570	695	1,104	958	949	320	861	807
Unweighted Base	2,147	182	46	1,965	684	1,091	953	941	320	857	797
Extremists/Left/Right/Internal troubles/ Disagreement	652 30%	69 38%	21 44%	583 30%	215 31%	358 32%	302 32%	306 32%	120 37%	237 27%	262 32%
Squabbling/Disagree with each other/For sake of it	362 17%	34 19%	12 24%	328 17%	131 19%	165 15%	161 17%	162 17%	43 14%	158 18%	137 17%
Need Money/Lack of money/In debt	136 6%	17 9%	7 15%	119 6%	24 4%	107 10%	63 7%	65 7%	26 8%	50 6%	57 7%
Waste Time/Too slow	6 *	2 1%	1 2%	5 *	2 *	4 *	2 *	4 *	1 *	2 *	3 *
Overloaded with work	1 *	1 *	0 —	0 —	1 *	0 —	0 —	1 *	0 —	0 —	1 *
Indecisive	11 *	2 1%	0 —	9 *	6 1%	5 *	4 *	6 1%	0 —	6 1%	5 1%
Lack of communication to public	12 1%	2 1%	0 —	10 *	4 1%	7 1%	5 *	7 1%	4 1%	2 *	6 1%
Selection of party candidates	20 1%	2 1%	0 —	18 1%	4 1%	14 1%	9 1%	11 1%	2 1%	10 1%	8 1%
Too much control from TUC/CBI/large companies	22 1%	2 1%	0 —	21 1%	12 2%	9 1%	7 1%	15 2%	3 1%	6 1%	13 2%
Irrelevant/National problems of government	74 3%	6 3%	1 2%	69 3%	29 4%	39 4%	31 3%	38 4%	7 2%	27 3%	35 4%
Others	34 2%	6 3%	3 7%	29 1%	15 2%	17 2%	12 1%	20 2%	4 1%	17 2%	12 1%
DK/NA	1,085 50%	77 43%	15 31%	1,008 51%	343 49%	527 48%	470 49%	455 48%	140 44%	448 52%	390 48%

\* = Less than 0.5%



TABLE 360

Q10A: DO YOU THINK THE PARTIES HAVE ENOUGH MONEY TO RUN THEIR NATIONAL AND LOCAL ORGANISATIONS? COL %

	Total	Sex		Age					
		Men	Women	18-24	25-34	35-44	45-54	55-64	65+
Weighted base	2,151	1,023	1,126	300	388	351	367	349	395
Unweighted base	2,147	998	1,149	210	445	343	389	314	446
Have enough	695 32%	347 34%	348 31%	93 31%	119 31%	104 30%	132 36%	129 37%	118 30%
Some short	1,104 51%	554 54%	550 49%	169 56%	214 55%	198 57%	180 49%	171 49%	171 43%
DK/NA	352 16%	124 12%	227 20%	37 12%	55 14%	49 14%	55 15%	49 14%	106 27%

**TABLE 36(0)**  
**Q10A: DO YOU THINK THE PARTIES HAVE ENOUGH MONEY TO RUN THEIR NATIONAL AND LOCAL ORGANISATIONS?**      **COL %**

	<i>Total</i>	<i>Sex/Age</i>											
		<i>Men 18-24</i>	<i>Men 25-34</i>	<i>Men 35-44</i>	<i>Men 45-54</i>	<i>Men 55-64</i>	<i>Men 65+</i>	<i>Women 18-24</i>	<i>Women 25-34</i>	<i>Women 35-44</i>	<i>Women 45-54</i>	<i>Women 55-64</i>	<i>Women 65+</i>
246 Weighted base	2,151	153	196	178	181	166	151	147	193	173	186	184	244
Unweighted base	2,147	110	195	166	184	155	188	100	250	177	205	159	258
Have enough	695 32%	55 36%	56 29%	61 35%	65 36%	59 36%	49 32%	38 26%	63 33%	42 24%	67 36%	70 38%	69 28%
Some short	1,104 51%	82 54%	114 58%	98 59%	96 53%	91 55%	74 49%	87 59%	101 52%	101 58%	85 45%	80 44%	97 40%
DK/NA	352 16%	16 10%	26 13%	19 10%	20 11%	16 9%	28 19%	22 15%	29 15%	30 17%	33 19%	34 18%	78 32%

**TABLE 3b(6)**  
**Q10A: DO YOU THINK THE PARTIES HAVE ENOUGH MONEY TO RUN THEIR NATIONAL AND LOCAL ORGANISATIONS?**  
**COL %**

	Total	<i>Terminal Education Age</i>				<i>Social Class</i>				<i>Housewives</i>	
		15-16	17-19	20+	Not yet completed	AB	C1	C2	DE	Working	Not working
Weighted Base	2,151	1,800	215	127	9	266	460	717	707	348	475
Unweighted Base	2,147	1,817	198	123	9	261	453	716	717	368	483
Have enough	695 32%	607 34%	59 27%	28 22%	2 17%	75 28%	150 33%	245 34%	225 32%	122 35%	134 29%
Some short	1,104 51%	890 49%	125 58%	84 66%	5 52%	149 56%	259 56%	360 50%	336 47%	176 50%	233 50%
DK/NA	352 16%	302 17%	31 15%	15 12%	3 31%	42 16%	50 11%	113 16%	147 21%	50 14%	103 22%

**TABLE 34(n)**  
**Q10A: DO YOU THINK THE PARTIES HAVE ENOUGH MONEY TO RUN THEIR NATIONAL AND LOCAL ORGANISATIONS?**  
 COL %

248

	<i>Total</i>	<i>RGS</i>										
		<i>Greater London</i>	<i>South East</i>	<i>South West</i>	<i>Wales</i>	<i>East Anglia</i>	<i>West Midlands</i>	<i>East Midlands</i>	<i>North West</i>	<i>Yorks, Humber</i>	<i>North</i>	<i>Scotland</i>
Weighted Base	2,151	308	393	151	111	71	197	139	267	189	131	194
Unweighted Base	2,147	288	317	196	123	71	228	163	287	186	123	163
Have enough	695 32%	114 37%	114 29%	48 32%	46 41%	16 23%	56 28%	57 41%	89 33%	66 35%	46 35%	44 23%
Some short	1,104 51%	160 52%	229 58%	78 52%	51 46%	40 56%	88 43%	62 44%	130 49%	84 43%	68 52%	116 60%
DK/NA	332 16%	35 11%	30 13%	25 16%	15 13%	15 21%	54 27%	21 15%	48 18%	39 20%	17 13%	35 18%

TABLE 34(v)  
Q16A: DO YOU THINK THE PARTIES HAVE ENOUGH MONEY TO RUN THEIR NATIONAL AND LOCAL ORGANISATIONS?  
COL %

	Total	Voting			Political Interest					Trades Union Member			
		All Three	Some	None	7-8	5-6	3-4	1-2	0	Yes	No	Official	Pay Levy
Weighted Base	2,151	1,485	519	147	100	616	1,068	285	83	636	1,515	28	301
Unweighted Base	2,147	1,490	508	149	104	611	1,060	289	83	622	1,525	29	297
Have Enough	695 32%	489 33%	157 30%	50 34%	31 32%	190 31%	358 34%	91 32%	25 31%	221 35%	474 31%	8 30%	106 35%
Some Short	1,104 51%	787 53%	262 51%	55 37%	38 38%	354 57%	540 51%	128 45%	25 30%	342 54%	762 50%	17 60%	172 57%
DK/NA	352 16%	209 14%	100 19%	43 29%	11 11%	73 12%	170 16%	65 23%	33 40%	72 11%	279 18%	3 10%	24 8%

TABLE 3b(c)  
Q10A: DO YOU THINK THE PARTIES HAVE ENOUGH MONEY TO RUN THEIR NATIONAL AND LOCAL ORGANISATIONS?  
COL %

	Total	Party Member			Government Funds		Govt Funds (Q17)		
		Yes	Contri- bute	No	Yes	No	Should Get	When Econ. Imp.	Should Not
Weighted Base	2,151	181	47	1,970	958	949	320	861	807
Unweighted Base	2,147	182	46	1,965	953	941	320	857	797
Have Enough	695 32%	45 25%	6 13%	651 33%	290 30%	336 35%	85 27%	276 32%	298 37%
Some Short	1,104 51%	112 62%	35 73%	992 50%	556 58%	471 50%	207 65%	464 54%	387 48%
DK/NA	352 16%	24 13%	6 14%	327 17%	112 12%	142 15%	28 9%	122 14%	122 15%

#### 4. Party Finance

##### 4.1 What parties need money for

4.1.1 Respondents were asked which was the *main* thing for which parties needed money, and for which *other* things did they need it.

4.1.2 The largest group of mentions related either to *election canvassing or campaigns* (mentioned as "main" by 31%) or more generally to *advertising, publicity and propaganda* (16% "main").

4.1.3 These were followed by mentions of *headquarters/national administration* (8% "main") and *payment of workers* (7% "main").

4.1.4 The continued confusion in the minds of some respondents about the precise nature of parties is shown by the 9% who gave as the "main" thing parties needed money for, answers such as "exports" or "running the country". In addition, about a quarter of the sample were unable to answer this question.

4.1.5 The overall answers to this question are summarised below.

	What Parties need money for	
	Main thing	All (Main + Others)
	%	%
<i>Those mentioning:</i>		
Canvassing/election campaigns	31	43
Advertising/publicity/propaganda	16	32
HQ/Head office/National administration	8	20
Paying party workers	7	19
For constituencies/local parties	2	8
For research/policy making	2	7
Running party conference	1	5
Social events	1	1
Recruiting new members	1	3
To stay in power	*	*
Others	*	1
Irrelevant answers	9	12

\* = less than 0.5%

##### 4.2 Sources of finance

4.2.1 A question was asked to discover where people think parties' money came from—and was asked for Labour, Conservative, Liberal, the Communist Party, the National Front and the Scottish and Welsh national parties in combination.

4.2.2 It will be seen from Table D that "don't know" answers account for about a quarter of the total for Labour and Conservative, just under one-half for Liberal, around three-fifths for the Communist Party and the Nationalists, and about seven-tenths for National Front.

4.2.3 Industrial sources dominated the answers for the two major parties—"large companies" account for exactly half of Conservative mentions ("smaller firms" a further 6%), and "trade unions" accounted for 57% of Labour mentions.

4.2.4 For Liberal, 10% mentioned "large companies" and 8% "smaller firms".

4.2.5 For the Liberal Party and the minor parties individual donations and subscriptions was the most often mentioned source; and this was also the second most often mentioned source for both Conservative and Labour. (However, the number of mentions for Labour—26%—is somewhat lower than the 36% mentions for Conservative and Liberal.)

4.2.6 Small numbers of people believe that parties already get money from the Government—6% in the case of both Conservative and Labour.

4.2.7 In Scotland, the level of definite answers for the national parties increased—46% mentioned subscriptions, and only 38% answered "don't know". There was no comparable decrease in "don't know" answers in Wales. (Ref table 4a.)

4.2.8

SOURCES OF FINANCE FOR EACH PARTY

TABLE D

	Conservative	Labour	Liberal	Scottish & Welsh Nationalists	CP	NF
<i>Those mentioning for:</i>	%	%	%	%	%	%
Trade Unions	57	57	5	2	7	1
Large companies	50	7	10	2	*	1
Smaller firms	6	3	8	2	*	1
Subscriptions/ Individual donations	36	26	36	29	20	20
The Government	6	6	4	2	1	1
Foreign countries	1	1	*	*	18	2
Social functions	10	7	7	4	2	2
Elsewhere	10	8	6	3	6	5
Don't know	26	23	47	61	35	71

\*—less than 0.5%



### 4.3 Acceptability of sources

4.3.1 For each source that they had mentioned (irrespective of which parties they mentioned it for), respondents were asked whether it was "a good or a bad thing" that parties got money from it.

4.3.2 A summary is shown in Table E (page 254); care in interpretation is required since there are three variables—frequency of mention of a source, balance between "good" and "bad" and the reasons for saying it was a "bad" thing.

4.3.3 Over half of the sample mentioned *trade unions* as a source, and a majority of those who did, considered them as a "bad" source (51 % bad, 39 % good). The balance of opinion was somewhat *less* favourable among the higher socio-economic groups (ABC1s).

There was not a clear pattern of differences in terms of "political interest". (Ref tables 4b(i)–(iii).)

4.3.4 Again, just over one-half of the sample mentioned *large companies* as a source, but by contrast with trade unions a majority of those who did, regarded it as a "good" source (52 % good, 37 % bad). The balance of opinion was again rather less favourable among higher socio-economic groups (ABC1s).

Again, there was no significant variation in opinion between those with greater and lesser interest in politics. (Ref tables 4c(i)–(iii).)

4.3.5 It will be noted that working class people are more favourable than the average to *both* these major income sources. A more polarised class difference might have been expected.

In 2.4.4 we noted that the middle classes were more likely to regard "industrial" organisations as important in deciding what parties do. It can now be seen that this *tends* to be accompanied by rejection of financial support from these organisations.

4.3.6 It was noted in 4.2.6 that a minority of respondents believed that parties presently obtain money from the Government. A total of 8% mentioned this source for one or more parties and the balance of opinion is strongly favourable (66% good, 23% bad). The small numbers for analysis make it difficult to examine sub-groups, but yet again there is an indication that C2DEs are more favourably disposed to this source. (Ref Table 4d.)

4.3.7 About half the 39 respondents who believed that money from the Government was a bad thing, took this view because it was their money which was being used (or more strongly put, wasted).

TABLE E  
ACCEPTABILITY OF SOURCES

Source	% of those mentioning source, saying			Main reasons why "bad" (% based on those saying "bad")	
	Good	Bad	D.K.		
Trade Unions (58%)*	39†	51	9	Too much influence over party/corruption	(67%)‡
Large Companies (51%)	52	37	10	Influence country	(56%)
Smaller Firms (15%)	59	26	15	Influence country	(54%)
Subscriptions/donations (55%)	86	7	8	(very small sample)	
Government (8%)	66	23	12	(very small sample)	
Foreign Countries (19%)	11	79	10	Too much influence/interference with policies	(46%)
Social Functions (13%)	92	3	5	(very small sample)	

*Explanation*

- \* % mentioning Trade Unions (etc) for any party
- † % of those mentioning Trade Unions (etc) saying it was "good" ("bad" etc) source.
- ‡ % of those saying "bad" who gave that reason.

#### 4.4 *Attitudes to party finance*

4.4.1 Respondents were asked to react to a number of statements concerning parties' money using the same agree-disagree four point scale described earlier. Table F shows the overall distribution of answers to each statement together with the mean score. (See 3.3.1 and 3.3.2 for explanation.)

4.4.2 Once more, the overall range of answers to different statements is somewhat contradictory suggesting some uncertainty. Further evidence of this is provided by the relatively high level of "don't know" answers—13% on average over the eight statements (compared with 8% over the eleven general attitude statements).

4.4.3 The overall balance of opinion was favourable to parties only on:

- they need money to tell the people what they're doing (70% agree, 25% strongly)
- political parties have far too much money (48% *disagree*, 33% agree)

4.4.4 Opinion was quite evenly split on:

- if they can't get enough money from their own supporters they are not worth supporting (47% agree, 43% disagree)
- I would be very worried if I knew the main political parties were short of money (45% agree, 46% disagree).

**TABLE F**  
**Q13 (SUMMARY): HOW FAR DO YOU AGREE OR DISAGREE WITH THESE STATEMENTS ABOUT**  
**POLITICAL PARTIES AND THEIR MONEY?**

COL %

	<i>Political parties have far too much money</i>	<i>Too much influenced by those who give them funds</i>	<i>Not full part run country because short of money</i>	<i>Need money to tell people what they're doing</i>	<i>If not enough money from supporters then not worth supporting</i>	<i>Very worried if these main parties short of money</i>	<i>They spend all their money on essentials</i>	<i>Easily find other ways to get money if they needed it</i>
Weighted base	2,151	2,151	2,151	2,151	2,151	2,151	2,151	2,151
Unweighted base	2,147	2,147	2,147	2,147	2,147	2,147	2,147	2,147
Agree strongly	293 14%	851 40%	172 8%	531 25%	467 22%	429 20%	143 7%	538 25%
Agree a little	412 19%	728 34%	450 21%	969 45%	546 25%	536 25%	350 16%	812 38%
Disagree a little	690 32%	220 10%	667 31%	268 12%	517 24%	490 23%	631 29%	304 14%
Disagree strongly	344 16%	103 5%	504 23%	263 12%	407 19%	503 23%	665 31%	167 8%
DK/NA	413 19%	248 12%	358 17%	120 6%	213 10%	193 9%	361 17%	329 15%

4.4.5 The overall balance of attitudes was unfavourable on:

- parties don't play their full part in running the country because they are short of money (54% disagree, 23% strongly)
- they spend all their money on essentials (60% disagree, 31% strongly)
- they could easily find other ways of getting money if they needed it (63% agree, 25% strongly).

4.4.6 Nearly three-quarters of the sample agreed with the statement that "parties are too much influenced by those who give them funds" (40% agree strongly, 34% agree a little).

4.4.7 Analysis by "political interest" (see Table G for scores) again shows a tendency towards more favourable attitudes among high scorers who are more likely to:

- disagree that parties have too much money
- agree that they need money to tell people what they're doing
- agree that they would be worried if the main parties were short of money
- disagree that the parties could easily find ways of getting money if they needed it.

4.4.8 High political interest scorers are, however, somewhat more likely to think that parties are "too much influenced by those who give them funds". 85% of very high interest scorers agree, 81% of high, compared with 62% of low and 64% of nil scorers.

4.4.9

#### ATTITUDES TO PARTIES' MONEY

TABLE G

Mean Score: (4 = Agree Strongly 1 = Disagree Strongly) <i>Favourable Attitudes to Parties</i> (Higher scores are more favourable)	Total	<i>Political Interest Group</i>				
		<i>Very High</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>	<i>Nil</i>
They need money to tell the people what they are doing	2.87	2.89	2.95	2.86	2.72	2.64
I would be very worried if I knew the main political parties were short of money	2.46	2.97	2.48	2.50	2.13	2.19
Parties don't play their full part in running the country because they are short of money	2.16	2.20	2.09	2.20	2.18	2.09
They spend all their money on essentials	1.98	2.22	1.95	1.99	1.93	2.04
<i>Unfavourable Attitudes to Parties</i> (Lower scores are more favourable)						
Political parties have far too much money	2.38	1.95	2.31	2.41	2.55	2.57
If they can't get enough money from their own supporters they are not worth supporting	2.55	2.57	2.54	2.55	2.58	2.64
They could easily find other ways of getting money if they needed it	2.94	2.74	2.84	2.99	3.06	3.15
Parties are too much influenced by those who give them funds	3.22	3.34	3.30	3.18	3.14	3.16

4.4.10 As was found in the case of General Attitudes to Parties (section 3.3.12) people with more favourable attitudes to parties' money were slightly more inclined to agree that parties should receive finance from public funds.

Mean Score: (4 = Agree Strongly 1 = Disagree Strongly)	<i>Attitudes to parties' money</i>		
	<i>In favour of state aid to political parties—Q15a</i>		
	<i>Total</i>	<i>Yes</i>	<i>No</i>
<i>Favourable Attitudes to Parties</i> (Higher scores are more favourable)			
They need money to tell the people what they're doing	2.87	3.05	2.77
I would be very worried if I knew the main political parties were short of money	2.46	2.68	2.24
Parties don't play their full part in running the country because they are short of money	2.16	2.30	2.00
They spend all their money on essentials	1.98	2.11	1.87
<i>Unfavourable Attitudes to Parties</i> (Lower scores are more favourable)			
Political parties have far too much money	2.38	2.31	2.40
If they can't get enough money from their own supporters they're not worth supporting	2.55	2.50	2.59
They could easily find other ways of getting money if they needed it	2.94	2.94	2.94
Parties are too much influenced by those who give them funds	3.22	3.19	3.27

TABLE 4a

Q12A: WHERE DO YOU THINK THE SCOTTISH AND WELSH NATIONALIST PARTIES  
GET THEIR MONEY FROM?

COL %

	Total	RGSR										
		Greater London	South East	South West	Wales	East Anglia	West Midlands	East Midlands	North West	Yorks, Humber	North	Scotland
Weighted Base	2,151	308	393	151	211	71	197	139	267	189	131	194
Unweighted Base	2,147	288	317	196	123	71	228	163	207	186	125	163
SCOTTISH AND WELSH NATIONALIST Trade Unions	49 2%	7 2%	11 3%	3 2%	1 *	0 —	2 1%	3 2%	3 1%	7 4%	3 2%	10 5%
Large Companies	53 2%	4 1%	21 5%	3 2%	1 *	0 —	3 1%	1 1%	5 2%	4 2%	2 1%	9 5%
Smaller Firms	52 2%	11 4%	14 4%	2 1%	3 3%	1 1%	5 2%	4 3%	3 1%	3 2%	2 1%	4 2%
Subscriptions/Individual Donations	617 29%	89 29%	119 30%	33 22%	36 32%	8 12%	36 18%	34 24%	86 32%	53 28%	34 26%	88 46%
The Government	36 2%	2 1%	8 2%	2 1%	4 4%	0 —	4 2%	3 2%	3 1%	1 1%	4 3%	5 2%
Foreign Countries	5 *	1 *	1 *	0 —	0 —	0 —	1 1%	1 1%	0 —	0 —	1 1%	0 —
Special Functions	94 4%	6 2%	23 6%	3 2%	5 4%	3 4%	5 3%	2 2%	7 3%	8 4%	8 6%	24 12%
Somewhere Else	113 5%	20 7%	18 5%	3 2%	1 1%	2 3%	17 9%	7 5%	16 6%	12 6%	4 3%	12 6%
DK/NA	1,319 61%	186 60%	232 59%	107 71%	72 65%	60 84%	135 69%	90 65%	162 61%	119 63%	83 63%	73 38%

\* = Less than 0.5%

TABLE 4-30

Q12B: IS IT A GOOD OR BAD THING THAT FARMERS GET MONEY FROM TRADE UNIONS?

Filter: Those who think trade unions are a source of income for party(m)

COL %

	Total	Sex		Age					
		Men	Women	18-24	25-34	35-44	45-54	55-64	65+
Weighted base	1,258	737	521	127	233	236	242	227	192
Unweighted base	1,266	727	539	90	258	229	257	210	222
TRADE UNIONS									
Good	497 39%	320 43%	177 34%	51 40%	87 37%	83 35%	105 44%	95 42%	75 39%
Bad	643 51%	353 48%	290 56%	67 53%	125 53%	126 53%	115 48%	121 53%	90 47%
DK/NA	119 9%	65 9%	54 10%	9 7%	21 9%	28 12%	22 9%	12 5%	27 14%



TABLE 4B(H)

Q12B: IS IT A GOOD OR BAD THING THAT PARTIES GET MONEY FROM TRADE UNIONS?

COL %

Filter: Those who think trade unions are a source of income for party(ies)

	Total	Terminal Education Age				Social Class				Housewives	
		15-16	17-19	20+	Not yet completed	AB	C1	C2	DE	Working	Not working
Weighted base	1,258	1,011	137	105	5	197	312	416	333	190	204
Unweighted base	1,266	1,030	129	101	6	198	312	421	335	199	218
TRADE UNIONS											
Good	497 39%	430 43%	39 28%	26 24%	2 43%	48 24%	108 34%	181 44%	160 48%	57 30%	80 39%
Bad	643 51%	480 47%	89 65%	70 67%	3 57%	132 67%	179 57%	197 47%	135 40%	117 61%	100 49%
DK/NA	119 9%	101 10%	9 6%	9 9%	0 —	17 9%	26 8%	34 9%	38 12%	16 9%	25 12%

TABLE 4a(III)

Q12B: IS IT A GOOD OR BAD THING THAT PARTIES GET MONEY FROM TRADE UNIONS?

COL %

Filter: Those who think trade unions are a source of income for party(ies)

	Total	Voting			Political Interest					Trade Union Member			
		All three	Some	None	7-8	5-6	3-4	1-2	0	Yes	No	Official	Pay levy
Weighted base	1,258	965	241	52	83	466	598	86	26	443	816	23	238
Unweighted base	1,266	980	230	56	87	467	598	87	27	433	833	24	234
TRADE UNIONS													
Good	497 39%	379 39%	96 40%	22 42%	40 48%	159 34%	246 41%	39 46%	12 49%	218 49%	279 34%	16 71%	130 55%
Bad	643 51%	497 51%	122 51%	24 46%	40 48%	265 57%	294 49%	35 41%	8 32%	184 42%	459 56%	4 17%	88 37%
DK/NA	119 9%	90 9%	23 9%	6 12%	3 4%	41 9%	58 10%	12 14%	5 19%	41 9%	78 10%	3 11%	19 8%

TABLE 4(c)

Q12B: IS IT A GOOD OR BAD THING THAT PARTIES GET MONEY FROM LARGE COMPANIES?

Filter: Those who think large companies are a source of income for party(ies)

COL %

	Total	Sex		Age					
		Men	Women	18-24	25-34	35-44	45-54	55-64	65+
Weighted base	1,092	665	427	97	206	214	222	200	153
Unweighted base	1,104	658	446	71	231	204	233	186	179
LARGE COMPANIES									
Good	573 52%	337 51%	236 55%	44 46%	103 50%	106 49%	113 51%	114 57%	92 60%
Bad	407 37%	273 41%	134 31%	40 42%	81 39%	90 42%	85 38%	66 33%	44 29%
DK/NA	112 10%	55 8%	57 13%	12 13%	22 11%	18 8%	23 11%	20 10%	17 11%

TABLE 4-90

Q12B: IS IT A GOOD OR BAD THING THAT PARTIES GET MONEY FROM LARGE COMPANIES?

Filter: Those who think large companies are a source of income for party(ies)

COL %

	Total	Terminat Education Age				Social Class				Housewives	
		15-16	17-19	20+	Not yet completed	AB	C1	C2	DE	Working	Not working
Weighted base	1,092	882	116	92	1	168	274	352	299	158	168
Unweighted base	1,104	906	109	87	2	167	274	359	304	168	180
LARGE COMPANIES											
Good	573 52%	495 56%	49 42%	28 30%	1 100%	70 42%	141 52%	191 54%	170 57%	87 53%	92 55%
Bad	407 37%	301 34%	54 46%	32 36%	0 —	80 48%	110 40%	120 34%	97 32%	56 36%	49 29%
DK/NA	112 10%	86 10%	13 11%	13 14%	0 —	17 10%	23 8%	40 11%	32 11%	15 9%	27 16%

TABLE 4c(8)

Q12B: IS IT A GOOD OR BAD THING THAT PARTIES GET MONEY FROM LARGE COMPANIES?

COL %

Filter: Those who think large companies are a source of income for party(ies)

	Total	Voting			Political Interest					Trades Union Member			
		All three	Some	None	7-8	5-6	3-4	1-2	0	Yes	No	Official	Pay levy
Weighted Base	1,092	858	197	37	78	411	324	64	15	400	692	21	210
Unweighted Base	1,104	879	187	38	79	423	324	64	14	391	713	22	208
LARGE COMPANIES													
Good	373 32%	451 53%	103 52%	19 32%	46 59%	210 51%	270 51%	40 63%	7 46%	206 51%	367 53%	11 35%	114 54%
Bad	407 37%	323 36%	69 35%	15 42%	30 38%	163 40%	191 37%	16 25%	7 46%	157 39%	250 36%	8 37%	83 39%
DK/NA	112 10%	84 10%	23 13%	2 7%	2 2%	39 9%	63 12%	7 11%	1 8%	37 9%	75 11%	2 8%	13 6%

TABLE 48

Q12B: IS IT A GOOD OR BAD THING THAT PARTIES GET MONEY FROM THE GOVERNMENT?

Filter: Those who think the government is a source of income for party(ies)

COL %

	Total	Terminal Education Age				Social Class				Housewives	
		15-16	17-19	20+	Not yet completed	AB	C1	C2	DE	Working	Not working
Weighted base	171	144	19	8	0	14	30	62	65	38	30
Unweighted base	163	139	16	8	0	14	28	57	64	38	33
THE GOVERNMENT											
Good	112 66%	98 68%	10 53%	4 53%	0 —	5 35%	23 78%	44 72%	39 61%	31 80%	18 57%
BAD	39 23%	29 20%	6 34%	3 38%	0 —	7 50%	4 15%	11 18%	16 25%	6 15%	10 32%
DK/NA	20 12%	17 12%	2 13%	1 9%	0 —	2 15%	2 7%	6 10%	9 14%	2 5%	3 11%

## 5. Solutions to the Financial Problem

5.1 In investigating this area, respondents were asked a number of questions about potential sources of income, which were phrased including the assumption that parties *needed* money.

### 5.2 Possible sources

5.2.1 People were asked to suggest one or more ways in which money could be provided to parties; answers were not prompted.

5.2.2 Two-fifths of the sample were *unable* to suggest any sources. Four sources received fairly similar levels of mention:

More money from supporters	16%
National Lottery	13%
Taxation	12%
Social Events	10%

Money from the Government, Exchequer or Treasury was mentioned by 8% (Pilot work indicated that some people differentiated between this and money from "taxation"). There were small levels of mentions for voluntary help (5%) business (5%) and trade unions (3%).

5.2.3 For each source they mentioned, people were asked whether they were in favour of money being provided in that way. In a number of cases the reaction was almost totally favourable:

- National Lottery—92% of those who mentioned, were in favour
- From Supporters—89% of those who mentioned, were in favour
- Social Events—97% of those who mentioned, were in favour
- Voluntary Help—87% of those who mentioned, were in favour.

5.2.4 There was a somewhat lower proportion in favour of money coming from industrial sources:

- Trade Unions —61% in favour, 35% against
- Business —72% in favour, 20% against.

5.2.5 We noted the distinction between "taxation" and "Government/Exchequer/Treasury" in 5.2.2. The two sources provoked differing reactions:

	Money could be provided from:	
	Taxation	Government/Exchequer/Treasury
% Mentioning as a source:	12	8
% of those mentioning who are:		
in favour	39	78
against	36	18
don't know	5	4

### 5.3 Money from public funds

5.3.1 A number of questions were asked, directly concerned with the provision of state aid to political parties.

These covered

- general acceptance or non-acceptance of the principle
- reasons for rejecting the principle
- limitations of the principle to certain parties
- whether principle should be executed immediately
- limitations on use
- division of money among national and local parties.

5.3.2 The question "still assuming that parties needed money, would you be prepared for some of it to be provided by the state from public funds?" produced an almost equal division of the sample:

Yes	— 45%
No	— 44%
Don't Know	— 11%

(The 1% difference is, of course, not statistically significant.) (Ref. tables 5a(i)-(vi).)

5.3.3 Differences between population sub-groups are *not* particularly marked. Men in the middle age groups—(35-54) and people with high "political interest" scores (5-8) are somewhat more in favour than the average.

Men 35-54—52% in favour, 43% against

Political Interest ("very high" and "high") 53% in favour, 41% against.

5.3.4 The reasons for *not* being prepared for parties to have money from public funds were as follows, in order of importance:

	<i>Reasons for opposing state aid</i>
Those not in favour	44%
<i>Those not in favour who mentioned . . . as a reason</i>	%
Taxes/Rates too high already etc	32
Money wasted/needed for essentials	18
Should raise their own money	16
Country can't afford it	7
Would be supporting parties don't agree with	7
Would be put to misuse	3
Would be controlled by party in government	2
Parties would fight over their shares	1
Other specific answers	5
Vague answers	5
Irrelevant answers	3
Don't know/no answer	5

(Ref. tables 5b(i)-(iv).)



5.3.5 Some of these reasons show variation by population sub-group. In particular the "money wasted/needed for essentials" was more frequently mentioned by younger people; there is a steady decline in mentions from 29% of 18-24 year-old men, and 28% of women in this age group, to 11% of 55-64 year-old men, and 16% of women. However, the answers of older men and women diverge—23% of women aged 65 or more gave this reason compared with just 9% of men. People in the middle classes (ABC1) are more concerned by the fact that they would be "supporting parties they did not agree with".

5.3.6 Those people in high "political interest" groups (5-8) who were against state aid (see 5.3.3), were slightly more concerned than average that parties "should raise their own money" (21%).

#### 5.4 *Should all parties receive aid?*

5.4.1 About one-fifth of the sample would deny money to *some* parties, if it were provided from public funds. About two-thirds said that it should go to all parties if it were provided. (The remainder were unsure.)

5.4.2 The most general restriction was to the Communist Party, mentioned by 47% of those who wished there to be a restriction (10% of the total sample).

5.4.3 Labour, Conservative, Liberal, the National Front, SNP and Plaid Cymru were each mentioned by around one-fifth of those who wished for restrictions (4%-5% of the total sample in each case). (Ref. table 5c.)

#### 5.5 *Should aid be immediate?*

5.5.1 To further test the acceptability or otherwise of providing parties with state aid, a second question was asked. "Which of the statements on this card best describes your attitude to parties getting money from public funds".

The statements used, and the proportion choosing each, were:

- |   |     |
|---|-----|
| — Parties should get money from public funds                                    | 15% |
| — Parties should get money from public funds but not until the economy improves | 40% |
| — Parties should not get money from public funds at all                         | 38% |
| — Don't know  | 8%  |

(The order of presentation of the statements was reversed for half the interviews.)

(Ref. table 5d.)

5.5.2 It will be seen that while only 15% are in favour of immediate action, 55% would be in favour in a better economic situation. (If the don't knows are excluded, the latter figure improves to 59% of those with a view—nearly three-fifths.)

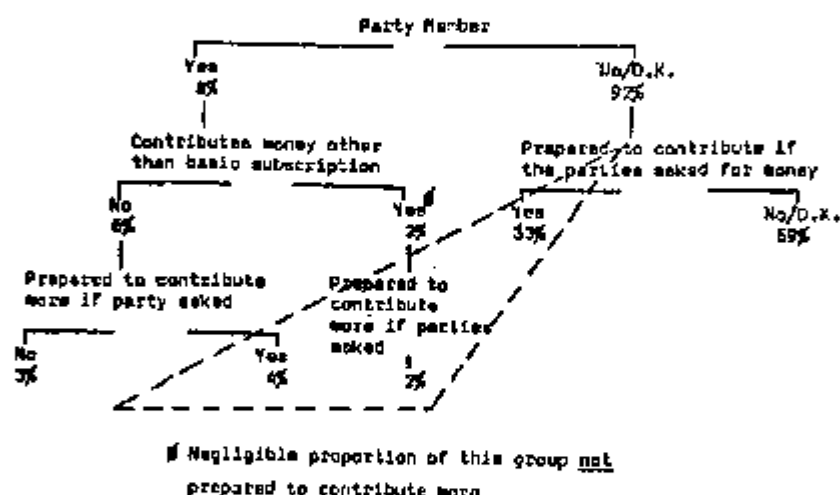
5.5.3 In terms of restrictions in the use of money from public funds, easily the biggest single item was "entertaining/expenses" mentioned by almost one-third of the sample. This was followed by "foreign visits" (11%) and "advertising" and similar descriptions (10%). One-third of respondents did not mention any restrictions.

5.5.4 A little over two-fifths of the sample thought parties should decide for themselves how to allocate state money between national and local constituency organisations. One-quarter thought that the money should be split evenly. 9% thought most should go to the national party, 8% most to the local constituency, while the remaining 6% did not have a view. (Ref. table 5e.)

## 5.6 *Willingness to contribute to a political party*

5.6.1 Information was collected on party membership (party not specified), payment of any additional money, willingness to contribute more, and willingness to contribute at all, if not a party member.

5.6.2 A scheme of behaviour and attitude in this respect can be produced.



5.6.3 It can be seen that of the 8% of the sample who are party members, about a quarter currently contribute *more* than the basic subscription, while a further half claim that they would be prepared to pay more if they were asked. Perhaps more surprisingly, over a third of the non-member sample claim that they would be prepared to contribute to one of the parties if asked. Survey experience is that questions of this type tend to produce considerable over-estimates—the answers should be regarded as measures of attitude rather than behaviour.

TABLE 5aG

Q15A: ASSUMING THAT THE PARTIES NEEDED MONEY WOULD YOU BE PREPARED FOR SOME OF IT TO BE PROVIDED BY THE STATE FROM PUBLIC FUNDS?

COL %

	Total	Sex		Age					
		Men	Women	18-24	25-34	35-44	45-54	55-64	65+
Weighted Base	2,151	1,025	1,126	300	388	351	367	349	395
Unweighted Base	2,147	998	1,149	210	445	343	389	314	446
Yes	958 45%	472 46%	487 43%	126 42%	162 42%	162 46%	180 49%	165 47%	163 41%
No	949 44%	477 47%	472 42%	146 49%	194 50%	156 44%	152 41%	145 41%	137 40%
DK/NA	244 11%	77 7%	167 15%	27 9%	32 8%	33 9%	36 10%	40 11%	75 19%

TABLE 2a(11)

Q15A: ASSUMING THAT THE PARTIES NEEDED MONEY WOULD YOU BE PREPARED FOR SOME OF IT TO BE PROVIDED BY THE STATE FROM PUBLIC FUNDS?

COL %

		Sex/Age											
		Total	Men 18-24	Men 25-34	Men 35-44	Men 45-54	Men 55-64	Men 65+	Women 18-24	Women 25-34	Women 35-44	Women 45-54	Women 55-64
Weighted Base	2,151	153	196	178	181	166	151	147	193	173	186	184	244
Unweighted Base	2,147	110	195	166	184	155	188	100	250	177	205	159	258
Yes	958 45%	61 40%	81 41%	91 51%	96 53%	79 48%	64 42%	66 45%	81 42%	71 41%	84 45%	85 47%	100 41%
No	949 44%	80 52%	105 53%	78 44%	75 41%	72 44%	68 45%	66 45%	90 47%	78 45%	77 41%	72 39%	89 36%
DK/NA	244 11%	12 8%	11 5%	19 5%	10 6%	14 9%	29 13%	15 10%	22 11%	23 14%	26 14%	26 14%	55 23%

TABLE 5a(4b)

Q15A: ASSUMING THAT THE PARTIES NEEDED MONEY WOULD YOU BE PREPARED FOR SOME OF IT TO BE PROVIDED BY THE STATE FROM PUBLIC FUNDS? COL. %

	Total	Terminal Education Age				Social Class				Housewives	
		15-16	17-19	20+	Not yet Completed	AB	C1	C2	DE	Working	Not Working
Weighted Base	2,151	1,800	215	127	9	266	460	717	707	348	471
Unweighted Base	2,147	1,817	198	123	9	261	433	716	717	368	483
Yes	958 45%	804 45%	93 43%	59 46%	2 22%	127 48%	206 45%	315 44%	310 44%	156 43%	186 40%
No	949 44%	775 43%	106 49%	63 49%	6 69%	129 48%	214 46%	324 45%	282 40%	152 44%	204 43%
DK/NA	244 11%	221 12%	16 7%	6 5%	1 9%	10 4%	40 9%	78 11%	115 16%	40 12%	80 17%

TABLE 5a(v)

Q15A: ASSUMING THAT THE PARTIES NEEDED MONEY WOULD YOU BE PREPARED FOR SOME OF IT TO BE PROVIDED BY THE STATE FROM PUBLIC FUNDS? COL %

	Total	RGSR										
		Greater London	South East	South West	Wales	East Anglia	West Midlands	East Midlands	North West	Yorks, Humber	North	Scotland
Weighted Base	2,151	308	393	151	111	71	197	139	167	189	131	194
Unweighted Base	2,147	288	317	196	123	71	228	163	287	186	125	163
Yes	958 45%	131 42%	192 49%	69 46%	55 50%	26 37%	94 49%	63 45%	125 47%	81 43%	49 37%	73 37%
No	949 44%	152 49%	172 44%	69 46%	38 34%	31 44%	71 36%	60 43%	111 42%	82 43%	69 53%	94 49%
DK/NA	244 11%	25 8%	29 7%	12 8%	18 16%	14 19%	32 16%	17 12%	31 12%	26 14%	13 10%	27 14%

TABLE 5a(v)

Q15A: ASSUMING THAT THE PARTIES NEEDED MONEY WOULD YOU BE PREPARED FOR SOME OF IT TO BE PROVIDED BY THE STATE FROM PUBLIC FUNDS? COL %

	Total	Voting			Political Interest					Trades Union Member			
		All three	Some	None	7-8	5-6	3-4	1-2	0	Yes	No	Official	Pay Levy
Weighted Base	2,151	1,485	519	147	100	616	1,063	285	83	636	1,515	28	301
Unweighted Base	2,147	1,490	508	149	104	611	1,060	289	83	622	1,525	29	297
Yes	958 45%	698 47%	209 40%	52 35%	53 51%	328 53%	451 42%	105 37%	22 26%	301 47%	657 43%	11 38%	145 48%
No	949 44%	649 44%	239 46%	61 42%	41 42%	251 41%	498 47%	128 45%	31 38%	287 45%	562 44%	16 58%	136 45%
DK/NA	244 11%	139 9%	71 14%	34 23%	6 6%	37 6%	119 11%	52 18%	30 36%	48 8%	196 13%	1 4%	20 7%

TABLE 5a(vi)

Q15A: ASSUMING THAT THE PARTIES NEEDED MONEY WOULD YOU BE PREPARED FOR SOME OF IT TO BE PROVIDED BY THE STATE FROM PUBLIC FUNDS? COL %

	<i>Total</i>	<i>Party Member</i>			<i>Parties' Money</i>	
		<i>Yes</i>	<i>Contribute</i>	<i>No</i>	<i>Enough</i>	<i>Some short</i>
Weighted base	2,151	181	47	1,970	695	1,104
Unweighted Base	2,147	182	46	1,965	684	1,091
Yes	958 45%	86 47%	21 44%	873 44%	290 42%	556 50%
No	949 44%	85 47%	21 44%	864 44%	336 48%	471 43%
DK/NA	244 11%	10 6%	6 12%	233 12%	69 10%	77 7%



**TABLE 9a(1)**  
**Q15B: WHY WOULD YOU NOT BE PREPARED FOR MONEY FOR POLITICAL PARTIES TO BE PROVIDED BY THE STATE FROM PUBLIC FUNDS?**

Filter: Those not prepared for money for parties to come from public funds

COL %

	Total	Sex		Age					
		Men	Women	18-24	25-34	35-44	45-54	55-64	65+
Weighted base	949	477	472	146	194	156	152	145	157
Unweighted base	941	460	481	96	219	154	158	135	179
Taxes/Rates too high already/ we pay enough now	304 32%	144 30%	160 34%	45 31%	66 34%	46 29%	47 31%	55 38%	45 29%
Money wasted already/needed for essential things	174 18%	80 17%	93 20%	41 28%	41 21%	24 16%	22 15%	19 13%	26 17%
They should raise their own money	155 16%	89 19%	66 14%	18 12%	27 14%	28 18%	25 17%	26 18%	30 19%
Country can't afford it	62 7%	20 4%	42 9%	13 9%	14 7%	9 5%	4 3%	10 7%	12 7%
Would be supporting parties don't agree with	64 7%	35 7%	30 6%	9 6%	19 10%	13 9%	13 8%	5 3%	6 4%
It would be put to misuse	30 3%	17 4%	12 3%	2 1%	6 3%	6 4%	3 2%	11 7%	4 2%
Parties would fight over their shares	9 1%	8 2%	1 *	0 -	4 2%	2 1%	2 1%	0 -	1 1%
Would be controlled by party in Government	16 2%	14 3%	2 *	0 -	4 2%	3 2%	4 2%	3 2%	2 1%
Others	49 5%	26 5%	23 5%	4 3%	7 4%	12 8%	9 6%	9 6%	7 4%
Vague answers	48 5%	22 5%	26 6%	3 2%	8 4%	7 4%	12 8%	5 3%	13 8%
Irrelevant answers	30 3%	18 4%	12 3%	6 4%	4 2%	6 4%	7 5%	3 2%	5 3%
DK/NA	46 5%	21 4%	24 5%	9 6%	6 3%	7 4%	8 5%	5 4%	10 6%

\* = Less than 0.5%

**TABLE 5b(ii)**  
**Q15B: WHY WOULD YOU NOT BE PREPARED FOR MONEY FOR POLITICAL PARTIES TO BE PROVIDED BY THE STATE FROM PUBLIC FUNDS?**

COL %

Filter: Those not prepared for money for parties to come from public funds

	Total	Sex/Age											
		Men 18-24	Men 25-34	Men 35-44	Men 45-54	Men 55-64	Men 65+	Women 18-24	Women 25-34	Women 35-44	Women 45-54	Women 55-64	Women 65+
Weighted base	949	80	103	78	75	72	68	66	90	78	77	72	89
Unweighted base	941	54	105	76	74	67	84	42	114	78	84	68	95
Taxes/Rates too high already/Wc pay enough now	304 32%	26 32%	34 32%	23 29%	18 24%	26 36%	18 27%	20 30%	32 36%	23 30%	29 38%	29 40%	27 30%
Money wasted already/ Needed for essential things	174 18%	23 29%	24 23%	11 14%	9 12%	8 11%	6 9%	19 28%	17 19%	13 17%	13 17%	11 16%	20 23%
They should raise their own money	155 16%	13 16%	12 11%	17 21%	14 19%	17 24%	16 24%	5 8%	15 17%	12 15%	11 14%	9 13%	13 15%
Country can't afford it	62 7%	2 3%	6 5%	2 2%	3 3%	5 7%	4 5%	11 16%	9 10%	7 9%	2 3%	6 8%	8 9%
Would be supporting parties don't agree with	64 7%	4 5%	11 10%	8 11%	5 7%	3 4%	3 5%	5 7%	8 9%	5 7%	7 10%	2 3%	2 3%
It would be put to misuse	30 3%	2 2%	4 4%	4 5%	1 1%	5 7%	2 3%	0 —	2 2%	2 2%	2 2%	6 8%	1 2%
Parties would fight over their shares	9 1%	0 —	3 3%	2 2%	2 3%	0 —	1 2%	0 —	1 1%	0 —	0 —	0 —	0 —
Would be controlled by party in Government	16 2%	0 —	3 3%	2 3%	4 5%	3 4%	1 2%	0 —	1 1%	1 1%	0 —	0 —	1 1%
Others	49 5%	4 5%	5 5%	4 5%	4 6%	5 6%	4 5%	0 —	2 2%	8 10%	5 6%	5 6%	3 4%
Vague answers	48 5%	1 1%	4 4%	2 3%	7 10%	1 2%	6 9%	3 4%	4 5%	4 6%	5 7%	3 5%	7 8%
Irrelevant answers	30 3%	4 5%	2 2%	3 4%	5 7%	0 —	4 6%	2 3%	2 2%	2 3%	2 2%	3 4%	1 1%
DK/NA	46 5%	4 5%	4 4%	1 1%	3 4%	4 6%	5 7%	5 7%	2 2%	6 7%	5 7%	1 2%	5 6%

TABLE 56(11)

## Q15B: WHY WOULD YOU NOT BE PREPARED FOR MONEY FOR POLITICAL PARTIES TO BE PROVIDED BY THE STATE FROM PUBLIC FUNDS?

Filter: Those not prepared for money for parties to come from public funds

COL %

	Total	Terminal Education Age				Social Class				Household	
		13-16	17-19	20+	Not yet Completed	AB	CI	C2	DE	Working	Not Working
Weighted Base	949	775	106	62	6	129	214	324	282	152	204
Unweighted Base	941	775	102	58	6	127	210	326	278	161	206
Taxes/Rates too high already/We pay enough now	304 32%	264 34%	32 30%	7 12%	1 22%	38 29%	59 27%	111 34%	97 34%	44 29%	83 40%
Money wasted already/Needed for essential things	174 18%	137 18%	15 14%	18 30%	3 45%	24 18%	35 16%	65 20%	50 18%	27 18%	38 19%
They should raise their own money	155 16%	130 17%	17 16%	9 14%	0 —	24 19%	37 17%	52 16%	42 15%	26 17%	24 12%
Country cannot afford it	62 7%	52 7%	9 8%	2 3%	0 —	3 2%	13 6%	20 6%	26 9%	14 9%	18 9%
Would be supporting parties don't agree with	64 7%	43 6%	10 9%	10 15%	0 —	14 11%	22 10%	17 5%	11 4%	11 7%	11 5%
It would be put to misuse	30 3%	24 3%	2 2%	4 6%	0 —	4 3%	7 3%	10 3%	9 3%	2 1%	8 4%
Parties would fight over their shares	9 1%	4 *	4 3%	2 3%	0 —	2 2%	5 2%	2 1%	0 —	1 1%	0 —
Would be controlled by party in Government	16 2%	12 2%	2 2%	2 3%	0 —	5 4%	5 2%	5 1%	2 1%	1 1%	2 1%
Others	49 5%	38 5%	7 7%	4 6%	0 —	8 7%	9 4%	22 7%	9 3%	12 8%	8 4%
Vague answers	48 5%	38 5%	6 5%	4 6%	0 —	7 6%	14 7%	8 2%	19 7%	8 5%	12 6%
Irrelevant answers	30 3%	23 3%	5 5%	1 2%	1 22%	5 4%	6 3%	12 4%	8 3%	6 4%	1 *
DK/NA	46 5%	36 5%	7 7%	2 3%	1 11%	4 3%	12 6%	15 5%	14 5%	10 6%	9 4%

\* = Less than 0.5%.

TABLE 5b(vi)

Q14B: WHY WOULD YOU NOT BE PREPARED FOR MONEY FOR POLITICAL PARTIES TO BE PROVIDED BY THE STATE FROM PUBLIC FUNDS?

Filter: Those not prepared for money for parties to come from public funds

COL %

	Total	RGR										
		Greater London	South East	South West	Wales	East Anglia	West Midlands	East Midlands	North West	Yorks, Humber	North	Scotland
Weighted Base	949	152	172	69	38	31	71	60	111	82	69	94
Unweighted Base	941	143	141	93	39	34	84	69	121	77	65	75
Taxes/Rates too high already/We pay enough now	304 32%	42 27%	49 28%	28 40%	10 27%	9 29%	24 33%	25 41%	33 30%	28 35%	22 32%	36 38%
Money wasted already/Needed for essential things	174 18%	31 20%	26 15%	15 21%	13 39%	4 12%	5 7%	8 13%	25 22%	13 16%	12 18%	20 21%
They should raise their own money	155 16%	22 14%	36 21%	14 20%	4 11%	8 27%	14 19%	6 11%	22 20%	11 13%	10 15%	8 8%
Country can't afford it	62 7%	6 4%	13 8%	2 3%	2 7%	3 11%	4 6%	4 7%	8 8%	5 6%	9 13%	4 4%
Would be supporting parties don't agree with	64 7%	10 7%	13 8%	4 6%	1 2%	3 9%	3 4%	2 4%	7 6%	7 9%	3 5%	11 11%
It would be put to misuse	30 3%	7 5%	3 2%	3 5%	2 4%	1 3%	1 2%	1 2%	5 4%	2 2%	1 2%	3 3%
Parties would fight over their shares	9 1%	2 1%	3 2%	0 —	2 6%	0 —	1 1%	1 1%	0 —	0 —	0 —	0 —
Would be controlled by party in Government	16 2%	1 1%	5 3%	1 1%	1 2%	0 —	1 1%	3 4%	1 1%	3 3%	2 3%	0 —
Others	49 5%	13 8%	8 4%	3 4%	0 —	2 5%	4 6%	6 10%	4 4%	4 4%	3 4%	4 4%
Vague answers	48 5%	12 8%	11 6%	6 8%	2 4%	1 3%	2 3%	4 7%	3 2%	4 4%	3 4%	2 2%
Irrelevant answers	30 3%	2 1%	3 2%	1 2%	0 —	1 3%	5 7%	2 4%	3 3%	4 5%	1 1%	7 8%
DK/NA	46 5%	9 6%	8 5%	0 —	1 2%	3 8%	8 12%	1 1%	5 5%	5 6%	5 7%	2 2%

**TABLE 58(v)**  
**Q15B: WHY WOULD YOU NOT BE PREPARED FOR MONEY FOR POLITICAL PARTIES TO BE PROVIDED BY THE STATE FROM PUBLIC FUNDS?**

Filter: Those not prepared for money for parties to come from public funds

COL %

	Total	Voting			Political Interest					Trades Union Member			
		All three	Some	None	7-8	5-6	3-4	1-2	0	Yes	No	Official	Pay levy
Weighted Base	949	649	239	61	41	251	498	128	31	287	662	16	136
Unweighted Base	941	650	234	57	45	249	490	131	26	275	666	17	134
Taxes/rates too high already /we pay enough now	304 32%	201 31%	81 34%	22 35%	9 23%	74 30%	156 31%	50 39%	14 45%	96 33%	208 31%	3 17%	54 40%
Money wasted already/ needed for essential things	174 18%	111 17%	51 21%	12 19%	7 18%	38 15%	101 20%	19 15%	8 26%	50 17%	124 19%	4 23%	21 16%
They should raise their own money	155 16%	117 18%	29 12%	10 16%	9 21%	53 21%	73 15%	16 12%	4 14%	50 17%	105 16%	4 24%	23 17%
Country can't afford it	62 7%	37 6%	21 9%	4 7%	2 5%	12 5%	39 8%	9 7%	0 —	20 7%	42 6%	1 5%	4 3%
Would be supporting parties don't agree with	64 7%	49 8%	13 5%	2 4%	2 5%	23 9%	31 6%	8 6%	1 2%	17 6%	47 7%	2 13%	7 5%
It would be put to misuse	30 3%	24 4%	3 1%	2 4%	2 5%	8 3%	17 3%	2 2%	0 —	11 4%	19 3%	0 —	4 3%
Parties would fight over their shares	9 1%	6 1%	2 1%	0 —	1 3%	2 1%	5 1%	1 1%	0 —	3 1%	6 1%	0 —	1 1%
Would be controlled by party in Government	16 2%	12 2%	4 2%	0 —	2 5%	8 3%	6 1%	0 —	0 —	8 3%	8 1%	1 6%	4 3%
Others	49 5%	37 6%	8 3%	4 7%	3 8%	15 6%	23 5%	7 5%	1 2%	14 5%	35 5%	1 4%	7 5%
Vague answers	48 5%	35 5%	12 5%	1 1%	3 7%	12 5%	24 5%	9 7%	0 —	6 2%	42 6%	1 8%	4 3%
Irrelevant answers	30 3%	21 3%	9 4%	0 —	2 4%	6 3%	18 4%	4 3%	0 —	8 3%	23 3%	0 —	3 2%
DK/NA	46 5%	30 5%	13 4%	5 8%	1 2%	13 5%	23 5%	4 3%	4 12%	12 4%	34 5%	0 —	9 6%

**TABLE 5b(v)**  
**Q15B: WHY WOULD YOU NOT BE PREPARED FOR MONEY FOR POLITICAL PARTIES TO BE PROVIDED BY THE STATE FROM PUBLIC FUNDS?**  
 Filter: Those not prepared for money for parties to come from public funds

COL %

	Total	Party Member			Parties' Money	
		Yes	Contribute	No	Enough	Some short
Weighted Base	949	85	21	864	336	471
Unweighted Base	941	86	20	855	333	454
Taxes/rates too high already/ we pay enough now	304 32%	23 27%	6 28%	281 33%	112 33%	132 28%
Money wasted already/ needed for essential things	174 18%	14 17%	4 19%	159 18%	65 19%	84 18%
They should raise their own money	155 16%	20 24%	5 22%	135 16%	56 17%	80 17%
Country can't afford it	62 7%	3 3%	0 —	59 7%	17 5%	36 8%
Would be supporting parties don't agree with	64 7%	7 9%	1 5%	57 7%	24 7%	34 7%
It would be put to misuse	30 3%	1 1%	0 —	29 3%	12 3%	13 3%
Parties would fight over their shares	9 1%	0 —	0 —	9 1%	5 2%	4 1%
Would be controlled by party in Government	16 2%	4 4%	1 7%	13 1%	4 1%	12 3%
Others	49 5%	8 9%	4 19%	41 5%	15 5%	30 6%
Vague answers	48 5%	6 7%	0 —	42 5%	14 4%	24 5%
irrelevant answers	30 3%	1 1%	0 —	29 3%	13 4%	15 3%
DK/NA	46 5%	5 5%	0 —	41 5%	15 4%	27 6%

TABLE 5c

Q16A/B: IF MONEY WERE PROVIDED FROM PUBLIC FUNDS WHICH PARTIES  
SHOULD NOT BE ALLOWED TO HAVE THIS MONEY?

COL %

	Total	Sex		Age					
		Men	Women	18-24	25-34	35-44	45-54	55-64	65+
Weighted Base	2,151	1,025	1,126	300	388	351	367	349	395
Unweighted Base	2,147	998	1,149	210	443	343	389	314	446
(IF SOME WHICH NOT?)									
Conservative	109 5%	48 5%	61 5%	26 9%	12 3%	16 4%	19 5%	14 4%	23 6%
Labour	91 4%	38 4%	54 5%	15 5%	10 3%	14 4%	10 3%	22 6%	20 5%
Liberal	78 4%	38 4%	40 4%	15 5%	11 3%	9 3%	15 4%	11 3%	17 4%
Communist Party	213 10%	88 9%	124 11%	26 9%	37 9%	40 11%	29 8%	41 12%	39 10%
National Front	93 4%	43 4%	50 4%	11 4%	18 5%	21 6%	13 4%	16 5%	14 4%
Scottish National Party/SNP	91 4%	37 4%	54 5%	20 7%	15 4%	13 4%	14 4%	13 4%	16 4%
Plaid Cymru/Welsh National Party	77 4%	34 3%	42 4%	16 5%	12 3%	16 5%	10 3%	8 2%	14 4%
Ulster Unionists	65 3%	25 2%	40 4%	17 6%	7 2%	12 4%	8 2%	8 2%	12 3%
NI Social Democratic Labour Party/SDLP	43 2%	18 2%	26 2%	6 2%	6 2%	9 2%	7 2%	6 2%	9 2%
Extremist Groups (unspecified)	84 4%	41 4%	43 4%	11 4%	18 5%	16 5%	11 3%	11 3%	17 4%
Others	73 3%	20 2%	53 5%	10 3%	21 5%	9 3%	13 3%	8 2%	13 3%
DK/NA	1,707 79%	846 82%	861 77%	227 76%	308 79%	280 80%	301 82%	276 79%	314 79%

**TABLE 34**  
**Q17: WHICH OF THESE STATEMENTS BEST DESCRIBES YOUR ATTITUDE TO PARTIES**  
**GETTING MONEY FROM PUBLIC FUNDS?**

COL %

	Total	Sex		Age					
		Men	Women	18-24	25-34	35-44	45-54	55-64	65+
Weighted Base	2,151	1,025	1,126	300	388	351	367	349	395
Unweighted Base	2,147	998	1,149	210	445	343	389	314	446
Should	320 15%	197 19%	123 11%	44 15%	58 15%	61 17%	62 17%	46 13%	50 13%
Should but not until economy improves	861 40%	339 35%	502 45%	123 41%	149 38%	147 42%	149 41%	148 42%	144 37%
Should not at all	807 38%	421 41%	387 34%	117 39%	161 41%	121 34%	129 35%	131 37%	149 38%
DK/NA	163 8%	49 5%	114 10%	15 5%	20 5%	23 6%	27 7%	25 7%	52 13%



TABLE 5c

Q19: SHOULD MOST OF THE MONEY GO TO THE NATIONAL PARTY,  
THE LOCAL CONSTITUENCY PARTIES, ABOUT THE SAME TO EACH,  
OR SHOULD THE PARTY DECIDE, HOW TO SPLIT IT?

COL %

	Total	Sex		Age					
		Men	Women	18-24	25-34	35-44	45-54	55-64	65+
Weighted Base	2,151	1,025	1,126	300	388	351	367	349	395
Unweighted Base	2,147	998	1,149	210	445	343	389	314	446
Most to national	194 9%	113 11%	82 7%	18 6%	32 8%	42 12%	38 10%	32 9%	32 8%
Most to local constituency	166 8%	77 8%	89 8%	28 9%	33 9%	24 7%	31 8%	32 9%	18 5%
Same to each	530 25%	237 23%	293 26%	65 22%	103 27%	97 28%	99 27%	83 24%	84 21%
Party should decide	909 42%	473 46%	436 39%	140 47%	181 47%	151 43%	145 39%	156 45%	137 35%
DK/NA	352 16%	125 12%	226 20%	49 16%	39 10%	37 11%	56 15%	47 13%	124 31%

## 6. Detailed Consideration of the Acceptability of State Aid to Parties

6.1 The basic findings have already been presented. In this section an attempt is made to evaluate more closely the acceptability of the state aid concept and to compare sections of the population with varying attitudes.

6.2 Firstly, we can cross-relate the two questions\* which directly approached the topic of state aid, thus providing a finer "scale" of favourability.

These groups can be described thus:

- |  |     |
|--|-----|
| (i) In favour of state aid—no delay necessary (said "yes" Q.15a, and "should get" Q.17)                                      | 13% |
| (ii) In favour of state aid—but not until economy improves (said "yes" Q.15a, "not until economy improves" Q.17)             | 28% |
| (iii) Uncertain view (answers other than those defined in (i), (ii) or (iv)—includes contradictory answers and "don't know") | 26% |
| (iv) Against state aid (said "no" Q.15a, and "should not get" Q.17)  | 33% |

6.3 A number of points need to be made using this "scale":

- a small proportion only are wholeheartedly in favour of *immediate* state aid
- in more favourable economic times, about two-fifths *clearly* support the principle
- excluding the one-quarter proportion of the population who are uncertain, or who had apparently contradictory views in the two questions—the proportion in favour of state aid is:

immediate	17%
immediate + when economy improves	55%
- nevertheless there is a substantial group (one-third of the population) for whom state aid is not acceptable—and this group in fact accounts for 45% of all these who have a consistent view.

6.4 We can now, by dividing the sample into the four groups shown in 6.2 examine the differences between people with differing attitudes to state aid in detail. (Ref. tables 6a-f.)

6.5 In terms of demographics the following patterns emerge:

- men, particularly those aged between 35 and 54 are over-represented in the group in favour of "immediate" state aid. Over three-fifths (63%) of this group are male
  - however, men are also slightly over-represented in the "against" state aid group (53% against 48% in the population as a whole). Therefore, overall there is a greater tendency for men to take a "definite" view (for or against) as compared to women
  - middle class (ABC1) men in particular are more likely to take a strong positive view ("immediate" state aid). Again there is also a tendency for male ABC1s to be over-represented in the "against" group
- (Ref. tables 6a(i)-(ii).)

\*Q.15a—see 5.3.2  
Q.17—see 5.5.1

6.6 Examining these four groups by "political interest" we find the following:

	View on State Aid			
	"Immediate"	"Later"	"Against"	"Uncertain"
Those in "political interest" group:	%	%	%	%
high 5-8	41	39	32	25
medium 3-4	46	48	52	50
low 0-2	12	13	17	24

Thus in particular it can be seen that those "against" state aid tend to take less interest in politics than those in favour, but *more* than those with an uncertain view on state aid. (Ref. table 6b.)

6.7 Whilst the overall level of party membership (8%) makes it difficult to make any comparisons between the four groups, there is a clear difference between them in terms of *willingness to give (more) to parties personally* whether or not contributions are presently made:

	View on State Aid			
	"Immediate"	"Later"	"Against"	"Uncertain"
Those who are:	%	%	%	%
Party member	10	9	9	6
Prepared to give (more) to party whether or not presently contributing	53	45	34	30

Therefore acceptability of state aid can be seen to correlate positively with claimed willingness to contribute personally (but see 5.6.3). (Ref. Table 6c.)

6.8 Those in favour of "immediate" state aid are less favourably disposed to the financing of parties through "industrial" organisations—trade unions and companies. Section 4.3.8 shows the overall picture but if we re-analyse all those

mentioning these sources to show the balance of opinion the following picture emerges:

	<i>View on State Aid</i>			
	<i>"Immediate"</i>	<i>"Later"</i>	<i>"Against"</i>	<i>"Uncertain"</i>
	%	%	%	%
Proportion of those mentioning . . . who said it was a good/bad thing that parties get money from this source:				
<i>Trade Unions</i>				
Good	33	39	41	40
Bad	61	52	49	47
Don't know	3	10	9	14
<i>Large Companies</i>				
Good	42	55	55	52
Bad	50	38	34	33
Don't know	7	7	11	15

It will be seen that there is a rather greater difference between the "immediate" group and the remainder with regard to "large companies" than for "trade unions" where a majority in all groups takes an unfavourable view. (Ref. tables 6d(i)-(vi).)

6.9 Separate analysis shows that Trade Union membership is in fact higher among the "immediate" group (40 %) than among other groups ("against" 31 %, "later" 29 %, "uncertain" 23 %). (Ref. Table 6a.)

TABLE 6a(i)

AGE

COL %

	Total	Agreement with Support to Parties from Public Funds			
		Yes (Q15A) Yes (Q17)	Yes (Q15A) Later (Q17)	Uncertain (Q15A & Q17)	No (Q15A) No (Q17)
Weighted base	2,151	276	596	567	711
Unweighted base	2,147	277	590	579	701
<i>Men</i>					
Sub-total	1,025 48%	173 63%	258 43%	220 39%	374 53%
18-34	349 16%	49 18%	78 13%	84 15%	138 19%
35-54	359 17%	80 29%	91 15%	66 12%	123 17%
55+	317 15%	44 16%	90 15%	70 12%	114 16%
<i>Women</i>					
Sub-total	1,126 52%	104 37%	338 57%	347 61%	337 47%
18-34	339 16%	35 13%	104 17%	87 15%	114 16%
35-54	359 17%	33 12%	110 18%	110 19%	105 15%
55+	428 20%	36 13%	123 21%	150 26%	119 17%

TABLE 6a(ii)  
SOCIAL CLASS

COL %

	Total	Agreement with Support to Parties from Public Funds			
		Yes (Q15A) Yes (Q17)	Yes (Q15A) Later (Q17)	Uncertain (Q15A & Q17)	No (Q15A) No (Q17)
Weighted base	2,151	276	596	567	711
Unweighted base	2,147	277	590	579	701
<i>Men</i>					
ABC1	348 16%	67 24%	73 12%	58 10%	151 21%
C2DE	677 31%	106 38%	185 31%	163 29%	223 31%
<i>Women</i>					
ABC1	378 18%	36 13%	130 22%	87 15%	125 18%
C2DE	748 35%	68 24%	208 35%	260 46%	212 30%

TABLE 6b  
POLITICAL INTEREST AND ACTIVITY

COL. %

	Total	Agreement with Support to Parties from Public Funds			
		Yes (Q15A) Yes (Q17)	Yes (Q15A) Later (Q17)	Uncertain (Q15A & Q17)	No (Q15A) No (Q17)
Weighted base	2,151	276	596	567	711
Unweighted base	2,147	277	590	579	701
Voted in all three	1,485 69%	199 72%	438 73%	362 64%	487 68%
<i>Political Interest</i>					
7-8	100 5%	21 7%	30 5%	16 3%	33 5%
5-6	616 29%	95 34%	204 34%	126 22%	191 27%
3-4	1,068 50%	127 46%	285 48%	286 50%	370 52%
1-2	285 13%	25 9%	65 11%	97 17%	97 14%
0	83 4%	8 3%	12 2%	42 7%	20 3%

TABLE 6c  
ATTITUDES TO PARTIES' FINANCING

COL %

	Total	Agreement with Support to Parties from Public Funds			
		Yes (Q15A) Yes (Q17)	Yes (Q15A) Later (Q17)	Uncertain (Q15A & Q17)	No (Q15A) No (Q17)
Weighted base	2,151	276	596	567	711
Unweighted base	2,147	277	590	579	701
Party Member (Sub-total)	181 8%	29 10%	52 9%	36 6%	63 9%
Party member prepared to pay more	121 6%	21 8%	39 6%	21 4%	40 6%
Party member not prepared to pay more	54 3%	8 3%	11 2%	15 3%	22 3%
Non-party member (Sub-total)	1,967 91%	248 90%	543 91%	530 93%	647 91%
Non-party member prepared to pay	701 33%	123 45%	234 39%	147 26%	197 28%
Non-party member not prepared to pay	1,211 56%	121 44%	290 49%	364 64%	437 61%
<i>Parties' Money</i>					
Have enough	695 32%	74 27%	193 32%	166 29%	263 37%
Some short	1,104 51%	181 65%	337 57%	243 43%	344 48%
Don't know	337 16%	21 8%	66 11%	148 26%	102 14%

TABLE 60(1)  
SOURCES OF FINANCE MENTIONED

COL %

	Total	Agreement with Support to Parties from Public Funds			
		Yes (Q15A) Yes (Q17)	Yes (Q15A) Later (Q17)	Uncertain (Q15A & Q17)	No (Q15A) No (Q17)
Weighted base	2,151	276	596	567	711
Unweighted base	2,147	277	590	579	701
<i>Trade Unions</i>					
Total mentions	1,258	183	337	270	469
	58%	66%	56%	48%	66%
Good	497	64	131	107	194
	23%	23%	22%	19%	27%
Bad	643	112	174	126	231
	30%	41%	29%	22%	32%
DK	119	6	32	37	44
	6%	2%	5%	7%	6%
<i>Large Companies</i>					
Total mentions	1,092	163	308	226	396
	51%	39%	52%	40%	56%
Good	573	68	168	118	219
	27%	25%	28%	21%	31%
Bad	407	82	118	74	134
	19%	30%	20%	13%	19%
DK	112	12	22	34	44
	5%	5%	4%	6%	6%
<i>Smaller Firms</i>					
Total mentions	312	59	76	52	125
	15%	21%	13%	9%	18%
Good	183	26	51	36	70
	8%	9%	9%	6%	10%
Bad	82	24	16	9	34
	4%	9%	3%	2%	5%
DK	47	10	9	8	20
	2%	4%	2%	1%	3%



**TABLE 60(U)**  
**SOURCES OF FINANCE MENTIONED**

COL %

	Total	Agreement with Support to Parties from Public Funds			
		Yes (Q15A) Yes (Q17)	Yes (Q15A) Later (Q17)	Uncertain (Q15A & Q17)	No (Q15A) No (Q17)
Weighted base	2,151	276	596	567	711
Unweighted base	2,147	277	590	579	701
<i>Subs/Individual Donations</i>					
Total mentions	1,181	172	338	243	428
	55%	62%	57%	43%	60%
Good	1,015	137	296	206	375
	47%	50%	50%	36%	53%
Bad	77	24	23	10	21
	4%	9%	4%	2%	3%
DK	89	11	19	27	32
	4%	4%	3%	5%	5%
<i>The Government</i>					
Total mentions	171	21	59	49	41
	8%	8%	10%	9%	6%
Good	112	17	43	32	20
	5%	6%	7%	6%	3%
Bad	39	2	11	9	17
	2%	1%	2%	2%	2%
DK	20	2	5	8	4
	1%	1%	1%	1%	1%
<i>Foreign Countries</i>					
Total mentions	405	47	117	73	167
	19%	17%	20%	13%	24%
Good	44	4	16	10	14
	2%	1%	3%	2%	2%
Bad	310	38	89	56	137
	15%	14%	15%	10%	19%
DK	41	5	12	7	16
	2%	2%	2%	1%	2%

TABLE 6d(11)  
SOURCES OF FINANCE MENTIONED

COL %

	Total	Agreement with Support to Parties from Public Funds			
		Yes (Q15A) Yes (Q17)	Yes (Q15A) Later (Q17)	Uncertain (Q15A & Q17)	No (Q15A) No (Q17)
Weighted base	2,151	276	596	567	711
Unweighted base	2,147	277	590	579	701
<i>Social Functions</i>					
Total mentions	288	42	72	63	111
	13%	15%	12%	11%	16%
Good	264	38	69	57	100
	12%	14%	12%	10%	14%
Bad	9	2	0	2	4
	*	1%	—	*	1%
DK	15	1	3	4	7
	1%	1%	1%	1%	1%

\*—Less than 0.5%

**TABLE 6d(h)**  
**WAYS OF PROVIDING EXTRA FINANCE FOR PARTIES**

COL %

	Total	Agreement with Support to Parties from Public Funds			
		Yes (Q15A) Yes (Q17)	Yes (Q15A) Later (Q17)	Uncertain (Q15A & Q17)	No (Q15A) No (Q17)
Weighted base	2,151	276	596	567	711
Unweighted base	2,147	277	590	579	701
<i>National Lottery</i>					
Sub-total	274	38	79	56	102
	13%	14%	13%	10%	14%
Favour	251	38	73	48	93
	12%	14%	12%	8%	13%
Against	14	0	2	7	5
	1%	—	*	1%	1%
DK	9	0	4	1	4
	*	—	1%	*	1%
<i>By Taxation</i>					
Sub-total	261	56	85	61	59
	12%	20%	14%	11%	8%
Favour	102	41	42	8	11
	5%	15%	7%	1%	2%
Against	145	12	39	48	45
	7%	4%	7%	8%	6%
DK	14	2	4	6	3
	1%	1%	1%	1%	*
<i>From Govt/Excheq/Treasury</i>					
Sub-total	183	71	99	24	28
	8%	26%	10%	4%	4%
Favour	143	68	50	18	8
	7%	25%	8%	3%	1%
Against	33	2	7	5	18
	2%	1%	1%	1%	3%
DK	7	1	3	1	2
	*	1%	*	*	*

\* = Less than 0.5%.

TABLE 68(v)  
WAYS OF PROVIDING EXTRA FINANCE FOR PARTIES

COL %

	Total	Agreement with Support to Parties from Public Funds			
		Yes (Q15A) Yes (Q17)	Yes (Q15A) Later (Q17)	Uncertain (Q15A & Q17)	No (Q15A) No (Q17)
Weighted base	2,151	276	596	567	711
Unweighted base	2,147	277	590	579	701
<i>More Money from Supporters</i>					
Sub-total	348 16%	42 15%	96 16%	60 11%	150 21%
Favour	310 14%	37 13%	87 15%	55 10%	130 18%
Against	17 1%	1 *	1 *	2 *	13 2%
DK	21 1%	4 2%	7 1%	3 1%	7 1%
<i>Social Events/Functions</i>					
Sub-total	222 10%	25 9%	55 9%	49 9%	94 13%
Favour	216 10%	25 9%	52 9%	48 8%	90 13%
Against	1 *	0 —	1 *	0 —	0 —
DK	5 *	0 —	1 *	1 *	4 *
<i>Trade Unions</i>					
Sub-total	72 3%	8 3%	21 4%	9 2%	34 5%
Favour	44 2%	7 2%	15 3%	5 1%	17 2%
Against	25 1%	1 *	4 1%	3 1%	17 2%
DK	3 *	0 —	2 *	1 *	0 —

\* = Less than 0.5%.

**TABLE 6d(v)**  
**WAYS OF PROVIDING EXTRA FINANCE FOR PARTIES**

COL %

	Total	Agreement with Support to Parties from Public Funds			
		Yes (Q15A) Yes (Q17)	Yes (Q15A) Later (Q17)	Uncertain (Q15A & Q17)	No (Q15A) No (Q17)
Weighted base	2,151	276	596	567	711
Unweighted base	2,147	277	590	579	701
<i>Business</i>					
Sub-total	101 5%	10 3%	28 5%	19 3%	44 6%
Favour	72 3%	9 3%	20 3%	14 2%	30 4%
Against	20 1%	0 —	3 1%	5 1%	12 2%
DK	8 *	1 *	5 1%	1 *	2 *
<i>Unpaid/Voluntary Help</i>					
Sub-total	101 5%	10 3%	21 3%	21 4%	50 7%
Favour	88 4%	8 3%	20 3%	18 3%	42 6%
Against	5 *	0 —	1 *	1 *	3 *
DK	8 *	1 *	0 —	2 *	5 1%

\* = Less than 0.5%.

**TABLE 6e**  
**WHETHER OR NOT A TRADE UNION MEMBER**

COL %

	Total	Agreement with Support to Parties from Public Funds			
		Yes (Q15A) Yes (Q17)	Yes (Q15A) Later (Q17)	Uncertain (Q15A & Q17)	No (Q15A) No (Q17)
Weighted base	2,151	276	596	567	711
Unweighted base	2,147	277	590	579	701
Yes	636 30%	111 40%	170 29%	133 23%	223 31%
No	1,512 70%	166 60%	424 71%	433 76%	489 69%

TABLE 6  
REGION

COL %

	Total	Agreement with Support to Parties from Public Funds			
		Yes (Q15A) Yes (Q17)	Yes (Q15A) Later (Q17)	Uncertain (Q15A & Q17)	No (Q15A) No (Q17)
Weighted base	2,151	276	596	567	711
Unweighted base	2,147	277	590	579	701
Greater London/South East	701 33%	97 35%	196 33%	158 28%	250 35%
South West/Mids/East Anglia	558 26%	80 29%	139 23%	177 31%	162 23%
Wales	111 5%	17 6%	35 6%	29 5%	30 4%
North/North West/York & Humberide	587 27%	63 23%	179 30%	147 26%	197 28%
Scotland	194 9%	19 7%	48 8%	56 10%	72 10%

## DEFINITIONS AND TERMINOLOGY

<i>SEG</i> <i>Socio-Economic Group</i>	Respondents are classified as belonging to one of four socio-economic groups dependent upon the occupation of the Head of Household—the chief wage earner. Definitions of the four groups are given below:
	<i>Occupation</i>
	AB Managerial, Administrative or Professional.
	C1 Supervisory, Clerical or Junior Managerial, Administrative or Professional.
	C2 Skilled Manual Workers.
	DE Semi and Unskilled Manual Workers/State Pensioners or Widows (with no other earner) and Casual Workers.
<i>TEA</i> <i>Terminal Education Age</i>	This is the age of the respondent when he/she completed his/her full-time education.
<i>RGSR</i> <i>Registrar General's</i> <i>Standard Regions</i> <i>Political Interest</i>	The regional divisions used are shown on the map overleaf.
	The degrees of "Political Interest" are derived from questions 20, 21 and 22. Within these questions are 8 separate questions relating to voting habits; frequency of watching or listening to political broadcasts on television or the radio; and readership of political articles, books or journals.
	Respondents were allocated a point for each of the following answers which they gave:
	June Referendum on the Common — Voted
	Market
	General Election in October 1974 — Voted
	General Election in February 1974 — Voted
	Watch: Party Political Broadcasts — Always
	Watch: Other television programmes — Regularly about politics or government
	Ever: Listen to reviews of Parlia- — Yes mentary Business on the Radio
	Ever: Read articles or editorial — Yes comment on politics and government in newspapers
	Ever: Read political books or journals — Yes





The five groupings of "political interest" depend on the total number of points scored:

- 7 or 8 — "very high"
- 5 or 6 — "high"
- 3 or 4 — "medium"
- 1 or 2 — "low"
- 0 — "nil"

These verbal descriptions are used in the report for convenience.

#### *Voting*

Q.20 asks about the voting habits of respondents in the Common Market Referendum and the past two General Elections. The questions have been phrased to minimise exaggerated claims of voting but to reduce this tendency to exaggerate still further respondents have been sub-divided into three categories for analysis purposes.

Voting—All Three—those who were eligible and claimed definitely to have voted on all three occasions

Some —those who were eligible and claimed definitely to have voted on either one or two of the three occasions

None —those who did not vote on any occasion

#### *TU Membership*

This information is derived from Q.23. The four categories: "Yes"; "No"; "Official"; and "Pay Levy" are defined as:

"Yes" —respondents who are a member of a Trade Union

"No" —respondents who are not a member of a Trade Union

"Official" —respondents who are a member of a Trade Union *and* who hold any official position within their union

"Pay Levy" —respondents who are a member of a Trade Union *and* who pay the political levy with their subscription

*Party Membership*

This information is derived from Q.24. The three categories: "Yes"; "Contribute"; "No" are defined as:

- "Yes" —respondents who are a member of any political party (apart from membership through a union)
- "Contribute"—respondents who are a member of any political party (apart from membership through a union) *and* who contribute any money, apart from their basic subscription, to the party
- "No" —respondents who are not a member of any political party (apart from membership through a union)

## ANALYSIS OF THE SAMPLE

## APPENDIX B

Sex:	Unweighted		Weighted	
MALE	998	( 46%)	1,023	( 48%)
FEMALE	1,149	( 54%)	1,126	( 52%)
TOTAL	2,147	(100%)	2,151	(100%)
Age:				
18-24	210	( 10%)	300	( 14%)
25-34	445	( 21%)	388	( 18%)
35-44	343	( 16%)	351	( 16%)
45-54	389	( 18%)	367	( 17%)
55-64	314	( 15%)	349	( 16%)
65+	446	( 21%)	395	( 18%)
TOTAL	2,147	(100%)	2,151	(100%)
Social Class:				
AB	261	( 12%)	266	( 12%)
C1	453	( 21%)	460	( 21%)
C2	716	( 33%)	717	( 33%)
DE	717	( 33%)	707	( 33%)
TOTAL	2,147	(100%)	2,151	(100%)

## RESPONSE RATE

## APPENDIX C

Total names issued from electoral registers:		3,600	
Less Invalids — Dead	73		
Moved away/House empty	577		
Demolished House	34		
		684	19%
Total attempted interviews with named individuals:		2,916	100%
Less — No Contact	163		
Temporarily Away	80		
Refused	432		
Other	75		
Too late for inclusion	8		
		758	26%
		2,158	
Less — Rejected at editing stage	11		
		11	*
Total records analysed		2,147	74%
* — Less than 0.5%.			

# APPENDIX D

## SAMPLE POINTS

Orpington	Birmingham, Handsworth
Harrow West	Dudley East
Sutton and Cheam	Birmingham, Ladywood
Twickenham	West Bromwich West
Streatham	Stratford-on-Avon
Harrow Central	Stafford and Stone
Ilford North	Rugby
Croydon Central	Coventry N W
Battersea South	Stoke-on-Trent Central
Woolwich West	Newark
Hammersmith North	Belper
Walthamstow	Bosworth
Brent South	Ashfield
Tottenham	Leicester East
Newham South	Derby South
Peckham	Hazel Grove
Mid-Oxon	Heywood and Royton
Henley	Bolton West
Newbury	Ashton-under-Lyne
Basingstoke	Manchester, Openshaw
Lewes	Bebington and Ellesmere Port
Ashford	Liverpool, West Derby
Maidstone	Runcorn
Dover and Deal	Ormskirk
Hitchin	Lancaster
Farnham	Westhoughton
East Hertfordshire	Preston North
Harlow	Burnley
Bournemouth East	Leeds N W
Bournemouth West	Brighouse and Spenborough
S E Essex	Leeds West
Brighton, Pavilion	Gainsborough
Oxford	Skipton
Reading North	Brigg and Scunthorpe
Cambridgeshire	Harrogate
N W Norfolk	Doncaster
Isle of Ely	Barnsley
Norwich North	Pontefract and Castleford
Cirencester and Tewkesbury	Newcastle-on-Tyne West
Totnes	Easington
Salisbury	Whitehaven
Weston-Super-Mare	Morpeth
Plymouth, Sutton	Carlisle
Exeter	Sunderland North
Bristol South East	Carmarthen
Birmingham, Edgbaston	Gower

Pembroke  
Aberavon  
Merthyr Tydfil  
Ebbw Vale  
Motherwell and Wishaw  
Glasgow, Shettleston  
West Aberdeenshire

Midlothian  
Dumfries  
East Fife  
Kilmarnock  
Edinburgh South  
Stirling, Falkirk and Grangemouth



7 POLITICS IN GENERAL

- D.1 We are interested in different people's ideas on how the country is run.  
I am not just talking about government ministers or the party in power  
at a particular time, but any other groups which you think may be important.  
There are no right or wrong answers - we are just interested in your views.

CARD 1A\*

Here is a list of organisations some of which may play a part in  
various aspects of the running of the country. Would you tell me which  
one of these organisations is most important in .... (READ OUT) ? And  
which one is least important ?

REPORT FOR b) AND c)

			Large Com- panies	Govt. Minis- ters	The Civil Ser- vice	The Parli- am- ent	Your Local Coun- cil	Trade Uni- ons	The House of Com- mons	Don't Know
a) Deciding the country's policies	MOST	(25)	1	2	3	4	5	6	7	X
	LEAST	(26)	1	2	3	4	5	6	7	X
b) Running the country from day to day	MOST	(27)	1	2	3	4	5	6	7	X
	LEAST	(28)	1	2	3	4	5	6	7	X
c) Looking after the needs of ordinary people	MOST	(29)	1	2	3	4	5	6	7	X
	LEAST	(30)	1	2	3	4	5	6	7	X

13 POLITICAL PARTIES

Q.2a Thinking of political parties which do you consider to be the main ones in National Government - that is the House of Commons? Any others?

b And which do you think are the main ones in Local Government? Any others?

CODE ALL MENTIONS

BUT DO NOT PROMPT

CONSERVATIVE  
LABOUR  
LIBERAL  
COMMUNIST  
NATIONAL FRONT  
SCOTTISH NATIONAL PARTY/SNP  
PLAID CYMRU/WELSH NATIONAL PARTY  
ULSTER UNIONIST  
N.I. SOCIAL DEMOCRATIC LABOUR PARTY/SMDLP  
RATE PAYERS ASSOCIATIONS  
OTHERS  
DON'T KNOW

(a)	(b)
<u>NATIONAL</u>	<u>LOCAL</u>
(31)	(32)
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9
0	0
A	A
X	X

Q.3 Thinking of National government again what do the parties that you mentioned do - I mean the parties in general - not any particular one? (PROMPT: What about other parties)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

CODE

(33)

(34)

Q.4 And what do the parties that you mentioned for Local government do?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(35)

(36)

Q.5 I am going to read out a number of things which parties could do. Will you tell me for each whether or not you think that is the kind of thing that they should be doing?

READ OUT AND CODE ONE ANSWER FOR EACH

Should they:

- i) Help to decide what the government policies should be?
- ii) Choose parliamentary candidates?
- iii) Organise M.P.'s in the House of Commons?
- iv) Provide a government team?
- v) Get people to vote in elections?
- vi) Help to run Local Government?
- vii) Explain their policies to the public?

	YES	NO	DK
(37)	1	2	X
(38)	1	2	X
(39)	1	2	X
(40)	1	2	X
(41)	1	2	X
(42)	1	2	X
(43)	1	2	X



Q.6 Thinking of the <sup>Labour</sup> Conservative party, which people or organisations are important in deciding what they do - the policies they follow? Any others?

ALTERNATE PARTY ASKED ABOUT FIRST AND REPEAT FOR SECOND PARTY

DO NOT PROMPT

DO NOT PROMPT

LABOUR	CODE	CONSERVATIVE	CODE
	(44)		(45)
Prime Minister/ Harold Wilson	1	Leader/ Margaret Thatcher	1
Government/Cabinet Ministers (Healey, Benn, Jenkins, Foot etc.)	2	Opposition spokesmen/Shadow Cabinet (Whitlaw, Kinn, Joseph etc.)	2
M.P.'s/Backbenchers	3	M.P.'s/Backbenchers	3
Young Socialists	4	Young Conservatives	4
Local Party Workers	5	Local Party Workers	5
Trade Unions/TUC	6	Large Companies	6
Transport House/Head Quarters	7	Central Office/Head Quarters	7
National Executive Committee	8	Party Conference	8
Party Conference	8		
OTHERS (STATE AND CODE) _____	A	OTHERS (STATE AND CODE) _____	A
_____		_____	
Don't Know	X	Don't Know	X

Q.7 And which people or organisations are most important in deciding what the Liberal party or the Scottish and Welsh Nationalists do?

DO NOT PROMPT

	(46)
PARTY LEADERSHIP	1
M.P.'S	2
LOCAL PARTY WORKERS	3
PARTY CONFERENCE	4
OTHERS (STATE) _____	
_____	
DON'T KNOW	X

CARD 2

Q.9 People have different views about political parties - I mean the parties in general. I am going to read out some things which have been said about parties. Will you tell me whether you agree or disagree, and whether strongly or just a little?

ALTERNATE ORDER OF READING - TICK HERE (TOP-BOTTOM) ☐ (BOTTOM-TOP) ☐

		<u>Agree</u>		<u>Disagree</u>		<u>Don't know</u>
		<u>Strongly</u>	<u>Little</u>	<u>Little</u>	<u>Strongly</u>	
They are essential to the work of national government	(47)	1	2	3	4	X
They oppose each other for the sake of it	(48)	1	2	3	4	X
They are the only way to represent the public's views	(49)	1	2	3	4	X
We would be better off with just one national party	(50)	1	2	3	4	X
They keep the government on its toes by criticising it	(51)	1	2	3	4	X
They are not necessary in local politics	(52)	1	2	3	4	X
The alternative to political parties is dictatorship	(53)	1	2	3	4	X
It's a good idea to have a lot of small parties as well as two or three big ones	(54)	1	2	3	4	X
In general the parties are a good thing for Britain	(55)	1	2	3	4	X
They follow the policies of extremists	(56)	1	2	3	4	X
Parties tell the public about important political issues	(57)	1	2	3	4	X

Q.9 Do you know of any problems that parties have at the moment in relation to their internal workings - either all parties or just one? What is that? Any others?

DO  
NOT  
PROBET

EXTREMISTS/LEFT WING/RIGHT WING/  
INTERNAL TROUBLES/SPLIT/DISAGREEMENT  
OVER POLICIES

SQUABBLING/DISAGREE WITH EACH OTHER/  
DISPOSE FOR THE SAKE OF IT

NEED MONEY/LACK OF MONEY/IN DEBT  
(THAT IS THE PARTY ITSELF)

OTHER PROBLEMS (STATE) \_\_\_\_\_

DON'T KNOW

Q.10a) Do you think the parties have enough money to run their national and local organisations or are some of them short of money?

HAVE ENOUGH

SOME SHORT

DON'T KNOW

b) Which ones do you think are short of money? Any others?

ALL (UNSPECIFIED)

CONSERVATIVE

LABOUR

LIBERAL

COMMUNIST

NATIONAL FRONT

SCOTTISH NATIONAL PARTY/SNP

PLAID CYMRU/WELSH NATIONAL PARTY

ULSTER UNIONIST

N.I. SOCIAL DEMOCRATIC LABOUR PARTY/SDLP

OTHERS

DON'T KNOW

DO  
NOT  
PROBET

CODE	NOTE
(58)	
1	
2	
3	
4	
(59)	
1	Q.11
2	Q.10
3	Q.11
(60)	
1	
2	
3	
4	
5	
6	
7	
8	
9	
0	
1	
2	
3	

# III PARTY FINANCE

We are interested in your attitudes to the ways in which parties get their money - where it comes from, what it's used for and so on.

## DO NOT PROCEED

		(a) <u>MAIN</u> (a1)	(b) <u>OTHERS</u> (b2)
Q 11a	Can you tell me what you think is the <u>main</u> thing which parties need money for? (CODE ONE ONLY)	CANVASSING/ELECTION CAMPAIGNS 1	1
		ADVERTISING/PUBLICITY/PROPAGANDA *	2
		PAYING (FULL TIME) MEMBERS	3
Q 11b	And what other things do they need money for? Any others? (CODE ALL MENTIONED)	FOR CONSTITUENCIES/LOCAL PARTIES 4	4
		FOR H.Q./HEAD OFFICE/ NATIONAL PARTY ADMIN.	5
		FOR (POLITICAL) RESEARCH/ POLICY MAKING	6
		RECRUITING NEW MEMBERS	7
		RUNNING THE PARTY CONFERENCE	8
	OTHERS (STATE) _____		
	_____		
	_____		
	EXACTLY NONE	X	X
	NONE	A	A

\* ALSO CODE HERE MENTIONS OF: Posters, leaflets, Party Political Broadcasts.

Q.12a Where do you think ..... party gets its money from? Anywhere else?

DO NOT PROCEED										
		Subscriptions/Individual Donations								
READ OUT		Trade Unions	Large Companies	Smaller Firms	The Government	Foreign Countries	Social Functions	Some-where else	O.K.	
CONSERVATIVE	(63)	1	2	3	4	5	6	7	8	X
LABOUR	(64)	1	2	3	4	5	6	7	8	X
LIBERAL	(65)	1	2	3	4	5	6	7	8	X
SCOTTISH & WELSH NATIONALIST	(66)	1	2	3	4	5	6	7	8	X
COMMUNIST	(67)	1	2	3	4	5	6	7	8	X
NATIONAL FRONT	(68)	1	2	3	4	5	6	7	8	X

Q.12b TICK ALL SOURCES MENTIONED IN Q.12a AND ASK FOR EACH:

Is it a good or bad thing that parties get money from .....

Q.12c IF 'BAD'

Why do you say that?

		Q.12(b)			Q.12(c)
		GOOD	BAD	OK	WHY 'BAD'?
✓	TRADE UNIONS (69)	1	2	3	
---	LARGE COMPANIES (70)	1	2	3	
---	SMALLER FIRMS (71)	1	2	3	
---	SUBSCRIPTIONS/INDIVIDUAL DONATIONS (72)	1	2	3	
---	THE GOVERNMENT (73)	1	2	3	
---	FOREIGN COUNTRIES (74)	1	2	3	
---	SOCIAL FUNCTIONS (75)	1	2	3	

SKIP 76 - 80

CARD 8

8.13 I am going to read some statements which people have made about political parties and their money. I mean money they have to run their own organizations. Using the answers on this card will you tell us whether you agree or disagree, that:  
 ALTERNATE ORDER OF READING - TICK HERE TOP-BOTTOM ☐ BOTTOM-TOP ☐

		<u>Agree</u>		<u>Disagree</u>		
		<u>Strongly</u>	<u>Little</u>	<u>Little</u>	<u>Strongly</u>	<u>P.K.</u>
i) Political parties have far too much money	(11)	1	2	3	4	X
ii) Parties are too much influenced by those who give them funds	(12)	1	2	3	4	X
iii) Parties don't play their full part in running the country because they are short of money	(13)	1	2	3	4	X
iv) They need money to tell the people what they're doing	(14)	1	2	3	4	X
v) If they can't get enough money from their own supporters they are not worth supporting	(15)	1	2	3	4	X
vi) I would be very worried if I knew that the main political parties were short of money	(16)	1	2	3	4	X
vii) They spend all their money on salaries	(17)	1	2	3	4	X
viii) They could easily find other ways of getting money if they needed it	(18)	1	2	3	4	X

Q.14a	If the parties needed more money, in what ways do you think it <u>could</u> be provided? Any others?	DO NOT PROMPT	(a)	(b)		
			(29)	FAVOUR	AGAINST	D.A.
Q.14a	FOR EACH MENTIONED	Are you in FAVOUR or against this?	NATIONAL LOTTERY	1 (20) 1	2	X
			BY TAXATION	2 (21) 1	2	X
			FROM GOVT./EXCHEQUER/ TREASURY	3 (22) 1	2	X
			MORE MONEY FROM SUPPORTERS	4 (23) 1	2	X
			SOCIAL EVENTS/FUNCTIONS	5 (24) 1	2	X
			TRADE UNIONS	6 (25) 1	2	X
			BUSINESS	7 (26) 1	2	X
			UNPAID/VOLUNTARY HELP	8 (27) 1	2	X
			OTHER WAYS	A		
			DON'T KNOW	X		

Q.15a	Still assuming that parties needed money would you be prepared for some of it to be provided by the state from public funds?	YES	1	Q.15a
		NO	2	Q.15b
		DON'T KNOW	K	Q.15c
	IF 'NO'			
Q.15b	Why is that? _____			
	_____			
	_____			
Q.16a	If money were provided from public funds should it be to all parties or just to some?	ALL	1	Q.17
		SOME	2	Q.16b
		DON'T KNOW	3	Q.17
	IF 'SOME'			
Q.16b	Which parties should not be allowed to have money from public funds?	CONSERVATIVE	1	Q.17
		LABOUR	2	
		LIBERAL	3	
		COMMUNIST PARTY	4	
		NATIONAL FRONT	5	
		SCOTTISH NATIONAL PARTY/SNP	6	
		PLAID CYMRU/WELSH NATIONAL PARTY	7	
		ULSTER UNIONISTS	8	
		N.I. SOCIAL DEMOCRATIC LABOUR PARTY/SDLP	9	
		EXTREMIST GROUPS (UNSPECIFIED)	0	
		OTHERS	A	
		DON'T KNOW	X	

CARD C

Q.17 Which of the statements on this card best describes your attitude to parties getting money from public funds?

- PARTIES SHOULD GET MONEY FROM PUBLIC FUNDS  
 PARTIES SHOULD GET MONEY FROM PUBLIC FUNDS  
 BUT NOT UNTIL THE ECONOMY IMPROVES  
 PARTIES SHOULD NOT GET MONEY FROM PUBLIC FUNDS AT ALL  
 DON'T KNOW

CODE	ROUTE
(32)	
1	
2	
3	
4	

Q.18 If political parties were provided with public money are there any things which you think it should not be spent on?

- ADVERTISING/PUBLICITY/PROPAGANDA ETC.  
 ENTERTAINING/EXPENSES  
 FOREIGN VISITS

(33)
1
2
3

DO NOT PROMPT

OTHERS (STATE) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

DON'T KNOW

SHOULD NOT BE SPENT ON ANYTHING

X
4

Q.19 Should most of the money go to the national party, or most to the local constituency parties, or about the same to each, or should the party decide how to split it?

- MOST TO NATIONAL  
 MOST TO LOCAL CONSTITUENCY  
 SAME TO EACH  
 PARTY SHOULD DECIDE  
 DON'T KNOW

(34)
1
2
3
4
X



IV INTEREST IN POLITICS

Finally just a few questions about your own interest in politics.

		CODE
Q.20	Firstly can you tell me .....	(38)
Q.20a	Were you eligible to vote in the June referendum on the Common Market ?	1
	IF YES	2
	Did you manage to get out to vote that day, or were you unable to ?	3
		4
Q.20b	Were you eligible to vote in the General Election in <u>October</u> 1974, when Labour won ?	(38)
	IF YES	1
	Did you manage to get out to vote that day, or were you unable to ?	2
		3
		4
Q.20c	Were you eligible to vote in the General Election before that in <u>February</u> 1974 when we had the 3 day week ?	(38)
	IF 'YES'	1
	Did you manage to get out to vote that day, or were you unable to ?	2
		3
		4
Q.21	Do you watch	(38)
Q.21a	Party Political Broadcasts .....	1
	ALWAYS	2
	OR SOMETIMES	3
	OR NEVER	
Q.21b	Other television programmes about politics or government .....	(39)
	READ OUT	1
	REGULARLY	2
	OR OCCASIONALLY	3
	OR NEVER	
Q.22	Do you ever:	
Q.22a	Listen to reviews of parliamentary business on the radio ?	(40)
	YES	1
	NO	2
Q.22b	Read articles or editorial comment on politics and government in newspapers ?	(41)
	YES	1
	NO	2
Q.22c	Read political books or journals ?	(42)
	YES	1
	NO	2

		CODE	SCORE
Q.23a Are you a member of a Trade Union ?	YES	1	Q.23b
<u>IF 'YES'</u>	NO	2	Q.24a
Q.23b Is it affiliated to the Labour Party ?	YES	3	Q.23c
	NO	4	
	DON'T KNOW	5	
Q.23c Do you hold any official position with your union ?	YES	(44) 1	Q.23d
	NO	2	
Q.23d Do you pay the political levy with your subscription, or have you contracted out ?	YES	(45) 1	Q.24b
	NO	2	
	CONTRACTED OUT	3	
	DON'T KNOW	4	
<u>ASK B14</u>		(46)	
Q.24a (Apart from any membership through the union) Are you a member of any political party ?	YES	1	Q.24b
	NO	2	Q.24c
Q.24b Do you contribute any money, apart from YOUR basic subscription, to the party ?	YES	(47) 1	Q.24c
	NO	2	
Q.24c If the party asked for more money would you be prepared to pay a little more ?	YES	(48) 1	Q.25
	NO	2	
Q.24d If the party asked for money would you be prepared to contribute to one of them ?	YES	(49) 1	Q.25
	NO	2	
Q.25a Are you a member of any other organisation which is concerned with matters of public importance or the interest of any particular group ? (ADD IF NECESSARY: An organisation campaigning for a special cause or representing a specific viewpoint ?)	YES	(50) 1	Q.25b
<u>IF 'YES'</u>	NO	2	CLASSIFICATION
Q.25b Which one is that ?			
_____		(51)	
_____			
Q.25c Do you hold any particular position in this organisation ?		(52)	
PROBE FOR DETAILS & CODE	YES	1	
_____	NO	2	
_____			
_____			
_____			

COLLECT CLASSIFICATION, THANK RESPONDENT AND CLOSE INTERVIEW

## STATE AID IN THE COUNTRIES VISITED

This Annex contains accounts of the systems of state aid to the political parties in the four countries visited by the Committee, namely Austria, The Federal Republic of Germany, The Netherlands and Sweden.

## A. AUSTRIA

**Background**

1. Austria has a population of 7.4 million and an electorate of just over 5 million. There are 3 main political parties:

- The SPO (Socialist Party) with some 700,000 members and dues of AS 15 (46p), 20 (61p) or more a month, depending on income.
- The OVP (People's Party) 900,000 members with dues graded according to income.
- The FPÖ (Freedom Party) with 35,000 members and dues about AS 10 (31p) a month.

2. The Austrian electoral system is based on a complex form of proportional representation. There is one governing body, the National Assembly, composed of 183 members. Its composition at present is: SPO 93 seats; OVP 80 seats; FPÖ 10 seats. Below the Assembly are 9 Länder with their own assemblies in which the SPO, OVP and FPÖ are also the major parties; and below these the districts and municipalities.

3. Direct general grants to political parties were introduced as recently as 1975. Over the last 12 years, however, state help to parties in one form or another has been increasing: grants to the parties' parliamentary groups were introduced in 1963; for "information" work in 1967; for publications in 1972; and for the parties' political academies also in 1972.

**Subsidies to Parliamentary Groups**

4. Since 1963, modest amounts have been paid to each parliamentary group (to qualify as a "group" a party must have at least 5 Members in the National Assembly) to help parties discharge their parliamentary functions. The grant is based on a flat rate sum, plus an additional amount graded according to the number of a party's Members. In 1967 an additional grant of 67% of the amounts paid under the 1963 Act was given to the parties to assist with the cost of their "information" work, (ie despatch of letters, brochures, circulars to the electorate, etc). The parliamentary groups, rather than individual Members, have their own offices and staff, except where the Member has a special individual function, eg the Speaker. The grants are for the parliamentary groups only and not for general use by the parties.

5. The grants, including administrative expenses, thus received by the parliamentary groups amount currently to about 23 million AS (£707,000).

### **Political Publications**

6. Since 1972 AS 5 million (£154,000) has been made available annually towards the cost of publishing political, cultural and religious brochures and periodicals.

### **Political Academies**

7. Subsidies are paid under an Act of 1972 to political academies or associations set up by political parties represented in the National Assembly. These grants are intended to encourage the provision of political information, seminars, lectures and courses. They consist of a flat rate of AS 3 million (£92,000) a year with additional amounts based on the number of seats held by the sponsoring party in the National Assembly. The total amount of the additions may not exceed AS 20 million (£614,000) in any one year.

8. The academies foster close co-operation with the party's central leadership, advising on political matters and providing an informed basis on which political decisions could be made. Special project groups of politicians and academic authorities report on topical issues, for example, energy, education, and constitutional matters. It was claimed that these reports made a significant contribution to party debate.

### **The Political Party Act, 1975**

9. General subsidies to the political parties in Austria were introduced by a Federal Law of 2 July 1975, which gave for the first time a legal status to political parties and formally recognised that they played an indispensable role in the Austrian democratic system.

10. The subsidies were designed to help the parties generally, but particularly in disseminating information on political, economic and social matters. A total, determined each year (AS 50 million (£1.5 million) for 1976), is allocated as follows:

- (a) Each party with at least 5 Members receives a flat rate grant of AS 4 million (£123,000);
- (b) The remainder of the subsidy (at present AS 38 million (£1.2 million)) is then distributed among all parties with at least one Member according to the votes obtained in the last elections;
- (c) Additionally, each party which, although not represented in the Assembly, has obtained more than 1% of the national vote receives during an election year only a share of the remainder referred to in (b) above according to its share of votes cast. The Communist Party, which received about 1.05% of the vote, is the only party at present entitled to payment under this clause.

11. Parties have to make a formal claim for payment. Any unclaimed money remaining in the AS 50 million (£1.5 million) pool is shared among the other parties. The Communist Party has declared its opposition to the subsidy as a matter of principle and its entitlement of AS 100,000 (£3,000) is to be distributed among the other parties. Parties receiving the subsidy have to present audited accounts of income and expenditure to the Federal Ministry of Finance.

12. Although the subsidy was not intended to be used by the parties specifically on election campaigns, it is argued that parties continue to perform their normal function of providing information and guidance on political matters during election years; thus a fairly wide interpretation of this aspect of the 1975 law appears to have been accepted.

#### **Arrangements at Land Level**

13. All provincial governments assist the parties financially. Five provinces subsidise their parliamentary groups and four give general subsidies; six provinces also support the parties' educational and information work.

14. We visited the Vienna Land Assembly which also serves as the Vienna city council. This Land is the most populous of the provinces. The parties there received in 1975-76 a total of AS 30 million (£922,000) for "civic education" and AS 3 million (£92,000) for administrative expenses.

#### **Reasons for introducing the 1975 subsidy**

15. We were told that the parties had found that costs had been increasing, particularly in the field of communications, and existing sources of income were proving to be insufficient. There was also strong pressure to introduce legislation in order to ensure that parties published their accounts, and thereby make known the main sources of their finance.

#### **Public reaction**

16. The three main parties supported the introduction of the subsidies. We saw no evidence of significant public opposition either to the principle or the mechanics of the scheme.

#### **Effects of subsidies on Party Financing**

17. It was too early to form any conclusions about the effects of the subsidy on party finances. The general subsidy was introduced only in 1975, and the earlier schemes were designed for specifically defined areas of party activity.

18. During 1976 the parties will receive from the Federal budget the following amounts:

for parliamentary groups (1963 Act)	AS 13.4 m (£412,000)
for information work (1967 Act)	AS 8.9 m (£273,000)
for political academies (1972 Act)	AS 28.9 m (£888,000)
for periodicals and brochures (1972 Act)	AS 5.0 m (£154,000)
for "public relations" generally (1975 Act)	AS 50.0 m (£1.5 m)

19. The parties' other main sources of income are:

- membership dues;
- a "party tax" levied on Members and other party functionaries;
- income from property and commercial undertakings;
- donations from industry; and
- donations from the parties' trade union groups

20. The SPO receives a higher proportion of its income from membership dues than OVP, though it has fewer members, because it is highly centralised and the central party receives one-third of all membership dues. The small FPO has a relatively small membership, and before the 1975 Act was poorly placed financially. It was not considered that party membership or political activity had been affected in any way by the subsidies. A high proportion (about 20%) of the total population were members of a political party, and seemed to be undeterred either by high subscriptions or the new public subsidy.

21. The "party tax" on Members and party functionaries does not yield much income. SPO headquarters received in 1973 AS 1.8 million (£55,000) (4.3% of its total budget for that year) from about 200 Members and other party members employed on boards of nationalised industry etc who were required to contribute 6% of their gross income. The OVP levied a tax of 10-25% of a functionary's gross income.

22. Donations from industrial organisations have dropped recently because they are now subject to tax at 35%. This has had a marked effect on OVP finances.

23. The various wings of the trade union movement contributed to the funds of both main parties, although the SPO receives by far the largest contribution from this source.

#### **General reaction to the Subsidies**

24. There appeared to be general agreement that the subsidies were necessary. It was felt that there was much to be said for open financing of the parties, and the introduction of a general subsidy was considered to be the only way in which the party accounts could be made public.

25. More broadly, Members of Parliament and others stressed the willingness of the Austrian people to pay a high price to ensure the continuance of democracy in their country. Their recent history and their proximity to Eastern Europe had made them particularly aware of how fragile democracy could be. Austria had enjoyed social, industrial and political peace for a number of years, and this was thought to be at least partly because the achievements of democratic government had been properly explained to the public by the political parties. About 80-90% of all legislation has been unanimously agreed, and there was a consistently high turn-out at elections.

## **B. THE FEDERAL REPUBLIC OF GERMANY**

### **Background**

1. West Germany has a population of 62 million (including West Berlin) and an electorate of 41.5 million. The political parties' representation in the Bundestag is as follows:

Social Democratic Party, SPD—230	}	(Governing coalition)
Free Democratic Party, FDP — 41		
Christian Democratic Union, CDU	}	225 (opposition)
Christian Social Union, CSU		

2. At national levels there are two parliamentary bodies, the Bundesrat and the Bundestag. The Bundesrat is composed of representatives of the Länder. All bills are submitted to it, and it has a right of veto over legislation which affects the rights of the Länder. The Bundestag is broadly the equivalent of the House of Commons. It consists of 518 members, but 22 of these sit for Berlin and have advisory functions only. The remaining 496 are elected in regular elections held every four years. Election is by proportional representation: each elector has two votes: the first for the constituency MP\*, and the second for the party list in the Land. The first votes in the constituencies determine the constituency MP. The second votes determine the distribution of the MPs for the Land among the parties.

3. There are 10 Länder, plus Berlin (which because of its "occupied" status is treated rather differently). Their governing assemblies, the Landtage, are single chamber and elected on somewhat the same system as the Bundestag. The parties in the Länder are the major national parties, except that in Bavaria the CDU leave the field to the CSU, a party which at the national level combines with the CDU to form a joint Parliamentary party.

4. Below the Länder there are further tiers of local authorities which we did not examine. But at those levels also the major parties dominate the political scene.

5. Political parties are recognised as part of the constitution. The Basic Law of 1949 lays down (Article 21)—

"1. Political parties shall participate in the forming of the political will of the people. They may be freely established. Their internal organisation must conform to democratic principles. They must publicly account for the sources of their funds.

2. Parties which, by reason of their aims or the behaviour of their adherents, seek to impair or abolish the free democratic basic order or to endanger the existence of the Federal Republic of Germany, shall be unconstitutional. The Federal Constitutional Court shall decide on the question of unconstitutionality.

3. Details shall be regulated by federal laws."

6. The Parties Law 1967 supplements the Basic Law and lays down, inter alia, fairly stringent requirements about the internal structure of parties; the rights of members; the timing and composition of the party congresses; the composition, period of office and electoral procedures for their governing bodies; the procedures for the formulation of policies; and the regional and local organisations.

#### **State aid to parties**

7. State aid generally takes the form of grants for election campaign expenses spread over four years, the bulk being paid in election years.

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\*NOTE: For convenience we use "MP" to signify a member of the Bundestag.

8. We were informed that state aid was originally introduced for two reasons:

- (a) the extent of the dependence of parties on donations from institutions, especially companies, was regarded with apprehension: and
- (b) donations to parties were made taxable in 1968, thus reducing the willingness of individuals and institutions to contribute.

9. State aid was introduced in the form of a 5 million DM (£1.1 million) grant to parties for political education in 1959. By 1965 the grant had increased to 38 million DM (£8.3 million) and was given for general activities but was restricted to the parties represented in the Bundestag. In 1966, however, the Constitutional Court ruled that these grants were unconstitutional. The Court saw the political parties as free competing organisations of society with political aims directed towards the state but acting independently of the state. It was considered unconstitutional for the giving of direct continuous financial support to such social organisations to be obligatory on the state. On the other hand, the activity of the parties was necessary for the operation of Parliament and Government. On the premise that elections were the medium through which parties and their members qualified for state office, the Court ruled that reimbursement of the necessary costs of an appropriate election campaign would be admissible, provided that it was extended to smaller parties.

10. Accordingly, the Parties Act 1967 laid down rules for subsidy through advance grants for election expenses, based on the performance of the parties concerned at the last election.

11. The grants now take the following form. An agreed sum, at present 3.50 DM (76p), for each elector is fixed by law. The total sum arrived at is then divided according to the number of votes cast for each of the qualifying parties. To qualify a party must receive 0.5% of the "second" votes, or 10% of "first" votes cast in an electoral district if no Land list is submitted. Parties can qualify for aid without winning seats in the Bundestag, since to qualify for seats in the Bundestag a party must poll 5% of the "second" votes or gain constituencies by direct election on the "first" vote.

12. A similar procedure is followed for the Landtag elections but the sum per vote is 2.5 DM (54p) or, in a few Länder, 1.5 DM (33p). Only in Bavaria, we were told, was the amount reimbursed linked to the parties' actual expenditure.

13. Parties must make formal application for the grant, which is paid to the national or Land headquarters in the following proportions over four years.

At national level:

First year after the relevant elections	0.0%
Second year after the relevant elections	10%
Third year after the relevant elections	15%
Fourth year just before the next election	35%
Immediately after the election	40%



For the **Länder** elections, which are held every five years:

First year after the elections	0.0%
Second year after the elections	5%
Third year after the elections	10%
Fourth year after the elections	15%
Fifth year just before election	30%
Fifth year just after election	40%

14. The total amount of aid paid to the parties at national level in the years 1973-76 inclusive was 145.6 million DM (£32 million), and at Land level for the period 1970-75 inclusive it was some 100 million DM (£22 million).

15. Parties are required to render accounts only of sources of income; no expenditure figures are required. Donations of over 20,000 DM (£4,000) must be specified and the name and address of the donor given.

#### **State aid within Parliament**

16. In addition to state aid outside Parliament, money is provided for the party groups (fraktionen) within the Bundestag. Each party group receives a flat rate grant and a grant scaled according to the number of seats. MPs are also required by their parties to contribute a proportion of their salaries to the party group. In total this income accounts for 15% of the group's income, and state aid for about 85%. The grants for 1976 are approximately as follows:

SDP	12 million DM (£2.6 million)
CDU/CSU	10 million DM (£2.2 million)
FDP	4 million DM (£870,000)

17. The money is spent on secretarial and research assistance etc, equipment and travelling expenses for the group. The SDP group employs about 135 staff, the CDU 100, and the FDP 20. MPs also have individual allowances for secretarial and research work.

#### **Political research and education institutes**

18. National research and education institutes (Stiftung) are connected to each party and heavily subsidised from state funds. They are at both national and Land level.

19. Generally the institutes' work is in the following fields:

- Political education for the public and for party workers. This is carried out through seminars, courses, lectures etc, often at residential centres.
- Research into topics of current interest eg housing, pollution, and immigration.
- Aid to the "third world" countries with the aim of promoting understanding and co-operation between nations.

20. The institutes are largely financed by the state, but they receive some support from individual donations. The subsidies are apparently agreed by the

institutes and the appropriate Ministries and consist of a flat rate and a rate scaled according to the number of seats in the Bundestag. Any party gaining 5% of the vote, that is, represented in the Bundestag, could receive a grant for an institute.

#### **Effect of state aid on parties**

21. State aid to the parties is on a generous scale. The aid for election expenses comes to some 30% of the parties' income. If aid to the parliamentary and Land party groups, grants to the institutes, youth organisations etc are included, the proportion could be as high as 60%.

22. Standards of party accommodation and staffing generally appear to be high.

23. Neither membership numbers nor membership income had declined because of state aid. All parties mentioned that they had increased membership considerably since 1970. They all keep in regular touch with their members, generally by means of a monthly party magazine, the cost of which is included in the membership subscription.

24. At local level parties are organised in fairly small units, and membership activity is on the whole political rather than financial. Little time is spent raising money by bazaars, jumble sales, lotteries etc. Dues are collected personally or by bankers' orders. The parties also appeal for donations, since there are tax concessions on donations of up to 600 DM (£130). Much of members' time seems to be spent in political discussion at seminars, conferences and evening classes.

25. There is rarely much opposition to proposals to increase membership dues. We were told that membership might drop away temporarily when dues were increased, but it usually soon recovers.

26. Most membership dues are collected locally and passed up to headquarters through the various levels, with a percentage being deducted at each level although the Land parties of the SPD do not receive any money from subscriptions. MPs also pay a fairly large proportion of their income, between 12% and 23%.

#### **Attitude towards state aid**

27. We formed the general impression that state aid to parties was not now controversial. While people generally might not go along with assertions that this amount of money was absolutely vital to keep democracy alive, there did seem to be a measure of agreement that parties were necessary to democracy, and that they needed adequate funds in order to operate effectively. A lot of stress was laid on the parties' educative role through party politics and electoral campaigns.

28. We were also told of the importance of state aid in ensuring that parties were free of institutional pressures and making them more dependent on electoral success. The role played by business contributions in the early years

of the Nazi movement is still remembered. Party leaders also stressed that state aid gave all parties an equal opportunity.

29. The further point made was that because parties were economically independent, wealthy individuals could no longer "buy" themselves a place on the party lists for elections. Concern was, however, frequently expressed about the high cost of election campaigns.

### C. THE NETHERLANDS

#### Background

1. The Netherlands has a population of 13.6 million and an electorate of 9 million. The Dutch parliament consists of two chambers. The First Chamber is elected by the States Provincial (one of the major tiers of local authorities); the Second Chamber, which comprises 150 members, is broadly the equivalent of the House of Commons. Ministers sit in the Second Chamber but are not members, and, if elected, have to resign on taking up Ministerial posts. The members are elected by proportional representation on national lists.

2. There are 70 registered political parties in The Netherlands; 20 parties put forward candidates in the 1972 General Election and 15 parties are now represented in the Second Chamber. The largest parties are:

Labour Party (PvdA)	43 seats	} forming the present governing coalition
Catholic People's Party (KVP)	27 "	
Anti-Revolutionary Party (ARP)	14 "	
Political Radical Party (PPR)	7 "	
Democrats '66 (D66)	6 "	
Liberal Party (VVD)	22 "	
Christian Historical Union (CHU)	6 "	
Communist Party (CPN)	7 "	

#### Financial Situation of Parties

3. Membership dues form the parties' main source of income, even though the level of membership has been falling in most parties. The Labour Party receive little, if any, support from the trade unions, but the Liberal Party does receive some business donations. Private donations to the parties are common, and such gifts may in certain circumstances qualify for tax relief.

4. Not all the parties publish accounts, but it seems that the major parties are currently receiving income from membership subscriptions as follows:

*Labour Party*—100,777 members (131,000 in 1968)\* paying an annual fee of Fls 4.30 (£0.88) to Fls 58 (£11.80) according to income. The average membership fee is Fls 45 (£9.26).

*Catholic Party*—100,000 members (220,000 in 1968) paying an annual fee of Fls 15 (£3) to Fls 69 (£14) according to income.

*Liberal Party*—83,210 members (figures for 1968 were not available) paying an annual fee of Fls 12.50 (£2.55) to Fls 50 (£10.18) according to age.

\*Party membership figures for 1968 are taken from the PERP study by Henig and Pinder "European Political Parties".

*Anti-Revolutionary Party*—69,000 members (93,000–100,000 members in 1968) paying an annual fee of Fls 24 (£4.90) to Fls 125 (£25.50).

*Christian Historical Union*—30,000 members (45,000 in 1968) paying, on average, an annual fee of Fls 16.50 (£3.36).

5. Party finances are generally centralised. Membership dues are usually collected centrally by post, although one or two small parties may still collect them locally. The local party organisations appear weak by United Kingdom standards. They are normally staffed by volunteers, run from private premises and supported financially by their headquarters.

#### **Existing State Aid**

##### **Facilities in the Second Chamber**

6. In addition to their salaries, Deputies receive travel, telephone and postal allowances.

7. The following grants are made from state funds:

- (a) Fls 1,060 (£216) a month is paid to individual Deputies to defray the cost of secretarial and other assistance. This represents about one-third of the cost of employing a full-time secretary. There are proposals to raise this allowance to the equivalent of one-half of this cost.
- (b) A scaled contribution is provided towards the cost of running the political secretariats of each parliamentary party. The grant is calculated as follows. The annual allowance (Fls 1,000 (£204) for a floor leader (ie Chairman of a party group) plus Fls 300 (£61) for each Deputy in the group up to a maximum of Fls 10,000 (£2,037) is multiplied by a factor which is agreed annually (66.75 in 1975). This has at present the effect of providing a maximum of about £136,000 for any one party; there is no weighting for opposition parties.

#### **Radio and Television**

8. All parties represented in the Second Chamber get an equal share of free radio and television time. During election campaigns every party putting forward nation-wide lists of candidates receives free television and radio time and a partial reimbursement of technical expenses. In addition to these broadcasts there is extensive news coverage of political affairs and the proceedings of Parliament are televised.

#### **Financial Aid to Research Institutes**

9. Aid for the parties' research institutes was introduced in 1972, with retrospective effect to 1970. In 1972 there were five such institutes, run by the Labour, Liberal, Catholic, ARP and CHU parties, but since then the number has increased to seven.

10. The aid consists of an annual state grant which, taken with the other income of the institute, is intended to cover its estimated expenditure. If the institute can itself raise enough income to cover all its expenditure it does not get a state grant. A party's grant is scaled also according to the number of Deputies

representating the party in the Second Chamber, and may not exceed the institute's income from other sources. Part of the grant is given in advance, to cover estimated expenditure; and the final sum is determined retrospectively. The grants are given on certain general conditions: a research institute must be recognised by a party which is represented in the Second Chamber (each party can recognise only one institute); it must have a corporate status; make its accounts open to government audit; and must carry out academic research in furtherance of the party's political objectives. In 1975-76 the grants to the institutes totalled Fls 1,520,000 (£312,000).

11. We did not visit any of these institutes, but we understand that they are occupied principally with party political research. This is mainly concerned with general, longer term topics rather than with briefing for the party's Deputies in Parliamentary debates. Their reports are published and are thus subject to public scrutiny and comment.

12. Each institute has a governing body or bodies, composed of leading party members, Deputies and academics. The number of staff varies, probably according to the strength of the party and the size of its subsidy. The Labour institute is the largest with 12 paid staff and is said to be able to call on the services of up to a thousand volunteers. Some staff are employed full-time, and some part-time. The institutes' reports may be compiled by professional staff alone, or, more usually, the institute might provide the secretariat for committees formed to consider a particular topic.

13. We were assured that party money formerly used for research was not now being diverted to other party activities. The institutes have a tradition of separate funding, have their own governing bodies, and publish their own separate accounts.

14. We found general acceptance of the need for each party to carry out research and policy formulation and the need to support these activities with public money. As with the United Kingdom parties, Dutch experience is that research activities are among the first to be cut when a party is short of money. We were unable to judge, however, how far the quality of Dutch politics, or political debate among party members or the public, had improved as a result of state aid to the research institutes.

#### **Financial Aid to Educational Institutes**

15. In 1975 the Government authorised the payment of state funds to the educational institutes of political parties. At present there are only four such institutes, belonging to the Labour and Catholic parties, the ARP and the VVD. Since the introduction of the aid, however, other parties might well be encouraged to establish their own institutes.

16. As with the research institutes, an educational institute, in order to qualify for a grant, must be recognised by a political party represented in Parliament; it must have corporate status and make its accounts books available to government auditors.

17. There is no requirement that the grant shall be matched by income from other sources. The grant is set at 90% of total expenditure up to Fls 30,000 (£6,000) reducing to 70% of expenditure above that amount. Each party's grant is subject to a ceiling based on the number of its parliamentary representatives. The total amount allowed for in the 1976 budget is Fls 1,970,000 (£400,000).

18. The educational institutes run courses, conferences and seminars for party workers and party members generally, youth and women's organisations, and prospective parliamentary and local authority candidates. Dutch schools normally provide a rather more formal education in politics than is the practice in the United Kingdom, and the political parties are sometimes asked to assist in this.

19. It was too early to judge the effects of state aid in this field. But the fact that other parties were now starting to organise educational institutes, and that those existing in 1975 had increased their professional staff, suggests that this is an expanding area of activity.

#### **Attitudes to Further or Different forms of State Aid**

20. We were told that the political parties in The Netherlands were in financial difficulties, but it was difficult for us to assess just how serious these might be. The formation of new political parties has traditionally been comparatively easy in The Netherlands, and some parties that have grown rapidly have collapsed as quickly. Any extension of aid to include grants for the parties' general use would therefore pose problems in deciding which parties should qualify for payment.

### **D. SWEDEN**

#### **Background**

1. Sweden has a population of 8.2 million and an electorate of about 6 million. The Riksdag (parliament) was reconstituted in 1970, the First and Second Chambers being replaced by a single Chamber of 350 members, directly elected for three years. The electoral system is one of proportional representation with 28 constituencies electing 310 members from parties who have either received 4% of the national vote or 12% of the votes cast in their constituency. The remaining 40 seats are distributed among those parties which have received 4% of the national vote. The Social Democratic Party has formed all or part of the government for 40 years. The party strengths in the current Riksdag are as follows:

Social Democrats	—	156
Liberals	—	34
Moderates (Conservatives)	—	51
Centre	—	90
VPK (Communists)	—	19
		—
		350
		—

#### **Current Subsidies for the Political Parties**

2. Public aid to the political parties is given on a national (state support) and a regional and local (communal support) level. State support was introduced

in 1965 and partly reconstructed in 1972; the amounts paid have been successively increased, the current amounts being set in 1975. Party support at local government level was introduced in 1969, the amounts being determined by the individual local authorities.

### State Support

3. State support is provided in two forms: *national support*, which is a general party subsidy, and *staff support*, which is intended to defray expenditure by the parties on the secretariats of their parliamentary groups.

### National Support

4. This subsidy is currently fixed at 115,000 Kr (£14,000) annually per seat in the Riksdag. In order to avoid serious fluctuations in the level of the subsidy, the amounts payable are based on the two immediately preceding general elections. In the first year of the 3-year period following a general election, each party receives a subsidy relating to one-sixth of the number of seats obtained in the last election plus five-sixths of the number obtained in the immediately preceding election. In the second year, the subsidy is based on one-half of the seats won in both elections. In the third year, a party's subsidy relates to five-sixths of the seats obtained in the last election plus one-sixth of those won in the immediately preceding election.

5. National support is also provided for those parties which are not represented in the Riksdag but which obtained more than 2.5% of the total vote at the last general election. For each tenth of 1% above 2.5% the party receives 115,000 Kr (£14,000). Any party qualifying for representation in one constituency on the basis of 12½% of votes cast in that constituency also receives one-fourteenth of basic support (see paragraph 6) for each member returned.

### Staff Support

6. This assistance takes two forms—basic and additional support. The basic support amounts to 2,025,000 Kr (£255,000) paid annually to each party represented in the Riksdag. Additional support is paid on the same basis but at a rate of 5,650 Kr (£710) for every seat obtained if the party is represented in government, and 8,500 Kr (£1,069) for each seat if it is not.

### Reviews

7. Subsidies are reviewed regularly, the latest increase being made in the autumn of 1975. A total amount of 57 million Kr (£7.2 million) in state support for the parties was proposed by the Government for 1975–76.

### Communal Party Support

8. Financial aid for parties represented in the county and municipal councils was introduced in 1969. The communes are able to set the level of subsidy at any level they choose, but the amount of money per seat held must always be the same for each party; no distinction can be made between majority or minority parties represented on the Council. All 23 counties and all but two of the 278 municipalities have introduced some degree of subsidy. In 1976 the

counties will pay a total of 22.5 million Kr (£2.8 million) and in 1974 the municipalities paid 38.5 million Kr (£4.8 million) in communal party support.

#### **Origins of the Party Subsidies**

9. In the early 1960s the financial difficulties of the Swedish newspaper industry were critical. Most Swedish newspapers had close links with the political parties and in 1963 a Royal Commission recommended that aid should be given to the press through the political parties. Legislation was subsequently introduced for the payment of the subsidies, directly and unconditionally, to the parties.

10. Following the report of a Royal Commission, arrangements for the payment of state aid to the political parties were first made by the Riksdag in 1965, and took effect from 1 January 1966. The arrangements included provision for national support, payable to parties which received at least 4% of the national vote; and staff support, which was paid at a higher rate to opposition parties.

11. In 1969 a law was passed enabling the counties and municipalities to provide financial aid to parties represented in their governing bodies. Aid is allocated according to the number of seats held, but the amount per seat is determined by the local authority. By 1971 all the counties and 90% of the municipalities had introduced schemes.

12. In June 1971 a government committee was set up to examine the support being given to the parties. The committee reported in April 1973, unanimously recommending immediate increases in the national support for parties, which until then had remained almost unchanged since 1966. National support was also to be provided for parties not represented in parliament but which had received at least 2.5% of the vote in the most recent election. Staff support was to be supplemented by the introduction of a basic support for each party represented in parliament that had obtained 4% of the votes cast in the latest election. In order to ensure security for party employees and to facilitate forward planning by the parties, the changes in grants consequent upon election gains and losses were to be introduced gradually. No changes were recommended in the type of support provided at regional and local level. The committee's report was accepted by parliament and the new rules took effect on 1 July 1972.

#### **Principles on which Current Schemes are Based**

13. The system of party subsidy has been based on four principles which were reaffirmed by the 1971 Committee. These basic principles are:

- (a) aid should be given only to those parties which have demonstrated in general elections that they can command a significant level of support;
- (b) the subsidies are to be calculated and allocated according to fixed rules in order to rule out the possibility of preferential treatment;
- (c) the amounts of support should be related to the relative electoral strengths of the parties; and
- (d) there should be no public control over the ways in which the parties use the support.



14. The rules governing the qualifying conditions and the allocation of funds have ensured that the first three principles are observed. The fourth principle, that of complete independence for the parties on how the money is spent, has also been strictly applied. For example, whilst the staff support scheme was originally intended for party activity within the Riksdag, the parties are in fact able to spend the money as they wish.

#### **Party Attitudes towards State Aid**

15. Opinion in the Moderate (Conservative) Party in the early 1960s had apparently been divided over the question of principle involved in the subsidising of political parties. In recent years, however, the party has come to accept the principle of state aid, although it never takes the initiative in pressing for increases in the amounts paid, either at state or local level. The other main parties were unanimous in their support of party subsidies. One of the minor parties, the Christian Democratic Party, said that although they accepted the principle of state aid, they thought that the threshold of 2.5% of the national vote (150,000 votes) was unfair; the Christian Democratic Party had polled only 1.8% of the vote and therefore did not receive aid at national level, although they did receive aid at municipal level.

#### **Effects of State Aid**

16. In recent years the amounts received by the parties by way of public subsidies have increased considerably, and now represent a very high proportion of the parties' income. State support received by the parties now accounts, for example, for 37% of the Moderate Party's central income; 65% of that of the Social Democratic Party; 75% of that of the Liberal Party; and 88% of that of the Centre Party.

17. All the parties claimed that their membership levels had remained unaffected by public subsidy. Only the Liberal Party has been losing members in recent years. The normal practice is for membership dues to be collected locally and then transferred, via the regional organisations, to the centre with a percentage being deducted at each stage. Special fund-raising campaigns were run in election years, but there was some evidence to suggest that since the introduction of the subsidies voluntary donations over and above the membership fee had been falling off in real terms.

18. The Social Democratic Party at all levels received large donations from trade unions in election years. No direct contributions are received from the unions in non-election years, but the party and the unions sometimes conduct joint campaigns on subjects of interest to them both and the costs of these campaigns are shared. About 70% of party members are trade unionists, and they pay the same dues and have the same privileges and responsibilities as other members.

19. The Moderate Party still receive considerable financial support from business firms at all levels, particularly at local level, but contributions from this source decreased in real terms following the introduction of the subsidies in 1966. The Liberal Party decided soon after 1966 that they would accept no further contributions from business firms.

20. All the parties agreed that the subsidies were now essential to them, and some could well disappear if the subsidies were to be withdrawn. The Social Democratic Party did organise fund-raising lotteries, but there was little evidence that the parties generally were making any great efforts to raise money from voluntary sources.

21. The parties maintained that as a result of public subsidies they were now able to operate at a much more professional level, and could stand comparison with other organisations in Sweden. All had been able to increase their staff and provide far more information to their members and the public generally. Although the parties seemed to make much of being "folk movements", there appeared to be no strong tradition of voluntary service within the parties. With the introduction of the subsidies, however, they had been able to increase their contact with the public, although this was mainly done through the distribution of written material, organised chains of telephone calls at elections and discussion groups and seminars at other times. The parties were in no doubt that this increased activity was in the interests of parliamentary democracy.

22. Sweden has a tradition of high turnouts at elections, and with their additional finance the parties said they were now able to maintain political activity at local level during non-election years. The local membership was brought into the policy formation process; papers prepared at the centre were normally issued to the regional and local parties who were invited to comment upon them. These comments were taken into account at the centre before any particular policy was finally decided. The effectiveness of these procedures depended a great deal on an efficient organisation and a substantial flow of information from the centre. The parties claimed that these could not be provided without the financial backing provided by the subsidies.

#### **Effects of Communal Aid**

23. We were told that participation in local government affairs had recently been the subject of intensive discussions and investigation. Recent reforms has resulted in the creation of larger authorities and fewer councillors. A sense of remoteness had developed and the government hoped to counteract this by giving an impetus to the creation of neighbourhood councils and by strengthening the position of councillors, for example, by giving them the statutory right to leave of absence from work.

24. It was considered that the communal subsidy had done much to equip the political parties for their job of involving people in the political life of the regions and municipalities. There had been increased political activity at local level and much better training of party workers; local councillors were now able to prepare themselves adequately on local issues.

25. Many local parties were now largely self-financing and had thereby become more independent of their central organisations. The amounts of communal subsidy varied, however, from area to area, according to decisions taken independently by the individual authorities. As a result, some of the local parties continued to be supported by their party's central organisation. The

Communist Party, for example, passed on about 800,000 Kr (£100,000) of its annual state subsidy of 4.3m Kr (£541,000) on to those local parties that received only modest amounts of communal aid, either because of their low vote in the area or because the local subsidy was set at a low level.

#### **Accountability**

26. Annual payment of the national subsidies is made nominally to the national organisations of the parties on receipt of a written application. Regional and municipal subsidies are paid to the parties at those levels. The parties have the right to use their subsidies in any way they choose and there is no accountability to Parliament as to how the money is spent. We were assured that the financial organisations of the local parties would ensure that the subsidies were put to proper use.

## OVERSEAS SCHEMES OF STATE AID FOR POLITICAL PARTIES

An account of the systems of state aid to political parties in the four countries visited by the Committee is given in Annex H. This Annex contains a brief account of the extent of state aid in a further eight countries: Canada, Denmark, Finland, France, Italy, Japan, Norway and the United States of America.

### A. Canada

1. A system of financial aid to the political parties was introduced in Canada in 1974 (Canada Elections Act), although at a provincial level Quebec had been operating a scheme of partial reimbursement of candidates' election expenses since 1963.
2. Under the 1974 Act Federal candidates who are elected or receive at least 15% of the votes cast can receive a partial reimbursement of their election expenses. Tax credits (ie a deduction from taxes otherwise payable) up to a maximum of \$500 (£290) in any one year are allowed to taxpayers contributing to political parties and candidates. It is estimated that the cost of the tax concessions is about \$20 million (£11.5 million) in an election year, and about \$10 million (£5.7 million) in a non-election year.
3. As regards aid to the parties generally, assistance with the cost of salaries for the parties' research staff is based on the extent of their representation in Parliament. In 1975 \$671,400 (£388,000) was made available to the four main parties. In addition, free accommodation, stationery and office equipment is provided.
4. The Member's constituency office is also subsidised at the annual rate of \$7,200 (£4,000) for staff and \$3,600 (£2,000) for rent. Free stationery and Government printing facilities are also available to the constituency offices. Total aid for constituency offices at present amounts to \$1,750,000 (£1 million) a year.
5. The 1974 Act also limits the amount of expenses that parties and candidates may incur at an election and includes provision for public disclosure of contributions.
6. The bulk of party expenditure in Canada takes place during elections. Candidates are nominated immediately prior to an election, and local constituency organisations tend to be inactive between elections.
7. It is expected that the disclosure provisions will lead to the major parties having to broaden the base of their financial support, but there has so far been no marked fall in the parties' total income from voluntary sources. It is hoped that the new law will encourage the development of more active party organisations.

## B. Denmark

1. In 1968 a system of aid was introduced in Denmark whereby a certain sum of money is paid monthly to each party group in the Folketing (Parliament) to enable the group to employ secretaries, pay for expert assistance and advice on technical questions, and buy office equipment and literature. The amount allocated to each group is divided into two parts, one fixed and the other variable, in proportion to the number of Folketing seats held by the party concerned. Both amounts are tied to the cost of living index and are adjusted accordingly every six months. Total payments now amount to rather more than 6½ million Kronen (£593,000) a year, shared among the 10 political parties represented in the Folketing.

2. Although the subsidies are intended for the use of the parties in Parliament, there appears to be no detailed control over the way the money is spent.

3. At parliamentary elections the parties recognised by the Ministry of the Interior as contesting the election are granted equal amounts of free radio and television time.

## C. Finland

1. A system of subsidies to the political parties was introduced in Finland in 1967 because party income, which came mainly from members' dues, contributions from supporters and the voluntary fund-raising activities of members, was proving insufficient to meet rising costs. And, as in Sweden, the newspapers attached to the political parties were in need of additional financial support.

2. The subsidies are voted as a separate item in the budget each year. For the first 6 years the total amount paid was 10 million marks (£1,445,000) a year; since 1973 this has been increased to 16 million marks (£2,311,000) a year. The money is distributed in proportion to the number of Members of Parliament from each party. A subsequent law has provided that if more than half the Members of Parliament belonging to any party break away from that party to form a new one, the new party can receive the subsidies for these Members.

3. Initially, much of the party subsidy was used to support party newspapers, but these are now covered by a separate item in the budget concerning subsidies for the press. The parties' youth and teenage organisations receive separate funds under a different budget item and women's organisations are also supported. Party finances also benefit indirectly from budgetary aid to other organisations and activities, for example sporting organisations which in Finland are political in character. The budget proposals for parties subsidies in 1976 are as follows:—

Direct party support	FMK 16 million (£2,311,000)
Party press subsidies	FMK 13.5 million (£1,950,000)
Party Parliamentary Offices	FMK 1 million (£144,000)

4. The party subsidies are paid directly to the party offices which decide how they are to be used. The parties have to account for how the money has been spent. There are, however, few restrictions, and any normal party activities are considered acceptable.

#### D. France

1. State subsidies have so far been generally confined to assisting individual candidates in their election campaigns.
2. In communes of less than 2,500 inhabitants candidates pay their own campaign costs. In communes of 2,500 to 9,000 inhabitants the Commission de Propagande, set up at the beginning of each election, distributes manifestos and voting papers at public expense. In communes of over 9,000 inhabitants the state pays the cost of paper, the printing of voting papers, and the printing and distribution of posters and manifestos for candidates obtaining at least 5% (in some cases 10%) of the vote in one of the two rounds of the ballot (in the first round in towns of over 30,000 inhabitants).
3. If a candidate for the Presidency receives at least 5% of the vote he is paid a lump sum of 100,000 F (£12,000) towards his campaign costs. In addition, each presidential candidate is allowed two hours of free television and broadcasting time for each of the two successive rounds of ballots. The parties also receive a certain amount of indirect subsidy from the budgets of the Assembly and Senate.

#### E. Italy

1. A system of public subsidies to Italian political parties was introduced by law in 1974. This legislation provides for aid to be given to the parties in the form of Electoral and Organisational Funds.
2. A sum of 15 billion lire (£10 million) is paid from an Electoral Fund at each general election to all parties participating in elections to the Chamber of Deputies (Lower House) in at least two-thirds of the constituencies, provided they have one or more candidates elected and obtain at least 300,000 votes or 2% of the votes cast. 15% of the total sum is shared equally amongst the qualifying parties, the remaining 85% being distributed according to the number of votes obtained.
3. An annual sum of 45 billion lire (£30 million) is also made available from an Organisational Fund for the day-to-day running of the parties. This sum is initially divided between the two Houses of Parliament, 15 billion lire (£10 million) going to the Senate and 30 billion lire (£20 million) to the Chamber of Deputies. 2% of the fund is shared equally amongst the national parties. A further 23% is also shared equally, but with special provision for Independents and linguistic and ethnic minority parties. The remaining 75% is divided proportionately amongst all parties represented in Parliament, according to the number of seats gained in the preceding general election.
4. Each party secretary is required to publish an annual balance sheet specifying all party income, with the exception of private donations of less than 1 million lire (£670). Balance sheets must be submitted for checking to both the President of the Chamber of Deputies and the President of the Senate.
5. Public Corporations, State Holding Corporations and companies in which the state holds 20% or more of the shares, either directly or indirectly, are forbidden to contribute to party funds.

6. There was general agreement amongst the main parties in 1974 on the urgent need for legislation on party financing. Only the Liberals voted against it. They saw the subsidies as a threat to party autonomy; and as favouring the larger parties, and discouraging the formation of new ones. They also objected to the payment of public funds to extremist parties.

7. The systems of state aid introduced in 1974 have not proved popular. A public opinion poll published in October 1974 showed that 54% of Italians disapproved of the law and only 7% were unequivocally in favour. A further poll in January 1975 indicated increased disapproval. In the autumn of 1974 a National Committee, supported by the Liberal Party and other political groups, was formed to promote a referendum on whether the law on the public financing of political parties should be repealed.

## **F. Japan**

1. Japanese political parties do not receive direct aid from public funds although research staff are provided to assist the various committees. Two new laws—the Revised Public Elective Offices Law and the Revised Political Funds Control Law—passed in July 1975, and effective from 1 January 1976, provide for limited public assistance for election candidates and simultaneously introduced some restrictions on election advertising and controls on party contributions.

2. The Revised Public Elective Offices Law provided that elections would henceforth be partly financed by the state, and all candidates provided with a free car for electioneering, posters and a fixed amount of political advertising. At the same time restrictions have been placed on advertising by candidates' support organisations, and on the free distribution of party newspapers.

3. The Revised Political Funds Control Law placed limits on donations by companies or individuals to parties, political groups, or election candidates. For individuals the total permitted contribution is ¥20 million (£38,000) per year. For companies and trade unions the maximum contribution is limited, according to the amount at which the company is capitalised or the membership of the union.

4. Donations to an individual politician or political group are limited to smaller amounts. Membership fees to party organisations are counted as contributions. These restrictions do not apply to gifts from political groups or from legacies. Organisations in receipt of public money in aid or subsidy may not give contributions within one year of receiving that aid or subsidy. Companies which have been running at a loss for three years or more may not contribute until that loss has been made good. Foreigners and foreign companies are not permitted to make contributions.

5. Parties and funding bodies are required to submit to the Ministry of Home Affairs an annual list recording the origin of all contributions totalling over ¥10,000 (£19). Individual political groups or support organisations for individual politicians must make similar returns in respect of contributions totalling over ¥1 million (£2,000). All political parties must publish their accounts by the end of March each year.

6. The changes in the law were aimed at ending the parties' dependence on business interests for their income and making it necessary for them to seek increased financial support from individual members of the public. It was thought that this would be more democratic and create more public participation in politics. The new arrangements will be reviewed in five years' time with a view to further hastening the eventual abolition of business contributions.

7. It is probably too early to judge the effects of the new laws on party finances. It has been claimed that by introducing limited state support for election purposes the need for massive spending by the parties has been removed, although others have argued that substantial private election funds will still be necessary.

#### G. Norway

1. Public subsidies to political parties were introduced in Norway in 1970. Grants are paid to parties which put up candidates in more than 50% of constituencies and are represented in Parliament. The subsidy is allocated according to the number of votes and seats won by each party at the preceding general election. In 1973 a total of 11 million Kroner (£1,000,000) was distributed in this way. The money is paid to the parties' central organisations but from January 1976 additional payments, also based on election results, will be made to local party organisations.

2. Party Information Organisations receive substantial sums for running educational courses (for example, the Information Offices for the Centre Party and the Christian People's Party received Kr 70,000 (£7,000) and Kr 194,000 (£19,400) respectively in 1974. Each of the parties' press offices receives a subsidy of Kr 82,500 (£8,250) a year irrespective of party size. In addition, the parties' youth organisations are subsidised and grants are given towards the costs of telecommunications.

3. Free secretarial and other staff assistance is available to all Members of Parliament.

#### H. The United States

1. Subsidies for Presidential candidates were introduced in the United States in 1974 when amendments to the 1971 Federal Election Campaign Act were introduced. Campaign costs had been increasing markedly, and the traditional system of campaign financing had proved inadequate.

2. In addition to providing for the Federal financing of Presidential elections, the new law also set limits on contributions from supporters and on expenditure by candidates. The provisions of the 1974 Act are administered by the Federal Elections Commission.

3. The main provisions of the law dealing with the public financing of parties and candidates are as follows:

- (a) *Presidential elections*.—The nominees of the two major parties automatically qualify for grants of \$22 million (£12.3 million) each. Nominees of minor parties are eligible for a proportion of this amount



if their party's candidate received at least 5% of the vote in the preceding election. If a candidate opts for public funding he is not permitted to accept private contributions, although his party can spend up to about \$3 million (£1.7 million) on his behalf.

- (b) *Presidential nominating conventions.*—The major parties automatically qualify for about \$2 million (£1.1 million) each. Minor parties would qualify for lesser amounts based on votes received in the preceding election.
- (c) *Presidential primaries.*—Matching public funds are provided for qualifying candidates. In order to qualify for a grant each candidate is required to raise \$5,000 (£2,800) in each of 20 states in individual contributions of not more than \$250 (£140). This \$100,000 (£56,000), plus the first \$250 of all other individual contributions, is then matched with Federal funds up to a maximum of \$5.5 million (£3 million). Only funds raised after 1 January 1975 qualified for matching public money for the 1976 election.

4. The Federal money for the public funding of campaigns comes from the Presidential Election Campaign Fund which was established in 1971. Citizens are able to indicate on their annual tax form that they wish \$1 (56p) (\$2 for a married couple) to be appropriated to the fund. After a slow start it is estimated that the tax check-off scheme will have produced \$96 million (£53.8 million) in the four years up to 1976.

5. The new law also established limits on voluntary contributions. No individual is now allowed to give more than \$1,000 (£560) directly to any candidate for each stage of the election, and no more than \$25,000 (£14,000) annually to all Federal candidates. No organisation may contribute more than \$5,000 (£2,800) for each election. However, a 1976 Supreme Court ruling invalidated the 1974 law provision restricting "independent" expenditure by any individual in support of a candidate to \$1,000 (£560).

6. Candidates are required to report details of all contributions received to the Federal Elections Commission without delay. The Commission then make this information available to the public almost immediately.

7. Although the US Congress has for some time provided generous funds for the employment by Congressmen of aides and research assistants, the 1976 elections are the first to be publicly financed.

## ANNUAL GRANT

## Amounts Payable to the Parties

Based on 5p for each vote cast at the October 1974 General Election\*

Party	Amount Payable £
Labour	573,407
Conservative	523,234
Liberal	267,340
Scottish National Party	41,982
United Ulster Unionist Coalition	20,389
Plaid Cymru	8,317
Social Democratic and Labour Party	7,710
Total	<u>1,442,379</u>

\*Details of votes cast have been taken from The Times Guide to the House of Commons, October 1974.

## RECOMMENDED DISCLOSURE PROVISIONS

It is recommended that the following items should be included in an annual return of income, expenditure and assets submitted by parties receiving an annual grant.

*Income*

- (a) Payments from constituency parties including subscriptions, affiliation fees and quotas;
- (b) Other subscriptions (including trade union affiliation fees to centre, listing unions and amounts);
- (c) Gifts (including appeals), payments etc from other bodies or individuals within the range per individual donation (or donor if several payments have been received from an individual or body)
  - (i) up to and including £5,000 (total sum only)
  - (ii) over £5,000 (total sum and number of donations)
- (d) Investment income, net of tax;
- (e) Other income.

*Expenditure*

## Table A

- (f) Salaries and wages, NI etc.
- (g) Printing, postage, telephone and stationery
- (h) Rent, equipment, office services
- (i) Travelling, conference etc expenses
- (j) Fees to consultants, agencies, etc for public opinion research, public relations, advertising etc
- (k) Other expenditure

## Table B

- (l) Headquarters' administration
- (m) Area/regional services; agency service; grants to constituencies; internal communications etc; where these are paid for by HQ
- (n) Publicity, press relations, broadcasting, market research
- (o) Research and policy formulation
- (p) Other expenditure

Expenditure under Table A should be reclassified either separately or by means of notes under categories in Table B.

*Assets*

Balance in Funds and Reserves as a whole at beginning and end of each financial year.



HOME OFFICE

# **THE ORGANISATION OF RACE RELATIONS ADMINISTRATION**

## **Observations on the Report of the Select Committee on Race Relations and Immigration**

*Presented to Parliament by the Secretary of State for the Home Department by  
Command of Her Majesty  
September 1976*

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# **THE ORGANISATION OF RACE RELATIONS ADMINISTRATION**

## **OBSERVATIONS ON THE REPORT OF THE SELECT COMMITTEE ON RACE RELATIONS AND IMMIGRATION**

### **INTRODUCTION**

1. The Government welcomed the decision of the Select Committee to devote the 1974/75 session to an enquiry into the organisation of race relations administration; and was particularly grateful to the Committee for carrying out its enquiry quickly and making its Report in time for the relevant recommendations to be taken into account in the proposals for new legislation in the White Paper on Racial Discrimination (Cmd. 6234).

2. The Government decided that it was essential to publish the proposals for legislation in time for a Bill to be introduced in the present session so that new provisions against discrimination may take effect as soon as possible. As the Committee had assumed, the Bill strengthens the present law against racial discrimination and harmonises the powers of enforcement with those provided in the Sex Discrimination Act 1975.

3. The Select Committee's Report deals with many matters of administration which are not included in the Bill or appropriate to legislation. This White Paper sets out the Government's views on all the recommendations made in the Report.

### **CENTRAL GOVERNMENT ARRANGEMENTS**

4. The Select Committee rightly stressed the responsibility which central Government departments have for policies relating to race relations. Departments take account of race relations and the needs of the racial minorities as part of their overall responsibilities in education, in housing, in employment or in personal social services; but it is not necessarily appropriate for all departments to set up separate specialist race relations sections. The Department of Employment has a special unit concerned with race relations and a field service of race relations employment advisers. The arrangements within the Department of Education and Science are described in (4) of the Annex. The Departments of the Environment and of Health and Social Security, however, while taking into account the fact that their policies have to meet the needs of the racial minorities as well as other groups in society, do not believe that their responsibilities would be better fulfilled by creating specialist race relations sections. Their reasons are set out in (4) and (6) of the Annex.

### **MONITORING BY CENTRAL GOVERNMENT**

5. The Select Committee stressed the importance of monitoring the race relations situation. The Government accepts that the Home Office should retain central responsibility for race relations policy; and as the department with this responsibility it must be in a position to form an overall view of the race relations situation and to ensure that the departments with specific responsibilities are developing their own policies on a co-ordinated basis. As detailed in the Annex, the staff concerned with race relations policies in the Home Office have been

strengthened; and with the Home Office as the focal point, other Government departments can contribute to the assessment of the race relations situation from their own resources, for example in the field of education through the experience of HM Inspectors, to whose role the Select Committee rightly attached importance, through the regionally based race relations employment advisers of the Department of Employment and through the Regional Social Work Service of the Department of Health and Social Security. Such an assessment also depends on the contribution of the local authorities and other organisations such as the CBI and the TUC. The new Standing Advisory Council, proposed in the White Paper on Racial Discrimination, will be able to advise the Home Secretary on all the major aspects of race relations policy.

#### **MINISTERIAL RESPONSIBILITY**

6. The Government agrees with the Select Committee's view that the central responsibility of the Home Office for race relations policy should be exercised through the Home Secretary as a senior member of the Cabinet. In these circumstances it seems inappropriate to appoint a Minister with the formal title of Minister of State for Equal Rights since this would merely duplicate the Home Secretary's own responsibilities. The precedents quoted by the Committee for giving specific responsibilities for certain subjects to named Ministers, do not, in the Government's view, provide exact parallels. In accordance with the normal arrangements, the Home Secretary devolves on his Ministers the day-to-day responsibility for the implementation of both race relations and sex discrimination policies while retaining the final responsibility himself.

#### **COMMUNITY RELATIONS ORGANISATION AT THE LOCAL LEVEL**

7. The Select Committee emphasised the valuable role which the various community relations councils play as autonomous bodies outside the official structure. The Government made it clear in the White Paper on Racial Discrimination that it accepted the importance of the work of these councils and their officers and that after further consultations with those concerned, it would propose arrangements to enable the work to continue to be supported and developed.

8. There is considerable divergence of views on what the role of the community relations councils should be and how they should relate to central Government, the statutory Commission and the local authorities. It is natural that independent bodies, working in different areas with differing characters, should have developed along various lines; but few would deny the need for central support and co-ordination. At present the Community Relations Commission undertakes this role.

9. The Runnymede Trust has proposed a radical restructuring of community relations work which would involve central Government directly in providing specialist advice and co-ordination in addition to financial support. They have proposed that this task should be carried out by a "Community Relations Inspectorate" which would administer a community relations service from within the Home Office. This proposal would involve a fundamental change in the relationship between community relations councils and their local officers. The officers, while retaining their independence, would become more responsible to the centralised agency and the councils would assume a role more in the nature

of informed advisory bodies which would provide support for the work of the professional community relations service.

10. The Government takes the view that it cannot provide the necessary expertise which this proposal envisages and that those concerned with the work of the community relations councils would regard direct Government involvement as an unacceptable loss of independence.

11. The work of the community relations councils is by definition local. Much of it concerns matters which fall within the responsibilities of the local authorities for implementing central Government policies. The local authorities are nearest to the problems of their areas and best able to judge how their resources should be allocated to meet local needs. A case can therefore be argued for placing responsibility for supporting the community relations councils, both financially and professionally, on the local authorities—for developing the councils as an advisory service through which the local authorities could establish better contact with the minority communities in their area and thereby increase their understanding of the needs of these communities and the way in which the services which they provide can best meet these needs. It is arguable that community relations officers would be able to exercise greater influence if they occupied an appropriately senior position within the local government structure than they can ever achieve in their present detached position.

12. The Community Relations Commission and the community relations councils and officers, individually and through their representative bodies, have however urged, like the Select Committee itself, that the autonomy of the councils and community relations officers is of paramount importance if the acceptance of the minority communities is to be won. The Government therefore accepts that the present structure of independent community relations councils and officers should be continued and that central Government support should be channelled through an independent central body.

13. The Government considered very carefully whether the Community Relations Commission's responsibility for co-ordinating community relations councils should be assigned to the new Commission for Racial Equality which the Race Relations Bill will establish, or whether an alternative arrangement would be preferable. The new Commission will be a statutory body with responsibilities for enforcing the new law against discrimination and, more widely, for taking action to promote equality of opportunity. Its wide powers for conducting investigations into the policies and practices of public and private organisations clearly call for a body with an unimpeachable reputation whose advice will be recognised as authoritative and impartial. It has been argued that such a body cannot have responsibilities for local fieldwork without detriment to its law enforcement function. On the other hand the Commission will be concerned with all aspects of the situation of the racial minorities. Unlike the Race Relations Board its responsibilities will go much wider than the enforcement of anti-discrimination law. The closer its links with the minority communities at the local level the better it will be able to form an appreciation of the overall race relations situation and the greater will be its credibility with minority groups. As the Home Secretary announced on 11 December 1975 (Official Report, Vol 902, Col 294-295) the Government came to the conclusion that, while the arguments are finely balanced, it is preferable for the new Commission

to take over the responsibilities for fieldwork at the local level which at present fall to the Community Relations Commission. The Government recognises, however, that a conflict of interests could arise and that a degree of separation in the organisation of the different functions is therefore necessary. A formal requirement for this purpose is included in the Race Relations Bill.

14. The new structure which the Government proposes does not give community relations councils and their officers a statutory role. It would not be appropriate for the Government to seek to define in statutory terms their changing functions. It will fall to the new Commission, in taking over the co-ordinating functions of the Community Relations Commission, to help the community relations councils to formulate their objectives and develop their role. Important matters concerning the relationship between the councils and their officers—and in particular the question of whether community relations officers should be employed by the councils or by the new Commission—on which various proposals have been made by the Select Committee and others, must be decided through consultations between the Commission and the councils and community relations officers and their representative bodies. The Government will, of course, take a close interest in developments.

15. The local authorities already participate in the activities of the community relations councils and the Government welcomes the support which they provide, often on a generous scale. That this relationship should be given statutory authority has its attractions; but, if it is accepted, as indeed it is by the local authorities themselves as well as by those working in community relations, that the essence of the relationship must remain that of the independence of the community relations councils, it would be inappropriate to seek to impose a statutory duty on local authorities requiring them to support the councils. The Government is confident that the local authorities can be relied upon to continue to give the community relations councils the priority they deserve.

## **THE MINORITY COMMUNITIES**

16. The Select Committee rightly stressed the importance of the part which the minority communities themselves must play if a healthy multi-racial society is to be developed. It would be a great loss to society if the minorities did not come to play an active part in the life of the community as a whole but instead sought refuge from the difficulties which they face by concerning themselves exclusively with their own affairs. As the Select Committee emphasised the Government can encourage the participation of the minority communities; and it is highly desirable that both the Government and the new Commission should encourage the growth of minority group organisations which can help the communities to meet their own needs. In considering appointments to such bodies as the Standing Advisory Council and the Commission for Racial Equality the Government is conscious of the need to select individuals of high calibre who can speak for the minorities with experience and insight.

## **THE COMMISSION FOR RACIAL EQUALITY**

17. The Race Relations Bill gives effect to the Government's proposals for a more effective attack on discrimination. A rigorous law, making discrimination on grounds of colour or race unlawful, is clearly needed; and it must be effectively



enforced. The provisions of the Bill setting up a new statutory body with wide powers to take the initiative in uncovering discrimination, both conscious and unconscious, will, the Government believes, enable racial discrimination to be tackled more effectively than at present.

18. The new Commission for Racial Equality will combine responsibilities for enforcing the anti-discrimination law and encouraging the promotion of equal opportunity with wider responsibilities for conducting inquiries into the situation of the racial minorities, for giving advice and for public education. It will thus have an important role to play not just in preventing discrimination in all its forms but in contributing to the development of policies to tackle disadvantage.

19. The Commission will be an independent statutory body with powers to conduct investigations and inquiries into the public and private sectors alike. It will naturally work closely with Government departments and will be free to scrutinise their policies and make criticisms when necessary. Ministers are, however, responsible for the policies and actions of their departments and are answerable to Parliament for them. It will not, therefore, be appropriate for the Commission to have formal responsibilities for checking the monitoring activities of departments as envisaged in the Report. As an independent statutory body the Commission must be responsible for its use of its powers and the fulfilment of its duties. While it will no doubt co-operate closely with the Select Committee and give full weight to any recommendations which the Committee may make about areas in which it could profitably use its powers to conduct formal investigations, it would not be right for it to be under an obligation to carry out such investigations as recommended in the Report.

#### **THE SELECT COMMITTEE**

20. The Committee is a source of informed scrutiny and advice on race relations issues. Its inquiries have made a unique contribution to the collection of information about race relations problems and its reports and recommendations have an important place in the development of policy. The Government is glad to pay tribute to its work and to emphasise its support for the Committee.

21. Comments on each of the recommendations in the Committee's Report follow in the Annex.

OBSERVATIONS ON THE RECOMMENDATIONS OF THE  
SELECT COMMITTEE

- (1) *There should be a Minister of State for Equal Rights.*
- (2) *The Home Office should remain responsible for race relations administration and the Minister for Equal Rights should be attached to the Home Office.*

As explained in the main reply, the Government accepts that the Home Office should retain the central responsibility for race relations policy but considers that this should be exercised through the Home Secretary and not by the appointment of a Minister of State for Equal Rights.

- (3) *The Home Office should have a much improved establishment, concerned with race relations and sex discrimination.*

The Home Office is in no doubt of the importance of race relations administration, and within the bounds of current restraints upon Government expenditure intends to accord a high priority to this work. The staff engaged directly have been increased since evidence was given to the Committee; additional senior staff have been provided to work on the new legislation and its consequences. Arrangements have also been made for the services of the Home Office Race Relations Adviser's unit to be available to the staff engaged upon general race relations administration. The Home Office accepts the view of the Select Committee that there is a close relationship between work to combat sex discrimination and work to combat racial discrimination, and its staffing arrangements will reflect this relationship. They will also reflect the importance of maintaining close contact between this staff and those involved in work arising from Home Office responsibilities on urban deprivation.

- (4) *The other Departments mainly affected, Employment, Education and Science, and Environment—especially Environment—should strengthen their staffs dealing with race relations and review their efficacy in developing more positive Departmental policies.*

The Department of Employment has a small Headquarters Unit concerned with race relations and a field service of race relations employment advisers (RREAs) who deal with a wide range of questions which may arise in a multi-racial workforce. Their work is kept under constant review, and the staff of the RREA service, which in April 1976 numbered 18 including 4 part-time officers, will be further increased as resources permit.

Within the Department of Education and Science, the Educational Disadvantage Unit is the focal point for the consideration of matters connected with educational disadvantage and the distinctive educational needs of racial minorities. However, those Branches of the Department concerned with the various stages of the educational system and the supply and training of teachers have clear responsibilities to take into account the needs of racial minorities where these affect their work. Similar arrangements apply to the work of HM Inspectorate. In this case the co-ordinating function is exercised by a Chief

Inspector, a Staff Inspector and a panel of Inspectors drawn from the regions who have a special interest in the education of persons of overseas origin. The Government does not therefore consider that the interests of the communities with which the Select Committee is concerned suffer because too little of the time of the staff of the Department of Education and Science is devoted to them, nor is a shortage of staff the reason for the lack of statistical information to which the Select Committee has drawn attention—see reply to Recommendation 39. The Government acknowledges, however, the need to keep its education policies under continuous review in order to ensure that they take into account the needs of racial minorities, and contribute as fully as possible to the growth of mutual respect between the races of which our society is now composed; in particular they consider it important that greater stress than in the past should be placed on training teachers, both on initial and in-service courses, to teach in a multi-racial society.

The Department of the Environment already has a Division responsible for the social aspects of housing, one of whose main tasks, with the help of the Social Research Division, is to ensure that racial minorities are taken into account in developing housing policies. The Department has recently set up a Housing Services Advisory Group and it will be considering special needs including those of minority groups. The Department has also developed closer links with the Community Relations Commission and Race Relations Board. In its observations on the Select Committee's Report on Housing (Cmd 6232) the Government agreed with the Committee's view that "the housing of immigrants cannot be separated from housing the community at large" and although the safeguarding of good race relations is taken account of in all relevant housing activities, a specialised race relations unit would not be appropriate.

- (5) *The Department of Employment in their review should pay particular regard both to the recent reorganisation of the Department and to the transfer of responsibility to industrial tribunals which we have assumed will take place.*

Close links exist at a number of working levels between the Department of Employment and the Manpower Services Commission and its Agencies on race relations matters and discussions are now taking place between the Department and the Commission about how best to promote equal opportunity and remove disadvantages.

The Race Relations Bill provides for complaints of racial discrimination in employment to be dealt with by industrial tribunals. The Government has asked the TUC, the CBI and other organisations which it consults about the membership of tribunals to bear in mind the desirability of including members of racial minorities amongst the names they put forward.

- (6) *The Department of Health and Social Security should have some staff solely engaged upon the race relations aspect of its work.*

The Department of Health and Social Security accepts the need for it to be responsive to the needs of racial minorities. It already has professional staff with particular responsibilities in this area and has made arrangements for the co-ordination of Departmental interests on race relations matters. However, its responsibilities extend over an exceptionally broad range of activities, both

directly as a large-scale employer in the social security field and indirectly in relation to the whole of the National Health Service and to local authority social service departments. Issues concerning race relations may arise across the whole of this range and staff concerned solely with race relations work would not have the breadth of knowledge and experience to be able to deal with them adequately without reference to other staff with expertise in the particular field in question. Such an arrangement, though attractive as showing the Department's concern, would in practice be wasteful and inefficient, and has therefore not been adopted.

*(7) The Civil Service Department should create a special Equal Opportunity of Employment Unit.*

It is the Government's policy that within the Civil Service there shall be no discrimination against any person eligible under the nationality rules, whether in recruitment or promotion or in any other way, on the grounds of colour, race, ethnic or national origins. Responsibility for implementing this policy lies with the Permanent Secretary of each Department, operating through the Principal Establishment Officer, but the Civil Service Department has a central responsibility for overseeing the operation of the policy and ensuring its effectiveness.

The Select Committee's Report states that the Civil Service Department has "neither a special unit nor any staff concerned with race relations". This is only partially correct. Work on race relations occupies a substantial part of the time of a Principal with supporting staff, and of an Assistant Secretary and an Under Secretary to whom the Principal reports. These staff, who are located within the Personnel Management Divisions of the Department, advise Ministers on the implementation of race relations policy and legislation within the Civil Service; they are responsible for promulgating the Government's policy to other departments and for ensuring its effectiveness; and they maintain a general oversight of procedures for the investigation of complaints against Government departments under the Race Relations Act 1968. The same staff have for some time had similar responsibilities in relation to the employment of women within the Civil Service and the implementation of the Sex Discrimination Act 1975. These arrangements work well and sufficient resources are available to perform the functions effectively.

The Government considers, therefore, that within the Civil Service Department satisfactory arrangements have been made for the administration and general oversight of race relations policy within the Civil Service and for equal opportunity of employment generally.

*(8) The Race Relations Board and the Community Relations Commission should be merged in a single Agency to be known as the Equal Rights Commission.*

The Government proposed in the White Paper on Racial Discrimination that the Race Relations Board and Community Relations Commission should be replaced by a new Commission and this has been provided for in the Race Relations Bill now before Parliament. In the light of discussion during the Standing Committee stage of the Bill, it provides for the new Commission to be called the Commission for Racial Equality. This Commission will have entirely new statutory responsibilities parallel to those given to the Equal Opportunities Commission by the Sex Discrimination Act but it will in general terms cover the same range of issues as the present Board and Commission.

- (9) *Provision should be made for the appointment, in addition to the Chairman, of a small number of full-time executive members to the Commission.*

The Race Relations Bill provides for the appointment of members to the Commission on a full-time as well as a part-time basis.

- (10) *Subject to the provision of common services, enforcement (the direct responsibility of a full-time Commission Member) should as far as practicable be distinct and separate from the other functions of the Commission.*

The Government accepts that, so far as possible, the law enforcement role of the Commission should be kept separate from its responsibilities for co-ordinating local community relations work. The Race Relations Bill accordingly provides for the establishment of a separate committee to exercise the Commission's fieldwork functions.

- (11) *The Commission should be directly represented on any Whitehall official Committee on race relations.*

The Government will keep in close consultation with the Commission. Like the Race Relations Board and the Community Relations Commission the new Commission will be represented on the new committee which is to advise the Home Secretary on race relations research (see reply to Recommendations 31 and 32). While departments will associate the Commission with their consideration of race relations issues, it would not be appropriate for the Commission to have a place as of right on official committees.

- (12) *The Commission should have a strong regional organisation with regional officers; and there should be adequate staff of the high calibre required.*

It will be for the Commission to decide how it may best be organised to carry out its functions within agreed financial provisions, but as the White Paper on Racial Discrimination said, it will have a number of regional offices. It will naturally be mindful of the need to recruit staff of the requisite ability and experience to carry out the demanding duties placed on it.

- (13) *The work of the community relations councils should not be transferred to the local authorities and they should remain as local autonomous bodies with—as at present—some of their activities selectively grant-aided.*
- (14) *The Community Relations Officers should assist as advisers but not be employed by the community relations councils.*
- (15) *The Community Relations Officers be employed and paid by the Equal Rights Commission.*
- (18) *The essential character of Community Relations Officers being field officers working in an individual capacity in very differing circumstances should be recognised by the Equal Rights Commission and it should not inhibit their local independence.*

The Government accepts that community relations councils should retain their present autonomous status. The Race Relations Bill will empower transfer of the fieldwork responsibilities of the Community Relations Commission to the new

Commission, but the Government does not propose any change of relationship between the community relations councils, their officers and the new Commission. This relationship must be worked out in discussions between those concerned when the new Commission takes over its responsibilities.

- (16) *While the Community Relations Officers should be employed and paid by the Commission, their activities should be supported jointly by the Government and the local authorities, and increased resources be made available for this purpose.*
- (17) *To facilitate the funding of local race relations activities, a statutory obligation should be placed on local authorities to promote equal rights and, paying attention to the new structure of local government with its division of responsibilities between counties and districts, the funding should be on a county basis either through county precepts or agreed sharing between the districts or indeed through both.*

The Government accepts that the work of community relations officers must continue to be supported out of public funds, but cannot contemplate any general increased resources in present circumstances.

In providing the services for which they are responsible, local authorities in whose areas the racial minorities have settled must be sensitive to their special situation and the needs to which this gives rise. Full co-operation between the local authorities and community relations councils is essential if community relations policies are to be fully developed.

The Government accepts the view that the involvement of local authorities should stop short of formal responsibility for community relations councils. The independence of these councils, provided it is based on close co-operation with the local authorities, can only foster a healthy dialogue. The extent to which local authorities support their community relations councils varies greatly; some are notably generous; others less so. The Government believes that local authorities have an important part to play in tackling the problems of race relations and welcomes the support which they give to local voluntary community relations effort. The Race Relations Bill, which has not yet completed its passage through Parliament, has a new clause added in the House of Commons Standing Committee which gives effect to the Select Committee's proposal that local authorities should be under a general duty in respect of race relations.

- (19) *There should be regional staffs dealing with enforcement matters and, to assist them, Complaints Boards; these boards would be appointed by the Commission and would include members of each executive committee of the community relations councils and each sizeable ethnic minority within their area. They would be directly under the full-time Commission member responsible for enforcement matters.*

The Commission will, like the Race Relations Board, have regional offices. Under the new legislation there will be no statutory role for local committees to exercise in relation to individual complaints of discrimination. The Commission will, however, no doubt wish to draw on the experience and knowledge of local people active in race relations especially those who have served on the Race Relations Board's conciliation committees.

- (20) *The membership of the Commission should be of a sufficient number to include members of the main ethnic communities.*
- (21) *There should be a statutory obligation on the Secretary of State in making appointments to ensure that the Commission includes an adequate number of members from the ethnic communities.*
- (22) *There should be similar obligation on the Commission in making appointments to the Complaints Boards, to include members from the various ethnic communities in the area.*

The Commission will represent the public interest as a whole. Its members must be selected on individual personal merit and it would be inconsistent with its role to provide for fixed quotas for persons from particular groups. The Government has not therefore thought it appropriate to provide explicitly in the Race Relations Bill for the appointment of minority group members; but paragraph 108 of the White Paper makes clear the Government's intention to ensure that the racial minorities are substantially represented.

The Commission will no doubt also ensure that the racial minorities are adequately represented on any bodies which it establishes to assist it.

- (23) *The Equal Rights Commission in promoting grant aided projects, should pay especial regard to neighbourhood and self-help developments directly affecting individual local ethnic communities. Further we strongly recommend that, to encourage these communities to be more self-reliant, the active participation of these communities should be sought both in the formulation and implementation of these projects. In doing this, the Commission should concentrate upon, and give priority to, the needs of young persons, particularly West Indians.*
- (36) *The Equal Rights Commission should supplement the work of the Home Office by supporting local voluntary or unconventional projects.*

The new Commission will no doubt take account of the Select Committee's views when it comes to exercise its powers for grant aiding local projects.

- (24) *A study be made of the action being taken by the Dutch Government and consideration be given to the setting up of a centre on the Dutch model perhaps with a Community Relations Officer being seconded to be in charge and responsible, through an appropriate organisation, to a local community.*

The Dutch Government has provided detailed information which has been supplemented by a visit to Holland by Home Office officials. It is evident that the problems facing the Dutch Government and the circumstances in which they operate are markedly different from those in Great Britain. The Government will, however, continue to take account of such Dutch experience as may be relevant.

- (25) *To avoid the repetition of the frustrations, such as that caused by the neglect of the Department of the Environment to reply to the Committee's Report on Housing, the Government should declare its general support for the work of the Committee.*

The Government is glad to take this opportunity to emphasise its support for the work of the Select Committee. The enquiries which it is able to carry out in

depth into specific areas of concern, with the range of evidence obtained and the analysis and recommendations to which they lead, form a valuable contribution to the development of race relations policy and informed discussion.

Special factors, which were explained to the Committee in a memorandum by the Department of the Environment, caused serious delay in the preparation and publication of the reply to the Committee's Report on Housing. The reply was published in September 1973 (Cmd 6232).

- (26) *The observations of the Departments in reply to the Committee's Reports presented to Parliament should be supplemented by the observations of the Equal Rights Commission.*

The Government does not consider that it would be appropriate for comments by the Commission to form part of the departments' formal replies to the reports of the Select Committee. These are White Papers setting out the views of the Government. The Commission will, of course, be free to comment on these replies, but this should be done separately from the White Papers themselves.

- (27) *To improve the effectiveness of the Committee, there should be a modest increase in the Clerk to the Committee's staff and the provision of better accommodation.*

This recommendation is a matter for the House authorities who are giving it their careful consideration in the light of available resources.

- (28) *The Committee should be empowered to require the Commission to make inquiries relevant to the Committee's current activities.*

The Commission will be an independent body with statutory responsibilities. It will no doubt wish to work in close co-operation with the Select Committee and be happy to assist with the Committee's inquiries, but it cannot be made subject to a Select Committee. It must have discretion in fulfilling its duties and in deciding on its own priorities.

- (29) *A day should be provided each Session for debate on the Committee's Reports and activities.*

The Government has taken note of this recommendation.

- (30) *The Home Office should discuss with the Department of Employment, which has general responsibility for EEC social policy, means of improving communications with the Commission of the European Communities and ensure that the local authorities and others are kept informed of the nature and extent of the aid being provided.*

There has been full consultation between the United Kingdom Government and the Commission of the European Communities about the application of the European Social Fund to migrant workers. With the help of advice from the Community Relations Commission the Government has also been playing its full part in discussions about the migrant workers' action programme which was prepared by the European Commission and about the preparation of the resolution on action in favour of migrant workers which was adopted by the Council of



Social Affairs Ministers at a meeting on 18 December 1975. The Government will continue to play a full part in further work in this field.

When the Council of Ministers decided in July 1974 that certain activities designed to help migrant workers should be eligible for assistance from the Fund, the Department of Employment, in consultation with the other departments concerned and in particular the Home Office, submitted applications in respect of relevant expenditure in the second half of 1974 and in 1975 by the Community Relations Commission and the Race Relations Board and grant-aided expenditure by local authorities under section 11 of the Local Government Act 1966 and the Urban Programme. The total of about £26m allocated to the United Kingdom from the Fund for 1974 included some £2.6m in respect of migrant worker applications. The United Kingdom was the only member state to submit a substantial application in respect of 1974. Applications for 1975 have also been considered by the Commission of the European Communities and allocations to the United Kingdom in respect of migrant workers amount to £5.1m. Applications for 1976, which were submitted in the autumn of 1975, are currently under consideration by the Commission.

Before payment can be received, detailed claims have to be submitted to the Commission based on actual expenditure incurred on the activities for which the Commission has allocated money from the Fund. Local authorities are assisting the Government in mounting claims. A payment on account of just over £2m in respect of the 1974 migrant worker claim has been received. Receipts from the Fund are credited to the appropriate Departmental Vote or to the Consolidated Fund.

The Government has considered that the most effective method of covering the activities of local authorities and others is by central applications dealing with the Government's financing of those activities. Activities by non-public bodies are eligible for support from the Fund only if they are financially supported by a public body and the qualifying conditions are complex. So far no applications have come forward from voluntary bodies in the migrant workers field for separate submission to the Fund.

- (31) *The Equal Rights Commission should have the main responsibility for the Advisory Committee on Race Relations (see Research).*
- (32) *Greater attention and meaningful resources be devoted to research.*

The Home Secretary announced on 23 May 1975 (Official Report, Vol 892, Col 648) that he had decided that his Advisory Committee on Race Relations Research should be superseded by a new advisory committee, under Home Office chairmanship, with membership drawn from nine Government departments, the Race Relations Board, the Community Relations Commission (later, the Commission for Racial Equality) and the Social Science Research Council, together with a number of experts from outside Government. The task of the new committee will be to review research in progress relevant to race relations and to the efficacy of policies to promote equality of opportunity for coloured minorities in Great Britain, to consider the needs for further research of this kind and to make recommendations.

The Government decided to make these changes primarily to strengthen the links between policy and research and believes that the effectiveness of the contribution which the new committee will make to achieving this would be

much reduced if the committee is responsible to some external agency and not directly to Government itself. It recognises the need, however, to involve any new race relations body as closely as possible in the revised arrangements for research; and also to enable it to undertake or sponsor, of its own initiative, research relevant to its own activities. As indicated above, the Commission for Racial Equality will be represented on the new research committee and provision for the Commission to undertake research has been included in the Bill now before Parliament.

The Government's intention is that these revised arrangements should lead to a new assessment of research requirements in the race relations field and in the preparation of a balanced research programme more strongly orientated towards the needs of departments and paying regard to the priorities recommended by the former Advisory Committee.

The Select Committee has recognised that the relatively modest funds so far made available under section 26 of the Race Relations Act 1968 have not been the only, or indeed, the main source of money for race relations research. Other Government departments besides the Home Office have research budgets from which they can fund (and have funded) research in the race relations field; and there are other organisations, such as the Community Relations Commission and the SSRC Research Unit on Ethnic Relations, at Bristol University, which are also active in this field. No accurate assessment is available of the total amount of money spent in this country on race relations research; but it is estimated that in 1970-71 just under £150,000 was spent on research into topics with a substantial race relations component, and that in 1974-75 the corresponding sum was of the order of £290,000. The Government nevertheless acknowledges that in the absence so far of a co-ordinated programme of race relations research less has been spent under section 26 of the Race Relations Act 1968 than might otherwise have been the case. However, future expenditure on race relations research, as on other highly desirable matters, must depend on the general level of public expenditure and the priorities within that amount.

- (33) *The Government should review the Urban Programme, its relationship to expenditure under section 11 of the Local Government Act 1966 and generally its effectiveness in implementing race relations policy.*

The Urban Programme is authorised by the Local Government Grants (Social Need) Act 1969, which empowers the Secretary of State to pay grants to local authorities who in his opinion are required in the exercise of any of their functions to incur expenditure by reason of the existence in any urban area of special social need. The Programme has acted as a supplement to the main social programmes in urban areas. Assistance has been given to a wide range of social, educational and community projects. Public expenditure on the Programme in England and Wales in 1975-76 is estimated at £24.6m.

The Programme has enabled local authorities to initiate a very wide range of projects. These include nursery classes; other specialised education projects; day nurseries and other child care projects; community centres; advice centres; special accommodation projects; play projects; and projects for the care of the aged. The Programme has thus helped to meet a wide range of social need, including the special needs of particular groups such as racial minorities.

As stated in paragraph 52 of the Select Committee's Report the Home Office has always borne in mind in administering the Programme that many areas of special need in our towns and cities have large numbers of Commonwealth immigrants and their families, and local authorities have been reminded of their needs in the Circulars inviting applications for grant. Because of the variations in the numbers of Commonwealth immigrants in the places which have received grant-aid under the Programme, and because of the wide variety in the nature of the projects grant-aided, it is not possible to say precisely what part of the assistance channelled through the Programme has been directed towards improving race relations or to relieving social need in areas of high immigration. But the greater part of approved expenditure has been in areas that have also qualified for grant under section 11 of the Local Government Act 1966.

Section 11 of the 1966 Act empowers the Secretary of State to pay grants to local authorities who make special provision in the exercise of any of their functions in consequence of the presence of substantial numbers of immigrants from the Commonwealth whose language or customs differ from those of the rest of the community. Grant is payable only on expenditure in respect of the employment of staff. Section 11 grant thus offsets the costs to local authorities of employing staff to deal with the special needs of Commonwealth immigrants, but the appropriate level of such provision is for the local authorities themselves to determine. The grant is available for all expenditure incurred by local authorities within the terms of section 11.

Local authority expenditure in 1975-76 attracting grant-aid under section 11 is estimated at £20.4m. Most of this expenditure has been incurred on the salaries of additional teachers. Grant has also been paid, however, on the costs of employing ancillary helpers in schools, educational welfare officers, social workers, public health inspectors, liaison officers, interviewing staff and interpreters, and clerical staff. Grant is also paid on additional staffing costs in services such as children in care, day nurseries and maternity and child welfare.

Grants under section 11 and under the Urban Programme are both administered by the same Unit in the Home Office. This arrangement allows the planning and administration of the two grants, and the relationship between them, to be kept under review. Because of the wide range of expenditure assisted through both forms of grant, the Home Office naturally acts in consultation with other interested Government departments in administering them. The Urban Programme is reviewed regularly as part of the inter-departmental preparation of the Circulars which invite local authorities to apply for grant. These Circulars advise local authorities to bear in mind the availability of grants under section 11 when considering possible applications under the Urban Programme.

The Government agrees with the Select Committee that the Urban Programme has proved its usefulness and intends to keep the Programme under review, so that it may be adapted to keep in touch with the development of social policies generally and in particular its relevance to the special needs of the racial minorities.

- (34) *The Home Office should remain the Department responsible for the co-ordination of the Urban Programme, but to avoid planning difficulties, closer regard should be given to local authorities budgeting cycles.*

The Government notes the Select Committee's view that the Home Office

should remain the department responsible for the co-ordination of the Urban Programme. The Home Office recognises the importance of enabling expenditure under the Urban Programme to be integrated into local authorities' annual planning and budgeting cycles so that proposals for expenditure under this head can be considered together with all the other proposals competing for the authorities' financial and manpower resources.

- (35) *To encourage a sense of participation by the ethnic minorities themselves the Home Office should set up an Advisory Committee including members from the various ethnic communities.*

As explained in the Government's reply to Recommendation 33, the Urban Programme assists projects covering a wide range of social need, and has not been restricted to the special needs of particular groups such as racial minorities. The Home Office is always ready to receive advice from the many bodies with an interest in the Programme, but does not consider that it would be appropriate to establish a formal Advisory Committee. In so far as the Programme has included assistance for the special needs of racial minorities, the Home Office has taken advice from the Community Relations Commission and hopes to benefit from similar advice under the new arrangements for race relations administration.

- (37) *The special Equal Opportunity of Employment Unit of the Civil Service Department, to avoid racial and sex discrimination in the Civil Service, should keep necessary records and survey and monitor the recruitment, promotion and establishment policies of the departments.*

The Government agrees that a vital ingredient of an equal opportunities policy is a regular and effective system of monitoring. It has decided that to record racial or national origins on personal files would be inconsistent with its policy that racial origin is in no way relevant to membership of the Civil Service or to advancement within it.

Within the limits which this decision imposes, the question of monitoring the effectiveness of Civil Service procedures and practices in the fields of recruitment, career development and promotion has been discussed by the interested parties. At the invitation of the Civil Service Department and with the agreement of the Staff Side of the National Whitley Council and the Trade Union Side of the Joint Co-ordinating Committee, the Tavistock Institute of Human Relations is at present engaged in a study of equal employment procedures and practices in the Civil Service with special reference to racial discrimination.

- (38) *The special unit of the Department of Employment to which we have already referred should have responsibility for giving guidance and advice to the Nationalised Industries and other public authorities and for the supervision of the provision of information and the enforcement of the non-discrimination clauses in Government contracts.*

The Department of Employment already gives guidance to employers in the public and private sectors and discussions are now being held with those concerned about the way in which work to promote equal opportunity may be better co-ordinated.

As stated in paragraph 20 of the White Paper on Racial Discrimination, the Government intends that, when the new legislation about racial discrimination is enacted, an undertaking to comply with its provisions should be a standard condition of Government contracts. It is also intended that it should be a standard condition that a contractor will provide on request such information about his employment policies and practices as may reasonably be required.

- (39) *The Departments, in particular the Departments of Education and Science and of the Environment, in strengthening their staffs dealing with race relations, should make the requisite provision for monitoring in particular, the education and housing authorities, and seek to make more effective use, for instance, of Her Majesty's Inspectors and the regional officers of the Departments.*

Within the Department of Education and Science, the establishment of two new units—the Educational Disadvantage Unit and the Assessment of Performance Unit—was announced in the Government's Reply to the Committee's Report on Education (Cmd 5720). It is within the terms of reference of the Educational Disadvantage Unit to inform itself of the extent and distribution of educational disadvantage and of the Assessment of Performance Unit to promote the development of methods of assessing and monitoring the achievement of children at school. The joint work of the units will in time equip the Department and the local education authorities with appropriate ways of monitoring where, in the interests of extending the educational opportunities for the disadvantaged (including those who are members of racial minorities), this is necessary.

The Government feels that the comments of the Select Committee in paragraphs 14 and 56 of the Report attach undue importance to statistics and underestimate the amount and value of the information available to the Department and shared with those concerned outside it. The panel of HM Inspectors referred to in the comment on Recommendation 4 co-operate with their colleagues to inspect schools and colleges in multi-racial areas, to advise local education authorities and the Department, to contribute to the in-service training of teachers and to keep in touch with the voluntary organisations. They work very closely with the advisers which most LEAs in multi-racial areas have appointed to their own staffs. In the last academic year the panel has carried out a special programme of inspections on selected topics relevant to the education of racial minorities to discover the best practice current in various parts of the country. The Educational Disadvantage Unit has taken part in a number of seminars held with a range of local education authorities having substantial proportions of racial minority pupils on their school rolls. Steps are now being taken to collate information about good practice in the education of immigrants and in education for race relations which will be available to authorities and schools through the new Centre for Information and Advice on Educational Disadvantage. The contribution of educational research is illustrated by the Report on "Language Proficiency in the Multi-Racial Junior School" which the National Foundation for Educational Research published last year. This study was funded by the Department of Education and Science.

So far as statistics are concerned, the Government remains firmly of the view set out in "Educational Disadvantage and the Educational Needs of Immigrants" that a count of pupils of overseas origin, however defined, would serve

no educational purpose and believes that the case against such a court holds good for post-school education as well. The Department of Education and Science is, however, consulting the interested parties on what information might usefully be collected or collated and on the possible application of research techniques to acquiring a better understanding of the factors which have a significant effect on participation and performance at various stages in the system.

The Government's view on keeping records in relation to the housing of coloured people were set out fully in the White Paper "Race Relations and Housing" (Cmd 6232). The Committee's recommendation will be further considered in the light of the discussions the Department of the Environment is to undertake.

Consideration is being given to a consultation paper for issue to local authority associations, representatives of racial minorities and others about the keeping of records by local housing authorities.

- (40) *The Equal Rights Commission should be entitled to receive Departmental records and reports, relating to monitoring, and should inform the Select Committee on Race Relations and Immigration of any matters to which they think it proper to call their attention.*

The Government will work closely with the Commission but it would not be appropriate to give it a right of access to departmental papers over and above that which it will have under the Race Relations Bill to require the production of documents. The Commission will no doubt wish to carry out investigations relating to equal opportunity in the public as well as in the private sector, and the Government will co-operate fully with such investigations.

- (41) *The full-time Commission Member with direct responsibility for enforcement should also have a special responsibility for promoting neutral employment practices in the private sector.*

The Race Relations Bill makes provision for the appointment of full-time Commission members, but the responsibilities of individual members will be a matter for the Commission to decide.

- (42) *In the exercise of its own investigatory and enforcement powers, the Equal Rights Commission should concentrate on cases where the incidence of discrimination has general significance and make it clear that it is so doing.*

The strategic role of the Commission will be to concentrate on situations of general importance. The new legislation will enable the Commission to take the initiative in carrying out investigations into such situations without being dependent, as the Race Relations Board is at present, on individual complaints of discrimination brought to it.

- (43) *The Minister of State for Equal Rights in discharging his responsibility for both the Equal Rights Commission and the Equal Opportunities Commission should ensure liaison between the two bodies.*

- (44) *The specific duties and responsibilities delegated to the Equal Rights Commission should correspond to those delegated to the Equal Opportunities Commission.*

- (45) *There should be close co-operation between the two Commissions in research and educational activities; interchange of staff should be encouraged and wherever possible, regional staffs should share the same premises.*

The Race Relations Bill provides that the new Commission should have powers and duties similar to those of the Equal Opportunities Commission. The Government has proposed that the codes of law against racial and sex discrimination should be as similar as the different subjects warrant and the two new Commissions will no doubt wish to co-operate closely. The Home Office will encourage this. Considerable benefit will derive from co-operation on the interpretation of the law, on methods of investigation, research and public education. Sharing regional accommodation, where possible, will facilitate co-operation. Whether discrimination and disadvantage in race and sex is sufficiently similar to make the exchange of staff fruitful is something which the two Commissions will have to consider in the light of experience but they will no doubt bear in mind the recommendation of the Select Committee.

- (46) *The Home Office should consider making "pump-priming" grants to organisations representative of ethnic communities.*

The Government recognises the problem to which the Select Committee refers and the Home Office is conscious, in the grants it makes to minority group organisations, of the need to foster community organisation and self-reliance.

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CP(76) 73

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6 September 1976

CABINET

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HEALTH AND SAFETY AT WORK ETC, ACT 1974  
SAFETY REPRESENTATIVES AND SAFETY COMMITTEES

Memorandum by the Secretary of State for Employment

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1. I sought the agreement of the Ministerial Committee on Economic Policy (EI) to my making Regulations and approving a Code of Practice which would give the right to recognised trade unions to appoint safety representatives and place an obligation on employers to set up safety committees in certain circumstances. These measures stem from proposals put to me by the Health and Safety Commission.
2. These proposals were criticised by EI, mainly on the grounds that they would create a new claim on resources at a time when the Government is seeking to restrain expenditure in the public sector; and that the difficulties would be particularly severe in relation to local authorities. I well understand my colleagues' reluctance to accept proposals which would increase expenditure in areas for which they are responsible. In present circumstances I would expect a similar reaction to any such proposal. But I am sure it will be agreed that in every case that comes before us we have to balance the need to keep expenditure down against the adverse effects on our policies that may result. In this case I am convinced that the delay that has already occurred in implementing these proposals is having a serious effect on our relations with the Trades Union Congress (TUC); and that any failure on our part to comply with what is accepted as an undertaking within the Social Contract will be seized upon by elements within the trade union movement as a means of causing us embarrassment. It seems to me that the consequent effect on our policies could well be out of all proportion to the amount of money involved.
3. It was argued in EI that it would be wrong to implement these measures until an attempt had been made to arrive at agreed and accurate estimates of the costs involved; and I was asked to arrange this. Such an attempt has in fact already been made, as my colleagues know, and it was only because agreement could not be reached that I was forced to refer to a range of estimates in my submission. I have tried to make it clear



that, since the cost of these measures depends upon the number of representatives who will in due course be appointed and the number of committees which will be set up, and since these numbers will depend on negotiations between employers and workers' representatives which may well go on for some time, it is virtually impossible to arrive at an accurate estimate of costs now. It must depend on how successful such negotiations are in creating a sensible pattern of representatives and committees in a whole variety of different circumstances. My colleagues appear to be assuming that these negotiations will be unsuccessful. The Health and Safety Commission, which has been discussing its proposals with the Confederation of British Industry (CBI) and TUC for many months, is much more optimistic, particularly since no account has been taken in the estimates of the fact that public sector employers, who are generally good employers, will already have been allowing time for discussions of health and safety matters through their normal consultative arrangements. It is also true that a high proportion of workplaces in the public sector are low-risk and will involve the minimum of attention from safety representatives and committees. I myself believe that we ought to accept the Health and Safety Commission's judgment.

4. However, since we are unlikely to resolve this radical divergence of view, and attempts to do so will only add to the delay in implementation, I strongly recommend that we should agree on a compromise solution. It is important to remember that in 1977-78 the number of representatives and committees created will grow only gradually and that the consequent costs are likely to be considerably less than they would be in a full year when the situation has stabilised. The costs in 1977-78 would therefore be uncertain even if the figures for later years were agreed. In the Civil Service and the Health Service I think it is reasonable to expect that such extra costs as may be incurred in these initial stages could be absorbed. As far as the local authorities are concerned, in the light of the range of costs which have emerged, I think it would be sufficient to set aside £10 million for expenditure in 1977-78 (which would of course include expenditure in educational establishments) and I propose that we should agree this now. During 1977-78 we should be able to assess more accurately, in the light of the progress that is being made, what the costs are likely to be in future years.

A B

Department of Employment

6 September 1976

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6 September 1976

CABINET

PROPOSED MERGER BETWEEN TATE & LYLE AND  
MANBRE & GARTON

Memorandum by the Secretary of State for Prices and  
Consumer Protection and Paymaster General

1. I seek my colleagues' agreement that I should refer the proposed merger between Tate & Lyle (Tate) and Manbre & Garton (Manbre) to the Monopolies and Mergers Commission, for investigation of those aspects not concerned with cane sugar.

THE COMPANIES

2. Details of Tate and of Manbre are at Annex A. The two companies share the United Kingdom cane sugar market, roughly in the proportions 77 per cent:23 per cent. They agree on the need to reduce refining capacity by one-third (from 1.9 million to 1.3 million tons) by 1980, and put jointly to Government last January alternative proposals to achieve this. They also discussed - inconclusively - ways of establishing the necessary unified control of the refineries, by one or possibly two joint companies. Tate have since entered the starch and glucose market (from which Manbre derive 70 per cent of their profits) by buying a one-third interest, with an American and a Belgian partner, in Tunnel Refineries Ltd and a sister company in Belgium.

THE PROPOSED MERGER

3. On 28 July Tate made an offer worth £40 million to Manbre shareholders. If this succeeds, Tate would have statutory monopolies in each of the United Kingdom markets for cane sugar, starch, glucose and sweeteners generally of 50 per cent or more (the legislation defines "monopoly" as 25 per cent of a market sector).

4. The proposed merger is opposed not only by Manbre, who vigorously deny Tate's claim that it is the only available route to rationalisation of cane sugar refining, but by the whole food and drink industries and by important retailers and supermarket chains. Union branches at Manbre's Greenock and Newron-le-Willows refineries have also publicly expressed opposition.

5. Acceptances received by 1 September, when Tate's offer first expired, totalled only  $3\frac{1}{2}$  per cent of Manbre shares. The offer has been extended to 10 September.

#### THE CASE FOR A REFERENCE

6. Before Tate announced their offer, they had been advised in confidence (with Ministers' agreement) that it was not my intention to refer the sugar aspects of a merger with Manbre to the Monopolies and Mergers Commission, but that it was not possible to give them a confidential view on whether or not I might refer its non-sugar aspects. Despite the representations now received against the merger from customers for sugar, I accept the need for rationalisation of the cane sugar industry and am therefore prepared to limit the scope of an investigation by the Commission to the non-sugar side. But there is in my view an overwhelming case for such an investigation (which could be completed by Christmas), on the following grounds:-

a. I have to decide whether a merger raises question of sufficient importance to justify a full and independent investigation. It cannot be denied that this one does. But it is for the Commission, not for me, to recommend where the public interest lies.

b. The Director General of Fair Trading has strongly recommended a reference, and the merger is so contentious, so large, and so important to a large slice of the food and drink industries that in the ordinary way there would be no question of my not accepting his advice.

c. Takeover activity is rising fast (a threefold increase since end-1975), as a cheap and quick way of acquiring assets. Already some 40 offers for public companies, worth £300 million, are said to be open. Non-reference of Tate's highly controversial bid would be seen in the City as the green light for another mergers boom, perhaps of 1972 proportions. Our Union supporters will not welcome the prospect of the redundancies this is likely to bring about.

d. United Kingdom industry is already highly concentrated; if we are to succeed in raising the level of its performance, we cannot afford further increases in monopoly power, with the risk of misallocated resources, higher costs and lack of technical innovation. There is no substitute for competition in improving a company's efficiency.

e. Manbre is regarded by its customers as an innovative and efficient supplier, giving good service. By contrast, there has been an unprecedented volume of protests at Tate's attitude (see Annex B) and of fears about the consequences if they take over Manbre.

ARGUMENTS AGAINST A REFERENCE

7. My colleagues who are against a reference contend that it would impede the rationalisation scheme and thereby put at risk the creation by Tate of new job opportunities at Liverpool. They suggest that assurances Tate have offered about their future behaviour should suffice to meet criticism of the merger.

8. I cannot accept these arguments. If unified control of the refineries is necessary to effect rationalisation, I cannot believe that the Ministry of Agriculture, Fisheries and Food (on whose efforts in Brussels both companies depend) do not have enough leverage to bring them together in one or more joint companies for this purpose. It is suggested that Tate will only invest in new chemical plant at Liverpool (intended, with two minor projects, to absorb all but 300 of the sugar workers made redundant there) if they obtain Manbre's profitable starch business on favourable terms. This too is specious; Tate say that the issue of starch and glucose only arises because of failure to agree about sugar. They are already starting to instal the chemical plant, and if they expect a good profit from this they will doubtless go ahead anyway. At best, Tate's proposed solution of the Merseyside employment problem would save less than 400 jobs within the assisted area - at a cost of losing 480 at Newton-le-Willows only a mile or so outside the area. Manbre claim that, if both companies make sacrifices and show proper concern for their own workers, all six refineries can remain centres of employment (the Unions' objective) with no compulsory redundancies. Natural justice demands that this claim be properly heard; but both Manbre and the Transport and General Workers' Union (who oppose the merger) say that they have had no discussions on it with the Government.

9. Assurances by Tate about future behaviour would not be accepted by their critics as a substitute for the stimulus of competition, and would thus be of little value - even presentationally - in defending non-reference. As in the Ford and Rootes/Chrysler cases, it would be a potential source of embarrassment to Her Majesty's Government to have to renegotiate assurances that concerned matters that needed to change over time (Like maintenance of an existing range of products). The most important aspects of Tate's future behaviour - their willingness to innovate and respond to customers' needs - are intangible, and not the sort of thing a company can make promises about. In any case, assurances could not be enforced under the legislation without a prior report from the Commission; only thus, if Tate acquired Manbre, could all the potential abuses be brought to light.

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**CONCLUSION**

10. In my view, a reference of the non-sugar aspects of the proposed merger is necessary if we are to maintain a credible mergers policy, and need not impede either rationalisation of sugar refining or the provision of alternative jobs. Assurances by Tate are no substitute for a full and independent investigation of the effect of the merger on the public interest.

S W

Department of Prices and Consumer Protection

6 September 1976

DETAILS OF TATE AND LYLE LIMITED  
AND MANBRE AND GARTON LIMITED

Tate and Lyle

Tate has total assets of £400m; a turnover in the year to 30th September 1975 of £1,274m, yielding pre-tax profits of £47.5m; and 9,520 employees in the UK. Their activities embrace cane sugar refining, international commodity trading, bulk liquid storage and various other activities; but their sugar refining and other sugar interests are likely to amount to well over half their total turnover.

Manbre and Garton

Manbre has total assets of £73.1m; a turnover of £143.4m., yielding pre-tax profits of £7.1m; and 2,154 employees in the UK. Apart from refining, Manbre's main activity is the milling of maize to produce starch, glucose and similar products.

Location and capacity of the two companies' existing sugar refineries

Location	Capacity (m tonnes)	Employees
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Tate

Thames (Silvertown)	0.9	2,640
Liverpool	0.55	1,920
Walker (Greenock)	0.11	380
	<u>1.56</u>	<u>4,940</u>

Manbre

Sankey (Newton-le-Willows)	0.16	480
Hammersmith	0.13	380
Westburn (Greenock)	0.12	420
	<u>0.41</u>	<u>1,280</u>

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The two companies put forward to MAFF in January 1976 various options for reducing capacity by 0.6m tonnes by 1980. A further option worked out by MAFF officials was discussed by EI Committee in May 1976. It would operate in two stages:

- (a) reduce capacity at Liverpool (by half), and close sugar production at Hammersmith; and later
- (b) close Sankey.

This is the option on which Tate's plans following the merger are believed to be based.

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ANNEX B

## ANALYSIS OF THE REPRESENTATIONS AGAINST A TATE/MANBRE MERGER

### Sources

Trade Associations	12
Companies	83

The Company breakdown is as follows:

Brewers	35
Preservers and confectionery manufacturers	17
Soft drink manufacturers	10
Wholesale /retail grocers, distributors, supermarkets	12
Bakers	3
Adhesive manufacturers	3
Others	4

### Types of Complaint

Reduction of competition in (a) sugar products	62
(b) sweetener products	42
Reduction in service to the customer	28
Adverse effect on prices	22
Reduction in continuity or security of supplies	22
Reduction in range of products	16
Loss of knowhow and development expertise	12
Adverse balance of payments effect (due to switch to imports)	3

The following is a selection from the representations received by the Office of Fair Trading:

'We have no doubt that such an acquisition and the subsequent elimination of virtually all effective competition, particularly in Scotland, would seriously undermine our position as buyers and consumers.'

'Manbre are lively, competitive business people who are eager to sell and to please. Tate are totally unimaginative in their selling to industry and are slow to respond to competitive pressures.'

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'We are a considerable user of sugar and other sweeteners supplied by both Tate and Manbre and have a first hand knowledge of the operations of both companies. Tate are certainly inflexible, impersonal and dictatorial in their trading relationships with our companies by comparison with the smaller and more flexible Manbre.'

'Over the years we have done a great deal of business with both Tate and Manbre. On the whole Tate have proved to be a monopolistic and arrogant supplier.'

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COPY NO 80

7 September 1976

CABINET

TATE AND LYLE'S BID FOR MANBRE AND GARTON

Memorandum by the Minister of Agriculture,  
Fisheries and Food

1. In common with the majority of my colleagues on the Ministerial Committee on Economic and Industrial Policy (EI) I believe we should decide against referring to the Monopolies Commission any aspect of the bid which Tate and Lyle have made for Manbre and Garton. In this paper I explain why.

EXCESS REFINING CAPACITY

2. The cane sugar refining industry has excess capacity of about 460,000 tons (1977) rising to 580,000 tons in 1980. This reflects the loss to the refineries of about 500,000 tons of raw cane supplies (mainly Australian) which we used to get under the Commonwealth Sugar Agreement but do not under EEC arrangements; and about 100,000 tons of raw beet sugar which in time will have to be refined in the beet factories. Running down the excess capacity will involve the loss of up to 2,000 jobs.

3. The present capacity and work force of the six refineries are as follows:-

	<u>Basic Capacity</u> (1000 tons)	<u>No. of employees</u>
Tate & Lyle: London (Silvertown)	900	2,640
Liverpool	550	1,920
Greenock	110	380
Manbre & Garton: London (Hammersmith)	130	380
Newton-le-Willows	160	480
Greenock	120	420
Total;	1,970	6,220

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4. The two refiners accept the scale of the excess capacity but have been unable to agree between themselves where capacity should be reduced. The Unions concerned argue that the Government should find additional supplies of raw sugar, to keep the present capacity employed. Because of our EEC obligations and the very high cost of subsidising supplies of raw beet sugar, however, this is not practicable.

### THE GOVERNMENT'S OBJECTIVES

5. The Government's objective is to ensure that the necessary reduction of capacity should take full account of employment and regional policy as well as economic considerations. This means that, while trying to secure an efficient and competitive industry, we would prefer contraction to fall elsewhere than in central Liverpool and Greenock, where the employment and regional development situations are particularly difficult. Officials have worked out a possible plan which would i. make no reduction of capacity in Scotland; ii. use the full capacity of the largest refinery (Silvertown); iii. reduce capacity at Tate's Liverpool refinery but provide alternative jobs on the same site (mainly in a new chemical plant) to offset most of the jobs lost and avoid any enforced redundancies; and iv. reduce capacity at Hammersmith and towards 1980 close Newton-le-Willows. This seems to those of us with industrial responsibilities to strike the best balance. But the contraction it implies falls far more heavily on Manbre than on Tate.

6. Tate's are the more interested in staying in sugar refining and have been the more active in exploring the possibilities of new jobs. In mid-April they sought my views about the Government's reaction to a merger between them and Manbre's, making it clear that after a merger they would be prepared to implement a plan like that in paragraph 5. The EI Committee considered this in May, and agreed that Tate's should be advised to seek confidential guidance from the Office of Fair Trading and that officials should continue to work on the plan.

7. It is suggested that we should have the views of Manbre's and the unions in order to decide which course offers the best chance of bringing about the required contraction in accord with our regional and employment policies. But this seems to me unrealistic. It was not possible to discuss the plan above with Manbre without improperly revealing to them Tate's intention to make the bid. It would have been apparent that the plan called for unified control; and unless Manbre accepted this, they were bound to oppose a plan which fell more severely on their own capacity. They have however been free to put forward their own ideas for rationalisation; and these based on sharing the burden of contraction in the absence of a merger, involve closing one Greenock refinery and saving jobs at Newton-le-Willows at the expense of Liverpool. This is clearly less attractive in terms of regional policy.

8. Similarly it has not been practicable to discuss the plan with the unions in the context of a contested bid. They have not as yet accepted the need for any contraction in capacity at all and this is their only common cause. The workers in the two companies belong largely to different unions and so long as each company continues separately, the workers' representatives from each refinery are bound to urge that theirs should not be the one to be cut. The case of those of us who would allow the bid to go ahead is that unified control of the six refineries is an essential precondition for a rationalisation plan meeting the Government's objectives. Only then will the unions give the necessary priority to the interests of the workers in the areas of high unemployment. Tate's dependence on Government for an adequate refining margin should ensure their co-operation for an acceptable plan.

#### THE COMPETITION ASPECTS

9. The OFT gave confidential guidance to Tate's that it was not intended to refer the merger as such to the Commission, but that it was not yet possible to say whether particular aspects in regard to products other than sugar might be referred. Reference of the sugar side is therefore not in question. But many in the food industries argue for reference of starches and glucose, where technical monopolies would also exist. It is on this that the EI Committee has been unable to agree.

10. Together with my colleagues with industrial responsibilities I oppose a reference of the starch and glucose aspects because -

i. it would prevent Tate's proceeding with a merger bid which, if successful, would produce unified control of the refineries and a reduction of capacity in accordance with the Government's objectives. Decisions about capacity are needed urgently: they cannot await prolonged consideration of the bid by the Monopolies Commission;

ii. Tate's have offered undertakings which in my view fully meet concern about monopoly aspects on the starch and glucose side. They have undertaken to continue to provide the full range of products which the two companies now provide, so long as customers want them. They have undertaken that for two years they would maintain the starch and glucose parts of Manbre as a separate identifiable business; so that if a monopoly reference were made after the merger, and divestment required, it would be practicable. They have moreover undertaken in those circumstances to co-operate with any such requirement.

11. The Minister of State, Department of Prices and Consumer Protection has met Tate's senior management to examine these undertakings in detail. At his request, they have proposed a non-statutory adjudication body which could oversee their undertaking to consumers. He also requested them to extend the period when the starch and glucose interests were kept separate, and they have now proposed three years instead of two.

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12. If we nonetheless referred the non-sugar aspects of the bid, it would of course be withdrawn. Talks would then resume between the companies on the rationalisation of sugar refining. They are unlikely to agree on proportionate capacity reductions, which would in any case run counter to our own aims. Nor are they likely to find any basis on which they could work together. Negotiations would therefore quickly turn on the possibility of Manbre selling their sugar interests only to Tate's. But the chances of agreement on price seem poor. Manbre would ask for a price that presupposed continued use, while Tate's would be buying only in order largely to close down; and Tate's would no longer be acquiring the profitable non-sugar interests. There could clearly be pressure on Government to inject substantial sums of money without acquiring an interest; and if this were refused, the probability of intense competition, with the pattern of closures determined by market forces (yet the Government held responsible by the unions).

CONCLUSION

13. I therefore recommend that the starch and glucose aspects of the merger should not be referred. Tate's undertakings will, if their bid succeeds, allow a year or 18 months' experience of the competitive situation with a merged company before a decision on a monopoly reference need be taken; and this would provide amply public justification for a decision not to refer now. Meanwhile the merger would bring about unified control of the refineries and enable the contraction of capacity to take place with full regard to vital regional and employment considerations.

T F P

Ministry of Agriculture, Fisheries and Food

7 September 1976