EXPLANATORY MEMORANDUM TO

THE ELECTIONS (POLICY DEVELOPMENT GRANTS SCHEME) ORDER 2025

2025 No. 159

1. Introduction

1.1 This explanatory memorandum has been prepared by the Ministry of Housing, Communities and Local Government and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Rushanara Ali MP, Parliamentary Under-Secretary of State, at the Ministry of Housing, Communities and Local Government confirms that this Explanatory Memorandum meets the required standard.

2.2 Nisha Satkunarajah, Deputy Director for Elections Policy, at the Ministry of Housing, Communities and Local Government confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Donald MacKinnon at the Ministry of Housing, Communities and Local Government, email: donald.mackinnon@communities.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This order updates the Policy Development Grants Scheme detailing how £2 million policy development grant funding is to be allocated to eligible political parties. The updates to the scheme were recommended by the Electoral Commission ("the Commission").

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the whole of the United Kingdom.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the whole of the United Kingdom.

5. Policy Context

What is being done and why?

5.1 The Policy Development Grant is £2 million of funding from Parliament which is distributed by the Electoral Commission to political parties with at least two sitting members of the House of Commons who have taken the oath of allegiance. The Policy Development Grants Scheme was established in the Political Parties, Elections and Referendums Act 2000 (PPERA) and the rules for distributing the money is set

out in secondary legislation under the Elections (Policy Development Grants Scheme) Order 2006.

5.2 PPERA requires the Commission to keep the grant scheme under review and it can make recommendations to the Secretary of State whenever it considers a change is appropriate.

5.3 The Commission reviewed the scheme and in September 2024 consulted political parties on recommended changes. The Commission then wrote to the Secretary of State on 7 November 2024 making its formal recommendation on changes to the scheme.

5.4 The Commission recommended that £1 million of the grant be divided equally between eligible parties, as before, and that the other £1 million of the grant be divided into pots for England, Scotland, Wales and Northern Ireland based on the proportion of the UK electorate living in each nation and each nation's pot should be split equally between the eligible parties that stand candidates in at least 50% of the constituencies in the relevant nation at the most recent UK Parliament general election.

5.5 The Commission explained that the rationale for these changes were, first, to link the allocation more clearly to the statutory purpose of the scheme (the development of policies for inclusion in manifestos) and that eligible parties would receive an amount that reflects requirements of developing policies for manifestos aimed at different size electorates in each part of the UK. Vote share at preceding elections would therefore no longer form part of the calculation as it did under the previous version of the scheme. Second, the Commission explained that this simplifies and improves the transparency of the scheme as the current method of allocation involves a set of complex calculations that are counter-intuitive and difficult to understand. Third, the Commission explained the benefit of drafting the order in a party-neutral way, removing the need to update it when party eligibility changes, thereby reducing legislative complexity, improving the efficiency of the process, and saving the Government, Parliament and the Electoral Commission time and staff resources. The Commission highlighted that it had been necessary to update the scheme nine times in the past ten years.

5.6 The Minister accepted the Commission's recommendations and as required by PPERA has made this order to give effect to those recommendations.

What was the previous policy, how is this different?

5.7 Under the Elections (Policy Development Grants Scheme) Order 2006, £1 million is to be split equally between all eligible parties and the other £1 million is to be allocated based on a three-step formula. This involves splitting the second £1 million into pots that are proportionate to the size of the registered electorate in each nation of the UK. Eligible parties' initial allocations are then calculated based on their weighted vote shares for each nation at the preceding UK Parliamentary general election, and elections to the Scottish Parliament, Senedd Cymru and Northern Ireland Assembly (where relevant). Finally, where parties form a group of parties that stand candidates in one or more parts of the UK, their allocations are combined and divided equally between them. In 2024-25, those groups were Great Britain-wide parties, Scotland-only parties and Northern Ireland-only parties. Any party that was not part of a group received only its notional allocation.

5.8 This old scheme did not account for parties who contest in multiple parts of the UK but not GB-wide. For example, in England and Wales only. The updated scheme no

longer groups parties in the same way and instead divides the shares for each part of the UK by all eligible parties who stand candidates in at least 50% of constituencies in that part of the UK. It also no longer takes into account vote share at preceding elections.

6. Legislative and Legal Context

How has the law changed?

6.1 Section 12[1] of PPERA sets out the duties and powers of the Commission in relation to the Policy Development Grant Scheme. Once the Secretary of State receives recommendations from the Commission, they must make an order giving effect to those recommendations, with any modifications they consider appropriate.

6.2 This order, the Elections (Policy Development Grants Scheme) Order 2025, gives effect to those recommendations. It also repeals the Elections (Policy Development Grants Scheme) Order 2006 and all amendment orders which have been made since.

Why was this approach taken to change the law?

6.3 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 The Electoral Commission consulted the political parties represented on the Westminster Political Parties Panel prior to making its recommendations. In its letter to the minister the Commission made the following statement in relation to its consultation outcome:

7.2 "Our consultation found that there was no common view about the best way forward for allocating the second £1m, with the political parties expressing a range of views on the options presented. The majority of parties did, however, agree that the method of allocating the second £1m should be reformed. There was broad agreement among the parties on the desirability of a threshold that must be crossed before being eligible to receive a share of the second £1m for each nation. Our consultation proposed that parties must have contested at least 20% of the seats in England, Scotland, Wales or Northern Ireland at the most recent UK Parliament general election to be eligible for a share of the relevant nation's pot. However, several parties felt that the level of the proposed threshold was too low. We therefore conducted additional analysis of the financial implications of different thresholds to identify whether there was a more effective solution. While there are trade-offs involved with different thresholds, we have concluded that the threshold for parties to be eligible to receive a share of the second £1m for each nation should be increased to 50%. We believe this would give greater assurance that parties have demonstrated a substantial commitment to contesting elections in each nation and lower the risk that the allocation criteria for allocating the second £1m could be abused."

8. Applicable Guidance

8.1 The Electoral Commission provides guidance (in English and Welsh) to the political parties on the Policy Development Grants Scheme. The guidance sets out the terms and conditions of the Scheme, including the eligibility criteria, the allocation of

[1] https://www.legislation.gov.uk/ukpga/2000/41/section/12

grants, eligible expenditure, and the application and auditing process. It is updated annually and sent to the eligible parties at the beginning of April each year following the Commission's determination of eligibility. The Commission is updating the guidance in accordance with the changes made to the Scheme and will send the updated guidance to the eligible parties at the beginning of April 2025. The Commission will provide a link to the updated guidance on its website here, alongside details of the changes made to the Scheme, the list of eligible parties and relevant electorate figures.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because the SI relates to a limited group of political parties and does not have a wider business impact.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because this relates to political party funding only.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because this relates to the distribution of political party funding only and there is no change to the amount of public money made available.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The scheme must be kept under review by the Electoral Commission and the Secretary of State is required to make updates to legislation where appropriate.

10.2 The instrument does not include a statutory review clause because it is exempt under section 28(3)(c) of the Small Business, Enterprise and Employment Act 2015 (provision relating to grants by a public authority).

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 The Parliamentary Under-Secretary of State, at the Ministry of Housing, Communities and Local Government has made the following statement regarding Human Rights:

"In my view the provisions of the Elections (Policy Development Grants Scheme) Order 2025 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").