



BRIEFING PAPER

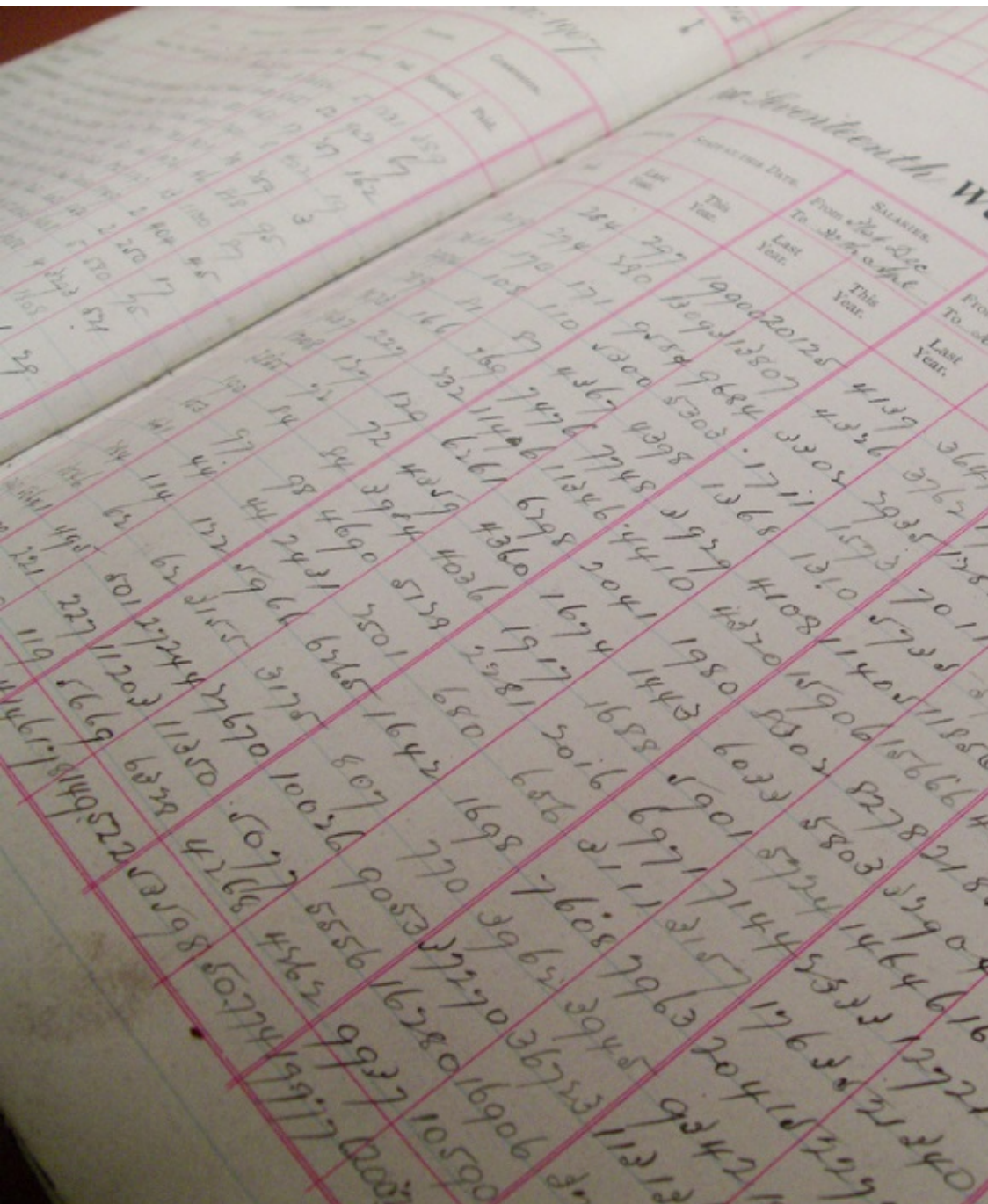
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Political party funding: sources and regulations

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Summary

This briefing paper introduces the main sources of funding for political parties and the rules applying to their use.

Political parties fund their activities through public funding, donations, loans and membership fees. Funding regulations apply to political parties but also to candidates and certain other individuals and organisations, including Members of Parliament. There are also rules about the spending and funding of third parties that contribute to political campaigns.

1. Background

Political parties competing for votes in elections contribute to the functioning of our representative democracy. These parties require funding to develop their activities. Such funding comes in different forms and is subject to national regulation. This Briefing Paper gives an overview of the different forms of funding available to parties in the United Kingdom and the rules that apply to them.

Party funding rules are captured in several Acts, Orders and Resolutions, but the most important piece of legislation is the *Political Parties, Elections and Referendums Act 2000* (PPERA) passed by the Labour Government. PERA created a regulatory framework including rules on which donations can be accepted and how they should be recorded and reported; controlled campaign expenditure, both for political parties and third parties; introduced the Policy Development Grant to assist political parties in developing policy; and established the Electoral Commission.¹

The Electoral Commission is a regulatory agency directly accountable to the House of Commons that monitors the compliance of political parties with the rules relating to party funding and provides detailed guidance on these rules. The sections below will refer to Electoral Commission guidance where relevant in discussing the main forms of funding for political parties: membership fees; public funding; donations; loans; and third party contributions to campaigns. The Electoral Commission can be contacted for information and advice:

<http://www.electoralcommission.org.uk/contact-us>.

¹ For more information, see the Commons Library Research Papers that were produced about this Act: [Political parties Elections and Referendums Bill – electoral aspects, Commons Library Research Paper 00/1, 6 January 2000](#); [Political parties Elections and Referendums Bill – donations, Commons Library Research Paper 00/2, 7 January 2000](#); [Political parties Elections and Referendums Bill – referendums and broadcasting, Research paper 00/3, 7 January 2000](#)

2. Public funding

Political parties in the United Kingdom are not entitled to large-scale public funding, unlike their counterparts in many comparable democracies. However, they do receive various forms of public assistance.

2.1 Policy Development Grants

Policy development grants are designed to assist political parties with the development of policies for inclusion in any manifesto. To be eligible for these grants, parties need to be registered with the Electoral Commission and have at least two sitting and voting Members of the House of Commons, who have made the oath of allegiance required by the *Parliamentary Oaths Act 1866*.²

This means parties with Members in the devolved parliaments and assemblies but not in the United Kingdom Parliament, such as the Scottish Socialist Party, cannot receive assistance through these grants. Sinn Fein is also excluded as its five Members of the UK Parliament have not taken the oath.

The total amount available for policy development grants is £2 million per year. Of this amount, £1 million is shared equally among the eligible parties.³ The different nature of party politics in England, Wales, Scotland and Northern Ireland and the size of the electorate in the four countries are reflected in the formulae used to allocate the remaining £1 million.⁴

The [Electoral Commission administers the grants](#) and benefiting political parties must provide a final cost report at the end of each year.

The allocations for 2015/16 are set out in the table below.

² [Political Parties, Elections and Referendums Act 2000, chapter 41, s12](#)

³ The [Elections \(Policy Development Grants Scheme\) \(Amendment\) \(no. 2\) Order 2015, No. 302](#) passed on 18 February 2015 revised the dates for calculation and publication of the number of electors in Scotland for the year ending on 31 March 2016; and made provision to include the UK Independence Party as an eligible party on the same basis as the Conservative, Labour and Liberal Democrat Parties

⁴ The formula for distributing funds among qualifying parties is set out in the Policy Development Grants Scheme 2006, which is set out in *the Elections (Policy Development Grants Scheme) Order 2006 (S.I. 2006/602)*, as amended. The SI was amended by the *Elections (Policy Development Grants Scheme) (Amendment) Order 2014* and the *Elections (Policy Development Grants Scheme) (Amendment) (No. 2) Order 2015*.

Party	2015-16
Conservative and Unionist Party	£359,478
Democratic Unionist Party	£137,929
Labour Party	£359,478
Liberal Democrats	£359,478
Plaid Cymru	£132,553
Scottish National Party	£153,676
Social Democratic and Labour Party	£137,929
UK Independence Party (UKIP)**	£359,478
Ulster Unionist Party *	n/a
Total	£2,000,000

[Source: Electoral Commission, Public funding for political parties.](#)
[\[Excel spreadsheet available from this page\]](#)

* The Ulster Unionist Party was removed from the Scheme for 2006-7 because it no longer satisfied the eligibility requirement (of having two Members of Parliament who had taken the oath) contained in section 12 of the Political Parties, Elections and Referendums Act 2000.

** The UK Independence Party (UKIP) was added to the Scheme for 2015-16 as the party had two qualifying MPs on the relevant date.

NOTE: Assuming there is no change in the number of seats held, the Ulster Unionist Party will qualify from 2016/17, and the UK Independence Party will no longer qualify.

2.2 Short Money and Cranborne Money

The House of Commons and the House of Lords both provide opposition parties with funding to support their parliamentary duties. In the House of Commons, this is known as Short Money. In the House of Lords, it is known as Cranborne Money.

Short Money is made available to all opposition parties in the House of Commons that secured either two seats or one seat and more than 150,000 votes at the previous General Election. It is not available to parties whose Members have not sworn the oath. However, a similar scheme exists for an opposition party represented by Members who have chosen not to take their seats, which in practice enables Sinn Fein to claim assistance.

The Short Money scheme has three components that are updated annually. As of 1 April 2014, the rates for these components are:

- General funding to assist an opposition party in carrying out its Parliamentary business: parties receive £16,689.13 for every seat plus £33.33 for every 200 votes won by the party at the last election.
- Funding for the opposition parties' travel and associated expenses in relation to the party's Parliamentary business: £183,336.00 is apportioned between each of the Opposition parties in the same proportion as the amount given to each of them under the basic funding scheme set out above.
- Funding for the running costs of the Leader of the Opposition's office: £777,538.48.

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The Short Money allocations for 2014-15 are set out in the table below.

Short Money allocations 2014/2015

	General	Travel	Leader of the Opposition	Total
Labour Party	5,740,052	167,204	777,538	6,684,794
Democratic Unionist Party	161,544	4,706		166,250
Green Party	64,151	1,869		66,020
Plaid Cymru	77,598	2,260		79,858
Social Democratic and Labour Party	68,532	1,996		70,528
Scottish National Party	181,993	5,301		187,294

Source: House of Commons, Department of HR and Change

Cranborne Money is financial assistance provided to the Opposition, the second largest opposition party and the Convenor of the Crossbench Peers in the House of Lords. In the 2014/2015 session, the rates were:

- Opposition (Labour): £572,717
- Cross Bench: £73,565.

Parties claiming Short Money and/or Cranborne Money must provide an auditor's certificate confirming that all expenses claimed were incurred exclusively in relation to the party's Parliamentary business. That is, these funds must not be used for political activities and campaigns.

For more information on Short Money and Cranborne Money, see Library Briefing paper 1663 [Short Money](#).

Plans to reduce Short Money and policy development grants

The Government announced its intention to reduce Short Money allocations by 19% in the Spending Review and Autumn Statement 2015, and said that "Policy Development Grant allocations will also be reduced by a similar proportion":

Reducing the cost of politics

1.308 The government has taken a series of steps to reduce the cost of politics, including cutting and freezing ministerial pay, abolishing pensions for councillors in England and legislating to reduce the size of the House of Commons. However, since 2010, there has been no contribution by political parties to tackling the deficit. Indeed, taxpayer-funded Short Money has risen year-on-year from £6.9 million in 2010-11 to £9.3 million in 2015-16.

1.309 Therefore, subject to confirmation by Parliament, the government proposes to **reduce Short Money allocations by 19%, in line with the average savings made from unprotected Whitehall departments over this Spending Review**. Allocations will then be frozen in cash terms for the rest of the Parliament, removing the automatic RPI indexation. Policy Development Grant allocations will also be reduced by a similar proportion, ensuring that political parties in receipt of taxpayer-funding contribute to the savings being asked of local and central government.⁵

⁵ HM Treasury, [Spending Review and Autumn Statement 2015](#), November 2015, Cm 9162

2.3 Other forms of public funding

Parties also receive public funding in kind: free postage of election communications; the free use of meeting rooms in public buildings; and party political broadcasts. The UK has a ban on paid political advertising on radio and television.⁶ Air time is made available for party political broadcasts free of charge. In addition, legacies to political parties are exempted from inheritance tax.

For more information on these forms of funding, see Library Briefing papers 07/34 [The Funding of Political Parties](#) and 3354 [Party Political Broadcasts](#).

⁶ *Broadcasting Act 1990*, s 8

3. Donations

Political parties, election candidates, and certain other individuals and organisations known as ‘regulated donees’ must follow rules on which donations they can accept and how they record and report them. They are legally required to check the permissibility of donations before accepting them. Donations are defined as money, goods or services provided without charge or on non-commercial terms. A list of links to the guidance published by the Electoral Commission with full details of these requirements is included at the end of this section.

3.1 Political Parties

Donations worth over £500 to political parties are regulated. Political parties must only accept such donations from [permissible donors](#). These are individuals on the UK electoral register (including overseas voters and those leaving bequests) and organisations including, but not limited to, UK-registered companies and trade unions, and Great-Britain-registered political parties. For parties registered in Northern Ireland, permissible donors also include Irish citizens and organisations.

Donations must be recorded with information including, but not limited to, the donor’s name and address, the amount or nature of the donation and its value.

Political parties must report certain donations to the Electoral Commission by completing their quarterly return. During the election period, a party must make weekly reports, unless they declare they are not standing any candidates.⁷ The period between the dissolution of Parliament and polling day was fixed to 25 days by the *Fixed-terms Parliament Act 2011*.⁸ Donations that must be reported are (but note that the thresholds are different if the political party has accounting units):⁹

- All impermissible donations
- All permissible donations over £7500
- All permissible donations and loans that add up to over £7,500 from the same source in the same calendar year.
- All permissible donations and loans that:
 - are (or add up to) over £1,500; and
 - come from a source already reported in the same calendar year.

Affiliation fees to Trade Unions that contribute to political parties are treated as donations and must be reported to the Electoral Commission. For background on the particular association between the trade unions

⁷ The Electoral Commission has published a [2015 calendar with reporting dates for political parties](#)

⁸ The Act first provided a 17 day period between dissolution and polling day, but the *Electoral Registration and Administration Act 2013* amended this period to 25 days. For more information see Library Briefing paper 6111, *Fixed-term Parliaments Act*, 16 October 2014, and Library Briefing paper 6574 *Timetable for the UK Parliamentary General election*, 10 September 2014

⁹ Defined by the [Electoral Commission](#) as “sections of a party whose finances aren’t managed directly by the party’s headquarters”; these are typically the local offices of national parties

and the Labour party, see Library Briefing paper 593 [Trade Union political funds and levy](#). Note, however, that this relationship has changed in 2014 when Labour leader Ed Miliband made affiliation subject to individual consent.

3.2 Candidates

[Candidates](#) are persons with a declared intention to stand for election, and officially become so on the day Parliament dissolves, or as soon after as their candidacy is announced. Donations worth over £50 to candidates are regulated. Candidates must only accept these donations from permissible sources, similar to the permissible donors mentioned above.

Candidates (or their agents) must record both accepted and returned donations with information including the donor's name and address, the amount of the donation and the date it was accepted. This includes donations from a political party towards the candidate's campaign.

Candidates must report these records, and also the total amount of all donations under £50, to the Electoral Commission.

3.3 'Regulated donees': Individuals regulated by the Electoral Commission

Regulated donees are members of registered parties; members associations; and holders of relevant elective offices (including Members of Parliament, Members of the devolved legislatures and Members of the European Parliament). Donations worth over £500 towards regulated donees' political activities are regulated. Examples of political activities include developing and promoting a policy, giving a speech, and organising an event bringing together business leaders and politicians. However, certain payments are exempt.

A donation that is made with the specific intent of supporting a regulated donee's election campaign falls under the rules for candidates discussed above.

Regulated donees must only accept donations from [permissible donors](#). Accepted and returned donations must be recorded with information including the name of the donor, the nature of the donation and the date it was accepted.

Regulated donees are required to report details to the Electoral Commission of any of the following donations within 30 days of the date on which the donation was accepted or returned:

- members associations: donations of more than £7,500 which are accepted from a permissible donor
- individuals: donations of more than £1,500 which are accepted from a permissible donor
- all regulated donees: donations of more than £500 which are received from an impermissible donor
- all regulated donees: donations of more than £500 which are received from an unidentifiable donor

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- This also applies to aggregated donations and aggregated donations and loans above the stated thresholds.

Members of the House of Commons are regulated donees but they must report accepted donations to the [Registrar of Members' Financial Interests](#), who passes the relevant details on to the Electoral Commission.¹⁰ Returned donations must be reported to the Electoral Commission directly.

3.4 Further information

The Electoral Commission has published guidance for:

- [Political parties](#)
- [Political parties with accounting units](#)
- [Political parties registered in Northern Ireland](#)
- [Candidates](#)
- ['Regulated donees'](#)
- [Members of the House of Commons](#)
- [Reporting and recording donations](#)

¹⁰ See the [Code of Conduct for Members](#) for details on which donations must be reported additionally

4. Loans

The rules on who can lend money to political parties and regulated donees follow those for donations.¹¹ At present, loans to candidates are not regulated.¹² Parties and regulated donees are legally required to check the permissibility of a loan before entering into it. Loans are defined as loans of money; credit facilities such as credit cards and overdrafts; and securities or guarantees for a party's or donee's obligations to someone else. The Electoral Commission provides detailed guidance on these rules, links to which are included at the bottom of this section.

4.1 Political parties

Loans worth over £500 to political parties are regulated. Parties can only accept loans from permissible lenders, who must meet the same criteria as the permissible donors above, and must remain permissible throughout the period of the loan.

Loans must be recorded with information including the lenders' name and address, the value of the loan and the date it was accepted or returned.

Political parties must report certain loans to the Electoral Commission in their quarterly returns and weekly reports (see 3.1). For central parties, these are (but note that the thresholds are different for parties with accounting units):

- Any impermissible loans
- All permissible loans over £7,500
- All permissible donations and loans that add up to over £7,500 from the same source in the same calendar year
- Changes to the details of loans already reported to us
- All permissible donations and loans which:
- are (or add up to) over £1,500; and
- come from a source already reported in the same calendar year.

4.2 Regulated donees

Regulated donees can only accept loans in connection to their political activities from permissible lenders. Loans must be recorded and regulated donees must report to the Electoral Commission details of new loans and loans whose terms have changed within 30 days of acceptance for any of the following transactions:

- members association: any loan with a value of more than £7,500 where all participants in the loan are permissible lenders

¹¹ For more information, see Library Briefing paper 3960 [Loans to political parties](#), 27 February 2007

¹² However, Section 62 of the *Electoral Administration Act 2006* gives the Minister the power to make an order to extend the existing rules on loans to candidates, recognised third parties at national elections and permitted participants in a referendum

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- individual: any loan with a value of more than £1,500 where all participants in the loan are permissible lenders
- all regulated donees: any loan with a value of over £1,500 where a donation or loan has previously been reported from the same source and where all the participants in the transaction are permissible lenders
- all regulated donees: any loan of more than £500 entered into where one or more of the other participants in the transaction is an impermissible lender
- These rules also apply to aggregated loans and aggregated donations and loans that are above these thresholds.

4.3 Further information

The Electoral Commission has published information for:

- [Political parties](#)
- [Political parties with accounting units](#)
- [Political parties registered in Northern Ireland](#)
- [Regulated donees](#)

5. Third party contributions to campaigns

Third parties, or non-party campaigners, are individuals or organisations that campaign in the run up to elections, but are not standing as political parties or candidates. This includes, for example, trade unions and charities. General campaigns for or against a party or category of candidates by a third party are regulated. Third parties must register with the Electoral Commission if they intend to spend more than £20,000 in England, or £10,000 in Scotland, Wales or Northern Ireland. The Electoral Commission publishes detailed guidance on the rules that apply to this form of campaigning, a list of links to which is included at the end of this section.

5.1 Third party spending

Rules apply to spending by third parties. Although such spending is not a donation to a political party, the regulation is intended to prevent those with vested interests from having an undue effect on elections by by-passing rules relating to donations and loans to political parties. These rules apply during a set time in the run up to the elections known as the 'regulated period'. UK parliamentary general elections usually have a 365 day regulated period but for the 2015 election the regulated period for third parties started on 19 September 2014 and ends on polling day, 7 May 2015.¹³ The rules apply to spending on 'regulated campaign activity', which is public activity intended to influence voting behaviour.

During the regulated period, registered third parties can spend up to the limit of £319,800 in England, £30,800 in Northern Ireland; £55,400 in Scotland and £44,000 in Wales. However, they can only spend up to £9,750 within any one constituency. That means they cannot spend more than £390,000 in total on a UK wide campaign.

5.2 Donations to third parties

There are also rules on donations registered third parties can accept. Donations worth over £500 to third parties towards regulated campaign spending are regulated. Third parties must only accept donations from [permissible sources](#), which excludes political parties. They must record details of the donations they accept and return and they must report certain donations before the election. After the elections, third parties must report:

- details of all impermissible donations
- all accepted donations over £7,500

¹³ The regulated period was reduced to give the Electoral Commission time to develop guidance in accordance with the *Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014*. For more information, see Commons Library Briefing paper 6827, [Campaigners and Part 2 of the Transparency of Lobbying etc. Act 2014](#), 18 February 2014

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- all accepted donations that add up to over £7,500 from the same donor
- the total of all other accepted donations that were worth more than £500 and less than or equal to £7,500. No further information about these donations is required.

5.3 Further information

- The Electoral Commission has published guidance for:
- [Spending for non-party campaigners](#)
- [Rules on different forms of non-party campaigning](#)
- [Donations to non-party campaigners](#)

6. Membership fees

Political parties are private organisations that can charge membership fees. These fees are not subject to any rules. For more information about political party membership, see Library Briefing paper 5125 [*Membership of UK political parties.*](#)

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