Chapter 12

United Kingdom

By Mr. Rupert Grist, Regulatory Lawyer
Mr. Nick Wright, Senior Project Officer
UK Electoral Commission

This case study presents the UK legislation, the Political Parties, Elections and Referendums Act, which controls the funding of political parties and campaigns. It also presents some key election statistics collected by the UK Electoral Commission.
Legislative framework

The main piece of legislation providing for registration and regulation of political parties (and certain other political entities), and also setting out the scope of functions and oversight of the Electoral Commission as the regulator, is the Political Parties Elections and Referendums Act 2000 (PPERA).\(^1\)

Provisions regarding general elections to the UK Parliament, and other elections, including regulation of candidates, are set out in the Representation of the People Act 1983.\(^2\)

Other legislation makes provision for other elections, including elections to the devolved legislatures within the United Kingdom.

The Electoral Commission is the UK body responsible for monitoring and taking steps to ensure compliance with many of these requirements. It makes sure people understand the rules around political party finance. Alongside this work, it also takes action when the rules are broken, and publishes information on political finance. The wider policy objectives are the responsibility of the UK and devolved Governments.

Practical implementation of political finance law

*Level playing field – reporting of funding and expenditure*

UK law does not prescribe relative amounts of public and private funding available for those campaigning at elections. But there are a wide range of provisions on funding and associated matters.

*Public funding*

There are provisions for specific state funding and services. This includes money given to opposition parties (“Short money” for parties in the House of Commons and “Cranborne money” for parties in the House of Lords), policy development grants to parties with two or more members of Parliament (administered by the Electoral Commission), and money for parties in the Scottish Parliament. There are restrictions on what this money can be used for: Short money and Cranborne money can only be used for a party’s parliamentary business, and policy development grants can only be used to assist the party with the development of policies for inclusion in its manifestos. Services provided include the limited use of free mail for election material and free use of rooms for meetings.

*Private funding*

There are restrictions on the sources of private funding (mainly UK-based individuals and organisations), but no limits on the amounts that can be given.

*Spending limits*

Limits are imposed on the amount of election expenditure.

There are requirements to report relevant financial information. These include reports on expenditure and funding, and statements of accounts (showing, for example, total income and expenditure, and assets and liabilities, over a year).
Similar provisions concerning private funding and election expenditure apply to individual candidates as well as political parties.

There are also similar provisions on private funding and election expenditure regarding “third party” campaigners – those who campaign for candidates and parties. This is to ensure that indirect funding is also made transparent.

In addition to reporting funding through donations, parties are required to report certain loans and similar transactions that support their election expenditure.

Note that there are similar, but separate, provisions regarding the financing of campaigns at referendums in the United Kingdom.

**Media spending**

Media spending is included as part of regulated party expenditure (including party political broadcasts, albeit these are tightly restricted), subject to the exceptions set out in the legislation. One of those exceptions concerns spending on print media. There are also provisions including certain media spending as regulated expenditure by candidates and third parties. There is no separate regulation by the Electoral Commission of spending on media activities.

Figures 12.1-12.4 show reported figures for funding and expenditure of the main parties and their candidates, and the main third parties, in the run-up to the last UK parliamentary general election, held on 7 May 2010. (The parties and third parties shown have been included on the basis of the highest sums reported in each case.)

**Transparency and accountability**

The legislation provides – and the Commission ensures – public disclosure of all information required to be reported by political parties and third-party campaigners. Candidates provide reports to the local returning officer, but the Commission receives copies and collates information on a national level. All this information is available on the Commission’s website as soon as possible after it has been reported. All data on donations, loans and statement of accounts is made available on line on the Electoral Commission website.³

The legislation provides for some reports to be independently audited. For example, a political party with a gross income or total expenditure that exceeds GBP 250 000 in a financial year must have its statement of accounts audited; and an audit is also required of any return of party election expenditure if the expenditure exceeds GBP 250 000 during a campaign period. In addition, the Commission undertakes its own compliance checks of the information it receives by, for example, checking the permissibility of donations and cross-referencing statements made in different reports to identify any inconsistencies.
Figure 12.1. Public funds and donations to political parties in the United Kingdom, 1 July 2005 to 30 June 2010

Source: UK Electoral Commission.
Figure 12.2. **Candidate spending at the UK Parliamentary General Election 2010, by political party in the long campaign and short campaign**

**Note:** The “long campaign” is the period of several months prior to a person formally becoming a “candidate” at a general election, for which there is one limit. The “short campaign” is the period of weeks after a person formally becomes a candidate and ending with polling day, for which there is another limit.

**Source:** UK Electoral Commission.
Figure 12.3. Campaign expenditure, by category, at the UK Parliamentary general election 2010

Source: UK Electoral Commission.
Integrity – advice and guidance by the Commission

In the United Kingdom, the Electoral Commission is responsible for taking steps to ensure compliance with the requirements regarding party, candidate, and third-party finance. The Commission’s policy is to regulate in a way that is effective, proportionate and fair, in line with the principles of good regulation. Wherever possible, it will use advice and guidance proactively in order to secure compliance. The Commission is committed to providing those it regulates with a clear understanding of their regulatory obligations. It produces comprehensive guidance on a wide range of subjects, responds to requests for advice, and provides training where requested. The Commission is committed to making sure it is as easy as possible for people to comply with the rules, through good guidance and systems, publishing guidance that explains how to comply with the rules, offering advice in response to enquiries and continuing to find ways to reach out to those we regulate to keep them informed of the rules and how to comply with them.

The Commission is also proactive in encouraging compliance, for example in giving specific advice to newly registered parties, and issuing reminders to parties before deadlines for reports. It regularly meets with parties to discuss emerging issues, and
conducted campaign monitoring to determine whether individuals and organisations may need to be alerted to regulatory requirements impacting on them.

**Compliance and oversight**

As noted above, the Commission seeks to use advice and guidance to secure compliance wherever possible. Where necessary, however, there are a range of powers that can be used to obtain information and penalise contravention of the law.

The Commission and the courts have a number of supervisory and investigatory powers, requiring the supply of information, attendance at interviews, and inspection of documents, including at specific premises. The Commission also has a number of civil sanction powers, comprising the imposition of fixed or variable monetary penalties, the issuing of compliance or restoration notices (requiring steps to be taken to stop non-compliance or undo its effects), the issuing of stop notices (failure to comply with which is a criminal offence), and agreeing enforcement undertakings. It may also refer cases to prosecuting bodies for criminal prosecution.

The Commission’s Enforcement Policy sets out how it carries out its functions in this regard.\(^5\)

Compliance with the requirements is generally high. Since the Commission was given its civil sanction powers, compliance rates have increased. Figures 12.5 and 12.6 provide examples of compliance rates since 2010, in respect of delivery of yearly statements of accounts and quarterly returns of reportable donations by political parties.

**Figure 12.5. Compliance rate (statement of accounts) in the United Kingdom, 2010-13**

![Compliance rate (statement of accounts) in the United Kingdom, 2010-13](image)

*Source: UK Electoral Commission.*
Challenges and risks

The issue of how political parties should be funded continues to be discussed, in the UK legislatures and elsewhere. While there is evidence of public disquiet at aspects of private funding, there is little evidence of public support for increased public funding.

The most recent legislative change to political finance provisions concerned the requirements on third-party campaigners, by the Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014. It widened the scope of those entities that could be affected by the rules, as well as increasing certain reporting requirements. The Commission has engaged with those potentially affected to increase awareness of the new provisions, and has produced a revised suite of guidance for third parties in advance of the legislation coming into force.

Further devolution of powers is likely (to Scotland, and possibly to other parts of the United Kingdom), following the UK Parliamentary general election on 7 May 2015, and that is likely to have an impact on how political finance is regulated.

The Commission engages with Government, Parliament and interested bodies on any proposed legislative change. The Commission is politically neutral, but strongly supports any measures that are in the interests of voters, and ensures that its voice is heard whenever proposals are made that might affect voters’ interests.
Notes

1. For additional information on the Political Parties Elections and Referendums Act, see www.legislation.gov.uk/ukpga/2000/41/contents.


3. All data on donations, loans and statement of accounts is made available on line at www.electoralcommission.org.uk/find-information-by-subject/political-parties-campaigning-and-donations.

4. The Election Commission’s guidance is made available on line at www.electoralcommission.org.uk/i-am-a/party-or-campaigner/non-party-campaigners/guidance.
