



Public Funding for Political Parties

Ballot Box Briefings - #1
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Contents

1. Principles and Background.....	2
1.1. The Role of Political Parties.....	2
1.2. Current Funding Situation.....	2
1.2.1. Short Money.....	2
1.2.2. Donations and Dues	3
1.3. Examples from Other Countries.....	3
1.3.1. General Notes.....	3
1.3.2. Ireland.....	4
1.3.3. Germany	4
1.3.4. Slovenia	4
2. Proposed System	5
2.1. Basis for Funding.....	5
2.1.1. Per Seat Funding.....	5
2.1.2. Per Vote Funding	5
2.1.3. Level of Funding	5
2.1.4. Distributing Body	5
2.2. Threshold for Funding	6
2.2.1. Defining a Threshold.....	6
2.2.2. Undistributed Money.....	6
2.2.3. Upper Funding Limit.....	6
2.3. Weighting Funds Between Elections.....	7
2.3.1. Holyrood First.....	7
2.3.2. Equalising the Vote	7
3. Example Figures	8
3.1. Scotland.....	8
3.2. UK-Wide	8
3.2.1. Wales.....	8
3.2.2. Northern Ireland	9
3.2.3. England.....	9
3.2.4. UK Total.....	10
4. Conclusions.....	10

1. Principles and Background

1.1. The Role of Political Parties

Except for very small areas or organisations, almost every form of democratic organisation on the planet is primarily via “Representative Democracy”. A Representative Democracy is where an overall population elects a small number of individuals with the specific task of taking governance decisions.

We do this because a full “Direct Democracy”, where the whole (adult) population would be able to vote on every aspect of governance, would be impractical. People have jobs, families, studies, hobbies – in short, lives. No one has the time to do all of that *and* vote on every issue under the sun. Instead, we elect people to make representing us their job. Since it that then becomes their major focus, they are well placed to take informed decisions.

But for much the same reasons that full Direct Democracy is impractical, so too is a political system which is meant to be entirely non-partisan. Voters do not have the time to exhaustively analyse the exact policy positions of a large slate of Independent candidates. That’s where political parties come in as an essential part of the system.

By adhering to more-or-less defined ideologies, parties allow voters to engage with democracy by aligning themselves with what feels like the best fit in terms of values and policies, without needing to have an unattainable level of in-depth policy knowledge. They also provide a similar service to candidates. No one who has ever stood for election can claim to possess perfect knowledge in every field. Membership of a party gives access to a range of existing policies and people with expertise that candidates can be sure are broadly in line with their own values.

Parties therefore play a vital role in our democracy, and it is in everyone’s interest to make sure that parties aren’t overly susceptible to “capture” by wealthier sections of society. A reliable revenue stream that supports political parties is a justifiable use of public funds.

1.2. Current Funding Situation

1.2.1. Short Money

Parties in the UK and Scottish Parliaments do already receive some public funding, commonly referred to as “Short Money” after the UK Government Minister who introduced the scheme to Westminster. The Scottish equivalent is more blandly known as “Financial Assistance”. Whilst these are welcome schemes, they come with substantial limitations.

Firstly, the funds can only be used for parliamentary purposes. It’s allocated to each party’s parliamentary group rather than to the party itself, and the party can’t use it for general expenditure and certainly not for campaigns. That doesn’t mean the wider party can’t benefit from the funds, for example by using them to commission research for the parliamentary group which can then freely be used by the party. However, it is an important distinction that limits the utility of this type of funding.

Secondly, the funds are only paid out to opposition parties. Effectively, the purpose is to assist those parties that don’t have access to the machinery of government. That makes sense within the context of funding parliamentary groups, but it still leaves the governing party needing to fund general expenditure entirely by itself the same as everyone else. Parties of government do have substantial advantages, but they aren’t immune to the pressure of funding their basic operations.

Finally, at least in the Holyrood version, the funds must be used in the financial year for which they are claimed. It isn't possible to hold back some of the money from one year in anticipation of larger expenditure the next. Short Money in its various forms therefore isn't the sole solution to the question of how best to fund political parties.

1.2.2. Donations and Dues

The overwhelming majority of party funding in Scotland, and the UK as a whole, comes from the combination of donations and membership dues. The level of funding each party has available is therefore massively lopsided, based on size of membership, capacity to fundraise amongst the general public, and attractiveness of the party's policy platform to wealthy donors.

It's that last point that can be a major cause for concern. Whilst it might stray too much into partisan territory to identify any specific examples, you don't have to look too far in the UK to find allegations that wealthy donors for this party or that have been able to influence policies in their favour. It's important not to over-exaggerate the impact this has had, but on the other hand it would be naïve to believe that it hasn't caused any distortion either.

The fact that donations and dues are necessary to fund even the most basic party expenditures therefore makes maximising income from those sources essential just for parties to operate. The overall effect of this situation is to make it (even more) difficult for new parties to break through, minimise the impact of existing smaller parties, and generally embed major parties in their positions of relative power.

1.3. Examples from Other Countries

1.3.1. General Notes

As with so much else about how we do politics in the UK, the current lack of genuine public funding for parties and reliance on donations is generally taken to be completely normal. Alternatives are all too often viewed as, at best, bizarre wonkery or, at worst, actively dangerous. In reality, we're completely at odds with the European norm.

Now that the UK has left the EU, we can say that every member of the EU operates a much more generous scheme of public funding for political parties than the UK does, and with fewer restrictions on what those funds can be spent on.¹ In the UK, it's still common to conceive of democracy as being entirely encompassed by the statement "everyone gets to vote in elections where there is no fraud, coercion or bribery", rather than that being the bare minimum requirement that must be met.

Elsewhere in Europe, democracy is recognised to necessitate an equal playing field and fair representation of voters. That's why almost every European country uses Proportional Representation, and why they've developed those more comprehensive public funding schemes for parties. Of course, democracy is not confined to Europe, and there are valuable lessons and experiences to be learned from around the world. The focus in this report on Europe simply reflects the UK's local neighbourhood.

The examples below aren't exhaustive, but are selected from EU neighbours with a range of different political traditions and electoral systems.

¹ [https://www.europarl.europa.eu/RegData/etudes/STUD/2015/519217/IPOL_STU\(2015\)519217_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2015/519217/IPOL_STU(2015)519217_EN.pdf)

1.3.2. Ireland²

In addition to “Short Money” style funding of parliamentarians, Ireland directly funds parties that won at least 2% of the vote at the most recent general election. There is a substantial flat rate of around €127,000 (£111,270) per qualifying party, plus a share of a general fund proportionate to each party’s performance at the election. In 2018, the direct funding was roughly equivalent to €2.77 (£2.42) per vote at the 2016 election.

This funding cannot be spent directly on election campaigns, but it can be spent on premises, staff, equipment, materials and other general costs of running a party. In this way, the day-to-day operations of the party are covered by public funding, freeing up other sources of income to be spent directly on elections. Parties forfeit half of this funding if fewer than 30% of their candidates at the relevant election were women.

1.3.3. Germany³

Germany makes funding available to any party that achieved at least 0.5% of the vote at the most recent European or Federal elections, or at least 1% in one of the most recent State elections. This funding is based both on votes received, at a rate of €1 (£0.88) for the first four million votes at the most recent eligible elections, and then €0.83 (£0.73) afterwards, plus match-funding of €0.45 (£0.39) for every Euro donated to the party. The match funding only applies for donations below €3,300 (£2,890) per person per year.

Note that whilst the funding per vote figures may seem quite small at first glance, they are applied across all eligible elections. Your average qualifying German party is therefore receiving funding from the equivalent of three national elections, since the major parties compete in every State.

The German constitution bars political parties from being “predominantly” state funded. In practice, this means that the maximum amount of state funding a party can receive each year is equal to the funding they raise themselves through other sources. This funding can be used for any purpose, whether administrative or electoral, so long as it’s otherwise legal.

1.3.4. Slovenia⁴

Parties that win at least 1% of the vote at the most recent parliamentary election are eligible for funding. Of the total sum of funds available, 25% is shared out equally between all qualifying parties, with the remaining 75% allocated in proportion to each party’s share of the vote. In 2013, this equated to roughly €2.49 (£2.18) per vote from the 2011 election and can be spent on any legitimate political purpose.

² <https://www.thejournal.ie/state-funding-for-political-parties-4755906-Aug2019/>

³ <https://www.osce.org/odihr/410201>

⁴ [https://www.europarl.europa.eu/RegData/etudes/STUD/2015/519217/IPOL_STU\(2015\)519217_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2015/519217/IPOL_STU(2015)519217_EN.pdf)

2. Proposed System

2.1. Basis for Funding

2.1.1. Per Seat Funding

Both parliamentary funding schemes mentioned previously involve funding based on how many seats a party has. Short Money is a combination of a large lump sum per seat plus a much smaller sum for every 200 votes a party has won (just shy of 17p per vote). A seat is much more valuable in relative terms than votes, with the funding it releases working out as the equivalent of 100,000 votes. The total electorate of most constituencies is between 70,000 and 80,000. Financial Assistance is simply a lump sum per MSP.

This proposal isn't suggesting these should be superseded, as there is some value in ensuring parliamentary groups have ringfenced funding. Since some funding based on seats won therefore already exists and would continue, it doesn't seem necessary to duplicate that effect here.

2.1.2. Per Vote Funding

As noted above, the Short Money system does incorporate a per vote element. However, this is a very modest amount per vote, besides the fact it can't be used for general party purposes. Given that votes are broadly a more accurate reflection of the electorate's views than seats won, this seems a sensible measure to use to distribute party funding. It also ensures a degree of control and accountability, as voters will be less inclined to vote for parties they don't want to fund.

There are some complexities around the multiple levels of election in Scotland, putting us in a somewhat similar situation to Germany. Whereas Germany consistently uses Proportional Representation across every applicable level, Scotland doesn't, and when combined with massively differential turnout, the simple "sum of votes" mechanism Germany uses may not be best suited for our purposes.

2.1.3. Level of Funding

As a basic principle this system could aim to distribute the equivalent of one pound (£1) for every vote cast in whichever of the most recent parliamentary elections had the higher turnout. This figure would have to be reviewed and (almost certainly) increased every few years, but for the moment it's a conveniently round figure.

This figure is notably lower than those quoted for other European countries in the examples given earlier. This represents something of a "softly, softly" approach, recognising that this is likely to be a particularly contentious issue given the current instinctive distaste for political parties and lack of familiarity with the concept in general. It's also a figure that's very easy to communicate and for voters to understand.

Some consideration was given to also including a flat-funding element in the vein of Ireland, with a figure of £40,000 per qualifying party seeming a sum that should cover the cost of a small office and a single member of staff. For simplicity's sake the focus was kept to the per-vote side of things, but this is worth bearing in mind and is easy to "bolt-on" to the system.

2.1.4. Distributing Body

At present, the Electoral Commission is responsible for monitoring party finances, and it also allocates the £2m of funding made available each year for "Policy Development Grants" to political parties. It'd therefore likely be the best body to take responsibility for this system.

2.2. Threshold for Funding

2.2.1. Defining a Threshold

As 3% is used by BBS as a seat threshold in other hypotheticals, 1.5% (half that) at either the most recent Holyrood or Westminster election seems a reasonable threshold for eligibility in a UK context. Although unlikely to be necessary, a secondary threshold that grants funding to any party that wins at least one seat at one of those elections would be sensible.

This reduces the complexity and cost of administering the system by not handing out very small sums of money to parties with very little support. At the same time, it ensures that any party that wins representation in parliament receives some funding to contribute to its running costs, whilst parties that haven't made it into parliament but draw substantial support are given a fair chance to develop further for future elections.

2.2.2. Undistributed Money

As a result of using a threshold, there will be a small amount of money each year that goes undistributed. Rarely, there may also be money that goes undistributed if the party that would have been eligible for it is wound up. The question of what to do with this then arises.

The default option might simply be to not distribute that funding at all and retain the money as a contribution towards the cost of administering the public financing system. This has the benefit of simplicity and minimising expenditure, but it's also deeply unimaginative.

An alternative option might be to reserve that funding for smaller and newer parties. The undistributed funds each year could be added to a pot of money that is accessible in certain circumstances. For example, it could help fund a system of "Party Start Up Grants", where a new party could request up to £10k towards its setup. Likewise, parties without representation could apply to have the cost of some material, such as a Parliamentary Freepost (circa £1 or 2k for a single constituency), covered.

This would need to be carefully monitored and administered to ensure it wasn't being misused, so for example any grants would be conditional on submitting proof of expenditure, failing which the money would have to be repaid. Note that parties are already regulated by the Electoral Commission, so this wouldn't be a massive step beyond that.

To prevent civil servants from making political decisions about which parties to fund, clear rules about how often and for how much a single party can apply for funding should be in place. Additionally, some funding could be ringfenced for set times (for example, in the 6 months before a scheduled election) and approved on a "first come, first served" basis.

2.2.3. Upper Funding Limit

It may assist public buy-in to the notion of funding parties to adopt the German (and Dutch) model of only providing public funding to parties up to the amount they have raised through their own efforts. This may strike the balance between incentivising parties to secure their own sources of funding, whilst still ensuring parties receive a fair level of support that enables them to handle their basic running costs.

This limit should be waived in the case of the "Party Start Up Grants" and other small grants to non-parliamentary parties suggested in the previous section. It wouldn't be particularly fair to require a new party to be self-funding before it receives support with setting up, whilst the grants for other campaign purposes are likely to be much smaller amounts and are earmarked for specific purposes.

2.3. Weighting Funds Between Elections

2.3.1. Holyrood First

Scotland has two parliaments which are elected very differently and thus have substantially different compositions, but which both control vitally important aspects of Scotland's public services and economy. Using the elections to only one of those parliaments to determine funding wouldn't make sense, so both should be taken into consideration.

The major flaw with the First Past the Post system used to elect the UK Parliament is that it acts as a barrier to smaller parties standing in the first place, never mind receiving a fair share of votes. By contrast, the fact the Scottish Parliament is elected by a partly proportional system makes it easier for those smaller parties both to get on the ballot and to win votes.

As such, the Holyrood vote should be the primary element for allocating party funding in Scotland. As the proportional part of the system that offers most choice, the List vote should be used for this purpose. Those parties that do better in the Constituency vote also tend to do better at Westminster elections as well and would therefore already benefit from higher funding from that component. This would help ensure that there is a more equitable degree of funding appropriate to Scotland's diverse political landscape.

A reasonable ratio of funding would be to distribute approximately two-thirds of the funding based on the Holyrood List vote, and the other third on the basis of the Westminster vote. In the interests of round-ish numbers, that could be specified as 65p from the Holyrood vote and 35p from the Westminster vote.

2.3.2. Equalising the Vote

For whatever reason, turnout for Holyrood elections tends to be substantially lower than for Westminster elections. Since the aim is to distribute the equivalent of one pound per vote at the highest turnout election, but the proposal is to use two different elections to determine funding, it's necessary to modify the Holyrood vote in such a way that it's equivalent to the Westminster vote.

In 2016, there were a total of 2,285,752 Holyrood list votes. In 2019, there were a total of 2,759,061 votes cast in the Westminster election, or roughly 1.21 times as many. To equate the two, we can simply multiply every party's vote in the 2016 election by 1.21 as well. In effect, that then also multiplies the worth of every Holyrood vote by the same value, making each 2016 vote worth roughly 78p.

It's crucial to re-emphasise that the boost in effective value in a Holyrood vote only happens because there are fewer of them. The end result is still that the total amount of funding that'd be distributed is equivalent to one pound per vote cast at the 2019 UK Election – it's just that it's not as simple as "each GE vote directly contributed £1 to the party it was cast for".

3. Example Figures

3.1. Scotland

Using the votes from the 2016 Scottish and 2019 UK elections plus the weightings outlined previously, we can easily work out how much funding each party in Scotland would be eligible for if this scheme were in place at present.

Party	2016 Votes	2019 Votes	2016 (Rect)	Funding
SNP	953587	1242380	1151046	£1,183,012.90
Con	524222	692939	632772	£653,830.45
Lab	435919	511838	526184	£521,162.90
Lib Dem	119284	263417	143984	£185,785.55
Green (S)	150426	28122	181575	£127,866.45
UKIP	46426	3303	56039	£37,581.40
Others	55888	17062	67461	£49,821.35
Total	2285752	2759061	2759061	£2,759,061.00

Note that, as explained earlier, the total value comes out exactly equivalent to £1 per vote cast in the 2019 UK election. The figure for “Others” is the sum of money effectively generated by parties that won a share of votes below the threshold in both elections.

The total cost of just under £2.8 million may seem like quite a lot at first glance but given Scottish Government Budgets run to tens of billions, it’s a drop in the ocean. The 2020/21 budget was approximately £48.4bn, meaning this funding would amount to just 0.006% of the overall budget. That’s a very small price to pay each year to reduce the influence of the wealthy over our politics, make parties more accountable to the public, and ensure a more level playing field in our democracy.

3.2. UK-Wide

As this is Ballot Box Scotland content, this briefing has mostly focussed on Scotland. However, the same principles are just as easily applied to the rest of the UK.

3.2.1. Wales

Wales is mostly similar to Scotland in that it has a devolved legislature elected via a two-vote system. The same rules could apply here, though note that the turnout differential between the two is even wider, at roughly 1.52 times. That would give an effective worth per Assembly vote of 94p!

Party	2016 Votes	2019 Votes	2016 (Rect)	Funding
Labour	319196	632035	485791	£536,976.40
Conservative	190846	557234	290452	£383,825.70
Plaid Cymru	211548	153265	321959	£262,916.10
UKIP	132138	0	201103	£130,716.95
Lib Dem	65504	92171	99692	£97,059.65
AWA	44286	0	67400	£43,810.00
Green (EW)	30211	15828	45979	£35,426.15
Brexit	0	83908	0	£29,367.80
Others	21014	9916	31982	£24,258.90
Total	1014743	1544357	1544358	£1,544,357.65

Wales would be the most diverse part of Great Britain in terms of where its funding would go, as both UKIP (2016) and Brexit (2019) crossed the 1.5% threshold in one election each, as did the Abolish the Welsh Assembly party in 2016, which even won more votes than the Greens.

In total, a bit over £1.5m would be distributed annually to parties in Wales under this proposed system.

3.2.2. Northern Ireland

Northern Ireland also has similarities with both Scotland and Wales, but unlike them the devolved legislature there isn't elected on a two vote system, instead using the Single Transferable Vote. That simplifies things in the sense that there's only one vote there to look at anyway, the first preference vote.

On the other hand, perhaps because the 2017 election was so dramatic, NI actually had a marginally higher turnout in its most recent devolved election than in the 2019 UK election. Marginal is the key word there, as it's just 1.01 times as high, but that means basing funding on the highest turnout vote results in uplifting the Westminster rather than Stormont figures.

Party	2017	2019	2019 Rect	Funding
DUP	225413	244127	245435	£232,420.70
Sinn Féin	224245	181853	182827	£209,748.70
SDLP	95958	118737	119373	£104,153.25
UUP	103314	93123	93622	£99,921.80
Alliance	72717	134115	134834	£94,457.95
TUV	20523	0	0	£13,339.95
Green (NI)	18527	1996	2007	£12,745.00
PBP	14100	7526	7566	£11,813.10
Others	28518	17557	17651	£24,714.55
Total	803315	799034	803315	£803,315.00

It's no surprise that Northern Ireland would have a large number of parties eligible for funding, on par with Wales, given that it has typically been the most diverse single part of the UK in terms of elected representatives.

As the smallest part of the UK, Northern Ireland wouldn't even cost a million under this scheme, with a smidge over £800k to be distributed each year.

3.2.3. England

Unlike the other parts of the UK, England does not have a devolved legislature elected by an at least partly proportional system. Had the UK not left the EU, there might have been a case for using EU elections, though perhaps with the lower weighting. As it stands there isn't really any basis for using anything other than Westminster, which does impact on the funding of smaller parties in England.

Party	2019	Funding
Conservative	12710845	£12,710,845.00
Labour	9153039	£9,153,039.00
Lib Dem	3340831	£3,340,831.00
Green (EW)	819761	£819,761.00
Brexit	547106	£547,106.00
Others	338086	£338,086.00
Total	26909668	£26,909,668.00

It would therefore literally just dole out a pound per vote per party, coming in with a total cost just below £27m.

3.2.4. UK Total

If this system was in place now, then for the year 2020/21, a total of around £32m in public funding would be distributed to parties. Compared to total public expenditure of £840.7bn, this would amount to just 0.004% of government spend in the UK. If the additional flat £40,000 suggested earlier to cover an office and staff member was incorporated, with 27 parties crossing the threshold (counting each nation separately even for GB-wide parties), just over another £1m would be distributed.

4. Conclusions

The £32m of public funding this report outlines compares to just under £117m of donations received in 2019, of which around £102m (87%) were from private donors and the rest from public funds in the form of Short Money and related schemes.⁵ As 2019 featured two major UK-wide elections it may not be entirely representative, so we could compare the other extreme which was 2018 when there were no major national elections, and saw a total of almost £49m of donations, of which around £33m (67%) were from private donors.

Looking further, party accounts from 2019 aren't yet available, but the 2018 accounts showed that 11 parties in Great Britain had incomes above £250,000, and that their total income amounted to around £98m. That's twice the sum every party in the UK raised in donations that year. This would suggest that most parties are likely to raise more in donations plus membership dues than the funding they'd be eligible for under this scheme each year. It also perhaps speaks to how conservative funding of £1 per vote is as a figure.

Future development of this idea would entail identifying an ideal higher figure that can further reduce reliance on donations without simply substituting them with over-reliance on public funding. To further limit the undue impact of wealthy donors, consideration could also be given to a cap on the size of donation that individuals and businesses can make in a single year.

Nonetheless, this report outlines a solid place to start when it comes to providing public funding for political parties and would represent a massive step towards levelling the electoral playing field.

⁵ <https://www.electoralcommission.org.uk/who-we-are-and-what-we-do/financial-reporting/donations-and-loans/view-donations-and-loans/donations-accepted>