The funding of politics in Great Britain – an issue transformed

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Political party financing may not regularly hit the headlines in the UK, especially in the wake of Brexit and the more pressing concerns politicians appear to face, but, ***Sam Power*** *argues here, it is an issue that will not go away any time soon. Drawing on recent research, he explores recent changes in how party financing has evolved.*

The recent evolution of the how British political parties are financed has been described as 'stop-go'. Since the introduction of the first meaningful party funding legislation in over a hundred years, the Political Parties, Elections and Referendum Act 2000 (PPERA), the problem of how to fund political parties is one that refuses to go away. Utilising extensive documentary research and elite interviews, my article in Politics examines recent attempts at reform and argues that the Collins Review (hereafter the Falkirk Reforms) represents a critical juncture in the way British political parties are financed.

The 'stop-go' era

PPERA introduced numerous important changes to the British party funding regime. The act established an Electoral Commission to oversee matters relevant to both party finance and elections, placed a declaration limit on the amount a political party could be gifted (currently £7,500 nationally), and placed a national limit on campaign spending. The act was 'exceptional' in a broader European context for what it did not include – significant levels of state subsidy.

A significant part of the reasoning behind this can be found in the Committee on Standards in Public Life (CSPL) report *The Funding of Political Parties in the United Kingdom* which formed much of the basis for PPERA. This states that ‘we believe that our proposals for increased disclosure…will go a long way to alleviate the public’s doubts and suspicions about the sources of party funding’.

If anything the reforms had the opposite effect. The publicly available party accounts merely shone a light onto a situation which the general public seemed to think was jolly well unacceptable in the first place. It allowed them to connect multiple dots in whatever shape they pleased.

The stop-go era in British party finance is defined by multiple attempts to fix the British party funding regime. In 2010 and 2015, the Conservatives, Labour and the Liberal Democrats promised some measure of party finance reform – or at least a pledge to discuss it in their manifestos. Furthermore a number of reviews have been undertaken: from the Electoral Commission (2004), to the Constitutional Affairs Select Committee (2006), the Hayden Phillips Review (2007), the CSPL (2011) and back to the Electoral Commission (2013).

The problem of public opinion

Studies have consistently shown that whilst the public believe that donors have too much influence on the political process, an increase in state subsidisation remains an unpopular alternative model. A 2003 study showed that whilst 70% of respondents believed that private donors could buy political influence only 26% supported any further state funding. More recently a report from the Electoral Reform Society outlined that 75% of the public believe that big donors have too much influence on political parties – support for state financing, however, stood at the hardly overwhelming figure of 41%.

Elite responses to public perceptions, I argue, make up two of the three main institutional stumbling blocks on the road to party funding reform. These are a lack of public support for change (manifested as vote-seeking strategy) and timing (manifested as vote seeking strategy). The further away you are from a general election, the more likely that reforms will be successful.

The third institutional stumbling block is a reliance on the major institutional funding streams of the two main parties (specifically on the issue of the trade union opt-in to the political levy). The path dependent reliance on these forms of funding leads to significant internal pressure to not ‘rock the boat’ when it comes to comes to fundraising reform. Furthermore, there was often a stand-off between conceding the trade union opt-in (on the Labour side) and conceding an overall cap on the amount one could donate annually (on the Conservative side).

The Falkirk Reforms

After a fracas in the Strangers’ Bar Eric Joyce, the Member of Parliament for Falkirk announced that he would be standing down at the 2015 General Election. The subsequent selection process was dogged with accusations of corruption and vote rigging by Unite. This episode represented not merely a larger perceived problem between the Labour party and an influential institutional donor but a rather specific problem for Ed Miliband. He was, rightly or wrongly, seen as having been elected off the back of union support. The internal and external pressures on Miliband were vast.

Amongst the legion of suggestions from Lord Collins as a part of his wider review was an agreement amongst the unions that they would only affiliate to Labour those that opted-in the political levy. The Falkirk Reforms, accepted by the party at a special conference in 2014, removed a key institutional lock. They represent a moment in which new policy options appeared from a seemingly intractable political stand-off.

New institutional literature states that critical junctures occur when newly identifiable policy paths appear. The analysis in my article outlines what we might expect this path to be (*Conservative pragmatism* or the *death of consensus*). However, this critical juncture could, alternatively lead to a third option: *continued inertia*. The institutional climate has been changed, but only a further institutional shock will bring about significant further reforms.

How likely reform?

After significant controversy regarding the Trade Union Bill, in early 2016 an emergency House of Lords Select Committee was convened. The stated aim of this was to consider the impact of clauses 10 (the opt-in) and 11 (details on political expenditure) of the Trade Union Bill. Clause 10 was somewhat watered down in the subsequent Trade Union Act.

However, the concession of the opt-in, by the Labour party themselves remains no less critical. Clause 10 now applies only to new trade union members, but the principle of the opt-in itself has been conceded. This will put the Labour party on the back foot in any further talks on future party funding reform.

The last year has seen political upheaval of the kind few would have predicted at the start of this parliament. Therefore, party funding may well be a problem that MPs put in the 'too-difficult box' to be addressed at a less constitutionally tumultuous time. However the choices that political actors make now, will have a significant outcome on the future of British political finance and, indeed, the way we understand party funding regime change to occur more generally.

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Note: This blog is based on the author's recent article in Politics.

About the Author:

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