

Just 224 large donations from fewer than 60 sources accounted for two fifths of the donation income of the top three parties across a decade of British politics. This is far too narrow a base for the health of UK democracy.

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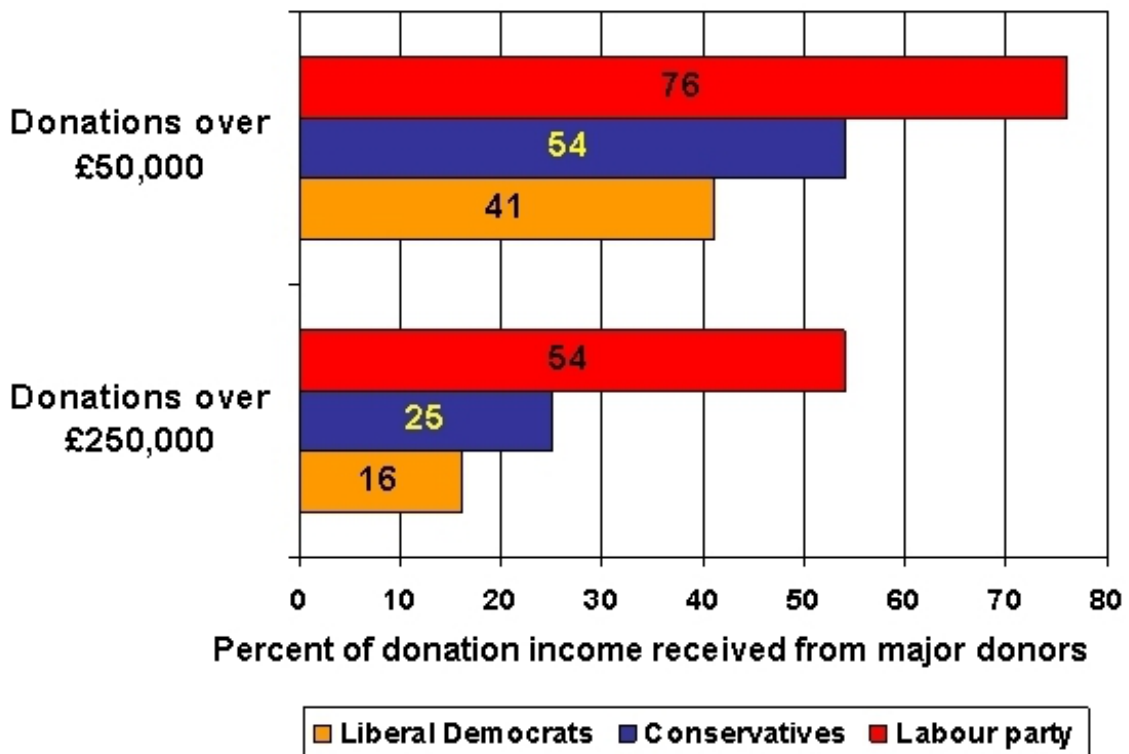
Why has reform of party funding in the UK been so troublesome for the body politic and steps to clean up the process so inadequate and hesitant? Using an in-depth analysis of party finances [Stuart Wilks-Heeg](#) exposes the myth that many small donors keep the major parties afloat. Instead he shows that the top three parties rely on attracting an average of just ten or eleven large donations a year between them from a tiny group of rich people, plus a few companies and large trade unions. This narrow funding base means that any shift in the attitudes or behaviour of donors might be catastrophic for all the top parties' finances. It also raises serious fairness issues.



Another week, another party donor controversy. Stuart Wheeler, who donated £5 million to the Conservatives in 2001, told the Committee on Standards in Public Life on 23 November that it was [‘absolutely natural and unobjectionable’](#) that anyone making large donations to political parties expected to gain influence and shape future policy. Wheeler’s comments followed on from [last week’s revelations](#) that major donors to all three parties were to receive seats in the House of Lords, including four new Conservative peers who had donated almost £5 million to the party between them over the previous decade.

Now using official data from the Electoral Commission it is possible to chart the reliance of the three main parties on large donations over a long period. My chart below shows that over a decade all the parties got major shares of their donation income from donations over £50,000, accounting for over three quarters of Labour funding, more than half of the Conservative party’s finance, and two fifths of the Liberal Democrats. Note though that the Labour Party’s declared donation income includes the trade union’s monthly political levy paid by some members of affiliated trade unions.

The dependence of the top three parties on major donations over the last decade (2001 to mid 2010)



Notes: Data from the Electoral Commission's on-line register of donations, for the period 1 January 2001 to 30 June 2010. Donations over £50,000 obviously include also donations over £250,000.

Faced with these numbers, there are some commentators who object that £50,000 is not a 'big donation', although it is roughly twice the median UK gross annual salary now (let alone in 2001). Admittedly, £50,000 may not seem like all that much when donations of five or ten times as much from rich people are no longer particularly unusual. So, for the sake of argument, the second part of my chart restricts attention to super-large donations over £250,000 (about 10 times the annual median salary). More than half of Labour's funding comes from such sources (mainly unions), a quarter of Conservative funding and a sixth of Liberal Democrat total donations.

My table below gives more details of the importance of these donations over a quarter of a million pounds. Despite their enormous significance to the parties there were just 224 such large donations over a decade, a rate of just ten or eleven per year. Labour received 150 gifts of this size, the Conservatives fewer than half this number and the Liberal Democrats only eight. Yet the Conservatives got the largest average donations in this super-large group (mean value of £613,000), beating Labour on a mean of £534,000 or the Liberal Democrats on £513,000.

The significance of donations over £250,000 for the main three political parties, from January 2001 to June 2010

	Total number of donations	Number of donations over £250,000	% Share of donations over £250,000 by volume	Total value of all donations (£million)	Total value of donations over £250,000 (£million)	% Share of donations over £250,000 by value (%)
Labour	10,190	151	1.5	150.2	80.7	54
Conservatives	8,050	65	0.5	142.4	39.9	25
Liberal Democrats	4,760	8	0.2	25.6	4.1	16
Total	23,000	224	1	318.2	124.7	39

Source: Derived from analysis of the Electoral Commission's register of donations (September 2010). Total numbers of donations rounded to the nearest 10. All donation values rounded to the nearest £0.1 million.

It should also be noted that Labour's reliance on donations sourced from the aggregated affiliation fees paid by individual union members produces an arguably exaggerated figure for donations over £250,000. In addition, union mergers have tended to increase the size of single union donations over time.

Yet, even allowing for such considerations, the numbers show that across a decade 39 per cent of all donation income received by the three main parties combined was sourced from just 1 per cent of the 23,000 cash donations which the three main parties declared between them.

As we drill down further into the data, moreover, it becomes clear that these 224 large donations originated from fewer than 60 separate sources – a combination of individuals, companies and trade unions. Furthermore, several big individual donors would appear to be linked through family ties, and here are traceable connections between a number of wealthy individuals and individual companies. So the 'effective number' of major donors to parties is actually less than 60.

Relying on so few big donors to sustain our three main political parties clearly raises major concerns about the sustainability of party finances. With all three of these parties servicing significant debts (as much as £10 million in the case of Labour), even a small shift in practice among existing large donors could clearly have a dramatic impact on the parties' finances.

Such a concentration of party financing also raises serious issues about the future. Another donor who gave evidence to the Committee on Standards in Public Life on 23 November 2010 identified a key possible trigger for such a shift in donor attitudes. Michael Farmer, who has donated over £500,000 million to the Conservatives this year, suggested that some donors were drawn in by titles such as 'Lord'. He argued that even a simple change of name alone from 'House of Lords' to 'Upper House' might well prompt a sharp drop in donations by itself. Yet the government is pledged to announce plans for an elected (or mainly elected) upper chamber by January 2011. It is surely fortunate, then, that there is no evidence of 'cash for honours'. Just imagine what sleepless nights the coalition's promise to reform the Lords would otherwise be causing among party fund-raisers.

Yet these comments by Farmer and those by Stuart Wheeler noted above also suggest that it has now become so commonplace to talk of a 'big donor culture' in UK politics, that its existence is no longer denied by anyone. Indeed, the comments along with the granting of peerages to donors previously interviewed by the police during the 2006 'cash for honours' investigations, could even be argued to be indicative of a growing acceptance in elite circles that the role of big donors is both fine and here to stay.

But the potential political inequalities introduced by such a concentration of party funding are equally serious. Wheeler also told the Commons' Committee that: 'Fairness isn't the be all and end all' in party funding. This issue also featured significantly when I gave evidence to the Committee on 3rd November. At one point the following question was put to me: 'You have talked quite a lot about fairness. What does fairness have to do with any of this?' (Anyone interested in my answer can read it in the [transcript of the session](#)).

Of course, any definition of fairness is contestable. So, let's pretend for a moment that fairness doesn't really matter, and that it has never been a guiding principle for any previous attempt to reform party funding. Likewise, let's accept that concrete evidence that donations to political parties are causally connected to policy changes and/or honours is pretty thin on the ground. Indeed, why don't we go further and imagine, just for a moment, that there was absolute confidence that all large donations to political parties are made without 'strings attached'. Under such assumptions, would the reliance of political parties on big donors still concern us?

The Democratic Audit's written evidence to the Committee, submitted by [Stephen Crone](#) and myself, argued strongly that the answer to this question would surely have to be 'Yes'. The evidence now considered above shows that the problem for British democracy is far worse than even we thought.

For more information see: Stuart Wilks-Heeg and Stephen Crone, Funding Political Parties in the UK: A Pathway to Reform (Democratic Audit of the UK, 2010).

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