

PRIME MINISTER

NNDR MULTIPLIER AND NNDR DISTRIBUTABLE AMOUNT

Before the new non-domestic rate arrangements can be put into effect we need to set the key parameters - i.e. the so-called "multiplier" which in turn determines the distributable amount of NNDR grant.

The undertaking has been given that, in fixing the multiplier for 1990-91, the aim will be to raise broadly the same amount in real terms from business and the nationalised industries as they paid in rates in 1989-90.

The letter from Chris Patten to Norman Lamont at Flag A works through this arithmetic and suggests a multiplier figure of 35.5p.; although he indicates he would be prepared to defend a rounded up figure of 36p. The letter argues it would not be defensible politically to go any higher to allow for the possible reduction in revenue that will flow from successful appeals against rateable values in the 1990 rating list.

The Policy Unit note at Flag B suggests that, while the Treasury would like to go for a 37p. multiplier, they are likely to accept the political impossibility of going above 36p. I have confirmed that the Chief Secretary will indeed be proposing 36p. The Policy Unit advise that you should accept an outcome at that level.

Content to accept a figure of 36p. for the multiplier if this can be agreed between the Treasury and DOE?

Recd.

[Handwritten signature]

Paul Gray
27 October 1989

Note

Spoke Roger Bright (DOE) and agreed I would not mind at all this. It would leave DOE and Treasury to seek to resolve matters. If they could not agree, or agreed on the basis of the lower 35.5p figure, I would CONFIDENTIAL consider putting the papers back to the Prime Minister. Recd 24/10