



CONFIDENTIAL

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The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

My ref:

Your ref:

mslm

30 October 1989

PC16

11/10

Dear Chief Secretary

NNDR MULTIPLIER AND AGGREGATE EXTERNAL FINANCE

WITH PG? / WILL REQUEST IF REQUIRED

Thank you for your letter of 30 October proposing that I should announce a provisional figure for the NNDR multiplier of 36 pence in the pound.

In my letter of 25 October I proposed a multiplier of 35.5 pence, which is the figure our officials have estimated is needed to raise the same yield in real terms as in 1989/90, as we have undertaken to do. I said that it might be possible to justify 36 pence, though we should have to explain that we had rounded the multiplier up to make some allowance for successful appeals and business, which is very nervous about the effects of these reforms, will undoubtedly object to this.

I have now seen Norman Fowler's letter advocating 35.5 pence and I understand that Nicholas Ridley also thinks that we ought not to go above that figure and is writing to this effect. My preference also is to stick to this figure since it is the multiplier which most closely matches our commitments.

Clearly we need to settle this issue very quickly and perhaps we can therefore have a word in the lobby this evening. If you are able to agree that 35.5 pence is the right figure, there will be some small adjustments to the figures for the distributable amount and RSG given in your letter which our officials will need to discuss.

I am copying this letter to the Prime Minister, other members of E(LG) and Sir Robin Butler.

Yours sincerely

Chris Patten

CHRIS PATTEN

CP

(Approved by the Secretary of State and signed in his absence).



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