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The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1

My ref:

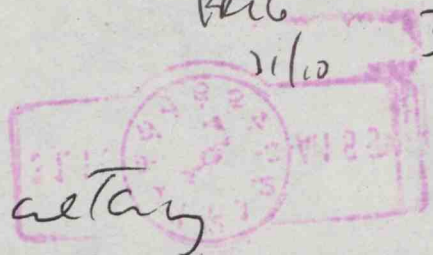
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31 October 1989

Dear Chief Secretary



NNDR MULTIPLIER AND AGGREGATE EXTERNAL FINANCE

Thank you for your letter of 31 October.

I agree that we cannot be indifferent to the effect on the yield from business rates of successful appeals. But as I said in my letter of 25 October, any such erosion of the rate base will be at least partly offset by buoyancy, which is running at exceptionally high levels because of the construction boom, and by the overhang of unsettled appeals against the 1973 list, which will tend to reduce the yield at which we should be aiming.

Moreover despite the caveat in Nick Ridley's statement of 15 February, we have never before said publicly that we might inflate the multiplier to offset appeals and we can expect complaints from business that we are renegeing on the spirit, if not the letter of our undertakings.

However, in view of the very urgent need to settle this issue so as to enable my statement on local government finance to go ahead next week, I am prepared to announce a provisional figure of 36 pence. As you say, a decision on the final figure need not be taken until December and we can take account then both of any later information on the revaluation and of the reaction to my statement.

On this basis I agree the figures on aggregate external finance in your letter of 30 October, subject to amending the NNDR distributable amount for 1990/91 to £10,428.5 million to take account of later information which your officials have provided about contributions in lieu by the Crown and the Metropolitan Police. The total of Revenue Support Grant for 1990/91 is reduced slightly to £9,489.5 million.

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

Yours sincerely

Chris Patten

CHRIS PATTEN

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



