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**POLICY - IN CONFIDENCE**

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

9 November 1990

*Dear Chief Secretary*

**1991-92 AEF FOR SCOTLAND: RSG/NDRI SPLIT**

*with BHP? / will request if read.*

Thank you for your letter of 5 November.

I welcome your acceptance that by next June officials should review the arrangements for achieving a common level of NNDR in GB. But that still leaves me in an indefensible position in relation to 1991-92. As I said in my letter of 2 November, the average Scottish poundage in the current year is 57.4p. Fully indexing that figure would mean an increase of 6.2p as compared with the increases of 3.8p and 4.0p in England and Wales respectively. Glasgow's poundage (which is the highest in Scotland) would increase by no less than 7.3p to a figure of 74.2p.

An increase greater than either England and Wales would leave me in a quite indefensible position with Scottish business, whose representatives made it quite clear to me at this week's CBI Conference in Glasgow that they are disappointed with the rate of progress towards a unified business rate north and south of the Border and expected a significant step forward to be made next year. It is not simply, as you suggest, that convergence will take "considerably longer than we had in mind last year"; as things stand, our policy objective of a common NNDR for GB is simply unattainable. The poundage gap is widening, not narrowing, contrary to the policy to which both I and the PM are committed.

Also relevant is the fact that the level of revaluations has been such that Scottish industrial and commercial ratepayers are paying very significantly more than we envisaged a year ago. Indeed the general taxpayer will benefit, if your proposals are followed, by more than £150m at the expense of Scottish businesses, while even if we have the same absolute increase in poundages as England, the general taxpayer will still be £100m or more better off than we had planned.

Against this background I must ask you to reconsider your decision. As I made clear in my earlier letter I would be prepared to settle for the first of my options which, so far as the Exchequer is concerned, is the

cheaper of the two by a significant amount. Increasing the average Scottish poundage by the same absolute amount as in England is in my view entirely logical having regard to our policy of convergence of poundages.

I should also be grateful if you would look again at my proposals to increase the 1991-92 UBR reduction from £42 million to a slightly larger sum. The agreement which John Major and I reached last year provided for "some slight variation in the rate of increase in the contributions from the Scottish Block and the Reserve, subject to the 2:1 rule" (John's minute of 25 April 1989 to the Prime Minister refers), and I am disappointed that you are not prepared to accept that part of the agreement.

I hope you would be prepared to reconsider in the light of this. If not, we will need to discuss.

I am copying this letter to the Prime Minister, Chris Patten and David Hunt, and to Sir Robin Butler.

*Jim Riddle*

PP

**MALCOLM RIFKIND**

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