

CONFIDENTIAL

*mp*

FROM: A TURNBULL  
DATE: 29 FEBRUARY 1988

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary  
Mr Anson  
Mr Phillips  
Mr Hawtin  
Mr Odling-Smee  
Mr Sedgwick  
Mrs Case  
Miss Peirson  
Mr Potter  
Mr Gieve  
Mrs R Butler  
Mr Richardson  
Mr Deaton  
Mr Perfect  
Mr G C White  
Mr Kidman

*Ch/Carbent*

*with revised  
draft?*

*map 13*

*Thanks.  
OK as sub  
OK as sub*

## NEW PLANNING TOTAL AND NNDR

My submission of 25 February put forward a proposal for you to put to Mr Ridley on the treatment of the NNDR. You have suggested that inserting a sub-total for central government expenditure would make it easier for Mr Ridley to accept treating the NNDR within the planning total.

2. There are some difficulties with this, eg:

- privatisation proceeds are in effect part of central government expenditure;
- part of the EFLs of nationalised industries comes from central government.

Thus "central government expenditure" would not correspond exactly with what CSO would record.

3. Nevertheless, we do not think there are overwhelming objections. For example the problem of the EFLs can be coped with by a footnote.

4. I attach a revised letter which includes a table showing the suggested format.

*AT*

A TURNBULL



*prop*

DRAFT LETTER FOR THE CHANCELLOR TO SEND TO  
Secretary of State, Environment

*pl type final  
for ch.*

**NNDR AND THE NEW PLANNING TOTAL**

Thank you for your letter of 23 February. Although I think we have made significant progress towards resolution of this issue, I do not think the proposal you put to me is entirely satisfactory.

*To be inserted*

2. I welcome your agreement to keeping the payments to local authorities financed by NNDR proceeds separate from local authorities' expenditure financed by the community charge. I also fully understand your reluctance to show the NNDR figure under the general heading of central government grants to local authorities: for ~~our~~ <sup>my</sup> part, ~~we~~ <sup>!</sup> accept that the expenditure financed by the NNDR should be identified as a separate entry in the table and not as a sub-category under central government grants.

3. But I fear that it would be most confusing in the presentations of one of the main tables in future Public Expenditure White Papers to have two entries identified as 'new planning total' and 'new planning total and NNDR' respectively. Attention would inevitably tend to focus on one or the other as the aggregate or control total the Government was aiming to achieve each year. I do not believe, therefore, that the two



aggregates would be sustainable for any period of time. And, since the NNDR was being clearly linked to the new planning total in your table we would come under pressure to make that our full planning total.

4. I am anxious to achieve the simplest and least controversial presentation of the new planning total and I believe that in practice there can only be one aggregate labelled as the planning total. I would, therefore, very much prefer to go for a simpler presentation of the separate constituent items within the new planning total, with the NNDR identified as one of these separate items. This would recognise the unique characteristics of the NNDR; would distinguish it from expenditure for which local authorities have complete discretion; but would acknowledge the part which central government undoubtedly plays. The distinction could be further highlighted by inserting a sub-total for central government expenditure. By keeping expenditure financed by the NNDR separate from central government expenditure, we would avoid the problem which concerns you of overstating the degree of influence which central government exercises. I attach a table setting out the format I have in mind.

*This is by no means my first preference, but ~~because~~ I have sought to go as far as I can to meet your concerns.*

6. I would like to resolve this issue soon so that we can put an agreed position to departments when setting out the full scheme. If necessary I would be happy to talk to you about it.