

CONFIDENTIAL

PAUL GRAY

27 October 1989

NNDR MULTIPLIER AND DISTRIBUTABLE AMOUNT

Chris Patten's letter of 25 October to Norman Lamont. <sup>with PG?</sup>

I gather that, at official level, the Treasury, which was pressing for a 37p multiplier, has accepted the political impossibility of going above 36p, and will advise the Chief Secretary accordingly.

This is the upper limit of acceptability for DOE, and on that basis there is no advice I would put to the Prime Minister other than to agree.

There will be criticism from "losers" under the revaluation, but it is reasonable to accept 36 as in line with the commitment to hold the NDR yield broadly constant in real terms. The redistribution implications of the NNDR are another matter, to be mitigated by a safety net: we should avoid confusing that with the yield figure itself (although many will seek to do just that).

*John Mills*

JOHN MILLS

CONFIDENTIAL