



n. b. p. m. *clb*  
 BHP 26/11  
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My ref: P/PSO/41545/90

Your ref:

The Rt Hon Malcolm Rifkind QC MP  
 Secretary of State for Scotland  
 House of Commons  
 London SW1A 0AA

26 NOV 1990

*In Malcolm,*

**SCOTTISH AEF FOR 1991-92 : THE RSG/NDRI SPLIT**

I have been following your correspondence with Norman Lamont about the increase in non-domestic rate poundages in Scotland in 1991/92. Our decision to increase the NNDR in England by the full amount of the September RPI increase has led to a lot of criticism and I share Norman's concern, voiced in his letter of 15 November, that substantial under-indexation of Scottish poundages could increase my difficulties, especially if it is seen that your under-indexation has largely been financed by the Exchequer.

Nevertheless I accept that you will want to be able to show that you are continuing to make progress towards our goal of harmonising our respective rating systems and I do not object to under-indexation as such, provided that it can be shown that a reasonable contribution is being made from the Scottish Block. I would, however, like to emphasise the importance of careful presentation. It would cause great difficulty for me if the impression were given that Scottish business was getting a better deal next year than business in England. I hope therefore that you will be prepared to present the increase in Scottish poundages as a just further step in the harmonisation process, which you began this year, but which clearly still has some way to go.

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

*Yours etc,*

CHRIS PATTEN



LOCAL GOVT

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