

27 February, 1985

## PRIVATE RENTED SECTOR

H Committee decided this morning that proposals for deregulation of rents and of security of tenure for all new lettings in the private rented sector, leaving existing tenancies unaffected, should be put into a Housing Bill for the 1985/86 session.

We strongly support these proposals, which will help job mobility and should be seen as a vital part of our jobs strategy. In the longer term there will be PSBR savings of £100m-£200m a year. Also, homelessness will be reduced, market restrictions will be removed and competition will increase.

As a result of H's conclusion, Cabinet tomorrow will have two matters to decide. First, should legislative time be allocated to a Housing Bill? Secondly, who should bear the short-term PSBR cost of £21m in the first full year of deregulation?

We recommend that H's conclusion should be supported: a place for a Housing Bill should be found in the 1985/86 timetable. John Redwood's note <sup>\*</sup>suggests which Bills might be left out to make way for this important piece of deregulation.

We also recommend that the very small short-term cost of the proposal (which arises because extra housing benefit is payable on the higher rents which landlords will receive) should be borne by the Treasury because it will, within two or three years, recoup many times the cost in higher tax on rents, less mortgage tax relief, lower non-income-related subsidies and less need to build new public-sector housing.

Treasury are right, in general, to ask Departments to find the cost of policy changes, but in this case there is a real danger that an important policy could be put at risk because of arguments over a modest (and probably overstated) sum.

CHRISTOPHER MONCKTON

CM.

\* in Cabinet folder