BPF RESPONSE TO MHCLG'S CONSULTATION ON HOW TO IMPLEMENT SOCIAL RENT CONVERGENCE

PREPARED AND SUBMITTED BY

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British Property Federation

1. The British Property Federation (BPF) represents the real estate sector – an industry which contributed more than £116bn to the economy in 2020 and supported more than 2.4 million jobs. We promote the interests of those with a stake in the UK built environment, and our membership comprises a broad range of owners, managers, and developers of real estate as well as those who support them. Their investments help drive the UK's economic success; provide essential infrastructure and create great places where people can live, work, and relax.

General comments

2. The BPF welcomes this consultation and the Government's commitment to rent convergence, which brings rents closer to formula levels and promotes stability and confidence in social housing investment.

3. Our members, both smaller and institutionally-backed registered providers (IBRPs), need predictable long-term stability to maintain existing homes, deliver new high-quality housing, and plan effectively. A clear and consistent approach to rent convergence is essential to support sustainable investment and protect the interests of current and future tenants.

4. Revisiting this issue is timely given the widening gap between formula and actual social rents. Bringing rents closer to formula level will stabilise the sector, increase confidence in investment, and is particularly important for members whose models rely on long-term stability.

5. While recognising the Government's need to balance convergence benefits with potential impacts on renters, we believe the positives of a fair, sector-wide approach clearly outweigh the risks.

6. The absence of convergence since 2015 has created an estimated £2 billion deficit across housing budgets, leaving around 1.3 million social homes below target rent. This lost revenue has constrained investment in new housing and in improving existing stock, including quality, energy efficiency, and decarbonisation.

7. A fair, sector-wide approach gives providers the financial certainty needed to:
   - Accelerate delivery of new social and affordable housing.
   - Invest in the quality, safety, and regulatory compliance of existing stock, including issues covered in the Decent Homes Standard (DHS) and Minimum Energy Efficiency Standard (MEES) consultations.
   - Attract private capital for long-term investment, supporting the Government's 10-year renewal and decarbonisation plans.

8. The following responses to the consultation illustrate the impacts of convergence levels, timing, and duration, showing how a fair, sector-wide approach benefits providers and tenants while promoting equity between existing and new social renters. We welcome the Government's holistic approach in designing this plan, which considers DHS and MEES costs alongside wider pressures and regulatory changes. A stable and predictable settlement allows providers to manage these requirements while maintaining high-quality homes, improving energy efficiency, and delivering new social housing over the coming decade.

Question 1: At what level should Social Rent convergence be permitted?

a) £1 per week
b) £2 per week

9. We strongly recommend a £2 per week cap, at a minimum. The G15, a group of London's leading housing associations, currently have 225,222 units below formula rent, resulting in an annual shortfall of £167.6m in 2025/26 alone. Over a 10-year period, this equates to a loss of approximately £1.68bn. By contrast, a £2 cap would generate an additional £87.1m annually by 2036 – around £846m over the decade – providing vital resources for investment.

10. This additional revenue would:
    - Provide the stability and certainty needed to attract private investment, unlocking the delivery of a new generation of affordable and social housing.
    - Support long-term decarbonisation projects, including the transition to Net Zero.
    - Fund essential maintenance and compliance with the Decent Homes Standard.

11. We recognise that a £2 cap would have a greater impact on some households compared with £1, particularly those paying rents significantly below the formula level. However, as the Government rightly acknowledges in the consultation document, average social housing rents would remain affordable (measured as a proportion of gross income) across the 10-year rent settlement period under both the £1 and £2 options. We agree that convergence will not push rents beyond affordability.

12. For households already paying rents close to formula rent, the difference between £1 and £2 is marginal. In the longer term, a financially strong provider sector benefits all tenants, by ensuring homes are well-maintained, energy-efficient, and that high-quality new stock is delivered.

Question 2: How would the benefits for the supply and quality of social and affordable housing differ depending on whether convergence was permitted at £1 or £2?

13. Permitting convergence at a £2 rather than a £1 level would unlock significantly greater funding for the sector. A £1 cap would lead to a slower, less impactful convergence process, prolonging the period of reduced financial capacity for many providers. This enhanced financial position would allow providers to:
    - Increase Supply: Accelerate the delivery of new social and affordable housing units.

- Improve Quality: More rapidly invest in the upgrades needed to meet regulatory standards and improve energy efficiency, addressing crucial issues like damp and mould while also progressing towards Net Zero targets.

14. The absence of convergence has contributed to historic underinvestment in stock. While resources are now being provided to improve building safety and energy efficiency, ongoing investment will be needed to maintain quality, achieve decent housing standards, and meet long-term decarbonisation goals. We support the Government's recognition that convergence underpins this wider investment agenda.

Question 3: How would the impacts on households differ depending on whether convergence was permitted at £1 or £2?

15. As the Government rightly acknowledges in the consultation document, a £2 cap would have a greater financial impact on some households than a £1 cap, particularly for those with current rents well below formula rent. This should be considered in the context of the wider welfare system, with support mechanisms such as housing benefits mitigating any financial strain. The proposed design includes built-in mitigation (convergence stops once formula rent is reached), so the cap reflects convergence rather than ongoing above formula increases.

16. For households already paying rents close to formula rent, the difference between the two caps is minimal. As noted in the consultation, convergence helps ensure equity between existing and new social renters, while a financially strong provider sector supports well-maintained homes and the delivery of new, high-quality housing.

Question 4: Should convergence be implemented from 1 April 2026 or from a later date, and what would be the implications of implementing it from a later date?

17. We support the Government's intentions to implement convergence from 1 April 2026, as delaying this process would create unnecessary uncertainty and directly prolong the financial pressures currently faced by many social landlords. It would also delay the much-needed investment in new developments and the maintenance of existing stock. Punctual implementation is vital to signalling the Government's commitment to the long-term financial health of the sector and allowing providers to plan their investment strategies with confidence.

Question 5: How long should convergence be in place for, and what would be the implications of different durations of convergence?

18. Convergence should be in place for a sufficient duration to achieve stable, predictable income for providers and reduce rent disparities. Aligning with the Government's 10-year settlement provides certainty that allows providers, particularly IBRPs, to unlock long-term investment into social housing.

19. A settlement of less than 10 years would undermine confidence, risk providers being unable to secure long-term finance, and ultimately deter investment in the affordable housing sector. Short-term or uncertain arrangements would weaken the sector's ability to deliver both new homes and essential upgrades to existing stock.

20. By contrast, a clear, long-term settlement gives providers the assurance needed to plan effectively, ensuring financial stability, compliance with regulatory standards, investment in energy efficiency and decarbonisation, and the delivery of high-quality new housing over the decade.