

How to implement rent convergence

NHF consultation response

27 August 2025

Summary

- We welcome the government's commitment to introducing rent convergence and encourage it to implement a **£3 uplift, starting in 2026, that is embedded as a standing feature of social rent setting policy**.
- Only a £2 or £3 uplift will deliver the urgent action needed to tackle the housing crisis and support housing associations and government to achieve their shared aim of building 1.5m homes by the end of this Parliament and delivering a decade of renewal for social and affordable housing.
- Rent convergence will generate more income, enable consistency and fairness in rent setting, retain affordability safeguards, and represent good value for money on government welfare spending.
- Together with other measures in the Spending Review, this policy puts in place the building blocks needed for housing associations to repair the damage to their finances wrought by years of real-terms rent cuts, high inflation and interest rates.
- The combination of the adverse economic environment and rising spending on existing homes (up by 55% since 2020) have caused housing association finances to deteriorate. This year, **over half** of housing associations expect their [cash interest cover](#) to be below 100% – which would be unsustainable if maintained in the long term – meaning many have been left with no choice but to limit their development ambitions.
- It will take time for the sector to fully recover – but our analysis strongly indicates that the sooner convergence is introduced and the higher the uplift, **the faster housing associations can accelerate new development above their current plans** whilst meeting the investment needs of their existing homes.
- Some housing associations apply the additional 5/10% flexibility to their rents, often because low local property values mean formula rents are insufficient to cover operating costs. The proposed implementation does not permit landlords to converge beyond formula; if it did, evidence from our members suggests this would support a significant increase in the number of new homes built and so we encourage MHCLG to consider this change.

Headline impacts

- Convergence at any level has a positive effect on housing association investment plans but we find an earlier and higher uplift would support a much higher rate of increase in the supply of new homes by 2029. As the chart below demonstrates, nearly twice as many additional homes could be built by 2029 with a £2 versus a £1 uplift.

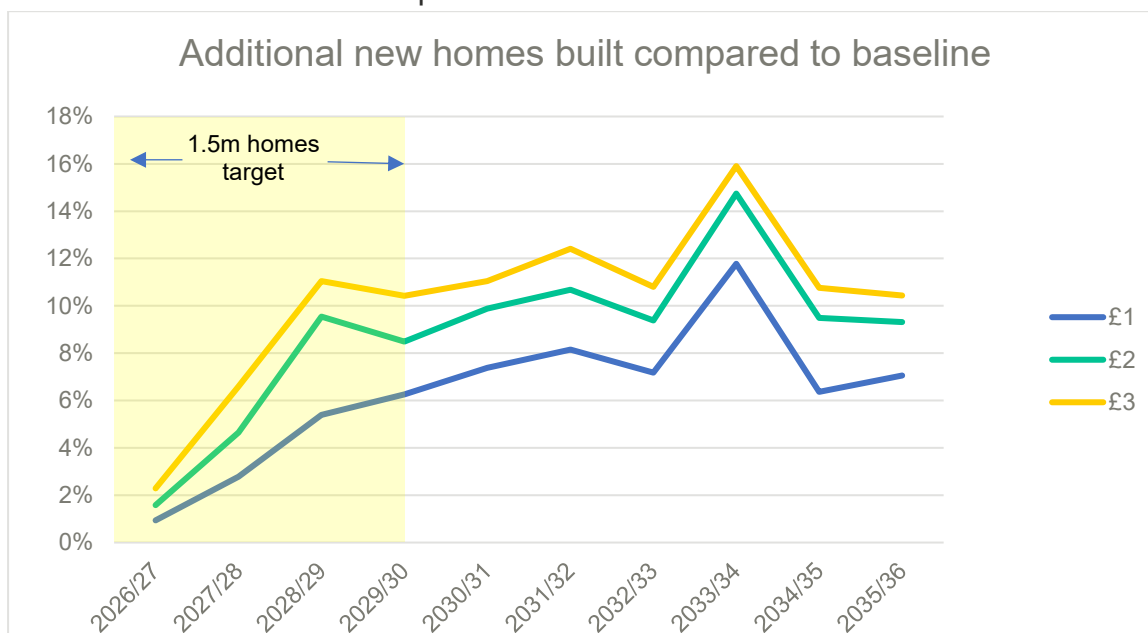


Figure 1. Housing association modelling aggregated by NHF (July-August 2025)

- Implementing £3 convergence in 2026 would allow housing associations to raise a further £3.35bn over 10 years, supporting the sector to begin to reverse the downwards trend in affordable housebuilding whilst maintaining high levels of investment in existing homes.
- Evidence from 40 medium and large-sized housing associations indicates that introducing convergence in 2026 at £3 per week would deliver **10%** more new homes than no convergence over a ten-year settlement.
- Scaled up across the sector we estimate that this could mean at least an additional **51,244** homes at £3 that would not otherwise be built.
- Rent convergence will also bolster housing associations' ability to invest in their existing homes in the face of uncertainty around the costs of new regulatory standards, benefitting residents. Housing associations are already investing record amounts; £3 convergence could enable spending to rise by a further £2.1bn, supporting the ongoing improvement of homes and services to residents.
- These figures are tempered by ongoing uncertainty around the cost of meeting new regulatory requirements, which we expect to cost housing associations more than has been already set aside in their business plans.

- To mitigate the impact of this on housing associations' ability to increase supply, we urge MHCLG to provide additional financial support for investment in existing homes alongside the new Decent Homes Standard. Without this, the impact of convergence will be blunted and will hinder our members' ability to significantly increase new supply alongside the investment needed to bring existing homes up to new standards.

Affordability and fairness

- Housing associations were founded with a historic, social purpose to provide secure homes at rents that are affordable to lower-income households. They are committed to ensuring social rents remain affordable for residents. That is why it is of vital importance that convergence would not allow social rents to rise above the value set by the earnings-linked formula, which our analysis shows to be affordable for those on low incomes in 98% of areas.
- For almost all residents who pay their rent with support from the welfare system, convergence-related rent increases will be entirely covered by benefit payments.
- Formula rent also remains affordable for single-income self-payers on lower quartile incomes in 93% of areas, even if we assume low future wage growth.
- That said, convergence would have a limited effect on overall government welfare spending, increasing costs by up to 0.5% in 2029/30, 22% of which will be offset by lower spending on more expensive private sector housing support as residents move into cheaper social rent homes built as a result of convergence.
- Convergence will also improve fairness and consistency by ensuring residents pay similar amounts for similar tenancies in similar homes.

Response to questions

1. At what level should Social Rent convergence be permitted?

We favour the introduction of a £3 uplift. Of the options listed in the consultation, we strongly prefer £2 to £1. Convergence at £2 or £3 will:

- a) enable substantially more investment in both new and existing homes than £1;
- b) improve consistency and fairness in social rent setting;
- c) ensure rents remain affordable relative to local incomes, and
- d) represent a cost-effective investment for government relative to the associated increase in welfare spending.

The argument and evidence for these points is set out below and explained in further detail in response to subsequent consultation questions.

(a) – unlocking higher investment in new and existing homes

We find that a £3 uplift could lead to at least **51,244 more** new homes built between 2026 and 2036 across England, a level of additionality that is 59% higher than £1 (32,244).

Our evidence also suggests that a £2 or £3 uplift will have a more immediate effect on new supply. Between 2026 and 2029, £2 will result in on average 5.26% more new homes per year - nearly double £1 (3.04%). £3 would result in well over double the amount of new homes on average – 6.64%.

Uplift	Additional new homes, all HAs (2026-36)	Average annual uplift over baseline new homes delivery, surveyed HAs (2026-29)	Additional investment in existing homes, all HAs (2026-36)
£1	32,244	3.04%	£1.4bn
£2	44,321	5.26%	£1.9bn
£3	51,244	6.64%	£2.1bn

This finding, based on modelling carried out by medium and large-sized housing associations, is corroborated by analysis commissioned from Savills by sector bodies, which found that 83% of the capacity unlocked by a £2 mechanism across the first seven years would come by 2029, versus 66% for £1, leading to more accelerated delivery in this parliamentary term.

A £2/3 uplift will deliver the urgent action needed to tackle the housing crisis and support housing associations and government to achieve their shared aim of building

1.5m homes by the end of this Parliament and delivering a decade of renewal for social and affordable housing.

We also find that rent convergence of £2 and £3 could support at least £1.9bn and £2.1bn additional investment in existing homes, versus £1.4bn for £1, delivering better homes for residents.

A higher uplift will also improve housing associations' ability to manage additional costs associated with incoming regulatory requirements. Recent announcements on new social housing quality standards are welcome, but uncertainty remains around the cost of complying with these new requirements.

Depending on the cost of incoming regulatory standards, housing associations may need to allocate more of the additional income from rent convergence towards meeting these requirements.

(b) – improving consistency and fairness in social rent setting

Currently, residents may pay substantially different amounts for equivalent properties depending on when they first moved in. We have heard from housing associations who let similar properties at weekly rents that differ by as much as £60.

This is unfair on those residents paying more and difficult for providers to justify. It also penalises younger households, female-headed households and households with children who, [more likely](#) to be newer residents, shoulder a greater proportion of the cost of managing homes and services.

As the chart below demonstrates, a higher (£2/3) uplift will close the gap between actual rents and formula rents more quickly, better addressing the unfairness that is at the heart of this inconsistency.

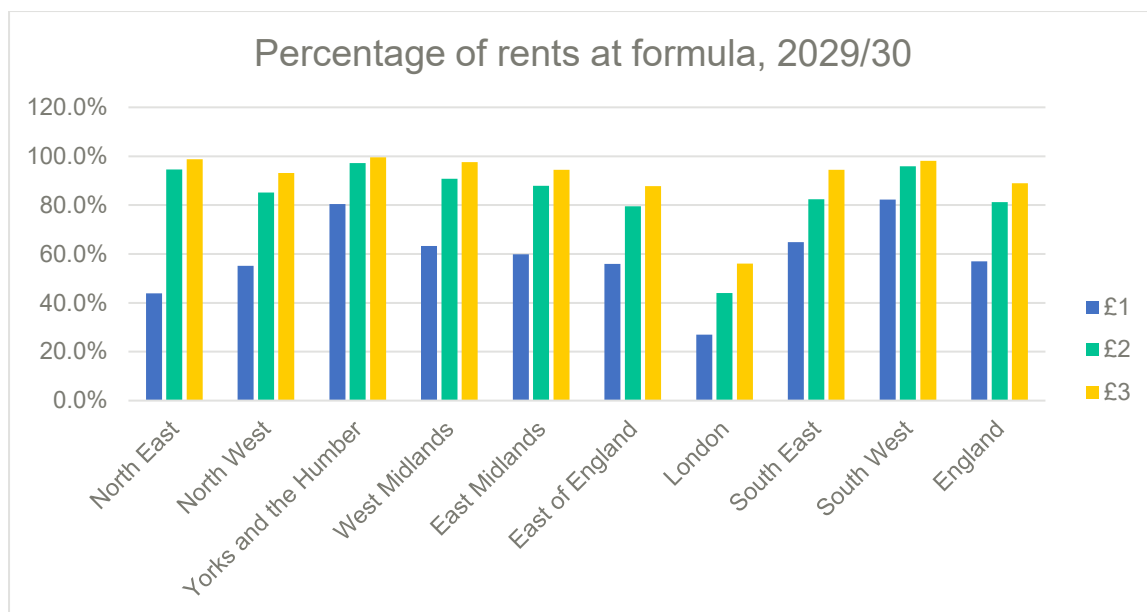


Figure 2. NHF analysis based on Regulator of Social Housing, Private registered providers stock and rents in England (October 2024) and inflation forecasts from MHCLG, convergence draft impact assessment (July 2025)

Even after 10 years of convergence, a £1 mechanism would see 46.3% of housing association properties in London remain below formula rent, compared to 10% with a £3 mechanism. Evidence from the G15 group of large London housing associations suggests rents are so far below formula in the capital that rents would not have fully converged even after 20 years of £1 convergence.

(c) – ensure rents remain affordable to local incomes

Housing associations are committed to their historic, social purpose to ensure that their rents remain at affordable levels for residents.

We support MHCLG’s plans to introduce convergence in such a way that rents cannot rise higher than the value set by the earnings-linked social rent formula, no matter the level of the uplift. This mechanism provides an important affordability safeguard for residents.

Almost all residents in receipt of housing benefit or universal credit will see their entire rent increase covered by their benefit payments.

Our analysis shows that formula rent is affordable for self-payers (an estimated 42% of residents) in virtually all local authorities in England, including those whose earnings are in the bottom quartile.

(d) – impact on the welfare bill

Introducing convergence will cause an increase in government welfare spending. However, we estimate that introducing convergence at £3 a week will cause DWP

spending on household benefits to rise by no more than 0.5% by 2029/30 (and by just 0.2% in 2026/27).

Even then, increased spending on welfare to cover the costs of convergence will be partially offset by lower spending on private sector housing support and temporary accommodation as households move into (cheaper) new social homes funded by convergence.

We estimate that 22% of the total additional welfare spending on £3 a week convergence over 10 years will be offset by savings from moving households from the private rented sector into newbuild social rented housing. This figure increases over time: by 2035/36, 38% of the in-year spending is offset.

Tenant Advisory Panel

We also consulted our Tenant Advisory Panel on the policy. They were generally in favour of rent convergence, recognising the need for the sector to be able to invest sufficiently in its existing homes and rise to the challenge of building more new social homes. They also support the principle that rents should be fair – those living in similar homes should pay similar amounts. However, they felt that a £2 rather than a £3 uplift offered a better balance between these benefits and resident affordability.

The Panel's views on other elements of the mechanism's design are included in response to the relevant consultation questions.

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?

We conducted several pieces of analysis to demonstrate the effects of £1, £2 and £3 uplifts on housing association investment forecasts. The key takeaways are:

- There is a strong positive relationship between the level of the uplift and the rate of new development and investment in existing homes. The higher the uplift, the more homes are built.
- The rate of increase in new supply between 2026 and 2029 is significantly higher with £2 or £3 uplifts than with £1, meaning more homes are likely to be built in this Parliament if a higher uplift is implemented.
- Rent convergence will be essential to slowing the decline in new affordable housebuilding relative to levels of delivery recorded in the early 2020s.

Additional income generated

Based on housing associations' returns to the Regulator, we estimate that convergence at £3 a week would generate £3.35bn if in place between 2026 and 2036. At £2 a week, it would generate £2.99bn and at £1 it would generate £2.26bn.

These estimates do not account for a small proportion of homes being relet annually. Including relets in our estimates reduces the amount of income directly attributable to a convergence policy, but increases housing associations' overall rental income, as homes are typically re-let at formula rent (effectively accelerating the convergence process). We also commissioned modelling that assumes 5% of homes are relet annually. This analysis suggests the cumulative rental income directly attributable to convergence is £1.44bn, £2.16bn and £2.50bn, for £1-3 respectively.

We note that both estimates for the additional income generated from £1 rent convergence are materially lower than the figure in MHCLG's impact assessment (£2.7bn) and would be interested to explore the reasons for this variation.

As MHCLG highlight, the income from rent convergence is not distributed evenly across England. Housing associations in London have rents that are much further below formula. One reason for this is that many rents in the capital (23%) had not fully converged when convergence was removed from rent setting policy in 2015. Lower rental income has contributed to the financial difficulties which are particularly acute for housing associations operating in the capital and have led to [new affordable starts](#) falling from 25,658 in 2022/23 to 3,991 in 2024/25.

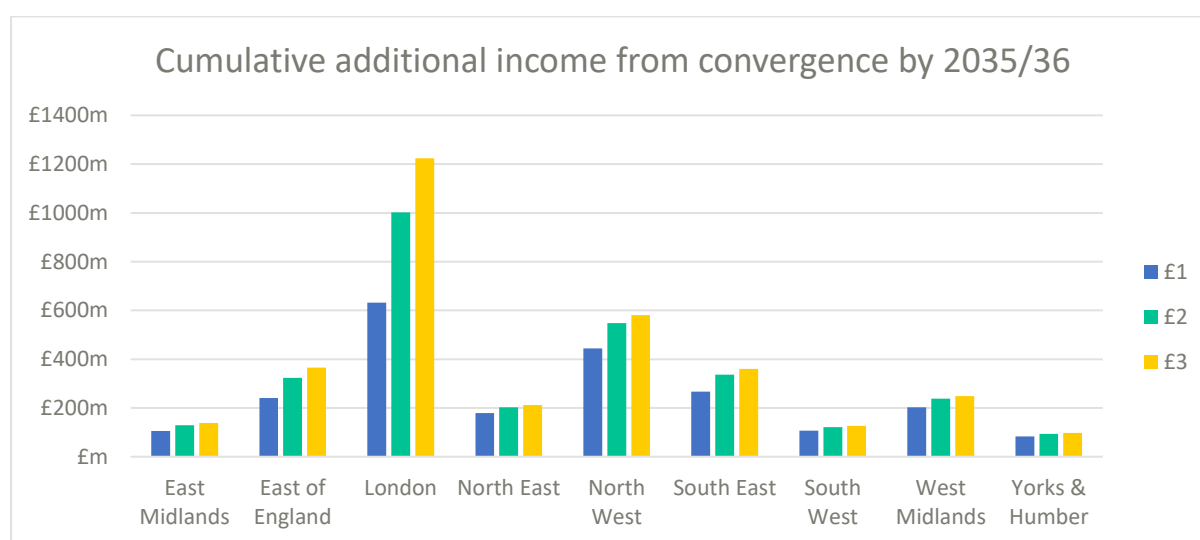


Figure 3. NHF analysis based on Regulator of Social Housing, Private registered providers stock and rents in England (October 2024) and inflation forecasts from MHCLG, convergence draft impact assessment (July 2025)

Anecdotal evidence from our members suggests that other types of housing associations likely to have rents that are substantially below formula include:

- Smaller housing associations.
- Housing associations formed from large-scale voluntary transfers from local authorities (or who own many recently transferred local authority homes).

It is important to highlight that some housing associations have average rents that are close to or even above formula rents. This is usually the case because they apply the additional 5/10% flexibility to some or all of their rents. MHCLG's decision not to permit convergence beyond 100% of formula rent means some housing associations will derive limited benefit from the introduction of rent convergence. Housing associations in this position will struggle to accelerate their investment in new supply or existing homes. We have gathered evidence from several members to help illustrate the impact of permitting convergence up to the flexibility level:

- A large Midlands-based housing association could build over three times as many new homes (689 versus 221) if convergence were permitted up to flexibility.
- A medium-sized housing association in the North East of England could increase its development programme by 45% over the next five years (equivalent to 225 new homes), with the majority of the additional delivery coming within the first two years of convergence starting.
- A medium-sized housing association in the West Midlands who could build six times as many homes (631 homes) with convergence up to flexibility versus convergence up to formula rent alone (106 homes).
- A large housing association could build 120 additional homes over 10 years with the proposed implementation of £1 convergence, versus 1,200-1,500 additional homes with convergence up to flexibility.

Benefits for the supply of new social and affordable homes

To answer this question, we asked our members to model the effect that £1-3 convergence uplifts starting in 2026 and lasting for 10 years would have on their investment plans relative to a 'do nothing' scenario.

40 housing associations provided us with modelling returns, who we estimate will receive 46% of the total additional income from rent convergence collectively. The modelling was based on each organisation's latest estimates for the cost of maintaining their existing homes (given incoming regulatory changes) and assumes that future new delivery matches the 60%/30%/10% tenure mix planned for the new Social & Affordable Homes Programme. We also asked housing associations to assume grant rates similar to those they have received in the (recent) past.

Scaled up across all housing associations, our results found convergence could deliver at least 32,244 homes at £1, 44,321 homes at £2 and 51,144 homes at £3.

£1 convergence supports a mostly steady upwards trend in the percentage of new homes delivered. However, as the chart below demonstrates, £2 and £3 a week support a much faster rate of increase in the first three years of implementation. This is particularly clear in 2028/29, where the percentage of new homes built above baseline at £2 a week (9.5%) is almost double that of £1 a week (5.4%), and more than double for £3 (11.0%). Consequently, government is more likely to deliver on its housebuilding targets in this parliamentary term if it adopts a £2 or £3 uplift.

Uplift	Additional new homes across sector, all HAs (2026-36)	Uplift over baseline new homes delivery, surveyed HAs (2028/29 only)
£1	32,244	5.4%
£2	44,321	9.5%
£3	51,244	11.0%

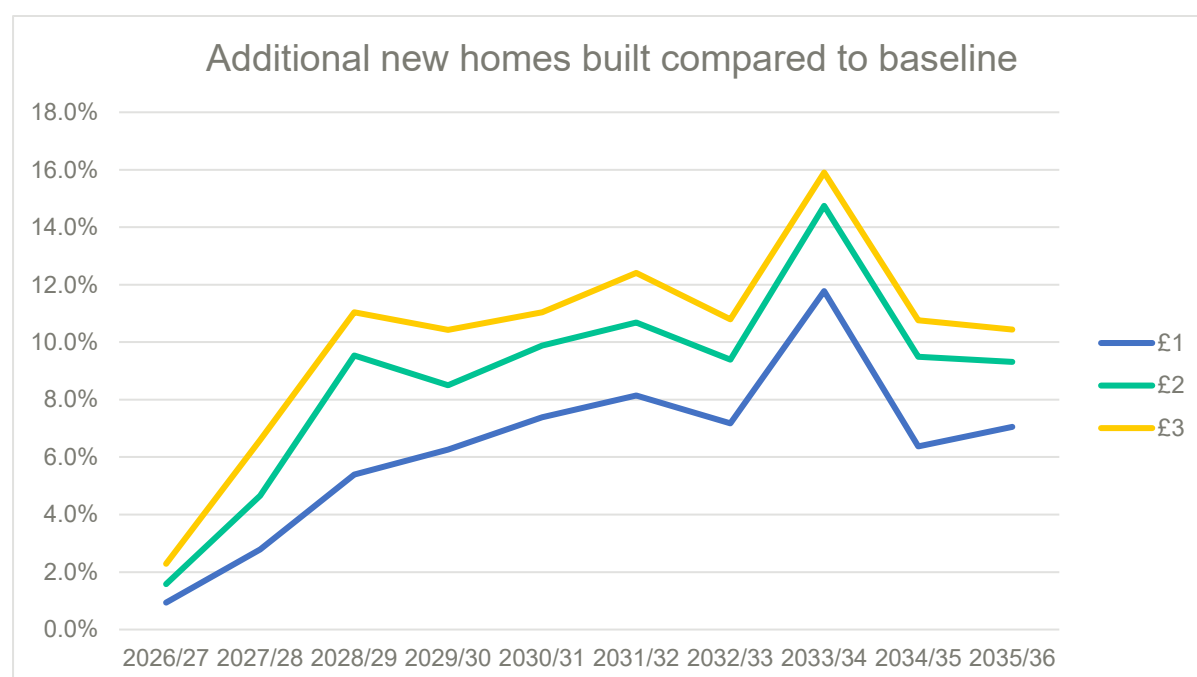


Figure 4. Housing association modelling aggregated by NHF (July-August 2025)

We also commissioned analysis from Savills jointly with other sector bodies, which corroborates these findings. It estimates that the additional income generated by £2 rent convergence would improve housing association interest cover by 14% relative to the baseline over 10 years, versus 11% for £1. As before, the clearest difference

between £1 and £2/3 convergence is in the earlier years of implementation. In 2027/28, £1 convergence improves sector interest cover by two percentage points; £2 increases it by five.

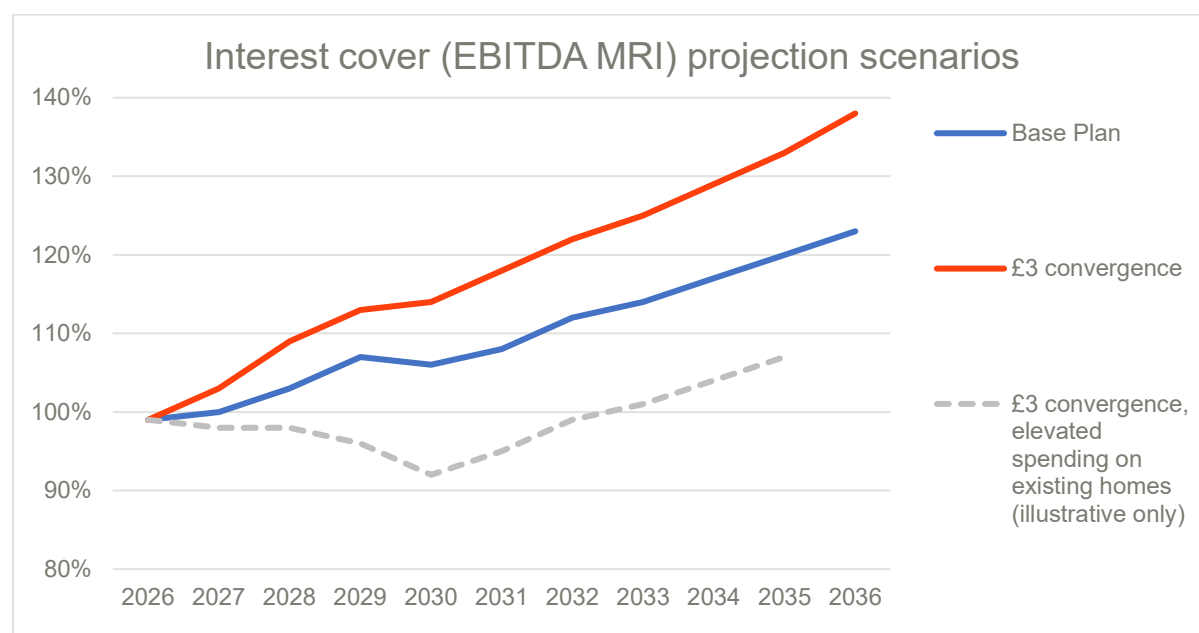


Figure 5. Savills modelling commissioned by CIH, NHF, LGA, ARCH, NFA and CWAG (August 2025)

All these projections are contingent on housing associations' maintaining their current forecasts of the investment needs of their existing homes. These investment plans have been coordinated based on the best available information, including estimates of future regulatory requirements.

Although the recent publications of consultations on the new Decent Homes Standard, Minimum Energy Efficiency Standards and guidance around Awaab's Law bring welcome clarity, until these regulations are implemented, it will be difficult to precisely forecast the cost of compliance. Our initial assessment is that the true costs associated with the new Decent Homes Standard and Minimum Energy Efficiency Standard will be significantly higher than estimated in the government impact assessments.

Housing associations are already investing record amounts in existing homes, ahead of these new requirements coming into force. However, depending on how these regulations are implemented, we anticipate they could cost the sector more than is currently budgeted for. This would have an unavoidable negative effect on investment in new supply. The 'elevated spending' line in the chart above (grey, dashed) also illustrates the detrimental effect on housing association interest cover if stock investment rises from £40,000 per unit spread over 30 years to £50,000.

The Spending Review announcements on the Warm Homes Plan and extension of the Building Safety Fund to the social sector are very welcome. But to ensure incoming quality regulations achieve their goals without unduly suppressing housing association investment in new supply, we urge the government to consider introducing a package of funding alongside the revised Decent Homes Standard, and in addition to rent convergence, as was the case when the original programme was introduced in 2000. Without this, albeit depending on the final details of new requirements, the impact of convergence will be blunted and will hinder our members' ability to significantly increase supply alongside the investment needed to bring existing homes up to new standards.

We look forward to engaging with MHCLG on this topic further and plan to provide additional information in our response to the open consultations on the proposals.

Benefits for the quality of social and affordable homes

In the modelling exercise outlined above we also asked members to provide information on how £1-3 convergence would influence their investment plans for existing homes. In summary:

- The housing associations we gathered information from expect to increase their overall spending on existing homes by 21-23% between 2026 and 2036 depending on how convergence is implemented.
- These housing associations expected £1 convergence to increase their overall spending on new homes by 1.3%, £2 by 1.8% and £3 by 2.0%.
- Scaled up across the entire sector, we estimate that £1, £2 and £3 convergence would result in £1.4bn, £1.9bn and £2.1bn additional investment in existing homes if in place for 10 years.

Uplift	Additional investment in existing homes, all HAs (2026-36)	Uplift over baseline investment in existing homes, surveyed HAs (2026-36)
£1	£1.4bn	1.3%
£2	£1.9bn	1.8%
£3	£2.1bn	2.0%

How this additional investment is distributed will vary by housing association. It is likely to be spent on a combination of reactive repairs and planned works including decarbonisation, replacing property components (roofs, windows, kitchens, bathrooms), eliminating damp and mould, and tackling building safety issues. Several housing associations told us that the additional income that convergence generates would allow them to accelerate building safety remediation works and upgrade homes more quickly, delivering safer, higher quality homes for residents.

Supported housing and housing for older people

Although some housing associations who provide supported housing and/or housing for older people did contribute to our modelling exercise, we do not expect convergence (in whatever form it is implemented) to make a substantial difference to these providers' finances, which remain in serious financial crisis due to years of cuts to support funding.

As the consultation acknowledges, rents in supported housing and housing for older people are higher than formula rent on average and so rent convergence will not apply to many of these homes.

Nonetheless, higher average rents do not alleviate the financial challenges facing this part of the sector. 1 in 3 supported housing providers [have closed schemes](#) in the past year due to financial pressures. We were disappointed not to see specific interventions in the Spending Review to address the acute financial distress facing many supported housing providers, many of which are struggling to remain viable.

We therefore encourage MHCLG to (re)consider implementing rent policy interventions proposed in our original submission on rent policy in late 2024. These recommendations are:

- To remove the 'without public assistance' requirement for specialised supported housing that is exempt from formula rent from the Rent Standard.
- To increase the rent flexibility level for supported housing from 10% to 20% (as before, we do not anticipate that housing for older people's providers, who tend to have a higher proportion of self-payers, would use this additional flexibility).

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

We have considered this question from two angles: is convergence affordable for social housing residents, and what are the benefits that would accrue to social housing residents if convergence were to be introduced.

Resident affordability

Implementing convergence at £2 (or higher) will mean actual rents reach the value set by formula more quickly. We estimate that a £2 convergence mechanism would see 81.2% of rents reach formula by 2029/30 versus 57.0% for £1. A £3 uplift would reach formula slightly faster still (89.0%).

Residents in receipt of housing support through the welfare system (housing benefit or universal credit) will have the entirety of any increase covered by their welfare

payments. 58% of social housing residents fall within this category. This will help shield most residents who would be particularly adversely affected by a rent increase from its effects.

The only exception to this is residents subject to the benefit cap or the removal of the spare room subsidy. Many housing associations provide bespoke forms of support to residents in this position, including:

- Proactive outreach to residents the moment they enter arrears and training to support staff to identify residents subject to the benefit cap or removal of the spare room subsidy.
- Money advice services that signpost residents to additional forms of support and sometimes food and fuel vouchers.
- Referral to tenancy sustainment and employment support services that help residents to maximise their income.

For residents who pay rent without support from the welfare system, our analysis shows that formula rent remains affordable (assuming the common benchmark of rent consuming no more than 1/3 of earnings) over the next 10 years of CPI+1% rent increases.

Assuming pessimistic wage growth, where the rate of increase is in line with CPI (rather than CPI+1%), we find that rent would remain affordable in nearly all of local authority areas for a household with a single, full-time **lower quartile earner** living in a two or three-bedroom property. Under a more optimistic scenario where wage growth outstrips CPI by 1%, rent is affordable for a household in this situation in virtually all areas. If the full-time earner's income is supplemented by a part-time earner, then affordability is improved further.

Although households in the lowest decile of incomes are likely to have their incomes supplemented by the benefits system, we also considered the affordability of formula for a household with a single, full-time earner on the 10th percentile of incomes. Without support from the benefit system, and wage growth reverting to CPI only, rents are affordable in 58% of areas by the end of the period. Assuming higher wage growth of CPI+1%, rents are affordable in 75% of areas (one percentage point lower than is currently the case today).

Assuming residents on the lowest incomes are supported by the benefit system, rents remain affordable in virtually all areas over the entire rent settlement. These results are summarised in the tables below.

Affordability of 3 bed social rent homes by 2034/35 compared to 2024/25, % of LA areas where social rent is less than 33% of wages – not including benefits:

	2024/25	2034/35, Wage growth reverting to CPI	2034/35, Wage growth reverting to CPI+1
One full-time lower quartile income	99%	93%	99%
One full-time 10 th percentile income	76%	58%	75%
One full and one part-time lower quartile income	100%	100%	100%
One full and one part-time 10 th percentile income	99%	88%	98%

Affordability of 3 bed social rent homes by 2034/35 compared to 2024/25, % of LA areas where social rent is less than 33% of gross wages plus benefits:

	2024/25	2034/35, Wage growth reverting to CPI	2034/35, Wage growth reverting to CPI+1
One full-time lower quartile income	100%	100%	100%
One full-time 10 th percentile income	100%	98%	99%

Benefits of convergence for residents

As outlined above, rent convergence could support up to £2.1bn additional investment in existing homes over the course of the settlement. Members have told us that this additional income would enable accelerated investment in areas that are key priorities for residents – repairs services, replacement of property components (roofs, windows, kitchens) – as well as vital investment in ensuring homes are warm and safe.

More specifically, members told us a higher uplift would enable:

- The acceleration of energy efficiency and wider sustainability upgrades, regeneration schemes and environmental improvements on estates such as fencing.
- Savings on energy bills due to faster upgrades to the energy efficiency of homes, helping to tackle cost of living pressures.

- An increase to stock investment budgets leading to a ‘tangible improvement’ in the quality of their homes driven by earlier replacement of components.
- With a £3 a week uplift specifically, one housing association would be able to accelerate their fire door remediation programme from four years to two years.

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

We have received clear feedback from our members that delaying the implementation of convergence would push planned investment back by at least a year, but in practice probably longer. It would almost certainly delay the impact of the policy into the next decade/parliamentary term.

Any delay would be compounded by lengthy development lead times (typically around 24 months for land-led development and eight months for section 106), as many housing associations will be unable to take on additional development risk before the income from convergence starts to have a positive effect on their finances.

All the evidence shared above about the benefits of rent convergence on new supply and investment in existing homes is premised on the mechanism being implemented in April 2026. We would not expect housing associations to be able to deliver the same level of additionality if the implementation were delayed for various reasons:

- It could harm sector confidence and reduce boards’ appetite to take on development risk.
- It would reduce housing associations’ financial capacity when bidding for funding under the new Social & Affordable Homes Programme, likely reducing the level of ambition shown in bids (and therefore, grant funding received).

Having said this, the NHF’s Tenant Advisory Panel favoured a longer lead-in time (April 2027) to better enable residents to budget for the increased costs of convergence.

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

At least ten years.

It is important that **rent convergence is established as a standing feature of social rent setting policy** that ‘rolls over’ into any future rent policy. This would give housing associations greater flexibility to apply below-inflation rent increases in the event of an inflationary spike to protect affordability for residents. Without

convergence (or with a short-term convergence policy), the 'lost' income from a below-inflation rent increase will compound, causing a significant hit to housing associations' financial capacity. A long-term convergence mechanism would allow housing associations to catch this income up gradually and in a way that is affordable for residents.

The NHF's Tenant Advisory Panel also expressed support for rent convergence remaining in place for 10 years or more, with a review built in after 10 years.

As above, our forecasts for convergence's impact on housing association investment all assume that the policy would be in place for 10 years. Housing associations are sustainable and prudent organisations that borrow money and make investment decisions based on future rental income. Ending convergence early would result in fewer new homes and less investment in existing homes.

Although many housing association rents will have caught up with convergence over a shorter period of time, our evidence shows that some of these organisations do not expect convergence to have a sizeable impact on their investment decisions. The greatest contribution to the uplift in new supply comes from organisations who need the policy to remain in place for the full 10-year period (or longer) for their rents to fully catch up with formula.

Housing associations with rents further below formula, such as those based in London, would be hardest hit if convergence ended early. This would hinder the recovery from below-inflation rent increases and high interest rates. It would also penalise housing associations who have previously held rents below inflation to protect resident affordability. The implication of doing so would be that development in the capital would be unlikely to recover from present very low levels.

Note on the draft Direction and Policy statement and the operational implementation of rent convergence

We welcome MHCLG's proposed updates to the draft Direction and Policy Statement, which improve the clarity and deliverability of rent setting policy for housing associations. Before implementation, we encourage MHCLG to also consider:

- Ensuring that the formulae in the draft Direction are as unambiguous as possible to reduce the likelihood of inconsistencies and errors in rent setting.
- Specifying how PFI social housing should be treated after PFI contracts expire.

The benefits of convergence vastly outweigh any complexities related to its implementation however we wish to highlight that the software systems used by many housing associations to set rents and apply rent increases do not currently have the functionality required to apply a convergence mechanism. Some housing associations may therefore need to set rents manually, which could increase the risk of errors in the rent setting process (a risk which housing associations will need to manage and mitigate).