

## Briefing Note – Benefits of Reintroducing Rent Convergence

### Purpose

To brief Members on the importance and benefits of reintroducing rent convergence for Cambridge City Council tenants, the Housing Revenue Account (HRA), and the future delivery of services and new council homes.

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### Background

Social Rents are currently calculated using a formula set by the Regulator of Social Housing, and this is known as formula rent. However, Cambridge City Council as with most social landlords finds many of its rents below formula rents due to different historical charging structures. This results in new tenants paying much more for their home than those who have held their tenancy for much longer.

For a short period between 2011 and 2015, social landlords were allowed to use rent convergence at a rate of £2 per week to gradually over time bring all their rents up to formula rent.

In Summer 2025 Government conducted a consultation on the re-introduction of Rent Convergence and asked the benefits of its re-introduction, at what rates £1 or £2 per week and for what time period it should be allowed for with up to 10 years as the longest option. The Council responded to this consultation indicating its support for Rent Convergence at £2 per week for the time period it took to take all rents up to formula rent (more information on formula rent can be found here [Rent Standard April 2023](#)).

Saville's on behalf of the Chartered Institute of Housing also conducted a piece of national analysis on rent convergence which demonstrates the need for its re-introduction and that £2 per week delivers the most benefits balancing affordability of £1, £2 or £3 per week. [Saville's Rent Convergence Analysis](#)

Cambridge City Council—along with 108 other local authorities— signed the national *Securing the Future of Council Housing* report led by Southwark Council. A key recommendation in that report is that Government must reintroduce rent convergence, which was halted in 2015 following four years of rent cuts and a rent freeze. This has left many councils with significant funding gaps in their Housing Revenue Accounts.

In the same period, social landlords have faced rapidly increasing costs and major new statutory obligations including:

- Social Housing Regulation Act 2023

- Building Safety Act 2022
- Fire Safety Act 2021
- Forthcoming changes through the new Decent Homes Standard, Minimum Energy Efficiency Standards, and Awaab's Law

As a result, landlords have had to prioritise essential safety investment, reducing capacity to build new homes and deliver decarbonisation programmes.

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## Why Rent Convergence Matters

Rent convergence ensures that identical properties are charged similar rents based on the property itself—not on when a tenant moved in. At present, neighbouring households in similar homes can pay vastly different rent solely due to historical rent policies. This is fundamentally unfair and creates ongoing inequality within our communities.

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## Impact in Cambridge

- 5,612 council homes currently below their formula rent
- Average difference: £10.53 per week below formula rent
- Largest difference: £57.93 per week below formula rent

Without rent convergence, these disparities will persist indefinitely.

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## Financial Benefits to the HRA

The Council's preferred option is convergence at £2 per week.

<b>Weekly Increase Allowed</b>	<b>Timescale</b>	<b>Annual Additional Income</b>	<b>Equivalent Investment Benefit</b>
£2 per week	Over 5 year business plan	£2m per year	6/7 new council homes, or 500 Decent Homes upgrades, or 70 homes retrofitted annually
£1 per week	Over 5 year business plan	£1m per year	5 new council homes, or 250 Decent Homes upgrades, or 35 homes retrofitted annually
If all properties at formula rent	Up to 29 years	£3m+ per year	10 new council homes, or 750 Decent Homes upgrades, or 110 homes retrofitted annually

Introducing convergence more slowly would mean:

- More borrowing required to fund legal compliance, safety and retrofit works
- Less funding available for new council housing
- Increased future financial risk to the HRA

If the Council failed to introduce rent convergence, this would result in additional borrowing of £122million over the 30-year business plan to maintain and manage our current stock and build our current development pipeline.

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## Impacts on Tenants

For those in financial hardship, the change will have little or no financial impact:

- 65% of tenants currently receive some form of benefit support
- 55% receive maximum Housing Benefit or Universal Credit housing costs
- For most households entitled to support, the £1–£2 weekly increase will be fully or largely covered

Forecast wage inflation is expected to outpace CPI + 1% until at least 2030, meaning convergence at the proposed rate is not anticipated to create affordability risk for the majority of tenants.

In addition, convergence will:

- Remove unfair inequalities in rent between neighbours
  - Create simpler, fairer, and more transparent rent structures
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## Timing

Government has indicated a decision on Rent Convergence in January 2026, including at what rate it can be implemented and from what date.

The Council recommends implementation from 1 April 2026 provided this is in line with the announcement in January 2026.

Delaying beyond 2026 risks:

- Wage inflation falling below CPI + 1%, increasing household impact
  - Further pressure on HRA resources hindering service delivery and compliance programmes
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## Risks of Not Reintroducing Convergence

If convergence is not reinstated:

- Cambridge residents will continue to experience unfair rent inequality
  - The HRA will remain structurally underfunded
  - Delivery of decent homes improvements and retrofit upgrades will slow further
  - Fewer new council homes will be delivered
  - Increased borrowing will be required, reducing long-term financial resilience
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## Conclusion

Rent convergence is a fair and essential mechanism to restore HRA sustainability and secure the future of council housing in Cambridge:

- Fairer rents for tenants
- Stronger financial position for the Council
- Better investment in existing homes and more new homes delivered

Reintroducing convergence at £2 per week from April 2026, is the most responsible option for both tenants and the housing service.