



## **SHELTER CONSULTATION RESPONSE**

Ministry of Housing, Levelling Up and Communities  
MHCLG:

### **How to implement Social Rent convergence**

27<sup>th</sup> August 2025

## **Introduction**

England is in a housing emergency. Homelessness has reached a new record high, with 131,000 homeless households living in temporary accommodation while 1.3 million households are stuck on the waiting list for a social home. The government must ensure registered providers have everything they need to build the social rent homes this country desperately needs. Social rent homes are the most effective way to tackle homelessness and, with rents tied to local incomes, they provide a secure and genuinely affordable foundation from which individuals and families can thrive. At the same time, more than eight years after the Grenfell Tower fire, a significant maintenance and repair deficit continues to blight the social rented sector. This is an urgent issue that needs undiluted national attention.

The government has taken welcome steps to fund the delivery of new social rent homes and properly maintain and repair our current stock. At the Spending Review in June, £39bn was announced for the next Social and Affordable Homes Programme over a 10-year timeline for new delivery. Alongside this, the government has announced significant funding increases for social housing maintenance and retrofit.

However, even with these welcome announcements, previous governments' failure to properly invest in social housing and shore up the financial position of the sector continues to compromise the financial strength of social landlords. Decades of low grant rates<sup>1</sup> alongside Right to Buy<sup>2</sup> have caused ballooning Registered Provider (RP) debt to become increasingly unsustainable<sup>3</sup> while wider policy decisions have further undermined debt servicing capacity. Namely, the 2012 local council debt settlement<sup>4</sup>, encouragement of highly leveraged commercial development<sup>5</sup>, and a four-year rent reduction between 2016 and 2019<sup>6</sup>. Combined

---

<sup>1</sup> Goulding, R. (2018) Transforming social housing into an asset class: the financialisation of English housing associations under neoliberalism and austerity urbanism. Ph.D. thesis, The University of Sheffield.

<http://etheses.whiterose.ac.uk/21474/1/Richard%20Goulding%20thesis%20corrections%20final%20version.pdf>; Heywood, A. 2016. 'Investing in Affordable Housing: An Analysis of the Affordable Housing Sector'. The Housing Finance Corporation. [Online]. [Accessed 02/02/2020]. Available from: [https://www.thfcorp.com/\\_uploads/downloads/InvestinginAffordableHousingdowngradefinal.pdf](https://www.thfcorp.com/_uploads/downloads/InvestinginAffordableHousingdowngradefinal.pdf)

<sup>2</sup> Simon Hill. (2022) The damaging legacy of right to buy. New Economics Foundation. Available at: <https://neweconomics.org/2022/05/the-damaging-legacy-of-right-to-buy>

<sup>3</sup> Southwark Council. (2024) Securing the future of council housing. Available at: <https://www.southwark.gov.uk/community-updates/2024/securing-future-englands-council-housing-report>;

<sup>4</sup> Perry, J. Hinch, M. Partridge, S. (2024) Why councils are underinvesting in housing and how an updated debt settlement could put that right, Chartered Institute of Housing. Available at: <https://www.cih.org/publications/why-councils-are-underinvesting-in-housing-and-how-an-updated-debt-settlement-could-put-that-right/>

<sup>5</sup> Mullins, D. Jones, T. (2015) From "contractors to the State" to "Protectors of Public Value": Relations between Non-Profit Housing Hybrids and the State in England. *Voluntary Sector Review*. 6 (3). 261–83. <https://doi.org/10.1332/204080515X14446458480214>

<sup>6</sup> Manzi, T. Morrison, N. 2017. 'Risk, Commercialism and Social Purpose: Repositioning the English Housing Association Sector'. *Urban Studies*. 55 (9), 1924–1942. <https://doi.org/10.1177/0042098017700792>.

with tight monetary policy<sup>7</sup> alongside inflated build and maintenance costs<sup>8</sup>, social landlords' ability to invest in social housing is increasingly threatened – including their ability to comply with a new and much-needed regulatory regime that rightly demands higher standards within current stock.

The Regulator of Social Housing's 2023-24 Sector Risk Profile report found that the sector's debt servicing cost exceeded its earnings for the first time since 2009, with the Pension Insurance Corporation claiming this is increasing the sector's risk profile.<sup>9</sup> We have heard from numerous councils that they are increasingly unable to service their debts without asset disposals.

To address these challenges, social rent increases have been positioned by the government and sector partners as the central route to securing financial sustainability for RPs. However, our response sets out compelling evidence that social rents are fast approaching the 30% income-to-rent ratio threshold of what can be deemed genuinely affordable, as social tenants increasingly struggle to keep up with rent payments.<sup>10</sup>

Shelter is therefore concerned about the government's proposed approach to social rent policy and the current funding arrangement for RPs. It is not sustainable to continuously rely on index linked (and above) social rent increases to address deep-rooted financial problems within the sector. It threatens the genuine affordability of social housing and disproportionately shoulders a specific group of social tenants, many of whom are some of the poorest in our society, with paying for the sector's crumbling finances. Our response below sets out our position and recommendations on the government's social rent convergence consultation. This includes:

- 1) A summary of our concerns and recommendations on social rent convergence.
- 2) A discussion of alternative financing arrangements for the social housing sector that would help alleviate the reliance on index-linked (and above) social rent increases.

---

<sup>7</sup> Pettifor, A. (2025) The Treasury's fiscal orthodoxy is fuelling England's housing emergency and strangling growth, Shelter. Available at: [https://england.shelter.org.uk/what\\_we\\_do/updates\\_insights\\_and\\_impact/ann\\_pettifor\\_fiscal\\_orthodoxy\\_fuelling\\_housing\\_emergency](https://england.shelter.org.uk/what_we_do/updates_insights_and_impact/ann_pettifor_fiscal_orthodoxy_fuelling_housing_emergency); Pettifor, A. (2025) 'Renewing Britain' by failing homeless children, Systems Change. Available at: <https://annpettifor.substack.com/p/renewing-britain-by-failing-homeless>; As reported in: Callaghan, K. 2025 New report claims Bank of England policy is suppressing social homes delivery, Inside Housing. Available from: <https://www.insidehousing.co.uk/news/new-report-claims-bank-of-england-policy-is-suppressing-social-homes-delivery-93113>

<sup>8</sup> House of Commons. (2025) The finances and sustainability of the social housing sector – sixth report of session 2023-2024. Available at: <https://committees.parliament.uk/publications/44610/documents/221611/default/>

<sup>9</sup> As reported in: Callaghan, K. (2025) New report claims Bank of England policy is suppressing social homes delivery, Inside Housing. Available from: <https://www.insidehousing.co.uk/news/new-report-claims-bank-of-england-policy-is-suppressing-social-homes-delivery-93113>

<sup>10</sup> Holding on to Home study team (2024) Tenancy sustainment in social housing: Final report from the Holding on to Home study, The Chartered Institute of Housing. Available at: <https://holdingontohome.org/final-outputs/>

3) Our specific responses to the consultation questions.

## **.1. Summary of Shelter's key concerns and recommendations**

### **Key concerns**

- **CPI+1% plus convergence threatens the genuine affordability of social housing.** Our analysis set out below shows the government's proposal risks making social housing unaffordable to tenants not in receipt of housing benefit or those impacted by the benefit cap and/or bedroom tax. The pressure on affordability will drastically worsen if inflation rises above OBR forecasts. This is especially worrying given the growing concern about the accuracy of OBR forecasts<sup>11</sup> that the consultation impact assessment itself recognises, particularly in the context of heightened volatility on the international stage.
- **The government proposes no measures to protect tenants** from large yearly rent spikes or general difficulties to keep up with rapidly increasing rents.
- **The government's impact assessment does not use the most appropriate data sources which skews its findings.** It overstates average social renter incomes and uses unreliable projections of wage growth among this group. As a result, it significantly underestimates the negative effect of rent convergence on tenants' ability to sustain and access social housing. It therefore fails to ensure robust and accurate analysis of affordability ratios which undermines the validity of its conclusions.
- **Current proposals will have a disproportionate impact on certain groups.** The consultation and corresponding government analysis places insufficient emphasis on equalities and how impacts may differ across social groups. While the analysis of lone parents is welcome, Shelter rejects the government's assertion that there is no data on people with protected characteristics. We provide data and insight in our responses below to assist the government in this endeavour and demonstrate that more must be done to lessen the disproportionate impacts that rent convergence will likely have.

### **Recommendations**

As we set out in our social rent settlement consultation response, we called on the government to cap social rent increases (CPI+1%) at 3.22% per annum.<sup>12</sup> In addition, **we are concerned by the proposal to implement convergence alongside CPI+1% rent increases which will further threaten the ability of tenants to access and/or retain social housing.**

---

<sup>11</sup> Issac, A., Partington, R. (2025) Fears grow over impact of ONS data reliability on Rachel Reeves's budget, The Guardian. Available at: <https://www.theguardian.com/uk-news/2025/aug/22/fears-grow-over-impact-of-ons-data-reliability-on-rachel-reeves-budget>

<sup>12</sup> Galarza, V. Rich, H. (2024) Future of social housing rent policy consultation, Shelter. Available at: [https://england.shelter.org.uk/professional\\_resources/policy\\_and\\_research/policy\\_library/future\\_of\\_social\\_housing\\_rent\\_policy\\_consultation\\_december\\_2024](https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/future_of_social_housing_rent_policy_consultation_december_2024)

**Recommendation: The government should find an alternative route to properly finance the sector without undermining the genuine affordability of social housing** and negatively impacting current and prospective tenants. We set out a range of different proposals in our response below that would help shore up the sector's finances and **call on government to set up a social rent commission to explore and implement available options.**

If the government does not do this, rent increases on this scale should in no circumstances become the new normal. Convergence must also never result in hardship, arrears, eviction, or exclusion for current and future social tenants. If implemented, the government should consider the social rent settlement plus convergence an emergency response while the design of a more comprehensive and sustainable funding framework is underway.

**Recommendation: In the case that rent convergence is implemented, we recommend the following:**

- Rent convergence should be limited according to whether annual inflation levels are above 3%.
- In years when rent convergence is limited, the government should cover the gap in rental income – at least up to the amount the Treasury would have paid anyway through higher housing benefit.
- We set out a range of further measures that the government must implement alongside this cap to further protect tenants.

Failing this, the government should implement £1 convergence.

**Recommendation: The government must also scrap the household benefit cap and remove the 'spare room subsidy' (bedroom tax) immediately** to prevent people falling into arrears and being pushed towards homelessness. The maintenance of the benefit cap is unsustainable with social rents set to rise at above inflation rates. It must be scrapped to avoid replicating the situation in the private rented sector where the cap makes it almost impossible for families, particularly lone mothers and survivors of domestic abuse, to afford a home.<sup>13</sup>

## **.2. The sector's financial sustainability is a wider issue that needs addressing at its root**

There are fundamental problems in relying on significant rises in social rents to stabilise and prop up social landlord finances. For instance, it:

- links the sector's financial strength to governments' political willingness to absorb a higher housing benefit bill. This makes it vulnerable to shifts in attitudes toward day-to-

---

<sup>13</sup> Berry, C., H. Drewe and S. Howes. (2024) Joint briefing: Why scrapping the household benefit cap is vital for families, children and survivors of abuse, Shelter England. Available at: [https://england.shelter.org.uk/professional\\_resources/policy\\_and\\_research/policy\\_library/joint\\_briefing\\_why\\_scrapping\\_the\\_household\\_benefit\\_cap\\_is\\_vital\\_for\\_families\\_children\\_and\\_survivors\\_of\\_abuse](https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/joint_briefing_why_scrapping_the_household_benefit_cap_is_vital_for_families_children_and_survivors_of_abuse)

day public spending, despite the widespread savings generated by social housebuilding. For example, the government's impact assessment for the 2016–2019 rent reduction is clear that "the objective of this policy [was] to further limit the growth in social housing rents which have been contributing to the rapid growth in the housing benefit bill."<sup>14</sup>

- threatens to erode the fundamental purpose of social housing by undermining the genuine affordability and security at the heart of social homes. In 2023/24, 28% of social tenants already found it fairly difficult or very difficult to afford their rent<sup>15</sup> while prospective tenants will find it increasingly challenging to pass affordability checks which make it harder for those most in need of social housing to access it.<sup>16</sup>
- unfairly shoulders social tenants not in receipt of housing benefit, or those impacted by the benefit cap and/or bedroom tax, with propping up the sector's fragile finances. A fragility that itself stems from broader national policy failures. We rightly do not burden lower income recipients of other social services with higher costs when these services hit a crisis. Neither should we in the social housing sector.

**Recommendation:** We therefore reiterate our call for a social rent commission to design a more sustainable funding arrangement that protects the genuine affordability of social housing while securing long-term financial sustainability for RPs. Firstly, this should reassess the design of Formula Rent to ensure it is sufficiently tied to local incomes and de-linked from market forces.

**Recommendation:** Secondly, the commission must explore how to reduce the sector's reliance on index-linked (and above) rent increases. This should deconstruct the current funding arrangement and explore root and branch reform to improve the sector's financial strength and resilience. We set out some key considerations below that should be at the centre of the next funding arrangement.

**There is little reason why the necessary increases in government financial support to RPs couldn't be funded outside of housing benefit payments.** Increasing social rents is a roundabout way of increasing the government's support of the sector through higher housing benefit payments. There are clear alternative routes to increasing financial support for RPs without increasing social rents.

---

<sup>14</sup> Department for Work and Pensions. (2015) Welfare Reform and Work Bill: Impact Assessment of Social Rent Reductions. Available at: <https://www.parliament.uk/globalassets/documents/impact-assessments/IA15-006F.pdf>

<sup>15</sup> English Housing Survey, Annex tables for English Housing Survey 2023 to 2024 headline findings on demographics and household resilience, Annex Table 2.9. Available at: <https://www.gov.uk/government/statistics/annex-tables-for-english-housing-survey-2023-to-2024-headline-findings-on-demographics-and-household-resilience>

<sup>16</sup> Wallace, A. Beer, D. Burrows, R. Ciocanel, A. Cussens, J. (2024) Data, automation and purpose in pre-tenancy affordability checks in social housing, The Nuffield Foundation. Available at: [https://web.archive.org/web/20250327044244/https://www.york.ac.uk/media/business-society/research/Report%203\\_%20Social%20housing%20report%20final.docx-3.pdf](https://web.archive.org/web/20250327044244/https://www.york.ac.uk/media/business-society/research/Report%203_%20Social%20housing%20report%20final.docx-3.pdf)

- **Illustrative example:** For instance, Lloyds Bank have proposed a new ‘Social Housing Contract’ based on a payment to housing providers, additional to the rental payment, linked to homes being made available for social rent.<sup>17</sup> Lloyds explain that if payments “are set equivalent to average savings in housing benefits, then there would be no net additional cost to government for homes financed through the partnership.”<sup>18</sup> While we have not explored this proposal in full, it is helpful to demonstrate that rents are not the only mechanism available to fund RPs.

**The majority of HRA debt is owed to the government through the PWLB.** This gives the government significant autonomy to strengthen and support HRAs, either through debt relief, refinancing and/or restructuring. For instance, the government could write off a portion of debt for local authorities, reduce interest rates, or extend repayment periods.

- **Illustrative example:** As an example, the Chartered Institute for Housing has developed a sensible, affordable solution for central government to strengthen HRAs by transferring LA’s portion of unsustainable debt to central government.<sup>19</sup> Firstly, this would not affect overall government debt levels (as LA debt is already included on our national accounts). Moreover, the new burden on central government to service this debt would largely be offset by a growing tax revenue resulting from LAs greater capacity to invest in new build and maintenance.<sup>20</sup>

**Low grant rates over recent decades have required larger levels of borrowing which is increasing the sector’s reliance on inflation-linked (and above) social rent increases to service this debt.** Higher grant rates would reduce borrowing levels and therefore reduce dependency on index-linked (and above) rent increases. As a monetary sovereign, the UK government is entirely capable of increasing grant rates without decreasing social housing supply.<sup>21</sup> The government should exploit its privileged access to low-cost debt and recognise that bond markets respond according to their confidence in the government’s investment

---

<sup>17</sup> Llewellyn G, Hallgath T, Walker C, et al. (2024) Building Futures – a new era of investment in social housing, Lloyds Banking Group. Available from: <https://www.lloydsbankinggroup.com/assets/pdfs/who-we-are/public-affairs-policy/2023-24/social-housinginvestment-white-paper-digital.pdf>

<sup>18</sup> Ibid. pp.5.

<sup>19</sup> Perry, J. Hinch, M. Partridge, S. (2024) Why councils are underinvesting in housing and how an updated debt settlement could put that right, Chartered Institute of Housing. Available at: <https://www.cih.org/publications/why-councils-are-underinvesting-in-housing-and-how-an-updated-debt-settlement-could-put-that-right/>

<sup>20</sup> Ibid.

<sup>21</sup> Mazzucato, M., Ryan-Collins, J. (2024) IIPP written evidence submission on ‘How sustainable is our national debt?’. UCL. Available at: <https://www.ucl.ac.uk/bartlett/public-purpose/publications/2024/feb/iipp-writtenevidence-submission-how-sustainable-our-nationaldebt>; Bloomer, S., Trew C., Galarza, V., (Shelter, 2025), Investing in Social Homes: the Economic and Fiscal Case for Government Action. Safe as Houses. Available at: [https://assets.ctfassets.net/6sxvmndnnpn0s/4kcl5DYaMkjKeW3JOn72vw/964871bc6e8afb1696cdc207abf68dd9/Safe\\_as\\_Houses\\_accessible\\_full\\_report.pdf](https://assets.ctfassets.net/6sxvmndnnpn0s/4kcl5DYaMkjKeW3JOn72vw/964871bc6e8afb1696cdc207abf68dd9/Safe_as_Houses_accessible_full_report.pdf)

strategies rather than arbitrary assessments of debt levels.<sup>22</sup> Social housebuilding also delivers significant financial savings and revenue for central government that can help service this debt.

- **Recommendation:** To unlock this additional funding, the government should exclude revenue-generating housing and infrastructure investment from the debt rule.<sup>23</sup> By reducing the sectors' (especially HAs') reliance on private finance, this approach would also retain more public money within the sector due to the government's access to cheaper debt.

**Where RPs do borrow themselves, the Bank of England's rapid quantitative tightening programme is causing stress in financial markets, pushing up interest rates for RPs (and central government too).**<sup>24</sup> This is negatively impacting the Net Present Value of social housing developments and causing RPs to delay accessing financial markets. As the Pension Insurance Corporation sets out, Quantitative Tightening is directly dampening supply.<sup>25</sup> The BoE's current policy works against its mandate under Part 2, Section 11 of the 1998 Bank of England Act to maintain price stability, and, subject to that, to support the economic policy of Her Majesty's Government, including its objectives for growth and employment.<sup>26</sup> To support social housebuilding, Ann Pettifor has urged the government to 'enforce the Bank of England's mandate, and ... ensure monetary and fiscal policy work in tandem to support the government's objectives for growth and employment.'

Ultimately, there are a wide range of alternative measures and funding arrangements available to the government that could shore up the social housing sector's finances without undermining the genuine affordability of social housing. The government is entirely capable of properly funding social housing providers without imposing increasingly unaffordable rent increases on social tenants. A social rent commission is desperately needed to chart a new, sustainable course forward for the future of social rent policy and the sector's funding framework.

### **.3. Shelter's response to specific consultation questions**

---

<sup>22</sup> Wren-Lewis, S. (2024) Detoxifying government debt part 2 Market myths, Mainly Macro. Available at: <https://www.socialscience.international/detoxifying-governmentdebt-part-2-market-myths>

<sup>23</sup> Bloomer, S., Trew C., Galarza, V., (Shelter, 2025), Investing in Social Homes: the Economic and Fiscal Case for Government Action. Safe as Houses. Available at: [https://assets.ctfassets.net/6sxvmndn0s/4kcl5DYaMkjKeW3JOn72vw/964871bc6e8afb1696cdc207abf68dd9/Safe\\_as\\_Houses\\_accessible\\_full\\_report.pdf](https://assets.ctfassets.net/6sxvmndn0s/4kcl5DYaMkjKeW3JOn72vw/964871bc6e8afb1696cdc207abf68dd9/Safe_as_Houses_accessible_full_report.pdf)

<sup>24</sup> See Mahon, C. (2025) Britain's quantitative tightening will hurt us for a long, long time, The Financial Times. Available from: <https://www.ft.com/content/0d0f6afd-c093-4b7d-abd0-9dd2a3eca29d>

<sup>25</sup> As reported in: Callaghan, K. 2025 New report claims Bank of England policy is suppressing social homes delivery, Inside Housing. Available from: <https://www.insidehousing.co.uk/news/new-report-claims-bank-of-england-policy-is-suppressing-social-homes-delivery-93113>

<sup>26</sup> Pettifor, A. (ed.) (2025) We can afford what we can do, (Safe as Houses), Shelter. Available at: [https://england.shelter.org.uk/professional\\_resources/policy\\_and\\_research/policy\\_library/safe\\_as\\_houses\\_why\\_investment\\_in\\_social\\_housing\\_is\\_great\\_for\\_us\\_and\\_our\\_economy](https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/safe_as_houses_why_investment_in_social_housing_is_great_for_us_and_our_economy)

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

- **£1 per week**
- **£2 per week**

As we set out in our social rent settlement consultation response, we call on the government to cap social rent increases (CPI+1%) at 3.22% per annum.<sup>27</sup> This percentage was the average (mean) of the 5-year OBR forecast (2.22%) as of December 2024, plus 1%. The government opted for no cap.

In addition, **we are concerned by the proposal to implement convergence alongside CPI+1% rent increases which will further threaten the ability of tenants to access and/or retain social housing.** The government should find an alternative route to properly finance the sector without undermining the genuine affordability of social housing and negatively impacting current and prospective tenants, as per the range of alternative financing options set out above. If convergence is implemented, it should be limited according to whether annual inflation levels are above 3%, as expanded upon in the second half of our response to Question 1 below.

It is also vital that the government properly considers the make-up and financial resilience of tenants to determine how convergence should be implemented. We feel the government's current impact assessment is insufficient and, as such, we set out our own research and analysis below.

### Households in receipt of benefits

- Around 40,000 social renting households are affected by the benefit cap.<sup>28</sup>
- 470k social rented households are affected by the bedroom tax (removal of the spare room subsidy).<sup>29</sup>
- If the benefit cap doesn't increase, by 2033 the majority of housing association tenants affected by the benefit cap will be living in social rent homes that breach the affordability threshold.<sup>30</sup>

The household benefit cap affects households who receive universal credit (UC) or housing benefit and earn less than the equivalent of 16 hours at the national living wage a week – currently £846 a month. It limits the total benefits the household can receive to £1,835 a month outside London or £2,110 inside London, with lower limits for single adults.

---

<sup>27</sup> Galarza, V. Rich, H. (2024) Future of social housing rent policy consultation, Shelter. Available at: [https://england.shelter.org.uk/professional\\_resources/policy\\_and\\_research/policy\\_library/future\\_of\\_social\\_housing\\_rent\\_policy\\_consultation\\_december\\_2024](https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/future_of_social_housing_rent_policy_consultation_december_2024)

<sup>28</sup> MHCLG How to implement Social Rent convergence, Annex C: draft impact assessment. Available at: <https://www.gov.uk/government/consultations/how-to-implement-social-rent-convergence>

<sup>29</sup> Ibid.

<sup>30</sup> Shelter analysis of social rents using CORE data, OBR inflation forecasts and existing benefit cap levels

The cap applies regardless of the size of home a family needs or the age of the youngest child. This means that even parents who would not ordinarily be expected to be in paid work, because they have young children at home who need to be cared for, are capped.

Since its introduction in 2013, there has been no regular uprating of the cap to account for inflation or rising rental costs. The level of the cap was cut in 2016 and, other than a single uprating in line with annual inflation in 2023, it has been frozen since and remains lower than the original cap amount. While government is required to review the level of the cap once per parliament, this has not translated into a cap which keeps pace with increases in benefits.

**Retaining the benefit cap and keeping it frozen while social rents rise will make even social housing increasingly unaffordable for families with nowhere else to go, who will struggle to pass providers' affordability tests. The household benefit cap must be scrapped.**

The bedroom tax ('removal of the spare room subsidy') already affects a large minority of households in social housing, deducting part of their benefit if they are assessed to have more bedrooms than they need. Increasing rents for these households will drive up the amount they are forced to make up, often from other benefits, risking pushing them into hardship. Often those affected by the bedroom tax have valid reasons for needing a spare room, such as shared custody of a child or other caring responsibilities. And diminishing social housing stock has made downsizing to smaller homes (a supposed rationale of the policy) difficult even where tenants might wish to do so. **The bedroom tax must be scrapped and social landlords instead encouraged to facilitate downsizing where tenants wish to do so, which will become more practical as social rent supply increases.**

As evidenced by CIH, the introduction of Universal Credit has also increased the risk of arrears generally as tenant income becomes pulled between competing priorities.<sup>31</sup>

### **Households not in receipt of benefits**

About a third of social tenants (1.3m households) do not claim HB. Within this group, 34% are in the lowest income quintile and 25% are in the second lowest income quintile.<sup>32</sup>

### **Impact of convergence on social tenants**

The government's impact assessment focuses on a best-case scenario, fails to conduct analyses of alternative scenarios (e.g. where inflation spikes), and uses inaccurate datasets that underestimate the effects of convergence on social tenants.

Firstly, the government combines income data from all types of affordable housing renters across England in its analysis – including affordable and intermediate tenures. **This significantly overstates average social renter incomes.** Since those in other tenures typically face more stringent affordability checks and are living in homes with higher rents, they tend to earn more than the average social renter. The government's current analysis states that the affordability ratio (how much income is spent on rent) for social tenants not in receipt of

---

<sup>31</sup> Holding on to Home study team. (2024) Tenancy sustainment in social housing: Final report from the Holding on to Home study, The Chartered Institute of Housing. Available at: <https://holdingontohome.org/final-outputs/>

<sup>32</sup> MHCLG How to implement Social Rent convergence, Annex C: draft impact assessment. Available at: <https://www.gov.uk/government/consultations/how-to-implement-social-rent-convergence>

housing benefit will rise from 17.1% to 19.2% over the period of convergence. In contrast, our analysis, using the government's administrative CORE social housing lettings data to better reflect social tenant income, shows the affordability ratio will rise from 25.1% to a peak of 28.1% in 2029/30 under a settlement of CPI+1% plus £2 convergence, as per the tables below.

<b>Government Impact Assessment Table</b>						
Affordability, all households not in receipt of HB/UCHE, (nominal terms)						
	2023/24			2029/30		
	Weekly income	Weekly rents	Proportion	Weekly income	Weekly rents	
CPI + 1%	£641	£110	17.2%	£754	£140	18.6%
CPI + 1% + £2					£145	19.2%
CPI + 1% + £1					£144	19.1%
<b>Shelter Impact Assessment Table with CORE income</b>						
Affordability, all households not in receipt of HB/UCHE, <b>GENERAL NEEDS</b> (nominal terms)						
	2023/24			2029/30		
	Weekly income	Weekly rents	Proportion	Weekly income	Weekly rents	
CPI + 1%	£438	£110	25.1%	£516	£140	27.1%
CPI + 1% + £2					£145	28.1%
CPI + 1% + £1					£144	27.9%

**The updated affordability ratio therefore comes extremely close to the 30% genuine affordability threshold meaning greater hardship for social tenants**, including a significant number of social renters who will likely end up paying over 30% of their income on rent, considering variation from the average. Our analysis is supported by data provided by Citizens Advice which shows that social renter debt clients have an average weekly income of £397, much closer to the CORE income data than the government's data.<sup>33</sup> **It is therefore not surprising that this group are in debt given that they spend over 31% of their income on rent.**<sup>34</sup>

The above analysis is a best-case scenario where inflation tracks the OBR's forecast. It is highly likely that inflation could spike above (perhaps well above) the OBR's forecasts. Even without considering the effects of convergence, **if inflation outstrips social renters' wages by just 1% every year, in 8 years' time (by 2033/34) social rents will, on average, exceed the 30% affordability threshold for social renters** who are not in receipt of housing benefit or universal credit, with no convergence on top.

Moreover, the government's model for wage growth (which it uses to help predict affordability ratios in future years) assumes social renters' wage growth is the same as the national average. However, social renters' earnings won't necessarily follow national trends as national wage growth is often spearheaded by industries that social tenants may not be well-represented in. As such, **there is a strong possibility that the government's choice of data overestimates the wage growth of social tenants** and therefore presents an unrealistically optimistic prediction of future affordability.

<sup>33</sup> Citizens Advice bespoke data set.

<sup>34</sup> Ibid.

## Shelter's ask for convergence

**Recommendation:** In the scenario that the government decides against exploring alternative financing routes and continues with its intention to implement convergence, Shelter sets out a new call on government to limit the level of convergence on a yearly basis in accordance with whether annual inflation levels exceed the levels proscribed below:

- inflation at 0%- 3% = £2 convergence is permitted
- inflation at 3%-4% = £1 convergence is permitted
- inflation above 4% = no convergence is permitted

This would protect social tenants during high inflation years from sharp rent increases that can destabilise households by imposing significant lifestyle adjustments while mitigating against the additional upward pressure of convergence on the affordability ratio overall.

In years when rent convergence is restricted to £0 or £1, the government should make up the shortfall in rental income – at least up to the level it would otherwise have paid through higher housing benefit if a £2 convergence had been maintained across the agreed period. This safeguard would preserve the central purpose of convergence: providing registered providers with a predictable, guaranteed income stream. Under this approach, RPs would still be assured of income growth in a significant portion of their social rented homes at the £2 level throughout the convergence period. This mechanism would not increase overall public spending, as it would cost the government no more than if it had chosen to continue with a £2 convergence. The government should commit to sustaining this payment indefinitely as if it were embedded into the government's housing benefit payments. As aforementioned, the benefit cap and bedroom tax must be scrapped.

If the government decides against these measures, it should implement £1 convergence (see response to Question 3 for further analysis).

In addition, the government should implement further measures to protect tenants:

- **Recommendation:** Require all social landlords for the period of convergence to commit to an eviction ban on tenants falling into arrears as a result of the rent settlement and convergence.
- **Recommendation:** Commit to an arrears fund to support tenants affected by convergence, similar to the COVID arrears fund, or at the least to direct councils to use the new crisis and resilience fund to support households affected.
- **Recommendation:** Set out provisions to ensure social housing doesn't become inaccessible to prospective tenants on lower income, for instance by removing or reforming affordability checks.
- **Recommendation:** Reassess the likely effects of planned rent rises on social tenants and affordability using more appropriate data.

- **Recommendation:** Revisit the impact assessment and ensure that analysis goes as far as possible in assessing the effects of convergence on particular tenant groups, especially those with protected characteristics.

**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?**

Shelter has not conducted modelling of this. To our knowledge, the Chartered Institute of Housing's recent analysis is the most comprehensive effort so far. We refer to this work.<sup>35</sup>

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

A £2 convergence would clearly be worse for tenants. Our analysis suggests that £2 convergence would lead to a peak unaffordability ratio of 28.1%, while a £1 convergence would lead to a peak unaffordability ratio of 27.9%. While this is a small difference generally speaking, implementing a £1 instead of £2 convergence could have significant benefits on an individual basis for low-income tenants.

Crucially, when thinking about the impacts of convergence, it matters how the effects vary across different groups of social tenants. We are concerned by the lack of a question on this within the consultation and believe that the current impact assessment does not do enough to assess this, citing a lack of usable data. Our own analysis suggests convergence will disproportionately impact particular groups of current and prospective tenants who are more likely to be impacted by the household benefit cap and bedroom tax:

- Black people and People of Colour are more likely to be living in poverty, and therefore be in receipt of benefits. This means that cuts and sanctions to housing benefit hit harder, increasing chances of failing affordability checks and restricting access to a social home.<sup>36 37</sup> Convergence will likely exacerbate this.
- Similarly, disabled households are more likely to be affected by the bedroom tax despite exemptions being in place.<sup>38</sup>

---

<sup>35</sup> The Chartered Institute for Housing. (2025) Rent convergence – updated analysis for the social housing sector. Available at: <https://www.cih.org/news/rent-convergence-updated-analysis-for-the-social-housing-sector/>

<sup>36</sup> Race Equality Foundation briefing (2016), Universal Credit and impact on black and minority ethnic communities. Available at: <https://raceequalityfoundation.org.uk/wp-content/uploads/2022/09/Better-Housing-27-Universal-Credit.pdf>

<sup>37</sup> Shelter. (2021) Denied the Right to a Safe Home. Available at: [https://england.shelter.org.uk/professional\\_resources/policy\\_and\\_research/policy\\_library/denied\\_the\\_right\\_to\\_a\\_safe\\_home\\_report](https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/denied_the_right_to_a_safe_home_report)

<sup>38</sup> Disability Rights UK. (2019) Disabled people still by far the worst affected by the bedroom tax. Available at: <https://www.disabilityrightsuk.org/news/2019/september/disabled-people-still-far-worst-affected-bedroom-tax>

- Women and in particular women from racially minoritised groups are more likely to be affected by the benefit cap. It particularly affects survivors of domestic abuse and can block their move on from refuges.<sup>39</sup> This is true for social tenants: three-quarters (76%) of social tenants affected by the bedroom tax are lone parents – the vast majority of whom are women.<sup>40</sup>

The government should carry out a more thorough impact assessment, looking at the impact on different subgroups of social renters who would be affected by the compounding impact of the 10-year rent settlement and convergence.

**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?**

We do not have a strong opinion on an exact implementation date, but we recognise that social housing finances are in urgent need of additional support.

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

We urge the government to set up a social rent commission as soon as possible to design long-term solutions to shore up the sector's finances and guarantee the genuine affordability of social housing for the long-term. This should reduce the need for convergence to continue any longer than is absolutely necessary as an emergency financial measure.

---

<sup>39</sup> Women's Aid, Written evidence from Women's Aid (BNC0013), Available at: <https://committees.parliament.uk/writtenevidence/79632/html>; Berry, C., H. Drewe and S. Howes. (2024) Joint briefing: Why scrapping the household benefit cap is vital for families, children and survivors of abuse, Shelter. Available at: [https://england.shelter.org.uk/professional\\_resources/policy\\_and\\_research/policy\\_library/joint\\_briefing\\_why\\_scrapping\\_the\\_household\\_benefit\\_cap\\_is\\_vital\\_for\\_families\\_children\\_and\\_survivors\\_of\\_abuse](https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/joint_briefing_why_scrapping_the_household_benefit_cap_is_vital_for_families_children_and_survivors_of_abuse)

<sup>40</sup> Shelter analysis of DWP stat-xplore, Data up to February 2025.