

How to implement Social Rent convergence

L&Q Response

August 2025

About L&Q

L&Q is one of the leading housing associations in the country. We house around 250,000 people, mainly from across London, the South East and North West of England. Our vision is that everyone deserves a quality home that gives them the chance to live a good life. We are coming towards the end of our current 5-year strategy and have already made significant progress, including:

- Launching a £3 billion, 15-year major works investment programme that will make sure every resident's home is safe, decent and more energy efficient.
- Implementing a new localised housing management approach that has put 30% more frontline colleagues in local neighbourhoods.
- Improving the quality and responsiveness of our repairs service through a change programme which has already delivered a 20% increase in first-time fix on day-to-day repairs.
- We're also developing new systems and ways of working to improve how we manage our data and information, and how we communicate with residents, particularly vulnerable residents who may need different types of support.

However, we are operating in a very challenging economic environment, with rising interest rates, inflated costs and capped rents putting pressure on our ability to spend. We have committed to investing significant sums to bring our homes and services in line with changing regulatory standards, and the decisions we make are centred around safeguarding that investment.

Executive summary

L&Q welcomes the opportunity to work with MHCLG to create a fair rent setting policy that works for residents, social landlords and Government, and helps to ensure that we have adequate financial capacity to both build and invest in new homes. We are very grateful for the strong support shown to the sector at the spending review, including the commitment to reintroduce rent convergence, and **we advocate for Government to introduce a £3 per week social rent convergence mechanism over 10 years.**

This would be a significant step towards giving us the long-term financial certainty required to address the housing crisis, which is especially dire in the two cities where we have our largest focus, London and Manchester. On 31 March 2025, there were 19.9 households living in temporary accommodation per 1,000 households in London, compared with 2.8 households per 1,000 in the Rest of England. Manchester had 4.8 households per 1,000¹. Housing associations are key to solving this crisis and have been responsible for 18% of new home starts from 2004-2024, with 540,830 starts in total².

£3 per week convergence would also give the strong financial foundation required to provide safe and decent homes for our residents and meet the proposed new requirements around decency and energy efficiency. Convergence will also help us accelerate investment in our existing homes through our Major Works Investment Programme, by helping mitigate the risks of unforeseen costs.

Research has estimated that 90,000 new social rent homes need to be built every year for 15 years.³ However, between 2015 – 2023 only 51,675 social rent homes were started⁴. The financial challenges that housing associations have faced in this period have forced them to make difficult decisions about how best to allocate limited resources. In practice, this has meant our ability to develop new homes has been very constrained for a long time.

Our current and future strategies are increasingly focused on investing in and maintaining existing homes, rather than prioritising new development. L&Q starts for all affordable tenures have dropped from 1,386 in 2023 to 215 in 2024. This approach reflects our commitment to safeguarding the quality and safety of our homes while navigating a challenging financial landscape. Tight interest cover ratios and limited sources of additional funding have meant that our board's appetite to take on the risk of new development is low.

We are deeply appreciative of Government's recognition of the critical role social landlords play in the spending review, and the announcement of a 10-year Affordable Homes Programme (AHP), a 10-year rent settlement, and equal access to building safety funding for social landlords, among other measures. A long-term rent convergence mechanism would help us utilise this support as efficiently as possible, strengthen confidence, and our capacity to borrow. New home delivery requires long-term planning horizons, thus long-term stability and predictability are just as crucial as short-term funding if we are to play our full part in addressing the country's affordable housing needs.

¹ [Statutory homelessness in England: January to March 2025 - GOV.UK](#)

² [LiveTable244.ods](#)

³ [Housing requirements: low-income and homelessness | Crisis UK](#)

⁴ [Live tables on housing supply: indicators of new supply - GOV.UK](#)

We recognise concerns that any convergence mechanism would inevitably have an impact on the welfare benefit bill. However, investing money to ensure that homes for social rent are built, and existing homes are well-maintained, does not just work to fight the housing crisis - it is also an investment into England's economy. The net economic value of building 90,000 social homes is estimated to be £51.2 billion through the economic impact from construction and management, benefits to the Exchequer, and indirect benefits to the Exchequer and wider society⁵.

We do recognise that rent increases also affect the finances of residents who do not claim housing benefit. Residents are our priority at L&Q, and we are committed to investing in the homes they live in and services we provide to them. While we acknowledge that any rent increase can cause financial strain, the social rent formula is widely recognised as a robust way of calculating rents that are fair, and any rents which are at or below this level should inherently be affordable. Research shows that even fully converged rents are affordable⁶⁷. As part of our commitment to supporting residents, L&Q also offers services such as employment support and financial advice for those who need it.

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

We recognise the importance of a balanced approach to rent setting and believe that allowing social rent convergence at £3 per week would provide the long-term certainty needed to support both investment in existing homes and the development of new ones. At present, L&Q faces a substantial shortfall in formula rent. Without a convergence mechanism, from 2026-2036, the cumulative shortfall in rental income from homes below formula rent would be £211 million. The table below shows the shortfall from homes below formula rent.

Current Position

Current Total No. of Homes where Rent Standard Applies (25/26):	53,616
Total Annual Rent (25/26) for Applicable Homes (£'000):	417,552
Total Number of Homes below formula rent	28,334
Total weekly shortfall in rent (25/26) from homes below formula rent (£):	£405,846
Total annual shortfall in rent (25/26) from homes below formula rent (£'000):	£21,104

This shortfall, in conjunction with the other financial pressures that housing associations have faced in the last decade, means that we have not had the certainty required to build homes at the rate we would have liked to. £3 per week rent convergence would be a strong step towards providing this.

Below shows the revenue that would be unlocked in two different scenarios. The first, "without flex" is where we align (converge) rents for similar properties within the same area, regardless of whether they are council-owned or managed by a housing association. The second, "with flex" refers to the ability of

⁵[cebr-report-final.pdf](#)

⁶[future-social-housing-rent-policy-nhf-response-20-december-2024.pdf](#)

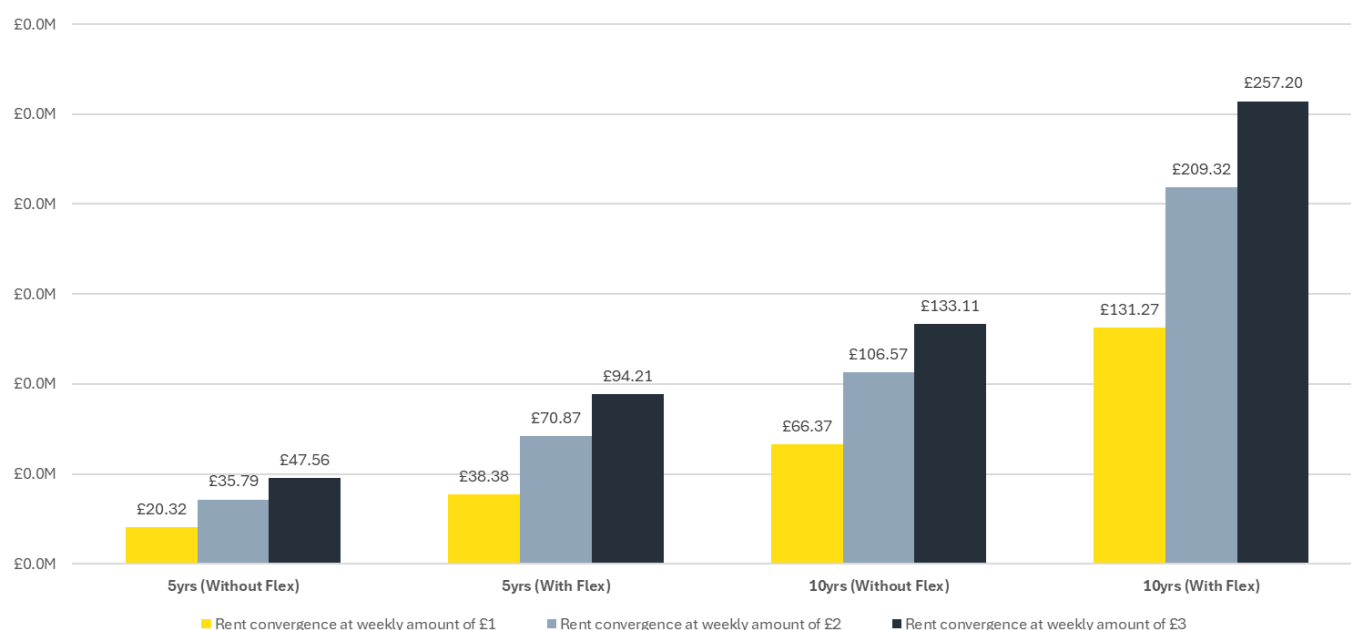
⁷[G15 | Funding London's affordable homes](#)

registered providers to set rents up to 5% above the "formula rent," (the target rent calculated based on local factors and affordability).

Additional Revenue Without Flex	5yrs	10yrs
Rent convergence at weekly amount of £1 - Without 5% Flex	£20.32m	£66.37m
Rent convergence at weekly amount of £2 - Without 5% Flex	£35.79m	£106.57m
Rent convergence at weekly amount of £3 - Without 5% Flex	£47.56m	£133.11m

Additional Revenue With 5% Flex	5yrs	10yrs
Rent convergence at weekly amount of £1 - With 5% Flex	£38.38m	£131.27m
Rent convergence at weekly amount of £2 - With 5% Flex	£70.87m	£209.32m
Rent convergence at weekly amount of £3 - With 5% Flex	£94.21m	£257.20m

Cummulative Rent Convergence With and Without 5% Flex - £1, £2 and £3 (£m)



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?

We are strongly supportive of government's stated aim to focus on social rent with the new AHP. For the purpose of the modelling below, we are assuming that the funding in the new AHP for currently uncommitted affordable homes will be split as follows:

- 60% Social Rent
- 10% Affordable Rent
- 30% Shared Ownership

Below shows how many additional homes could be built at different rates of rent convergence and if we were to stretch our capacity - within agreed tolerance levels - in years 6 to 10 of the long-term financial plan.

	Baseline	£1pw Convergence	£2pw Convergence	£3pw Convergence
Social rent	783	1646	1736	1787
Affordable Rent	972	1122	1145	1158
Shared ownership	1002	1441	1493	1523
Market sale	3669	3739	3796	3835
Other	757	765	774	777
Total	7183	8713	8944	9080
<i>Movement from base</i>		1530	1761	1897
Spend on existing homes (£m)	4,391	4,391	4,391	4,391

A convergence mechanism would provide a level of financial certainty which would go a long way to ensuring that any unforeseen issues won't disrupt our housebuilding plans. Introducing convergence at £1 per week would help us deliver 21% more homes than our baseline delivery. £2 per week would help us deliver 25% more and £3 would help us deliver 26% more over the 10-year period.

Expected spend on existing homes would remain constant with or without convergence. However, the additional cashflow certainty would also ensure we can deliver on our asset investment strategy – one of the largest in the country - as well as meeting new requirements in the Decent Homes Standard and simultaneously deliver new high-quality homes for those in need. If we can improve homes and energy efficiency faster, residents' bills will also be reduced more quickly, boosting energy security and the drive towards net zero.

Although the proportion of our income coming from social housing rents is set to increase to 69% of total income in 2025/6, this is still lower than most other housing associations. A convergence rate of £3 would be the most beneficial outcome for England overall. NHF figures estimate that convergence could deliver at least 32,244 homes at £1, 44,321 homes at £2 and 51,144 homes at £3.

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

L&Q's priority is to provide households with homes at rents that they can afford. We acknowledge that rises in rents will affect household finances of some residents. We are advocating for convergence at £3 p/w as we believe that any social rent at or below the formula level is inherently affordable. The formula used for setting social rent is robust and widely recognized to produce rent levels that are fair for those on low incomes.

The average proportion of income paid in rent by social renters has fallen from 29.2% to 26.4% since 2014-15⁸. This fall in social rents as a proportion of income has taken place even though Affordable Rent is included in the sample and forms a growing share of social housing. It is therefore likely that social rents have fallen even further as a share of income. Social rents have also increased much more slowly than wages, inflation or private rents over the last ten years. This means that social rents fell, in real terms, by 13% over this ten-year period. Average rents in 2014 were £92.30 a week. If they had kept up with inflation, they would be £123.73, or if they'd kept up with earnings, they'd be £129.70. Instead, they're £109.44⁹.

While we believe that any social rent at or below formula level is inherently affordable, we acknowledge that any rent increase for residents will have an impact especially during the cost-of-living crisis. The L&Q Foundation provides support such as:

- Pound Advice services which help with budgeting and managing debt
- Employment support and advice that can connect residents with opportunities, CV support, and interview preparation

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?

If the rent convergence policy is announced during the Autumn Budget, from an operational perspective we would be able to implement convergence from 1 April 2026. As a large landlord, we have business procedures in place for a swift implementation and would encourage government to introduce convergence as soon as possible.

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

We urge government to introduce convergence for a period of 10 years, in line with the wider rent settlement. This will provide our board with longer term confidence required to build new homes, while maintaining our commitment to keeping our existing homes at a high standard.

Investor confidence plays a vital role in enabling us to secure loans at competitive interest rates, whether for developing new affordable homes or maintaining existing ones. Although lender sentiment is inherently difficult to measure, we know that our appeal lies in being perceived as a low-risk investment. A key factor in this perception is the assurance we can provide around future rental income. Convergence over a period of 10 years would offer greater long-term certainty for investors, strengthening our ability to attract private funding to both deliver new homes and ensure existing ones meet quality standards.

⁸ [Recent Trends in Social Rents and Affordability](#)

⁹ [Recent Trends in Social Rents and Affordability](#)