

City of London Corporation Committee Report

Committee(s): Housing Management and Almshouses Sub-Committee – For information	Dated: 26 November 2025
Subject: Rent Convergence and Government Rent Settlement	Public report: For Information
This proposal: <ul style="list-style-type: none">• delivers Corporate Plan 2024-29 outcomes• provides statutory duties• provides business enabling functions	Providing Excellent Services
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain's Department?	
Report of:	Peta Caine, Director of Housing
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Summary

The Government has confirmed it will reintroduce rent convergence as part of a new 10-year rent settlement starting in April 2026. This policy aims to align rents for similar social housing properties across local authorities and housing associations, addressing disparities between long-standing and new tenants.

Currently, 648 households (35%) pay below formula rent, resulting in a significant annual shortfall for the Housing Revenue Account (HRA). The report outlines the financial and operational implications of these changes and highlights the need for targeted support and communication with affected residents.

Recommendation(s)

This report provides Members a briefing on the Government's proposed reintroduction of rent convergence from April 2026, outlines its implications for the

City of London Corporation's housing stock, and presents modelling scenarios to inform strategic planning and resident communications.

Members are asked to note the report.

Main Report

Background

1. The government's consultation on the reintroduction of rent convergence concluded in August 2025. The consultation sought feedback on several key issues:
 - a). The scale and pace at which rent convergence should be implemented
 - b). Safeguards to ensure affordability for tenants; and
 - c). Mechanisms to protect vulnerable households.
2. Rent convergence is a mechanism to gradually bring housing rents closer to formula rent, ensuring that tenants in comparable homes pay the same weekly rent. This also increases much-needed income for major works and necessary safety improvements.
3. Since rent convergence was paused in 2015, some existing tenants have continued to pay less than the "target rent"—the amount new tenants pay for similar properties. As a result, these tenants have not reached the rent level set for new tenancies, creating a difference between what long-standing and new tenants pay for comparable flats.
4. For the past ten years, formula rent has only been applied to new tenancies when a property becomes empty.
5. A plain-English explainer was shared with residents through newsletters and Resident Involvement channels. This explained the rationale behind rent convergence, its potential impacts, and how tenants could participate in the consultation process.

Current Position

6. Under the recently confirmed 10-year rent settlement, local authorities may increase rents annually by the Consumer Price Index (CPI) plus 1%. The CPI figure published in September 2025 was 3.8%, allowing housing providers to increase rents by 4.8% from April 2026.
7. The Government's convergence strategy is expected to be detailed in the Autumn Budget. Early indications suggest an uplift of £1–£3 per week for properties below formula rent levels. London Councils have advocated for a £3/week uplift, while internal modelling has conservatively assumed £2/week.

8. There are currently 648 households (35%) paying below formula rent. The shortfall in the rent from these 648 households costs the HRA £11,036 per week, or nearly £575,000 per year.
9. If an increase of only £1 extra per week is approved, it will take an average of 17 years to reach formula rent. At £2 extra per week, it will take an average of nine years to reach target. At £3 extra per week, however, it will only take an average of six years to reach target.
10. Once a household reaches target rent, no more deductions will be made.
11. Applying convergence to those households paying less than their comparable neighbours will bring much-needed revenue to the HRA to fund the ambitious and necessary major works projects and safety improvements.
12. Once we know the permitted weekly increase for households paying below formula rent, we can conduct more in-depth analysis with those affected and plan how to support the most vulnerable residents.
13. We will send out a letter and questionnaire to tenants to assess the impact of the extra amount and will contact any tenant who responds indicating potential hardship. **(Appendix 1)**

Proposals

14. Once the details on convergence have been announced in the Chancellor's Autumn Budget on 26 November 2025, we will bring a more detailed paper to Members for decision on what rate of convergence if any we will apply to rent charges from April 2026. The report will include an Equalities Impact Assessment.

Key Data

15. Initial modelling by the Housing Income Team and Finance colleagues has assessed the impact of £2 and £3/week convergence scenarios. These models estimate the number of households affected and the projected income uplift. The modelling is being refined to incorporate the 4.8% CPI+1% increase.
16. A £3/week uplift will add £93,280 of additional income to the HRA in the first year and will reduce the number of households not paying target rent by 71 households. **(Appendix 2)**
17. The same modelling for a £2/week uplift on those paying less than target rent will add £63,610 of additional income to the HRA in the first year.

Corporate & Strategic Implications

Strategic Alignment: The convergence strategy supports the Corporate Plan 2024–2029 by promoting financial sustainability and equitable rent-setting.

Financial Implications: Additional rental income will support investment in our homes and services, though implementation costs (e.g. system updates, communications) must be factored in.

Equalities Considerations: An Equality Impact Assessment is underway to ensure compliance with the Public Sector Equality Duty 2010.

Operational Readiness: Work is ongoing with IT and Finance to automate convergence tracking in Civica and ensure accurate rent account adjustments.

Conclusion

18. Once the announcement is made as to how convergence will be applied starting in April 2026, we will submit a paper to Members for decision.

19. We will prepare targeted communications for tenants affected by the increase and will work with City Advice and Housing Benefits to explore what financial help can be accessed to mitigate the impact of the increase. We will take into account tenants whose first language is not English and offer face to face support for those who need it.

Appendices

- Appendix 1 – Draft letter and survey to affected households
- Appendix 2 – Data Visualisations for the convergence modelling

Background Papers

[City of London Rents Policy \(v.2 Approved 03/06/2024\)](#)

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Appendix 1 – Draft Questionnaire

Department of Community and Children's Services
Judith Finlay
Executive Director of Community and Children's Services



[Tenant Name]

[Address]

[Address]

[Address]

[Address]

Email RentsTeam
@cityoflondon.gov.uk

Date [Date]

Rent Convergence Questionnaire

Dear [Tenant],

As we highlighted to tenants over the summer, the government has reintroduced rent convergence beginning in April 2026. Your household has been identified as being affected by this change.

Many tenants across the country are paying less rent than their neighbours in comparable homes, so the government has allowed Registered Housing Providers to adjust the rents on these properties by an additional £x/week.

Your current rent is £[rent] per week, whereas your neighbours who have moved in more recently are paying formula or 'target' rent of £[rent] per week. This new policy allows us to gradually increase your rent by a set amount each week until you are paying the same as new tenants.

This extra amount is in addition to the 4.8% increase in your rent that will take effect in April 2026.

As part of the upcoming changes to rent policy (rent convergence), we are seeking to better understand the circumstances of your household so that we can make sure you are able to access advice support to manage this additional increase. Your response will help us plan support and ensure we communicate effectively with you. All information will be treated confidentially.

1. About Your Household

How many people live in your household?

- ☐ 1
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5 or more

Are there any children (under 18) in your household?

- ☐ Yes
- ☐ No

Are there any adults in your household aged 65 or over?

- ☐ Yes
- ☐ No

Does anyone in your household have a disability or long-term health condition?

- ☐ Yes
- ☐ No
- ☐ Prefer not to say

2. Financial Circumstances

What is your main source of income? (Select all that apply)

- ☐ Employment (full-time/part-time)
- ☐ Self-employment
- ☐ Pension
- ☐ Benefits (please specify below)
- ☐ Other (please specify)

Do you or anyone in your household receive any of the following benefits?
(Select all that apply)

- ☐ Universal Credit
- ☐ Housing Benefit
- ☐ Pension Credit

- ☐ Employment and Support Allowance (ESA)
- ☐ Personal Independence Payment (PIP) or Disability Living Allowance (DLA)
- ☐ Income Support
- ☐ Jobseeker's Allowance (JSA)
- ☐ Child Benefit
- ☐ Other (please specify)
- ☐ None

If you receive Universal Credit or Housing Benefit, does it cover your full rent?

- ☐ Yes, it covers all my rent
- ☐ It covers part of my rent
- ☐ No, I pay all my rent myself
- ☐ Not sure

3. Financial Resilience

In the past 12 months, have you experienced any difficulties paying your rent?

- ☐ Yes
- ☐ No

If yes, would you like to be contacted for advice or support?

- ☐ Yes
- ☐ No

4. Additional Comments

Is there anything else you would like us to know about your circumstances or concerns about the upcoming rent changes?

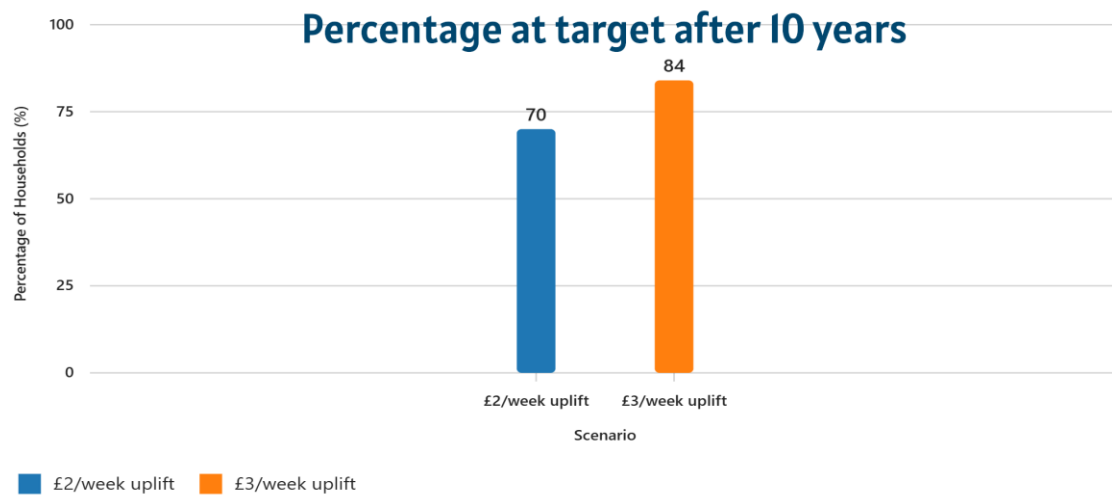
Update Your Contact Information

Please provide your current contact details so we can reach you with important updates regarding your tenancy and the rent convergence process. If any information has changed recently, update the relevant fields below.

[Name], [First line of address]

- Phone Number: _____
- Email Address: _____
- Alternative Contact (optional): _____

Appendix 2 – Data visualisations for Convergence



Total additional revenue

