



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Cabinet

Tuesday, 2 June 2026

Report of Councillor Ashley Baxter,
Cabinet Member for Finance

Housing Revenue Account - Rent Convergence

Report Author

Richard Wyles, Deputy Chief Executive and s151 Officer

✉ richard.wyles@southkesteven.gov.uk

Purpose of Report

To consider the opportunity for the Council to incorporate rent convergence into the rent setting formula with effect from 1 April 2027.

Recommendations

- 1. Cabinet is asked to approve the inclusion of rent convergence in the Housing Revenue Account rent setting proposals from 1 April 2027.**

Decision Information

Is this a Key Decision?	Yes
Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities? <i>(delete as appropriate)</i>	Housing
Which wards are impacted?	All Wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 This proposal if taken forward will enable the HRA to generate additional income receipts that will positively contribute towards the financial sustainability of the HRA financial business plan. At this stage only outline modelling has been undertaken and therefore it is not yet possible to accurately determine how much additional income will be generated although an initial estimation is contained in the report.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.2 The proposal forms part of the Council's Housing Revenue Account rent setting and business planning arrangements.
- 1.3 Cabinet must have regard to the relevant legislative and regulatory framework governing social housing rents, including applicable Government policy and the requirements of the regulator.
- 1.4 Cabinet should be satisfied that the proposed approach is reasonable, evidence based and supports the long-term financial sustainability of the HRA, whilst having regard to the potential impact on tenants.
- 1.5 Regard must be had to the Council's duties under the Equality Act 2010.
- 1.6 The inclusion of rent convergence within the HRA assumption does not remove the requirement for annual approval of rent levels through the Council's budget and rent setting process.

Completed by: Graham Kitchen, Director of Law and Governance (Monitoring Officer)

2. Background to the Report

- 2.1 Following a consultation in 2025 on Social Rent Convergence the Government published its policy statement on rents for social housing in January 2026 confirming that rent convergence would be implemented from April 2027. This combined with the announcement in 2025 that social landlords would be permitted to increase rents by the Consumer Price Index (CPI) + 1% every year for 10 years from April 2026 to March 2036 has provided more certainty to the sector in being able to plan for investment to continue to improve the quality of existing homes alongside investment in housebuilding.
- 2.2 The Government directed The Regulator of Social Housing to set a rent standard from 1 April 2026 which reflected the Government's 10-year rent settlement. Social landlords must comply with the requirements and expectations set out in the rent standard and the rent policy statement. The standard sets out that:
- Social landlords will generally be allowed to increase rents for social and affordable rent homes by up to CPI + 1% each year.
 - Landlords will be able to further increase the weekly rent on social homes that are currently below 'formula rent' by an additional £1 per week from 1 April 2027 and an additional £2 per week from 1 April 2028 until formula rent is reached.
- 2.3 Formula rent is a method set by the Government for calculating social housing rents in England which was introduced to ensure a consistent approach across the sector in calculating rents. Formula rent is increased annually by CPI + 1%, this has resulted in differences between formula and social rent as for example, the increase in social rent in 2023/24 was capped at 7% due to the cost-of-living crisis whereas formula rent increased by 11.1%. The aim of rent convergence is to gradually increase rents each year until they align with formula rent.
- 2.4 The Council is currently undertaking analysis to calculate the additional income that will be received if rent convergence is approved to be included in the rent setting proposals from 1 April 2027. Initial estimates are that rent convergence in year 1 will generate an additional £300k for the Council which is a significant addition to the annual income for the HRA which will contribute towards stabilising the revenue account.
- 2.5 As members are aware the HRA is facing financial challenges in meeting the costs of repairs and maintenance as this has been reported to the Financial and Economic Overview and Scrutiny Committee throughout 2025/26. The Council is also required to meet the costs associated with changes to legislation, for example, Awaabs Law, the updated Decent Homes Standard and the Minimum Energy Efficiency Standard. All of these additional requirements are required to be met from existing financial resources as there is no additional funding allocated

from Government. The potential additional rent income generated through rent convergence will contribute towards meeting these costs.

3. Key Considerations

- 3.1 The implementation of rent convergence will result in an additional rent charge to a tenant in year 1 (2027/28) of £52. The cost of this increase should be met for those tenants who are in receipt of either Housing Benefit or Universal Credit (assuming no other changes in financial circumstances).
- 3.2 When setting the 10-year rent policy the Government has taken into consideration the need for increased investment in both new and existing homes, the interests of those whose disposable income will be affected by rent increases and the consequences for public spending. It also takes account of the cost-of-living pressures that households have been facing and the fact that the overall financial position of Registered Provider's has weakened over recent years, which has resulted in a scaling back of their development plans.

4. Other Options Considered

- 4.1 The Council could choose to set rent below the levels set out in the rent standard but this will have an impact on the resources available to invest in the existing housing stock and the future financial resilience of the HRA.

5. Reasons for the Recommendations

- 5.1 It is recommended that Cabinet approve the inclusion of rent convergence in the rent setting proposals from 1 April 2027 due to additional income that will be generated which will support the HRA in meeting the financial challenges it is facing.

6. Background Papers

- 6.1 Outcome to consultations on future social housing rent policy and Social Rent convergence

<https://www.gov.uk/government/consultations/how-to-implement-social-rent-convergence/outcome/outcome-to-consultations-on-future-social-housing-rent-policy-and-social-rent-convergence>

- 6.2 Regulator of Social Housing – Rent Standard April 2026

https://assets.publishing.service.gov.uk/media/69821ddb19d3abdb495f37bc/20260130_Rent_Standard_2026_FINAL.pdf