

Matthew Pennycook MP
Minister of State for Housing and Planning
2 Marsham Street
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Via email

05 June 2025

Re-instating Labour's rent convergence policy for social housing

Dear Minister,

We write as a collective of cross-sector business leaders ahead of a Spending Review which marks a vital opportunity to enact measures that will support delivery of 1.5 million homes over this Parliament.

This welcome aim can only be achieved if every policy lever available to you is pulled. A more ambitious Affordable Homes Programme from next year, alongside a long-term rent settlement which encompasses rent convergence, can pave the way for accelerated delivery in support of your overarching growth mission.

As you know, rent convergence – an often overlooked but vital intervention in the context of our housing crisis – was introduced by the Labour Government in 2002 to ensure that those living in different types of social housing in the same area paid similar rents. The policy meant fairness for both tenants and providers, enabling significant reinvestment by social landlords.

When rent convergence ended in 2015, many properties were still let on rents that were below target, and there has been no opportunity for those rents to catch up since. This means that both tenants are struggling with inconsistent charging, whilst providers are losing vital financial capacity, compounded by the years of rent cuts from 2016-2020. As a result, they are struggling to fund required improvements to current housing portfolios, let alone deliver new homes.

It is not just about rental income. In order to deliver on the government's housing agenda, housing associations need to be able to borrow private finance securely, and at scale. The greater the rental income, the greater the value of the housing stock as security for a lender, and therefore the more private finance that be leveraged.

Discrepancies in rent levels are hitting the capital especially hard. Latest research from the G15 group of London's largest housing associations shows 29% of homes covered by the current rent standard are below where they should be in the context of the local market. This will mean a £2bn hit to the G15's re-investable income by 2030 without action now.

The capacity of social housing providers to invest in both their existing homes, as well as new homes, is more constrained in London than in any other part of the country. This is largely due to a disproportionate number of developments requiring urgent remediation work, combined with rising material costs, high borrowing rates and long-standing skills shortages.

The lack of new supply is not only putting a massive strain on local public finances – with London councils spending £4m a day, over £1.2bn a year – on temporary accommodation,

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but also on the capital's firms, with the high cost of housing acting as a barrier to recruitment and retention.

The re-introduction of rent convergence would not only support direct housing delivery but also help inject billions of pounds worth of fresh activity into local economies, reduce strain on local public finances, and improve prospects for those moving into new homes. All of which would provide a significant boost to growth.

We would welcome the opportunity to meet with you or your team to discuss this important issue in more detail.

Yours sincerely,

Mark Allan, Chief Executive, **Landsec**

Mel Barrett, Chief Executive, **Metropolitan Thames Valley Housing**

Matt Calladine, Main Board Development Director, **Fairview New Homes Ltd**

John Dickie, Chief Executive, **BusinessLDN**

Patrick Franco, Chief Executive, **Notting Hill Genesis**

Greg Hill, Deputy Chief Executive, **Hill Group**

Ian McDermott, Chief Executive of **Peabody** and Chair of the **G15**

Clare Miller, Chief Executive, **Clarion Housing Group**

Andy Portlock, Chief Executive, **Hadley Property Group**

Greg Reed, Chief Executive, **Places for People**

Matthew Richards, Chief Executive, **JLL UK & EMEA Capital Markets**

Stevan Tennant, Managing Director Development, **Ballymore Group**

CC: Rt Hon Darren Jones MP, Chief Secretary to the Treasury