
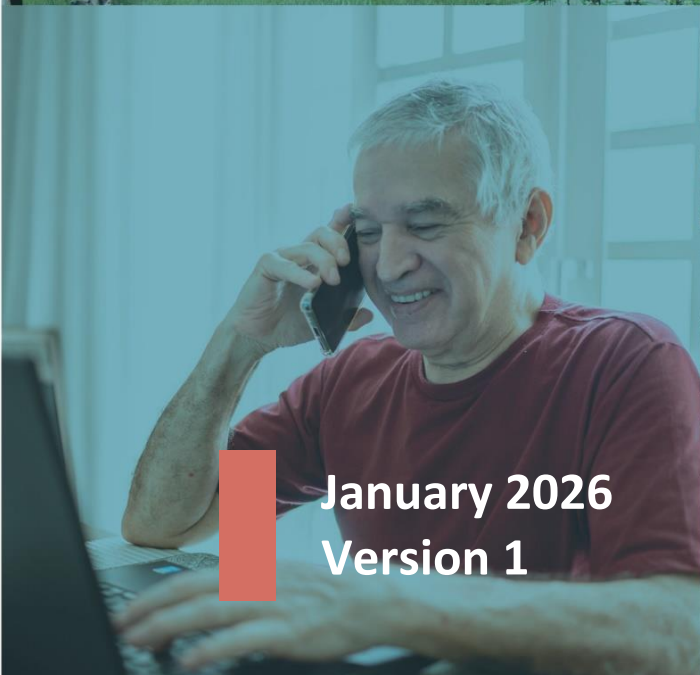




Rent Affordability and Market Context Report 2025 - 2026.



Annex K2



January 2026
Version 1

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Purpose and executive summary

- 1.1. This document is an appendix to the [Council Housing Revenue Account \(HRA\) Budget report](#), to provide information to Councillors on the current social housing and open market rented properties sector for Milton Keynes and neighbouring areas, so they understand the current market context when making decisions to increase social housing rents and low-cost home ownership rents, as per Recommendations 2.1 and 2.2.
- 1.2. The recommendation is to increase social formula rents by 4.8% from Monday 7 April 2026, and Social Affordable rents by 4.8% from Monday 7 April 2026.
- 1.3. To increase rents for local cost shared ownership properties by 2.7% from 1 April 2026, in line with lease covenants.
- 1.4. In 2024-2025 our average social formula rents of £105.50 per week was 7.9% lower than the South-East average of £114.51 and 2.2% lower than the England average of £107.88.
- 1.5. Our social formula rents after this 4.8% rent increase will still be 58% lower than the Rent Cap for 2026/2027.
- 1.6. Using Shelter UK's affordability measure, where spending on rent above 35% of a person's income would be deemed unaffordable, none of our social formula rents would breach this level.
- 1.7. For Affordable rents, based on 80% of open market rents, 185 of our properties have a rent higher than the affordability level. This is only 1.7% of our social housing stock.
- 1.8. The level of rent arrears is a good measure of a tenant's ability to pay their rent. In 2024-2025, we have decreased our total arrears for all tenancies from £2.37M to £2.03M.
- 1.9. The government's most recent consultation on social housing rents is proposing a new ten-year rent settlement from 1 April 2026 to 31 March 2036. Allowing annual rent increases of CPI + 1% for both Social Rent and Affordable Rents.

Recommendations

- 2.1. Councillors are asked to approve the annual uplift of social housing rents as set out in the annual budget report.
- 2.2. Councillors are asked to approve the variable service charges for tenants and leaseholders for the 2026-2027 year.

Key findings

- 3.1. We need to increase our social housing rents by the maximum allowable 4.8% for tenants and 2.7% for shared owners, to allow us to work towards the aspirations with our corporate plan to increase the supply of affordable housing, alongside investing in housing through renewal and regeneration.

3.2. This report provides Councillors with detailed information about rent levels, market conditions and affordability.

3.3. It is a requirement of the regulations that decision makers understand when setting rent levels about the market conditions within their area of control, together with details of how affordable rents are and the supply and demand for rented accommodation.

Background

Historical Government Policy

For historical background on Government's rent setting policies, please refer to our previous [Rent Affordability and Market Context Reports](#).

New Government Policy

In June 2025, the government confirmed the outcome of its latest consultation on future social housing rent setting. From 1 April 2026, a new 10-year rent settlement will apply, running until 31 March 2036. The policy includes:

- A rent increase limit of CPI + 1% per year for both Social Rent and Affordable Rent properties. This is unchanged from the last 15 years policy direction.
- A new regulatory rent standard that will apply to all Registered Providers of social housing.
- Formal revocation of previous directions on rents policy issued in 2019 and 2023.

This means that as September 2025 CPI is 3.8% social formula rents and affordable rents can rise by a maximum of 4.87% being 3.8% plus 1%.

Beyond April 2026, the government in addition to the ten-year uplifting policy has undertaken consultation on Rent Convergence which may allow landlords in addition to the maximum annual rent increase to apply a further £1.00 or £2.00 per week to the rent value. This will only be allowed for those properties where the social formula rent was not achieved by the landlord since rent restructuring commenced in 2000.

MKCC Stock Profile and Comparable Areas

Our social housing stock administered within the Housing Revenue Account (HRA) is primarily composed of Social Formula Rent properties (75.8%), and Social Affordable Rent (2.2%) and Shared Ownership properties (10.5%). The report compares stock and rent data with regional and national figures, using authoritative sources to provide context for local rent levels and tenure types.

The Welfare Reform and Work Act 2016 and Rent Standards categorise properties for the purpose of setting rents. Some categories are outside of the Rent Standard and are shown with an “N” in table 1¹.

We have compared available data from various sources. Core rents data is obtained from the most recent 2024-2025 Local Authority Data Returns (LADR) and Local Authority Housing Statistics (LAHS). Where possible we have used current year rents data, and some are forward looking into our rents as of 2026-2027.

Table 1. MKCC Total Stock on 1 December 2025

Rent type	Tenure type	Number of properties	Percentage Share	Rent Standard
Social Formula	General Need*	10,729	75.8%	Y
Social Affordable	Affordable Rent	318	2.2%	Y
Specified Rent	Shared Ownership	1,476	10.5%	N
Service Charge Only	Leasehold	1,628	11.5%	N
Total		14,151		

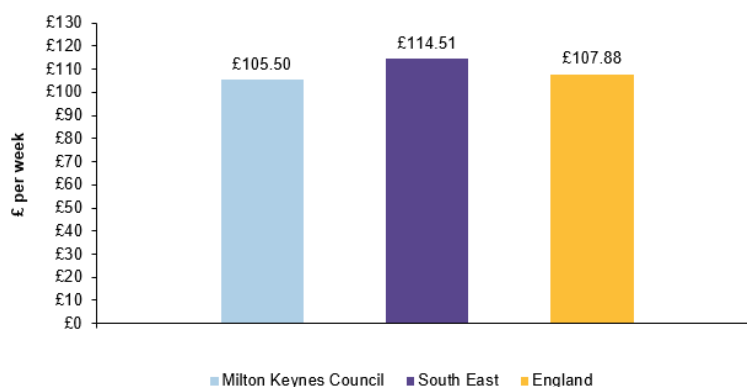
*Includes general needs, sheltered housing, supported accommodation, NSAP, Modular

Average Social Formula & Social Affordable Rents

Our average general needs social rent is £105.50 per week, which is notably lower than both the South-East region average of £114.51 per week (7.9% lower) and the England average of £107.88 per week (2.2% lower), reflecting the region’s higher housing costs.

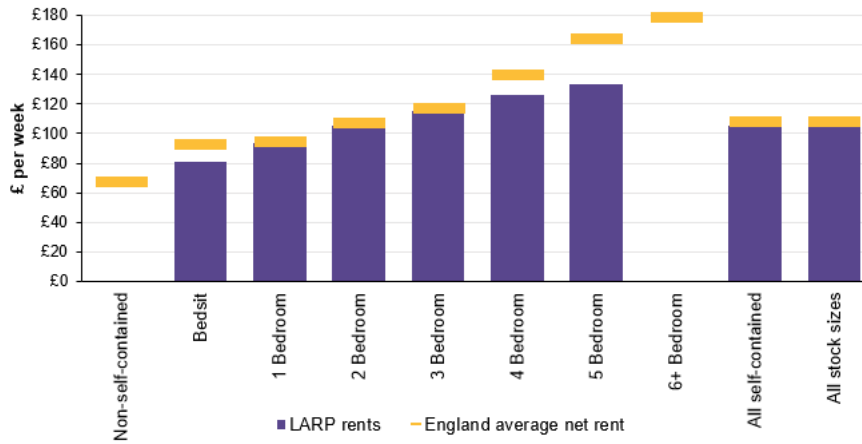
In contrast, our average Affordable Rent of £222.02 per week is significantly higher than regional and national averages. This is because our affordable rents are based at 80% of the open market rents which have increased considerably in the past 2 years due to a reduction in available properties for rent, set against an increasing demand as people migrate away for the capital and to our economic region.

Average Social Formula Rent for MKCC, South-East, and England – Local Authorities in 2024-2025²

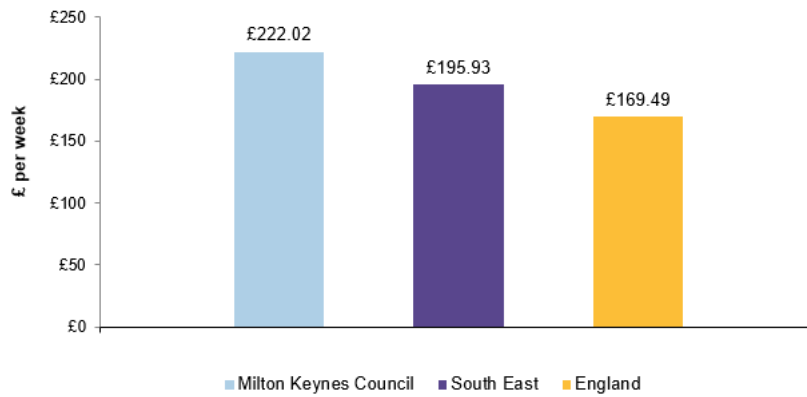


² [Registered provider social housing stock and rents in England 2024 to 2025 - GOV.UK](https://www.gov.uk/government/statistics/registered-provider-social-housing-stock-and-rents-in-england-2024-to-2025)

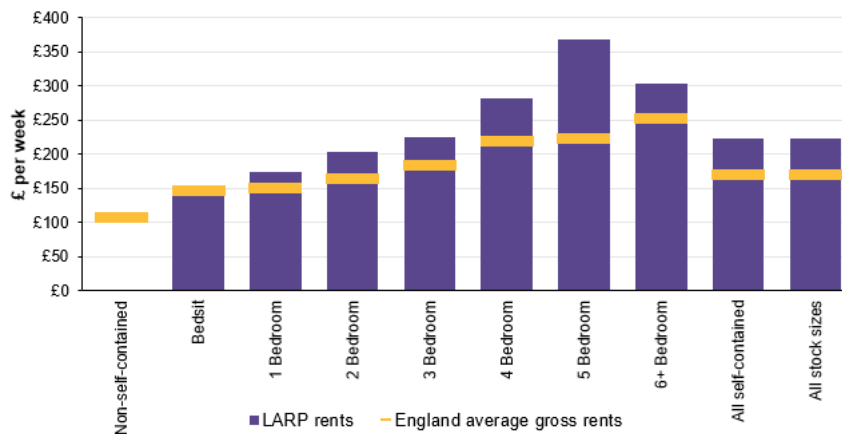
MKCC Average Social Formula Rent by Bed Size in Comparison to Average Social Formula Rents in England in 2024-2025



Average Social Affordable Rent for MKCC, South-East, And England – Local Authorities in 2024-2025



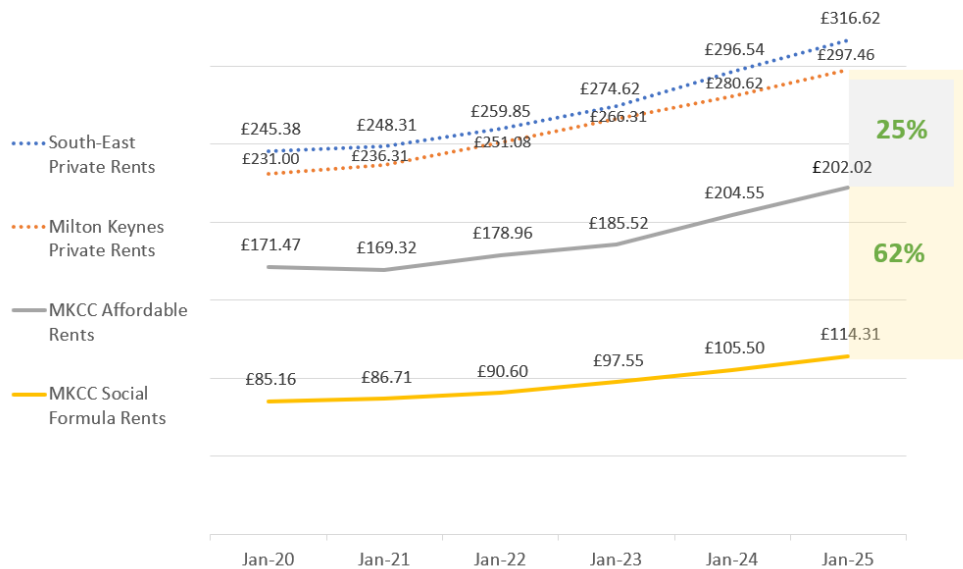
MKCC Average Gross Social Affordable Rent by Bed Size in Comparison to Average Affordable Rents in England in 2024-2025



Open Market Private rents in Milton Keynes have risen steadily over the last five years, increasing from £231.00 per week in April 2020 to £297.46 per week in April 2025 – a growth of around 28.8%.

Our Affordable Rent has followed that trend in recent years, reaching £222.02 per week in April 2025.

MKCC Average Social Formula Rent in comparison to Private Rents in Milton Keynes and South-East in 2024-2025³



Rent Cap, Local Housing Allowance & Rent Convergence

The Regulator of Social Housing’s Rent Standard restricts landlords of social housing from increasing rents by more than CPI plus 1% each year. For the 2026-2027 year this equates to a 4.8% increase.

We have compared our social formula rents increased by the proposed increase for 2026-2027, with the rent cap for 2026-2027⁴ which represents last year caps increased by 4.8%, as well as with the Local Housing Allowance (LHA) as of December 2025⁵ which remained the same as in the previous year. None of our social formula rents are affected by the rent cap.

The Local Housing Allowance is the figure used to restrict benefit payment for private tenants. It is based on the average rent which is set at a level where 80% of rents are greater, and 20% would be lower. If approval is given to the increase, our rents would still be significantly lower than both, the Rent Cap and LHA.

³ [Private rent and house prices, UK - Office for National Statistics](#)

⁴ [Limit on annual rent increases 2025-26 - from April 2025 - GOV.UK](#)

⁵ [Local Housing Allowance Rates for the Milton Keynes Local Authority: DirectGov - LHA Rates](#)

LHA and Rent Cap Levels by Bed Size Compared with MKCC Social Formula Rents Increased by 4.8% to Represent the Proposed MKCC Rent Increase for 2026-2027⁶

No of bedrooms	LHA December 2025	Rent Cap 26/27 (4.8% increase)	26/27 Actual Rent (4.8% increase)	26/27 Target Rent on Re-let* (4.8% increase)
Bedsits	£ 115.37	£ 203.37	£ 86.72	£ 91.19
1	£ 178.36	£ 203.37	£ 101.31	£ 108.12
2	£ 212.88	£ 215.32	£ 113.39	£ 121.83
3	£ 275.01	£ 227.28	£ 123.97	£ 135.17
4	£ 344.05	£ 239.23	£ 136.26	£ 148.75
5	N/A	£ 251.20	£ 147.75	£ 160.41
Average	£ 225.13	£ 223.30	£ 114.01	£ 123.07

In 2022-2023 we introduced the addition of the 5% for general needs properties and 10% for supported accommodation rent flexibility. As at 8 January 2026 we have 8690 current tenants whose social formula rent is less than the full social formula rent for the property they live in.

Subject to the outcome of the government's rent convergence consultation, the outcome of which is still to be published, we may be able to increase rents by the CPI + 1%, plus £1 or £2 per week to help us move towards this maximum social rent target.

Unemployment, Earnings and Rent Affordability

Landlords must consider whether their rents are affordable⁷ in respect to local market context. To review this, we have obtained data from the Official Census (OC) and Office of National Statistics (ONS) showing year-on-year change in unemployment and average earnings.

Data on unemployment gives us some insight into the local economy and the volume of the community who are in receipt of state benefits. Average earnings data is used to calculate the affordability level for Milton Keynes area for 2024-2025, so we can compare it against our weekly rents after the proposed increase.

Unemployment in Milton Keynes fell sharply from 12% after the Covid- pandemic, stabilising at 2%. It has since risen to 3.9%⁸. In the UK, the unemployment level as of June 2025 is 4.1%⁹.

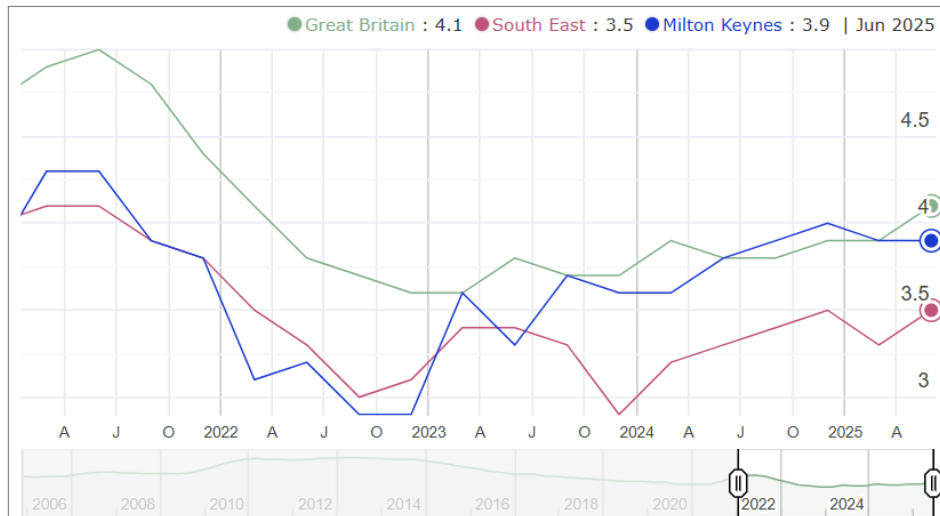
⁶ Data on MKCC current and future rents obtained from Mohammad Bari

⁷ [What is 'affordable housing'?](#)

⁸ [Housing Intelligence System](#)

⁹ [Labour Market Profile - Nomis - Official Census and Labour Market Statistics](#)

Unemployment in Milton Keynes between 2021 and 2025



Average weekly earnings across the Milton Keynes area increased last year by 1.8% (-0.4% previously *after revision), which represented the lowest increase when compared against other comparable areas. In England, the average increase was at 5.2%. To analyse how average weekly earnings correspond to rent affordability, we have calculated the 'take home pay' as per the below table.

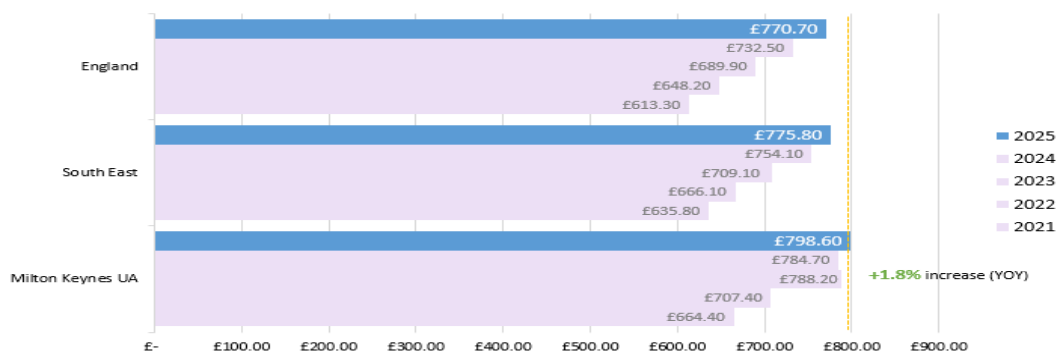
Take Home Income Summary based on 2025-2026 annual income in MK¹⁰

	Year	Month	Week
Gross Wage	£ 41,527	£ 3,461	£ 799
National Insurance	£ 2,317	£ 193	£ 45
Tax Paid	£ 5,791	£ 483	£ 111
Take Home Pay	£ 33,419	£ 2,785	£ 643
Affordability Level*			£ 225

*calculated as 35% of weekly Take Home Pay

Source: Earnings and hours worked, place of work by local authority: ASHE Table 7
 Source: <https://www.moneysavingexpert.com/tax-calculator/>

Figure 6. Median Gross Weekly Earnings for Full-Time Employees between 2022-2024¹¹



¹⁰ [Income tax calculator: Find out your take-home pay - MSE](#)

¹¹ [Earnings and hours worked, place of work by local authority: ASHE Table 7 - Office for National Statistics](#)

Unemployment in Milton Keynes has stabilised at 3.9%, close to the national average, while local wage growth has lagged behind other areas.

Using Shelter UK’s affordability measure (rent above 35% of net income is unaffordable), the analysis finds that all MKCC social formula rents and about half of the affordable rents remain within affordable limits for single earners. Only 1.7% of MKCC’s social and affordable rent properties exceed the affordability threshold, demonstrating a strong alignment with local incomes.

The calculations show what the take home income would be for a single resident and how this would correspond with our rent levels for 2024-2025. Our calculations do not take into consideration that in larger properties there may be multiple household earners.

According to Shelter UK, where a person has housing costs by way of rent or mortgage payments which are greater than 35% of their net income, their housing costs could be deemed to be unaffordable. Taking the April 2025 average ‘take home pay’ in Milton Keynes of £643 per week. This would mean that rent over £225 per week, per person, could be considered unaffordable.

Taking the proposed social formula rents for 2026/2027, all our social formula rent properties fall well below the affordability threshold based on 2024-2025 annual income for Milton Keynes. We currently have 185 properties (115 previously) that are above the affordability level set at £225. This equates to 1.7% of our social rent stock. **Figures 7 and 8.**

Figure 7. 2026-2027 MKCC Social Formula Rent (re-let) Levels Compared with Affordability Level based on 2024-2025 annual income in MK

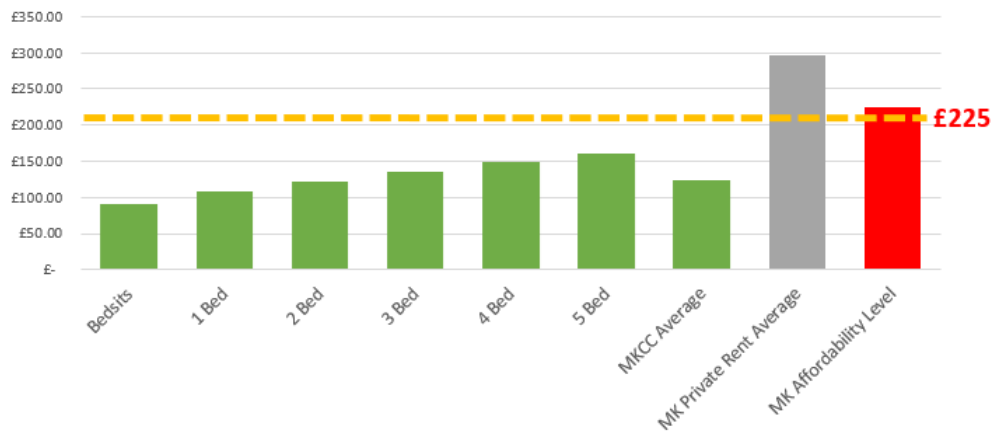


Figure 8. 2026-2027 MKCC Average Social Affordable Rent Levels Compared with Affordability Level based on 2024-2025 annual income in MK

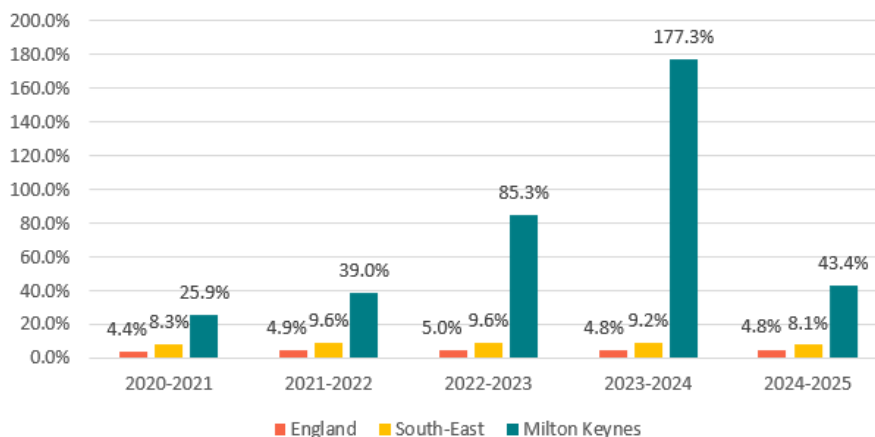


Supply and Demand

This analysis compares affordable housing supply against demand over the past five years for England, the South-East region, and Milton Keynes. Supply was measured as total affordable housing completions (all tenancy types), while demand was based on the number of households on the housing register (LAHS data). The supply-to-demand ratio was calculated by dividing annual completions by demand, expressed as a percentage to show coverage. This metric indicates the proportion of housing need met by new supply each year.

Results reveal a persistent shortfall nationally and regionally. England’s coverage remained around 4.8–5%, highlighting severe under supply. The South-East performed slightly better at 8–9.5%, but still far below demand. Milton Keynes ranged from 25% to 85% in most years. These findings underscore the structural gap between housing need and delivery, suggesting that significant policy and investment interventions are required to address affordability and access challenges.

Ratio between affordable housing supply (all types) and housing demand (social housing waiting list) in England, South-East and Milton Keynes 2020-2025¹²



¹² [Affordable housing supply in England: 2024 to 2025 - GOV.UK](https://www.gov.uk/government/statistics/affordable-housing-supply-in-england-2024-to-2025)

Payment of Rent – Tenant Rent Arrears and Support

As of 31 March 2025, 3,552 (previously 3,917) of our social formula rent tenants were in arrears, this includes 132 (previously 130) social affordable rent tenants. There were also 318 low-cost home ownership tenants in arrears (previously 311). Total arrears owed to us on the 31 March 2025 for all tenancies was £2.19m (previously £2.37m).

In the same period, the Income Team has further managed to reduce the high-level arrears cases of our social formula tenants with arrears over £2k, from the total of £0.596m previously, to £0.484m this year. Over the last five years we have seen a gradual decrease of total rent arrears for our tenants, whereas in England and South-East, there has been an increase.

Figure 11. Total Cumulative Arrears and Arrears above £2K for MKCC between 2022-2025 for Current Social Formula Rent tenants

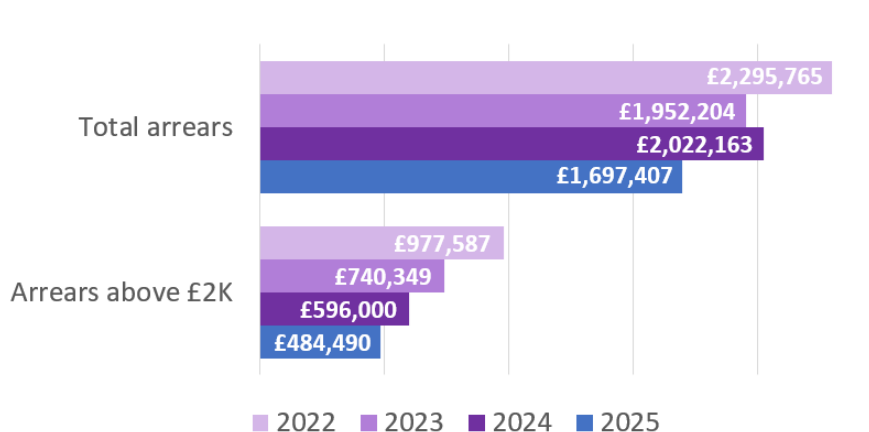
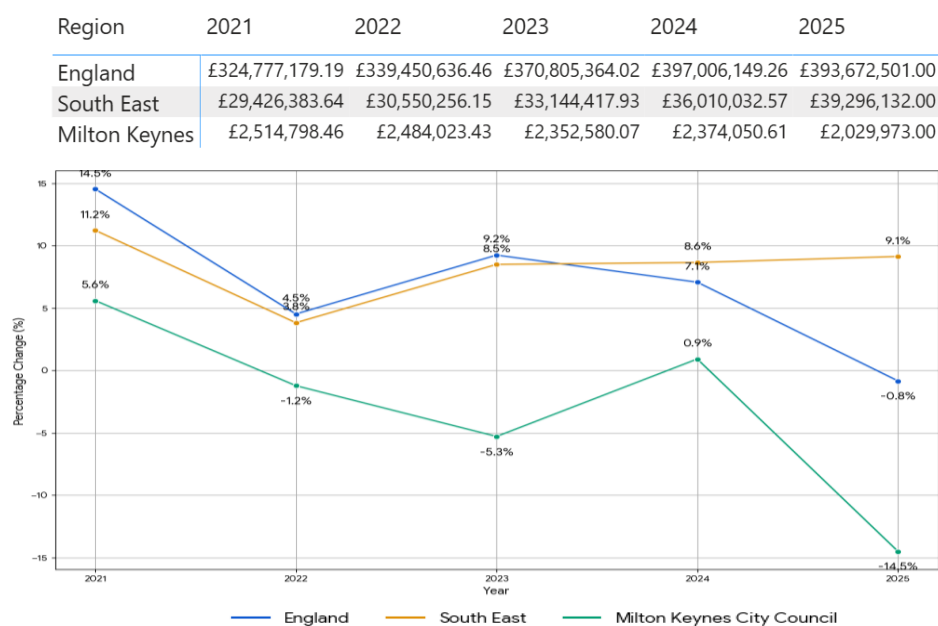


Figure 12. Total cumulative arrears in England, South-East and Milton Keynes City Council over five years 2019-2025 for all tenancies and year-over-year percentage change in arrears¹³



¹³ [Local Authority Housing Statistics data returns for 2024 to 2025 - GOV.UK](https://www.gov.uk/government/statistics/local-authority-housing-statistics-data-returns-for-2024-to-2025)

Our Welfare Team continued their work on income maximisation for residents, which means helping them with benefits and budgeting and signposting them to the right place at the right time. As of December 2025, there have been 294 cases referred to the Welfare Referrals Service, which so far have generated £0.444m of extra income to our residents.

Appendix 8: Equality and Diversity

Social housing landlords must comply with the requirements on rent setting in the Rent Standard 2020, and any subsequent Rents Standards published by the Government. They remain under their own equality duties to ensure that their decisions on rent setting support the requirements of the Equality Act 2010 and meet all aspects of the general duty.

Our Rent and Service Charge Policy is in compliance with our Equality and Diversity Strategy and has been subject to an Equality Impact Assessment. The policy is applied to our customers to ensure they have equal access to our services, information and that we respect their different needs. All customers will have access to this document upon request or from our website. The policy and any accompanying leaflet can be translated or provided in alternative formats (e.g., Braille, large print, audio) upon request, subject to reasonable cost. Equality and Diversity training is mandatory for all staff.

Report Version Controls		
Author	Version	Date
Sebastian Kulig	1.0	8 January 2026
Consultancy		Review Date
Cat Arnold		January 2026
Andrew Hodgson		January 2026



Milton Keynes
City Council