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# Labour's Zero-Based Review

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Interim Report Number 10: Department for Work and  
Pensions: Housing Benefit

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# Labour's Zero-Based Review Interim Report No.10

DEPARTMENT FOR WORK AND PENSIONS: HOUSING BENEFIT

## FOREWORD

Britain needs a social security system that is fair and affordable. A system that supports those who need it, and helps those who can work to find a job. A system that controls social security spending by tackling the root causes – low pay and rising rents. A system that works and delivers value for money for the taxpayer.

Under the Tories, low pay, rising housing costs and a chaotic approach to welfare reform are pushing up the costs of social security, meaning that they have spent £25bn more than planned over the course of this parliament.

Labour's interim Zero-Based Review of the Department for Work and Pensions has focused on Housing Benefit, the second biggest area of social security spending after pensions. It found that:

- This Government has failed to reduce Housing Benefit spending in this parliament, despite imposing the cruel and unfair Bedroom Tax. In 2014/15, spending on Housing Benefit was set to reach £24.5bn (in 2014/15 prices), up £1.5bn since 2010/11.<sup>1</sup>
- Low pay, rising rents and an increased number of people living in the private rented sector have led to a huge increase in the number of working people forced to rely on Housing Benefit to pay the rent, up over 440,000 since 2010.<sup>2</sup>
- Costs have also risen due to rising homelessness and the increased use of expensive temporary accommodation, with an £84m increase in the cost of temporary accommodation since the coalition government took office.
- The Household Benefit Cap has had some impact on reducing spending on housing benefit, saving around £100m a year once the cost of discretionary payments has been taken into account. But these savings have been dwarfed by rising error and fraud. Housing Benefit overpayments due to error and fraud have risen to their highest ever recorded level, increasing by £470m a year since 2010. The government is planning to reduce local authorities' powers to tackle this still further, by removing their powers to investigate fraud.

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<sup>1</sup> DWP Benefit expenditure and caseload tables, December 2014.

<sup>2</sup> DWP Sat Xplore.

Labour has a better plan to control the costs of social security fairly. We will implement a cap on structural social security spending in each year of the next parliament, address the root causes of social security spending in low pay and rising rents, and get a grip on the chaos, mismanagement and waste at the Department for Work and Pensions.

This interim Zero-Based Review sets out a six point plan to ensure we control the costs of Housing Benefit.

Labour's plan will:

1. **Build at least 200,000 homes a year by the end of the next parliament.** We know that the most sustainable way to bring down the cost of housing benefit is to reduce reliance on the expensive private rented sector by building more homes. This Government has presided over the lowest level of housebuilding since the 1930s; only a Labour Government will build the homes we need.
2. **Reduce the number of working people forced to rely on housing benefit to pay the rent by increasing the national minimum wage to £8 an hour before 2020.** Labour will tackle the low pay that is forcing thousands more people to rely on Housing Benefit to pay the rent with a higher National Minimum Wage, and action to promote the Living Wage.
3. **Allow councils that make savings in the Housing Benefit bill to recycle them into building homes.** Local authorities including Lewisham, Liverpool, Leeds, Manchester, Sheffield and Birmingham have told us they could negotiate lower rents with landlords through measures such as bulk purchasing and offering incentives for landlords to supply good, affordable housing. Labour will ensure they have the incentive to do so by allowing councils to keep some of the savings generated to build new homes, bringing down the cost of housing benefit in the long-term.
4. **Tackle the cost of temporary accommodation which is leaving families in poor quality accommodation with the taxpayer picking up a rising bill.** Local authorities such as Newham have taken innovative steps to provide families with more stable homes and bring down costs. Labour will review the costs of temporary accommodation to deliver a better deal for families and the taxpayer.
5. **Keep the household benefit cap, and ask the Social Security Advisory Committee to examine whether it should be lower in some areas to reflect lower housing costs.** Labour has been clear that we will keep the benefit cap. In order to ensure that the cap reflects local costs but does not lead to increased homelessness, we will ask the Social Security Advisory Committee to examine whether the cap should be lower in some areas.
6. **Reverse the rise in housing benefit overpayments under this government, setting a target to save £1bn across the parliament.** Labour will set a target to return the level of housing benefit overpayments to at least the level seen under the last government, saving at least £200m a year. We will halt the abolition of local

authority fraud investigation powers, and consult on how we can better use data from credit reference agencies and the payments industry to tackle error and fraud.

**Chris Leslie MP, Shadow Chief Secretary to the Treasury**

**Rachel Reeves MP, Shadow Secretary of State for Work and Pensions**

## LABOUR'S ZERO-BASED REVIEW

The Zero-Based Review is a root and branch analysis of every pound the Government spends. It will help the next Labour Government to ruthlessly prioritise public spending and deliver service reform and improvements, rather than just salami-slicing budgets and watching services deteriorate, as has been the practise under the Conservatives and Liberal Democrats.

This process is intended not only to reveal the current Government's costly errors and skewed priorities but will require the Labour Party to grasp opportunities to deliver reformed public services which are valued and justifiable; which provide value for money and quality services that meet the needs and demands of the public who use them; and which can both make savings, and secure economic growth.

Fundamentally reviewing current Government spending is a necessary step in preparing for office. In 2013 Ed Balls MP, the Shadow Chancellor, announced that Labour would conduct a detailed review of every pound the Government spends, in order to help prepare ourselves for the challenges the next administration will face. We set out the principles of our Zero-Based Review in a Phase 1 discussion document in December 2013.

Throughout 2014 Chris Leslie MP, Shadow Chief Secretary to the Treasury, has been examining detailed departmental expenditure as part of our first round of the Zero-Based Review, analysing every budget and exploring public service reform and redesign in detail with each Shadow team. This process has been guided by the following five principles:

- We will use public money **more efficiently** – and seek efficiencies in every area of government spending
- We will use all departmental budgets to **strengthen the economy** – supporting growth, job creation, innovation and exports
- We will ensure **greater fairness** in the impact of spending – and will prioritise spending that prevents future problems
- At the same time as increasing efficiency, the **quality and experience of public service must improve** – offering the speed, simplicity and responsiveness that people now expect
- We will strengthen **accountability and transparency** across government – with clear efficiency incentives for all departments

No department has been exempt from this process, including any areas that we may choose to protect or ring-fence, because efficiency will be necessary across all areas of spending. Our work for Phase 1 of our Zero-Based Review has been informed by the wide range of

reports which have contributed to the Labour Party's Policy Review: the Armitage Review of long-term infrastructure planning; the Local Government Innovation Taskforce; the Stevens Review of policing and crime; and the Adonis Growth Review, to mention just a few.

Labour's Treasury team will continue to collaborate with Shadow Ministers to expose waste, mismanagement and poor decision making by David Cameron's Government, as well as increase the scrutiny of each departmental balance sheet over the months to come. We will complete our Zero-Based Review with our first Spending Review in Government, but this early work is crucial to inform the policy choices we will make. As Ed Miliband and Ed Balls have outlined the next Labour government will be about big reforms and not big spending.

## CONTEXT: THE TORY FAILURE TO CONTROL SOCIAL SECURITY SPENDING

The Conservative's failure to control Housing Benefit expenditure is indicative of its flawed approach to social security as a whole, characterised by a failure to understand the root causes of spending, and a wasteful and chaotic approach to reform. This section briefly reviews the wider performance of the DWP.

### Failing to tackle the root causes of spending

The Tories set out a key aim of reducing spending on social security, with George Osborne stating in 2010 that:

*"We will bring down the benefits bills and also help the millions trapped in a lifetime on benefits."*

*George Osborne, Sunday Express, 24 October 2010<sup>3</sup>*

But the Tories have failed in this objective, with the Institute of Fiscal studies finding that

*Real terms benefit spending, however, is forecast to be almost exactly the same in 2015–16 as it was in 2010–11, at £220 billion.<sup>4</sup>*

The Tories have failed in their objective because they don't understand that Britain only succeeds when working people succeed; the low pay and rising rents that have been hitting working families across Britain have also pushed up the social security bill. As the IFS say, the Government's failure on social security reflects economic and demographic factors, including the ageing population, but also *'weak wage growth and rising private rents.'*<sup>5</sup>

And analysis of figures from the Office for Budget Responsibility, verified by the House of Commons Library, reveals that if the Tory failure on wages was repeated in the next parliament, the public purse would be hit with £9bn extra spending on social security.<sup>6</sup> And over the parliament, the Tories have spent £25bn more on welfare than planned.

### A chaotic and wasteful approach to reform

Universal Credit has become symbolic of David Cameron's government's approach to welfare reform; over budget, and chronically delayed. The wasteful approach also extends

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<sup>3</sup> <http://www.express.co.uk/comment/expresscomment/207218/A-Letter-from-George-Osborne-about-the-Spending-Review>

<sup>4</sup> Andrew Hood and David Phillips Benefit spending and reforms: the coalition government's record January 2015.

<sup>5</sup> Andrew Hood and David Phillips Benefit spending and reforms: the coalition government's record January 2015.

<sup>6</sup> Labour analysis verified by the House of Commons Library found that if forecasts for average earnings growth were overoptimistic to the same extent that they were between 2010 and 2015 then social security and tax credit spending would be around £9 billion higher in 2020 OBR source:-

<http://budgetresponsibility.org.uk/wordpress/docs/Briefing-paper-No4-How-we-present-uncertainty.pdf>

into their mismanagement of disability benefit reform, and the failure of the flagship Work Programme.

### *Universal Credit is behind schedule and over-budget*

The introduction of Universal Credit offers a valuable opportunity to simplify the benefit system, and Labour has always supported this in principle. But the Tory-led government's poor management of the project has led to huge delays and millions of pounds of overspend.

Fewer than 32,000 people are claiming Universal Credit,<sup>7</sup> 18 months after it launched, compared to original projections that a million people would be claiming the new benefit by April 2014.<sup>8</sup>

Alongside these delays, large sums of public money have been written off on IT judged not fit-for purpose. The National Audit Office's commentary on the DWP's annual report and accounts for 2012-13 found that £41 million worth of assets have been written off, and £91 million written down, as they will no longer be usable in the 'digital solution' expected to underpin the wider roll out of Universal Credit. The recent National Audit Office report warned that a six month further delay in the digital solution could lead to an increase in administrative costs of £58 million, and a reduction in the net present value of the scheme of £2.3 billion.<sup>9</sup>

Weaknesses in leadership have been a clear cause of these problems, with the National Audit Office identifying:

*A lack of transparency and challenge. The Department ring-fenced the Universal Credit team and allowed it to work with a large degree of independence. Major Projects Authority and supplier-led reviews in mid-2012 identified a 'fortress' mentality within the programme team and a 'good news' reporting culture.*

National Audit Office (2013) *Universal Credit, early progress*

*Reform of sickness and disability benefits has been mismanaged, leading to large increases in spending.*

Delays and mismanagement of the roll-out of Employment and Support Allowance (ESA) , which replaces Incapacity Benefit as the income replacement for sick and disabled people

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<sup>7</sup> DWP *Universal Credit: Universal Credit: monthly experimental official statistics to February 2015* 18<sup>th</sup> February 2015

<sup>8</sup> Department for Work and Pensions press release, 1 November 2011, <https://www.gov.uk/government/news/iain-duncan-smith-sets-out-next-steps-for-moving-claimants-onto-universal-credit>

<sup>9</sup> National Audit Office (2014) *Universal Credit: Progress Update*



out of work, have led to large increases in cost, as well as distress and difficulties for claimants.

The roll-out of ESA was expected to reduce spending, with fewer people entitled to the new benefit, and more people encouraged to find work through participating in Work Related Activity. However, as the Office for Budget Responsibility (OBR) highlighted in their recent welfare trends report, actual spending has consistently exceeded forecasts.

The OBR found that:

*“Forecast spending on ESA has consistently been revised up during this parliament, due to a greater number of people being found not fit-for-work than were originally predicted; a backlog of assessments, and in smaller part, the failure of those on the ESA caseload to find work. This remains a critical risk for spending in the next period.”*

Analysis by the House of Commons Library shows that the cumulative cost of higher than expected spending over this parliament has now reached £8.6bn.<sup>10</sup>

The roll out of Personal Independence Payment (PIP), which replaces Disability Living Allowance (DLA) as the main benefit helping disabled people meet the extra costs of disability, is at an earlier stage, but delays are already evident. One in ten claimants are still waiting over 16 weeks for an assessment,<sup>11</sup> and there has been heavy criticism of the process from the National Audit Office and Public Accounts Committee, whose conclusion was damning:

*The Department significantly misjudged the number of face-to-face assessments that providers would need to carry out, and the time these assessments would take. This has resulted in significant delays to benefit decisions and a growing backlog of claims. The unacceptable level of service provided has created uncertainty, stress and financial costs for claimants, and put additional financial and other pressures on disability organisations, and on other public services, that support claimants. The Department has yet to achieve the savings it intended to make and will have to seek compensatory savings elsewhere.<sup>12</sup>*

Spending on DLA/PIP is now over £2bn more than planned in the course of this parliament, and the OBR say that the current forecasts are still subject to considerable uncertainty.<sup>13</sup>

*The flagship Work Programme has failed to improve the chances of disadvantage people finding work*

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<sup>10</sup> House of Commons Library analysis of Benefit Expenditure and Caseload tables.

<sup>11</sup> DWP Personal Independence Payment: Statistical Ad Hoc New Claims – Registrations, Assessment Provider Referrals and Returns, Clearances and Outstanding Claims (Great Britain) January 2015

<sup>12</sup> Public Accounts Committee Personal Independence Payment First Report of Session 2014–15, 9 June 2014

<sup>13</sup> OBR *Welfare trends report* October 2014.

The Work Programme is the DWP's flagship employment programme, costing £2.8 billion between 2011 and 2016 -money which is paid to private contractors to help people into sustained jobs. More people have returned to the job centre without finding work than have found jobs through the programme, and performance has been particularly weak for those claiming sickness and incapacity benefits, with just seven per cent of those who accessed the Work Programme finding a job. In a report on the programme published in July of this year, the National Audit Office found that performance for other groups had not improved on previous programmes, other than some success in helping young people to sustain jobs:

*It is not yet clear that the Work Programme has substantially improved on past performance or met its other aims for helping people into work. In particular the Department has struggled to improve outcomes for harder-to-help groups*  
National Audit Office (2014) *The Work Programme*

Moreover, it found that weak financial controls had led to the Department paying out £11 million up to March 2014 for sustainment payments that it could not validate, and have therefore been defined as losses.

## FOCUS ON HOUSING BENEFIT

Housing Benefit is the second largest area of DWP spending, behind the state pension. In 2014/15, spending on Housing Benefit was set to reach £24.5bn (in 2014/15 prices), up £1.5bn since 2010/11. The Tory-led government has failed to control spending due to:

- The growth in expenditure on people in work, due to low wages and rising rents;
- The increase in Housing Benefit fraud; and
- The rise in spending on Temporary Accommodation.

### ***More working people are being forced to rely on housing benefit due to low wages and rising rents***

Housing Benefit expenditure to those in work has been growing rapidly, with over 440,000 more working people forced to rely on housing benefit to pay their rent than when the Tory-led government took office.<sup>14</sup> The Tory-led Government has spent £1.8bn<sup>15</sup> more than planned on this group over the course of this parliament, and by the end of the next parliament, the cumulative cost of housing benefit paid to those in work is set to be £14bn higher than if the number of working people claiming housing benefit had remained at its 2010 level.

The key factors behind this rise are low wages, the increasing proportion of people reliant on the private rented sector, and rising rents.

Real wages have stagnated throughout this Parliament. The most recent Annual Survey of Hours and Earnings from the Office for National Statistics found that in the last year, full-time wages grew by just 0.1 per cent - the smallest rate of annual growth since the series began and well below the comparable rate of inflation. In fact, real wages fell more in the last year than they did in the previous two years.<sup>16</sup>

Real median wages for all employees have fallen by more than £1,600 a year since 2010. Full-time workers have fared even worse, with real wages down by more than £2,000 over the same period.<sup>17</sup> It has been estimated that real wages are nearly 20 per cent below where they would be had pre-2008 trend wage growth continues – the equivalent of a loss of earnings of more than £5,000 for the average UK worker.<sup>18</sup> The Institute for Fiscal Studies has found that wage falls have been larger for men, young adults and the private sector.

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<sup>14</sup> DWP Stat Xplore

<sup>15</sup> House of Commons Library Analysis, commissioned by the Labour Party.

<sup>16</sup> Office for National Statistics, *Annual Survey of Hours and Earnings*, November 2014

<sup>17</sup> Office for National Statistics, *Annual Survey of Hours and Earnings*, November 2014

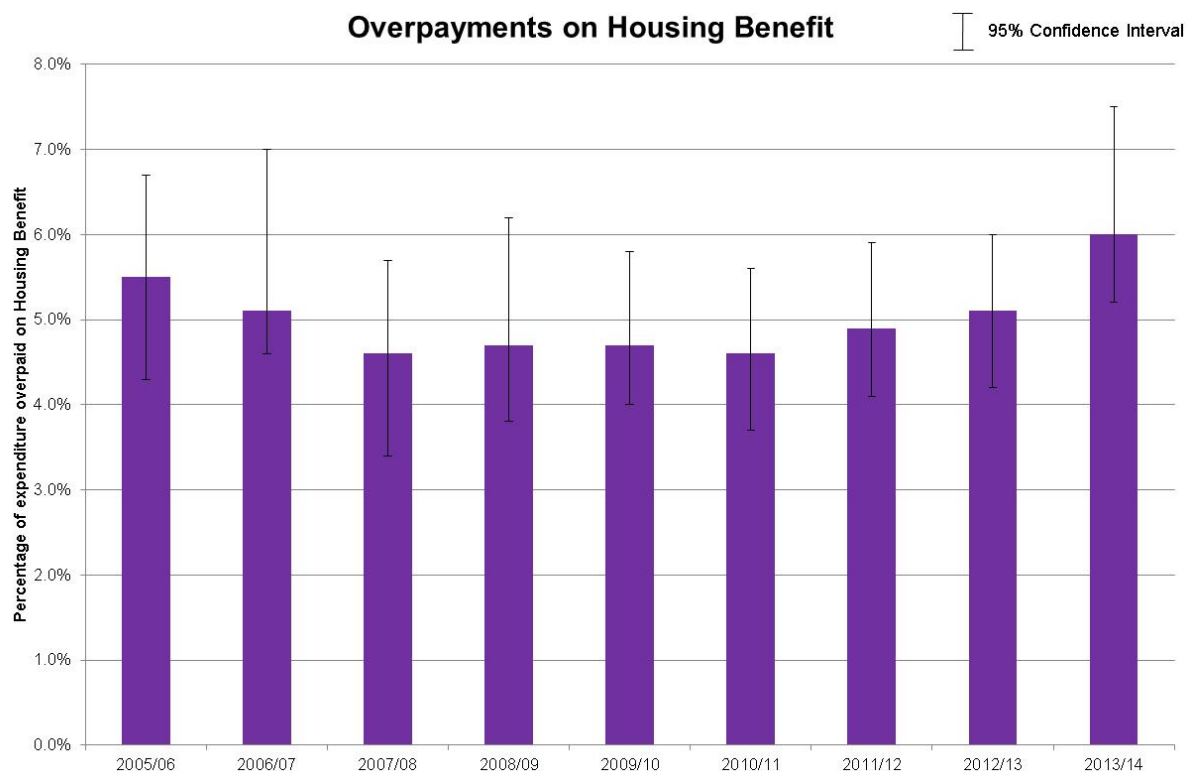
<sup>18</sup> University of Bath, Professor Paul Gregg and Dr Marina Fernandez-Salgado, *What are the prospects for a wage recovery in the UK?*, October 2014, p.2

Between 2009 and 2011, for example, median earnings of those aged 22–29 fell by 10.6 per cent, compared with falls of less than 7 per cent at older ages.<sup>19</sup>

The rise in the share of the population who are renting has continued at a faster pace than previously expected<sup>20</sup> as the prospect of buying a home becomes even more difficult for many people. Eleven million people now rent privately including over 1.5 million families with children.<sup>21</sup> Renters are now paying on average around £1,000 a year more in rent than in 2010<sup>22</sup>, and renting is now the most expensive form of tenure.<sup>23</sup>

### **Error and fraud within the Housing Benefit bill have risen to record levels**

The most recent figures show that the Tory-led Government has presided over a record level of housing benefit overpayments, with the value of these reaching £1.45 billion in 2012/13, up £470m from 2010/11.<sup>24</sup> Housing Benefit overpayments now represent 6 per cent of total expenditure, the highest level since records began.<sup>25</sup>



Source: *Fraud and error in the benefit system: 2013 to 2014 estimates*, November 2014, Chart 26

<sup>19</sup> Institute for Fiscal Studies, *Green Budget 2015*, Chapter 2, p.1 and p.21

<sup>20</sup> Office for Budget Responsibility, *Welfare Trends report*, October 2014, p.61

<sup>21</sup> Shelter, 24 November 2014

<sup>22</sup> LSL Property Services, *Buy-to-Let Index*, December 2014

<sup>23</sup> Department for Communities and Local Government, *English Housing Survey: Households 2012-13*, p.30

<sup>24</sup> DWP *Fraud and error in the benefit system: 2013 to 2014 estimates* November 2014.

<sup>25</sup> 'Table 1 OPs' in ['Supplementary tables: Fraud and error in the benefit system, final 2013 to 2014 estimates'](#)

In 2013/14 the breakdown of overpayments was:

- £900m due to claimant error, mainly due to unreported fluctuations in claimants' earnings.
- £430m due to fraud.
- £120m due to delay, inaction or mistaken assessment by local authority officials.<sup>26</sup>

This poor record is one of several reasons why the Department for Work and Pensions' annual accounts were qualified by the National Audit Office this year. The Comptroller and Auditor General also said the Department's target to reduce error and fraud levels to 1.7 per cent of expenditure is likely to be missed.<sup>27</sup> While around a third of these overpayments are recovered,<sup>28</sup> over £900m was lost to the public purse in 2013/14.

Within the total level of overpayments, £745m (51.4 per cent of overpayments) are to claimants who were ineligible because of their income. The rise in the number of working claimants is likely to have contributed to the increase in overpayments as those in work are more likely to see their incomes fluctuate. Two thirds of overpaid Housing Benefit is paid to people who are not claiming any other benefits<sup>29</sup>

£218m (15 per cent) of overpayments are to claimants who were ineligible because they were living with a partner or due to household composition and £74m (5.1 per cent) of overpayments are to claimants who were ineligible because of their capital.<sup>30</sup>

The Government has adopted an alarmingly casual approach to tackling fraud and error on the basis that full-scale roll-out of the much-delayed Universal Credit in 2018 would, alongside the introduction of real-time information (RTI) reporting, significantly cut the department's losses from housing benefit. But as discussed above, Universal Credit is badly delayed. This uncertainty has left many local authorities in a situation where it is unclear whether they should invest in tackling error and fraud:

- Six in ten local authorities do not conduct 'reviews' whereby they regularly look at all of their Housing Benefit claims and check that the information given by claimants is accurate.
- Four in ten local authorities do not conduct 'interventions' based on checking up particularly high risk claims.<sup>31</sup>

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<sup>26</sup> 'Table 4 OPs' in ['Supplementary tables: Fraud and error in the benefit system, final 2013 to 2014 estimates'](#)

<sup>27</sup> DWP *Annual Report and Accounts 2013/14*. June 2014

<sup>28</sup> Page 6, [First release: Housing Benefit recoveries and fraud data April 2013 to March 2014](#)

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/371459/Statistical\\_Release.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/371459/Statistical_Release.pdf)

<sup>30</sup> Table 2 OPs: of the Supplementary Tables: <https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-2013-to-2014-estimates>

<sup>31</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/402798/hb-fraud-and-error-la-insight-wave-27.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/402798/hb-fraud-and-error-la-insight-wave-27.pdf)

In addition, the Government has announced that it will further downgrade local authorities' ability to tackle error and fraud by removing their powers to investigate fraud, and integrating them into a single fraud investigation service. As the DWP select committee has said, this makes no sense in the context of the hugely delayed roll out of Universal Credit:

*"[The Single Fraud Investigation Service (SFIS)] is, in principle, a good idea. However, it makes no sense to roll out SFIS nationally, ahead of the national implementation of Universal Credit, while local authorities retain responsibility for Housing Benefit. We recommend that the implementation of SFIS be aligned where practicable with the expansion of the Universal Credit Pathfinder areas and with national implementation of Universal Credit. We further recommend that, following the summer 2014 SFIS pilots, DWP pause implementation of SFIS to enter into negotiations with local government and the relevant trade unions about a national framework for the transfer of local authority fraud investigations staff into DWP."*<sup>32</sup>

The current level of error and fraud in housing benefit risks imposing significant costs on the public purse into the next parliament, as at present, housing benefit is set to rise as the pressure from low wages continues. Even allowing for the current recovery rate of 36 per cent of housing benefit expenditure, losses are set to reach £950m by 2018/19.

	2015/16	2016/17	2017/18	2018/19	2019/20
Total housing benefit expenditure (real terms 14/15 prices ) (1)	24,428	24,434	24,589	24,733	24,659
Value of fraud and error at 6 per cent (£m) (2)	1,466	1,466	1,475	1,484	1,480
<b>Loss after 36 per cent of total fraud and error losses are recovered (£m) (3)</b>	<b>938</b>	<b>938</b>	<b>944</b>	<b>950</b>	<b>947</b>

Sources: (1) DWP, Benefit expenditure and caseload tables, 2014, (2) DWP, *Fraud and error in the benefit system: 2013 to 2014 estimates* November 2014 (3) DWP, *Housing Benefit recoveries and fraud data April 2013 to March 2014* September 2014.

### ***The costs of temporary accommodation have risen sharply as homelessness rises***

Housing Benefit is used to meet the costs of Temporary Accommodation which is supplied by local authorities to families whom they have an obligation to house under homelessness legislation. With this Government presiding over the lowest peacetime levels of

<sup>32</sup> <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmworpen/1082/1082.pdf>

housebuilding since the 1920s, homelessness has risen, leaving an increasing number of families stuck in poor quality accommodation, and Housing Benefit picking up a rising bill.

The latest figures on Housing Benefit spending on Temporary Accommodation spending by local authorities show that:

- The amount of Housing Benefit spent on temporary accommodation has risen by £84m in the last two years alone, with £71m of that increase coming from London.
- Temporary Accommodation now makes up almost ten per cent of Housing Benefit spent in London, with over £400m now spent on temporary accommodation in the capital.
- An increasing proportion of this is being spent on poor quality bed and breakfast provision; Westminster spent £5m on bed and breakfast accommodation in 2013/14, £1m more than in 2010/11. Outer London boroughs are also seeing huge increases in their spending on bed and breakfast, with Brent and Ealing each spending over £5m in the last year. This places families in terrible conditions, while costing taxpayers more.

In the face of deteriorating conditions for families and rising costs, some local authorities have begun taken innovative steps to provide better quality accommodation for families, at lower cost. Newham council's Local Space scheme, for example, provides decent temporary accommodation at a lower cost, through using some of the council's existing properties, and purchasing others.<sup>33</sup> But the government has taken no action to look at best practice in these schemes and how to spread this more widely, meaning that they remain few and far between.

### ***The Household Benefit Cap has reduced spending on Housing Benefit by around £100m a year***

The Household Benefit Cap, which caps the amount of benefits received by most out-of-work claimants to £26,000 a year, has had a modest impact on reducing spending on Housing Benefit in this parliament. Official government figures show that the Household Benefit Cap was estimated to save £85m in 2013/14, and £140m in 2014/15.<sup>34</sup> These savings have been offset to some extent by the increased the level of spending on Discretionary Housing Payments aimed specifically at helping local authorities cope with the impacts of the cap, by £65 million in 13/14, and £45 million in 14/15.<sup>35</sup>, meaning that savings to date are likely to be around £100m a year.

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<sup>33</sup> <http://www.newham.gov.uk/Documents/Misc/NationalCrisisLocalAction.pdf>

<sup>34</sup> DWP (2014) Welfare Reform, Collated Costings. See footnote 2.

<https://www.gov.uk/government/publications/welfare-reform-collated-costings-2010-to-2014>

<sup>35</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/275971/s1-2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/275971/s1-2014.pdf)

## LABOUR'S APPROACH IN GOVERNMENT

A Labour Government will control the cost of social security spending, and will maintain a cap on annually managed expenditure on benefits and tax credits. But because we understand that Britain only succeeds when working families succeed, and that social security spending can only be controlled by tackling its root causes in low pay and high housing costs, a Labour government will make different choices. We have already set out our plans to:

- **Make tough but fair choices:** stopping paying the Winter Fuel Allowance to the richest pensioners, and capping increases in child benefit for two years.
- **Support working people and make work pay** by raising the National Minimum Wage to £8 an hour before 2020, incentivising more employers to pay the Living Wage, and banning exploitative zero-hours contracts.
- **Deliver a better future for the next generation** by boosting apprenticeships and ensuring there is a paid starter job for every young person out of work for over a year – which they'll have to take or lose benefits, paid for by a tax on bank bonuses. And we will make sure that unemployed young people who don't have the skills they need to get a job are in training, not on benefits.
- **Ensure that the social security system is fair,** by scrapping the unfair Bedroom Tax, reforming Work Capability Assessments, and ensuring that as a country we look after those who need it. We will ensure that people who come here from elsewhere in the EU won't be able to claim out-of-work benefits for at least two years, and change EU rules so that child benefit can no longer be sent to children living abroad.

The findings of this interim Zero-Based Review make it clear that we also need a better approach to controlling the costs of Housing Benefit. Labour's plan will:

### **1. Build at least 200,000 homes a year by the end of the next parliament.**

We know that the only sustainable way to bring down the cost of Housing Benefit is to build more homes. The Tory-led government has presided over the lowest level of housebuilding in peacetime since the 1920s; only a Labour Government will build the homes we need.

### **2. Reduce the number of working people forced to rely on Housing Benefit to pay the rent by increasing the National Minimum Wage to £8 an hour before 2020.**

Low pay is pushing up the Housing Benefit bill, with 440,000 people more working people forced to rely on housing benefit to pay the rent since 2010. A Labour Government will tackle low pay by increasing the National Minimum Wage to £8 an hour by 2020.

We will encourage more employers to pay a living wage by establishing 'Make Work Pay' contracts, giving a tax rebate to those companies that sign up to become living wage



employers in the first year of the next Parliament. We will require listed companies to report on whether or not they pay the living wage, and follow the lead of Labour councils by using government contracts to spread the payment of the living wage.

We will also get a fairer deal for private renters by guaranteeing longer term tenancies with predictable rents and banning rip-off letting agent fees on tenants.

**3. Enable councils that make savings in the housing benefit bill to recycle them into building homes.**

Local authorities including Lewisham, Liverpool, Leeds, Manchester, Sheffield and Birmingham have told us they could negotiate lower rents with landlords through measures such as bulk purchasing and offering incentives for landlords to supply good, affordable housing.

But at present if the council helped housing benefit claimants to negotiate a cheaper rent for their property all of the savings would go to central government, so they have no incentive to do so. We want to encourage councils to help make those savings so we would allow councils to keep some of the savings to build new homes, bring down the cost of housing benefit in the long-term.

**4. Review the funding of temporary accommodation funding with the aims of bringing down costs for the taxpayer and improving conditions for families.**

Spending on Temporary Accommodation has increased by £84m between 2011/12 and 2013/14 alone, with thousands of families with children now placed in Temporary Accommodation.<sup>36</sup>

Labour's action to build more homes will be critical to tackling the drivers of homelessness. But while some local authorities have taken innovative action to reduce the costs of temporary accommodation while improving conditions for families, at present Government has taken no systematic approach to achieving these aims. Labour in government will conduct a review of the funding and suitability of temporary accommodation, drawing on best practice from local authorities.

**5. Maintain the Household Benefit Cap, and ask the Social Security Advisory Committee to examine whether it should be lowered in some areas to reflect lower housing costs.**

Labour has been clear that we will keep the benefit cap. In order to ensure that the cap reflects local costs but does not lead to increased homelessness, we will ask the Social Security Advisory Committee to examine whether the cap should be lower in some areas.

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<sup>36</sup> The number of families with dependent children placed in B&B style accommodation increased from 630 at the end of March 2010 to 2,080 at the end of September 2014. The statistics also show the highest number of households placed in temporary accommodation by local authorities in the last five years (60,940 at the end of September 2014). CLG Statistical Release, 11 December 2014, *Statutory Homelessness*, 3rd Quarter 2014 - England

**6. Reverse the rise in housing benefit overpayments under this government, setting a target to save £200m a year by 2018.**

Labour is setting out a plan to reduce levels of error and fraud back to those when we were last in office. Analysis of the most recent benefit expenditure and caseload tables suggests that this would save over £200m a year.

	2015/16	2016/17	2017/18	2018/19	2019/20
Total housing benefit expenditure (real terms 14/15 prices ) (1)	24,428	24,434	24,589	24,733	24,659
Value of fraud and error at current level of 6 per cent (£m) (2)	1,466	1,466	1,475	1,484	1,480
<i>Loss after 36 per cent of total fraud and error losses are recovered (£m) (3)</i>	938	938	944	950	947
If fraud and error 4.7 per cent – the level when Labour left office (£m) (2)	1,148	1,148	1,156	1,162	1,159
<i>Loss after 36 per cent of total fraud and error losses are recovered (3)</i>	735	735	740	744	742
<b><i>Savings if housing benefit overpayments reduced to levels seen under Labour (£m)</i></b>	<b>203</b>	<b>203</b>	<b>205</b>	<b>206</b>	<b>205</b>

Sources: (1) DWP, Benefit expenditure and caseload tables, 2014, (2) DWP, *Fraud and error in the benefit system: 2013 to 2014 estimates* November 2014 (3) DWP, *Housing Benefit recoveries and fraud data April 2013 to March 2014* September 2014.

Reducing the number of working claimants forced to rely on Housing Benefit to pay their rent will be critical to reducing error and fraud, with two thirds of overpayments at present going to those who claim no benefits other than Housing Benefit. But we also need to go further to make sure that local authorities have the powers they need to tackle error and fraud.

Iain Duncan Smith's failed roll out of Universal Credit has left local authorities' role in tackling Housing Benefit error and fraud unclear, and the Government is set to further reduce the ability of local authorities to tackle fraud by removing their powers and transferring the function to a Single Fraud Investigation Service (SFIS) in Whitehall.

As the DWP select committee has said, this makes no sense in the context of the hugely delayed roll out of Universal Credit.

Labour will therefore enable Local Authorities to retain their fraud investigation powers at least until Universal Credit is fully rolled out. And we will work with local authorities to ensure that they know that we expect them to make significant efforts to tackle fraud.

These efforts must include a more systematic approach to the use of data from credit reference agencies. We know that working with credit reference agencies to cross-check data on claimants spending and living arrangements can help reduce error and fraud. Evidence to the Work and Pensions Select Committee showed that HMRC achieved significant savings by using this information during the last Labour government, for example, reducing the monetary value of error and fraud in disability related tax credits by 72 per cent between 2008/9 and 2010/11.<sup>37</sup>

However, the Department for Work and Pensions has failed to take a systematic approach to helping local authorities use this type of information to tackle housing benefit overpayments. Labour will therefore carry out a consultation on how to increase the use of data from credit reference agencies, and will investigate how we can better use data from the payments industry, including looking at how information from bank accounts could be used more effectively.

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<sup>37</sup> <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmworpen/1082/1082.pdf> para 76.

