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## **Business Support and Digital Overview and Scrutiny Committee**

**30 November 2023**

### **Universal Credit and Welfare Reforms Annual Progress Report**

Report from: Phil Watts, Chief Operating Officer

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#### Summary

This report provides Members with an update on the roll out of Universal Credit and other work streams associated with welfare reform.

#### 1. Recommendations

1.1. The Committee is requested to note the work referenced in this report.

#### 2. Budget and policy framework

2.1. In addition to the statutory nature of some welfare benefits and related services, this work aligns with and supports the achievement of the Medway Council Strategy 2023-24 aims around Growth; residents with jobs and skills and preventing homelessness. On 11 July 2023 the Cabinet agreed a new Cost of Living Strategy and response plan, and much of the activity outlined in this report is in support of the delivery of that strategy and plan.

#### 3. Background

3.1. In April 2013 the then Business Support Overview and Scrutiny Committee selected the 'Impact of Welfare Reforms' for an in-depth review by a Member task group. The recommendations of that review have been implemented and the action plan was closed in 2017, however the Committee requested an annual update on these areas of work.

#### 4. Universal Credit update

4.1. Universal Credit (UC) is paid by the government to those on low incomes, who are out of work or cannot work and is intended to replace 6 other benefits including Housing Benefit, Income Support and Jobseeker's allowance. UC Full Service went live within Medway on 30 May 2018. Since

then, the Council is only able to accept new claims for Housing Benefit if the claimant is:

- of state pension age,
- living in specified accommodation,
- placed in temporary accommodation by Medway Council.

4.2. Claimants currently claiming Income Support, Jobseekers Allowance (Income Based), Employment and Support Allowance (Income Based), Working Tax Credit, Child Tax Credit and Housing Benefit will remain on their benefits until their claim can migrate to UC. These benefits are known as legacy benefits. These claims could naturally migrate if they report a qualifying change of circumstances to their legacy benefit.

4.3. After work to pilot migration to UC paused during the Covid-19 pandemic, in April 2022, the Department for Work and Pensions (DWP) outlined plans to resume helping claimants to move to Universal Credit by the end of 2024. The process resumed nationally on 9 May 2022 with a discovery stage whereby 500 claimants in Medway and Bolton (250 per area) were selected for managed migration. On 10 January 2023, the DWP published an update from the discovery stage that Medway participated in, and have since detailed the timescales for moving other working age claimants onto UC, as follows:

- Tax Credit only claimants will be selected for managed migration during 2023. By the end of the tax year 2023/24, most will have migrated.
- Tax Credit claimants who also claim other legacy benefits will be selected for managed migration by the end of 2024 and by the end of the 2024/25 tax year most will have migrated.
- Claimants receiving other legacy benefits with the exception of Employment and Support Allowance, will also be selected for migration during the 2024/25 tax year.
- People claiming Employment and Support Allowance alongside any other legacy benefit (except tax credits) will not be selected for migration until 2028. We anticipate that this will affect approximately 2,000 of our working age Housing Benefit claimants.

The claimants, selected from any of the above benefits, would receive a Migration Notice from the DWP. The notice provides the claimant with three months to claim Universal Credit in order to continue receiving financial support.

4.4. On UC, most people will be entitled to the same amount they received within their legacy benefits or more. However, should the amount of UC be less, a top up called transitional protection is available.

4.5. When a customer makes a claim for UC, Medway Council is sent a stop notice which effectively tells us to cease paying Housing Benefit and consider the two week transition payment for the customer who is moving onto UC, the new process ensures that we also provide the current entitlement to ensure that transitional protection is correctly calculated.

- 4.6. When UC went live, there were 17,527 active claims for Housing Benefit in Medway. This has now reduced to 8,330 (as of 31 October 2023) with 4,397 of those being claims from working age claimants.

## 5. Welfare Reforms

- 5.1. Since 2013, many reforms have been introduced by the government that affect Medway's residents. These reforms are deducted from the welfare benefit that the resident is entitled to if the resident's circumstances make it appropriate to apply them.
- 5.2. Social Sector size criteria applies to working age customers who rent their property from a social landlord. There are currently 202 claims affected by under occupancy rules (compared to 290 in 2022). The impact is shown in the table below:

	<b>14% reduction</b>	<b>25% reduction</b>	<b>Total</b>
Council Housing	57	14	71
Other social sector	103	28	131
<b>Total</b>	<b>160</b>	<b>42</b>	<b>202</b>

- 5.3. The benefit cap restricts the total amount of benefit payments customers can receive. If they are in receipt of legacy benefits, the cap is applied through housing benefit. For those in receipt of UC, if applicable, the cap reduces their award. The following tables shows the application of the cap to 36 Housing Benefit Claims

	<b>All claim types</b>	<b>Social Sector</b>	<b>Homeless</b>	<b>Private sector</b>
Number of caps	36	17	3	16
Avg. weekly loss	£47.49	£47.50	£70.83	£43.33
Min. weekly loss	£0.01	£0.01	£49.43	£6.58
Max. weekly loss	£184.12	£177.17	£94.45	£184.12

## 6. Council Tax Reduction

- 6.1. In 2013 the government abolished the Council Tax Benefit scheme and required councils to adopt localised support for Council Tax, to reduce the Council Tax bills of those on low incomes. On 24 February 2022 Full Council agreed a new Council Tax Reduction Scheme (CTR). This agreement followed preparation work including a lengthy consultation exercise. Full details are available at the following link:  
<https://democracy.medway.gov.uk/ielssueDetails.aspx?Id=32123&Opt=3>
- 6.2. On 23 February 2023, Full Council agreed to uprate the income bands within the CTR scheme based on the CPI rate in October of the previous year, to

ensure the 10.1% increase in welfare benefit rates applied by the DWP did not adversely impact the support this scheme provides. This decision resulted in an increase of 11.1% across the income bands in Medway's scheme.

- 6.3. The cost of living crisis has resulted in a significant increase in the number of Council Tax Reduction claims received by the Council. The current caseload is 16,320 as at 31 October 2023, almost 6% higher than the caseload of 15,406 in July 2022 when the data was prepared for the 2022 annual update report to this Committee. This has resulted in an increase in the cost of the CTRS scheme to the Council; this is projected to cost £14.550million in 2023/24, compared to a total cost of £13.490million in 2022/23.
- 6.4. Alongside the provisional Local Government Finance Settlement on 19 December 2022, the Government announced £100million of additional funding through the Council Tax Support Fund. This mandatory grant required local authorities to deliver additional support to those already receiving CTR. Medway's allocation of £411,292 was added to the budget under the delegation of the Chief Operating Officer. To supplement the support provided by the CTR scheme, the government requires billing authorities to use their allocation to fund further reductions in the council tax liability of those receiving CTR with an outstanding council tax liability of up to £25 in 2023/24. The discount has been applied to current CTR claimants that have an outstanding council tax liability for the 2023/24 financial year. The government required any excess funds to be used provide discretionary support, and in Medway this has been added to the existing policies which provide help using discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992.
- 6.5. This fund has been used to purchase the Low Income Family Tracker tool from Policy in Practice (as reported to Cabinet in the Cost of Living Strategy and Plan) which will enable the council to use our data to identify households in need of support across Medway. The first planned activities will be targeting households in Medway who could be claiming Council Tax Reduction and Pension Credit. To date, a total of £297,893 has been applied from this fund to reduce the liabilities on 12,023 Council Tax Accounts, and an additional £10,508 has been awarded in Exceptional Hardship Payments. Plans are in progress to ensure the fund is fully spent by the end of the financial year.

## 7. Discretionary Housing Payments

- 7.1. The DWP allocates funding for Discretionary Housing Payments to local authorities to administer Discretionary Housing Payments (DHP). DHP can be awarded to those who receive Housing Benefit or housing costs within their UC award, and are intended to be a short term basis while claimants take action to improve their circumstances. Medway's allocation for DHP for 2023/24 is £484,162.

- 7.2. Between 1 April 2023 and 30 September 2023, 419 applications have been made and awards to the value of £138,367 have been paid from the fund. Due to increased demand for assistance, there were 181 outstanding cases as at 30 September, however officers are working closely with Housing Services and the Council's partners to ensure these cases are assessed, prioritising cases where there is an immediate or serious risk of homelessness.
- 7.3. In 2022, the Council spent £484,092, having received 552 applications and making 396 awards. Though the entire fund was initially distributed, a last-minute change of circumstances meant an allocated award was reduced by £70 resulting in an underspend of this value. The Council refused 156 requests for assistance, most commonly because either the household was deemed not to be in hardship, information was not provided to support the claim, or the claimant was not eligible for a payment.

## 8. Energy Bills Support Scheme

- 8.1. In February 2022 the Government announced the Energy Bills Support Scheme which gave every Household a £400 discount on their energy bills for winter 2022/23. For most households who are directly connected to a domestic energy supplier, this was an automatic discount. However, local authorities were required to operate two schemes to support those who were not directly connected:
- The Energy Bills Support Scheme Alternative Funding (EBSS AF) delivered support for those who were not directly contracted to a supplier such as park homes, care homes, houseboats, mobile homes and those off of the electricity grid. The scheme mirrored the £400 automatic discount. The claims were made directly with the Department for Energy, Security and Net Zero (DENSZ) and after some initial eligibility checks, were passed to the Council to verify the addresses, eligibility and to make the payment. Through this scheme the Council paid £221,600 to 554 Medway households.
  - The Alternative Fuel Payment scheme delivered a top up of £200 for those who use alternative fuels such as bottled gas, oil or wood. The claims were made directly with DENSZ and passed to the council for verification and payment. Through this scheme the Council paid £34,200 to 171 Medway Households.

## 9. Household Support Fund

- 9.1. The government announced the Household Support Fund in September 2021 as part of the package of support for individuals through the Covid-19 pandemic. Medway Council's allocation for 2023/24 is £4.525million and on 4 April 2023 the Cabinet agreed a plan to distribute the funding to vulnerable Medway residents during the year. Some adjustments were made to this distribution using officer delegations in September 2023, to ensure the full balance of the fund could be spent during the year. The main focus of the fund in Medway this year is providing support to those eligible for benefit related free school meals during the school holidays, supporting members of

the Medway Food Partnership with their work in the area, and to deliver a grant scheme through which all eligible residents can apply for assistance.

- 9.2. As at 30 September 2023 a total of £1.484million has been spent on free school meal support, £232,808 has been distributed to residents through the grant scheme and £139,521 has been spent on reasonable administration costs, including staffing. We are working to ensure this grant is maximised and distributed in full in Medway by the end of the financial year.

## 10. Benefits and Financial Welfare Team

- 10.1. In January 2023 the Cabinet approved the creation of an extended service covering the area of Benefits and Financial Welfare with the aim that a combined central service will enable the Council to better support its vulnerable residents. This new service now delivers Housing Benefit and Council Tax Reduction Assessment, Discretionary Financial Assistance, Macmillan Welfare Benefits Service and a team of Housing Related Support Officers. From January 2024, the service will be extended further to include a Welfare and Debt advice team.

## 11. Local Welfare Provision

- 11.1. On 1 January 2019 Citizen's Advice Medway (CAB) were awarded a contract to deliver Medway's Local Welfare Provision (LWP) service as part of the Voluntary and Community Services (VCS) 'Better Together' Consortium (Lot 3) Welfare, Debt and Advice including the Local Welfare Provision. A budget of £40,000 is allocated per annum for the payments (to applicants) in the contract.
- 11.2. During the pandemic CAB agreed to manage the grants within the LWP on behalf of Medway Council, in line with government guidance. Eligibility was expanded between September 2020 until March 2022 to support more individuals and families struggling to afford food and other essential items due to the impact of Covid-19 pandemic through the Emergency Assistance Grant (EAG), Winter Grant Fund (WGF) and the Local Support Grant (LSG). Since April 2022, those emergency arrangements were ended as the previous LWP eligibility criteria were reinstated with applicants being referred to the Household Support Fund where appropriate.
- 11.3. During the 2022 calendar (contract) year, CAB supported a total of 255 families through the LWP. A total 193 were awarded with utilities support (gas and electric) and approximately £28,000 was awarded to struggling households in financial support, with the balance of the £40,000 contract value funding an overspend on the scheme from the 2021 year. CAB are forecasting spend in 2023 in line with the budget. The table below shows the key throughputs and outcomes of the LWP, and LSG service for the 2022/23 financial year.

<b>LWP throughput and outcomes</b>	<b>1 Apr 2022 - 31 Mar 2023</b>
<b>Applications</b>	
Number of LWP Applications	436
Number of interventions awarded	260
Total % Awarded	60%
Number of applicants who disengaged	35
% LWP Clients who disengaged	8%
Number of families awarded	255
% Of families awarded	98%
Number of single people or people living with a partner or with children over 18 years old awarded	5
<b>Application Reason</b>	
Clients on low income (some of below reasons are included within low income)	344
% Of client applications on low income	79%
Housing support: Included Homeless Temporary Accommodation	1
DV cases	31
No Recourse for Public Funds	0
Leaving Residential Care/ Hospital/ Prison	18
<b>Intervention Outcomes</b>	
Essential household items awarded	66
Food and clothing awarded	1
Support with Utilities	193

- 11.4. Since April 2022 CAB have reported a significant decline in application demand compared to the previous financial year, the most likely factors being that the EAG no longer exists, and residents are directed instead to the Household Support Fund administered by the Council.
- 11.5. During 2023 Commissioners reviewed the service as part of the procurement process for the new Voluntary Community Sector Medway Better Together Consortium which will commence on 1 January 2024. After the review, it was agreed that Medway would not recommission the Welfare, Debt and Advice Support Service including LWP (formerly Lot 3). The services will instead be delivered as part of the newly developed Council Benefits and Financial Welfare Service.
12. Medway Council Housing Services including the Housing Revenue Account
- 12.1. The Housing Service has amended ways of working to limit the impact of UC, including offering support to customers at the initial sign-up stage to ensure their UC claims are updated, and to establish ways of paying their rent with them. The service also offers support through the Tenancy

Sustainment Team, including weekly surgeries and support with budgeting and maximising income.

- 12.2. UC continues to present a challenge for the Housing Revenue Account (HRA) Landlord Service; UC is paid directly to tenants who then have to pay their rent to the service rather than the rent being paid directly onto the rent account as is the case with Housing Benefit. The number of council tenants on UC is increasing as expected, as more claimants are being transitioned from legacy benefits. The council had 1,062 claimants at the end of the financial year 2022/23, which was a 25.2% increase on the previous year. This growth has slowed in the current financial year, with only a 9.7% increase in the 6 months prior to this report being produced. As at the end of Q2 2023/24 there are 1,165 tenants in receipt of UC housing element.
- 12.3. All officers within the Income and Arrears team within the HRA are able to access the landlord portal; this allows the team to confirm information for the DWP, request direct payments to landlords and support the reporting of any changes in circumstances.
- 12.4. The Council has seen an increase in arrears over the last year, which has resulted in an arrears action plan and the recruitment of an additional member of staff on a fixed term basis (12 months). The team has also been working for 6 months with only one tenancy sustainment officer (TSO) while a second was being recruited. The impact of the TSO vacancy has led to the prioritisation of key referrals into the team to ensure that the most vulnerable / at risk tenants are supported. The team have continued to ensure there is a presence within the community hubs and libraries within the areas where the Council's properties are concentrated such as Twydall. This ensure that we have a consistent physical presence.
- 12.5. The TSOs assisted council tenants with accessing the following for the financial year 2022/23:
- Council Tax Reduction of £18,045,
  - Lump sum direct to tenants rent accounts (including DHP) of £54,605,
  - Household Support Grant of £30,982.
- 12.6. This work has continued in 2023/24 where the TSOs having assisted council tenants with accessing the following in the first two quarters of 2023/24:
- Council Tax Reduction of £6,189.07,
  - Lump sum direct to tenants rent accounts (including DHP) of £7,202.72,
  - Household Support Grant of £7,330.
- 12.7. The proportion of tenants in receipt of benefits and those who pay their full rent is set out in the table below (as at 6 November 2023), however this does not reflect the number of claimants that are in employment but on a low wage so still require assistance.



Total number of tenancies	Full HB	Partial HB	UC	Full rent
2,970	566	524	1,185	695

### 13. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Financial welfare related support is not distributed effectively		Developing and enhancing the Council's Benefits and Financial Welfare service and maintaining effective working relationships with relevant partners	CIII
The Local Support for Council Tax costs significantly more than budgeted	Growth in the scheme would represent a budget pressure for future years	Close monitoring and inclusion in medium term financial outlook projections	BII
<b>Likelihood</b>		<b>Impact:</b>	
A Very likely		I Catastrophic	
B Likely		II Major	
C Unlikely		III Moderate	
D Rare		IV Minor	

### 14. Financial implications

- 14.1. The Council Tax Reduction Scheme is a cost to Medway Council that effectively reduces the amount the Council can budget for through the Council Tax each year. The 2023/24 budget assumed the scheme would cost £13.490million and the projections in this report suggest that this cost will rise to £14.550million in 2024/25. If the actual cost of the scheme in 2023/24 is higher than the budgeted figure, this will manifest in a deficit on the collection fund which would need to be addressed in setting the budget for 2025/26.
- 14.2. Discretionary Housing Payments, the Energy Bill Support Scheme and the Household Support Fund schemes are all fully funded by the government.
- 14.3. It is anticipated that Medway's Benefits and Financial Welfare Team can absorb the work currently delivered by the CAB from 1 January 2024 within existing Council budgets, including the Council's budget for the CAB contract.

## 15. Legal implications

- 15.1. The schemes set out in this report are delivered within the relevant regulations and there are no direct legal implications to this update report.

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### Appendices

None

### Background papers

None