

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

**24 October 2024**

### **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 30 July 2024 the Cabinet agreed a refreshed Cost of Living Crisis Response Plan, and much of the activity outlined in this report is in support of the delivery of that 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's Department for Work and Pensions (DWP) to those on low incomes, who are out of work or cannot work and is intended to replace six 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. Move to UC (Managed Migration) commenced in April 2024 and since that point, we have received 1,642 stop notices. Since July 2024, on average we have received 380 per month. Not all stop notices result in the termination of Housing Benefit; some are received for claimants occupying temporary or specified accommodation where their legacy benefits are being moved to UC, however their housing costs continue to be paid by Housing Benefit. Managed migration is taking place based on the legacy benefit received rather than by location.
- 4.4. When a claimant is being moved to UC they receive a migration notice letter, which informs them that their legacy benefits will be ending and specifies a date that they must claim UC by. This will be a minimum of three months and one day from when the migration notice is issued. Reminder notices are sent within the three-month period, at both seven and ten weeks. The DWP aims to ensure that where households are identified as requiring support, additional attempts are made to contact by telephone and through a home visit. If the claimant does not make a claim for UC in time, their legacy benefits are terminated. However, if they make a UC claim within one assessment period of the termination, their UC can be backdated to the claim by date. This ensures those claimants are still entitled to transitional protection and, if applicable, the transition to UC payment.
- 4.5. 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.
- 4.6. 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; this ensures that we also provide the current entitlement to ensure that transitional protection is correctly calculated.
- 4.7. When UC went live in 2018, there were 17,527 active claims for Housing Benefit in Medway. This has now reduced to 7,199 (as of 30 September 2024) with 3,318 of those being claims from working age claimants and 3,881 from pension 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 156 claims affected by under occupancy rules in Medway (compared to 202 in 2023). The impact is shown in the table below:

	<b>14% Reduction</b>	<b>25% reduction</b>	<b>Total</b>
Council Housing	44	11	55
Other social sector	77	24	101
Total	121	35	156

- 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 the five relevant current Housing Benefit Claims in Medway (reduced from 36 in 2023).

	<b>All claim types</b>	<b>Social Sector</b>	<b>Homeless</b>	<b>Private sector</b>
Number of caps	5	2	1	2
Avg. weekly loss	£45.16	£86.22	£18.42	£17.49
Min. weekly loss	£8.40	£42.82	£18.42	£8.40
Max. weekly loss	£129.61	£129.61	£18.42	£26.57

## 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). On 29 February 2024, Full Council agreed to uprate the income bands within the CTR scheme based on the inflation as per the Consumer Price Index (CPI) rate in October of the previous year. This is a provision in the scheme which allows an update so that increases to welfare benefits do not adversely impact the support provided by the scheme. For the 2024/25 financial year, the CPI increase as at September 2023 was 6.7% which dropped to 4.6% in October. The bands in the council's scheme for 2024/25 were therefore uprated by 4.6% as allowed for in the scheme. Residents affected by the band change can apply for an Exceptional Hardship Payment if they require additional support.

6.2. The cost-of-living crisis has resulted in a significant increase in the number of Council Tax Reduction claims received by the Council, however approximately 30% of these have been found to be ineligible when assessed. The council's current CTR caseload is 16,022 as of 30 September 2024, with a projected cost to the council of £14.917million. This represents a reduction compared to the caseload of 16,320 in 2023/24, at a cost of £14.478million. The scheme and the council's budget allows for a modest level of Exceptional Hardship Payments to support residents. In 2023/24 £30,244 was awarded in Exceptional Hardship Payments and expenditure in the 2024/25 year to date is on track to meet the same level, with £15,167 awarded to date.

## 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 2024/25 is £484,162.

7.2. Between 1 April 2024 and 30 September 2024, 399 applications have been made and awards to the value of £195,697.28 have been paid from the fund. Due to increased demand for assistance, there were 87 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 2023, the Council spent £484,023, having received 532 applications and making 432 awards. Though the entire fund was initially distributed, a last-minute change of circumstances meant an allocated award was reduced by £139 resulting in an underspend of this value. The Council refused 100 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. However, where a claimant was not eligible for a DHP payment yet found to be in need, awards were made from the Household Support Fund to prevent homelessness.

## 8. Household Support Fund

8.1. 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 was £4.525million and on 4 April 2023 the Cabinet agreed a plan to distribute the funding to vulnerable Medway residents during the year. The main focus of the fund in Medway was to provide 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 delivering a grant scheme through which all eligible residents could apply for assistance. The

whole fund was spent with £4,199,679.34 being distributed to 27,393 households and £325,246.66 funding administration costs.

- 8.2. On 6 March 2024, the Government announced an extension to the fund for the period from April 2024 to September 2024 within the Spring Budget. The Government has then further extended the fund until March 2025.
- 8.3. A significant change was introduced in Medway from April 2024, to extend the grant scheme to our partner organisations. This enabled partners to have direct access into the grant scheme to obtain support for residents they are supporting. We currently have eight organisations participating and will continue to work with our partners to enable them to support Medway residents.
- 8.4. As of 30 September 2024, a total of £2.262 million has been spent on free school meal support, grant scheme including identification of households who are in need of support yet have not applied, and administration costs. On 1 October 2024, Cabinet agreed the delegations and decisions to continue the work undertaken from April 2024 therefore free school meal support and the grant scheme will continue until March 2025.

## 9. Cost of Living Response Plan

- 9.1. In July 2023, the Cabinet approved the Cost-of-Living Response Plan and in July 2024, a refreshed plan was approved. The refreshed plan set out the progress made by the council under the initial plan and set out the continued plans for the year ahead. Many of the achievements are detailed within this report but also include:
  - 5,417 eligible children attending the Holiday Activities and Food programme with over 35,510 places booked.
  - Food and hygiene banks introduced at all four family hubs in Medway.
  - New Welcome to Medway events have been launched.
  - 1,600 reading books have been distributed under our Love for Reading Initiative.
  - In 2023/24, the Child Friendly Medway team delivered, supported or sponsored 4,239 free activities for children, young people and families.
- 9.2. The Council continues to work closely with the Money and Pensions Service (MAPS) and now have 130 registered Money Guiders. We continue to use the Money Advisors Network and MAPS support wider financial wellbeing initiatives across the council.
- 9.3. The Low-Income Family Tracker (LIFT) tool has been used to identify 1,832 Pensioners who received £250 support through the Household Support Fund in 2023/24. In 2024/25 the tool has been used to identify approximately 3,600 households including 2,500 carers to provide direct awards of Household Support Fund of £145 each. This has facilitated the distribution of nearly £1million to vulnerable households.

9.4. The LIFT product has also enabled officers to identify where residents could be entitled to additional benefits or financial support. Most recently it has identified 440 pensioners who may be entitled to Pension Credit. We have extended use of LIFT into Housing to enable support for tenants and for homelessness prevention.

## 10. Progress of the Benefits and Financial Welfare Service

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. On 1 January 2024, the service expanded further to include the Financial Welfare team following the decision to not externally recommission the Welfare, Debt and Advice Support Service including Local Welfare Provision.

10.2. Since its inception, the Financial Welfare team has supported over 500 residents with a wide range of financial welfare issues as well as providing support to Medway Council services. The team co-locate with each Adult Social Care locality on a rota basis so that officers have access to welfare advice when they need it to assist residents. The team have also been located in Broadside alongside Children's Services as well as operating from each of the four family hubs to support both officers and residents.

10.3. The team has quickly become the face of the service attending many events to promote the support the team provides, assisting residents and partners. To date, they have attended Welcome to Medway events, Carers First carer's event, Medway Food Partnership, World Homeless day and most recently have been supporting an event organised by one of our local MPs, Naushabah Khan.

10.4. In January 2024, Cabinet agreed to an extension of the existing Macmillan Welfare Benefits Service. This added two FTE posts to the team and enabled the team to cover North and West Kent in addition to Medway following a request by Macmillan. This provides a more resilient service for Medway residents and is funded in full by Macmillan, addressing a small subsidy the council had previously contributed to the service. The team are currently preparing to launch their services into the new areas including liaising with the local hospitals, training and working with Macmillan, and expect to be fully operational by the end of 2024.

10.5. The Benefits and Financial Welfare Service and its composite teams are receiving consistently high levels of compliments from members of the public, with 163 compliments received in 2023/24 (representing 25% of the total council compliments received) and 78 received in the financial year to date.

## 11. Medway Council Housing Services including the Housing Revenue Account (HRA)

- 11.1. The Housing Service has amended ways of working to limit the impact of UC and offer support to customers at the initial sign-up stage. This ensures that UC claims are updated and rent payment methods are established. The service also offers support through the Tenancy Sustainment Team, including weekly surgeries, budgeting support and maximising income.

UC continues to present a challenge for the HRA Landlord Service; while Housing Benefit is paid directly to the rent account, UC is paid to tenants directly and therefore requires tenants to pay their rent independently. Since the last financial update, the number of council tenants on UC has increased and this trajectory is expected to continue as more claimants transition from legacy benefits. The council had 1,226 tenants that were UC claimants at the end of the financial year 2023/24, which was a 14.3% increase on the previous year. To date we have seen a significant reduction in the number of new UC claimants over the last 6 months with only a 2.4% increase. Therefore, at the end of quarter 1 (2024/25) we have 1,256 tenants in receipt of UC housing element.

- 11.2. All officers within the Income and Arrears team within the HRA can 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.
- 11.3. The Council 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 have 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 led to the triage and prioritisation of key referrals alongside this and support from the Benefits and Financial Welfare Team has ensured that the most vulnerable/at risk tenants are supported. The team have continued to attend community hubs/libraries in densely populated areas such as Twydall.
- 11.4. The TSOs assisted council tenants with accessing the following for the financial year 2023/24:
- Council Tax Reduction of £23,164.82,
  - Lump sum direct to tenants rent accounts (including DHP) of £185,907.84,
  - Household Support Fund Grants of £28,537.
- 11.5. This work has continued in 2024/25 with the TSOs having assisted council tenants with accessing the following in the first two quarters of 2024/25:
- Council Tax Reduction of £24,075.95,
  - Lump sum direct to tenants rent accounts (including DHP) of £38,851.77,
  - Household Support Fund Grants of £11,293.

- 11.6. The proportion of tenants in receipt of benefits and those who pay their full rent is set out in the table below (as at 30 September 2024), however this does not reflect the number of claimants that are in employment but on a low wage so still require assistance.

<b>Total number of tenancies</b>	<b>Full HB</b>	<b>Partial HB</b>	<b>UC</b>	<b>Full rent</b>
3,050	764	294	1,256	736

## 12. Risk management

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
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 B Likely C Unlikely D Rare		I Catastrophic II Major III Moderate IV Minor	

## 13. Financial implications

- 13.1. 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 2024/25 budget assumed the scheme would cost £15.770million and the projections in this report suggest that this cost will be £14.917million in 2024/25. If the actual cost of the scheme in 2024/25 is less than the budgeted figure, this will manifest in a surplus on the collection fund which will feature in the budget for 2025/26.
- 13.2. Discretionary Housing Payments and the Household Support Fund schemes are all fully funded by the government, however the government has not confirmed whether the HSF will continue into 2025/26. A proposal to continue some form of financial support for vulnerable residents in 2025/26



should the scheme not be renewed features in the Medium Term Financial Outlook (MTFO) considered by the Cabinet in August 2024.

- 13.3. The cost of the Benefits and Financial Welfare Team is within the existing revenue budget, however as identified in the MTFO, the proportion of the housing benefit paid to residents that can be reclaimed from the government through the subsidy scheme is reducing over time and the 2024/25 budget reflects this as a cost to the council of £2.359million.

#### 14. Legal implications

- 14.1. 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