

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

**23 October 2025**

### **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 29 July 2025 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 4,985 stop notices. Since April 2025, we have received 1,773, averaging at 296 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. We are now in the final stages of managed migration, nationally all migration notices have been issued to claimants by the end of September.
- 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 5,452 (as of 30 September 2025). Further analysis shows that of the 1,561 working age claims, 547 of those are Temporary Accommodation, 701 in Specified (Supported)

Accommodation, neither of which are due to migrate to Universal Credit. Therefore, on 30 September 2025, there are only 313 working age Housing Benefit claim left to complete migration to Universal Credit under current plans.

## 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 28 claims affected by under occupancy rules in Medway (compared to 156 in 2024). The impact is shown in the table below:

	14% Reduction	25% reduction	Total
Council Housing	11	2	13
Other social sector	11	4	15
Total	22	6	28

- 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 one relevant current Housing Benefit Claims in Medway (reduced from 10 in 2024).

	All claim types	Social Sector	Homeless	Private sector
Number of caps	1	0	0	1
Avg. weekly loss	£0.23	£0.00	£0.00	£0.23
Min. weekly loss	£0.23	£0.00	£0.00	£0.23
Max. weekly loss	£0.23	£0.00	£0.00	£0.23

- 5.4. The government's green paper, Pathways to Work: Reforming Benefits and Support to Get Britain working, led to a new Universal Credit bill which is currently progressing through parliament to Royal Assent. The bill aims to rebalance Universal Credit standard allowance and limited capability for work and work related activity element. It was initially planned for Personal Independence Payments (PIP) to be included within the bill; however, all PIP clauses have been removed. A wider review of PIP assessment has now been launched, led by Sir Stephen Timms MP, Minister for Social Security and Disability. The review is expected to conclude by autumn 2026 and no changes to PIP will be made until after the review has been completed.
- 5.5. In July 2024, the Chancellor announced the government's commitment to bring together the administration of Pension Credit and Housing Benefit.

Discovery work is being undertaken by the DWP, and this appears to be leading to reviews around how Housing Benefit is assessed for pensioners in supported and temporary accommodation. The DWP has provided assurance that 2026 will not see sudden or large scale changes to Housing Benefit delivery.

- 5.6. In February 2025, the DWP together with Ministry for Housing, Communities and Local Government launched a consultation on the implementation of the Supported Housing (Regulatory Oversight) Act 2023. The Council provided a response, led by Housing who collaboratively worked with stakeholders internally and externally to gauge views. This act intends to improve the oversight and quality of supported housing. Medway has been fortunate to have been a pilot site for the Supported Housing Improvement Programme where the team have made significant steps towards the work we will need to undertake to implement the bill. The results of the consultation will be released before the end of 2025, with further consultation in early 2026 on the new regulations, once they have been drafted.
- 5.7. In July 2024, the government introduced changes to the Winter Fuel Payment policy for pensioners, including the introduction of a £35,000 income threshold for tax recovery. In response, the Benefits and Financial Welfare Service, in collaboration with elected Members, organised a support event at the Pentagon Centre to assist those affected. Letters were sent to residents in receipt of Housing Benefit or Council Tax Reduction who may be eligible for Pension Credit. The event was attended by a wide range of council services and partners, including Housing, Benefits and Financial Welfare, Adult Social Care, Medway Adult Education, Public Health, Deaf Services, and external partners such as the DWP, Carers First, Medway Voluntary Action, Age UK, Imago, Southern Water, Medway Foodbank, MHS, Healthwatch Medway, and local MPs. The event attracted 130 attendees and received excellent coverage thanks to the Council's Press Office. As of February 2025, the Council had helped secure £378,000 in Pension Credit for 105 households, representing a lifetime value of £3,508,209.29. Additionally, the Household Support Fund was used to provide a £200 payment to pensioners who receive Housing Benefit or Council Tax Reduction but do not qualify for Pension Credit. This support was taken up by 97% of those contacted, resulting in £307,400 distributed to 1,537 households.
- 5.8. The government have adjusted the rules for winter 2025 meaning all pensioners who meet the age and residency criteria will automatically receive the payment. However, if a pensioner's taxable income exceeds £35,000 per year, and they are not receiving Pension Credit or another means-tested benefit, the full Winter Fuel Payment will be recovered via the tax system. Pensioners who do not wish to receive the payment can opt out, avoiding the need for recovery through tax.

## 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 2025/26 financial year, the CPI increase was 2.3% (October 2024). The bands in the council's scheme for 2025/26 were therefore uprated by 2.3% 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. The Council's current CTR caseload is 16,217 as of 30 September 2025, with a projected cost to the council of £15.368million. This represents an increase compared to the caseload of 16,022 in 2024/25, at a cost of £14.917million. At Full Council on 27 February 2025, Members were advised that the estimated cost of the scheme would be £15.749m in 2025/26. The scheme and the Council's budget allows for a modest level of Exceptional Hardship Payments to support residents. In 2024/25 £45,646.52 was awarded in Exceptional Hardship Payments and expenditure in the 2025/26 year to date is on track to exceed that level with £34,280.05 awarded to date.

## 7. Discretionary Housing Payments

7.1. The DWP allocates funding 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 on a short-term basis while claimants take action to improve their circumstances. Medway's allocation for DHP for 2025/26 is £484,162.

7.2. Between 1 April 2025 and 30 September 2025, 356 applications have been made and awards to the value of £133,720.43 have been paid from the fund. Due to increased demand for assistance, there were 88 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 2024/25, the Council spent £484,158, making 310 awards, leaving just £4 unspent. Most of this work is carried out in collaboration with Housing to ensure the holistic outcomes for residents.

## 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 2024/25 was £4.525million. 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 entire fund was spent with £4,277,803 being distributed to 26,435 households and £247,123 funding administration costs.
- 8.2. 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.
- 8.3. The Household Support Fund will be replaced from 1 April 2026 with the Crisis and Resilience Fund. The amount should be confirmed within the local government settlement and will be provided over a 3 year period. This represents the first ever multi-year settlement for local crisis support. This will enable us to move toward preventative support to communities. We are still waiting for guidance on the financial settlement and implementation.
- 8.4. We have already started work on how we can provide preventative support with some of this years' Household Support Fund being used to fund the start-up of a community supermarket within Medway. The supermarket forms an important step in reducing the reliance on emergency food support through having low cost goods for sale and enabling residents to move up the food ladder to independence. This project is being undertaken with Public Health and the Medway Food Partnership.

## 9. Cost of Living Response Plan

- 9.1. In July 2023, the Cabinet approved the Cost-of-Living Response Plan and in July 2024 and July 2025, the plan was refreshed. 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:
  - Our Macmillan Welfare Benefits team gaining £4.6m for its customers in 2024.
  - The Medway Food Partnership achieved the Sustainable Food Places Bronze award.
  - Between September 2024 and March 2025 there were over 280 enrolments on the English and maths programmes, and 262 enrolments on programmes for English Speakers of Other Languages (ESOL) to help them develop English skills.

- In 2024, Child-Friendly Medway ran hundreds of free events and activities for Medway's children, young people, and families as part of their Seeing is Believing Programme, which helps to narrow the gap by giving all children and young people, including those from disadvantaged backgrounds and with additional needs, the chance to try new things and take up opportunities they may not otherwise have access to. This included: Two Child-Friendly Medway City Hall Events, 29 soft play and story corner activities, storytelling and crafts activities, puppet theatre shows, cinema screenings, arts and crafts workshops, theatre performances, drop-in football and large-scale events such as: Super Saturday, Dino Day, Hoo Family Fun Day and The Big Doodle.
- For 2024, the Housing Options Team were approached by 3,642 households requiring assistance with their housing issues, of those where a duty was triggered over 67% were either prevented or relieved through either supporting them financially to secure alternative accommodation or assisting them to sustain their tenancy through financial assistance to clear rent arrears, pay advances, rent top ups and a number of other initiatives.

9.2. The Council continues to work closely with the Money and Pensions Service (MAPS) and now have 140 registered Money Guiders. We continue to use the Money Advisors Network and MAPS support wider financial wellbeing initiatives across the council. In November 2024, the Council were named by the Money and Pensions Service Money Guiders Partner of the Year. This award was independently decided by MAPS for the successful roll out of the programme across the Council and for the qualification's inclusion within various career progression frameworks under the Performance, Progression and Pay scheme. The prize included a £200 voucher which was used to buy presents for Medway's cared for children.

9.3. The Low-Income Family Tracker (LIFT) tool has been used to identify 1,537 Pensioner households who received £200 support through the Household Support Fund in response to missing out on Pension Credit and the Winter Fuel Payment.

9.4. The LIFT product has also enabled officers to identify where residents could be entitled to additional benefits or financial support. It has identified 440 pensioners who may be entitled to Pension Credit and those who are just missing out. We have extended use of LIFT into Housing to enable support for Medway Council 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 1,400 residents with a wide range of financial welfare issues as well as providing support to Medway Council services. The team now co-locate with Housing in Kingsley House which has led to more effective collaboration and good outcomes for residents.
- 10.3. The Financial Welfare and Housing Related Support team have achieved annual financial gains for residents of £2.5m since April 2025. The Macmillan Team are on course to exceed the £4.6m financial gains achieved in 2024.
- 10.4. The team continues to attend many events to promote the support the team provides, assisting residents and partners. The team has attended Welcome to Medway events, Carers First carer's event, Medway Food Partnership, Housing events, Medway Matters Live and many events for groups in Medway where financial support/advice is needed.
- 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 168 compliments received in 2024/25 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 1,424 tenants that were UC claimants at the end of the financial year 2024/25, which was a 6.5% 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 2.6% increase. Therefore, at the end of quarter 1 (2025/26) we have 1,505 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 has seen a decrease in arrears, resulting from the arrears action plan implemented last year and the recruitment of an additional member of staff, which is now a permanent post within the new Tenant Services structure. There is now only one Tenancy Sustainment Officer (TSO) within the Income and Arrears team, with the other TSO leading complex and hoarding cases within tenancy management.

11.4. The TSOs assisted council tenants with accessing the following for the financial year 2024/25:

- Council Tax Reduction of £50,537.45
- Lump sum direct to tenants rent accounts (including DHP) of £62,373,
- Household Support Fund Grants of £62,291.

11.5. This work has continued in 2025/26 with the TSOs having assisted council tenants with accessing the following in the first two quarters of 2025/26:

- Council Tax Reduction of £18,509.80,
- Lump sum direct to tenants rent accounts (including DHP) of £21,695,
- Household Support Fund Grants of £12,346.

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 2025), 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
3050	721	269	1295	765

## 12. 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
Likelihood		Impact:	
A Very likely		I Catastrophic	

B Likely	II Major
C Unlikely	III Moderate
D Rare	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. If the actual cost of the scheme in 2025/26 is less than the budgeted figure, this will manifest in a surplus on the collection fund which will feature in the budget for 2026/27.
- 13.2. Discretionary Housing Payments and the Household Support Fund schemes are all fully funded by government grants.
- 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 latest 2025/26 budget monitoring reflects this as a cost to the council of £2.323million.

## 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