

Business Support and Digital Overview and Scrutiny Committee

22 October 2026

Universal Credit and Welfare Reforms Annual Progress Report

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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 One Medway Council Plan 2024 aims around Growth; residents with jobs and skills and providing effective, targeted support for our most vulnerable residents. On 4 July 2026, the Cabinet agreed a new Crisis and Resilience Plan, replacing the previous Cost of Living Crisis Response Plan. 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 has replaced 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 meets one or more of the following conditions:

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

4.2. Move to UC (Managed Migration) commenced in April 2024. From April 2026, this concluded within Medway and now we are left with the cases stated above.

4.3. When UC went live in 2018, there were 17,527 active claims for Housing Benefit in Medway. This has now reduced to 5,231. Further analysis shows that of the 1,274 working age claims, 527 of those are Temporary Accommodation, 747 in Specified (Supported) Accommodation, neither of which are due to migrate to Universal Credit. The remaining caseload (3,957) belongs to pensioners.

4.4. Although claim numbers have significantly reduced, we have still received 247 stop notices since 1 July 2026. These are in respect of claimants occupying temporary or specified accommodation where DWP need to confirm whether support for housing costs should be met through UC or Housing Benefit.

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 2 claims affected by under occupancy rules in Medway (compared to 156 in 2024 and 28 in 2025). The impact is shown in the table below:

	14% Reduction	25% reduction	Total
Temp	1	0	1
Other social sector	1	0	1
Total	2	0	2

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.

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. There have been changes to Universal Credit this year with a restructuring of the health-related element. Existing claimants have had their rate frozen, new claimants receive a lower amount; however, the standard rate of Universal Credit increased in April above inflation.
- 5.6. The Work Capability Assessment (WCA) is due to be scrapped in 2028 with a new single system introduced. Under the new system, any additional financial support for health conditions will be assessed under Personal Independence Payments, Employment and Support Allowance and Universal Credit will form a single assessment. Claimants will be given a Right to Try Guarantee ensuring that attempting to work will never lead to a benefits reassessment.
- 5.7. The two-child limit was introduced in 2017 meaning that most families could only receive the child elements in welfare benefits for their first two children. Children born after 6 April 2017 were generally excluded unless a specific exemption applied. This will be seen mostly within Universal Credit and existing claims have been updated from assessment periods on or after 6 April 2026. The additional amount is worth £3,650 per child, per year in 2026/27. However, the benefit cap (£1,835 per month for couples and single parents) still exists and families may find they will not see the full increase because of the cap.
- 5.8. In July 2024, the Chancellor announced the government's commitment to bring together the administration of Pension Credit and Housing Benefit. Discovery work has been undertaken by the DWP and in July 2026, the government announced that a new joined-up service is in progress to enable customers to claim Housing Benefit and Pension Credit together. This work will commence with an online claim channel from autumn 2026 for a selected number of customers which will subsequently move to all available channels (online, post, phone and in-person). The DWP are including local authorities within this design process confirming that Housing Benefit will remain with local authorities and Pension Credit with the DWP.
- 5.9. 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 act. The consultation results have been released, and the Council now has a duty to create and implement a Supported Housing Strategy by March 2027. Pre-decision scrutiny of the

strategy will take place within the next Business Support and Digital Overview and Scrutiny meeting. We are waiting for further consultation and the publication of the subsequent changes in Housing Benefit Legislation to enable work under the act. This is expected within the next six months.

- 5.10. The Housing Benefit (Earned Income Disregards) (Amendment) Regulations 2026 introduce additional earnings disregards for working-age claimants living in specified accommodation or temporary accommodation. The aim is to align Housing Benefit more closely with Universal Credit and remove employment disincentives for residents in temporary or specified accommodation. There are five new earned income disregards which enables claimants to earn more before their HB starts to reduce. Historically, some households in temporary and specified accommodation were effectively worse off when increasing work because HB reduced much faster than UC. The new disregards are intended to ensure that work pays and reduce the risk of large rent shortfalls.

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 25 February 2026, 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 3.6% (October 2025). The bands in the council's scheme for 2026/27 were therefore uprated by 3.6% 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 Council's current CTR caseload is 15,840 as of 25 September 2026, with a projected cost to the council of £15.7 million. This represents a decrease compared to the caseload of 16,217 at the same point in in 2025/26. This is likely due to changes in Universal Credit from April 2026 which both increased most components by 3.8% (slightly above the 3.6% increase in the Council Tax Reduction bands) and the removal of the two-child limit within Universal Credit.
- 6.3. On 30 June 2026 Cabinet agreed that, using its power under section 13A(1)(c) of the Local Government Finance Act 1992, any amount of Universal Credit attributable to a transitional protection element should be fully disregarded within the Council Tax Reduction scheme. Due to delays in obtaining the necessary software licences the disregard has not yet been applied and therefore the additional cost is not reflected in the figures shown in 6.2.
- 6.4. The scheme and the Council's budget allows for a modest level of Exceptional Hardship Payments to support residents beyond the core

scheme. In 2025/26 £75,904.82 was awarded in Exceptional Hardship Payments. Expenditure in the 2026/27 year to date is currently £16,549.60. This is in part due to some applications awaiting assessment at the time of writing but is mitigated by Universal Credit changes outlined in 6.2 and forthcoming disregard of the transitional protection elements.

- 6.5. Between 1 April 2026 and 30 September 2026, 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.
- 6.6. In 2025/26, 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.

7. Crisis and Resilience Fund

- 7.1. The Household Support Fund was replaced from 1 April 2026 with the Crisis and Resilience Fund. The Crisis and Resilience Fund (CRF) is a three-year fund (1 April 2026–31 March 2029) that replaces the Household Support Fund and Discretionary Housing Payments. It provides long-term, multi-year funding so we can deliver effective, preventative and crisis support to residents. Medway's allocation is £4.590m and is contained within the final Local Government settlement. The funding has added to the Council's revenue budget following agreement at Full Council in February.

7.2. Background

- 7.2.1. The fund has three intended outcomes:
- Provision of effective crisis support - ensuring residents can access timely, appropriate help during financial crisis.
 - Improving individuals' financial resilience - helping people build the capability and stability to better withstand future crises.
 - Bolstering the local-level support landscape— strengthening local systems, partnerships, and services that prevent hardship and support long-term wellbeing.

Authorities must ensure that the CRF schemes are person-centred, needs-based, holistic, adopt a no wrong door approach and be trauma informed.

- 7.3. The fund has been allocated across four components, Crisis Payment, Housing Payment, Resilience Services and Community Coordination.

7.3.1. Crisis Payments

Medway Council must offer support to low-income households to:

- individuals who have experienced financial shock. A financial shock is a sudden, unexpected expense or drop in income, that can place pressure on their budget and wellbeing, or
- prevent individuals from entering crisis. Providing timely support so that people can manage pressures, maintain control and avoid being pushed into crisis or prevent crises from escalating.

These payments are intended to meet occasional or short-term needs and cannot provide a regular source of income.

7.3.2. Housing Payments

Discretionary Housing Payments (DHP) ended on 31 March 2026. They were replaced by Housing Payments from the Crisis and Resilience Fund. The Housing Payments closely replicate DHP guidelines. Housing Payments will provide financial support towards housing costs and are paid when the authority is satisfied that additional assistance is required. The payments can only be made to those in receipt of Housing Benefit or Universal Credit (with Housing Costs for a rental liability).

7.3.3. Resilience work

Resilience Services are the services, programmes and activities that support building financial resilience for individuals and local communities. These are often delivered by the Local Authority and through the voluntary and community sector. The authority is expected to use a significant portion of the funding to implement or develop resilience services, this can be investing in new provisions or existing services to expand provision.

7.3.4. Community Co-ordination

Authorities are required to use part of the funding to create a more connected local welfare landscape, contributing to the third outcome. These activities need to build partnerships and referral pathways that make both immediate crisis responses and long-term resilience possible. This needs to encompass a no wrong door approach that improves access.

7.4. Progress so far:

- Crisis Payments commenced on 1 April 2026. We provided more than £250,000 to over 500 households.
- There has been a significant demand for Housing Payments with £242,000 of the £484,162 fund already spent.
- New Welfare Benefits and Community Support Team established creating capacity to deal with complex welfare benefits issues.
- Support provided to Medway Adult Education to offer basic maths, English and ESOL courses to support the development of skills to enable employment and financial literacy.
- Community Supermarket in the Pentagon opened on 5 October 2026.
- Veterans wellbeing event held on 10 October at Royal Engineers Museum.

- A funding pot of £500,000 for Medway's Voluntary and Community Sector for projects which increase financial resilience and reduce the reliance on emergency food provisions. The scheme will go live late October/early November followed by a second tranche in early 2027. This scheme will be administered through Medway Voluntary Action's Social Impact Gateway.
- Additional funding provided to the Holidays and Activities Fund to increase provision.

8. Crisis and Resilience Plan

- 8.1. In July 2023, the Cabinet approved the Cost-of-Living Response Plan and in July 2024 and July 2025, the plan was refreshed. With the change to Crisis and Resilience, the plan was renamed from 2026 to the Crisis and Resilience plan. The plan shows the activities being conducted within the Council which contribute to the shared outcomes of the fund regardless of whether they are directly funded by the CRF.
- 8.2. This work has been followed up by the Digital Team and their improvement of the webpages containing information about benefits, financial welfare and debt.
- 8.3. The Council continues to work closely with the Money and Pensions Service (MAPS) and now has over 150 registered Money Guiders. The scheme is being extended to eligible partners across Medway. We continue to use the Money Advisors Network and MAPS support wider financial wellbeing initiatives across the Council.

9. Progress of the Benefits and Financial Welfare Service

- 9.1. 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.
- 9.2. Following changes to the way in which Macmillan Cancer Support provides third party funding for welfare support, it became apparent that the service Medway residents had been used to for the past 15 years would be significantly reduced. The council is aware of the effect that sudden health changes can have on finances and as such have set up a new team. The Welfare Benefits and Community Support Team are helping residents who are experiencing life-limiting illnesses, significant welfare benefit issues which require mandatory reconsiderations and appeals as well as supporting the wider efforts to create an effective welfare support network across Medway.

- 9.3. Since April 2026, the Benefits and Financial Welfare service has received over 2,000 referrals for benefits and financial welfare advice
- 9.4. 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.
- 9.5. The Benefits and Financial Welfare Service and its composite teams are receiving high levels of compliments from members of the public and are consistently the most complimented council team.
10. Medway Council Housing Services including the Housing Revenue Account (HRA)
 - 10.1. 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 1,602 tenants that were UC claimants at the end of the financial year 2025/26, which was a 12.5% increase on the previous year. To date we have seen a further increase in the number of new UC claimants over the last 6 months with 6.1% increase. Therefore, at the end of quarter 1 (2026/27) we have 1,655 tenants in receipt of UC housing element. 1,699 tenants as of 25 September 2026.
 - 10.2. 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.
 - 10.3. The Council has seen a reduction in HRA rent arrears by proactive income collection, early intervention with tenants experiencing financial difficulty, and effective tenancy sustainment support. The income and tenancy sustainment team have worked together assisting tenants to maximise their income through welfare benefits, Universal Credit support, and applications to financial assistance such as Crisis and Resilience Fund (formerly DHP). Improved payment arrangements, and targeted recovery action have also contributed to the overall reduction in outstanding debt.
 - 10.4. The Tenancy Sustainment Officers (TSO) assisted council tenants with accessing the following for the financial year 2025/26:

- Council Tax Reduction of £69,610.45
- Lump sum direct to tenants rent accounts (including DHP) of £96,835.55,
- Household Support Fund Grants of £56,143.

10.5. This work has continued in 2026/27 with the TSOs having assisted council tenants with accessing the following in the first two quarters of 2026/27:

- Council Tax Reduction of £27,554.24,
- Lump sum direct to tenants rent accounts (including DHP) of £21,840.45
- Household Support Fund Grants of £6,832.86.

10.6. The proportion of tenants in receipt of benefits and those who pay their full rent is set out in the table below (as of 30 September 2026), 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
3099	444	169	1699	787

10.7. The HRA teams are continuing to jointly work on engagement activities with the Welfare and Benefits team. Recent events have included a back-to-school focused event providing support with back-to-school essentials for low-income families and a roadshow event being planned in October 2026 with a focus on warmth and fuel poverty along with linking in with wider community support and voluntary sector services.

11. 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	C3
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	B2
Likelihood		Impact:	
A Very likely		I Critical	
B Likely		II Major	
C Unlikely		III Moderate	

D Rare	IV Minor
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12. Local Government Reorganisation (LGR) implications

- 12.1. Following the announcement of the pause on 7 September 2026, officers will monitor the ongoing situation and will consider any relevant impacts as they arise.

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 2026/27 is less than the budgeted figure, this will manifest in a surplus on the collection fund which will feature in the budget for 2027/28.
- 13.2. The Crisis and Resilience Fund is fully funded by the government and ring fenced for that purpose.
- 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 expenditure that can be reclaimed from the government through the subsidy scheme is reducing over time and the 2026/27 budget reflects this as a cost to the council of £2.7m.

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