



CASH-FIRST APPROACHES TO SUPPORTING PEOPLE FACING FINANCIAL HARDSHIP LOCALLY: A LITERATURE REVIEW

Over the past two years, from the coronavirus pandemic to the present cost-of-living crisis, there has been rising interest in the value of providing people with direct cash-transfers by local government to prevent people from falling into destitution.¹

These crises have prompted the UK Government to rediscover the value of local government designed and delivered support - providing over £2bn in funding to local authorities in England to deliver immediate support to households facing financial hardship.

Most recently, the Household Support Fund has provided over £1.2bn in funding to local councils in England since September 2021. However, the delivery of the Household Support Fund - and indeed other forms of funding provided by the government to local government - has been characterised by the provision of in-kind support over the use of cash transfers. In some cases, this has led to people struggling to access support.²

Locally delivered support for households facing financial hardship has a different character and purpose to nationwide interventions. In principle, well-funded programmes, with an agreed upon purpose, can empower local decision makers to identify those at risk of financial hardship and respond to their immediate need through dignified and wrap-around support, and signposting to other local services. Each devolved administration, alongside England, has a different approach to providing immediate support in times of financial hardship.

In practice, however, at in England, the use of local government delivered cash transfers to provide support to people in financial hardship is less widespread compared to Scotland, Wales, and Northern Ireland. This literature review specifically explores the existing evidence base surrounding cash transfers, and why cash-first solutions matter ethically and practically. It draws on the UK policy context, the implementation and impact of locally and nationally driven schemes, evidence from the international aid sector, and potential gaps in the evidence base.

INTRODUCTION

In the context of rising need for food banks and other forms of emergency food aid, there is broad support amongst the anti-poverty sector that locally delivered 'cash first' responses to short-term financial hardship, are a more dignified policy intervention than a food parcel, and that it can help people afford the essentials.

¹ For example, Stephen Bush (2022), Financial Times, <https://www.ft.com/content/bcc41a57-a59a-4ac8-8fc8-d7bf44a3d6e1>

² The Guardian (2022), Vulnerable people struggle to access UK Household Support Fund, <https://www.theguardian.com/business/2022/jul/15/vulnerable-people-struggle-to-access-uk-household-support-fund>

Organisations ranging from the Trussell Trust to the Independent Food Aid Network (IFAN), the Child Poverty Action Group, the Local Government Association and the Social Market Foundation³, have all made the case for ‘cash-first’ policies.⁴

For the purposes of clarity, in this literature review, the term “cash-first” specifically applies to the use of government delivered schemes at the local national level where individuals are given a direct cash payment, rather than in-kind support such as a food parcel, or vouchers. The mechanism by which cash is transferred can vary depending on the scheme - some may provide physical cash directly, others may make use of technology to deposit it into people’s bank account, or allow people to use a code to access an ATM.

Broadly, cash first approaches are said to have two benefits over the provision of in-kind support: that they are efficient, because people have a better understanding of their specific needs and circumstances than the government⁵; and that they are more dignified, allowing people to make their own choices with the same agency as others.⁶ These two benefits mean that cash based solutions could be more effective at bringing people out of poverty in the long-term.

It is at the local government level in England, where the use of cash-first interventions is more patchwork in nature, due in part to various reforms to the way support for people in financial hardship locally has been designed over the past ten years.

However, whilst the conceptual and moral arguments for cash-first responses are strong, the evidence base for the delivery of cash first schemes, particularly, at the local level in England, is fairly limited.

This is in part because there is no statutory duty for local government to provide cash transfers, nor funding from the UK government that is ringfenced to deliver this support in England.⁷ In Scotland, Wales, and Northern Ireland, there are nationally administered crisis support schemes which do provide cash transfers to people at the local level when they face an immediate shortfall in their income. For some groups who may miss out on support from the national social security system, such as those with No Recourse to Public Funds, cash transfers at the local level can be a lifeline and can make the difference between having financial security or having to turn to a food bank for support.

³ For example: Aveek Bhattacharya (2021), *Give me the money (That’s what I want): the case for cash benchmarking* <https://www.smf.co.uk/publications/the-case-for-cash/>

⁴ For example: The Trussell Trust (2021), *Local lifelines - the case for reinvigorating local welfare assistance beyond COVID-19*, https://www.trusselltrust.org/wp-content/uploads/sites/2/2021/02/Local_Lifelines_beyond_COVID19_Joint_briefing_final_240221.pdf; Child Poverty Action Group (2021), *Using COVID-19 Funding to Tackle Child Poverty: Guidance for Local Councils in England*, <https://cpag.org.uk/policy-and-campaigns/briefing/using-covid-19-funding-tackle-child-poverty-guidance-local-councils>; Local Government Association (2020), *Delivering Financial Hardship Support Schemes*, <https://www.local.gov.uk/publications/good-practice-guide-delivering-financial-hardship-support-schemes>

⁵ The Social Market Foundation (2021), *The case for cash benchmarking*, <https://www.smf.co.uk/wp-content/uploads/2021/02/The-case-for-cash-benchmarking-February-2021.pdf>

⁶ Greater Manchester Poverty Action (2021), *Cash first approach to local welfare provision*, <https://www.gmpovertyaction.org/strengthening-role-lwas/>

⁷ NB: Whilst the Household Support Fund does allow for local authorities to provide cash transfers, the guidance does discourage their use, and it is a time limited fund, rather than a long-term settlement.

At the international level, cash-based interventions play an important role during humanitarian missions and providing support during emergencies. This forms a significant proportion of the available evidence base. Evaluations of international humanitarian operations have found that cash transfers are an effective and uplifting intervention in enabling people to meet their basic needs because they give people the power to determine what their own needs are and to address them in a way which can best suit their situation.⁸

Furthermore, the evidence from humanitarian aid missions has found that in areas lacking sufficient food infrastructure (having access to food), in-kind support is the most appropriate because people are not able to access food easily. Conversely, where there is strong food infrastructure and supply, direct cash support is the most appropriate intervention.⁹ These evaluations are not directly transferrable to the UK context, but there are some important lessons and principles around the contexts in which cash-first schemes are preferable.

Therefore, despite widespread evidence from the international aid sector, that cash transfers can help people facing financial hardship, there is a smaller sample of evidence around their use in England.

However, cash transfers alone will remain an inadequate intervention without investment in wider support to help people tackle the root cause of their crisis, especially if they have complex needs. Furthermore, its impact will be similarly limited if the social security system does not provide people with an adequate income, or if the system for delivering cash transfers locally is not funded for the long-term. . .

THE NEED FOR FOOD BANKS IS DRIVEN BY INCOME, NOT ACCESS TO FOOD.

There is a substantial evidence base that the rise in the use of emergency food aid over the past decade is driven by the fact that people are unable to afford food, rather than because they cannot feed themselves.¹⁰ Specifically, the primary driver of food bank need in the UK is destitution.

People are defined as destitute if they lack two or more essentials (shelter, food, heating, lighting, clothing, toiletries), or that their income was so low that they were unable to purchase these essentials for themselves. In late 2018 and early 2020, more than nine in ten people referred to a food bank were destitute. Around eight in ten were destitute because they lacked the essentials, and seven in ten were destitute because they could not afford the essentials.

People who needed to use a food bank in the Trussell Trust network were more likely to be destitute on both criteria - meaning that they both lacked the essentials and the income to afford

⁸ Lee et al (2019), *Cash Transfers in Emergencies*. *Columbia Social Work Review*. 10(1), pp.21-32

⁹ See World Food Programme (2018), *Cash Transfers for fast and effective assistance*

¹⁰ For example, see the Trussell Trust (2021), *State of Hunger*

the essentials themselves. (62% were destitute on both criteria). In kind support, provided by food banks in the Trussell Trust network meets this need and is a lifeline for many, but it only provides short term relief, and cannot tackle the deeper root causes of destitution, which is that too many people lack a sufficient income.

In kind support can be a lifeline to many, but it can only provide short-term relief rather than helping people to tackle the root causes of their need. This requires action at all levels of government across the UK.

WHY DO CASH TRANSFERS MATTER ETHICALLY AND PRACTICALLY – THE CAPABILITIES APPROACH AND INTERNATIONAL EVIDENCE.

The capabilities approach is often used in arguments surrounding the use of cash transfers. It examines the ability (or capability) of people to achieve their well-being, rather than solely focusing on the rights they maybe be entitled to. Whether someone can convert the resources they have available to them into improved life chances depend on certain conditions.¹¹

The use of cash transfers can be said to uphold the dignity and agency of people facing financial hardship, which is harder to maintain via in kind support.¹²

According to Sen and Nussbaum's understanding of the capabilities approach, everyone has a different set of factors which allows them to access and convert resources, such as cash, into capabilities and life chances. The use of cash, rather than in-kind support, recognises this diversity by providing an easily convertible resource, which can be tailored to different life events. In other words, a cash first approach acknowledges that no two people are the same and respects their ability to make decisions for themselves about the resources they most urgently require.

On a more practical level, providing people with cash rather than in kind support can be a more efficient and effective use of government money because it reduces the cost of co-ordination and logistics, and minimises waste.

The use of cash-based interventions in international humanitarian operations, especially 'food emergencies' has risen over recent decades. For example, the United Nations High Commission for Refugees delivered \$700 million in direct cash support to 8.5 million people in over 100 countries in 2020.¹³

¹¹ See Stanford Encyclopaedia of Philosophy (2020), *The capability approach*, <https://plato.stanford.edu/entries/capability-approach/>

¹² See Nussbaum, M (2011), *Creating Capabilities*, Cambridge, MA: Harvard University Press, or Sen (1999), *Development as Freedom*, New York: Knopf

¹³ UNHCR (2021), *UNHCR and Cash Assistance*, <https://www.unhcr.org/uk/61f8f7194>

This movement has been heavily influenced by the capabilities approach, and specifically Sen's contribution that contemporary famines are most often due to lack of access to food, especially around affordability, rather than failures in food supply.¹⁴ Hunger is driven by a decline in entitlement - that is, all possible goods and services to which a person is freely able to access and choose from - and purchasing power, rather than a lack of food itself. Therefore, an economic response which boosts the purchasing power of an individual can be seen as an effective alternative to in-kind food aid.

Cash can be used to boost incomes and therefore an individual's entitlement (their ability to access goods and services), also enabling choice, reducing transaction costs, and even in some circumstances stimulating local markets.¹⁵ These are similar findings to the UK based literature, with cash transfers being hailed as an effective way of ensuring that support is tailored to people's needs.¹⁶

The UNHCR have used direct cash-based assistance to support people during international interventions. They have recently started surveying cash recipients on how they have made use of their cash transfers, the challenges with its delivery, and whether their basic needs were met. It found that "*cash assistance has proven to be an effective means of getting support to affected people fast, providing protection, empowering families to meet their basic needs, and mitigating some of the negative socio-economic impacts of COVID-19*"¹⁷. In all operations, refugees stated that cash assistance has helped them to reduce the financial stress and loss of income caused by COVID, enabling them to meet basic needs.

The flexibility cash provides is also a major benefit - it can unlock a range of other improvements, including increased wellbeing, and other improved health outcomes.¹⁸

¹⁴ Sen (1983), *Poverty and Famines: An Essay on Entitlement and Deprivation*. Oxford University Press.

¹⁵ Peppiatt, D., Mitchell, J., & Holzmann, P. (2001). *Cash transfers in emergencies: evaluating benefits and assessing risks* (p. 24). London: Overseas Development Institute.

¹⁶ British Red Cross (2021), *Ready for the future: Meeting people's needs in an emergency*

¹⁷ UNHCR (2021), *Multi-purpose cash assistance in 2020: Main outcomes from Post Distribution Monitoring*, <https://www.unhcr.org/613b36c64>

¹⁸ World Bank (2014), *Conditional, Unconditional and Everything in Between: a Systematic Review of the Effects of Cash Transfer Programs on Schooling Outcomes*, <https://openknowledge.worldbank.org/bitstream/handle/10986/18085/rjde-10.108019439342.2014.890362.pdf?sequence=1&isAllowed=y>

CASH BENCHMARKING

This increased trend of using cash transfers in development has also led to the use of cash benchmarking to evaluate the effectiveness of programmes.¹⁹ Cash transfers can be more effective because they do not require the same delivery infrastructures as in-kind support programmes do.

Cash benchmarking compares the impact of an in-kind program, activity, or intervention, against the potential impact of an unconditional cash transfer to individuals or households. This enables organisations to see whether providing cash transfers would be a better alternative than providing in-kind or other forms of support and is a useful thought experiment to challenge organisations' default position towards in-kind support.

For example, USAID use cash benchmarking to “create a standard of cost-effectiveness to ensure that programme design, procurement, and management system adds value to foreign assistance assessments”²⁰.

USAID benchmarked a nutrition programme in Rwanda, which compared an integrated WASH and nutrition programme to being given an unconditional cash grant of equal cost, a larger cash transfer, or no program. It found that the programme had a positive impact on savings, but did not impact on household wealth, dietary diversity, or child growth. An equivalent amount of cash (around \$142 per household) allowed households to pay down debt and boosted productive and consumption assets, whereas a larger cash transfer (around \$500 per household) had a wide range of benefits, including increased spending on essential goods, savings, assets, and household dietary diversity, as well as decreased child mortality.²¹ This showed that large cash transfers can have improved affects beyond economic measures of consumption but also include health benefits.

The Social Market Foundation have also suggested that cash benchmarking could be better incorporated into government policymaking and impact assessments in the UK to explicitly prompt officials to consider cash transfers compared to other policies or the delivery of in-kind support.²² Cash benchmarking could then be used to draw together a set of tests which policies must pass before they provide in-kind support.

¹⁹ SMF, *The case for cash benchmarking*

²⁰ USAID (2021), *Cash benchmarking: A New Approach to Aid Effectiveness*, <https://www.usaid.gov/sites/default/files/documents/CashBenchmarkingSummaryNov2020.pdf>

²¹ International Poverty Action (2018)

²² SMF(2021) , *The case for cash benchmarking*, <https://www.smf.co.uk/wp-content/uploads/2021/02/The-case-for-cash-benchmarking-February-2021.pdf>

WHAT CASH TRANSFERS ARE NOT

It must be stressed that cash transfers alone are not a silver bullet. They remain a crisis intervention; a more dignified crisis intervention than the use of in-kind support such as emergency food aid, but one which requires further action alongside it in order to address underlying causes, nonetheless.

For people who have more complex needs, such as substance abuse issues or housing, the use of cash alone is not going to be enough - they may require further wraparound support services.

How cash grants are distributed, and the context in which they are distributed, will also affect their impact. Some of the evidence at the international level has highlighted that one-time grants may only have temporary impacts, rather for the long-term.²³

The flexibility cash transfers enable are both their strength and weakness. Some risks have also been identified in the literature, the most frequently referenced being misuse and misappropriation.

However, across 44 estimates from 19 studies in 3 continents, researchers have found that almost without exception, there is no significant increase of expenditure on alcohol or tobacco as a result of cash grants.²⁴

The US Child Tax Credit provides a useful example of how people on low incomes spend short-term increases in income. In 2021, the Child Tax Credit increased the maximum benefit per qualifying child by between \$1000-\$1600 temporarily until the end of the year. Analysis around how the Tax Credit increase was spent found that the most common expenditure households used the increase in income for was food and other essentials, with Roll et al. (2021), finding that 51% of households used the money for food, 36% for other essential bills, and 29.8% for clothing.²⁵ Households “viewed the Child Tax Credit as an opportunity to enhance their children’s lives, ward off hardship, stabilize their budgets, and save for the future”.²⁶

Broadly, the literature suggests that cash transfers provide people with agency to know what is best for them in their own situation of financial insecurity or hardship, treating them with dignity. It can also have an important short-term impact on poverty and destitution.

²³ Blattman, Christopher and Fiala, Nathan and Martinez, Sebastian, The Long Term Impacts of Grants on Poverty: 9-Year Evidence from Uganda’s Youth Opportunities Program (April 5, 2019). Available at SSRN: <https://ssrn.com/abstract=3223028> or <http://dx.doi.org/10.2139/ssrn.3223028>

²⁴ World Bank Africa Region (2014), *Cash Transfers and Temptation: A Review of Global Evidence*, <https://documents1.worldbank.org/curated/en/617631468001808739/pdf/WPS6886.pdf>

²⁵ Roll, S., Chun Y., Brugger, L., and Hamilton, L. (2022) How are American families Using Their Child Tax Credit payments? Evidence from Census Data, Social Policy Institute. <https://cpb-us-w2.wpmucdn.com/sites.wustl.edu/dist/a/2003/files/2021/09/CTC-National-Analysis.pdf>

²⁶ Lens, Vicki, Abraham Arriaga, Caterina Pisciotto, Lily Bushman-Copp, Kimona Spencer, and Samantha Kronenfeld. “CHILD TAX CREDIT.” (2022), https://static1.squarespace.com/static/610831a16c95260dbd68934a/t/623a188046c83d55943e45fb/1647975966070/NY-C-Poverty-Tracker_Child-Tax-Credit-Interviews-2022.pdf

Cash transfers are no substitute for increasing people's income in the medium to long term through regular benefit payments, however. Nor do cash transfers act in a vacuum - for them to be most effective they need to be delivered alongside well-funded public services, which can help people with their more complex needs.

WHAT HAS BEEN HAPPENING IN THE UK CONTEXT SINCE 2012?

At the local level, cash-based interventions can be delivered through emergency or discretionary crisis support funds. When someone faces financial hardship, cash can help to support them and their households to meet the costs of essential items, such as food or electricity. This emergency support has two core aims: to help meet the cost of short-term increases and supporting people through unexpected life events and transitions.²⁷

Prior to 2013, the Discretionary Social Fund (DSF) provided assistance across the whole of the UK, in the form of cash grants to people facing sudden financial hardship, or who were moving to a new area following a significant life experience (such as leaving care or moving to a new area).

The Welfare Reform Act 2012 abolished the DSF, placing the responsibility for elements of the scheme on local authorities in England through the delivery of Local Welfare Assistance Schemes, and the devolved nations. In Scotland, Wales, and Northern Ireland, the devolved governments set up the Scottish Welfare Fund, the Discretionary Assistance Fund, and the Discretionary Support Scheme, respectively. These schemes do provide cash grants to people facing financial emergencies.²⁸

Whilst in the devolved nations, the Discretionary Social Fund was replaced with statutory support to people experiencing financial hardship, in England, the devolution of power for local government to deliver local welfare assistance schemes, was not accompanied with a devolution of resources or, indeed, responsibility. Due to a combination of a lack of funding and lack of guidance provided by central government, in England, local cash-based crisis support is patchwork in nature.

Many Local Welfare Assistance Schemes predominantly provide support in-kind or through vouchers, with the Children's Society finding that of local authorities who ran a LWA scheme in 2019, 64% provided in-kind support only, 8% provided cash-only support, and 24% provided a mixture of in-kind and cash-based support.²⁹

²⁷ CPAG (2022), *Back to the Bricks*,

https://cpag.org.uk/sites/default/files/files/policypost/Back_to_the_bricks_FINAL.pdf

²⁸ For example, The Scottish Welfare Fund awards cash through crisis and community care grants, which are typically provided via PayPoint, or in some circumstances direct bank transfer (BACS). For more information see Scottish Government Guidance: <https://www.gov.scot/publications/scottish-welfare-fund-statutory-guidance-march-2021/>

²⁹The Children's Society (2020), *Leave No Family Behind: Strengthening local welfare assistance during COVID-19*, <https://www.childrenssociety.org.uk/sites/default/files/2020-10/leave-no-family-behind.pdf>

Since the pandemic and the subsequent cost-of-living crisis, the UK government has given significant injections of funding to local authorities in England to distribute support to help households afford the essentials. The Emergency Assistant Grant, Covid Winter Grant Scheme and Covid Local Support Grant, and the Household Support Fund, have amounted to over £2bn in funding for local government to deliver support. Of this funding, over £1.2bn of it has been distributed through the Household Support Fund.

Across Scotland and Wales, the funding provided to discretionary support for people during a financial hardship has also increased, with the SWF, DAF, seeing boosts during the same period.³⁰

Many local authorities used this funding to provide vouchers to families on free school meals during the holiday period, blanket support to households claiming council tax help, and grants to the voluntary and community sector, especially those providing emergency food.

The Household Support Fund guidance document also mentioned food banks nine times and vouchers twenty times, whilst the use of cash got four mentions, mainly about concerns to limit the use of fraud. This points to a default position in the current policy priorities of the UK Government to focus on food bank provision and in-kind support rather than ‘cash-first’ approaches.³¹

Despite boosts to local capacity during the pandemic, there are still significant gaps in the provision of ‘cash-first’ support in England - the Household Support Fund has not empowered local authorities to create the long-term infrastructure required to administer cash transfers to people facing financial hardship.

The localised provision of cash transfers to support households in financial hardship since 2013 has led to a fragmentation of policy hardship across the UK; this is most apparent at the local level in England.

There is no ring-fenced funding for local crisis support in England, or a statutory obligation placed on local government to deliver it. Neither, is there any real guidance produced by the UK government on best-practice on this topic. As such, there is also a limited amount of evidence available about the benefits of ‘cash-first’ responses at the local level.

³⁰ See: Welsh Government (2021), *£680 million Covid cash boost for Wales*, <https://gov.wales/covid-cash-boost-for-wales> ; Scottish Government (2022), *Scottish Budget 2022-23 [Table 5.11: Social Security Assistance]* <https://www.gov.scot/publications/scottish-budget-2022-23/pages/6/>

³¹ Sustain (2021), *Government falls short, but councils can still offer a cash-first response to food insecurity*, [Government falls short, but councils can still offer a cash-first response to food insecurity](#)

THE EVIDENCE BASE FOR CASH-FIRST CRISIS SUPPORT ACROSS THE UNITED KINGDOM.

Compared to the examples from international development, where there is well documented evidence available surrounding the use of cash transfers to support people through financial hardship, there is comparatively little evidence about their use in the United Kingdom. Guidance for the Household Support Fund mentions the use of food banks nine times, whilst the use of cash has only four mentions - all discouraging its use.

This is predominantly formed of recent evaluations from pilot schemes providing emergency cash-based support to people experiencing serious hardship - this ranges from national schemes to micro-evaluations working in partnership with small groups of families.

Broadly, these evaluations have had positive findings, with cash-first responses providing people with dignity and the choice they need to resolve their own financial difficulties. However, they are also clear that cash transfers alone cannot prevent people from falling into destitution.

The literature also suggests that whilst cash grant pilots do provide short-term respite to people facing financial hardship, without a long-term policy around the delivery and funding of local crisis support, they will inevitably be a sticking plaster. The only way to deliver this is through action at all levels of government, from the UK Government down to local councils.

Case study: the British Red Cross's Covid-19 Hardship Fund

Despite the relatively fragmented nature of 'cash-first' support available at the local level in England, there is a growing evidence base of its impact.

During the Covid-19 pandemic, the British Red Cross set up an emergency Hardship Fund, which provided support to people at risk of acute financial hardship.³² This fund distributed nearly £4.5 million in cash-assistance to over 18,000 people across the UK. A specific focus was placed on providing support to people who were experiencing a delay or disruption to their benefits, those fleeing domestic violence, and people seeking asylum and experiencing homelessness. Over half of those supported had No Recourse to Public Funds status.

People referred for support through the Hardship Fund received cards preloaded with a one-off payment of £120 or a grant of £120 each month for up to three months. There were no conditions attached to how this was spent. Cards were distributed via the postal system and typically arrived within 7 days of referral.³³

³² British Red Cross (2021), Learning from the British Red Cross Covid-19 Hardship Fund, <https://www.redcross.org.uk/-/media/documents/about-us/financial-hardship-briefing-december.pdf>

³³ Ibid.

An evaluation of the scheme, which drew on interviews with 100 partner organisations who referred into the fund, and 940 people who received support, found that the Hardship Fund had a positive impact for people during emergencies, but that there were also a series of limitations inherent with the short-term nature of support.³⁴

The main impact of the British Red Cross fund was that people were able to meet their basic needs, with 93% of people stating that they felt it had a positive impact on their lives and enabled them to afford the essentials. Cash-based support was used by recipients to buy food (78%), other household items (32%), hygiene products (28%) and to pay bills (17%). This challenges some of the narratives around cash-based support which suggests that they will be misused or spent on non-essential items.

Furthermore, the scheme's evaluation demonstrates that cash transfers can unlock wider benefits beyond supporting people to afford the absolute essentials. For instance, it enabled people to access more sustainable forms of support, such as obtaining a passport or supporting themselves into employment. Finally, people experienced improved well-being: 92% felt that the financial assistance they received reduced feelings of stress and anxiety.³⁵ Underpinning all of this is the way in which cash first approaches were found to help people retain their dignity and agency to make decisions about what they most needed to recover.

There were specific limitations with the British Red Cross's Hardship Fund's model, in which some people raised issues with activating the card, not being able to check the card balance, not being able to withdraw larger amounts of cash at once and being unclear about how to top the card up. Furthermore, whilst 95% of people stated they received the card when they needed it most, the evaluation found that a 7-day wait may be too long to prevent further hardship.³⁶

On balance, the evaluation found that the cash-first intervention helped to prevent people from falling into further financial difficulties and provided them with the choice and dignity to make their own decisions during the Covid-19 pandemic.

Directed financial support in emergency situations can prevent destitution and improve health outcomes, particularly for people with no recourse to public funds (NRPF).

However, the short-term nature of this emergency provision meant that many people returned to financial hardship after fixed-term support ended - 45% of people who received support from the fund after 3 months stated that their situation was either the same or worse. This demonstrates that whilst cash transfers can provide important respite to individuals facing financial emergency, without a sufficient national social security system, and a long-term funding settlement to deliver cash transfers locally, crisis interventions such as the Hardship Fund will only ever provide a short term fix.

³⁴ Ibid.

³⁵ Ibid.

³⁶ Ibid.

Case study: direct payments instead of free school meals

School closures during the pandemic meant that alternative provision had to be found for children who were eligible for free school meals. Some local authorities across the UK chose to deliver direct payments worth the value of the school meals each child would have been entitled to, whilst others delivered food or provided vouchers which could be spent in specific supermarkets.³⁷

As part of their ‘costs of lockdown’ project, Child Poverty Action Group (CPAG), found an increased uptake of the direct cash payments in comparison to free school meals and are preferred by families as they provide flexibility, convenience and the dignity to provide the food that they knew their children would eat and enjoy.³⁸ 81% of families receiving direct payments said that it was working extremely or very well for them, compared with 60% of families receiving vouchers that could be spent in more than one supermarket, 46% of families having food delivered, 36% of those collecting food, and 35% of families receiving supermarket specific voucher cards.³⁹

Case study: The Legendary Community Club in Lewisham

A similar study was run by the Legendary Community Club (LCC) in Lewisham, which support families and young people with food packages and lunches and is part of the Independent Food Aid Network of food banks.⁴⁰ The cash first study was a response to the growing normalisation of food aid provision. Seven families were given £36 a week for four weeks in place of food packages. There was a clear preference for cash over food packages, due to the choice, autonomy, flexibility, and room to experiment that families found.

Despite the limited evidence base for ‘cash-first’ evaluations in the UK, there are some clear themes which can be teased out from the literature. Firstly, compared to in-kind support, ‘cash-first’ interventions provide people with the choice and dignity to make their own decisions, and can help prevent people from falling into destitution due to a short-term financial shock. Their effectiveness does rely on the delivery model, in which technical difficulties or other barriers could lead to people missing out on support. Furthermore, ‘cash-first’ approaches in the UK do not occur in a vacuum - whilst the national social security system continues not to provide a sufficient income to afford the essentials, especially to those with NRPF, local ‘cash-first’ support will continue to be a short-term fix to a structural problem.

³⁷ For example, Glasgow City Council provided direct cash payments during the summer of 2020, <https://www.glasgowtimes.co.uk/news/18521376.parents-glasgow-get-cash-payment-school-meals-summer/>

³⁸ CPAG (2020), *The Cost of Learning in Lockdown: Family Experiences of School Closures*, https://cpag.org.uk/sites/default/files/files/The-cost-of-learning-in-lockdown-UK-FINAL_0.pdf

³⁹ CPAG (2020), *The Cost of Learning in Lockdown: Family Experiences of School Closures*, https://cpag.org.uk/sites/default/files/files/The-cost-of-learning-in-lockdown-UK-FINAL_0.pdf

⁴⁰ Legendary Community Club (2022), *Cash first: the LCC Pilot*, <https://drive.google.com/file/d/19lApdlGXKm7t3HVcs76zYMxyKZwpx9J2/view>

Case Study: The Scottish Welfare Fund

The Scottish Welfare Fund was established in 2013 after the abolition of the Discretionary Social Fund by the then UK Government. It provides Crisis Grants and Community Care grants to households on low incomes - either to help people through a disaster or emergency situation or helping people to establish and maintain a home.

The SWF is funded by the Scottish Government, but administered by local authorities, with statutory guidance and national regulations balanced by local discretion and administering according to local needs. The Scottish Welfare Fund is a vital source of support for many households in Scotland facing financial hardship and does stand in contrast to the way local welfare assistance has been delivered in England. However, its funding is reliant on government grants, and there is concern that the amount provided is increasingly not sufficient to meet growing need as the cost of living crisis escalates.

It is seen as a "vital safety net" for people facing financial hardship, because it can enable people to buy what they need, rather than providing them with a one-size-fits-all food parcel.⁴¹ A recent evaluation by the Menu for Change project also identified the role it could play in acting as a gateway for further support which could prevent future hardship, and the need to increase the budget for awards to improve the response available to people.

The value of local cash transfers is that they can enable locally tailored responses to respond to immediate need. However, their delivery model can also risk a postcode lottery if national government does not sufficiently resource or provide robust guidance, for example, placing a default expectation that Crisis Grant applications have a same day decision, to prevent the need for a food bank referral. Research by the IPPR, in partnership with the Trussell Trust and Save the Children found significant local variation in the average value of Crisis Grants awarded, their success rate, and the timeliness in providing the grant. The Scottish Government has recently commissioned a review of the Scottish Welfare Fund, exploring levels of funding, promotion, take-up and accessibility, alongside the current guidelines and administration of the Fund. A report is due early in 2023.

The Scottish Welfare Fund is one of the more prominent examples of providing people with cash transfers, rather than food or other in-kind support, when they face financial hardship. However, like other emergency cash-based pilots it runs against "a backdrop of enduring poverty and destitution". This again underlines that local cash transfers can only prevent people from falling into destitution if there is also a responsive and robust national social security system.⁴²

⁴¹ Menu for Change (2020), *Scottish Welfare Fund Briefing*, <https://amenuforchange.files.wordpress.com/2020/01/a-menu-for-change-scottish-welfare-fund-briefing-.pdf>

⁴² IPPR, Save the Children, The Trussell Trust (2022), *Tackling Child Poverty and Destitution*, https://www.savethechildren.org.uk/content/dam/gb/reports/scotland-tackling-child-poverty-and-destitution_003.pdf

WHAT THE EVIDENCE FROM THE UK DEMONSTRATES

The evidence from cash-first pilots, evaluations, and policies across the UK, whilst limited in quantity, are still instructive.

Firstly, they have shown the importance of cash transfers in enabling households facing financial hardship to buy the essential items they need in the short term. They have highlighted how cash transfers are more dignified, enabling people to have a sense of agency and control over their life, which vouchers, or in-kind support may not provide.

However, the evidence has been drawn from a context in which, for many people, the national social security system does not provide a sufficient income to afford the essentials, groups who are excluded from nationally funded support face destitution unless they receive charitable help, and there exists no long-term form of local support available to households in England facing financial hardship locally.

FURTHER QUESTIONS TO EXPLORE AND GAPS IN THE EVIDENCE

Whilst the evidence on the use of cash transfers to support households facing financial hardship has demonstrated their value, there are still further gaps which would benefit from further research.

The existing evidence base around the provision of cash-based support to people facing financial hardship has highlighted the importance of existing infrastructure and delivery mechanisms. In the future, this would benefit from further research, to explore the most effective and dignified routes of delivery.

The main mechanism by which cash transfers can be provided to households in England are Local Welfare Assistance Schemes, yet there are as of yet, no widely available evaluations of cash-based schemes of this type. Furthermore, with the Household Support Fund coming to a close in March 2023, and local authorities in England facing increasingly stretched budgets as a result of inflation, there is a real risk that locally delivered cash transfers in England will become rarer.

Local best practice is important to examine in order to understand the best ways to implement a cash first scheme to households in financial hardship. Therefore, evaluating existing examples of cash first schemes delivered by local authorities in England could help identify best practice for their implementation and help councils make informed choices about its use.

International contexts vary radically, and more should also be done to understand what the transferrable lessons are from the international humanitarian aid sector to the specific policy context of the UK.

Furthermore, evaluations of cash transfers in the UK do not have a sufficient level of benchmarking or control groups where people received in-kind, or no cash-based support. This would be useful for future policymaking research to understand the necessary threshold for use, and benefits for using cash-based support compared to in-kind support.