

'Cash first' - Responding to the needs of low income residents through the provision of local welfare support

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Overview

This briefing sets out the importance of giving low income residents maximum dignity, choice and control when accessing local welfare support. It argues that this is best done through a 'cash first' approach which prioritises providing support to people who are facing financial hardship in the form of cash grants and loans rather than vouchers, food aid or goods (in-kind support). Local welfare assistance schemes represent a route through which this approach can be adopted.

Local welfare provision has taken on heightened importance in the context of the financial pressure facing low income households over the last ten years. The pandemic has further highlighted the potential role of local welfare provision to address the needs of people experiencing poverty.

The aim of this briefing is to support localities in Greater Manchester to understand the benefits of a 'cash first' approach in light of the COVID-19 pandemic.

It is important that localities do not allow misplaced negative perceptions to act as a barrier to providing people with crucial support. Evidence shows that when extra financial support is provided to low income households in crisis it is used appropriately and in a way that boosts household wellbeing.

A 'cash first' approach to local welfare would deliver the following benefits:

- Giving people dignity by removing the stigma that often comes with using in-kind support.
- Giving people choice and control by enabling them to use support in a way that works best for them, enabling them to meet the multiple needs that they have. This boosts household wellbeing and has significant benefits in households with dependent children.
- Giving people what they want – cash is the preferred option for most people on low incomes.
- Simplicity and efficiency - Cash payments are the most simple, efficient and cost effective means of providing people with support as cash payments can be made directly into people's bank accounts. It can be a more efficient approach for local authorities as it removes need for the partnership arrangements that come with in-kind support.
- Increasing take up - Cash payments encourage greater take up of support by households experiencing financial hardship.
- Giving a boost to the local economy by increasing the likelihood of payments being spent with local, independent retailers.
- Preventing people from falling into high interest debt when they face a financial crisis, and therefore preventing them from spiralling deeper into hardship.
- Bolstering wider financial inclusion efforts by linking cash payments to other sources of financial support such as credit unions.
- Enabling funding to be recouped where there is a loans element to cash payments being provided.

Local authority Emergency Assistance Grant for Food and Essential Supplies

Government is providing local authorities in England with an additional £63 million [to support people struggling to afford food and other essentials due to the pandemic](#). The funding is to be spent over a 12-week period from July 2020 and should be used for existing schemes and other support which delivers the same outcomes. The government guidance for the funding states:

“When deciding how to help people, local authorities should consider:

- using cash or vouchers where practical - this may reduce pressure on your local partners
- advising and providing information to people to help them access longer term support they might need, such as benefits - you should decide which approach is suitable in your community.”

Operating through existing local welfare support schemes, Greater Manchester Poverty Action believes the funding represents an opportunity to quickly provide people with support in the form of cash.

The Local Government Association (LGA) is recommending that local authorities provide cash payments in the context of the challenges facing people as a result of COVID-19. In a [recent report](#) the LGA said: “Taking into consideration the changing context created by COVID-19, councils should consider adapting their support offer to provide more direct financial support, particularly if there is evidence that existing ways of working create barriers.” This will enable people to meet multiple needs at a time when they are experiencing acute financial hardship and is likely to achieve better outcomes for the individual compared to support that narrowly focuses on one area of need.

Supporting residents through cash payments may help prevent them spiralling into a deeper financial crisis, potentially relieving pressure on local welfare provision beyond the lifetime of this funding. Local authorities could assess the impact of providing support in this way, and use any learning to inform ‘cash first’ responses to need in the future.

Background – the financial position of low income households

Low income working-age households have faced a major squeeze on their incomes over the last decade. Cuts worth an estimated [£37 billion](#) have been made to the social security budget between 2010 and 2020. The real-terms value of the major working-age benefits [fell by 6% between 2015 and 2019](#). Low income households have also been disproportionately impacted by rising living costs. [Office for National Statistics \(ONS\) figures](#) show that costs for the poorest tenth of households rose by 2.7% a year on average between 2006 and 2018, compared with an increase of 2.3% for the richest tenth.

It is not surprising that low income households have struggled to save, leaving them prone to financial shocks and unexpected one-off expenses. Prior to the pandemic, [consumer debt among low income households was rising at its fastest rate since the financial crisis](#). Nearly a third of people living in the [poorest 20% of households](#) report that they have no savings at all.

Given this context, many households in Greater Manchester, whether in or out of work, are unable to make ends meet. The social security system doesn’t do enough to give people a [decent standard of living](#). Increases to the minimum wage (branded the ‘National Living Wage’ for those aged over

25), extra funding for childcare and increases in the personal tax allowance (which disproportionately benefits people on higher incomes) have not [offset the losses in benefits](#) experienced by low income households.

Prior to the pandemic 620,000 people in Greater Manchester were estimated to be living below the poverty line. The economic impact of the pandemic is creating greater financial challenge for those who can least afford it: median weekly wages in the sectors shut down are among the [lowest in the economy](#) and low paid workers are [less likely to be able to work from home](#).

Greater Manchester Poverty Action is working with the [End Child Poverty Coalition](#) to support national calls for changes to the social security system to help tackle poverty. Additionally, in the current and immediate context we call on local welfare systems to maximise the positive impact they can have.

The role of localities

Over the last ten years [devolution of parts of the welfare system](#) to local authorities in England and cuts to local authority budgets have left localities with greater responsibility for welfare provision, but with fewer resources with which to provide support.

Greater Manchester Poverty Action [backs calls for local authorities to have the funds they need from central government](#) to support low income residents. We recognise that additional funding provided by central government to local authorities during the COVID-19 pandemic to meet the needs of low income residents (including the £500 million [Hardship Fund](#)) does not go far enough. In this context, we believe it is particularly important that local authorities make best use of what funding they do have by identifying best practice and adopting approaches to local welfare provision that maximises choice, dignity, and control.

Local authorities are responsible for several areas of welfare provision. Local welfare provision includes Council Tax Support schemes, Discretionary Housing Payments (DHPs), council run or commissioned welfare rights/benefits advice services and local welfare assistance schemes. A wider 'welfare offer' exists in localities, both in the form of commissioned services targeting vulnerable groups of the population and, increasingly since 2010, crisis responses to hardship delivered by the voluntary and community and social enterprise (VCSE) sector (perhaps best embodied by foodbanks).

There are many examples of good practice in the provision of local welfare across England, including here in Greater Manchester. However, the ad hoc way in which elements of the welfare system have been devolved, the financial pressure facing local authorities and their partners and the lack of sufficient policy direction or guidance from Westminster means that there is space to improve support and achieve better outcomes for low income residents.

Maximising positive outcomes through local welfare provision

Dignity, choice and control

Poverty is the consequence of having insufficient resources to meet one's needs and people experiencing poverty have multiple needs. Therefore, Greater Manchester Poverty Action believes that responses to poverty should give people maximum choice and control, and that this best done by providing people with cash benefits rather than in-kind support (i.e. vouchers, food aid or

household goods). It is difficult to see how the provision of limited goods or vouchers can meet the broad range of needs that families have, for example clothing, mattresses, sanitary products, crockery, children's books and toys, cleaning products, travel vouchers, child safety equipment, birthday presents – all vital to help people create a home and a family life for their children.

The principle of paying benefits in cash is generally largely applied through the national social security system, with benefits paid in cash rather than in the form of vouchers. However, local welfare schemes often run counter to this principle. Many local welfare assistance schemes across England offer a limited and narrow range of in-kind support such as vouchers, specific goods and referrals to crisis support such as foodbanks. There can be [significant stigma](#) attached to making use of vouchers or visiting a foodbank.

[The LGA advises that 'providing direct cash payments through hardship schemes will maximise flexibility and choice'](#). It is also the preferred option of people experiencing poverty. [Recent research by Child Poverty Action Group](#) (CPAG) into the provision of Free School Meals during school holidays found that most families preferred to receive support through direct payments to their bank accounts, as this method allowed flexibility, dignity, safety and convenience.

Other benefits of a 'cash first' approach

Providing people with cash gives them greater dignity, choice and control, but it also has other benefits:

Vouchers provided to people experiencing poverty, for example to meet food needs, are often only available for use at a limited number of supermarkets. By providing cash, people can use money at the retailer that best meets their needs and increases the likelihood of money being spent with local, independent retailers, thus retaining money in the local economy.

Cash payments are a simple and effective means of getting support to people in need as quickly as possible. As payments are made direct to the person in need, partnership arrangements with external VCSE, private or public sector agencies are not needed.

[Some councils have reported](#) that the move from direct cash payments to the provision of specific goods or vouchers was discouraging some people from applying for support – not because of a reduction in basic need, but because families often need help managing a temporary cashflow problem.

Cash payments can prevent people from needing to borrow money from high interest (legal or illegal) lenders. By preventing people entering a [debt crisis](#) through cash payments, local authorities can help reduce the likelihood of people relying on local welfare provision and other local support services in the future.

A shift to greater cash provision in Greater Manchester could involve the introduction of no or low interest loans alongside grants. This would mean that some of the money spent through local welfare assistance schemes could be recouped and reinvested back into providing support. A 'cash first' approach could support a wider financial inclusion agenda, linking payments to access to credit union accounts and other financial support services.

Background to local welfare assistance schemes

Until 2013 the government operated a crisis support scheme called the Discretionary Social Fund. This provided support to people through Crisis Loans and Community Care Grants (as well as Budgeting loans). Responsibility for Community Care Grants and Crisis Loans was devolved to ‘top tier’ local authorities in England from April 2013 onwards in the form of new local welfare assistance schemes. Local authorities are not statutorily obliged to operate schemes and there is limited government guidance on how schemes should operate. The government does not provide funding for the schemes.

[Research by Greater Manchester Poverty Action in 2018](#) found that across England a much smaller amount of support was being provided through local welfare assistance scheme compared to the old Discretionary Social Fund. In Greater Manchester, spending on crisis support in 2017/18 was £3.8 million. This is over £15 million lower than spending under Crisis Loan and Community Care Grant provision in 2010/11. The number of successful applications for support through local schemes in Greater Manchester was 10,077 in 2017/18, compared to 123,220 Community Care Grants and Crisis Loan awards made in 2010/11.

The research also found that increasingly support through local welfare assistance schemes is in the form of vouchers and referrals, not cash grants or loans. Around two-thirds of local authorities across the whole of England said they were not providing cash grants or loans through their scheme.



Figure 1: GMPA infographic published alongside research into local welfare assistance schemes in 2018.

However, there are a number of examples of good practice in respect of local welfare assistance schemes. A [recent report by CPAG](#) found that councils leading the way in the delivery of effective schemes are:

- ‘Topping up’ schemes with additional funding,
- Providing cash rather than in-kind support,
- Relaxing qualifying criteria,
- Promoting schemes widely,
- Making the application process as simple as possible, and
- Collecting and maintaining data on awards and applicants.

Greater Manchester context

Greater Manchester's ten local authorities have been working incredibly hard to respond to need during the COVID-19 pandemic. Existing local welfare support, particularly Council Tax Support and local welfare assistance schemes have played an important role in channelling support to people who are struggling.

Some boroughs have sought to pre-empt need among groups of the population vulnerable to a financial crisis (such as Rochdale MBC's [issuing of vouchers to families in receipt of free school meals](#) or Manchester City Council's [support for unpaid carers](#)). Many local welfare assistance schemes are restrictive in terms of eligibility during normal times. Some boroughs have been taking a more flexible approach to their qualifying criteria since the onset of the COVID-19 pandemic. This is a welcome development.

All ten boroughs in Greater Manchester operate a local welfare assistance scheme. The level of funding for schemes, the type of support and numbers of people supported varies, but support tends to be delivered through vouchers and signposting, rather than through cash payments. Lack of access to cash is often the missing element of the local welfare offer across the city region.

Local welfare assistance schemes could offer an effective way of making cash payments to residents in Greater Manchester. Some schemes already have the ability to make cash payments, even if they are not used. Boroughs in Greater Manchester may wish to consider if working in partnership with a neighbouring borough would enable them to begin making cash payments to residents. This is in line with [government guidance](#) in relation to the Local authority Emergency Assistance Grant for Food and Essential Supplies funding. The guidance advises that local authorities should work in partnership with other boroughs where that strengthens their ability to provide an effective support offer to residents.

Next steps

Greater Manchester Poverty Action is undertaking policy analysis into local welfare provision across the city region. This aims to understand how we can take a 'cash first' approach, ensure local welfare provision (in its broadest sense) is joined up, identify and embed good practice and develop a common minimum standard of support that promotes dignity, choice and control for people in need across Greater Manchester. This work will be published towards the end of 2020.