



CASH IN A CRISIS

How local government can embed cash-first solutions to provide support to people on low incomes

Briefing for local authorities in England

June 2022

About The Trussell Trust

The Trussell Trust is a network of more than 1,300 food bank centres across the UK, supported by almost 12,000 churches, as well as many community groups, local businesses, schools and over 30,000 dedicated volunteers. We provide practical support to people who can't afford the essentials, and campaign for a future where none of us need a food bank.

There will always be a role for strong community groups looking out for their neighbours. But it's not right anyone needs a food bank in the first place. We shouldn't need to distribute emergency food parcels. No one should be struggling to afford the essentials in the UK.

Why cash, rather than food?

The Trussell Trust's vision is for a future without the need for food banks.

Over the past decade there has been a growing awareness that food banks have become a common feature of communities across our country. Our latest end of year statistics found that for the first time outside of the pandemic, food banks in the Trussell Trust network delivered over 2 million food parcels to people in need across the UK in 2021/22.¹

The need for food banks is not driven by a lack of access to food, but by the fact that too many people in this country are on extremely low incomes, unable to afford the essentials we all need to eat, stay warm and dry, and keep clean. The median weekly equivalised income after housing costs, among households referred to a food bank in the Trussell Trust network, was just £57, before paying essential costs like energy bills or council tax.²

Our research is clear that one of the central drivers of the need for food banks is the fact that the national social security system does not provide people with a sufficient level of income to afford the essentials. This is why the Trussell Trust campaigns to improve the sufficiency of our benefits system - including calling for reforms to the design features which pull people into destitution, such as the five-week wait for Universal Credit and deductions from benefits, and introducing a commitment in the social system that benefit rates will always be enough to protect people from destitution.

Having an extremely low income forms an unstable foundation to everyday life; this means that a short-term crisis, an unexpected cost, or a difficult life event could have a disproportionate impact on people's ability to afford the essentials.

Nearly three quarters of people who are referred to a food bank in the Trussell Trust have had an adverse life experience in the previous 12 months. This includes becoming homeless (29%),

¹ The Trussell Trust (2022), *End of year statistics 2021-22*, <https://www.trusselltrust.org/news-and-blog/latest-stats/end-year-stats/>

² The Trussell Trust (2021), *State of Hunger*, <https://www.trusselltrust.org/wp-content/uploads/sites/2/2021/05/State-of-Hunger-2021-Report-Final.pdf>

becoming sick or disabled (20%), experiencing a bereavement (16%), divorce or household separation (15%), or a breakdown of a relationship with family (15%).³

These crises interact with the difficulties of the social security system to push people into deeper into poverty and through the doors of our food banks.

This situation does not offer dignity. A food parcel will not pay to replace a broken washing machine, provide support to people who face a shortfall in their income after being recently bereaved, or help pay an unexpected bill.

The best, and most dignified, way to give support to people when they face an immediate financial crisis, is to provide a cash transfer.

Broadly, cash-first approaches are said to have two benefits over the provision of in-kind support: that they are efficient⁴, because people have a better understanding of their preferences and circumstances than the government; and that they are more dignified, allowing people to make their own choices with the same agency as others.⁵

While it is the threadbare national social security system which has left many people on low incomes only a shock away from destitution, local authorities in England can still play a vital role in helping people during a financial crisis.

Local government is uniquely suited to providing cash-based support to people when they experience a short-term crisis, such as facing an unexpectedly large cost, or needing support moving to a new form of living arrangements.

Where we are now with cash-first support?

Locally administered cash-based support can be a vital tool to help people keep their heads above water when they experience a short-term shock. In England, this has been the responsibility of local authorities, and is often delivered through Local Welfare Assistance Schemes.

The 2012 Welfare Reform Act marked a significant turning point in the delivery of cash-based support to people facing financial crises in England. Previously, the Social Fund provided discretionary payments to people in crisis; the 2012 Welfare Reform Act transferred responsibility for delivery to local authorities in England, and the three devolved administrations of Scotland, Wales and Northern Ireland.

In principle, this has provided local government with the power to deliver locally tailored and targeted local welfare assistance schemes, rooted in the needs of the local community and able

³ The Trussell Trust (2021), *State of Hunger*, <https://www.trusselltrust.org/wp-content/uploads/sites/2/2021/05/State-of-Hunger-2021-Report-Final.pdf>

⁴ 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>

⁵ Greater Manchester Poverty Action (2021), *Cash first approach to local welfare provision*, <https://www.gmpovertyaction.org/strengthening-role-lwas/>

to react quickly when people get into difficulties. In practice however, without ring-fenced funding or sufficient guidance from central government, the 2012 reforms have led to a fragmented patchwork of support across England.

At their best, local welfare assistance schemes in England provide quickly accessible financial support to households with short-term cost increases, such as help with replacing a broken washing machine or a boiler, and when there are unexpected costs and life transitions, such as leaving care, leaving prison, facing a period of homelessness, or escaping domestic violence.⁶

When locally delivered emergency cash-based support does not exist, households have to find other ways to manage their crises - often this means turning to a food bank, being pushed into unaffordable debt, or simply going without absolute essentials we all need like food or heating.

In Scotland, funds are distributed to local authorities to administer cash-based grants through the Scottish Welfare Fund (SWF). This is a unique source of social security crisis support in the UK,⁷ providing support to people in financial crisis through 'Crisis Grants' and helping people live a settled life in the community through 'Community Care Grants'.⁸ It can be a vital source of support to many households in Scotland, preventing emergency and crisis from escalating into destitution and needing to visit a food bank.⁹ However, it's budget is currently insufficient to provide the level of support needed, particularly as the cost of living crisis escalates.

During the Covid-19 pandemic, the value of locally delivered emergency support was re-discovered by the UK government, which provided over £1 billion in funding to local authorities in England alone in the two years since. Most recently, the Household Support Fund has provided £842 million to local authorities in England to "help the most vulnerable households with rising costs".¹⁰

Whilst this represents a significant injection of funding to deliver emergency support, it ultimately has not created, or empowered local authorities to create, a clear mechanism to deliver local cash-based support to people in financial crisis.

Instead, pandemic (and subsequent cost of living crisis) funding boosts have been characterised by their short-term nature, attempting to create a solution which local authorities do not presently have the capacity or infrastructure to deliver. Many councils chose to route this funding through the emergency food aid sector.

⁶ Child Poverty Action Group (2022), *Reforming emergency support to reduce the demand for food banks* https://cpag.org.uk/sites/default/files/files/policypost/Back_to_the_bricks_FINAL.pdf

⁷ A Menu for Change (2019), *The Scottish Welfare Fund: Strengthening the Safety Net* <https://amenuforchange.files.wordpress.com/2020/01/a-menu-for-change-swf-report-updated.pdf>

⁸ Scottish Government (2022), *The Scottish Welfare Fund*, <https://www.gov.scot/policies/social-security/income-related-benefits/>

⁹ The Trussell Trust and Save the Children (2022), *Tackling child poverty and destitution: next steps for the Scottish Child Payment and the Scottish Welfare Fund*, https://www.savethechildren.org.uk/content/dam/gb/reports/scotland-tackling-child-poverty-and-destitution_003.pdf

¹⁰ Department for Work and Pensions (2022), *Household Support Fund: guidance for local councils*, <https://www.gov.uk/government/publications/household-support-fund-guidance-for-local-councils>

A number of food banks in our network have reported that local authorities shifted significant amounts of government funding to food-based solutions. This is often because local authorities did not have the capacity to get these grants out to families in hardship themselves, relying on food banks to provide an alternative.

The response over the past two years risks entrenching emergency food aid in our communities. It is much more effective and dignified for people to receive cash transfers rather than food when they face a crisis.

As we move beyond the pandemic, there is an excellent opportunity to rethink how local support for households on the lowest incomes can be delivered using cash-first solutions.

The ability to deliver cash-first support also extends beyond supporting people in crisis; local authorities should embed cash-based solutions across a holistic and preventative local support system which makes use of existing data to prevent crises from emerging in the first place.

Recommendations to deliver cash-first support locally:

- Local councils should use UK government funding to ensure that support can be provided to people facing crisis in your area. This scheme should be sufficiently resourced to meet the level of need across the local area.
- Support provided through the Local Welfare Assistance scheme should be mainly delivered through cash grants.
- The support provided through the scheme should be clearly advertised, with increased awareness of schemes and pathways - local authorities should widely promote and publicise Local Welfare Support schemes as the first port of call for households facing financial crisis.
- Promotion of the scheme should include anyone seeking financial support through other local services, including council services and third sector services, being informed of the support available from the local welfare scheme.
- There should be a simple Local Welfare Support schemes application process, through at least two channels (such as face-to-face, online, or telephone) and with clear information about who is eligible.
- Eligibility requirements should be minimal, with support available to everyone experiencing financial hardship based on an assessment of their immediate need. Grants are not conditional on how long someone has lived in the area, whether they claim benefits already, or if they have had made multiple applications.
- Successful awards should be processed within at least 48 hours - for local support to be effective, the person in crisis needs access to this support as swiftly as possible.
- Local councils should use the information available to them proactively to identify people who may benefit from support. This could include using council tax arrears information to identify people who are in arrears on multiple forms of debt to the council.

Building a preventative and holistic local cash-first system beyond crisis support

The cash-first principle can be embedded across the wide variety of tools and practices local authorities have at their disposal to provide support to low-income households in their area. This extends beyond the delivery of emergency crisis support towards creating a local support system which resolve problems early, tackles demand, and identifies the root causes of people's crises.

Councils should prevent people on low incomes from being forced to take on large council tax liabilities by improving the generosity of their Council Tax Reduction Schemes.

Beyond delivering crisis support, one of the most powerful cash-first tools available to local authorities which can boost people's incomes are Council Tax Reduction Schemes. These allow for local authorities to vary the levels of council tax different groups are liable for each year, and so can be targeted in order to reduce people on low-income's council tax liability.

One of the best ways to prevent unsustainable debts from occurring in the first place is through tackling the problem at source. However, only 16% of people attending a food bank in the Trussell Trust network in mid-2020 were able to claim support from their local Council Tax Reduction Scheme. This suggests that support is not reaching those who have the least recourse to pay their council tax bill.

Many local councils have introduced minimum council tax payments, which requires all households (other than any 'vulnerable groups' the council has discretion to protect) to pay a minimum proportion of their annual council tax bill. This varies depending on the local council - ranging from 0% all the way to 50%, although the most common minimum payment is 20%, adopted by 78 councils in 2018-19.¹¹

Due to these minimum payments, even if households are eligible for some support through Council Tax Reduction Schemes, they may have to pay a significant sum, which could lead them to falling into arrears.

A further concerning trend in the local delivery of council tax support has been the adoption of policies found in the national social security system which can cause disproportionate hardship for many families. This includes the introduction of a minimum income floor to claim support, and the adoption of a two-child limit to claim council tax support. We know that families with three or more children are over-represented in the households referred to food banks in our network -

¹¹ New Policy Institute (2021), *Review of Council Tax Reduction Schemes*, <https://npi.org.uk/publications/council-tax/review-council-tax-reduction-schemes-england-202122/>

this is due in part to reduced eligibility for financial support, which could be further exacerbated if they are shut off from their Council Tax Reduction Scheme.¹²

People in arrears to the council should not be pushed into crisis as a result. Local authorities should take a single view of debt, working with people to sustainably repay their debt.

Being in debt should not mean that people are pushed and trapped into destitution.

There are high numbers of people who attend food banks in the Trussell Trust network who risk being pulled under by a variety of debts, of which local debts and especially council tax arrears represent a significant proportion.

In mid-2020, 35% of people referred to a food bank in the Trussell Trust network were in council tax arrears, this compares to 37% in late 2018 and 29% in early 2020.¹³

There are specific problems with the collection of council tax arrears which can lead to worse outcomes compared to other debts and make it challenging for local authorities to provide a more holistic and supportive system of debt collection.

One of the main issues about the collection of council tax arrears is that seemingly unexpectedly, an individual can become liable to pay their annual council tax bill if they miss a single monthly payment. This can often lead to people choosing between going without essentials or taking on further debt - knowing that repayments will make the future harder.

Council tax debt collection also can be particularly stressful, with the swift escalation of court action and the risk of bailiffs often used to recover arrears. This does not provide people with the flexibility or respect to manage their debts effectively.

If local debts are collected by different departments, people in arrears might have to choose which debts to prioritise, leading them to fall behind on other bills in the process. Of those who were in council tax arrears and attending a food bank, 67.4% were in arrears on three or more bills, whereas amongst all people with at least one bill in arrears, this was only 39%. This suggests that falling behind on council tax can lead to further difficulties with paying other bills.

Recommendations to prevent people from being pushed into crisis and through the doors of food banks as a result of being in debt, local authorities should:

- Implement a single view of debt locally - this means that all individual local debts can be compiled into a single manageable and affordable payment rather than multiple debts which could have different policies around their collection.

¹² The Trussell Trust (2021), *State of Hunger*, <https://www.trusselltrust.org/wp-content/uploads/sites/2/2021/05/State-of-Hunger-2021-Report-Final.pdf>

¹³ The Trussell Trust (2021), *State of Hunger*, <https://www.trusselltrust.org/wp-content/uploads/sites/2/2021/05/State-of-Hunger-2021-Report-Final.pdf>

- End the use of bailiffs when collecting council tax arrears - the use of bailiff enforcement does not treat people in debt with respect, nor does it provide them with the flexibility to manage their debts effectively.

Local authorities should use existing data available to them to improve the co-ordination of cash-based support and to develop an early warning system of people most at risk of crisis.

The policies available to local authorities to deliver cash-first support, such as local crisis support and council tax reduction schemes, are often delivered as discrete policies which sit in different departments, without formal channels of communication linking them together.

Often, this means that people can miss out on support if they go through the ‘wrong door’. However, rather than thinking of these policies as discrete, it would be better to think of them as operating within a wider cash-first support system. Local authorities have the agency to improve the wider level of support on offer and its coordination.

When the delivery of cash-based support is integrated and holistic, people can be signposted to the support which is most relevant to them, and different services will be able to take a single view of a person’s situation. This could be as simple as making a single local cabinet member responsible for the co-ordination and delivery of local support.

It also means that data could be better used to proactively target support in the future before a crisis point occurs in the first place. This could include exploring the level of local debt an individual is in and offering them support with their arrears before it reaches a tipping point into destitution and needing to use a food bank.

Recommendations to help improve the co-ordination of cash-based support locally:

- Create a single online hub which highlights the different types of cash-first support available locally provided by the council, and available in multiple languages.
- Local authorities should ensure that local support services, such as cash-first crisis support and Council Tax Reduction Schemes, regularly communicate with each other and that individual flags are placed on different systems to ensure that internal signposting is swift.
- Councils should use the data they have available to them, such as information on arrears, to identify households who may be at risk of falling into destitution and proactively work with them to build their resilience and boost their incomes before they reach a crisis point.

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