

Financial Hardship Policy Briefing: Learning from the British Red Cross Covid-19 Hardship Fund

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Context

Since 1870, the British Red Cross has been helping people in the UK and around the world access the support they need when crisis strikes. As an organisation we recognise and understand the often-significant **financial impact** felt by people and communities during emergencies and emergency situations.

The British Red Cross strives for a world in which everyone can access the essentials needed to promote **wellbeing, recovery, and community resilience**. We work to provide support where risk and need is greatest, empowering people and communities to take early action to preserve lives and livelihoods.

Drawing on insight from the evaluation of the British Red Cross Covid-19 Hardship Fund, which provided emergency financial support to some of those experiencing serious financial hardship during the pandemic [\[explainer below\]](#), this briefing makes recommendations which aim to reduce financial hardship during emergencies and ensure that support is provided in the most impactful way. Key to this is the provision of **short-term cash-based** support for those with the most acute need.

The financial impact of Covid-19

The financial impact of the Covid-19 pandemic in the UK has been well documented - economic uncertainty, business closures, increased unemployment and the rising cost of living resulted in significant financial insecurity, with an estimated **700,000 people driven into poverty** between spring and winter 2020¹. It is also estimated that 20 million adults have seen their financial situation

¹ Poverty during the Covid-19 crisis. Legatum Institute. <https://li.com/reports/poverty-during-the-covid-19-crisis/>.

worsen significantly because of the pandemic, leaving a quarter in debt or with low levels of savings or low or erratic earnings².

Through our research, [The Longest Year](#), which considers people's experience of lockdown and the operational delivery of our Hardship Fund, the British Red Cross has seen and heard first-hand the impact of serious financial hardship on people and communities. Many people have had to make impossible choices - between buying food, paying household bills, or staying connected with loved ones. This has, in turn, impacted on people's mental health and overall wellbeing, leaving some to feel as though they are unable to cope and recover from the Covid-19 crisis.

British Red Cross Polling

British Red Cross UK-wide nationally representative polling carried out in December 2020 found that 10% of UK adults said they were not confident they can cope with changes to their life that may be caused by the Covid-19 pandemic, and that they will be able to recover afterwards - 44% of these people said household finances were a contributing factor.

We understand that the financial impact of the pandemic has not been experienced equally and has exposed and exacerbated significant inequalities.

British Red Cross Covid-19 Vulnerability Index

To meet and target support towards those most in need, the British Red Cross developed a **Covid-19 Vulnerability Index**, which identifies vulnerable areas and groups within local authorities, wards, and neighbourhoods across the UK, including those who fall outside the Government's 'clinically extremely vulnerable' group.

The index combines multiple open data sources to map clinical vulnerability (underlying health conditions), demographic vulnerability (over-70s, people seeking asylum), social vulnerability (barriers to housing and services, poor living environment, living in "left-behind" areas, loneliness), health inequalities, and digital exclusion.

Insight from the Covid-19 Vulnerability Index³ helped to identify that those most vulnerable to financial insecurity in times of emergency include:

- People with long term health conditions
- People from Black, Asian and minority ethnic backgrounds
- Lone parents and families with dependent children
- People with no recourse to public funds (NRPF)⁴, including those within the asylum system
- Care workers and carers
- People affected by domestic abuse

At the British Red Cross, we strive to ensure everyone is safe and able to recover when disaster strikes. We see access to **short-term cash-based financial** support as key to making this a reality.

² Financial Conduct Authority (FCA). FCA finds the Covid-19 pandemic leaves over a quarter of UK adults with low financial resilience. <https://www.fca.org.uk/news/press-releases/fca-finds-covid-19-pandemic-leaves-over-quarter-uk-adults-low-financial-resilience>. Low financial resilience is taken to mean: 'over indebtedness or with low levels of savings or low or erratic earnings', as per the FCA definition.

³ British Red Cross, 'British Red Cross COVID-19 vulnerability index for the UK', <https://britishredcrosssociety.github.io/covid-19-vulnerability/>.

⁴ No Recourse to Public Funds (NRPF). <https://www.londoncouncils.gov.uk/our-key-themes/asylum-migration-and-refugees/no-recourse-public-funds>

Throughout this briefing the Hardship Fund is presented as an example of how to deliver support in personal, local, or regional emergencies. The briefing does not present this as a long-term solution to destitution, but rather to help ensure people's needs are met during crisis situations.

The British Red Cross Covid-19 Hardship Fund

As part of our wider response to the pandemic, the British Red Cross, in partnership with Aviva and the Aviva Foundation⁵ **set up the Hardship Fund in March 2020 to support those experiencing serious financial hardship as a result of the pandemic**

The British Red Cross has much familiarity and expertise with delivering cash-based assistance in our overseas operations. Rolling out such a programme in the UK was a first for us.

From March 2020 to July 2021 the Hardship Fund distributed nearly **£4.5 million in cash assistance to over 18,000 people across the UK**. While this provided much needed short-term support to those referred, the demand for the Hardship Fund suggests too many people are falling through the cracks and into serious financial crisis. It highlights the real need for this type of support, particularly during emergencies.

Throughout this briefing, insights from an evaluation of the Hardship Fund is used to present how cash-based assistance helped alleviate the significant financial impacts of the pandemic and improve wellbeing for certain beneficiaries; and to develop recommendations for best practice.

The Hardship Fund explained:

- The Hardship Fund was set up in March 2020 (at the outset of the Covid-19 pandemic) with final referrals made in June 2021. This was made possible through funding from Aviva and the Aviva Foundation.
- It aimed to support those most financially at risk during the Covid-19 pandemic, through the provision of short-term cash grants.
- Overall, the Hardship Fund supported 15,370 people including dependents (8,005 people were referred to the fund).
- The Hardship Fund distributed nearly **£4.5 million** during the programme's lifespan.
- Support from the Hardship Fund was available across the UK, in England, Wales, Scotland and Northern Ireland.
- The British Red Cross worked with over 300 partner organisations (including grassroots community groups, local Government, and national charities) to identify those most in need.
- Partner organisations were able to make direct referrals, while individuals could not self-refer to the fund.
- To be eligible, households could not have any other source of income (employment, welfare support, or other charity grants).
- **People supported included people experiencing delay or disruption to their benefits, those fleeing domestic violence, people seeking asylum and those experiencing homelessness.**
- People referred to the Hardship Fund for support received cards preloaded with either a one-off payment of £120 or a grant of £120 each month for up to three months. Funds could be spent on whatever the recipients needed.
- Cash cards were distributed via the postal system and typically arrived within 7 days of a referral.

⁵ The Aviva Foundation is administered by Charities Trust under charity registration number 327489

Throughout the delivery of the Hardship Fund, we have been working with recipients and partners to reflect and learn from the experience of the programme through an evaluation⁶ process. As part of this we have heard from over 100 partners and 940 people who received support. Their stories and reflections bring to light the impact of financial hardship for people and communities during emergencies and help make the case for short-term cash-based support to be available in future emergencies to prevent people falling through the gaps.

The positive impact of the Hardship Fund for people during emergencies has been significant. However, this briefing also identified a series of limitations of short-term support and reflects on feedback from partners and recipients to inform best practice.

Impact of the Hardship Fund

1. People were able to meet their basic needs

Throughout the pandemic the Hardship Fund helped people to meet their basic needs - **93% of people supported felt it had a positive impact on their lives, helping them to access the essentials needed to cope and recover.** The cash-based support was most often used to buy food (78%), as well as other household items (32%), hygiene products (28%), and to pay bills (17%).

Interviewees told us that the support helped to prevent hunger and buy the essentials needed to meet their children's needs:

"[The Hardship Fund] really helped my family during the worst time. I was able to buy food, pay bills and buy for my kids [to support] their needs" Hardship Fund Recipient

2. People experienced improved wellbeing

The Fund also helped to improve people's overall wellbeing and mental health – **92% of people felt the financial assistance they received reduced their feelings of stress and anxiety.**

Some interviewees told us that the Hardship Fund helped them to stay connected with their loved ones and to access online services throughout the pandemic, especially as many services moved online. This was because the flexible and cash-based nature of the support allowed people to purchase data and top up phones.

"I felt so alone and helpless your help bought me things I desperately needed...and lifted my spirit greatly" Hardship Fund Recipient

3. A cash-first approach helped people to retain dignity and choice

93% of people supported by the Hardship Fund said the cash-first approach made a positive difference to their lives and helped them to get what they needed to cope.

⁶ The overall aim of the evaluation was to understand the impact of the Hardship Fund for financially vulnerable people. The evaluation draws together data from ongoing monitoring as well as end of programme interviews and debriefs. The evaluation method included analysing operational data from 'RedRose' and feedback surveys sent to partners and service users across the duration of the project. Unsolicited feedback was also shared throughout the programme through anonymised email inboxes. At the end of the programme, interviews were conducted with 16 randomly chosen partners and 15 service users, conducted through three internal debriefing workshops.

What is a cash- first approach?

A cash-first or cash- based approach is where cash payments are made to people in crisis, as opposed to in-kind support which is typically provided through goods or vouchers.

In the case of the Hardship Fund, cash was provided through a preloaded cash- card, which could be used online, in shops or to withdraw from a cash machine.

Recipients spoke of the importance of versatility and choice in the support they received, it allowed people to budget and make decisions about what they needed most to recover.

“It was nice to have the option to buy things I needed, instead of things bought for me” Hardship Fund Recipient

“it [the cash card] gave you dignity as you were paying for things in shops like any other card” Hardship Fund Recipient

For some people, the cash was vital to support access to more sustainable forms of support (for example, the cost of a new passport needed to apply for welfare benefits), for others the fund helped to prevent further debts and support them to find employment (for example, by paying for travel and access to the internet):

“The cash card helped to take care of my money worries. Because of its versatility, I was able to use it for a lot of things including school uniforms for my children.”
Hardship Fund Recipient

A cash-first approach is also considerate of people’s unique social, cultural and wellbeing needs. Hardship Fund recipients spoke about being able to access items that meet their personal requirements, not available through in-kind support, such as at foodbanks.

The international use of cash

The British Red Cross has a strong background in providing **cash-based** assistance during emergencies both internationally and in the UK, being one of the first National Societies to provide assistance in this way. In the last few years, around 100 Red Cross and Red Crescent (RCRC) National Societies have delivered cash and voucher assistance, across a wide range of contexts. The British Red Cross hosts the Cash Hub which supports the scale-up of cash and voucher assistance in the International Red Cross and Red Crescent Movement. The financial impact of the Covid-19 pandemic accelerated this trend, with many National Societies using cash-based assistance instead of in-kind support.

Unlike in-kind support, such as food distribution, a cash-based approach is a flexible form of aid that offers recipients the freedom to choose what they purchase. This type of approach brings benefits and multiplier effects to local economies and markets and supports people’s resilience and ability to protect their lives and livelihoods and enable faster recovery.

Reference: IFRC. CashHub. Linking human cash and social protection. <https://cash-hub.org/resources/cash-and-social-protection/>

British Red Cross Recommendation:

- Emergency financial support schemes should adopt a **cash-first** approach, helping people to access essentials in a way that promotes **dignity** and **choice**.

Capturing learning: exploring the limitations of the Hardship Fund

Response to the Hardship Fund has demonstrated its impact in helping people to cope at their greatest time of need. However, it is important to recognise the limitations of the Hardship Fund as an example of short-term cash assistance and reflect on partner and recipient feedback to make recommendations to improve existing and future cash-based assistance schemes.

1. The cash-card model – the need for clarity and control

While 83% of people reported the cash-card was their preferred model of receiving support, a small number of people raised issues with:

- activating the card
- not being able to check the card balance
- being unable to withdraw larger amounts of cash at once (capped at £35)
- being unclear about how to top-up (on a new or existing card)

2. The time taken to receive support

73% of people received cash-cards within one week of a request for support and 95% said they received the card when they needed it most:

“This was just the right amount at the right time!” Hardship Fund Recipient

Partners also praised the ability of the Hardship Fund to deliver cash support to people in a timely manner. Some felt that compared to other forms of assistance, including those run by local authorities, this programme was the best option for financial support.

The relative simplicity and speediness of the Hardship Fund application process paired with the unrestricted cash provided elevated this fund above other financial support options in terms of the impact it was able to deliver for people.

“Quick access to funds for the most vulnerable has been a lifeline for some” Hardship Fund Partner

However, we understand that for many people with acute financial need, a 7-day wait may be too long to prevent further hardship. We understand that in emergency situations financial support is best received within 24 hours of need to prevent further hardship⁷.

Emergency Crisis Grants administered through the Scottish Welfare Fund (SWF) are largely processed within the same working day, with this seen as especially important to enable people to access food and other essentials. Learning from Edinburgh City Council, in the distribution of the SWF has highlighted the benefits of using new approaches to ensure funds are received by those in need quickly. In Edinburgh, utilising PayPoint technology meant that a cash access code could be texted by mobile phone to a person in need, improving flexibility and speed in which support could be distributed⁸. However, we must be mindful that this approach is not digitally inclusive and a hybrid approach with different options is preferable.

⁷ Strengthening local welfare support during the Covid-19 outbreak – England briefing. <https://www.trusselltrust.org/wp-content/uploads/sites/2/2020/06/Briefing-Strengthening-local-welfare-support-during-the-COVID-19-outbreak.pdf>

⁸ City of Edinburgh Council: CashOut payments. <https://serviceprovider.paypoint.com/case-study/city-of-edinburgh-council>

British Red Cross Recommendations:

- Cash-based assistance schemes should ensure that payments are made in as timely a period as possible, recognising the benefit of rapid access to emergency cash, especially when this is required for essentials, such as food.
- Cash-based assistance schemes should utilise a range of options and technologies, such as PayPoint, to ensure funds can be distributed in a timely and inclusive manner (considerate of individual needs)

3. Access to longer-term support

Access to short-term support provided by the Hardship Fund helped to prevent some people from falling into further financial difficulty. For example, some partners and recipients shared examples of how support from the Hardship Fund helped people to move away from negative coping mechanisms, including loan sharks and financially abusive relationships.

Partners reflected that without the fund, its recipients would be in very different situations, and without the resources needed to cope and recover:

“If they hadn’t received the HF they would have been in a very different situation. They would have been involved with loan sharks...they’ll have come out of it in a more positive and dignified way” - Hardship Fund Partner

Despite this, we know that many people return to crisis after fixed-term support ends because they are unable to access longer term support, including benefits such as Universal Credit and Asylum Support. For **45% of people who received support from the fund, after 3 months their financial situation was either the same or worse** than it had been before they received cash assistance. This is particularly relevant for people who have no recourse to public funds (NRPF) [\[more detail in section below\]](#)

The Hardship Fund is one example of how to deliver vital financial emergency support. However, learning from the fund also highlights that some people need longer-term support to prevent destitution. While it was never the aim of the Hardship Fund alone to create long-term change in people’s circumstances – more a short-term breathing space - the ongoing need of a significant proportion of recipients highlights a gap that the charity sector cannot fill. There is a need for Government to explore longer term support options.

British Red Cross Recommendation:

- Central and local Government should improve data collection and analysis of existing discretionary financial support schemes to improve local delivery, as well as to identify those falling through the gaps and solutions to prevent longer-term destitution.

The need for Local Welfare Assistance (LWA)

The role of the Hardship Fund in supporting people to access essentials and in improving wellbeing shows the real benefit that short-term financial support has for people and their families during emergencies. One partner said the support provided *“breathing space”* which helped people build the resilience needed to tide them over and recover.

Despite the clear benefits to this type of support, **nearly all partners (41/43) said that in most cases the Hardship Fund was the only option of emergency financial support available for those in need of help.**

Current provision of Local Welfare Assistance in England

Local Welfare Assistance (LWA) schemes are an existing mechanism for councils to support low-income households in times of financial crisis. There we introduced in 2013 and are a relatively small but vital part of the social security system. The type of support offered can vary both often includes cash grants, low-cost loans, vouchers of the provision of essential items such as white goods.

Funding for LWA schemes is not ringfenced nor is the provision of a scheme in a local authority mandatory. Research from The Children's Society has found that 1 in 7 have no scheme in place. This makes for a patchwork of support across the country, with people experiencing a 'postcode lottery' in the financial support available to them to cope and recover from emergency situations.

During the response to the Covid-19 pandemic, funding was made available to local authorities to support and develop local welfare assistance. This was in the form of the [Emergency Assistance Grant for Food and Essential Supplies \(EAG\)](#) and [The Covid Winter Grant Scheme](#).

For some local authorities and especially for those that already has a good LWA scheme in place the money available was used to boost the scheme and make relevant adaptations (such as increasing award amount). However, for local authorities that did not already have infrastructure in place this money was not used as effectively and raised questions about the support and funding needed to support a longer- term programme, helping to improve preparedness to future emergencies.

Reference (s):

The Children's Society. Leave No Family Behind: Strengthening Local Welfare Assistance during Covid-19. <https://www.childrensociety.org.uk/sites/default/files/2020-10/leave-no-family-behind.pdf>

Trussell Trust (2020), *Local lifelines: investing in local welfare during and beyond Covid-19* https://www.trusselltrust.org/wp-content/uploads/sites/2/2020/10/LWAS_1020_v3.pdf.

With the end of the £20 uplift to Universal Credit⁹, the winding down of the Coronavirus Job Retention Scheme (furlough) and the Self- Employment Income Support Scheme (SEISS) in September 2021¹⁰, now more than ever there is a need for support which helps bridge the gap, provide emergency support, and prevent people falling into further destitution. While short-term emergency financial support cannot address financial hardship alone, it does provide a vital safety net to those facing serious, and often unexpected hardship.

Throughout the pandemic, there have several short-term funding allocations to councils for local welfare provision, however these have often short-term in nature. As we move forward into recovery, a longer-term settlement would work to ensure better use of public money, delivering more effective support by allowing local authorities the confidence to plan and invest in schemes and referral pathway. This will mean that when disaster strike, councils will be better equipped to response at pace, helping to connect people to financial support in a timely way.

British Red Cross Recommendations:

- Every local area should have a Local Welfare Assistance (LWA) scheme in place, delivered by the local authority and properly resourced by central Government.
 - In England, the Department for Work and Pensions should invest at least £250 million per year in local welfare assistance over the longer-term, to give local authorities the confidence and business certainty they need to develop an effective and timely local welfare offer.
- LWA schemes should be promoted widely, particularly during emergencies, have simple application processes, adopt the latest technology to administer funds quickly, and strive to adopt a cash-first approach.
- For a longer-term funding settlement to be put in place to support the development of local welfare assistance schemes.

Support for people who have No Recourse to Public Funds (NRPF)

No Recourse to Public Funds (NRPF)

Nearly 1.4 million people in the UK have a condition of NRPF attached to their immigration status¹, and many more are excluded from accessing public funds because they do not have a secure immigration status.

A condition of NRPF mean that people are unable to access public funds, including mainstream welfare benefits like Universal Credit and housing support from their Local Authority.

People with insecure immigration status are also generally not allowed to work. As such many people in this group face existing financial hardship, made significantly worse by crisis.

The British Red Cross is the biggest independent provider of support and advice to refugees and people seeking asylum in the UK, helping to provide practical and emotional support to people irrespective of their immigration status.

Over half of all people referred to the Hardship Fund (61%) had No Recourse to Public Funds (NRPF). This referral rate is in part due to our policy and operational work supporting people who are refugees and seeking asylum and the relative flexibility of the Hardship Fund referral criteria.

During the period from March 2020 to July 2021 the fund supported 11,377 people in this diverse group. This included people with no legal status to remain in the UK, international students, people with Leave to Remain who lost their jobs during the pandemic, people with insecure immigration status, including people seeking asylum and people fleeing situations of domestic abuse.

Feedback from people with NRPF who received support from the Hardship Fund, described this as both lifesaving and essential to their overall wellbeing:

“I was on the verge of starvation with my son as I have no recourse to public funds...it was literally a life saver, literally, and was also able to top up gas and electric!” - Hardship Fund Recipient

Recipients' stories like this speak to the role of dedicated financial support in emergency situations like this to prevent destitution and improve health outcomes for people excluded from accessing public funds.

Many partners told us that the Hardship Fund was often the only support available to people with NRPF¹¹, without which people would have fallen into significant hardship, without any safety net during a time of crisis.

However, for half the recipients with NRPF, the Hardship Fund acted solely as a short-term fix - **51% of people in this group were unable to access further support after the Hardship Fund.**

In Scotland, the Scottish Government provided additional funding to the Red Cross's Hardship Fund over winter 2020, allowing us to target the Fund to groups particularly at risk of destitution in Scotland, including those with NRPF. The learnings from this allowed us to develop a new model of emergency financial support for these groups and we have been funded for a further twelve months

¹¹ People with NRPF can be eligible for assistance from their local authorities under legislation including National Assistance Act 1948, the Children Act 1989 and the Human Rights Act 1998. However, this does not apply to everyone who has a condition of NRPF, and local authorities do not receive additional funding to provide this support. <https://www.londoncouncils.gov.uk/our-key-themes/asylum-migration-and-refugees/no-recourse-public-funds>

to deliver a pilot **Scottish Crisis Fund**, enabling partner organisations to refer clients, in line with one of the actions in the Government's Ending Destitution Together strategy to improve support with NRP¹².

British Red Cross Recommendations:

- The Home Office should suspend No Recourse to Public Funds exclusions during emergencies.
- Local Welfare Assistance should be made available to everyone in need, including people with NRPF and the Home Office should remove discretionary welfare payments from the list of public funds.
- Home Office asylum support applications should be processed quickly, and accommodation provided without delay to prevent people relying on emergency financial support in the longer-term.

Conclusion

Insight from the Hardship Fund evaluation has demonstrated the positive impact flexible, cash-based support can have for people experiencing serious and often unexpected financial hardship. This type of support not only helps to bridge the gap while people access more sustainable forms of financial support, but also improves people's wellbeing and sense of agency and control in times of crisis.

While the Hardship Fund could not help everyone in need, and for some recipients could not provide the long-term support they needed, it was an important and critical safety net. Insights from our evaluation also add to a growing body of evidence within the International Red Cross and Red Crescent Movement which highlights the benefits of adopting a cash-first approach, positions people as experts in their own needs and embeds principles of individual dignity and choice. It also highlights areas for improvement, such as the time taken to administer cash payments for some, which should inform the service design and delivery of similar schemes, such as local authority Local Welfare Assistance.

Ensuring everyone can afford basic essentials, such as food, toiletries, warm clothes, data and heating in emergencies, wherever in the country they are, is in everyone's interest. While, improving, investing in and promoting discretionary emergency support, such as Local Welfare Assistance, is not the only solution to financial hardship, it is an important piece of the puzzle. It would also strengthen our nation's resilience to future shocks, ensuring people are better able to cope and recover from an emergency.

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¹² Scottish Government. Ending destitution together: strategy. <https://www.gov.scot/publications/ending-destitution-together/>