

Reducing rent arrears in Wigan

Scoping Report



In partnership with



Cabinet Office





Contents

1. Background
2. Trial design and power calculations
3. Key behavioural concepts
4. Proposed project structure



Background


THE
BEHAVIOURAL
INSIGHTS
TEAM



Introduction to the project

- The goal of this project is to design, implement and evaluate a behavioural insights intervention to **prevent and/or reduce the volume of rent arrears amongst social housing tenants in Wigan.**
- Wigan Council currently manages around 22,000 social housing properties (having brought this function back in-house from an ALMO). Rent is due weekly from all tenants, and on any given week approximately 96% of properties (21,120) pay their rent on time. However, because different houses miss payments each week there are currently 9,142 tenancies in arrears of some kind (41.5%) and 1,832 (8.3%) with serious arrears (over 7 weeks owing). These arrears currently stand at £3,411,108 in lost revenue, and this does not take into account all the additional cost associated with chasing up late payments and taking enforcement action.
- Reducing and preventing rent arrears will help the council achieve efficiency and demand management savings. However, it will also have a clear social impact for tenants themselves. Achieving efficiency savings will allow Housing staff to concentrate more time and effort on supporting vulnerable tenants. Improvements will also mean fewer tenants suffering the indignity of court processes, bailiffs and potential homelessness.
- This project is jointly funded by Wigan Council and the Local Government Association. It is part of the LGA's [Behavioural Insights programme](#).



Purpose of Scoping Report

- This project begins with a short 'Scoping Period'. The goal of this period is to establish that a full project (including the design, implementation and rigorous evaluation of a behavioural insights intervention) is feasible.
- This report summarises our findings from this scoping work. On the basis of our scoping research, we believe both reduction and prevention trials are feasible and we recommend that the project progress.
- The report includes the following:
 - An outline trial design. We recommend a randomised controlled trial (RCT).
 - A summary of our initial power calculations.
 - A summary of some of the behavioural concepts we expect to explore during the main project. These include social norms, reminders, planning prompts and simplification.

Trial design and power calculations


THE
BEHAVIOURAL
INSIGHTS
TEAM



Suggested trial design

- We recommend a randomised controlled trial. We expect this to take one of two forms:
 - **Prevention trial.** We will work with Wigan Council to test the impact of changes throughout the early arrears process. This may mean introducing new reminder text messages, tweaking early reminder letters or adding new steps. This would be a rolling randomised controlled trial, with all households entering arrears over a defined time period being randomly allocated to the existing process or the new process. We would measure the impact on the number of households clearing their arrears before they become serious (i.e. within 7 weeks).
 - **Reduction trial.** We will work with Wigan Council to test the impact of a one-off intervention to reduce arrears amongst households who already owe money - for example through testing different versions of letters, postcards or other communications encouraging them to get in touch with the council and begin to reduce these. This would be a more straightforward one-off randomised controlled trial targeting a group of households in arrears at a single point in time and measuring the impact several weeks later.



Power calculations

Prevention trial

- **We believe a prevention RCT is feasible**
- Assuming we **run a trial for 26 weeks** (a longer trial would get us a larger sample as more households go into arrears and thus increase our power), we would need a **2.74 percentage point reduction** in the proportion of households entering arrears to detect a statistically significant effect. (See Annex A for more details)
- We believe it will be possible to reduce this minimum detectable effect size further once we are able to account for other variables affecting arrears (e.g. controlling for tenancy type, tenancy length, receipt of universal credit).

Reduction trial

- **We believe a reduction RCT is feasible**
- We believe the minimum detectable reduction in average arrears to be **between £12.29-£35.68**, with our best guess being **around £24.18** (based on average arrears of £373.12). (See Annex A for more details)
- Given that we only had overall figures on the population in arrears, we estimated the distribution of arrears using information from previous trials for the power calculations.
- As with the prevention trial, we believe it will be possible to reduce the minimum detectable effect size further once we are able to account for other variables affecting arrears (e.g. controlling for tenancy type, tenancy length, receipt of universal credit).

Key behavioural concepts



THE
BEHAVIOURAL
INSIGHTS
TEAM



Key behavioural concepts (1)

At BIT, we have extensive experience of trials designed to increase the efficiency and effectiveness of income collection. We will draw on this experience in designing our intervention with Wigan. Some of the behavioural concepts we will explore during this project include:



Social norms. We are heavily influenced by how those around us behave (social norms). As the majority of Wigan tenants do pay their rent on time, highlighting this positive behaviour may encourage those who are slower to pay to get in touch with the council.



Reminders. A well-timed reminder can be a very effective way of getting us to complete an administrative or bureaucratic task. In a trial with Metropolitan Housing, we found that a timely text message reminding tenants that their rent was due **reduced the number of households going into arrears by 10%**.



Key behavioural concepts (2)



Simplification. One of the core insights of behavioural science is the disproportionate impact that even small hassles and complexities can have on our behaviour. Reducing the number of steps involved in a process, simplifying letters and including a clear call to action have all been shown to improve revenue collection. As well as looking at how to simplify written material, we will explore whether there are other ways Wigan could simplify the actual process of paying rent.



Planning prompts. Helping and prompting people to make concrete plans about when they will do something is a well-evidenced way to change behaviour in a range of contexts. To date, planning prompts have not been thoroughly trialled in revenue collection, however the strong evidence from other policy areas suggests approach is worth considering. This could be as simple as prompting people to decide when they will make a payment or allowing them to set themselves a future reminder (e.g. on the phone calendar).

Proposed project structure



THE
BEHAVIOURAL
INSIGHTS
TEAM



Local
Government
Association

Wigan
Council



Project structure

Target		This Scoping Report summarises our work at this stage. We have identified potential target behaviours and confirmed that we could measure the impact of any changes we make.
Explore		During this phase we will conduct in-depth exploratory research, doing a rapid evidence review which draws together BIT's extensive previous work in this area, doing a 'deep dive' into Wigan's data on arrears and doing some light-touch on-the-ground fieldwork.
Solution		We will design two potential trials, one prevention trial (reducing the number of households entering serious arrears) and one reduction trial (reducing arrears amongst those already in them). We will run a one-day workshop to co-design these two interventions, and to choose which trial to deliver.
Trial		We will design, implement and analyse the results of a single randomised controlled trial.
Scale		We will produce a Final Report summarising our work on the project. We will also run a one-day workshop with Wigan to go through the results of our project, and to co-produce a second in-house trial which they can run to test the approach not delivered during this project (either prevention or reduction)



Suggested timeline

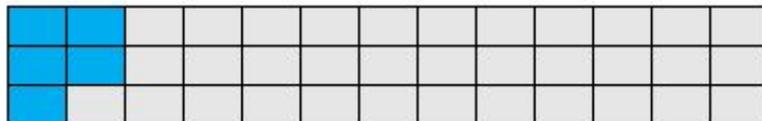
Mar 18
Apr 18
May 18
Jun 18
Jul 18
Aug 18
Sep 18
Oct 18
Nov 18
Dec 18
Jan 19
Feb 19
Mar 19

Target

Initial power calculations and outline trial design

Write Scoping Report

Kick-off meeting

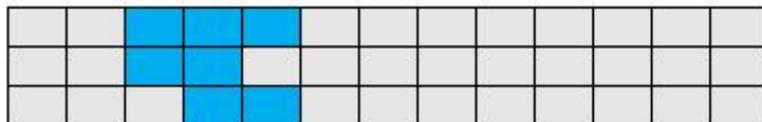


Explore

Fieldwork (two one-day visits)

Rapid Evidence Review

Review administrative data



Solution

Develop interventions (inc. workshop)

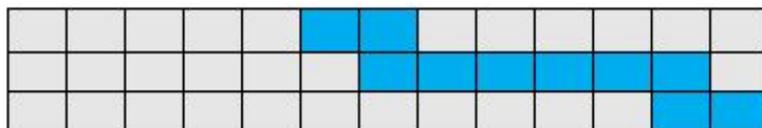


Trial

Finalise trial design and write Trial Protocol

Support implementation of trial

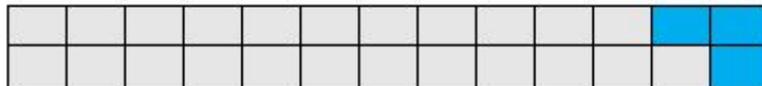
Analysis of results



Scale

Produce Final Report

Final Workshop





Key risks

Risk	Mitigation strategy
Changes to Wigan Council Collections' process	The Collections team is updating their escalation policy for dealing with rent arrears. They will be adding additional reminder letters to their existing process. This means that we can focus our intervention on the stages of the escalation process that will remain the same in the switch from the old to the new process (and thus not be dependent on the rollout of the new process for our trial).
Identifying randomisation point for automated letters	BIT has previous experience working on letter trials using Northgate software. This means we have a better understanding of how to randomise on the 'back end' of the system. Also, because Wigan Council is one of few councils who have all their social housing in-house, we can work directly with relevant staff to ensure we identify a point of randomisation behind automated rent arrears letters.
Problems obtaining data	BIT has experience of several projects where we have successfully delivered trials (including income collection trials) without receiving any personal data. We anticipate being able to deliver this trial using anonymised data (using tenancy reference numbers as unique identifiers).

Annex A - Power calculations


THE
BEHAVIOURAL
INSIGHTS
TEAM


Local
Government
Association


Wigan
Council



Power calculations - prevention trial

We used the following indicative figures (provided by Wigan Council):

- Approx. 250 new arrears cases each week (meaning they owe £0 when letter is sent)
- Approx. 50 per week get court warning (7 weeks in arrears & owe £400+)

From these figures, we calculated the potential the sample size and the baseline proportion of households who enter arrears that end up in serious arrears:

- Sample size: $250 \times \text{number of weeks running trial}$ (e.g. $250 \times 26 = 6500$)
- Baseline proportion ending up in serious arrears: $50 / 250 = 20\%$

We recommend running the trial for 26 weeks. This means that the trial should begin no later than the end of August 2019.

# weeks	Sample Size	# arms	Baseline share entering serious arrears	Minimum detectable percentage point change
13	3250	2	20	-3.83
26	6500	2	20	-2.74
39	9750	2	20	-2.25

Table 1. Prevention trial power calculations



Power calculations - reduction trial

We used data from previous trials with housing associations to estimate the rent arrears distribution as follows:

- 20% have rent arrears of 10% of average (37.43)
- 20% have rent arrears of 30% of average (111.9)
- 20% have rent arrears of 50% of average (186.6)
- 20% have average rent arrears (373.1)
- 20% have substantially higher rent arrears (1156.7 - over 3 times the average amount)

We used the above estimate as our 'Medium' standard deviation (see Table 2). We then estimated two additional scenarios to determine a range of distributions for our power calculations:

- Low: 50% of Medium scenario's standard deviation
- High: 150% of Medium scenario's standard deviation

Average arrears	Number of arms	Standard deviation	Minimum detectable reduction in average arrears
£373.12	2	Low (0.57)	£12.29
£373.12	2	Med (1.14)	£24.18
£373.12	2	High (1.72)	£35.68

Table 2. Reduction trial power calculations