An Evaluation of the

Winchester FIRST Project*

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- - - FINAL REPORT - - -

1 Introduction

Housing Benefit (HB) is one of the benefits being replaced by the new single Universal Credit (UC) payment, which is being rolled out across the UK in stages.[1] In particular, UC includes a housing element that will be paid directly to the claimant's nominated bank and the claimant will be responsible for paying their own rent rather than having their rent paid for them as is the case with the current HB. There is a widespread concern that claimants may not be prepared for this change, which may lead to high rent arrears and increased homelessness; the evidence from two councils in South London that have been early adopters supports these concerns (The Smith Institute, 2017).[2]

Winchester City Council is keen to ensure that council tenants in the area are adequately prepared for the transition from HB to UC in July 2018. To this end, the Council developed a pilot scheme (Winchester FIRST) to carry out a managed transfer of existing direct payment HB claimants. The purpose of the the pilot is to test the effectiveness of using prepaid cards to make benefit payments to claimants on mitigating the level of rent arrears created by the transition from HB to UC.

This report contains the findings from an evaluation of the FIRST (Flexible Innovative Real Support Transition) Project, which took place between October 2017 and January 2018. The evaluation is carried out by University of Southampton Economics, commissioned by Winchester City Council (WCC) in May 2017.

2 Background

For council tenants, HB is paid directly by the council and so the claimant never receives the money. UC, which will be introduced to Winchester in July 2018, will replace various existing benefits (including HB). UC will be paid once a month into the claimant's bank account who will then need to arrange to pay their rent.

The purpose of the FIRST project, which was designed and delivered by WCC, is to help claimants'

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[1]UC will replace the following benefits: Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance, Income Support, Working Tax Credit, Child Tax Credit and HB.

[2]http://www.smith-institute.org.uk/book/safe-houses-impact-universal-credit-tenants-rent-/ /payment-behaviour-london-boroughs-southwark-croydon-peabody/.

successfully transition to managing their HB through their own personal bank account or a prepaid account. This is facilitated through a wrap-around support programme designed by the Council for claimants who will be moving from direct HB to UC. The main feature of the programme is the use of prepaid cards, which means that payments continue into the account but are restricted so the claimant is prevented from accessing them. Additional support is provided through workshops or individual meetings aimed to help claimants with banking and budgeting that would ensure a smoother transfer from HB to UC. This support was provided by a local charity, Citizens Advice Bureaux or WCC's tenancy support offices.

3 Pilot

3.1 Risk assessment questionnaire

In June 2017, working age council tenants in receipt of HB were sent a risk assessment questionnaire. The questionnaire collected information from tenants on their financial literacy and behaviour. These data were merged with administrative data on demographics and rent arrears among others. The main objective of this phase was to assess the risk profiles of the respondents and identify the tenants who will be chosen to participate in this pilot study.

The response rate to the questionnaires was just under 70%, with 763 council tenants responding to the survey. This group constitutes the baseline group of our analysis. Note that this group is not necessarily representative of all WCC tenants. In fact, comparison of survey respondents to non-respondents along the dimension of whether they are in arrears, indicates that there is a larger share of non-respondents who were in arrears.

3.2 Selection of participants

For the selection of respondents that were invited to the pilot, we considered all of the 763 survey respondents. We performed a randomisation procedure and produced 7 equally sized groups. The details of the randomisation procedure are described in section A in the Appendix. We selected a first group of 109 randomly chosen respondents to be part of the "treatment" group and chose other

109 to be part of the "control" group and passed these to WCC for invitation. Considering the initial low number of treatment take up, a further 109 randomly chosen respondents were passed to WCC for invitations to be part of the treatment group. This yields a base of 327 individuals out of which WCC made the invitations necessary to reach the sought size of treatment and control groups. Following selection of the pilot participants, in late August and September of 2017, WCC contacted the selected claimants and invited them to participate in the pilot.

Those who eventually accepted to be treated are part of the "Treatment" group. The number of participants in the treatment group reporting arrears is 75. The control group consists of 71 participants who report arrears. Out of those invited, 65 respondents decided to not participate in the pilot, and we refer to these as the "Non-compliers" group. Out of the original 327 randomly selected individuals, 32 were excluded because their benefit claims were cancelled or because they moved out of their house. The remaining 84 individuals were not invited. The latter group, together with the 418 individuals that were part of the survey but that were not originally selected for the pilot, form the group of "Non-invited". Finally, 18 individuals were excluded from the analysis because there are no arrears data for these individuals. Hence, a total of 50 individuals were excluded (18 because of missing arrears data and 32 because of benefits cancellation or because they moved out). The table below provides a summary of the various groups. Our analysis will focus on comparing primarily the "Treatment" and the "Control" group. As a secondary piece of analysis, we will also compare Pilot participants (both Treatment and Control) who moved from HB to direct payment into their bank account to "Non-pilot" individuals who stayed with the status quo of HB.

Table 1: Summary of Groups

Group	Description	N		
Treatment	Participants in Treatment	75		
Control	Participants in Control	71		
Pilot	Treatment + Control		146	
Non-compliers	Invited but did not participate	65		
Non-invited	Not asked to participate	502		
Non-pilot	Non-invited + Non-compliers		567	
All	All households in the analysis			713
Excluded	Excluded survey respondents			50

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3.3 Details of the pilot

Claimants in the treatment group were offered support including a prepaid card while those in the control group were asked to provide a bank account into which their HB would be paid.

The claimants in the treatment group that opted for a prepaid card had one set up for them, along with a standing order and their HB was paid directly into their prepaid card account. The claimants in the treatment group who did not wish to set up a prepaid card and claimants in the control group had their payments made directly into their nominated account.

4 Analysis

4.1 Profile of Survey Respondents

Table 2 summarises the variables used in the analysis for the various groups. These characteristics are measured on 10th August 2017, that is, before the start of the pilot.

Table 2: Descriptive Statistics

	All	Treatment	Control	Pilot	Nonpilot
Household Characteristics					
Weekly earnings	69.10	65.47	66.77	66.11	69.89
Monthly rent	457.71	471.28	464.04	467.73	455.05
Household types					
Couple with children	0.22	0.26	0.30	0.28	0.20
Couple without children	0.10	0.09	0.11	0.10	0.10
Lone parent	0.30	0.30	0.25	0.28	0.31
Single	0.38	0.35	0.34	0.34	0.39
Age group					
18-29	0.13	0.15	0.11	0.13	0.13
30-44	0.34	0.32	0.35	0.34	0.34
45-54	0.30	0.36	0.30	0.33	0.29
55-64	0.23	0.17	0.24	0.21	0.23
Employment status					
Not in work	0.62	0.61	0.62	0.62	0.62
In work	0.38	0.39	0.38	0.38	0.38
Disability					
Not disabled	0.56	0.51	0.54	0.52	0.57
Disabled	0.44	0.49	0.46	0.48	0.43
Household savings					
Less than 1000	0.82	0.86	0.77	0.82	0.82
More than 1000	0.18	0.14	0.23	0.18	0.18
Observations	713	75	71	146	567

Note: Statistics refer to 10/08/2017.

In general, there are no differences in terms of household characteristics across the groups, as one would expect as the result of randomisation. This is also true for the arrears measured in the period before the intervention. While both the treatment and the control group were slightly in credit in terms of arrears, households outside the pilot fall into a small amount of arrears. These amounts however, are very small and are not statistically significant.

4.2 Change in Arrears

Our main interest is the household arrears both before and after the pilot intervention. Information about arrears before the intervention was collected on 11th June 2017 and after the intervention on 14th January 2018. Average arrears for the various groups are reported in Table 3. A negative figure of the arrears implies that the household was in credit at the time of the survey.

By 14th January 2018 households who participated in the pilot appeared to have increased their arrears substantially. In particular, the arrears of the treatment group increased by about £84 on average while those of the control group by about £126. On the contrary, arrears for non-pilot households increased less than £11 on average.

Figures 1 and 2 illustrate the levels of arrears in the period before and after the pilot. Figure 1 shows that arrears increased for both the treatment and control group on average, with the increase of the latter group being somewhat more pronounced. Figure 2 compares the arrears for claimants who were part of the pilot and those who were not. Arrears for pilot participants (those in treatment and in control) increased substantially, while those for non-participants were essentially unchanged.

To analyse more formally whether the above-mentioned changes in arrears are statistically significant, we perform paired t-tests of the change in arrears before and after the intervention across the groups. We define the difference in arrears ΔArrears as $\text{Arrears}_{14/01/18} - \text{Arrears}_{11/06/17}$. Results are reported in Table 3, where we compare the difference in arrears between the "Treatment" and "Control" (TG vs CG), between "Control" and "Non-pilot" (CG vs NP), between "Treatment" and "Non-pilot" (TG vs NP) and between "Control" plus "Treatment" and "Non-pilot" (TG + CG vs

Figure 1: Change of Arrears: Treatment vs Control
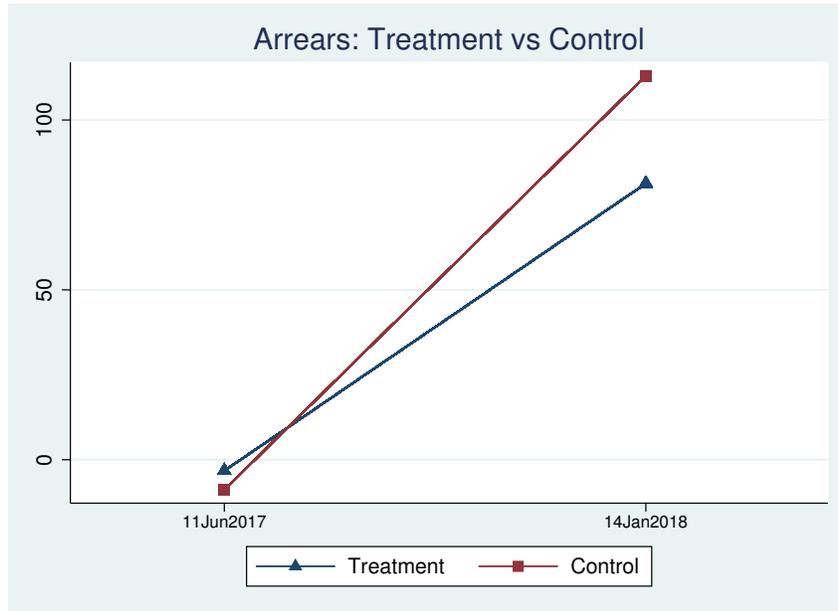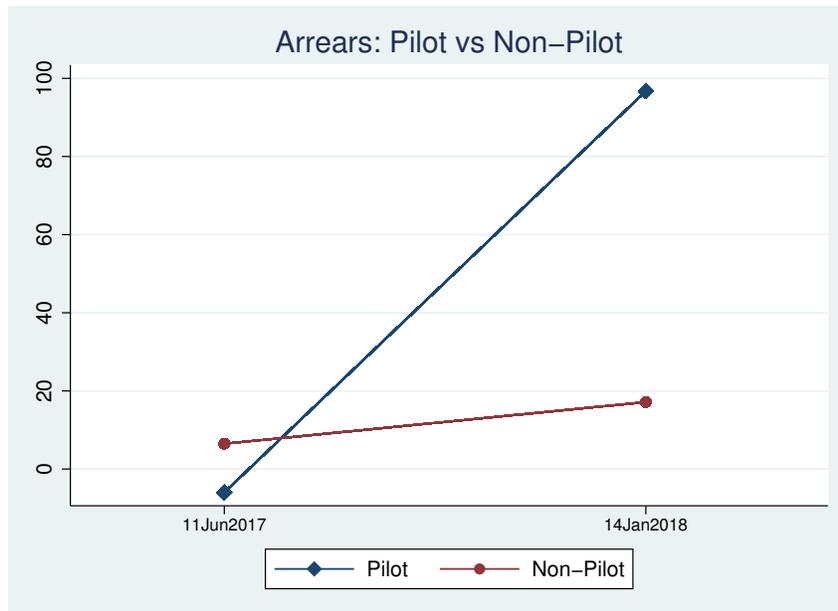

Figure 2: Change of Arrears: Pilot vs Non-Pilot

NP). The results of these tests tell us whether, for example, the difference $\Delta\text{Arrears}^{TG} - \Delta\text{Arrears}^{CG}$ is statistically different from zero or not, in other words, whether the arrears for the treatment group are higher or lower than the control group.

The Table shows that while the increase in arrears for the treatment group is £41 smaller than the increase in arrears for the control group, this gap is not statistically different from zero. The

Table 3: Group Comparison of Mean Arrears Change

	All	TG	CG	P	NP
Arrears (In Credit if negative)					
Arrears before (11th June 2017)	3.28	-3.15	-12.70	-7.80	6.13
Arrears after (14th January 2018)	33.44	81.30	113.01	96.72	17.14
Difference in arrears over time					
(after - before)	29.16	84.45	125.71	104.52	11.01
Observations	713	75	71	146	567
		TG - CG	CG - NP	TG - NP	P - NP
Difference in difference in arrears					
over time across groups		-41.26	114.7***	73.44*	93.50***
Observations		146	638	642	713

TG = Treatment group; CG = control group; NP = non-pilot group. ***/* indicates statistical significance at the 1%/10%.

results also show that the increase in arrears of the control group is about £115 larger than the increase in arrears of the non-pilot group. This difference in statistically significant at the 1% level. Similarly, the increase in arrears of the treatment group is about £73 larger than the increase in arrears of the non-pilot group, albeit the difference is statistically significant at the 10% level only. When we combine treatment and control groups and compare them with the non-pilot group, the average difference is £93.5 and is statistically significant at the 1% level.

We have conducted further analyses and in particular we estimated regression models that allow us to take into account whether household characteristics have any bearing on the change in arrears. The results of these additional analyses are reported in section B of the Appendix. The conclusion of this analysis is however similar: there are no discernible differences between the increase in arrears of the treatment and the control group, while there exist appreciable differences between claimants who participated in the pilot and those who did not, with the former group accumulating about £90 more in arrears than non-pilot participants who remained in HB.

4.3   Discussion

To sum up, the two key results of our analysis are:

- arrears increased for both treatment and control group, with the latter group experiencing

a larger increase on average (£126 vs £85). While there exists a difference in the arrears increase between treatment and control group, this difference is not statistically different from zero.

- arrears for claimants that did not participate in the pilot were essentially unchanged. When comparing the change over time in arrears between the pilot participants and the non participants, the difference between the two groups is large (about £94) and statistically significant.

Overall, what we can infer is that it is likely that paying HB to claimants had an impact on individuals' arrears regardless of whether they received the prepaid card. However, it must be emphasised that one of the reasons why the difference in the growth of arrears between treatment and control group might not be statistically significant is the small sample size of the two groups. Furthermore, there could be several reasons behind the observed gap between participants and non-participants. For example, arrears could effectively be the consequence of individuals delaying or failing to pay rent as a consequence of the move into direct payment. However, another explanation, as reported by WCC, could be attributable to the delay in receiving the payments due to the time needed by the banks to process the money transfers.

4.4   Conclusion

This report provides the evaluation of the pilot project: FIRST (Flexible Innovative Real Support Transition), which took place between October 2017 and January 2018. The project was introduced and managed by Winchester City Council. The intervention involved offering a group of Council tenants (the treated) support including a prepaid card whilst and those in the control group were asked to provide a bank account into which their HB would be paid in. The evaluation of this pilot entailed comparing the rent arrears of those two main groups before and after the intervention. Overall, the analysis doesn't show any statistical difference in arrears between those who were provided prepaid card (treated) and those who had their rents paid directly into their bank accounts (control). However, we cannot rule out that the findings are plagued by the small number of participants.

Appendix

A   Randomisation

All 763 survey respondents were used for the randomisation of participants into treatment and control groups. Randomisation was performed using Stata 14.

In the first step, we set the seed number. This procedure allows replication, in the sense that the way observations are randomised is unique and can be replicated. Before randomisation, it is necessary to sort data using a variable that has unique values. In our case we sort observations by *claimreference*, the anonymous ID number of the benefit claimant.

In the second step, we created a random variable using the random uniform distribution. This creates a unique value for each observation. We then sorted observations by the value of the random variable and split the data in 7 equally sized groups. The group "Treatment" was contacted for prepaid card. The group "Control" is selected to move to UC. Due to low number of respondents who agreed to be treated, a second group of 109 randomised respondents was selected to be contacted for treatment. The four remaining groups form the "Non-pilot".

In the third step, we validate the randomisation procedure by checking the balance of selected variables across the groups. In particular, we test whether the averages of individual and household characteristics are statistically different between treated and control and between treated and other groups. In this step, we also check three additional randomisation strategies, where we stratify by: 1) risk index and arrears; 2) demographic and economic characteristics and 3) all of the above. With stratification, the randomisation procedure is identical to what describe above, except that it is executed within strata (i.e. groups). For example, when we stratify by arrears and WCC risk index, we consider three categories for arrears and four for the risk index. This gives a total of 3x4=12 strata. The creation of many strata might result on groups having somewhat different size. We also checked the balance of selected variables when using the stratification strategies.

The results from these further checks show that there are no statistical differences in characteristics across the groups, and this holds regardless of whether we stratify or not. Our preferred randomisation strategy is without stratification (it allows groups of equal size).

B Further Analysis

B.1 Regression Results

To be able to account for the role of household characteristics in the change of arrears over time, we complement the descriptive analysis with estimating the following regression equation

$$\Delta \text{Arrears}_i = \alpha + \beta G_i + \mathbf{X}'_i \gamma + \epsilon_i,$$

where G_i indicates an indicator for the group to which the individual belongs to. For example when comparing "Treatment" and "Control", $G = 1$ for the treated and $G = 0$ for the control. The matrix $\mathbf{X}$ incorporates the following household characteristics: weekly earnings, monthly rents, household types, age, employment status, disability status, and household savings. ϵ is the error term.

Columns 1 and 2 in Table A1 present the coefficient estimates of β. The first column includes no control variables, while the second includes the household characteristics. The estimate of the coefficient β measures the gap in the arrears increase between treatment and control. The results in column 1 match the inference of Table 3, with the observed gap (£41) not being statistically different from zero. When controlling for household characteristics, the gap between treatment and control is about £59, but this difference is still statistically insignificant.

Table A1: Differences in Arrears Between Groups

	TG vs CG		TG vs CG vs NP		TG + CG vs NP	
	(1)	(2)	(3)	(4)	(5)	(6)
Treatment group	-41.258	-58.646	73.438**	66.844**		
	(40.236)	(40.229)	(31.931)	(32.961)		
Control group			114.696***	108.623***		
			(27.785)	(27.807)		
Treatment + Control					93.502***	87.327***
					(22.380)	(22.794)
Observations	146	145	713	692	713	692
R^2	0.007	0.107	0.027	0.056	0.026	0.054
Household characters	NO	YES	NO	YES	NO	YES

Note: TG = Treatment group; CG = control group; NP = non-pilot group OLS regressions. Dependent variable is the difference of arrears between 14th January 2018 and 11th June 2017. Robust standard errors are reported in parentheses below the estimates. ***/** indicates statistical significance at the 1%/5%.

In columns 3 and 4 we compare treatment and control group with the non participants. In practice, our regression model above includes two indicators, one which equals to 1 if the individuals are in

the treatment group and 0 otherwise, and one which equals to 1 if the individuals are in the control group and 0 otherwise. The coefficient estimates will inform about the difference of treatment vs non-pilot claimants and of control vs non-pilot claimants. Results confirm that when compared to non participants, arrears increased more for both the treatment and the control group, with the increase of the latter group being larger.

Finally, in columns 5 and 6 we compared pilot participants (treatment plus control) to non participants. The results confirm that arrears for pilot participants increased substantially more than pilot not participants, with the gap varying between £87 and £94 depending on whether we include or not household characteristics in the regression.

C   Additional Tables

Table A2: List of acronyms

Winchester FIRST	Flexible Innovative Real Support Transition
WCC	Winchester City Council
UC	Universal Credit
HB	Housing Benefit
PPC	Prepaid Card