

**THE  
BEHAVIOURAL  
INSIGHTS TEAM** ◆

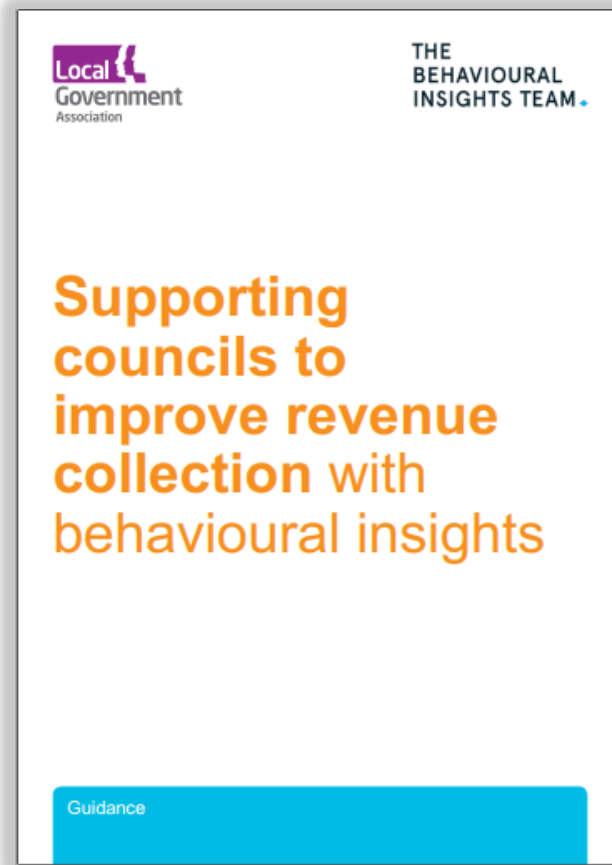
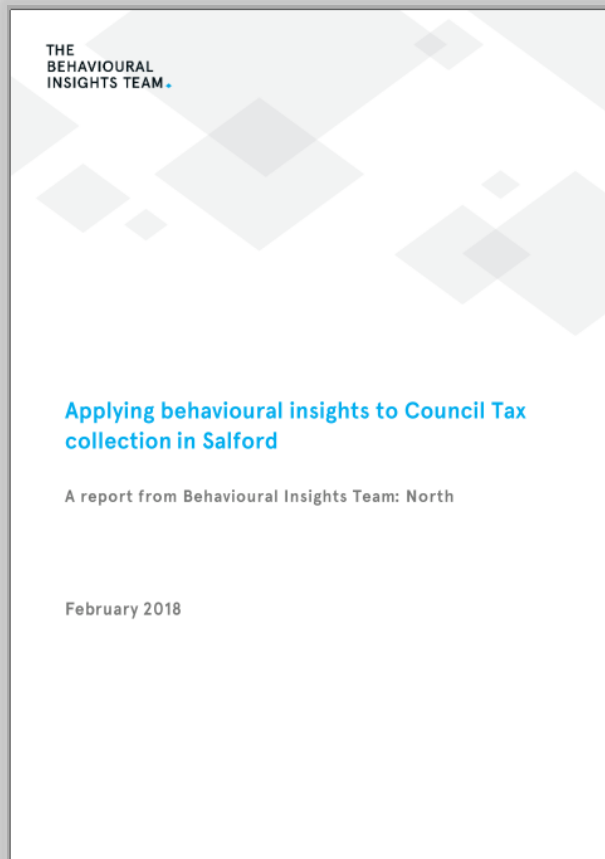
IN PARTNERSHIP WITH  Cabinet Office

# Applying behavioural insights to Council Tax collection in Greater Manchester

2018

This document summarises two reports as part of a GMCA-Behavioural Insights Team project on tax

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# Contents

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- ◆ Introduction to the Behavioural Insights Team (BIT)
- ◆ Summary of Council Tax collection trial in Salford
- ◆ Summary of LGA Guidance on supporting councils to improve revenue collection with behavioural insights

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# Introduction to the Behavioural Insights Team (BIT)

We use behavioural science to design people-centred policy and public services

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THE  
BEHAVIOURAL  
INSIGHTS TEAM

BIT is dedicated to understanding how **people behave in practice** to design better services



Our Partners



Cabinet Office



# We use behavioural science to design people-centred policy and public services

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- ◆ Our research is grounded in the academic literature
- ◆ We understand public services & public policy
- ◆ We are committed to good evaluation and evidence-based policy



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# Summary of Salford Council Tax collection trial

In Autumn 2017, we ran a Randomised Controlled Trial in partnership with Salford City Council.

Salford City Council



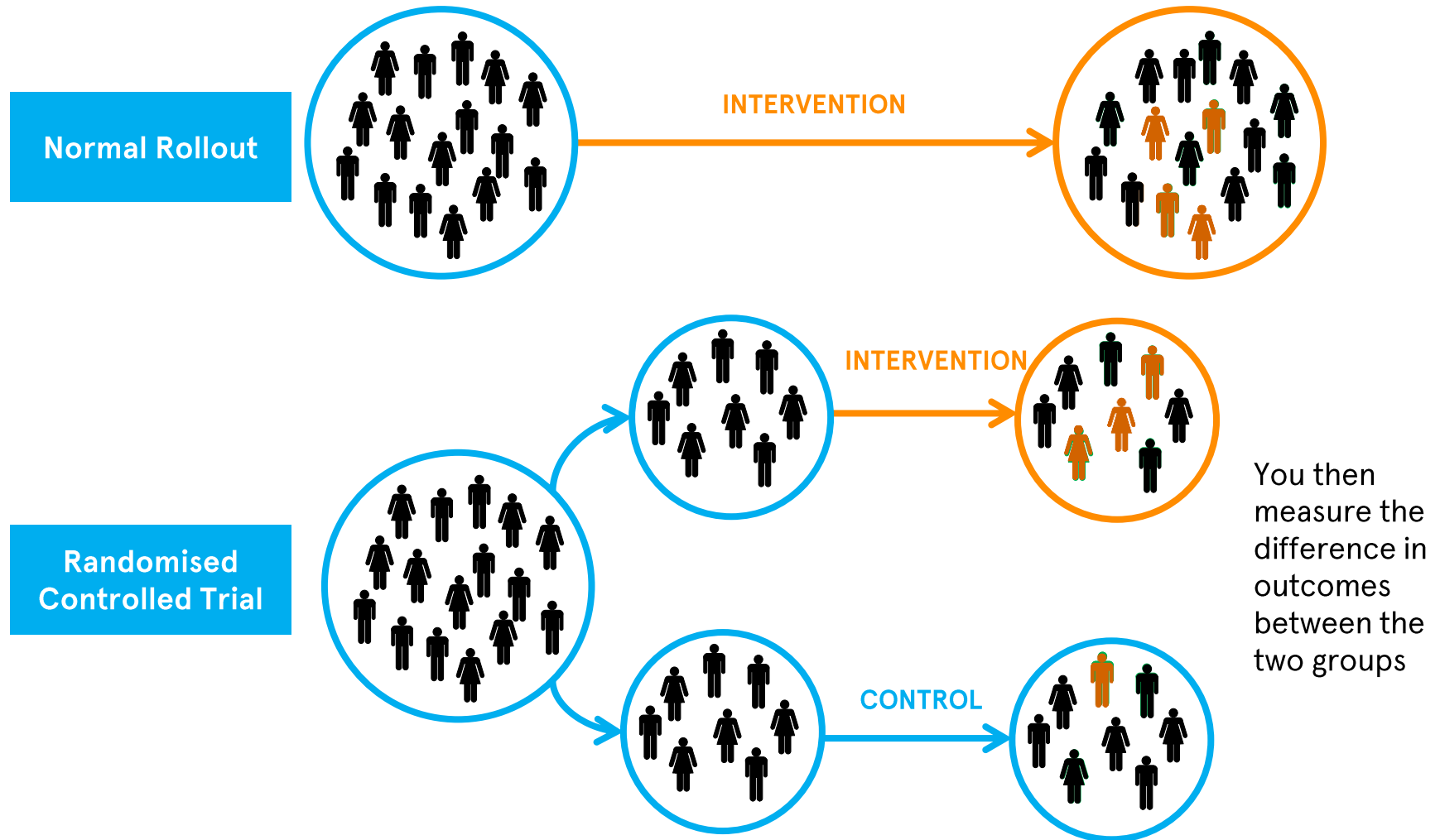
The trial tested whether behaviourally informed changes to the first reminder letter for unpaid Council Tax could increase payment rates.

The project was delivered in partnership with the Greater Manchester Combined Authority.

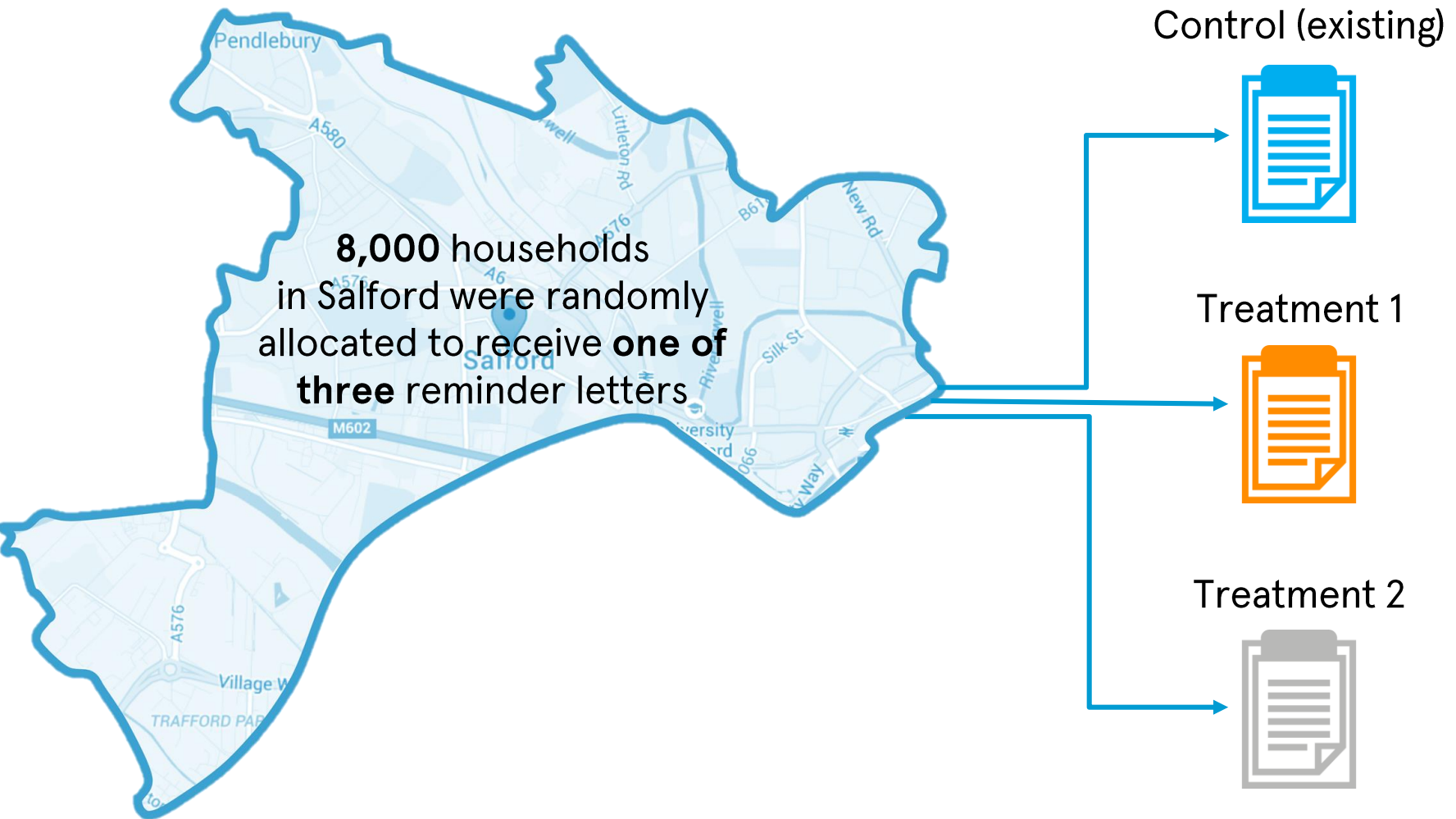
**GMCA** GREATER  
MANCHESTER  
COMBINED  
AUTHORITY



Randomised Controlled Trials (RCT) compare your new approach (intervention) against business-as-usual (control)



We ran the Salford tax trial as an RCT, testing the existing letter's effectiveness against revised letters



# The treatment letters were simplified and also featured either social norms or active choice

## Control (existing letter)

## Social norms

## Active choice

**Salford City Council**

Customer Services  
Unity House, Salford Civic Centre,  
Chorley Road, Swinton  
M27 5AW

**Council Tax  
Reminder Notice**

Make a payment: 0161 793 3325  
or online at [www.salford.gov.uk/howtopay](http://www.salford.gov.uk/howtopay)  
Web: [www.salford.gov.uk/counciltax](http://www.salford.gov.uk/counciltax)

First name, Surname  
House #, Road  
Town  
Postcode

IN RESPECT OF  
Property address line 1  
Property address line 2  
Property address line 3

Date of issue: 06-DEC-2016  
Account number: XXXXXXXX  
Payment required: \$XXX.XX

Dear XXXXX,

My records show that the payments on your Council Tax account are in arrears.  
**You must pay \$XXX.XX now.** This amount includes any instalments that are due within the next 7 days.  
If this amount is not received within 7 days of the date of this letter, you will lose your right to pay by instalments and will then have to pay \$XXX.XX to avoid court action and added costs.  
Please ignore this letter if you have paid the overdue amount within the last few days but note future instalments must be made by the date due to prevent further recovery action being taken.  
Yours sincerely

N. Thornton  
Chief Financial Officer

SCHEDULE OF AMOUNTS INCLUDED IN THIS REMINDER	
Year	Amount due
2015	£XXXX.XX
2016	£XXXX.XX

**Salford City Council**

Council Tax Reminder Notice

Date of issue: XXXX  
Account number: XXXXXXXX  
Address this bill relates to:  
[Property address line 1]  
[Line 2]  
[City]  
[Postcode]

First name, Surname  
House #, Road  
Town  
Postcode

**YOU HAVE MISSED YOUR COUNCIL TAX PAYMENT  
PLEASE PAY £XXX.XX NOW**

Dear XXXXX,

You have missed your council tax payment. We have sent this letter to remind you to pay.  
**Most Salford residents pay their Council Tax on time.** You are in the minority who have not paid.  
Please pay £XXX.XX now. To pay:

- Go to our online payment page at [www.salford.gov.uk/payments](http://www.salford.gov.uk/payments). Then click on 'Council Tax' at the bottom of the page;
- Call 0161 793 3325;
- Or look at the back of this letter for other ways to pay.

You need to pay within seven days of this letter being sent. If you do not, you will lose your right to pay by instalments. You will then have to pay £XXXX.XX immediately. If you continue not to pay, we will take you to court.

If you need help to pay there is more information on the back of this letter about who to speak to.  
**Please act now.** Ignore this letter if you have paid the overdue amount within the last few days.  
Yours sincerely,

N. Thornton  
Chief Financial Officer

*"Most Salford residents pay their Council Tax on time. You are in the minority who have not paid"*

**Salford City Council**

Council Tax Reminder Notice

Date of issue: XXXX  
Account number: XXXXXXXX  
Address this bill relates to:  
[Property address line 1]  
[Line 2]  
[City]  
[Postcode]

First name, Surname  
House #, Road  
Town  
Postcode

**YOU HAVE MISSED YOUR COUNCIL TAX PAYMENT  
YOU MUST PAY £XXXX.XX NOW**

Dear XXXXX,

You have missed your council tax payment. We have treated your lack of payment so far as an honest mistake. **However, if you do not pay now we will treat this as an active choice.**  
You must pay £XXX.XX now. To pay:

- Go to our online payment page at [www.salford.gov.uk/payments](http://www.salford.gov.uk/payments). Then click on 'Council Tax' at the bottom of the page;
- Call 0161 793 3325;
- Or look at the back of this letter for other ways to pay.

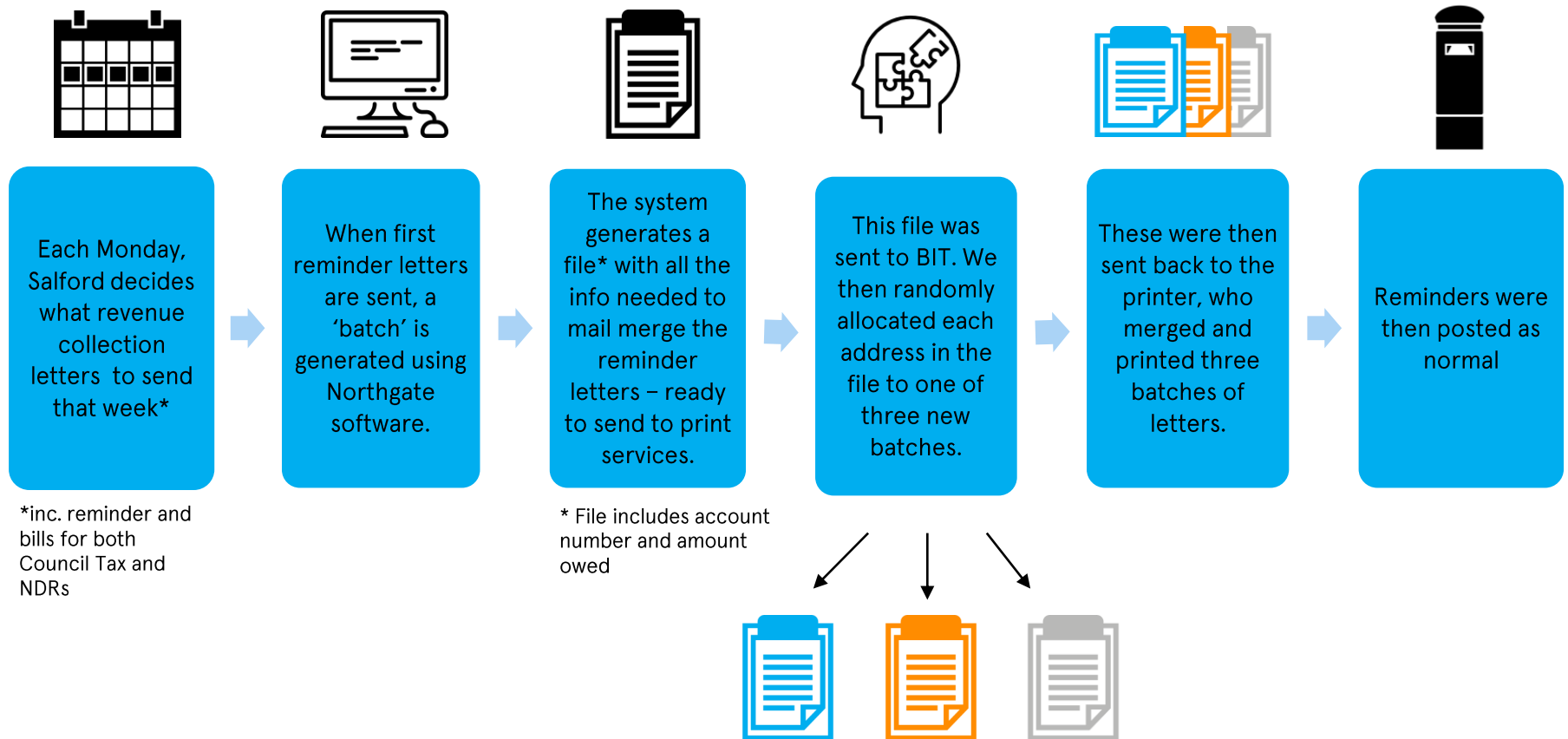
You need to pay within seven days of this letter being sent. If you do not, you will lose your right to pay by instalments. You will then have to pay £XXXX.XX immediately. If you continue not to pay, we will take you to court.

If you need help to pay there is more information on the back of this letter about who to speak to.  
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Yours sincerely,

N. Thornton  
Chief Financial Officer

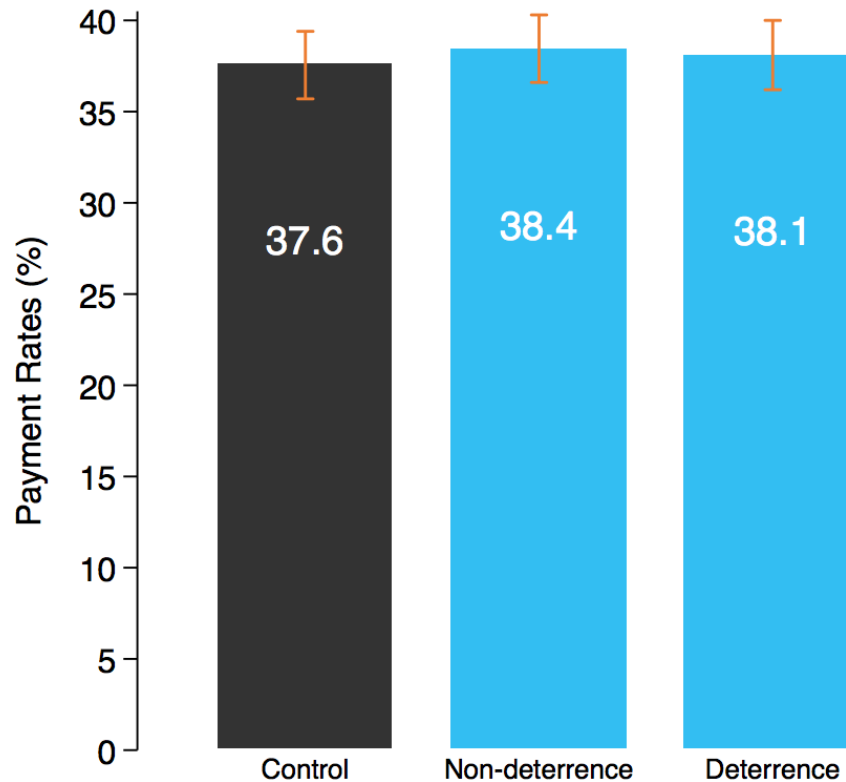
*"We have treated your lack of payment so far as an honest mistake. However, if you do not pay now we will treat this as an active choice"*

# We found a point in the process where we could allocate households into three groups



# There was no statistically significant difference between the letters

Proportion of households repaying their debt in full in 14 days or less



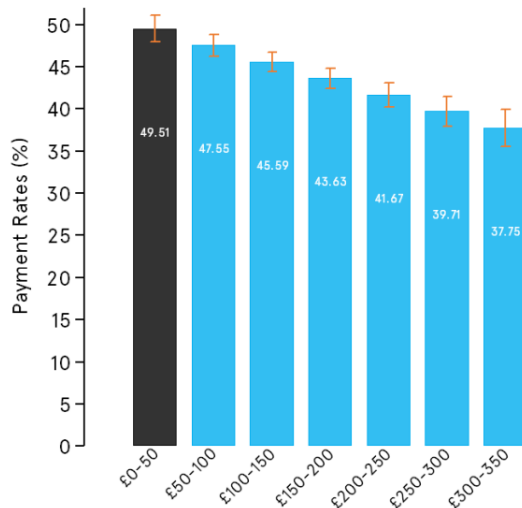
\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ , +  $p < 0.1$

N = 7,898

# As expected, size of debt, deprivation levels and mail preferences were all correlated with payment

## Size of debt

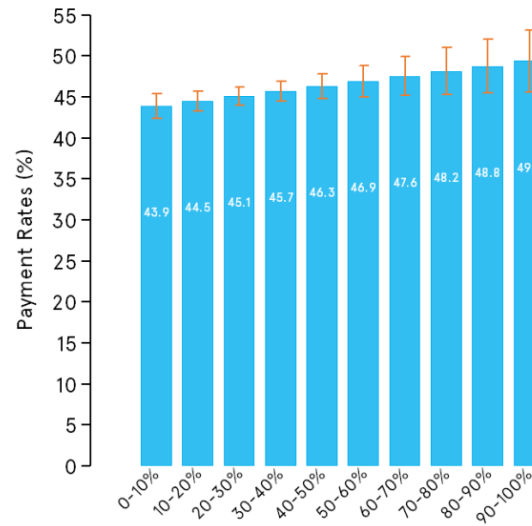
Proportion of households repaying their debt in full in  $\leq 14$  days  
(n=7065)



The amount of debt owed is negatively linked to likelihood of repayment. A £50 increase in debt, decreases the probability a household will repay in full within 14 days by 2 percentage points.

## Deprivation

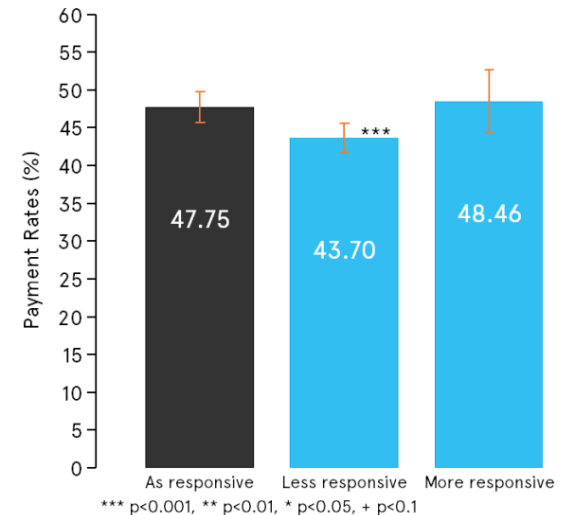
Proportion of households repaying their debt in full in  $\leq 14$  days  
(n=7065)



Repayment rates are significantly lower in more deprived postcodes (as measured by Indices of Multiple Deprivation).

## Mail preferences

Proportion of households repaying their debt in full in  $\leq 14$  days  
(n=5381)



Being categorised as 'less responsive' to mail by Experian mail preferences significantly reduces a households' likelihood of payment.

# We test because we know that context matters, and what works elsewhere might not work here

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- Local authorities provide a wide range of public services in resource-scarce environment. Every pound spent is a trade-off.
- Testing and evaluating interventions allows us to build an evidence base and continually improve, rather investing in programmes that are not adding value
- Ineffective programs are a waste of money, but unintentionally harmful programs are much worse. Evaluation helps us avoid both.



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# Summary of LGA Guidance on supporting councils to improve revenue collection with behavioural insights



# BIT and the Local Government Association issued a 'how to' guide on BI & revenue collection

In March 2018, BIT and the Local Government Association (LGA) issued guidance on applying behavioural insights to revenue collection.

The advice from the guide is summarised in the following slides. There are a range of practical suggestions about what authorities in GM could try next to increase council tax repayment rates.



# Suggestions about what authorities in GM could try to increase council tax repayment rates


-  **1 Make paying as easy as possible**
-  **2 Make communications clear, simple & attractive**
-  **3 Remind people at the right times**
-  **4 Highlight social norms**
-  **5 Consider wider motivations & frame incentives in the right way**

1



## Make paying as easy as possible

- **Reduce the number of stages involved**
- **Prefill forms with the amount owed & personal details**
- **Set up payment defaults**

 Strong evidence

 Promising ideas

# Reduce the number of stages involved in the process of paying council tax

BIT changed the URL on a tax letter, linking directly to the tax form rather than the webpage where the form was found, to increase tax filing rates

Percent response rates (n=8430)

19.2%

+20%

23.4%

The screenshot shows the HM Revenue & Customs website. The navigation path is: Home > HMRC campaigns > Tax Return Initiative. The page title is "Tax Return Initiative". The content includes a section "On this page:" with links: "What to do now", "Completing your tax returns", "Paying what you owe", and "More useful links". Below this is a section "What to do now" with the text "The next steps you take will depend on your circumstances."

## Business as usual

Link to webpage which has a link to form

The screenshot shows the "Self Assessment and National Insurance contributions registration" form. The form includes fields for: National Insurance number, registration status (Yes/No), Unique Taxpayer Reference (UTR), Title, First name(s), Last name or family name, Previous last name or family name (if applicable), Date of birth, and gender (Male/Female).

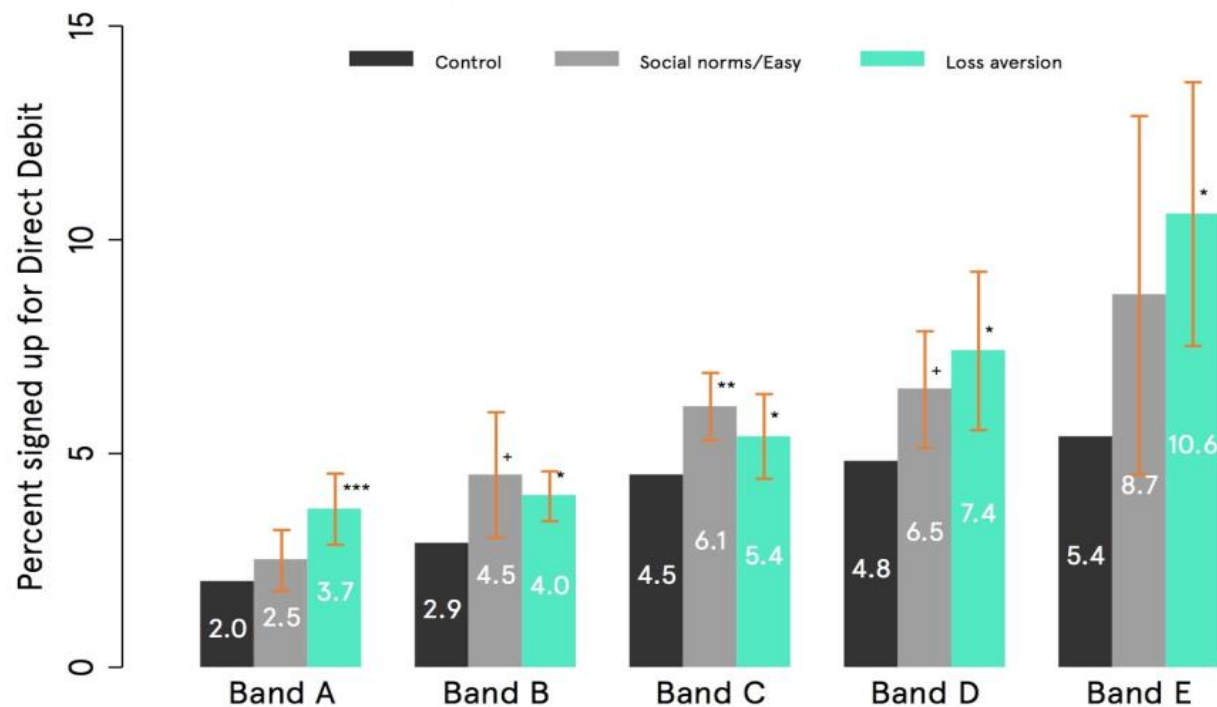
## Updated letter

Link directly to form

# Make use of defaults - encourage direct debit sign up

**BIT used social norms & loss aversion to increase direct debit sign-ups for council tax; the effects were amplified at higher property bands**

*Percent signing up for direct debit by property band  
(n=27832)*



# Test prefilling forms with the amount owed and personal details

Research by McKinsey found that tax systems which pre-filled forms were more efficient (lower costs per taxpayer) than those that do not.




The image displays two screenshots of the Skatteverket (Swedish Tax Authority) website and mobile app. The top screenshot is a desktop browser view of the 'How to file your tax return' page. It features a navigation menu on the left with categories like 'In English', 'Individuals and employees', and 'Declaring Taxes - for individuals'. The main content area is titled 'How to file your tax return' and includes instructions on how to submit a tax return, such as using an electronic identification (BankID) or sending a text message. A 'Check the amounts' section highlights the importance of verifying pre-printed amounts. The bottom screenshot is a mobile app view of the 'Deklaration' (Tax Declaration) screen. It shows a user profile for 'Hansen, Helly' and a 'Preliminär skatteuträkning' (Preliminary tax calculation) table with a balance of 8,205. The app interface includes a 'Logga ut' (Log out) button and a 'Skriv under och skicka in' (Sign and submit) button.

2



## Make communications clear, simple & attractive

- Highlight required actions
- Use plain English
- Personalise messages

 Strong evidence

 Promising ideas

# Highlight required actions using headings, colours and images

## A BIT project featuring a “Pay Now” stamp & visual changes increased payment rates for unpaid fines.

Percent paying unpaid fine (n=43467)

14.7%

+20%

17.8%

The original form is titled 'Enforcement Order' from the Office of State Revenue. It contains a barcode, a reference number (319166648), and a due date of 28 Mar 2013. The amount due is \$462.00. Below the main information, there is a section titled 'Why have you been sent this enforcement order?' and another titled 'Details of the penalty or fine in this order:'. At the bottom, there is a 'How to pay' section with various options like online, phone, or in person.

Business as usual

The redesigned form is titled 'Unpaid Fine' from the Office of State Revenue. It features a prominent 'PAY NOW' stamp in a red box. The form includes a table with payment details: Reference Number (123456789), Amount due (\$999.00), and Due date (29 MAY 2012). Below this, there is a section titled 'Pay your fine now or lose your licence, possessions or money from your bank account.' followed by a list of consequences for non-payment. The form also includes a 'Details of the fine which you have not paid:' section and a 'How to pay' section with various options.

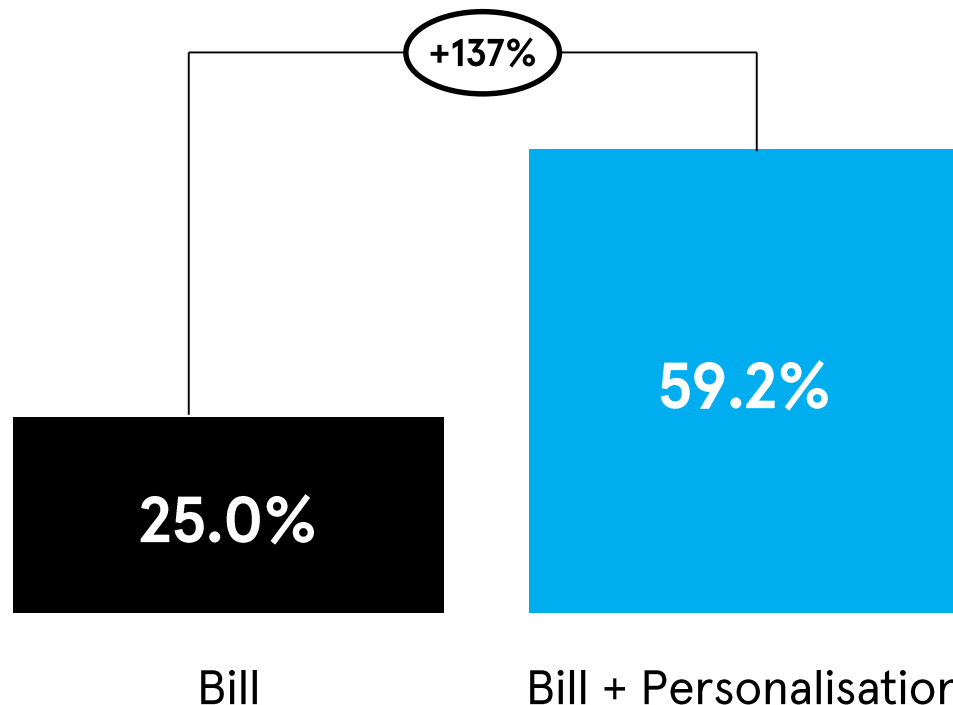
Redesigned



# Personalise communications to get people's attention

A BIT project used a personalised message on a bill envelope and in a letter insert to increase payment.

*Likelihood of making a payment within 29 days  
(n=3074)*



The Irish Revenue increased filing rates by simplifying income tax letters.

*Likelihood of a non-filer filing Income Tax return (n=1450)*




3



## Remind people at the right times

- Send instructions and reminders at timely moments
- Use planning prompts

 Strong evidence

 Promising ideas

# Use timely prompts & reminders to help overcome procrastination

A BIT project used SMS prompts to increase repayment of court debts.

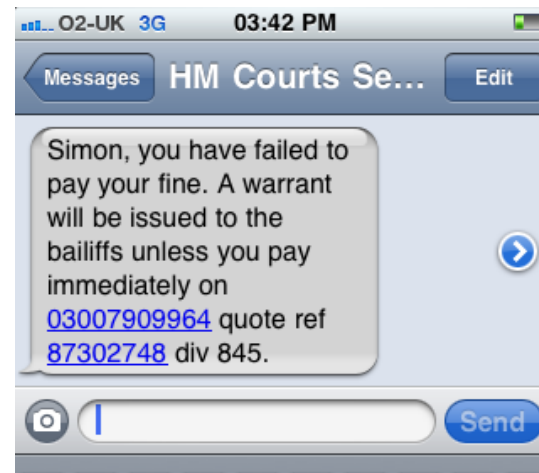
*Average amount paid (n=1800)*

£4.48

+287%

£12.87

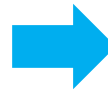
No SMS prompt



Control

Treatment

# Use planning prompts for required actions in the future




4



# Highlight social norms

- Highlight the positive behaviour of the majority
- Make social norms local and specific

 Strong evidence

 Promising ideas

# Highlight social norms to increase tax compliance

BIT has used descriptive social norms to encourage late payers to pay their tax on time.

## Control

“Our records show that your Self Assessment tax payment is overdue”

Payment rate at 23 days after letter issue

33.6%

## Basic norm

+“Nine out of ten people pay their tax on time”

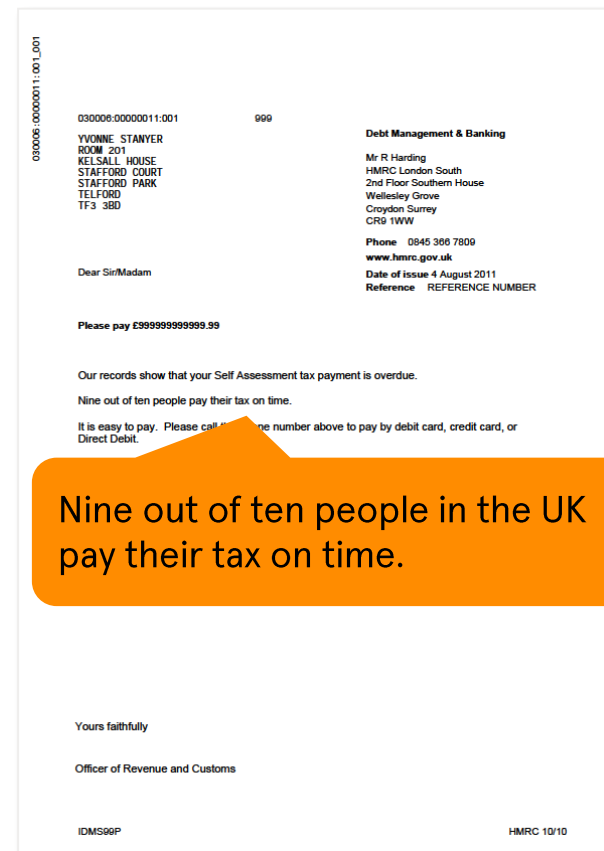
34.8%

## Country norm

+“Nine out of ten people in the UK pay their tax on time”

+5%

35.3%



Nine out of ten people in the UK pay their tax on time.

# Make the norms relevant to the recipient to increase their effect

## Control

“Our records show that your Self Assessment tax payment is overdue”

## Debt norm

+“Most people with a debt like yours have paid it by now”

## Minority norm

+“Nine out of ten people in the UK pay their tax on time. You are currently in the very small minority of people who have not paid us yet.”

Payment rate at 23 days after letter issue

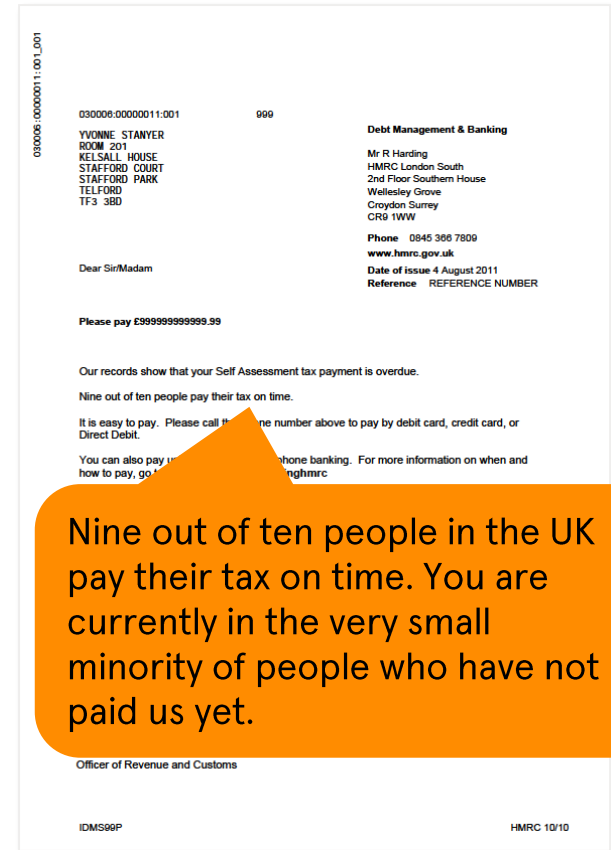
33.6%

37.2%

38.5%

+11%

+15%






5



## Consider wider motivations & frame incentives in the right way

- **Highlight individual accountability for inaction**
- **Emphasise reciprocity and altruism**
- **Use lotteries to increase compliance**

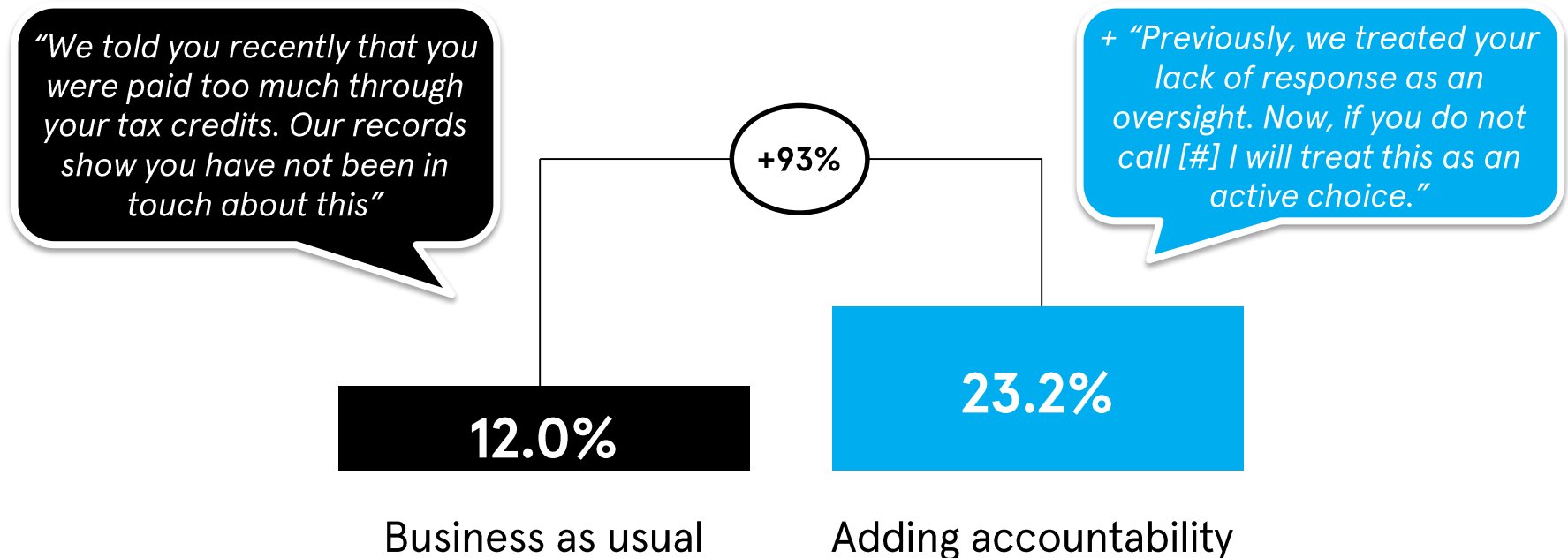
 Strong evidence

 Promising ideas

# Highlight individual accountability for inaction to make it an active decision

**BIT framed not taking an action as an active decision,  
this increased repayment rates for overpaid tax credits**

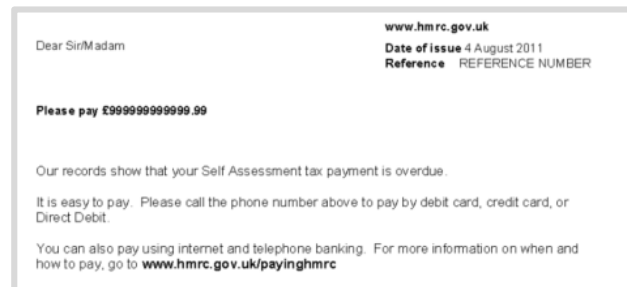
Likelihood of repaying tax overpayment (n=38800)



# Encourage people to consider reciprocity and altruism

**A BIT project that used reciprocity and altruism was more effective for those with higher debts.**

Payment rate at 23 days after letter issue



*“Not paying tax means we all lose out on vital public services like the NHS [National Health Service], roads, and schools.”*

Overall effect (all tax liabilities)

+4%

Effect for those with debts of more than £30k

+19%

# Use lotteries to increase compliance & incentivise people cost effectively

**BIT has used lotteries to increase voter registration rates; increasing the size of the prize had little effect.**

*Household voter registration by letter  
(n=129000)*

