

Citizens Advice Scotland Response to CCW call for evidence December 2020

Scotland's Citizens Advice Network empowers people in every corner of Scotland through our local bureaux and national services by providing free, confidential, and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

Summary

Citizens Advice Scotland welcomes the opportunity to respond to CCW call for evidence. Citizens Advice Scotland is the consumer representative body for water, energy, and post sectors in Scotland. We use research and evidence to put consumers at the heart of policy and regulation. We work with government, regulators, and business to put consumers first, designing policy and practice around their needs and aspirations.

CCW call for evidence - Questions

1. What works well in terms of the current arrangements for supporting households that struggle to pay their water bills?

Affordability can only be truly assessed on a customer-by-customer basis. Circumstantial affordability will depend on many factors such as a person's ability to manage their household budget as well as the balance between income and outgoing expenditure. Water and sewerage bills are just one bill amongst many that householders need to pay.

In Scotland, water and sewerage charges are collected by local authorities and are based on Council Tax bands. The Scottish Government uses two 'affordability' policy measures: 1. Council Tax bands – lower banded properties are cross subsidised by higher banded properties who pay more and 2. those in receipt of Council Tax Reduction automatically receive a reduction in water and sewerage charges of up to 25% (35% from 1 April 2021).

However, CAS research in 2018¹ highlighted that income is the best proxy for targeting financial support to those that may struggle to pay, based on households paying more than 3% of income after housing costs, rather than Council Tax banding or even being in receipt of Council Tax Reduction.

The Scottish Government's Principles of Charging² for 2021-27 now includes the principle of 'affordability': '*Fair, equitable and affordable charges*'. Citizens Advice Scotland (CAS) welcomes this development and its clear commitment to acknowledging that for some consumers, charges

¹ [Charting a new Course \(2018\)](#)

² <https://www.gov.scot/publications/principles-of-charging-2021-2027/>

may not be affordable, and that the industry needs to take measures to address this. We believe that this new principle will embed a culture within the Scottish water industry that seeks to protect societies' most vulnerable and will support the development and delivery of longer-term measures to ensure that effective affordability policy targets those who need it most.

2. In what ways could the approach to supporting financially vulnerable households in the water sector be improved?

Use of the DWP Water Direct scheme in Scotland can impact financially vulnerable households, as they struggle to accommodate further deductions for water. CAS found that there are sometimes delays with the DWP processing Water Direct applications, in getting deductions both started and stopped and to get deductions removed once the debt has been paid. This can contribute further hardship to already financially vulnerable households. We have seen CAB evidence of local authorities working with local CAB debt advisers to provide pre-action assessments of individuals' ability to pay. Collaborative working in this manner has reportedly improved debt collection for the local authority whilst ensuring customers are able to manage the repayments and avoid the inflexible approach of Water Direct.

Use of other methods of debt collection that include innovative multi-channel communications to engage with 'difficult to reach' groups on low incomes, were found to be beneficial in CAS research. Likewise using alternative media that contains clear, simple information on:

- accessible and suitable payment options
- signposting to available debt advisory services to support improved debt and money management.

In research carried out by CAS earlier this year³, we recommended a minimum standard of communication for difficult to reach groups. This should include signposting to available debt advisory services to support improved debt and money management. Also, further consideration of issuing separate bills for water and sewerage from Council Tax as part of preventative measures. Furthermore, to develop a more flexible governance framework for vulnerable consumers and flexibility in debt approaches in order to more effectively protect and support those struggling to pay.

3. Are there gaps or limitations in the current arrangements, if so what? Which households in need of support are currently missing out on it. What evidence can you provide in relation to this? How could it be addressed?

CAS provided evidence to the Public Petitions Committee at the Scottish Parliament earlier this year in support of a petition relating to the provision of adequate information on water and sewerage billing.

We identified gaps in the various processes carried out by public bodies that excluded those

³ [In Practice: Exploring council debt collection \(2020\)](#)

that are liable to pay. As a result, many people in receipt of Council Tax Reduction do not realise they still must pay water and sewerage charges. So, someone may receive a 100% reduction on their council tax but still be required to pay 75% (dropping to 65% in April 2021) of the accompanying water charges. Local authorities have a statutory responsibility for collecting water and sewerage charges on behalf of Scottish Water, the charge is on the same notification issued for council tax at the start of the financial year and both are collected under a single payment. However, when a notification is issued that the household will receive full Council Tax Reduction, it is not made clear to the household that they are still required to pay at least 75% of their water charges. This can lead to them ignoring reminders and falling into water debt.

CAS made recommendations to the Public petitions committee that call for the development of specific communications, including clearer billing, to inform those in receipt of Council Tax Reduction of their ongoing liability to pay water and sewerage charges, and to help prevent them falling into debt in the first place.

There is an upcoming need to do this through the new EU recast Drinking Water Directive⁴ which states that consumers should be provided with regular information, through their invoices, of the tariffs and the cost structure of their bill.

4. Are current arrangements sustainable and capable of meeting likely future needs in terms of supporting financially vulnerable households? If not, how should this be addressed?

CAS supports the newly publicised discount increase for Scottish water and sewerage charges under the Water Charges Reduction Scheme from 25% to 35%. We believe that this will protect low-income households over a longer period of time from the impact of price increases above any increase in income. We will continue to work with the Scottish Government to monitor the real impact of price increases on low-income households.

However, as stated earlier in our response, we believe that in the longer term, the most effective basis for financial support should be income and not Council Tax banding.

5. Are the current arrangements for funding social tariffs fit for purpose? If not how should they change?

No comment from CAS on this.

⁴ The Scottish Government has committed to keep pace with EU law in devolved areas through the [UK Withdrawal from the European Union \(Legal Continuity\) \(Scotland\) Bill](#)

6. How could the sector’s approach to promoting and delivering support (rather than the mechanisms they use) be improved. How could households’ awareness of assistance options be raised, including hard to reach households? How could the process for households to apply for financial support schemes be improved to make access easier?

CAS believes that in order to support someone struggling to pay in the right way, effective engagement with a customer is essential to better understand their circumstances. Partnership working between service providers and frontline advisory agencies (such as Citizens Advice Bureaux) in an integrated, collaborative and participative approach can help to ensure that customers are supported in such a way as to gain greater control of their lives and finances.

Earlier this year we published a research report examining in more detail, local authority charges collection and debt recovery practices and we were able to identify good working practices.

A common theme that arose among Citizens Advice Bureau (CAB) was the value in establishing collaborative partnerships between CAB and local authorities (as the payment collector). This approach allows joint working to effectively support more consistent approaches to fair debt recovery, using CAB to provide a positive role as professional intermediaries between the local authority and the client, for example, to carry out affordability checks.

The delivery of effective support requires a willingness to move away from a ‘one size fits all approach’, recognising customers’ unique circumstances on a case-by-case basis and putting measures in place that are appropriate and fair.

7. Are there any particular lessons from other fields or sectors, which may be transferable, that the water sector should take account of in shaping its future approach?

Scotland’s water sector has adopted the concept of ethical regulation and practice. This includes the principle of ‘doing the right thing’ for customers, the environment and the industry itself. Such an approach may support the identification of customer-focused policy and practices that more effectively deliver the right outcomes for those that may struggle to pay rather than be inhibited by unhelpful and un-insightful policy and practice.

Citizens Advice Scotland

