



14 December 2020

To: CCW Call for Evidence

Thank you for the opportunity to provide evidence to the independent review of affordability support. This submission represents the views of Yorkshire Water.

Water companies have responded well to the affordability challenge, but many customers remain in need of support to help meet household bills. Our own research in June of this year confirms a third of Yorkshire households are concerned about finances. The impact of Covid is uncertain but it's clear new pressures will emerge with circumstances different to those observed in recent years. This review must therefore consider the adaptability of support in order to respond to an ever changing world.

The industry pledge to end water poverty strengthens the need to work collectively. This commitment alongside the outputs from this review may drive common solutions where similar challenges are identified. It would be wrong though to design schemes that focus on numbers to meet this commitment at the expense of existing support. Affordability is complex and often temporary. Water companies are individually best placed to understand and target interventions when they are needed.

I am happy to discuss our responses and contribute to any further work on this review.

Yours sincerely

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

*Once contact has been made with customers there are many options available that can be effective at supporting households. These include the ability to switch tariffs, flexible payment terms, water efficiency advice, debt write off schemes and signposting to external organisations.*

*Support can be tailored and prioritised by organisations to meet the needs of their region's demographics. It's possible to flex and prioritise help when circumstances change. This has been observed during the response to Covid 19.*

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

Alignment of promotional activity on a national level could help promote the importance of making contact with the local water company. Awareness is not as high as it needs to be to provide early engagement with customers, to prevent debt occurring. Areas such as WaterSure and metering are common in the industry and lend themselves to targeted promotions.

Data sharing is limited and acts as a barrier to proactive engagement and passporting to support schemes. Water companies are much more effective at using data now but access to information for those who are hard to reach is restricted, particularly those with thin credit records.

Partnership working is an essential way of pooling resources. This can be challenging due to the vast number of small organisations. A national industry approach to partnership with charities and other support organisations could make the most of resources available.

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?*

*The extent of support available does not meet demand for help. Social tariffs, in particular, rely on wider customer support to be able to fund bill reductions. Whilst consulting with customers is important it does limit funding for reducing bills. Differences in research techniques, timing, external influences and perceptions can deliver unexpected outcomes.*

*Customers with a terminal illness but who require higher water consumption miss out in the current arrangements as schemes are tailored towards households on benefits. These types of customers aren't always entitled to benefits and also do not go through the process of applying during end of life.*

*The support schemes also do not support customers who are not on a benefit but have some form of illness such as OCD which cause excessive water consumption.*

*Engagement and passporting to schemes are a challenge in the absence of data sharing from government for those known to be on low incomes.*

*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?*

The volume of customers with a need of support exceeds the funding available. Innovative ways of prevention are required to help address this. Engagement is also a key step in debt prevention and if this is not effective, customers cannot access help or take responsibility for the ways that they can control their bill level.

Identifying and reaching all customers who need financial support is difficult and hampers the aim to address support in the future. Improved access to data sources as an industry could reduce the resource requirements for administration, which could increase sustainability.

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

It's highly likely that the future economic climate will result in a significant demand on social tariffs and therefore funding. This is potentially unsustainable from a company funding and cross subsidy perspective, especially if more customers have reduced incomes. The current guidance requires customer support for cross subsidy within each area. This can limit the funding available.

We support a review of Defra's Company Social Tariff Guidance to make the design of social tariffs more practical and effective in meeting the funding gap. It is important that any future design accommodates innovative tariff solutions and is not at the detriment of current recipients.

*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?*

In Yorkshire we engaged with 127 partners throughout Covid 19 lockdown. This proved an effective way of promoting support. National partnerships between the industry and specific organisations who can reach targeted customer segments could widen the benefit we are seeing locally from this model.

Current mechanisms require customer effort and our experience is that many applications are not completed. A more pragmatic approach to producing evidence for applications and renewals could be deployed. This should balance risk against the effort required. Best practice around simplifying applications should be shared from inside and outside of the sector.

*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?*

*The Finance sector has effective ways to deliver price comparisons to give customers choice. Our sector could learn lessons from services that offer a platform to personalise help, which refers the customer to the help available and the organisation that provides it. We support an industry solution, assuming it is cost effective and practical to implement.*