

**South Staffordshire and Cambridge Water Customer Panel's Vulnerability Sub-Group
comments for the CCW's Independent Review of Water Affordability**

1. Who should bear the cost of support to water customers needing financial assistance?

The independent Walker review in 2009 considered the arguments. In the Walker report there was balanced consideration of the views about social tariffs and the issues of cross subsidy between customers which at that time was restricted to WaterSure and those social tariffs that did not involve any cross subsidy. The report noted that "Respondents to our consultation felt strongly that government should be addressing questions of general poverty, and that paying for it should be on a progressive basis via the national taxpayer." The current review will need to be courageous in tackling the issue that water companies are not the ideal mechanism for providing support to people in need; encouraging water companies to provide help with water bills (which is their proper concern) should not be allowed to stray into debt counselling, welfare rights, social care or health care, all of which are properly handled by other government departments and NGOs better equipped for it than water companies, and should not be funded by water customers.

It is reasonable that water companies should provide financial support for customers in debt to the company or facing financial vulnerability that threatens non-payment. The question is how much further the community at large should want them to go. The issue is where to draw the line of differentiation between the role of water companies and of government/NGOs. In the absence of clarity on this point, water companies will find themselves drawn into providing social services alongside water and sewerage, water customers will find themselves paying through their water bill for work which they also pay for in taxation and by their voluntary contributions to charity, and government will (probably very happily) find itself with less call on the public purse for helping people in need.

Water companies who, unlike the energy sector, are prevented from disconnecting supply in the event of non-payment have a need, and are best placed, to offer support to those who cannot afford the bill. The sector's Public Interest Commitment on water poverty underlines the need for debate and agreement about how far water companies should go towards taking on poverty assistance and wider social service.

The government has not been able and is extremely unlikely in the current circumstances to ensure that adequate and properly funded support is available for debt advice services or social care. The wide range of financial and other support being given by water companies to vulnerable customers is hugely beneficial to the recipients. It also assists other customers by reducing company debt. There is strong case for continuing this support. Research commissioned by Auriga Services has demonstrated that company expenditure by utilities can secure significant social benefits and had secured a return on investment of three times the amount spent.

Recommendation:

We therefore believe that the regulator should continue to mandate water companies to provide financial support to customers who have difficulty paying their bill, but this should be accompanied by clarity about how far it is appropriate for water companies to extend their activity to help people cope with poverty or other hardship.

2. Should there be a national scheme for Social Tariffs?

This is a much-discussed issue. There is a wide range of support by water companies for financially vulnerable customers including much progressive innovation. So far as Social Tariff is concerned the wide range in prices, performance and local circumstances based upon customer consultation mitigates against any attempt to implement a national scheme.

There is an inevitable temptation to assume that fairness dictates a nationally uniform provision of support. The same argument could be applied with much more force to the provision of the water itself - but we do not manage it that way in the UK. The water itself, as well as its purification and delivery, differs geographically, and variation in the provision of support for the vulnerable should be consistent with every other part of the business. The regulator should make sure that minimum standards are guaranteed in this as in all areas of provision, but the water companies should continue to use their individual judgement and initiative to devise local solutions.

Recommendation:

If the current funding arrangements for social tariff are to continue it should remain based upon local schemes.

3. Statutory requirements

Currently the statutory power to cross subsidise by a social tariff is the subject to the June 2012 Defra Guidance to water and sewerage undertakers and the Water Services Regulation Authority under Section 44 of the Flood and Water Management Act 2010

Notable features of the guidance are

- (1) It is a discretionary power to utilise a social tariff to assist those customers who have affordability issues.
- (2) The level of support for customers in financial difficulty is not prescribed nor is there a statutory definition on what constitutes water poverty. The Digital Economy Act 2017 in section 38 (10) has introduced a definition of water poverty in relation to disclosure of information to water and sewerage companies which is
*“For the purposes of this chapter a person lives in water poverty if the person is a member of a household living on a lower income in a home which –
(a) Cannot be supplied with water at a reasonable cost, or
(b) Cannot be supplied with sewerage services at a reasonable cost.”*

In the 2017 Act there is no indication or guidance on what reasonable cost is.

Water UK has made eliminating water poverty part of the Public Interest Commitment to make bills affordable as a minimum for all households with water and sewerage bills more than 5% of their disposable income by 2030 and develop a strategy to end water poverty. Use of 5% is less ambitious than the 2% or 3%, which are used by some water companies to identify water poverty. A key issue in identifying whether a customer or their household is in water poverty is the method of calculation of disposable income.

A recent exercise by South Staffordshire Water Charitable Trust compared the eligibility of customers using two comparisons of disposable income. These were 1. the Trust's in-house eligibility criteria and spending allowances and 2. the Standard Financial Statement (SFS). Use of the SFS on 50 declined cases indicated that 62% of those declined applications would have qualified for assistance with their debt. Prior to this exercise consideration was given whether to use the Common Financial Statement or the Standard Financial Statement. The latter was preferred as a fairer method for the customer. A policy decision has been taken to use the SFS in future which will increase the number of applicants who are eligible for Trust support.

If CCW conclude that statutory provisions and guidance should remain then the following recommendations are proposed.

Recommendations:

There is need for government guidance or in its absence an industry wide agreement on what level that is considered to be water poverty and importantly an agreed methodology of calculation of disposable income.

If CCW do not have detailed information on eligibility criteria and methodology for assessment for Social Tariff it would be useful to gather it and to be empowered to make it available to all companies and customer panels. See also comments below about availability of information in section 5 below.

It would also be useful to ascertain the extent of proactive action by companies to find and assist those in the greatest need of financial assistance. Those customers without internet access and or skills to use it can be the most difficult to reach.

- (3) Experience from implementation of social tariffs suggests that there are grounds to consider updating the Defra guidance. The issues concerned are set out below.

Recommendations:

If the guidance is to be revised, then the following should be considered:-

Social tariff should be released from the government's ideological requirement for the customers to be consulted on, and support, the amount of cross subsidy. If financial support of vulnerable customers is seen as appropriate or a requirement of the regulator, it should be funded in the same way as other parts of the service through the bill.

If consultation remains an obligation the key test that the proposed level of cross-subsidy should have broad customer acceptability should be a simple majority rather than a higher threshold applied by CCW.

Whether a charge of up to 1.5 per cent of the average annual household water and sewerage bill across England remains appropriate.

4. Ofwat Regulatory requirements

Prior to PR19 financial deprivation and vulnerable customers were not a strong concern of Ofwat. In the previous plan period Ofwat dismissed proposals by South Staffordshire Water in their draft business plan to use merger savings to provide additional funding for the SSW Charitable Trust and to fund debt advice services to support customers with financial difficulties. They also disagreed that the expenditure for the more seriously deprived areas of the West Midlands supply area should be reflected in the approved business plan. The incorporation in the current business plans of reporting requirement and targets of a range of issues for vulnerable customers e.g., extra care, PSR and financial assistance is an initial and welcome step forward.

Recommendation:

That CCW should comment favourably on the current approach of Ofwat and recommend that in any new government guidance that the setting of standards on issues related to vulnerable customers, affordability and those needing extra care should continue to be a significant part of Ofwat's regulatory activities.

5. Availability of information.

There is currently no obligation on water companies to make available details of the level of charge being levied to cross subsidise social tariff. Nor is this information readily accessible in charging schemes or otherwise fully available in the public domain. Disclosure of this information could lead to greater public awareness although possibly some opposition to the principle of cross subsidy or the level of levy being imposed.

There is also a good case for sharing information by water companies of their criteria used for assessment of water poverty and affordability in the context of eligibility criteria for social tariff, levels of financial support offered in the social tariff and the range of support offered. Transparency on these issues would enable best practice to be shared, raise standards, and encourage innovation. Customer Panels and their members should be able to obtain this information on all companies' schemes which is otherwise not available to them. Making this information available through Ofwat or CCW would be appropriate.

Recommendation:

CCW should seek to secure a sector wide agreement that will ensure that information will be made available to other companies and customer panels by water companies on their level of charges made for social tariff, on the criteria for assessment of water poverty and eligibility criteria for social tariff, levels of financial support offered in the social tariff and the range of support offered.

South Staffordshire and Cambridge Water Customer Panel

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