



15 December 2020

**Calls for Evidence:
Independent Review of Affordability Support for
Financially Vulnerable Water Customers in England and Wales**

Dear

Thank you for your recent email in which you invite the Bristol Water Challenge Panel (BWCP) to provide evidence for the above referenced review being carried out by the Consumer Council for Water (CCW). BWCP is an independent body that performs prescribed functions. The aim of BWCP is set out in legislation. It is to assure Ofwat of the quality of customer engagement, to provide evidence of the extent to which the findings of customer engagement are reflected in the Business Plan and to scrutinise the performance of the company on the promises made for the 2015 to 2020 Asset Management Period.

I have included in the text two selections from BWCP that are relevant to the review. These are the 2019-2020 assurance on the performance of Bristol Water and two segments of the review by BWCP of the Bristol Water draft business plan submission to Ofwat. In addition, I have asked our members which comprise CCW, the environmental water regulators, local authorities, debt and advice centres, public health and other independent members to offer comments which are collated below. Some of the points relate to the questions you have asked, while other address matters that our membership has raised.

Background

The UK and Welsh Governments have asked CCW to undertake an independent review of the current affordability support for financially vulnerable water customers in England and Wales and to identify if changes to existing measures, their financing and delivery mechanisms could provide greater benefits to consumers facing financial pressures. CCW itself is a statutory consumer organisation representing water and sewerage consumers in England and Wales.

In the Annual Report published by BWCP the following statement regarding the *Social Tariff Research* is as follows:

Social Tariff Research

The aim of the research was to understand Bristol Water’s customers’ attitudes to social tariffs in principle, that they are an acceptable way to ensure affordable water bills, and finally to consider the acceptability of Bristol Water’s social tariff plans’

The Challenge Panel reviewed and challenged the company’s online research into its proposed Social Tariff. The Panel reviewed the questionnaire used in the research and made several significant comments and recommendations which the company took on board before using it.

The research met its target of engaging 400 households. Quotas for age, gender, socio-economic group and metering were set in line with Bristol Water’s PR19 sampling requirements. The Panel found the survey sample size and demographic spread to be reasonable. It considered that the research methodology reflected best practice.

There was an overall acceptability of Bristol Water plans to increase social tariffs by 60p from £1.40 to £2, to extend the social tariff support. 69% of customers find the plans to increase the social tariff support through bill increases for other customers acceptable. The research determined that the median value of support was £2.25 and the mean value was £6.

In terms of the performance of Bristol Water regarding the percentage of its customers in water poverty, the following chart provides information throughout this past Asset Management Period

Outcomes and Performance Commitments	Unit	Actual 15/16	Actual 16/17	Actual 17/18	Actual 18/19	Target 19/20	Actual 19/20
I1: Percentage of customers in water poverty	%	0.4	0.9	0.0	0.0	1.8	0.0

The following excerpts from BWCP on the contents of Bristol Water’s PR19 Business Plan may be of interest to the CCW review. Chapter 6 addresses affordability and includes a case study while Chapter 7 addresses vulnerability:

6. Affordability

Bristol Water’s proposed affordability strategy for the next five years is based upon:

- A one-off bill reduction in 2020 of around 5% followed by inflationary increases until 2025.
- A commitment to keep bills low thereafter
- Reducing the number of customers in water poverty from 1.9% currently to zero by 2025
- Improved processes, use of customer segmentation data and automation to reduce bad debt
- Earlier engagement, motivation and rehabilitation of specific debtor groups
- Increased promotion of social tariffs
- Increased help for customers to save water
- Efficiency improvements in customer service through better use of digital channels and new technologies

Bristol Water has set out its affordability strategy in Section C2 of its business plan.

The Challenge Panel has reviewed and challenged the strategy as well as the customer engagement that informed it.

Bristol Water has used a number of qualitative and quantitative engagement approaches to assess affordability including:

- Customers in Vulnerable Circumstances Report
- Customer Affordability Assessment (Social tariff eligibility modelling)
- Annual survey of customer perceptions and priorities
- Customer Forum business plan options research
- Business plan options research
- Ongoing analysis and insight

The Challenge Panel received assurance that the research covered a representative sample of the customer base and was pleased to see the segmentation work described in Section 5 of this report informed this.

The Challenge Panel noted that customers in financial difficulty consider water bills a lower priority than energy, rent or council tax bills because the consequences of not paying are less severe.

The Challenge Panel was pleased to learn that Bristol Water's plans to increase customers' knowledge and awareness of its financial assistance measures extended across its supply area, not just within the city of Bristol, recognising the issue of rural poverty.

The Challenge Panel also challenged points of detail on:

- The creation of a charity trust fund to gift amounts to help repay debts between 2020-25.
- Water Direct
- The Assist fund
- Targeting areas of high deprivation

The Challenge Panel discussed and received assurance on Bristol Water's plans to increase awareness of help for those in debt, addressing the challenge of reaching the debt deniers and pro-actively targeting financial assistance.

Case Study – Affordability and Vulnerability

During the customer engagement quarterly review meetings, the Challenge Panel became aware that the then current Bristol Water policies and practices on Affordability and Vulnerability did not go as far as the Challenge Panel members would like. The Challenge Panel Chair challenged Bristol Water to make the vulnerability research more encompassing of wider affordability issues, as well as understanding the more specific issues around social tariffs and priority services.

The Challenge Panel members took a strong interest in the vulnerability research as it progressed and in the subsequent creation of the Affordability and Vulnerability policy. The Challenge Panel has encouraged Bristol Water to think widely around vulnerability, to be ambitious with its use of technology and to consider which additional partners it could work with beyond those with which it currently liaises.

The Challenge Panel is pleased to note that the Bristol Water Affordability and Vulnerability policy now warrants its own section (C2) within the Bristol Water Business Plan. The Challenge Panel believes that this policy is far in advance of where Bristol Water was two years ago and notes that the views developed in producing the policy have now percolated throughout the company. The Challenge Panel looks forward to working with Bristol Water in the execution of this policy.

If the Panel has a regret it is that, due to time restraints, Bristol Water was not able to involve rural customers as much as other hard to reach sections of the community. This was due to the lack of existing support structures. However, the Panel notes the intention to develop these contacts during the plan period.

Two affordability related PCs have been proposed and are described in more detail in section 8 of this report.

As a result of its challenges, the Challenge Panel considers the company's approach to assessing affordability, both through its bespoke PR19 research and its ongoing engagement with customers, have been both efficient

and effective. As a result Bristol Water has obtained a good understanding of what affordability looks like for its customers.

Bristol Water's plans to address affordability represent a step change increase over its current activities and the Challenge Panel welcomes these. These plans coupled with steady bills in real terms following a reduction in 2020 are designed to increase affordability for current customers, future customers, and those struggling, or at risk of struggling, to pay. The plans should also increase the accessibility to Bristol Water's social tariffs and assistance schemes.

The Challenge Panel considers the proposed affordability-related PCs include stretching targets and ambition which should provide a good mechanism for monitoring progress. The Challenge Panel is pleased to see that Bristol Water is already making plans to ensure delivery of the proposed strategy.

7. Vulnerability

The key components of Bristol Water's vulnerability strategy for 2020 to 2025 include using data wisely, increasing awareness and improving the customer journey. It also includes a significant increase in the help provided to customers in vulnerable circumstances and an ongoing Affordability Action Plan implemented in conjunction with Wessex Water.

In its business plan Bristol Water outlines the activities underpinning its vulnerability strategy as including:

- Improving customer segmentation, analysis and modelling capability to identify customers at risk.
- Scenario-mapping customer needs and priority levels for different types of incident.
- Sharing data with utilities and third parties
- Working towards introducing a single point of registration of vulnerability for customers across all utilities.
- Establishing partnerships with a range of local community groups, including: local councils and housing associations, charities, Bristol Old People Forum, Royal Blind Society and health professionals.
- Offering tailored channels and communications to target these customers.
- Improving the Priority Services Register to map customer to need and nominee details.
- Introducing a joined-up approach to enable increased sign-up in the field.

The Challenge Panel recognises that the key strands of the vulnerability strategy align with Ofwat's principles as set out in its Vulnerability Focus report published in February 2016. The Challenge Panel is also satisfied that Bristol Water strives to provide excellent service to all its customers, including those who find themselves in vulnerable circumstances.

Bristol Water kept the Challenge Panel informed during the research and development of its vulnerability strategy. This enabled the Challenge Panel to review and challenge the emerging proposals and to test whether there was adequate and appropriate customer support for them. In addition, being present at research events assured the Challenge Panel that participants weren't led to a particular result by the questions posed to them.

The customer research into vulnerability included; surveys, panels, focus groups, social media, ongoing data gathering and face-to-face interactions. The Challenge Panel reviewed and challenged the research methodologies and the results obtained.

The Challenge Panel's key area of focus and challenge included:

- The segmentation and geographical location of the participants used in the vulnerability research, whether there was any skew, and the selection being on the basis of vulnerability risk factors rather than demographics. As a result of the challenge Bristol Water agreed to 'retrofit' the profiles of participants into the company's customer segments adopted in other research so comparisons could be made.

- The vulnerability research didn't include rural customers. Rural poverty wasn't assessed because these are difficult groups to reach as there are often fewer social structures in place. Bristol Water recognises that this issue should be addressed and has agreed to do so in the future.
- Why there is a low understanding of Bristol Water amongst certain groups, eg the Centre for the Deaf and the Eye Clinic (social services). In most cases it is because the Bristol Water hasn't had a direct relationship with these groups to date, but it recognises there are opportunities to improve this in future.
- Whether the research had included people that may not consider themselves to be vulnerable even though they are, and confirmation that the research had been guided by the definition of vulnerability rather than the perception of it.
- Some common themes that emerged from the research included financial worries, negative attitudes towards organisations, mental health issues, the importance of informal networks, getting help and support and resilience to crises over time. The Challenge Panel agrees these are important issues and that organisations should adopt behaviours that help people who are experiencing them. Bristol Water accepted that more empowerment of staff to make decisions to help such people may be required.
- Customers' ability to choose a channel of communication with the company will depend on the data the company has collected. The company has longer term plans to better link data and intelligence on network performance.
- The risk of vulnerability-related performance measures driving the wrong behaviour. The key to this is using data to know customers well enough to identify they are vulnerable and that other parties' data will be key to this but accepting that some is outside the company's control. Equally customers could be asked directly to provide relevant information.
- The limited success Bristol Water had in attempting to obtain data on vulnerability from third parties despite its efforts and suggestions from the Challenge Panel.

As a result of its challenges, and Bristol Water's responses to them, the Challenge Panel is satisfied that there has been effective and targeted ongoing and bespoke engagement on vulnerability.

One bespoke PC related to vulnerability has been proposed and is described in more detail in section 8 of this report.

Bristol Water engaged with customers during the development of this PC to better understand what should be measured. The Bristol Water used its online panel and focus groups for this. Mixed views were obtained over whether the satisfaction of vulnerable customers or the number of customers on the Priority Services Register (PSR) should be measured. The Challenge Panel questioned how the satisfaction of those customers on PSR would be measured if numbers were rising, as is expected across the industry. Bristol Water settled on a commitment related to how it satisfies those as registered on the PSR as this would ensure employees are kept trained to deliver the intended high-quality service and experience. This will be backed up by a key performance indicator (KPI) aimed at increasing the number of customers on the PSR. The Challenge Panel accepted this.

Bristol Water's plans to help customers in vulnerable circumstances represent a significant increase over its current activities and the Challenge Panel welcomes this. The plans are designed to be targeted and efficient and the Challenge Panel agrees if well implemented they should be effective. They should also increase the accessibility to Bristol Water's assistance schemes.

The Challenge Panel considers Bristol Water's plans to establish partnerships with third party organisations are commendable but will require considerable effort. The Challenge Panel has seen that Bristol Water is already making plans to ensure the delivery of its vulnerability plans.

The Challenge Panel considers the proposed vulnerability-related PC includes a stretching target and should provide a good mechanism for monitoring progress.

With regard to the call for written evidence on the following questions, comments from members of BWCP are set out beneath the original question you ask:

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

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

There needs to be only one definition for 'water poverty', which is based upon data that is freely available; probably administered by the ONS for national results and the local ones administered by the local water company. All should be regularly published.

The blockage currently stopping the sharing of data as envisaged by the 'Digital Economy Act' should be cleared as soon as possible.

The WaterSure bill capped should be changed from 'the company's average household bill level' to 'the company's average metered household bill level'. This would lower the water bills for all WaterSure households and stop the transfer of households from WaterSure to Social Tariffs as the latter are lower.

The costs of administering the WaterSure system should be published in a manner that would allow comparison between companies.

Social Tariffs are not currently constrained by the customers' willingness to cross subsidise the tariffs in all water company areas. This could be improved by reconsidering the original requirements for the customer survey that sets the current limit as there is confusion as to which 'average' should be used, eg mean, mode or median. This could raise the limit in our area from just under £3 per customer to just over £6 per customer.

Methods to get customers to engage with the water company or their agents to sign up for the social tariffs.

Changing the legal requirement to access the social tariffs.

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?

Allowing hard to reach customers to be added to the PSR by friends, family members or carers.

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?

Water companies should make available the costs they currently incur in administrating the various social tariffs that they offer as this could be considered a cross subsidy.

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

Do not agree with the local privately owned water companies should be asked to contribute to the costs of the social tariffs.

If the Government consider that there is insufficient support for social tariffs from the customer cross subsidy then they should consider another statutory scheme that applies to all water companies.

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?

There needs to be two types of awareness campaigns, a national one lead by CCW and a local one for each water company.

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 following point was raised outside the scope of your call for written evidence:

The research CCW is relying on should be updated and it is now over 6years since the survey was carried out. A lot has changed in the Social Tariff world since then as CCW's underlying assumptions may be wrong.

I trust this information is of assistance with your review.

BWCP and I very much look forward to reading your conclusions and recommendations.