

# Water bill affordability: Customer views on financial support options for low income households

Yonder qualitative research study

*CCW*

## Background and objectives

- The Council Consumer for Water (CCW) wanted to test support options for helping consumers in England and Wales with water bill affordability
- The findings of this report will be used to feed into a wider industry project
- Yonder were employed to test qualitatively the initial water affordability concepts



# Background and objectives

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The overall objective of the research is to explore how best to support low income households who struggle to afford to pay their water bill through various affordability ideas and investigate how these ideas could be funded.

More specifically : -

- To understand awareness and understanding of social tariffs
- To investigate the best funding source for social tariffs
- To ascertain and investigate the optimum approach in applying the social tariff scheme
- To explore a range of ideas aimed at helping people who experience water poverty.

## Sample and methodology

(1)



6 online focus groups comprising 6 respondents in each group across England (4 groups) and Wales (2 groups)

All water bill payers segmented by income as follows:

3 mixed income groups (£16k-25k, £25-£50k and more than £50k)

3 low income groups (Up to £8k and £8k-£16k)

Even spread of gender, demographics, location across country and some receiving financial help.



## Sample and methodology

(2)



The research was conducted qualitatively therefore the findings are not representative, and should not be generalised to the population.

The findings have been interpreted qualitatively.



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- Water is a “necessity” for all and an essential resource i.e. “no-one can live without water” therefore it is an emotive issue
    - Thus, a concept that helps people with water affordability resonates
    - There is little awareness of social tariffs schemes or any other benefits with paying water bills
    - However, there is an assumption by people on higher incomes that there is a system in place to support people who may be struggling.
    - Whereas those on low incomes who are not getting any financial support from their water company do not presume there is a benefit in place.

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- In principle, most agree with the social tariff scheme concept as “water is a basic human right” thus there needs to be a benefit in place to support those in water poverty
    - However, some question who is eligible for social tariffs i.e. “Is this means tested?” or “what defines low income and what is the cut off?”
    - Others on low income question if it is fair for social tariffs to be funded through other customers bills because it is not the responsibility of other water bill customers to support those in water poverty
    - Others on low income feel as they are low income themselves they don’t have the luxury of being able to spare a small amount of money to help others
    - Some feel if you are to receive a benefit towards your water bill then there is an expectation to behave responsibly with your water use as it is a valuable resource and should not be wasted.

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- There are mixed views if an industrywide tariff vs individual water company tariffs would be the best approach
    - This is because water is privatised and different water companies supply water to different parts of England and Wales so it is not surprising the tariff will vary by each water company
    - Others also feel the cost of living differs in different parts of the country thus a different tariff reflects the different cost of living too
    - However, some feel one tariff for all who are eligible is the fairest approach
    - Others feel having one industrywide tariff will make it easier for water bill customers to understand and hence raise awareness of this benefit.



## Executive summary (4)

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- ‘Free essential allowance’ i.e. a block of water which is free, based on household size to cover essential things like cooking and hygiene, is the most appealing water bill adjustment idea tested as it feels the fairest option
  - This idea resonates as it accounts for individual circumstances and reflects a benefit based on individual needs/circumstances
  - There is also the added advantage of helping people to be responsible with their water use
- ‘Bills reduced by a percentage’ and ‘Bills capped’ are not as well received
  - Bills reduced by a percentage for some resonates as it is easy to understand and implement but is a rough tool because everyone regardless of need / circumstance receives the same percentage reduction so is not as fair as the ‘free essential allowance’ concept
  - Bills capped overall doesn’t feel fair and may lead to water abuse.

## Executive summary (5)

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- Most people in England feel funding social tariffs is the responsibility of the water companies as water shouldn't be a commodity that is profitable, so any profits gained should be re-invested in supporting water consumers
  - However, in Wales people on a higher income feel as Welsh Water is not for profit that customer bills should fund the social tariff because the amount required is so little i.e. the range of £1-£20 per household is acceptable and like the idea of social responsibility
  - Whereas those on a lower income in Wales feel the responsibility is with Welsh Water and not with other water customers
- The water affordability concept that resonates strongly is the idea of a charitable trust fund as the idea feels like “real help” and can help people immediately; it is further liked as it is funded by the water companies rather than customers
- The option to round up your bill / one off donation is well received as it gives customers the choice.

# Social Tariffs



# The majority of respondents across ALL groups have not heard of social tariffs – *spontaneous awareness*

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- Most respondents in England and Wales and across all income levels have not heard of social tariff schemes in the water industry
- Even amongst people who receive financial help such as universal credit or employment support allowance (ESA) they are not aware there is a benefit to help people with their water bills
- Most struggle to spontaneously ascertain from the term “social tariff” what it means i.e. “no idea”
- A few people feel the word “social” implies “...it would apply to people who are on benefits because it has the word social in front of it so you think of social housing you think of more affordability ...people who are struggling to pay their water bill may be on a different tariff to normal people.”

**“No idea”**  
Mixed income, Wales

**“Not heard of that”**  
Low income, England

# Overall, most respondents across ALL groups feel social tariffs as a principle is a good idea



- The idea resonates as water is considered to be a basic human right therefore there should be a system in place to help people in water poverty
- Others feel the element of social responsibility appeals to their social conscience and are open to paying more on their bills to help others
  - Some who are NOT on a low income assume the amount on other customer bills will be small and won't make much difference to their bill.

**“Good idea because water is essential a basic human right”**  
Mixed income, England

**“There is poverty in the world and everyone should be able to live at a [certain] level”**  
Low income, England

**“We don't mind...if some of our bill has gone into a pot to help others...that's good that means having a social conscience where everybody knows they are there to help each other...that is a good thing”**  
Mixed income, England

**“If others are struggling just a tiny raise in your bill to help them...I think it is great”**  
Mixed income, Wales

## ...however, for some, elements of the concept are less appealing (1)



- Some people on low incomes like the idea of social tariffs in principle but question how **low income is defined**
  - Some feel the eligibility criteria for low income needs to be well defined
  - For example, some feel they fall just above the threshold for low income but consider themselves as low income and financially struggling but often miss out on certain benefits
  - Some suggest the concept would be better positioned for people in extreme poverty i.e. for people who are really struggling and thus avoids people who feel they are on low incomes but don't quite meet the threshold from missing out.

**“Depends on how well it is means tested and what counts as low income”**  
Low income, Wales

**“If you are on the limit...and you are above the limit several pounds to me could be my meal for the week...that couple of pounds could mean I'm not eating for the night. When you are on strict budget every penny counts”**  
Low income, England

## ...however, for some, elements of the concept are less appealing (2)



- Others on low income who receive financial help feel it is not fair that other customers are having to support others as they feel the responsibility should be with the water companies
- For people who are on low incomes and have experience of applying for benefits they are sceptical in terms of how easy it would be to receive the social tariff i.e. “is it difficult to apply for...sounds similar to Warm Home Discount scheme”.

“A bit harsh...not fair for wealthier people to pay”  
Low income, Wales

# Water Company Social Tariff Schemes





# Mixed views if water companies should have their own scheme vs industrywide scheme (1)



- There is no clear consensus if some groups prefer an industrywide scheme vs each water company having their own scheme
- Some feel each water company having their own social tariff is to be expected as the cost of living differs in different parts of the country i.e. “it’s got to be different as different levels of unemployment and poverty in different countries...it can’t be a blanket across the country.”
- Others feel that because water is privatised then there is no other option to have different tariffs as water is supplied by different water companies with different levels of service i.e. “each water company has different outgoings”
- However, others feel if each water company has their own social tariff scheme there is “no point applying” as “it’s a lottery basically” and you may not receive any benefits even - if you are eligible.

“You get a higher housing cap if you live in London compared to Manchester”  
Low income, England

“Even though I’m eligible for Warm Home Discount my energy company knocked me back as they don’t have enough spaces for people to apply...is that going to be the same here...where they can make up their own criteria ”  
Low income, England

## Mixed views if water companies should have their own scheme vs industrywide scheme (2)

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- Whereas others feel social tariffs should be an industrywide scheme
  - As this feels like the fairest approach i.e. “if you meet the criteria you should get the same benefit”
  - Others feel the idea is less confusing if everyone is given the same benefit
- Some feel a hybrid of the two options would be the optimum solution i.e. “a bare minimum standard but then the water companies can add further”.

“Imagine if someone is exceptionally struggling and had to move to a different area say for refuge reasons and they were getting assistance but because they have had to move into a different county and then they get told no...[it has to be] one for all for the fairness”  
Low income, England

# How should water bills be adjusted?



# Water bills should be adjusted case by case as everyone's circumstances are different



- Most feel water bills should be adjusted to support people in water poverty through a case by case basis because everyone's circumstances are different
  - For example, some people with certain disabilities mean their disability means they need to use more water
  - However, it also feels the more challenging route in terms of the process of applying i.e. "some people don't like filling out forms" and as their circumstances change frequently, they would always be updating their application
  - Some feel it would "take a lot of administration" and "costs the water board to get such a system in place would be high without government intervention"
  - Others feel, this route could lead to people abusing the system as they may not inform the relevant authorities if their circumstances have changed.

**"Case by case as one size rarely fits all"**  
Mixed income, England

**"They do need to take their circumstances into consideration...if they have a disabled child that could be a bit more they get off as they are going to have to use more water"**  
Low income, Wales

**"I know people who's circumstances change every 3-4 weeks so they would constantly be doing it [updating the application]"**  
Mixed income, Wales

## ...but a minority feel one discount for all is appealing



- A few feel one discount for anyone who is eligible is appealing as it is easy to apply for and understand and would lead to more people using this benefit
  - Others feel that one discount if you are eligible is how the current benefit system works for universal credit so this approach should mirror systems already in place
- Others feel that if you are struggling to pay your water bill you are probably struggling financially in other areas so a simpler and clearer approach would be if you are eligible for universal credit then this benefit should automatically apply
- Some feel a hybrid of the two options would work best i.e. “a fixed discount but then the option to apply on your circumstance and create further discounts”.

**“One discount is easy”  
Low income, England**

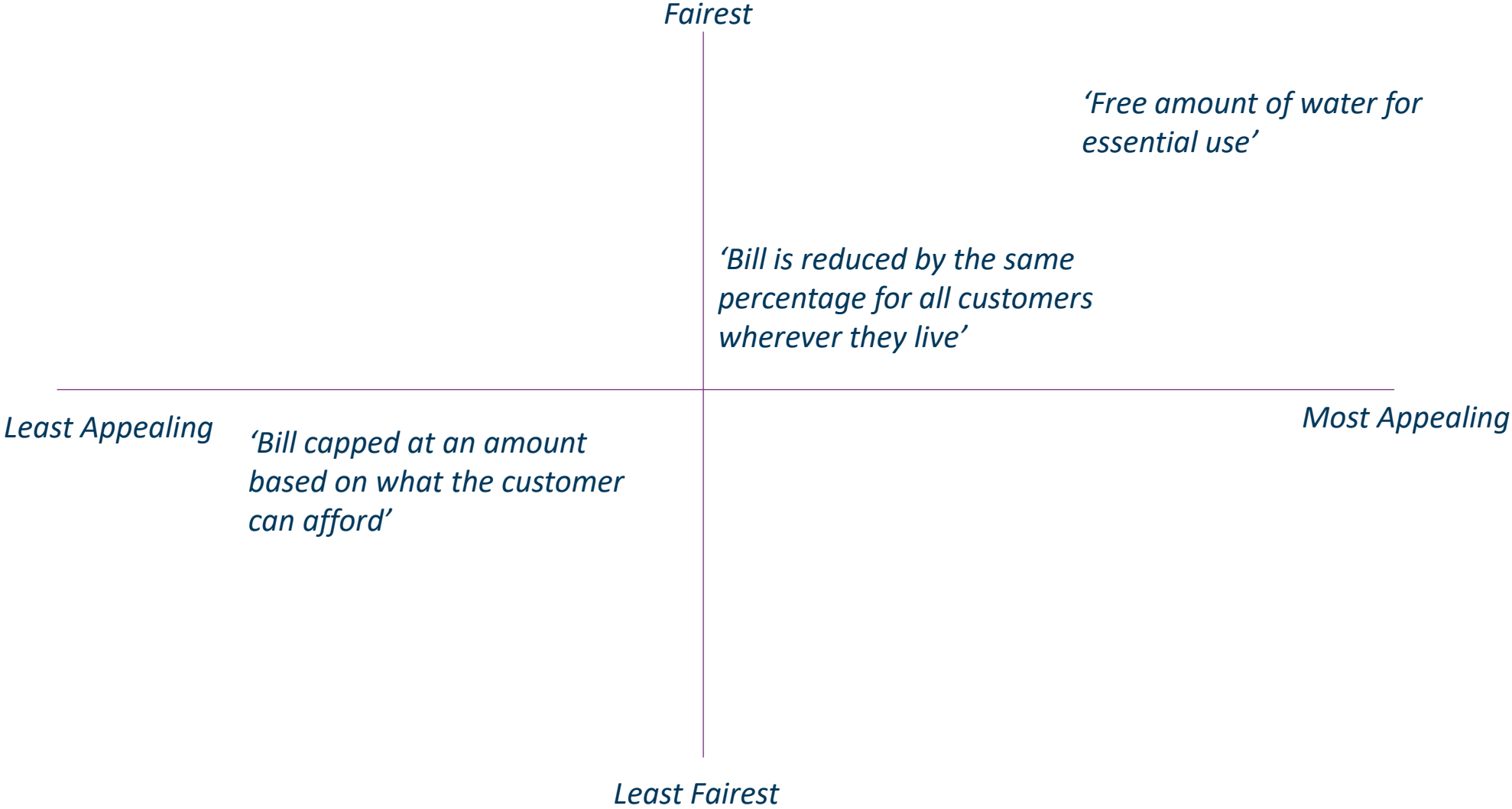
**“I would suggest that it could be linked to when you make a claim for benefit, they can make the referral they do all the assessments anyhow...so once they have done the assessment, they say we refer you for a discount on your water bill ”  
Mixed income, England**

# How should water bills be adjusted?

Testing water bill adjustment concepts



# Water bill concepts – the fairest options



# The most fair, inclusive and universal – ‘Free Essential Use’



For a metered household, a free amount of water is given to cover what a household of their size needs to use for personal hygiene, cleaning and cooking (essential use) before they start to pay for what they use above that

## Pros

- Most feel that because water is an **essential** commodity that an amount that is ‘free for essential use’ based on your circumstances is **fair**
- Others feel this idea helps educate people that water is a valuable resource and it shouldn’t be wasted i.e. “training people to be more eco”
- Others feel this concept helps remove the stigma of water poverty i.e. “it’s not your fault you need this water because of your disability or you don’t have as much money”

## Cons

- Some question how they work out the amount of ‘essential use’ per household for the free allowance i.e. “I have four small children, toddlers are unpredictable...never know how many baths they need [in a day]”
- Surprisingly, no-one spontaneously questions what happens to charges once the free block is used up, and whether they would be affordable.

“It seems fairest option and quite workable”

Low income, England

“We all think it should be means tested and this is the idea that reflects this well”

Low income, England

“Most fair and most universal”

Mixed income, England



## Mixed feelings across most groups – ‘Bill reduced by a percentage’



Bill is reduced by the same percentage for all customers where they live – as long as they are eligible, a percentage reduction is given regardless of exact income or size of bill

### Pros

- Some feel this idea is appealing as it **easy to understand** and implement and hence promote
- Others feel this helps manage finances better i.e. “you know what percent discount you get every month”

### Cons

- Others feel this idea is not fair as it is not reflective of individual circumstances i.e. “the percentage doesn’t work for me as everyone is different and everyone's circumstances are different...one size rarely fits all”.

“More [financially] manageable”  
Low income, Wales

“Easy to promote but it is a rough tool”  
Low income, England

“Flat rate so not individual”  
Mixed income, England

# Mixed feelings – *Bill capped*



Bill is capped at an amount based on what the customer can afford; the cap is worked out from their household income and the size of their water bill

## Pros

- Some feel this could help with financial budgeting i.e. “it’s got to do with affordability and capped at that”
- Takes into account individual circumstances

## Cons

- Some feel this idea could possibly encourage water waste as they understand they will only pay for the amount of water they can afford and they can use as much water as they want without paying more than that amount.

“It would be on my mind. How much can I use”  
Low income, Wales

“Could lead to water abuse...people using [water] for anything”  
Mixed income, England

“Not fair across the board”  
Mixed income, England

# Funding of Social Tariffs

Who should fund social tariffs?

Should funds be used locally vs nationwide?



# The majority of people in England regardless of income feel water companies should fund social tariffs



- Most feel water is an essential and therefore “water shouldn’t be about profit. Any profit should be used to help others”
- Others feel the water companies have the “big bucks” so it should be funded by them
- Others feel that due to Coronavirus that water companies rather than the government should fund social tariffs because the government will not have the money for this after the funding of Coronavirus measures
- However, others feel that the more realistic option is it will be funded through customer bills rather than the water companies
  - Most prefer funding through customer bills if there is an element of choice whereas if funded through public expenditure there is no choice
  - Others feel funding through “customer bills or public expenditure is pretty much the same thing” i.e. the customer is still paying
  - Others feel that if water companies fund social tariffs then customers will still pay as they will increase their overall tariffs.

**“No one should profit from water”**  
Low income, England

**“Make a lot of money so doesn’t hurt to put some back in”**  
Mixed income, England

**“Definitely the water companies”**  
Low income, England

## ...however, in Wales there are mixed views



- In Wales where Welsh Water is not for profit some people on mixed incomes feel customers should fund social tariff schemes
  - Some feel customers should fund social tariffs as they feel socially responsible i.e. “like the idea of helping someone indirectly...makes me feel better”
  - Especially as it is such a small amount to pay i.e. a few pounds a month is assumed from the exploration of the social tariff concept
- However, those on low incomes do not feel it is fair that other customers should fund social tariffs because they think the responsibility of this is with the water company.

“Such a small amount from your bills”  
Mixed income, Wales

“Not right [other customer to pay]”  
Low income, Wales

“Don’t want others paying a little more and so the company itself should help”  
Low income, Wales

# Mixed views if customer bills should fund local or nationwide water poverty customers



- Some feel supporting local is motivating as they like the idea of helping their community and thus makes their contribution feel more tangible i.e. “like if you give money to charity you like to know where it goes”
- Whereas others are indifferent i.e. “it is all helping others”
  - Some are more altruistic and feel it is about “getting help to the right people”
  - Others feel “if it is an area that is slightly better off why shouldn’t we support some of the poorer areas”
- For some, the idea of helping their local water company, where they have a good impression of them, makes them more likely to want to contribute to a social tariff through their bill.

“Feel like you are helping out your own local community”  
Low income, England

“Not bothered either way”  
Mixed income, Wales

“Severn Trent are brilliant. The work they do I’m happy to support”  
Low income, England

# Concepts

Views on other ways of helping with water bill affordability



# Payment breaks – not solving the issue just deferring the problem



Payment breaks – these defer charges and payments for the short term (a few weeks), to tide people over when they are waiting for a payment to come through, or a new job to start

## Pros

- No real advantages

## Cons

- Most feel this is a **short term** option and not viable for the long term
- Some feel it may cause some to get further into debt as **not keeping up to date** with managing their finances.

“Not really a solution as you still have to payback”

Mixed income, England

“You have to pay it back anyway...so going to end up in debt”

Low income, England

“Short term option”  
Mixed income, Wales



# Debt matching – helps people manage their finances



Debt matching – sets up a payment plan to help the customer get into the habit of making regular payments. When the customer has paid the agreed amount, the water company writes-off the remaining debt

## Pros

- Encourages people to **manage their finances** and develop and create new financial habits
- Feels like a **long term** solution
- Quick and easy to apply and implement
- Good incentive to write off remaining debt

## Cons

- Most assume the debt being written off is a “one off” so this idea would not help people if they found themselves in debt again.

“Encouraging good habits”  
Mixed income, England

“Debt matching should be quick and  
easy – job done”  
Mixed income, England

“Helping the customer to learn to do  
the right thing”  
Low income, England

# Charitable Trust Fund – universally well liked



Charitable trust fund – these are funded by water companies. Customers in extreme hardship can apply for help which may do more than just reduce water bills e.g. help with other utility bills

## Pros

- Feels like **real help** as there is a pot of money that can be used immediately
- Most like this idea as it **funded** by the **water companies**
- Helping with other utilities not just water.

“Feels like real help”  
Low income, England

“They [the water companies] make enough out of it but don’t put enough in”  
Low income, England

“Let the water company take the expense for it”  
Low income, England

# Fund to help buy white goods – feels like a community or social services initiative rather than one from a water company



A fund to help people in serious poverty who need help buying white goods – to help avoid them having to go into high cost debt to buy them

## Pros

- White goods can be expensive so by helping fund that element it allows households to concentrate on their bills
- Some feel it is a “good idea but how will it be funded?”

## Cons

- Some feel this scheme already exists within their communities/social services so not relevant for water companies.

“This is the sort of scheme that happens anyway in local areas...a bit like food banks”  
Low income, England

“Feels more community / local scheme rather than water company”  
Low income, England

“It’s nothing to do with water”  
Mixed income, England

# Option to round up / one-off donations – universally well liked



Another way would be for customers to be given a choice to contribute by rounding up their bill payment, or making a one-off donation to help low income customers

## Pros

- Gives water bill customers the **choice** i.e. “you decide how much you want to pay”
- And is **transparent** as the choice is up to you to round up or donate
- Very clear where money is going i.e. “to help others”
- Rounding up bills is not a big financial burden i.e. “don’t notice pennies / pounds”

## Cons

- Some question if they trust the water company to give it to other customers in need. Others feels donating to a charitable trust would work better
- Some feel this approach focuses on customers i.e. “someone else’s responsibility” to support affordability schemes rather than the onus

“Got the choice...not just taking it from you”  
Low income, England

“Very clear where the donation goes i.e. in shop [if you donate] you know where [which charity] the donation goes”  
Mixed income, England

“As long as you know exactly where it is going to you don’t mind rounding it up”  
Low income, England

“To round it up...it’s not a lot”  
Low income, Wales

# Water company fines – most agree fines to be used to support those in water poverty



Company fines: water companies are regulated by Ofwat, the organisation which oversees their bills and requires them to meet certain standards of service. Sometimes, water companies do not perform to the required standard, and as a result they are fined.

The fines can range from thousands to million of pounds

Currently fines go to Treasury unless Ofwat agrees an alternative approach with the water company to compensate customers more directly instead of imposing a fine

Although water companies are sometimes fined if they do not perform to the required standard, many companies do perform sufficiently well and are rarely, if ever, fined so this is not a guaranteed way of funding lower bills

## Pros

- Onus is on the **water company** to support customers in water poverty
- Funds being reinvested directly to help other water customers “makes sense” and avoids money being lost in the Treasury i.e. “if money goes to Treasury how do we know it is not being used for their Starbucks rather than helping others [in water poverty]”

## Cons

- Some feel this is a **not a sustainable solution** i.e. don't know how much funds will be derived each year from water companies being fined.

“[Funds going to the Treasury] Never going to see it”  
Low income, England

“It could be used for funding rather than adding it to peoples bills...then nobody is paying except the water board themselves”  
Mixed income, England

# Payment plans – most feel current flexibility in paying bills meets their needs



Water bill payers can pay their water bill in half yearly, monthly or weekly payments

## Pros

- Most feel different payment plans gives customer **choice** and is a **positive idea**
- The option to overpay or underpay monthly is something some water bill customers are already doing. However, some feel this approach may not help others who struggle to manage their finances

## Improvements

- For some, the idea could include “...fortnightly...as I get my money fortnightly so that would be easier for me”
- Others feel there should be an incentive for people on low incomes who do pay their bills on time i.e. they get a discount if they make their weekly or monthly payments.

“Anything that can be flexible is a thumbs up”  
Mixed income, England

“Good idea...giving you a choice in how you want to pay”  
Low income, Wales

“Could there be an incentive to make people pay regularly...so if you are on a low income if you show the water company that you are making regular payments...you get a slight reduction for a certain period”  
Mixed income, England

# Awareness and Access



# Most feel raising awareness of social tariffs schemes is essential



- Most feel the best way to raise awareness of water affordability schemes is through a media campaign such as TV, posters, leaflets and social media
  - For some, a social media presence is key as most feel people are online through Facebook and Twitter and it is a channel that could help raise awareness quickly
- Others feel the campaign should be targeted to those on low incomes who are probably already receiving financial support i.e. “ if you get a letter or e-mail from a benefits agency and sort of link you can tie it [water affordability campaign] into.”
- Some feel the bill is a good opportunity to advertise water affordability schemes
  - But the information needs to be “on the front page...near the amount that you pay” and “not in the small print” to maximize exposure
  - Some feel bills are not the best mechanic as they “don’t get a paper bill so less likely I’m going to read an electronic one.”

“Should be a public information campaign...TV, posters etc.”  
Mixed income, England

“Most people are on [social media] ...through social media will get message through quicker”  
Low income, Wales



## A central hub to access multiple services resonates strongly



- Most feel a central online hub where people can access all services is a good idea
  - As it is convenient and easy for customers who have all the information in one place
  - Others feel the idea is “common sense” as a central system where client / customer data is stored and hence people can be identified from that to the appropriate services they require
- The key disadvantage of the concept is it is on-line
  - Some feel this part of the idea needs to be addressed as not everyone is online i.e. “not everyone...especially older people are online”
- Others feel this approach could be improved if there is one application too – to avoid multiple form filling for people applying for these services / benefits.

“Makes sense...think that will work”  
Mixed income, England

“I like that idea...it would if all those things under one umbrella and you do one application...send it off to everyone [services/benefits required] and then they say ye or no”  
Low income, Wales

# Recommendations and considerations



# Recommendations and considerations

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- Low awareness of water affordability schemes is an issue and needs to be addressed via a multi-media campaign or, link through other benefits
- Water is a basic human right and everyone deserves the opportunity to have access to water thus affordability schemes are considered a given

# Recommendations and considerations

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- Developing the optimum water affordability scheme needs to account for: -
  - Personal circumstances as everyone is different
  - Funded through water companies to some extent
  - The affordability scheme must be open to everyone who is eligible
  - Consider those who fall just outside the eligibility criteria i.e. could they receive support in other ways such as flexible payment plans?
  - Encourage responsible water use and support customers to manage their finances

# Recommendations and considerations

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- A water affordability scheme funded by water customers can work if customers have the choice to fund the scheme by opting in or out
- People on higher incomes are open to the idea of their bills funding social tariffs or, a similar scheme even if there is no choice as current funding levels of £1 to £20 are felt to be relatively small amounts and they like the idea of social responsibility
- Rounding up bills or one-off donations is an easy mechanic to raise funds
- The idea of water customers helping their local area could potentially influence some customers to donate if they have a positive impression of their water company.

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The logo for the Consumer Council for Water (CCW) is rendered in a vibrant teal color. It features the letters 'CCW' in a thick, rounded, cursive script. The 'C's are connected to each other and to the 'W', which has a distinctive shape with a curved top and a pointed bottom. The overall style is modern and approachable.