



# **Response to Welsh Government consultation: A Water Strategy for Wales**

**July 2014**

## About Citizens Advice Cymru

Citizens Advice is an independent charity covering England and Wales operating as Citizens Advice Cymru in Wales with offices in Cardiff and Rhyl. There are 20 member Citizen Advice Bureaux in Wales, all of whom are members of Citizens Advice Cymru, delivering services from over 250 locations.

The twin aims of the Citizens Advice service are:

- to provide the advice people need for the problems they face
- to improve the policies and practices that affect people's lives.

The advice provided by the Citizens Advice service is free, independent, confidential and impartial, and available to everyone regardless of race, gender, disability, sexual orientation, religion, age or nationality.

The majority of Citizens Advice services staff are trained volunteers. All advice staff, whether paid or volunteer, are trained in advice giving skills and have regular updates on topic-specific training and access to topic-based specialist support.

Local bureaux, under the terms of membership of Citizens Advice provide core advice based on a certificate of quality standards on welfare benefits/tax credits, debt, housing, financial products and services, consumer issues, employment, health, immigration and asylum, legal issues, and relationships and family matters.

The Citizens Advice service now has responsibilities for consumer representation in Wales as a result of the UK Government's changes to the consumer landscape<sup>1</sup>. From 1 April 2014 this includes statutory functions and responsibilities to represent post and energy consumers.

We are happy for our response to be made available to the public.

## Overview (Q1)

Citizens Advice Cymru welcomes the opportunity to respond to this consultation. We broadly support the Welsh Government's aim of a more integrated approach to the management of water and maximising the economic and social benefits in an equitable manner while protecting vital ecosystems and the environment.

We are particularly concerned with the provision of water and sewerage services for consumers in Wales. Citizens Advice Cymru believes that

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<sup>1</sup> On 1<sup>st</sup> April 2013 responsibility for consumer representation was transferred from Consumer Focus to the Citizens Advice Service (including Citizens Advice Cymru) following the UK Government's review of the consumer landscape.

ensuring that all households can access essential services including water is a key role for government. In 2013/14 clients of Citizens Advice Bureaux in Wales raised nearly 5,405 issues relating to water and sewerage services.

## Summary of key points

**Citizens Advice Cymru believes that:**

- **Affordability of water is a key issue for low income households**
- **Water efficiency measures and consumer education can contribute to reducing water poverty, but both need to be appropriately targeted**
- **The full potential of water efficiency measures should be explored before any decision is taken to introduce universal metering**
- **Affordability impact assessments should be carried out for any proposals that could increase costs for some or all consumers, including per capita targets, universal metering and major infrastructure investment**
- **The proposed review of water poverty should be comprehensive and take into account the extent of consumer water debt, the operation of social tariffs and the particular needs of consumers who are not direct customers of water companies**
- **Water and sewerage companies should be encouraged to work closely with advice and financial capability services, including providing funding for advice services.**

**Our full response is detailed below.**

## Efficiency of water and sewerage usage (Q13-15)

Citizens Advice Cymru supports the aim of encouraging more efficient water and sewerage use. We have a number of specific comments on this.

### Consumption targets (Q13)

We note the proposal to consider the value of company targets for per capita consumption. While we can see how this might help water suppliers to assess progress in increasing efficient use of water, we have concerns about the possible impact on consumers. We can envisage problems if a per capita target were to be applied to individual households, for example through pricing structure. This could be particularly serious for vulnerable consumers such as

people with chronic health conditions necessitating a higher consumption of water, especially those who are not aware of or eligible for social tariffs.

**Citizens Advice Cymru believes that**

**Any consideration of per capita consumption targets should include a consumer impact assessment, with particular emphasis on the needs of consumers who need to consume more water, and those on low incomes who are not eligible for social tariffs**

### **Water efficiency devices (Q13)**

Citizens Advice Cymru notes the proposal to work with Nest and Arbed to encourage the provision of water efficiency measures. Replacement of inefficient water devices could make a useful contribution both to conserving water resources and to reducing consumer costs – in the latter case for households whose water supply is metered (see comments below on metering).

Many households on low incomes will struggle to pay for more water-efficient devices, and some households would benefit from both energy efficiency and water efficiency measures. It could therefore make sense for water saving measures to be available in conjunction with energy efficiency support packages. However, there will also be households that could benefit from water saving measures but are either ineligible for energy efficiency measures or have already received help. Targeting of the programmes will need to ensure that help with water saving measures reaches all eligible consumers, whether or not they also qualify for help with energy saving measures.

We are aware that the Nest programme is to be evaluated next year and that the longer term shape of energy efficiency programmes in Wales is yet to be determined. It is important that the suitability of the new arrangements to deliver water efficiency measures is carefully considered before any final decision is made.

It will also be key to ensure that measures to facilitate water efficiency are adequately resourced. We would be opposed to funding the resources for water efficiency devices by taking funds from energy efficiency programmes, or by a further levy on water bills which would impact particularly on consumers who struggle with water affordability. Our preference would be for additional funding for water efficiency devices to be provided by the Welsh Government.

**Citizens Advice Cymru believes that:**

**Water efficiency measures need to be targeted at all consumers who could benefit, whether or not they would also benefit from energy efficiency programmes.**

**The Welsh Government should work with trusted intermediaries, including advice agencies, to promote the advantages of installing water efficiency devices and eligibility for help.**

**Welsh Government should consider funding water efficiency measures through additional general expenditure rather than diverting energy efficiency funding or a levy on water bills.**

**Welsh Government should consult further on specific proposals for providing water efficiency devices, with particular attention to targeting of consumers, eligibility and funding of the proposed programme.**

### **Education and advice (Q13)**

The consultation paper proposes public engagement on water usage, to challenge perceptions and promote the benefits of water efficiency. We support the idea of educating consumers on the need to avoid wasting water. Our colleagues in Scotland have found an appetite among consumers for contributing to environmental goals, provided consumers are adequately informed and empowered to do so. A study they undertook based on in-depth exploration of attitudes among water consumers with a range of characteristics found that the majority believed that people should be encouraged to use less water<sup>2</sup>.

More efficient use of water would also specifically benefit households with water meters by reducing bills. It could also reduce their energy costs and carbon emissions, for example by not heating more water than they need.

Encouraging people to use more water efficient devices is more likely to succeed if they are made aware of the potential savings in water consumption and costs from specific changes – for example more efficient toilet flushes. Water companies should work with advice agencies and other trusted intermediaries to raise awareness of potential savings and of eligibility for help. Messages should be appropriate for both metered and non-metered consumers, for whom the impact will differ.

Citizens Advice Cymru believes that domestic consumers are more likely change their consumption behaviour and replace inefficient devices if they are convinced that adequate effort is being made to reduce wastage in supply and distribution systems (see our comments below on leakage), and that industrial and public sector consumers are also working to improve water efficiency.

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<sup>2</sup> A matter of principles: domestic consumers' attitude towards paying for water in Scotland, Consumer Futures, March 2014, p23  
<http://www.consumerfutures.org.uk/files/2014/03/A-matter-of-principles.pdf>; see also Consumer Focus Scotland response to Scottish Water's consultation 'Shaping the future of your water and waste water services – draft strategic projections', March 2013, p9, <http://www.consumerfocus.org.uk/scotland/files/2013/03/CFS-response-to-Scottish-Water-Consultation-Shaping-the-future-of-your-water-and-waste-water-services.pdf>

**Citizens Advice Cymru believes that:**

**Consumers should receive clear messages about the benefits of water efficiency devices and the action that is being taken to reduce inefficiencies elsewhere, for example leakage.**

### **A resource advice service to tackle efficiency issues**

The consultation paper refers to a new resource advice service to help households and others to tackle resource efficiency issues. Little information is provided, however, about how this will be provided and promoted. There have been recent changes to energy advice services for consumers in Wales and the relationship between the new service and existing and future energy advice programmes needs to be made clear.

A single programme for energy and water/sewerage advice could have advantages in terms of economies of scale and marketing, particularly to households most in need. There will be some areas where advice on water and energy will overlap (e.g. on using showers instead of baths).

However, if this is the intention it will be essential that the resource advice service is carefully designed to fulfil this multiple role and that advice on reducing water consumption and appropriate use of sewerage is not seen simply as an add-on to existing energy advice programmes. Again, it is important that funding for advice on water efficiency should be additional and not be taken from what is currently available for energy efficiency advice. Given our statutory responsibilities in relation to energy consumers, Citizens Advice Cymru would welcome the opportunity to discuss these proposals in more detail.

If this were to be taken forward, it will be important for the proposed advice service to be widely promoted to consumers to ensure a high level of awareness, and easily accessible. Consumers now need to access advice services via a range of channels including face-to-face, telephone and on-line. Arrangements for taking referrals from advice agencies and other trusted intermediaries will also need to be a high priority.

Not all problems relating to water and sewerage will be capable of solution through improved efficiency. The proposed advice service will also need to work closely with other advice providers such as the Citizens Advice service to ensure effective reciprocal referral of consumers needing advice, both on resource efficiency and on related issues such as water debt.

The consultation paper also refers to water companies providing water and energy advice to households. Advice from a range of sources may in principle increase the availability of information and practical help. It may also help to reinforce messages about water efficiency and affordability.

However, it is important that all organisations providing advice on water and energy efficiency provide consistent messages and that services work in a joined-up way. In the light of experience in the energy sector<sup>3</sup>, we believe that it is crucial that consumers have access to well-resourced and well publicised independent advice on water and sewerage use.

**Citizens Advice Cymru believes that:**

- **Welsh Government should consult with appropriate consumer bodies, including Citizens Advice Cymru, on the role and operation of the proposed resource advice service.**
- **Welsh Government need to ensure that water and energy efficiency advice is consistent across all sources and provided in a joined-up manner.**
- **The proposed resource efficiency advice service needs to**
  - **be designed to provide comprehensive advice on water and sewerage use, and not simply be an add-on to energy advice**
  - **be clear about its target audience and the message to be conveyed**
  - **be easily accessible to all consumers in Wales via a range of channels**
  - **facilitate referral to and from other advice services such as Citizens Advice**
  - **be seen by consumers as independent and impartial.**

### **Metering (Q14)**

We note from the consultation paper that the Welsh Government intends to assess and consult on options for metering of all water supplies in Wales.

Citizens Advice Cymru has serious concerns about the possibility of universal metering in Wales, particularly in relation to its impact on customers' bills and their ability to pay. It should be a key principle that families with children, people with disabilities and/or chronic health conditions and those on low incomes (whether or not currently in receipt of social tariffs) are not disadvantaged by having to pay more as a result of universal metering.

Installation of meters, whether through individual choice or a universal programme, is likely to create winners and losers with savings for some households and increased bills for others. The impact of this must be taken into account whether or not universal metering is introduced in Wales.

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<sup>3</sup> See for example

[http://www.citizensadvice.org.uk/index/policy/policy\\_publications/er\\_fuel\\_water\\_post\\_digital\\_t\\_elecoms/cr\\_fuel\\_water\\_post\\_digital\\_telecoms/ofgem\\_mir\\_referral\\_consultation\\_response.htm](http://www.citizensadvice.org.uk/index/policy/policy_publications/er_fuel_water_post_digital_t_elecoms/cr_fuel_water_post_digital_telecoms/ofgem_mir_referral_consultation_response.htm) and <http://www.cse.org.uk/projects/view/1225>

Some households will save money by having a meter installed. In such cases, it is appropriate for that household to be advised to switch to a meter. Citizens Advice Bureaux and our public Adviceguide website highlight the fact that households with low water use and/or a high rateable value may save money from having a water meter installed.

However, we also draw attention to the possible disadvantages to individual consumers who are considering switching to a meter including uncertainty of bills and the extra expense that can be incurred in the case of a leak. We also highlight that customers are usually able to revert to unmetered charging within the first twelve months if they find that their bills go up. This information is critical and if meters are to be encouraged, customers must also be made aware of this as we would not wish to see people disadvantaged as a result of their decision to switch to a meter<sup>4</sup>.

Extending metering only to those households who would gain financially will of course reduce income to water companies, leading to increased bills for non-metered households<sup>5</sup>. It is important to monitor the impact of partial metering on the costs for non-metered households.

We acknowledge that the current link between property values and (unmetered) water charges is a very crude and imperfect proxy for income levels. Some consumers (for example pensioners on low incomes living in higher council tax band properties) may receive very significant bills but may not be aware of the potential for saving by switching to a metered supply. Such consumers could benefit from universal metering, especially if they were helped with water efficiency measures and advice<sup>6</sup>.

However, to a limited extent the current link between property values and (unmetered) water charges can be seen as reflecting ability to pay. Changing to a system where all businesses and household customers pay for what they use may not be fairer to all consumers in terms of their need.

For example, switching to an all-metered system would be likely to increase costs heavily for a family with several children living a low banded property. There is a risk of this even if metering led them to reduce their actual consumption. It would be important to ensure that appropriate support, including social tariffs, was available to households affected in this way. Without adequate help, there is a risk that consumers cut back on water use, for example for washing themselves, washing clothes or flushing toilets, to the extent of putting their health and personal hygiene at risk.

Universal metering raises other issues. We acknowledge the force of the argument that metering of all water supplies in Wales could encourage

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<sup>4</sup> Citizens Advice: Affordable water: a consultation on the Government's proposals following the Walker Review of charging, response to Defra, June 2011, p14

<sup>5</sup> Consumer Focus Wales: Response to the Welsh Government consultation on the Walker Review of charging for household water and sewerage services, July 2011.

<sup>6</sup> See for example Consumer Futures: Keeping your head above water: A study into household water debt in Scotland, February 2014

consumers to give greater consideration to the value of water. This would be beneficial in terms of efficient resource use if it led to reduced consumption by households that use more water than they need. However, as well as the risk that some customers would cut back too much at a risk to their health and well-being, consideration should be given to the possibility that customers for whom water affordability is not an issue would choose not to reduce their consumption.

Whether or not meters are installed, reduced consumption by consumers will require awareness of more water-efficient behaviours, and be encouraged or enabled to install water saving devices. Citizens Advice Cymru believes that Welsh Government should prioritise consumer education and practical support programmes, and allow these to take effect before making any decision on universal metering.

As the consultation paper recognises, universal metering also raises the question of how the costs of installing meters will be met. If met from customer bills, this will increase water bills for all consumers in Wales, and in particular exacerbating the impact of metering on those likely to pay more than under the property-related system. While this might be offset by social tariffs for those least able to pay, it would further add to the bills of customers ineligible for financial help.

This might be addressed by extending the scope of social tariffs for the period during which the cost of installing meters would be met. However, that would increase the cost further for those who remained ineligible for social tariffs. A preferable solution would be for the cost to be met by Welsh Government.

**Citizens Advice Cymru believes that**

**Voluntary metering continues to be an appropriate way for some customers to reduce their water bills**

**In the absence of universal metering, the impact of encouraging take up of water meters amongst customers needs to be monitored closely**

**Welsh Government should implement a comprehensive programme of water efficiency awareness raising and practical help before proceeding with universal metering**

**If universal metering is being contemplated, a full impact assessment of the cost to customers needs to be undertaken.**

### **Leakage (Q15)**

Leakage can mean increased costs to consumers and reduced supply in times of water shortage. Citizens Advice Cymru believes that it is wrong in principle for consumers to have to pay more for their water because of leakage which, while avoidable, is beyond their control.

We acknowledge that reducing leakage is in itself likely to cost money and that Ofwat require water companies to operate at the sustainable economic level of leakage, which identifies the level of leakage that gives consumers the best value for money<sup>7</sup>.

Consumers will want to be assured that calls for them to manage their own water consumption more efficiently are being matched by efforts by the water companies to reduce leakage as effectively and cost-efficiently as possible. Water companies should aim to achieve the industry measure of the 'Economic Level of Leakage' –the point where it is more costly to repair a leak than the cost saving due to the value of the water leaking from the system<sup>8</sup>.

We note the progress made in reducing leakage and the Welsh Government's expectation that water companies will develop a strategic approach to managing leakage and that they will forecast a reduction in total leakage during the planning period.

**Citizens Advice Cymru believes that**

**Welsh Government should continue to monitor closely progress in reducing leakage against Ofwat targets, and encourage companies to explore innovative approaches to reducing leakage, including wholesale mains replacement where appropriate<sup>9</sup>.**

## **Water affordability and delivering excellent services to customers (Q 16-18)**

In recent years, affordability of water and water debt have been identified as a key issue for many consumers<sup>10</sup>. The experience of Citizens Advice clients continues to demonstrate that for many people paying for water is a problem. Our evidence is discussed in more detail in our comments on dealing with water debt below.

We believe that low incomes are one fundamental cause of people struggling with water problems. A simple way to improve affordability of water would be to improve people's incomes<sup>11</sup>.

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<sup>7</sup> <http://www.ofwat.gov.uk/sustainability/waterresources/leakage/>

<sup>8</sup> Consumer Council for Water: leakage study, June 2013, 1.4

<http://www.ccwater.org.uk/waterissues/currentkeywaterissues/leakage/>

<sup>9</sup> <http://www.ccwater.org.uk/waterissues/currentkeywaterissues/leakage/>

<sup>10</sup> See for example Ofwat: Affordable for all: how we can help those who struggle to pay their water bills, May 2011,

[http://www.ofwat.gov.uk/future/customers/metering/affordability/prs\\_inf\\_afford.pdf](http://www.ofwat.gov.uk/future/customers/metering/affordability/prs_inf_afford.pdf); JRF:

'Water poverty' the new 'fuel poverty' for vulnerable households as we attempt to tackle impacts of climate change, Feb 2011, <http://www.jrf.org.uk/media-centre/water-poverty-fuel-poverty-vulnerable-households-5571>

<sup>11</sup> Citizens Advice: Affordable water: a consultation on the Government's proposals following the Walker Review of charging, response to Defra, June 2011, p3

However, there is no welfare benefit in England and Wales specifically aimed at helping to meet water costs<sup>12</sup>, and in the current welfare reform climate it is unlikely that calling on central government to introduce such a benefit would succeed.

Our focus in this response, therefore, is on reducing the cost of water and sewerage services to consumers.

Options for cost reduction are limited. Unlike energy consumers, domestic water customers do not have the option of switching between suppliers in order to reduce their costs.

Citizens Advice Cymru believe that to help ease affordability problems some components of water bills, such as highway drainage<sup>13</sup> and environmental costs should be removed from water bills and funded via other mechanisms, and we have previously raised this with central government<sup>14</sup>. However, we acknowledge again that this is largely outside the control of Welsh Government.

It is likely therefore that tackling the problems of affordability and debt will require a combination of measures to reduce costs of supplying water and sewerage (such as reducing leakage), increase the efficiency of consumers' water and sewerage use, and helping those struggling to pay their water and sewerage bills, through social tariffs and provision of advice services.

Citizens Advice Cymru strongly supports the proposal to undertake a review into the issue of water poverty. In the following sections we address specifically the issues of social tariffs, water and sewerage debt and provision of advice and help to consumers struggling with their water bills.

Citizens Advice Cymru also believes that robust monitoring of water poverty over the longer term is essential if targeting of programmes is to be appropriate and progress measured. In evidence recently submitted to the National Assembly's inquiry into energy efficiency and fuel poverty in Wales, we suggested that the Wales National Survey could be used to identify the extent of fuel poverty in households<sup>15</sup>. In a similar way the survey might be used to compare data on incomes, water expenditure and household need for water including number of children and chronic health conditions.

### **Citizens Advice Cymru believes that:**

- **the proposed review of water poverty should address**

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<sup>12</sup> In Scotland households in receipt of Council Tax Reduction can receive up to 25% reduction on water and sewerage charges from 1 April 2013, Water and Sewerage Charges (Exemption and Reduction) (Scotland) Regulations 2006 (SSI 2006/72)

<sup>13</sup> [http://www.ofwat.gov.uk/regulating/charges/prs\\_web\\_chargespg\\_54highways#](http://www.ofwat.gov.uk/regulating/charges/prs_web_chargespg_54highways#)

<sup>14</sup> Citizens Advice: Affordable water: a consultation on the Government's proposals following the Walker Review of charging, response to Defra, June 2011

<sup>15</sup> Citizens Advice Cymru: Response to the National Assembly for Wales' Environment and Sustainability Committee's inquiry into energy efficiency and fuel poverty in Wales – June 2014

- **The extent of water poverty in Wales in terms of households paying more than 3% of household income for water and sewerage**
  - **Social tariffs and support for low income consumers**
  - **The extent of indebtedness**
  - **Collection methods and debt management by water companies**
  - **Provision of debt advice**
  - **Consumer education**
- **the Wales National Survey should collect data on**
    - **Access to mains water supply and sewerage**
    - **Whether a water meter is installed**
    - **Whether the household is in receipt of financial help with water bills (e.g. Welsh Water Assist)**
    - **Chronic conditions affecting need for water use.**

**Citizens Advice Cymru would be happy to submit evidence to the review and work with Welsh Government on this issue as appropriate.**

### **Social tariffs: requirement**

Social tariffs can be one useful way of helping households that are struggling to pay their water and sewerage bills. We agree with the Welsh Government view<sup>16</sup> that in addressing affordability social tariffs should complement other measures, including water efficiency and consumer education, as addressed elsewhere in this response.

We note the guidance that the Welsh Government has issued to water companies and Ofwat and that the social tariffs guidance will be reviewed in the light of the water strategy<sup>17</sup>. We have a number of comments on the role and operation of social tariffs.

The Welsh Government has an expectation that water companies will have a social tariff in place by 2015, but this does not appear to amount to a requirement<sup>18</sup>. In our view there are disadvantages to allowing discretion to individual water and sewerage companies on whether or not to introduce a social tariff, and on what level of support and eligibility conditions should be applied. Our past experience of social tariffs in the energy sector was that

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<sup>16</sup> Welsh Government: Guidance to water and sewerage companies and the Water Service Regulation authority (Ofwat), in relation to social tariffs under section 44 of the Flood and Water Management Act 2010, p4

<sup>17</sup> Welsh Government: Guidance to water and sewerage companies and the Water Service Regulation authority (Ofwat), in relation to social tariffs under section 44 of the Flood and Water Management Act 2010, p8, <http://wales.gov.uk/topics/environmentcountryside/epq/waterflooding/publications/social-tariff-guidance/?lang=en>

<sup>18</sup> Welsh Government: Consultation document: a Water Strategy for Wales, April 2014, p46

significant variation and a lack of consistency made it difficult for customers to understand whether or not they are eligible for their supplier's social tariff<sup>19</sup>.

If social tariffs are not to be mandatory in Wales, then as a minimum requirement companies that decide not to bring forward a social tariff should be expected to consult their customers, the Consumer Council for Water (CCW) and other consumer representative bodies<sup>20</sup>, justifying their decision and seeking agreement with stakeholders and Welsh Government to alternative action on their part to assist customers who struggle with water bills.

### **Citizens Advice Cymru believes that**

- **Social tariffs should be a mandatory requirement for water companies**
- **In the absence of such a requirement, companies should be required to consult widely should they decide not to introduce a social tariff, and to put alternative provision in place for consumers who struggle with their water bills.**

### **Social tariffs: cross subsidy and impact on other customers**

Social tariffs funded by a levy on other customers' bills inevitably create a question of the balance between the level of help to those most in need and the costs to other consumers in terms of higher water bills. By spreading the costs of a company social tariff across all water consumers, those who are on low incomes pay proportionately more. Even if those who are eligible for the social tariff are excluded from paying the flat rate, this remains inequitable as there will always be significant variation within the group of ineligible customers and those with lower incomes would still be disadvantaged<sup>21</sup>.

In our view, social support funded by government would be a much more equitable means of distributing the costs of support than cross subsidy among water and sewerage customers. However, we recognise that this possibility has been rejected by central government and that there are many pressures on the Welsh Government's own budget, which may inhibit such a step at present.

If support is to be funded by water companies, then ultimately it is their customers who foot the bill and there is a risk that some struggling customers

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<sup>19</sup> Citizens Advice: Affordable water: a consultation on the Government's proposals following the Walker Review of charging, response to Defra, June 2011, p7

<sup>20</sup> Company Social Tariffs: Consultation on guidance to water and sewerage undertakers and the Water Services Regulation Authority under Section 44 of the Flood and Water Management Act 2010, Citizens Advice response to Defra, January 2012, p3  
[www.citizensadvice.org.uk/defra\\_water\\_social\\_tariffs\\_consultation\\_final.pdf](http://www.citizensadvice.org.uk/defra_water_social_tariffs_consultation_final.pdf)

<sup>21</sup> Citizens Advice: Affordable water: a consultation on the Government's proposals following the Walker Review of charging, response to Defra, June 2011, p12

may end up paying to support other customers in their region, even though they themselves are not receiving any support. This is likely to impact particularly on customers who are just outside current eligibility for social tariffs.

**Citizens Advice Cymru believes that**

**In reviewing the social tariff guidance, Welsh Government should pay particular attention to the situation of customers just outside eligibility limits.**

**In targeting consumer education and efficiency measures, Welsh Government should also pay particular attention to customers just outside social tariff eligibility limits.**

### **Social tariffs: level of support**

We note that while the social tariff guidance suggests that a reasonable level of cross subsidy should be up to 2.5% of a company's average water and sewerage bill, there is no specific figure in relation to the level of concessionary charge. Welsh Government guidance indicates only that social tariffs should provide meaningful benefits to a significant number of customers in need of assistance and that the benefits should be sufficient to encourage customers to apply for the tariff<sup>22</sup>. The proposed review of water poverty and use of the Welsh National Survey (see above) to monitor levels of water poverty could provide useful background data in identifying an appropriate level of support and assessing its impact on consumers.

**Citizens Advice Cymru believes that**

**In reviewing the social tariff guidelines, the Welsh Government should consider more specific guidance on the level of support to be offered.**

### **Social tariffs: eligibility**

The social tariff guidance addresses the issue of how eligibility is to be determined. At present Dŵr Cymru/Welsh Water's scheme is based on a passporting approach in which recipients of certain welfare benefits are eligible, provided that they either have a specific medical condition requiring extra water use, or they have three or more children under 19 and in full time education in the household.

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<sup>22</sup> Welsh Government: Guidance to water and sewerage companies and the Water Service Regulation authority (Ofwat), in relation to social tariffs under section 44 of the Flood and Water Management Act 2010, p8, <http://wales.gov.uk/topics/environmentcountryside/epq/waterflooding/publications/social-tariff-guidance/?lang=en>.

It will be important for any review of the social tariff guidance to take into account the impact of implementation of welfare reform over the next few years. At present universal credit is listed as one of the qualifying benefits, but very few consumers in Wales are currently in receipt of universal credit. Deciding which groups of universal credit recipients should have extra support will be a challenge<sup>23</sup>. The Welsh Government has already addressed this issue in respect of its own passported schemes<sup>24</sup> and it will be important for water companies to do likewise, and to review the impact as universal credit is rolled out.

In respect of the tax credit and benefit system in advance of the introduction of universal credit, we believe it is important that those on a low income, but not receiving benefits or tax credits, are also assisted<sup>25</sup>. The Welsh Government social tariff guidance takes the view that it is a decision for water companies whether to undertake individual assessments rather than a passported approach<sup>26</sup>. The cost of administering individual assessments would be greater than a scheme that used passporting alone, as it would involve checking evidence of income as well as benefit entitlement letters. But this is not an insurmountable problem, and we note that some energy companies are using low income in addition to passporting as a way to target their warm home discount rebate<sup>27</sup>.

### **Citizens Advice Cymru believes that**

**In reviewing its social tariff guidance, Welsh Government should encourage water companies to extend eligibility to consumers on the basis of benefit or tax credit receipt OR an income below a certain threshold.**

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<sup>23</sup> Company Social Tariffs: Consultation on guidance to water and sewerage undertakers and the Water Services Regulation Authority under Section 44 of the Flood and Water Management Act 2010 , Citizens Advice response to Defra, January 2012, p4

<sup>24</sup> Welsh Government: Passported benefits and other schemes,  
<http://wales.gov.uk/topics/people-and-communities/welfare-reform-in-wales/passported-benefits/?lang=en>

<sup>25</sup> Company Social Tariffs: Consultation on guidance to water and sewerage undertakers and the Water Services Regulation Authority under Section 44 of the Flood and Water Management Act 2010 , Citizens Advice response to Defra, January 2012, p4

<sup>26</sup> Welsh Government: Guidance to water and sewerage companies and the Water Service Regulation authority (Ofwat), in relation to social tariffs under section 44 of the Flood and Water Management Act 2010, p8,  
<http://wales.gov.uk/topics/environmentcountryside/epq/waterflooding/publications/social-tariff-guidance/?lang=en>, p6

<sup>27</sup> British Gas, for example offers the warm home discount to customers with a gross annual house hold income of less than £16,010 and where the account holder is living with mental or physical disability or illness, or there is vulnerability within the home (children living in the house aged 5 or under) or of pensionable age  
<http://www.britishgas.co.uk/warmhomediscountscheme>, see also <https://www.gov.uk/the-warm-home-discount-scheme/eligibility>.

## Households that are not direct customers of water companies

One issue which is frequently raised by Citizens Advice clients in Wales is the eligibility for help with water bills from those who pay their water bills with their rent (including social housing tenants), as well as residents of park homes and on traveller sites.

For example, the Dŵr Cymru/Welsh Water Customer Assistance Fund (CAF), which helps some clients with water debt, has not been available to most social tenants who pay their water charges to their social landlord.

A south Wales Citizens Advice Bureau helped a woman with mental health problems, who had run up a water debt of £250 during a period when she had a water meter. However, she was not eligible for the Welsh Water Customer Assistance Fund because she was a council tenant.

Our understanding is that for local authorities that collect water charges along with rent, Dŵr/Cymru Welsh Water pay a commission to cover bad debt among other things, and therefore that to make those customers generally eligible for CAF would be effectively for Welsh Water to pay twice<sup>28</sup>. While we understand the thinking behind this, it has at times led to confusion and some perception of injustice akin to a postcode lottery on the part of some water consumers who are social housing tenants. We understand that Dŵr Cymru/Welsh Water has taken action intended to prohibit any evictions for water charge arrears. However, access to help for social housing tenants with water debt remains a matter of concern to us.

We believe that the review of water poverty would be an opportunity to address the issue of financial support for households that are not direct customers of the water companies.

Consumer Focus Wales has previously raised concerns about the impact of water costs on mobile home residents, and difficulties that they encounter in addressing these<sup>29</sup>. Welsh Government should revisit these recommendations in relation to water services. We are also seriously concerned about residents of gypsy and travellers' sites some of whom can pay very high prices for water, despite the existence of Ofwat guidelines to water re-sellers on maximum resale prices<sup>30,31</sup>.

### **Citizens Advice Cymru believes that**

**In its review of water poverty, Welsh Government should include an assessment of the number of householders in Wales who are not water**

<sup>28</sup> Communication from Dŵr Cymru/Welsh Water, July 2014

<sup>29</sup> Consumer Focus Wales: Park Life – residential mobile home living in Wales, October 2012 <http://www.consumerfocus.org.uk/wales/files/2012/10/R27E-Park-life-IA.pdf>

<sup>30</sup> <http://www.ofwat.gov.uk/consumerissues/waterresale/maximum/>

<sup>31</sup> Evidence from Cardiff and Vale Citizens Advice Bureau, June 2014.

**company customers, including social housing tenants, who struggle to pay their water bills, and the extent of indebtedness in this customer group**

**Welsh Government should review the availability of help with water bills to householders who are not water company customers**

**Welsh Government should review the effectiveness of OfWat guidance to water resellers on maximum resale price guidance, with particular attention to the impact on park home and gypsy and travellers site residents.**

## **Dealing with debt and water poverty (Q16-18)**

### **Incidence of water debt**

Of the 5,405 issues relating to water and sewerage services brought to Citizens Advice Bureaux in Wales in 2013/14, 4,802 related to water debt. Water debt is clearly a serious problem. Of the issues relating to water debt, some three quarters related to debt repayments<sup>32</sup>.

Rising bills, relatively static income levels and the impact of some aspects of welfare reform have meant that many households are struggling to cope with rising cost of living. The Money Advice Trust notes that between 2000 and 2011 the price of water rose significantly in relation to general CPI inflation, and this trend was accompanied by an increased demand for debt advice<sup>33</sup>. This is likely to continue; many income levels are rising only slowly, and welfare reform will result in increased income for some consumers but reductions for many others<sup>34</sup>.

A single south Wales man was in arrears of £200 to his water company. He was paying this off regularly but when his Employment and Support Allowance was stopped his income was reduced. While the local bureau was helping him to appeal the benefit decision, he contacted the water company to say that he could not sustain the rate of repayment in the short term. However, the water company passed the debt to a debt collection company who then chased him for £400.

Characteristics of people coming to the Citizens Advice service in Wales with water debt problems are set out in tables 1 to 3 below. Percentages of Citizens Advice clients for England and Wales as a whole are included for comparative purposes.

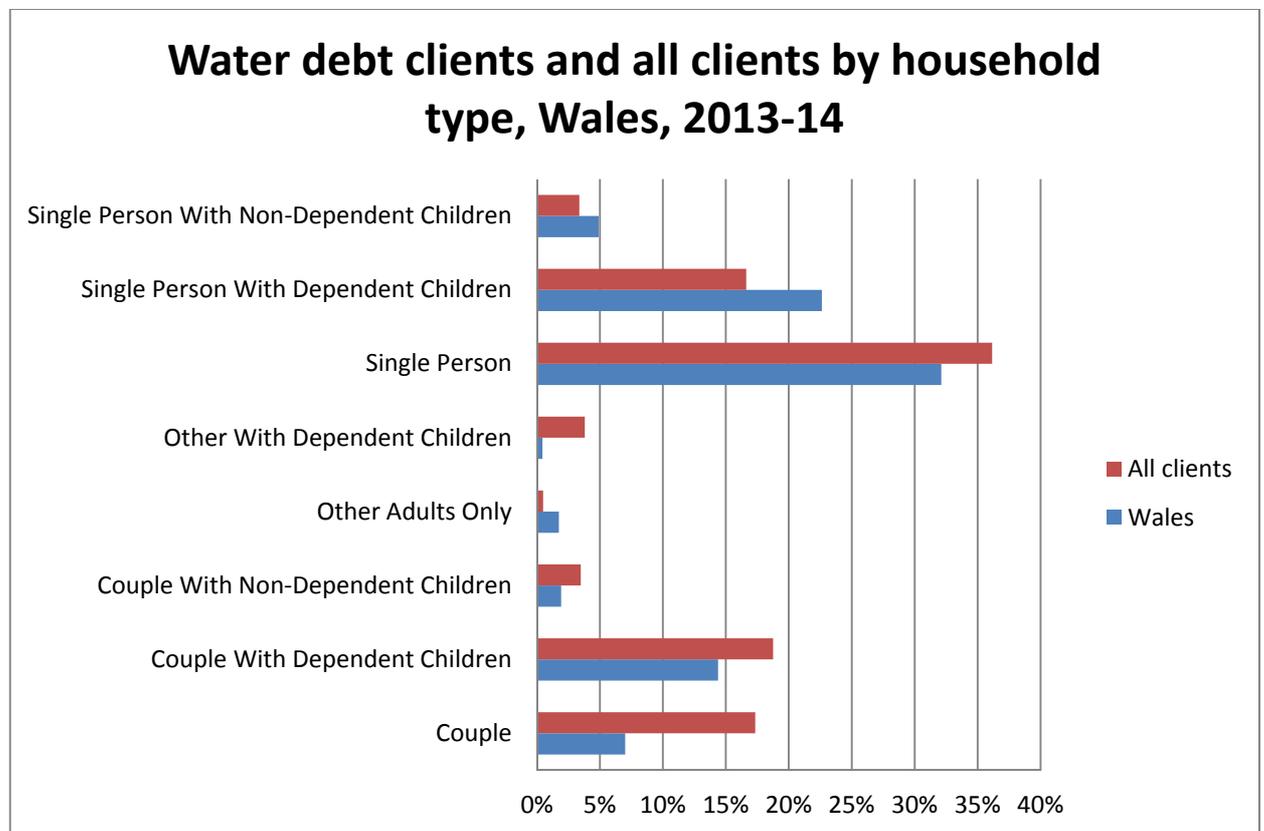
<sup>32</sup> 3276 out of 4802 – 68%. Of 4242 non-gateway enquiries, 77%.

<sup>33</sup> Money Advice Trust: Changing Household Budgets, June 2014, pp21-22.

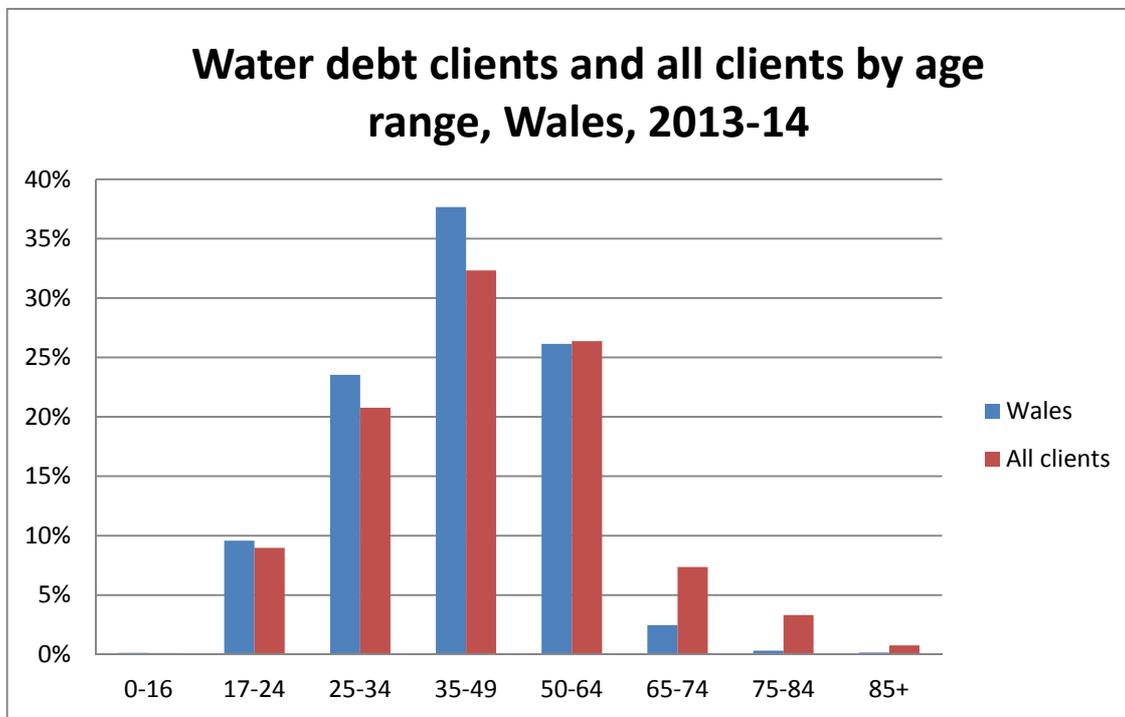
<sup>34</sup> Citizens Advice: All change: why welfare reform should matter to creditors and utility companies, November 2013, p 34

The figures show that people with water debt problems tend to be single and spread across working age bands but particularly aged between 35 and 49. They are also disproportionately likely to live in social housing although not more so than in England and Wales together. However, within Wales, social housing clients comprise 48% of clients with water debts. This compares to 32% of all clients in Wales irrespective of the issues they raise. Clients with water debts are more likely than the generality of clients to live in social housing. This reinforces our recommendations (above) on social tariffs and access to financial support.

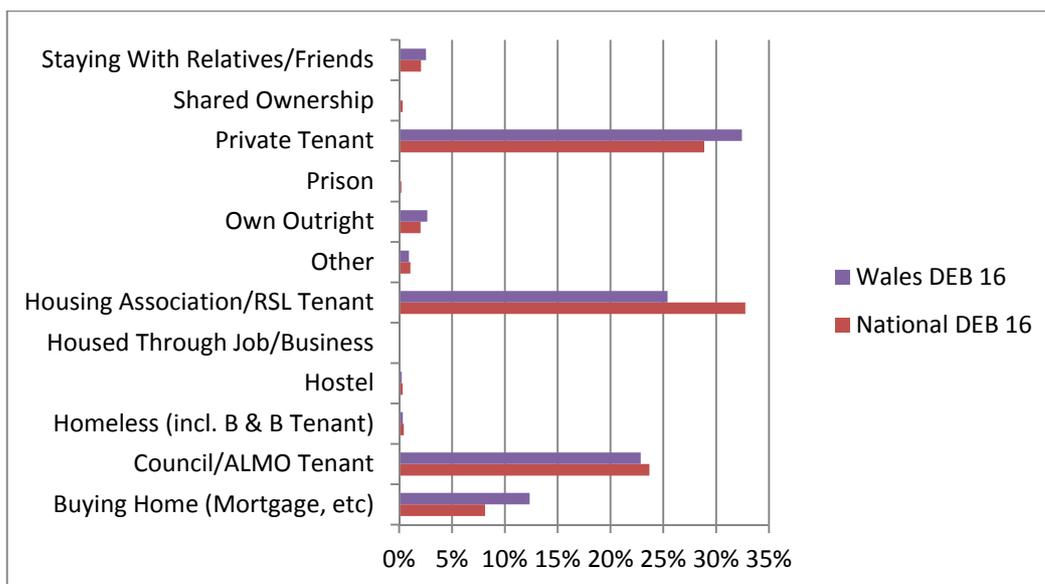
**Table 1: Water debt clients and all clients by household type, Wales, 2013-14**



**Table 2: Water debt clients and all clients by age range, Wales, 2013-14**



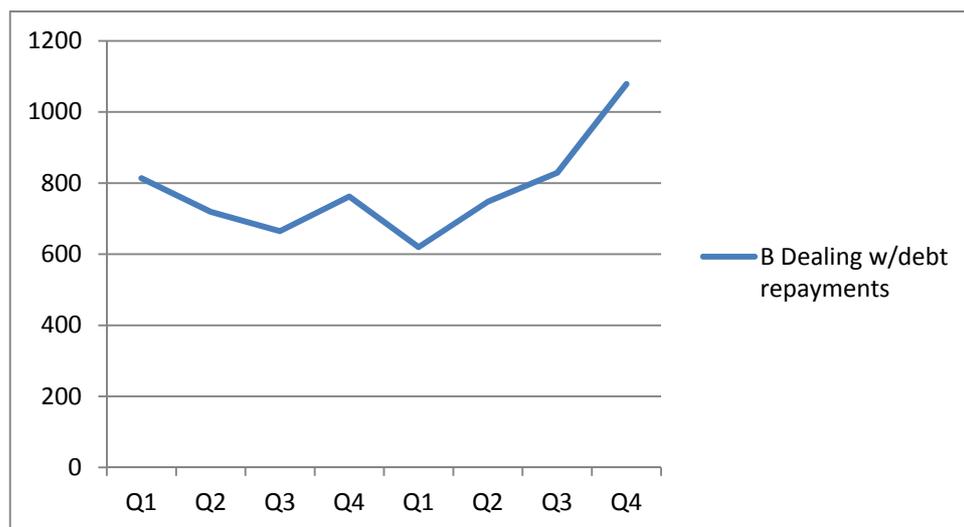
**Table 3: Water debt clients by housing status, Wales, 2013-14**



While social tariffs, efficiency measures and consumer education all have an important part to play in reducing the incidence and severity of water debt in

Wales, it is likely that indebtedness will continue to be a problem for the foreseeable future. Table 4 shows the trend in issues raised by clients of Citizens Advice Bureaux in Wales over the last two years relating to water debt repayments. We cannot predict the impact of government policies such as welfare reform, and of wider economic trends, but there is at least a substantial likelihood that the current upward trend will continue over the short to medium term.

**Table 4: Dealing with water debt repayments, Wales, 2012/13-2013/14 (number of issues raised with Citizens Advice Bureaux)**



### Dealing with debt

We strongly support the ban on disconnection for water debt for domestic customers. Water is an essential service and disconnection could result in severe detriment to consumers, without necessarily resulting in recovery of arrears.

At the same time we recognise that bad debt is a problem for all consumers, as it increases costs to all customers (because of both non-payment and recovery costs), as well as for the water industry. Both unpaid bills and debt collection costs add to customer bills. High priority needs to be given to helping consumers to avoid debt in the first place.

It is important that water and sewerage companies use all of the data and intelligence at their disposal to identify customers who are experiencing financial difficulty. While utility companies do not have access to the range of data available to some creditors, such as banks, there are some signs to look out for which could indicate that a customer is experiencing financial difficulty.

These could include missed or part payments, requests to reduce the amount of direct debit payments or requests to rearrange a repayment plan. Water companies need to explore the reasons behind the customer's circumstances and offer assistance as appropriate.

Where customers are already in financial difficulty, there are a number of steps that water companies can take including:

- waiving bounced direct debit and late payment fees
- renegotiating lower repayment instalments, using the Common Financial Statement to assess what can be afforded, or
- holding off on enforcement action until the customer is back on a more stable financial footing, and
- moratoriums or payment holidays for the period that benefits are sanctioned or reduced pending an appeal.

Schemes such as Dŵr Cymru/Welsh Water's CAF can be very useful in enabling customers in difficulty to return to a sound footing.

Where customers cannot afford more than minimum repayments or any repayment at all, and have no reasonable prospect of improving their circumstances, non-priority creditors should also consider writing the debt off. Pursuing customers who have no real means of ever repaying a debt is ultimately a waste of resources, as well as distressing for the customer.

A north Wales man had obtained a debt relief order but was still being pursued for arrears by his water company

### **Citizens Advice Cymru believes that**

**The proposed review of water poverty should encompass the collection and debt management policies and practices of water and sewerage companies, engaging with companies and advice agencies with a view to encouraging best practice throughout the industry in Wales**

### **Referral to advice agencies**

If customers have wider advice needs regarding debt that are unmet, they are unlikely to be able to commit to and maintain a sustainable repayment arrangement, and may need additional advice and support from an independent agency. Customers are particularly likely to need this if, for example, they have multiple creditors, problems managing money, or they have related family, legal, housing or employment issues.

Water companies should be encouraged to develop referral pathways for staff to refer customers in difficulty to organisations such as the Citizens Advice service and other agencies for further advice and support<sup>35</sup>. Consumers in difficulty can be helped in a number of ways, including

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<sup>35</sup> Citizens Advice: All change: why welfare reform should matter to creditors and utility companies, November 2013, p 31-2

negotiating with creditors on repayments, maximising income and referral to other sources of help such as social tariffs<sup>36</sup>. Raising financial capability, enabling consumers to plan and budget more effectively, can also help consumers cope with affordability issues in the longer term.

Companies should consider providing funding for community organisations, such as Citizens Advice Bureaux, to help advise people struggling with affordability problems about the options available to them. Citizens Advice already works in partnership with water companies in some areas in England to provide debt advice, with water companies recognising that water debt is often one element of broader financial difficulties, and that in order to tackle water debt it is necessary to look at the client's situation as a whole. Companies that provide financial support to both Citizens Advice and local bureaux for debt advice work include Wessex and Bristol Water, South West Water, Severn Trent Water, United Utilities, Anglian Water and Southern Water.

The Citizens Advice service has experience of working in partnership with water companies and other consumer stakeholders. For example, Citizens Advice representatives have participated, along with the Consumer Council for Water and other stakeholder organisations, in work with water companies to improve billing and debt recovery practice, such as improving the content of correspondence with customers. A Citizens Advice Cymru representative also sat on the Dee Valley Water Customer Challenge panel during the process of preparing for the 2014 water price review, feeding in our perspective of consumer needs based on our clients' experience with particular emphasis on the need to engage with customers on low incomes<sup>37</sup>.

Citizens Advice Cymru will be happy to work with the water and sewerage industry in future, using insight from our advice and consumer education work to improve the experience of water industry customers in Wales

### **Citizens Advice Cymru believes that**

**The proposed review of water poverty should explore the potential for improving cooperation between water companies and advice and financial capability services, both in relation to individual advice and support and to improving creditor practice.**

**Water and sewerage companies should be encouraged to provide funding for advice and financial capability services.**

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<sup>36</sup> Citizens Advice: Affordable water: a consultation on the Government's proposals following the Walker Review of charging, response to Defra, June 2011, p6

<sup>37</sup> <http://www.deevalleywater.co.uk/article.php?id=94>

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