

Elements of the plan

Addressing Affordability & Vulnerability

an
affordable
Water
Future



South West
Water



Bournemouth
Water

Elements of the plan



Engaging Customers



Addressing Affordability & Vulnerability



Delivering Outcomes for Customers



Securing Long-Term Resilience



Targeted Controls, Markets & Innovation



Securing Cost Efficiency



Aligning Risk & Return



Accounting for Past Delivery



Securing Trust, Confidence & Assurance

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Introduction

The purpose of this document is to set out the approach we have taken to developing, testing and refining our affordability and vulnerability support for customers. This remains a top priority for our customers.

In the first section of the report we explore affordability and what that looks like for our customers and what we plan to do to provide affordable bills for all.

We explore some of the factors of uncertainty which will affect the affordability of bills in the coming years, including the potential loss of the £50 government contribution for customers in the South West Water region and more general wider macroeconomic factors.

These factors have the potential to cause significant impact on the ability of customers to afford their bills, particularly in the South West Water region, where the gross weekly pay for people living in South West Water's service area falls significantly below the national average – with many areas being amongst the most deprived in the country and Torbay being the poorest area in the South West.

The second section explores vulnerability, how we identify customers who might need a little bit more support and what we will do to support them, whether that's helping with paying their bill, making sure they can cope when supplies are interrupted and ensuring that we communicate in the best way that meets their needs.

We also describe how we have captured the views of customers who are or may find themselves in vulnerable circumstances and how they have been reflected in our plan.

Acceptability and affordability of our plan is crucial to ensure customers are supportive of the improvements we are making and bills for all our customers are affordable. At PR09 only 34% of South West Water customers found the plan acceptable. At PR14 this rose to 84% acceptability of our final plan (Bournemouth Water PR14 acceptability was 79%).

Now, acceptability of our PR19 plan is at 88% (South West Water) and 92% (Bournemouth Water) demonstrating that we are engaging and listening to what our customers are telling us, with high levels of support for all investment areas and a bill that, for the majority, is affordable; however we are committed to increasing our level of financial support to ensure affordable bills for all.

As part of the acceptability testing South West Water customers were asked their views on the affordability of their current bill and their expectations around affordability of the 2020-25 plan. 75% of customers perceive their current bill to be affordable, with this figure dropping slightly to 73% for the 2020-25 plan with the main concern being inflation and its impact on their incomes. Customers told us that inflation concerns them, more so than in PR14, with 35% of customers telling us their wages and incomes are rising by less than inflation each year – and they worry about water bills that rise faster than their incomes.

The removal of the GC50 has a notable impact on South West Water customers' perception of affordability of water bills with only 57% saying that their future bill would be affordable.

For Bournemouth customers, concerns around affordability of their current and future bill were less at 89% and 87% respectively.

We are confident that our 2020-25 plan supports our customer priority not to burden any generation by deferring investment or allowing services to deteriorate. During 2020-25 we will improve services in customers' priority areas, whilst keeping bills affordable. Concurrently we plan to make water poverty a feature of the past through the expansion of our industry leading support measures.

Business plan navigation

This document is part of the overall business plan providing key information about our proposals and how it answers the initial assessment of business plan tests.

Addressing Affordability & Vulnerability

- AV 1** How well has the company demonstrated that its bills are affordable and value for money for the 2020-25 period?
- AV 2** How well has the company demonstrated that its bills will be affordable and value for money beyond 2025?
- AV 3** To what extent has the company demonstrated that it has appropriate assistance options in place for those struggling, or at risk of struggling, to pay?
- AV 4** To what extent does the company identify and provide accessible support for customers in circumstances that make them vulnerable, including proposing a bespoke performance commitment related to vulnerability?

Answers to these questions are summarised in the **Summary** chapter of this document, with signposts to further detail and evidence within this document, and where appropriate, other documents forming part of the overall business plan submission – see **Document map**.

Business plan navigation continued

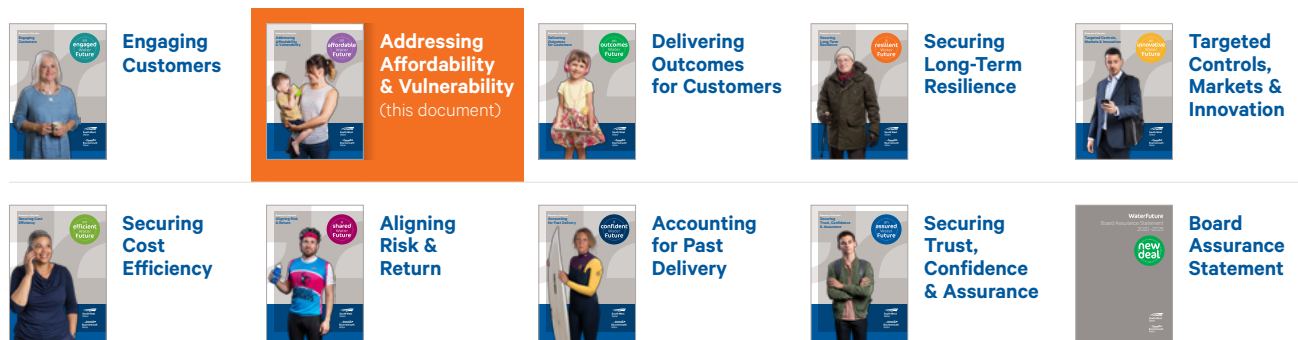
Document map

The primary documents within the business plan submission are illustrated below. Other supplementary information, reports and documents are also referenced within these documents and can be accessed using a link in the document, where appropriate.

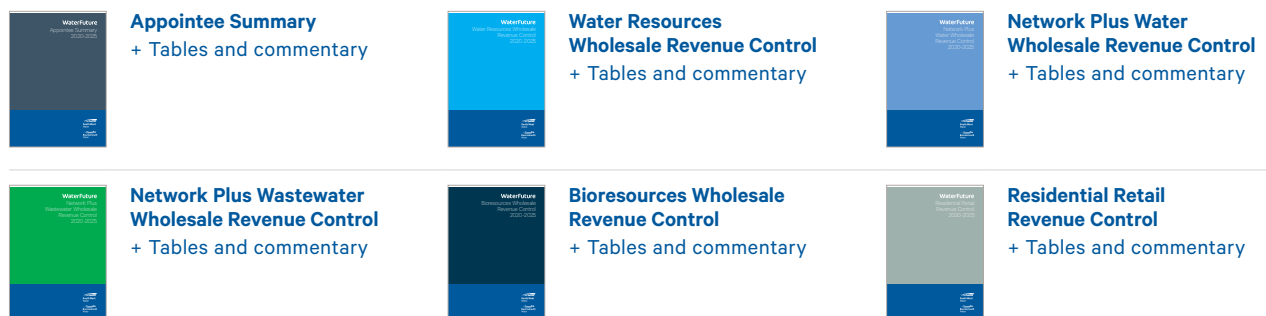
Business plan to 2025



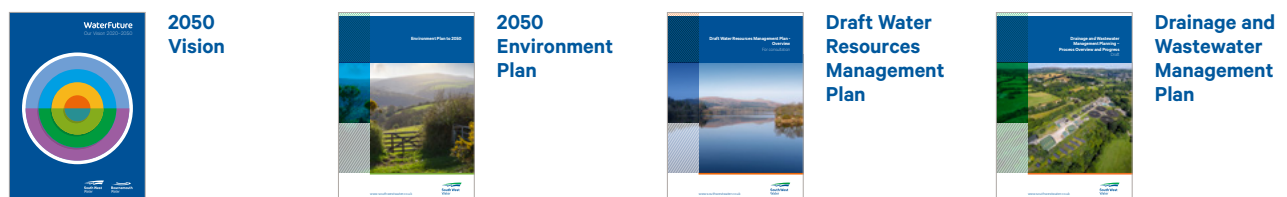
Elements of the plan



Revenue controls



Business plan to 2050



Executive summary

We aim for all our customers to receive a bill that is affordable and value for money, and to receive the highest levels of service regardless of their circumstances.

Affordability is one of the strategic priorities of the business plan. Our approach also encompasses other priorities: driving efficiency through innovation, empowering customers (in this context, by giving them more control over their bill and access to bespoke services for vulnerable customers), and being an exemplar company across our activities.

We have a long track record of providing innovative solutions to address affordability and vulnerability. This reflects our regional circumstances, characterised by lower than average incomes and higher than average bills, leading to specific exposure to water poverty which has been rising nationally since 2000.

In response to this trend we have increased our funding to support a wider range of assistance schemes for those struggling with their bills, and in October 2012 the government introduced a unique £50 per customer bill subsidy for our south west region.

We recognise that many factors can determine customer vulnerability, potentially making it hard for them to access our services. Often these customers can be hard to reach. We offer an adaptable and inclusive approach to our service provision for vulnerable customers, tailoring services to each individual.

Underpinning our approach we have built a strong and extensive network of working arrangements and links with third parties. This is a powerful way of furthering our work in this area.

In 2016 we won the Business in the Community South West Collaborative Action Award for tackling water poverty and supporting vulnerable customers in recognition of our partnership working.



South West
Local Recognition Awards 2016



For more information, see

Tackling Water Affordability in Partnership

- Social tariff
- Dedicated affordability team
- WaterCare+
- Restart
- Freshstart
- Social housing partnerships
- Data sharing and analytics
- Water affordability app

We will continue to enhance our industry leading affordability measures to secure our strategic objective of **affordable bills for all and address water poverty by 2025**.

Our overall strategy is based on providing financial support, empowering customers, helping to change behaviours, and ensuring they can easily access schemes suitable to their circumstances.

Overall affordability now and in the long term

Our customers have told us that keeping bills low is a key priority for them. Our research shows they are concerned about the effect of inflation on their incomes. Looking ahead, whilst average incomes may rise, this may not be the case for all customers.

For both South West Water and Bournemouth Water, customer bills are projected to be lower in 2025 than today.

For South West Water customers, bills are already lower today than they were in 2009/10 meaning that in 2024/25 they will be lower than 15 years previous. On average, this bill trajectory will mitigate upward pressure on water poverty from an income perspective, and help support a reduction in water poverty if incomes do rise.

At the same time we are proposing to deliver an enhanced package of services and outcomes in line with customer preferences, to ensure we provide a value for money service.

We have tested what our customers think of the affordability, value for money and acceptability of our plans.



For more information, see

Engaging Customers

Executive summary continued

The 2020-25 plan supports our customer wishes not to burden any generation by deferring investment or allowing services to deteriorate. During 2020-25 we will improve services in customers’ priority areas, whilst keeping bills affordable. Acceptability of our PR19 plan is at 88% (South West Water) and 92% (Bournemouth Water) demonstrating that we are engaging and listening to what our customers are telling us, with high levels of support for all investment areas and a bill that, for the majority, is affordable; however we are committed to increasing our level of financial support to ensure affordable bills for all. Concurrently we plan to make water poverty a feature of the past through the expansion of our support measures.

We have consulted with younger members of the population – our future customers – to understand their perceptions of the affordability of our services and inform our plans.

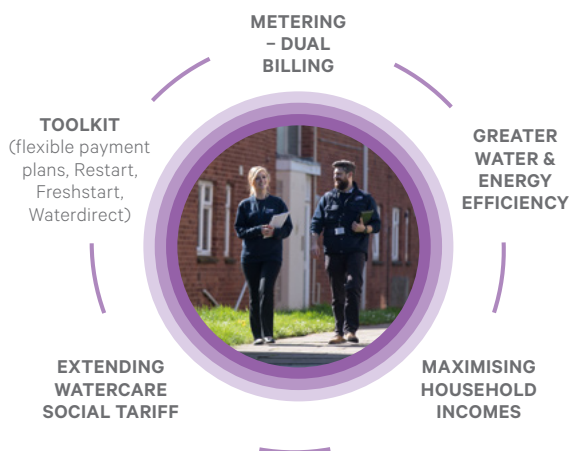


“Citizens Advice Plymouth are proud to continue partnership work with South West Water and we are delighted that South West Water are at the forefront of the industry continuing to find solutions to tackle vulnerability and affordability in their future business plans.”

Daniel Gill, Citizens Advice

Affordability for those struggling to pay their bill or at risk of struggling

Our plans to tackle affordability comprise a range of measures, enhancing our existing toolkit.



All customers will be able to afford their bill – achieved through expanding our affordability ‘toolkit’.

- Dual billing for unmetered customers – ensuring households can try a meter safely while still paying an unmetered bill and the choice to pay a metered charge will be evidenced based. We believe as many as 10,000 customers will reduce their water bill significantly just by switching
- Targeted water efficiency advice and installation of water efficiency devices – ensuring positive on impact on water resources for the future but ultimately impacting positively the size of customer bills
- Continuation of income maximisation checks (c. 15,000 customers supported in identifying unclaimed benefits they are entitled to since 2007) – bringing additional income into the household on average of £43 per week
- We will remove the benefits cap, allowing all customers in water poverty to access our social tariff
- Help with reducing outstanding debt through behaviour changing schemes e.g. Restart and a continuation of the Freshstart fund to grant financial assistance
- Wider deployment of our innovative WaterCare App allowing quicker access to our support measures and priority services register
- Reinforcement of existing partnerships with social housing providers and Citizens Advice and expansion of access points will ensure customers will be able to get help through their channel of choice.

We believe it essential that all our customers are able to access reliable and resilient services at a price that is affordable to them. Cost efficiency, keeping bills as low as possible and providing accessible and meaningful support for customers is central to our business.

We have a long track record of delivering successful outcomes for customers in this area by providing innovative solutions to addressing affordability and vulnerability in the South West Water region.

More recently we have extended our affordability support measures to benefit Bournemouth Water customers – which included the introduction of a social tariff not available to them prior to the integration with South West Water.

We continually assess the effectiveness and efficacy of our schemes to ensure each element continues to deliver positive outcomes for our customers.

We are continually adding to our toolkit, most recently through our innovative WaterCare App with the explicit aim of improving accessibility to support customers, applications submitted through the App via a home visit and a decision provided immediately on what help they are entitled to.

Executive summary continued

We are further developing our vulnerability mapping to incorporate a gap analysis at Local Super Output Area level showing the variation between incidences of vulnerability and the number of households on our priority services register.



WaterCare advisor with app

Overall, we expect a step change in reducing water poverty and the number of customers in debt across our region as a result – **supporting our ambitious aim of addressing water poverty by 2025.**

Vulnerability

Understanding the extent of vulnerability is an ongoing challenge. We use a tool developed by Oxford Consultants for Social Inclusion that accesses 900 data sets to build a profile of vulnerability across our region.

We are also drawing on our own experience, for example that from the 'Beast from the East' cold snap, and partnering with local organisations to identify customers who may be less resilient to supply incidents. Employing the charity MIND we train our staff to be more aware of mental health conditions and their potential triggers for vulnerability.



Our approach to supporting the vulnerable includes a number of elements e.g. improving website accessibility, providing additional assistance for customers in vulnerable circumstances who experience leaks and providing a case management approach for customers with multiple vulnerabilities. We know from our engagement with vulnerable customers that communication is a key concern.

To improve how we adapt our services we work members of our LRF, charities and third-party organisations including British Red Cross to understand the needs of the vulnerable and to help target our engagement with them. We regularly undertake post event surveys to understand the impacts of service failures on customers in vulnerable circumstances.

Executive summary continued

Access to our flexible services is via registration on our Priority Services Register (PSR) which currently has 12,000 households. Our research indicates some 250,000 may be eligible at some point in time. This gives us a sense of the scale of our challenge in reaching out and ensuring accessibility of our services to the vulnerable.

For 2020-25 we are aiming to increase the coverage of our bespoke approaches and satisfaction levels with the support services offered.

We will continue to focus our work on improving our data on vulnerability and on understanding the needs of such customers, for example, working with energy providers to share data to identify vulnerable customers and the services they may need, plus joint approaches for delivering targeted help.

Key messages

- ✓ Bills in 2025 lower than 15 years previous
- ✓ New affordability toolkit ensures bills are affordable for all to 2025 and beyond
- ✓ Dual billing for all unmetered properties by 2025
- ✓ New insight into vulnerability issues through data sharing with partners such as the DNOS
- ✓ New innovative WaterCare app making access to support services easier and more efficient
- ✓ Well developed processes for identification of customers who may require support
- ✓ Customer engagement to understand causes of vulnerability including affordability
- ✓ Customer views informed plans on affordability and vulnerability measures
- ✓ Tailored support for any customer struggling to afford their bill
- ✓ Access to support measures enhanced through established partnerships with social housing providers
- ✓ Working with MIND, all customer facing staff received training on identification and response to mental health signals
- ✓ Smart meters for all customers in vulnerable circumstances

What does affordability look like for our customers?

Water affordability varies for a number of different reasons, such as household size and income, size of water and sewerage bills, usage, age of property, age of appliances and metering levels. We know that the size of a customer's water and sewerage bills can vary significantly depending on where they live, and nowhere is it more acutely felt than in the South West due to the cost of providing water and wastewater services not being uniform across England and Wales.

The main reasons include; the degree of pumping and treatment required, geographical differences in supply areas and the existence of any pre-privatisation investment issues impacting on the age and condition of company infrastructure.

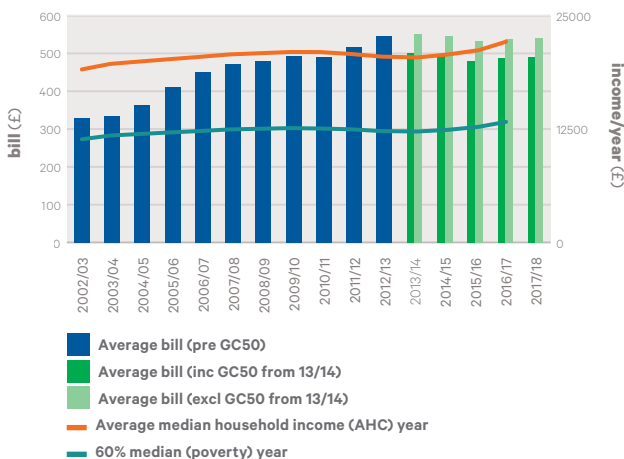
Taking each of our supply areas in turn we review what water affordability looks like and which groups of customers are more susceptible to affordability issues.

South West Water

Affordability of water bills – bill to income %

Water poverty¹ has been steadily increasing since the early 2000s and with it the level of help the company has funded to support customers struggling to pay. The issue peaked in 2012/13 where bills were at their highest and incomes at their lowest point since 2004/05 (incomes shown in the graph below are national averages).

Average bill vs average household income



The peak was followed by a period of stability, with incomes showing a small increase and bills flattening out, in part due to the £50 government contribution (GC£50) being applied for the first time and in 2013/14 following a period of consultation with our customers to understand the

level of cross-subsidy they were willing to pay to support customers in need of help, the introduction of a social tariff for customers on the lowest of incomes.

The bill to income ratio (using the poverty median income as a proxy) was at its highest at 4.4% in 2012/13. For a single person household on Job Seekers allowance (JSA) this would have represented c.8% of their income (using the average bill as a proxy).

A good starting point therefore for understanding the affordability challenge in the South West Water area is to look at the distribution of incomes in the region compared to the UK.

It should be noted that the following analysis assumes the GC50 continues through the next five years. If it is removed c.32,500 additional customers immediately move above the >5% water poverty threshold.

The table below shows the percentage of South West Water households that we estimate fall into each income decile². The decile thresholds are set so that 10% of UK households are in each band.

By income decile	
Income measured as equivalised household income after tax and deductions and after housing costs (AHC)	% of households
Bottom decile: < £169/week	9.2%
2nd decile: < £237/week	9.8%
3rd decile: < £292/week	11.4%
4th decile: < £349/week	15.7%
5th decile: < £413/week	9.2%
6th decile: < £483/week	11.3%
7th decile: < £565/week	9.8%
8th decile: < £678/week	9.8%
9th decile: < £873/week	7.2%
Top decile: > £873/week	6.6%
Total	100.00%

1 Water poverty is usually expressed in terms of the % of households above a defined threshold for the ratio of water and sewerage bills to household income. Ofwat reports on the % of households whose bills exceed 3% and 5% of income

2 Analysis undertaken by ICS Consulting – PR19 Affordability strategy: targeting water poverty modelling

What does affordability look like for our customers? continued

The table highlights that South West Water has a relatively high proportion of households in the lower 3rd and 4th deciles and a relatively low number in the higher income deciles.

The high South West Water bills combined with higher proportions of households in the just below average income categories translates to higher levels of water poverty in the South West Water region.

Water poverty is usually expressed in terms of the % of households above a defined threshold for the ratio of water and sewerage bills to household income. These measures are used as indicators of water poverty, in the most recent Ofwat report on affordability and debt (2014-15) the focus was on bills as a proportion of income.

Customers are also supportive of a 'bill to income' ratio being used as a measure of true affordability; this is discussed in the section on 'do customers support the approach we are taking to address affordability'.

In 2013/14, analysis undertaken by Ofwat showed 35% of South West Water customers were spending more than 3% of their income on their water and sewerage bill, with 17% spending more than 5%. More recent analysis undertaken by ICS Consulting suggests that these now stand at 35% and 14% respectively.

The following table confirms the greater extent of water poverty in the South West Water region compared to England.

Threshold	% of total households	
	England average (%)	SWW (%)
Above 10%	n/a	3.6%
Above 5%	11%	14.4%
Above 3%	23%	35.3%
Below 3%	77%	64.7%

Source: Data – for England taken from Ofwat's 2014-15 Affordability report. South West Water figures based on ICS Consulting modelling

In the South West Water region that equates to c. 100,000 households estimated to spend more than 5% of their income after housing cost on water and sewerage bills. About 25,000 of those 100,000 are paying bills that are greater than 10% of their incomes.

Our modelling also tells us that just under half of households spending more than 5% are metered (= 6.7% of total households) with unmetered equal to 7.7% of total households.

In addition, the higher unmetered bills result in a small number of above average income unmetered households falling into 'water poverty'. Even households with around average incomes (5th and 6th deciles) would be classed as being in "water poverty".

Our data also shows that for South West Water households paying more than 5% by household type, it is households with working age adults only and smaller family households who make up the majority of water poor households in our region (Devon and Cornwall).

In summary, the high level of water bills, combined with the distribution of incomes in the South West Water region means that water poverty extends much further up the income brackets in the South West Water area compared to other regions.

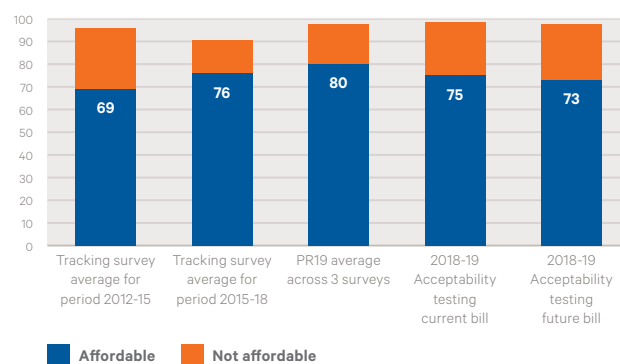
Tracking customer perception of affordability

Since 2012 we have also been tracking affordability of South West Water water and sewerage bills as part of our long term tracking survey. Since 2015 we have seen a 7% increase in customers stating their bills are affordable compared to the previous three year period.

In all our PR19 quantitative surveys we included an affordable bills question allowing us to analyse the data to understand how customers' different circumstances may impact the results; this is on average 80% across three recent surveys.

Within our acceptability testing, we also asked customers how they felt about their current bill and how affordable they perceive their future bill would be based on our proposed plans.

Affordability of water and sewerage bills

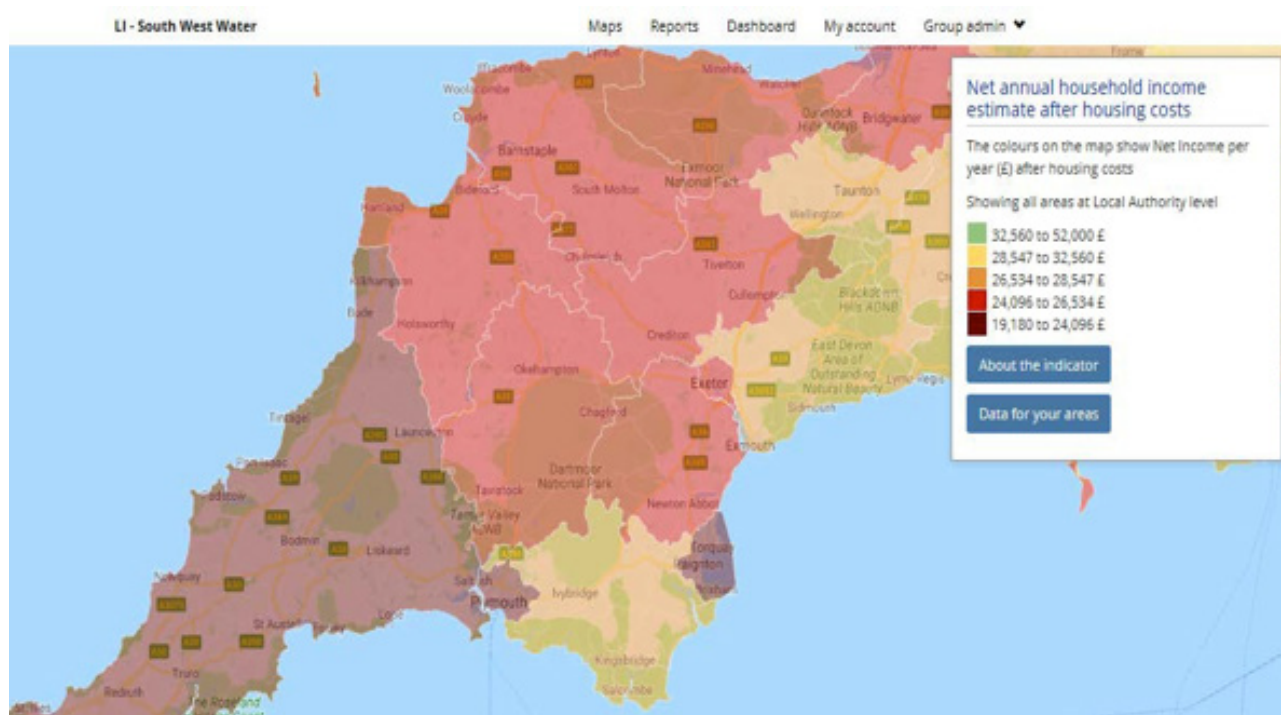


Although this is a good indicator of affordability issues faced by our customers, it is based on customer perception (more recently customers have told us they want a more meaningful measurement of affordability of bills based on bill to income ratios – this is discussed in the section on 'do customers support the approach we are taking to address affordability').

As well as understanding the extent of water poverty in our region by looking at bill to income ratios and how customers perceive how affordable their bills are, we also use external data sources to map areas of deprivation to build up a picture of what life is like for households in our area, examples of the information are shown below.

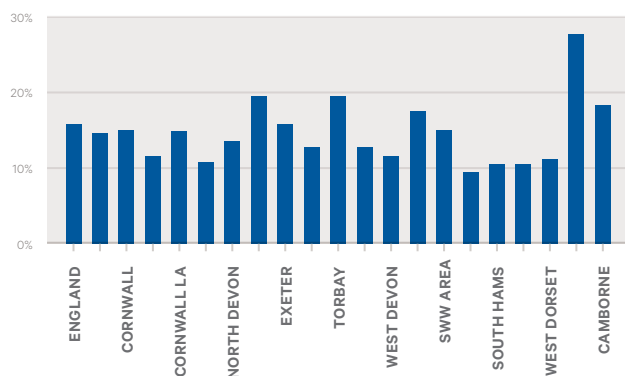
What does affordability look like for our customers? continued

Annual household income estimate after housing costs

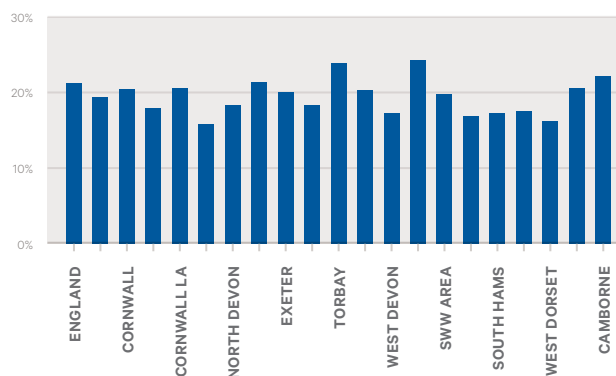


Examples of indicators of deprivation split by local authority area

Housing Benefit



Households in poverty



Our affordability delivery partners, such as Citizens Advice, are also a source of intelligence in terms of understanding affordability issues, particularly around the effects of welfare reforms and the impacts on certain households.

It was out of one of these conversations that we are now supporting a Water Affordability Financial Inclusion Officer within a social housing partner so that we can support the rollout of Universal Credit. See appendix – ‘Effectiveness of schemes’.

What does affordability look like for our customers? continued

Bournemouth Water

Affordability of water bills – bill to income %

In general, water affordability in the Bournemouth Water area is less of an issue than in the South West Water region.

Average combined bills for customers in the Bournemouth Water area are 14.3%/22.6%³ lower than in the South West Water area and average net annual income (equivalised and after housing costs) is 12.8% higher⁴.

The majority of customers in the Bournemouth Water area fall into the South West Region (as used for government statistics) therefore the same income distribution⁵ applies as to South West Water customers and has been used for all Bournemouth Water customers in the following analysis.

The latest available data is for the financial year 2016/17 and so we have used customer numbers and average bill levels for those years to understand the potential numbers of customers in water poverty.

Average bill levels are as reported to Discover Water for 2016/17:

Average bill (£)	2016/17
Average household bill (water only)	139
Average household bill with sewerage (Southern)	405
Average household bill with sewerage (Wessex)	368

The table below shows the number of households which are below the 60% median income poverty marker (AHC). Average bill to income ratios are shown in the final three columns. Based on the water bill alone the figures show that there are no customers paying over 5% bill to income ratios, however when the sewerage bill is added this increases to approximately 4,329 customers (total of highlighted cells).

Annual income BHC	Annual income AHC (assuming housing costs 14%)	% households in this income bracket	Number of households		'Average bill' to income ratio		
			Southern area	Wessex area	2016/17 water only	2016/17 water & sewerage (Southern)	2016/17 Water & sewerage (Wessex)
<= £5,200	£4,472	1%	481	1443	3%	9%	8%
£5,201 - £10,400	£8,944	5%	2405	7215	2%	5%	4%
£10,401 - £15,600	£13,416	9%	4329	12986	1%	3%	3%

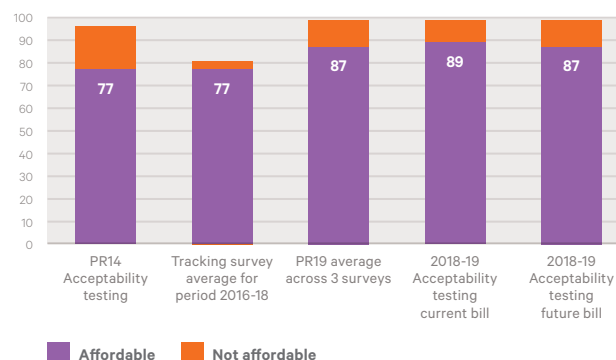
For customers in the very lowest income bracket, a reduction against their water bill alone would not bring them out of water poverty (at the 5% marker); they would also need to be in receipt of assistance from their sewerage company.

Southern Water provide an automatic 25% reduction⁶ on a sewerage bill if the customer is in receipt of a reduced water tariff and in most circumstances this would be sufficient to lift all but the very poorest out of water poverty at the 5% marker. Those with incomes under £5,200 would still be over the 5% marker (c. 500 customers). Wessex customers currently would need to apply for assistance to access additional support. However working with Wessex and through Bournemouth Citizens Advice we jointly sponsor a 'Water Guru' to help customers access both company schemes.

When we acquired Bournemouth Water, we were able to gain customer support to implement the WaterCare 'Social' Tariff and customers who are successful are signposted to their sewerage provider to apply for financial assistance. We also extended the Freshstart Fund into the Bournemouth Water area to support customers most in need.

A tracking survey was also put in place from 2016 mirroring the South West Water survey to track Bournemouth customer perceptions about affordability of their water bills.

Affordability of water bills – Bournemouth Water



3 Wessex Water/ Southern Water

4 Net annual household income estimate, equivalised and after housing costs (2015/16) = £27,817, compared to £24,650 for SWW (12.8%)

5 Family Resources Survey, March 2018

6 Correct at time of publication

What does affordability look like for our customers? continued

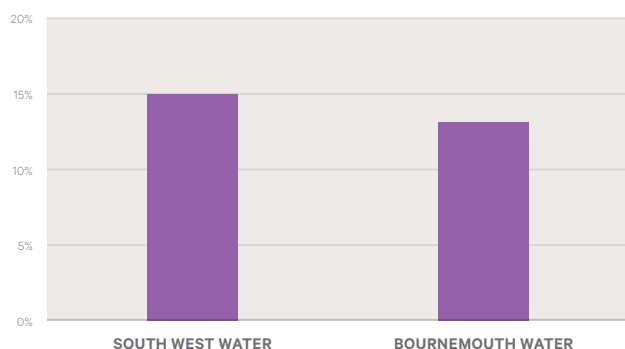
Other income metrics based on government statistics also indicate that affordability would be expected to be less of a concern for customers in the Bournemouth Water area.

The Income Deprivation Domain measures the proportion of the population in an area experiencing deprivation relating to low incomes (who are on certain benefits and tax credits, including both those people that are out of work and those

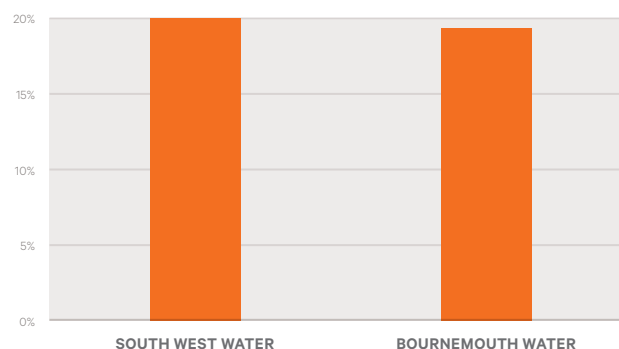
that are in work but with low earnings). Across England this is 14.5%, South West Water 13.6% and Bournemouth Water is well below both at 10.8%.

The Bournemouth Water region also has a lower than average (and lower than South West Water region) proportion of households in poverty, housing benefit claimants, pensioners in poverty and working age benefit claimants.

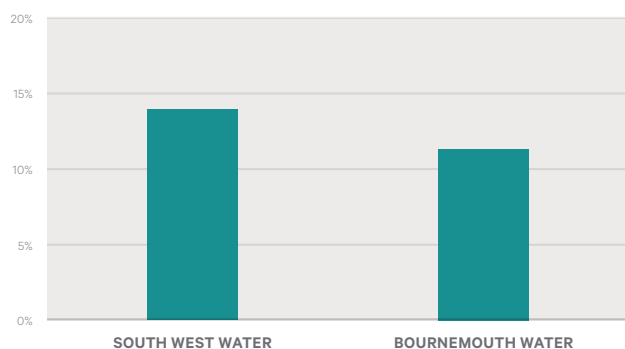
Housing Benefit



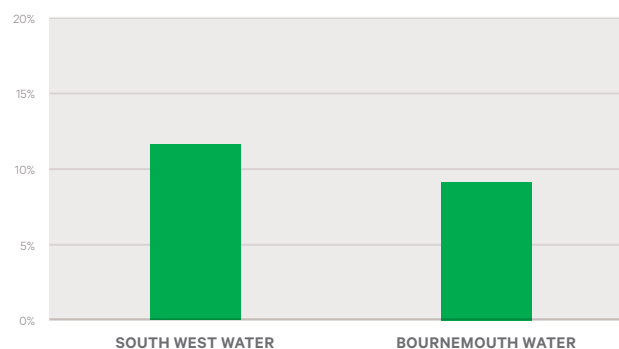
Households in poverty



Pensioners in poverty (Pension Credit)



Working age welfare benefit claimants (Working age client group)



Therefore on the whole any social tariff and affordability toolkit operating in the South West Water region would be expected to provide sufficient levels of support to Bournemouth Water customers to be effective in ensuring affordable bills for all.

External factors which may impact customers' ability to pay

It's important that we try to understand the longer term forecast of what's likely to happen to incomes and for that we look at external forecasts, one such report – the Living Standards Outlook 2018 published by the Resolution Foundation – provides projections to 2022, where growth is expected to rise by 1%, however this overall position can conceal a wide range of projected outcomes for different groups.

While real incomes overall are expected to be higher in 2022/23 than in 2016/17, some groups are expected to see falling incomes over this period. This includes working-age families with three children or more, whose typical income after housing costs is projected to be 8% lower in 2022/23 than in 2016/17, with incomes falling in each individual year. Single parents are also projected to be 4% worse off⁷.

Welfare reforms

Welfare cuts and other policy choices around benefits will continue to affect household incomes in the coming years, with levels of basic out-of-work support falling and the two-child limit for Child Benefit and Child Tax Credits having a downward pressure on household incomes.

The roll-out of Universal Credit will see winners and losers, but modelling undertaken by the Resolution Foundation has found that 3.2 million families across the UK are expected to be worse off by an average of £48 per week.

⁷ The Living Standards Outlook 2018 – Resolution Foundation

What does affordability look like for our customers? continued

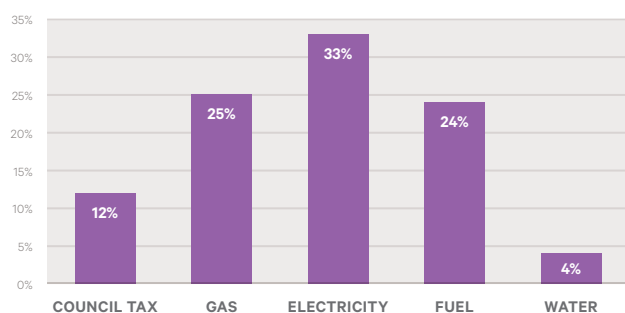
Housing costs

In the same report⁸ published by the Resolution Foundation, it notes that housing costs are expected to pull in different directions for different groups; in particular, while mortgagors have benefited significantly in recent years from falling or stable costs, this situation is unlikely to persist. Mortgage costs are forecast to rise slightly faster than average earnings after 2018/19. Social renters have the worst forecast as a result of the relatively high level of benefit income among this group – giving them greater exposure to benefit cuts.

Other bills

Pressure on the household income from other utility bills⁹ adds to the overall affordability burden of the household, c. 15% South West Water customers say they sometimes struggle to pay all their household bills¹⁰. The table below shows the percentage increase of bills between 2007 and 2017.

Percentage variation over the period



Household debt

Following a period where total household debt in the UK rose sharply (from the 1990s until the financial crisis began in 2008, the total amount of household debt increased to £1,450 billion from £550 billion), during the recession, with banks much more reluctant to lend money and more focus on paying off existing loans, the household debt-to-income ratio fell to 127% by late 2015.

This means that the cost of servicing debt is lower now than it was prior to the recession, with interest rates near historic lows, making the debt burden more affordable for some households. However the Office of Budget Responsibility (OBR) forecast the household debt to income ratio to rise slowly over the next few years, reaching 146% in early 2023.

Water Debt

Within the Retail Household Revenue Control for 2015-20 we pursued a significant efficiency challenge by targeting a reduction by 2019/20 in the annual bad debt charge to £13.4m, a reduction of 20% from the 2012/13 level.

Our current affordability strategy has seen the number of household customers with previous year debt over £100 reduce by 44% since May 2013, reducing the value of debt in this category by 59%.

Since 2013 the charge for household bad and doubtful debts has reduced by 31%, outperforming the original efficiency challenge we set ourselves.

Though the household bad debt charge has improved we are acutely aware that affordability remains a real challenge for some of our customers. The number of paying household customers with debt outstanding from earlier years has more than doubled since 2013; despite this the value of debt in the ‘non-payer’ category has increased by 20%.

The rate of bad debt varies across areas; the highest rate is in Plymouth, which accounts for over 25%. Excluding Plymouth and Torbay, the rate of bad debt is generally lower in Devon than Cornwall. In monetary terms the key debt metrics as at 1 June 2018 were:

Debt type	Domestic	
	Debtors	Value £m
Previous year debt > £100 unsecure payment plan	13,365	7.29
Gone away non-payers	12,916	1.30
Gone away payers	2,180	0.44
Hardened debtor non-payers	25,444	65.60
Hardened debtor payers	14,314	32.66
Gone away non-payers	52,141	41.58
Gone away payers	4,262	4.00

8 The Living Standards Outlook 2018 – Resolution Foundation

9 Council tax -<https://www.gov.uk/government/statistical-data-sets/live-tables-on-council-tax>, Electric and gas -researchbriefings.files.parliament.uk/documents/SN04153/SN04153.pdf, Fuel- <https://www.gov.uk/government/statistical-data-sets/oil-and-petroleum-products-monthly-statistics> (fuel was petrol and diesel combined)

10 South West Water Long term tracking satisfaction survey

Ensuring bills are affordable and value for money now and in the future

Our long term vision is not to burden any particular generation by deferring investment or allowing services to deteriorate.

We have developed our 2020-25 plan to ensure that customers are at the heart of our business. It is just one timeframe within our 2050 Vision, which sets out our longer term strategic outlook.

Above all else, our customers tell us it's important to keep bills as low as possible and we remain committed to achieving a balance of activity and investment that will deliver for our customers, provide an efficient service, and ensure affordable bills and value for money for all, now and in the future.

Through the acceptability testing, our customers have shown high support for all the investment areas but were really concerned about the impact of inflation. For many customers wages and incomes are not rising in line with inflation and this was and will be a concern for customers both current and future.

In order to ensure that our bills and our future plans are affordable for all and represent value for money, we constantly focus on innovation and how to improve our efficiency in every area of our business. Efficiency is not something that we consider every five years; it is embedded in the culture of South West Water. This ensures customers' bills are kept as low as possible and external cost pressures are mitigated.

As part of our continuing pursuit of efficiency, we have carefully considered by how much we can reduce our costs going forward through internal scrutiny and challenge, opening up elements of our cost base to external competitive tendering where appropriate, and proactively implementing innovative approaches and implementing new technologies where possible. We have also used external independent top-down efficiency analysis in order to provide further challenge.

Our business plan will continue the excellent progress made in delivering efficiency savings and reflects 5.0% efficiency from our base cost models and 3% per annum of operating cost savings.



For more information, see
Securing Cost Efficiency

Our outcomes framework continues to be a central feature of our business plan. Outcomes are the higher-level objectives that result from the activities we undertake in delivering our water and wastewater services. They represent what current and future customers, stakeholders and communities value and care about. We have considered these from a longer-term perspective, spanning several investment periods in line with our customer-focused WaterFuture Vision.

Our plan sets out a suite of performance commitment levels that have been designed to accurately reflect customers' values and views on service/cost trade-offs to ensure that they represent efficient and stretching targets from the customers' perspective. This has been achieved by implementing an extensive and innovative programme of customer valuation research to understand how customers value services, incorporating the latest thinking on triangulation.

We have used cost benefit analysis reflecting customers' values to support and underpin the assessment of the level of investment and performance commitment forming each outcome. This ensures that customers' values and trade-offs are reflected in efficient and stretching service commitment levels.

We have challenged ourselves to ensure the plan is value for money – even when delivering our regulatory and legal obligations.

We have used these same customer values to define ODI incentives that are also directly based on customers' values and trade-offs. We have used customer and stakeholder views to define the overall package of stretching incentives to ensure that the balance between service and risk accurately reflects their preferences and provides strong incentives for further innovation. For more information see our element plan 'Delivering Outcomes for Customers'.



For more information, see
Delivering Outcomes for Customers

We are confident that the extensive programme of engagement undertaken has ensured that our outcomes and performance commitments are well evidenced. We are confident our approach is robust and reliable in all material aspects and ensures the business plan delivers value for money services to customers, with the target of delivering more for less in the future.

Through a series of focus groups held to review our proposals, customers told us that affordability and value for money are key considerations for them when reviewing our plans, and they welcomed our drive to reduce bills for all and provide additional help for those that genuinely struggle to pay their bills.

Alongside other performance commitments on satisfaction with service, measuring affordability and support for vulnerable customers, value for money remains an important measure and indicator on how well we are delivering our services and perception of whether they are value for money.

Our current approach to supporting customers

We have a long track record of offering new and creative solutions for addressing affordability, arising in part from our history of higher than average charges within the water industry.

For over a decade we have been providing support to customers and addressing affordability within Devon and Cornwall by not only providing financial support through reduced water bills achieved through switching tariffs (metering and Watersure) but through carrying out income maximisation checks (a first in the industry) and helping customers reduce their water bills further through water home audits, fitting low cost devices and educating customers on water efficiency.

We have one of the longest working partnerships with Citizens Advice in the water industry; we have sponsored debt advice training since 2006 and in 2010 established a Water Debt Gateway (WDG) within Plymouth Citizens Advice. The WDG promotes the help available for customers struggling to pay their water and sewerage bills and enables all debt agencies across our region to access our affordability schemes. Over 7,000 customers have received support through this route.

Our Freshstart Fund which was also introduced in 2010, provides support to customers new to debt or in extraordinary circumstances and is also administered and governed from Plymouth Citizens Advice as is our WaterCare 'social' Tariff (WCT). We have also been helping customers get back into regular payment habits since 2007 when we introduced our Restart 'debt write off' scheme.

We have continued to add to our affordability toolkit to increase the level of support to customers with different degrees of financial vulnerability, addressing different circumstances. We were one of only three companies to introduce a social tariff following Defra guidance in 2012.

In 2016, after acquiring Bournemouth Water, we were able to gain customer support to introduce our WaterCare 'social' tariff and extend the Freshstart Fund to support Bournemouth Water customers in similar circumstances. The timeline below from 2016 includes the level of help being provided in both South West Water and Bournemouth water.

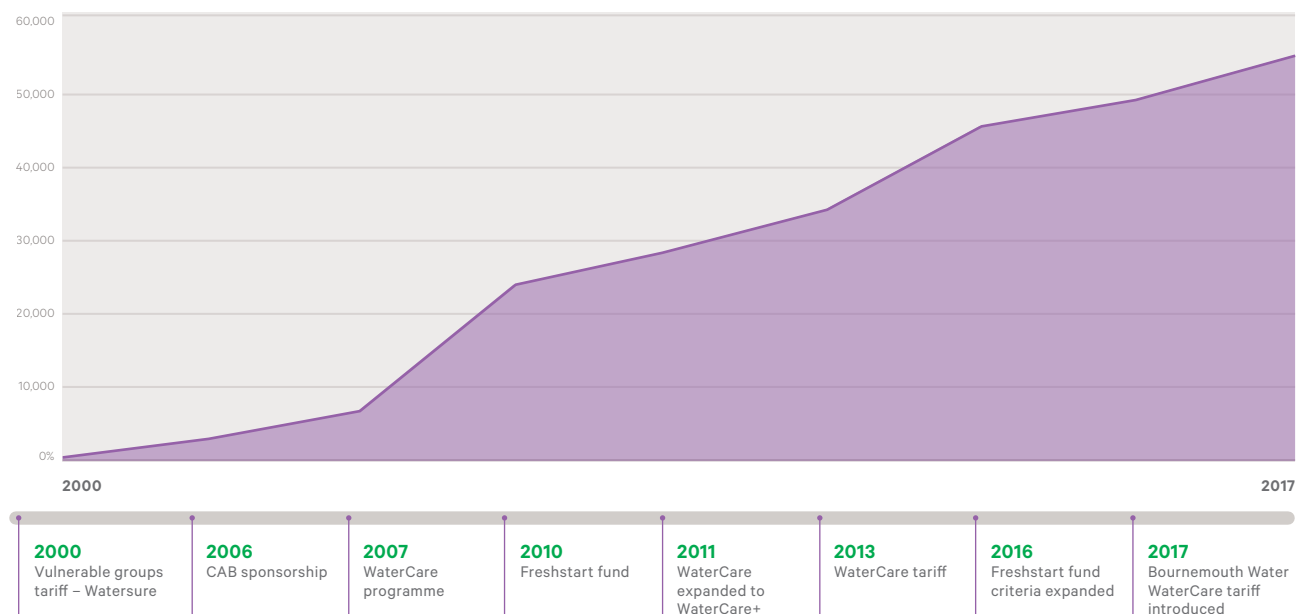
Growth of toolkit – timeline

The national WaterSure tariff was introduced by the Water Industry (Charges) (Vulnerable Groups) Regulations 1999 (as amended). All water companies in England and Wales offer the WaterSure Scheme. 2006 – Defra pilot (addressing water debt through behaviour changes) – precursor to WaterCare programme

- **2006** – Company funded Debt Advisor training through Plymouth Citizens advice – start of mutual partnership
- **2007** – WaterCare programme adopted (fully funded by company)
- **2007** – Restart scheme implemented to compliment WaterCare programme
- **2010** – Introduction of Freshstart Fund (company funded) replacing the special assistance hardship fund and expanding the level of help to more customers
- **2010** – Water Debt Gateway (WDG) established supporting the administration and grant process for the FreshStart Fund and continuing to provide support to other agencies with training and advice on water affordability toolkit
- **2012** – Introduction of the WaterCare Social Tariff 2012 – partnering with social housing providers started in earnest, with support targeted at communities most at risk from water poverty
- **2013** – WaterCare+ programme extended to include energy efficiency advice and signposting
- **2016** – WaterCare Social Tariff bands tweaked 2016 – Freshstart Fund criteria tweaked to provide support to more customers
- **2016** – Introduction of WaterCare social tariff and Freshstart Fund in the Bournemouth area
- **2017** – Expansion of the WDG role to provide holistic help to customers seeking help with water affordability, for example help through energy trust funds if presenting additional debt issues.
- **2017** – Joint partnering with Wessex Water, Bournemouth & Poole Citizens Advice providing funding for water guru
- **2018** – Pilot funding of a Water Affordability officer within Westward Housing to support the role out of universal credit and have direct access to information to support tenants through the transition, providing financial assistance through the toolkit where ever possible.
- **2018** – Launch of the WaterCare App that allows the WaterCare team to process applications in customers' homes and give a decision on the spot. The WaterCare app will be made available to external partners during 2018, removing barriers to applying, negating the need to fill in application forms.

Our current approach to supporting customers continued

Individual affordability schemes processed



We understand the value of partnership working to deliver support to our financially and non-financially vulnerable customers, and have many long-established relationships in place with a variety of organisations across our regions.

This effective partnership working helps us to reach out to the 'struggling silent' among our customers who would not otherwise realise that they are entitled to support which could dramatically reduce their bills, and provides access to harder to reach customers who are reluctant to engage with us directly.

A key component of the work we do in engaging with customers who may be struggling to pay their bills or who are harder to reach, is the relationships that we have built up with social housing providers across the region.

This originated with a pilot in 2013 with Westward Housing on an estate of 54 properties and has now grown to encompass 12 social housing providers with a reach of around 88,000 properties across the South West, accounting for 86% of social-rented households. By working in partnership with social housing providers we are able to identify the communities which are considered among the most socially and financially deprived in our region and target our efforts in those areas.¹¹

In 2017 we were pleased to extend our partnership working into the Bournemouth Water area, by jointly sponsoring with Wessex a 'Water Guru' working for Bournemouth and Poole Citizens Advice. Partnering in this way allows customers to get help with both their water and sewerage bill as well as more general debt advice.

We carry out regular reviews on all of our schemes to ensure they continue to be effective in delivering support and are aimed at helping customers least able to pay. We expanded the Freshstart fund to support customers with up to two years worth of debt and changed the WCT bandings on the back of these reviews. The effectiveness of all the schemes has been assessed to ensure we carry forward the right package into the next five years to continue to support customers. This assessment can be found in the appendix – effectiveness of our schemes.

7,000
customers helped through
the Water Debt Gateway

12
partnerships with
Social Housing
Providers

£43
per
week
additional benefits
realised for those
eligible through
WaterCare +

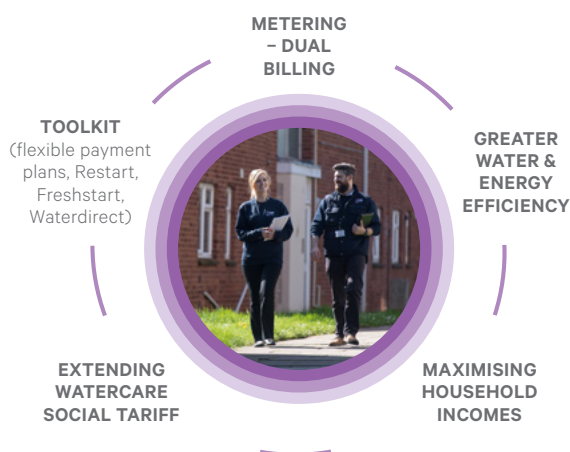
¹¹ Based on data from Ministry of Housing, Communities and Local Government

Our 2020+ approach to supporting customers – making bills affordable for all

Our first step to address affordability and make bills affordable for all will be to provide an average bill that is less in 2025 than today, and lower than they were 15 years earlier for South West Water customers.

For Bournemouth Water customers their bill is projected to be on average 9% lower in 2025 than it is today.

We will continue our focus on providing affordable bills for customers who need additional support through **dual billing**, reduction in household water usage, **maximising incomes** through benefits checks and reduced tariffs; **greater targeted water efficiency** and **extension of the WaterCare tariff**. We will also look at synergies to reduce other household bills alongside continuation of ‘**the existing affordability toolkit**’ to support reduction in existing debt. We will also continue to increase the targeted work and partnering arrangements to maximise reach and take-up. Each of the elements are discussed in more detail below.



For some, one element of the strategy will reduce their bill to income ratio below the >5%, for others a combination of the elements will be needed to ensure affordable bills for all. Tailoring the advice and support to individual households and understanding their circumstances is key.

Metering – dual billing

Through the modelling work¹² on understanding affordability, the data indicates how many of our unmetered households who currently pay >5% of their income could reduce this burden by simply switching to a meter.

We estimate that 9,000 of the 52,000 unmetered households would be better off switching to a metered charge. However while the average gains from switching appear sizeable, in themselves they are not sufficient to bring these households below the 5% threshold.

43,000 households would see significant increases in their bills if they switched to a meter (without anything else changing e.g. reduction in usage, income maximisation or a reduced tariff). On average the movement would be a 4.9% increase in bill to income ratios (7.5% to 12.4%).

By providing unmetered customers with a dual bill it will ensure that households can try a meter safely whilst still paying an unmetered bill and the choice to pay a metered charge will be evidence based.

For those for whom metering is not the answer alone, dual billing will allow us to engage individually with them and provide targeted water efficiency advice, fit low cost water saving devices to achieve even bigger bill reductions and bring bill to income ratios down further. All the while customers will still be provided a dual bill until the time that they choose to switch.

Water efficiency

Driving down all household water usage is a key component of our water resources management plan to ensure that we have enough supplies now and into the future. We have set ourselves a stretching per capita consumption target so engaging with customers on water efficiency is part of our whole business plan.

However, the need for using water efficiency as part of the affordability strategy becomes even clearer when considering the impact for those unmetered households in water poverty as reported above. Our review of actual current WaterCare+ scheme data is indicating that for some unmetered households who switch to a metered charge and go onto the WaterCare+ scheme there is significant scope to reduce water usage.

Analysis by Waterwise in 2011 of the original WaterCare Programme reported that water savings of 16.79 litres per property per day were achieved from the installation of water efficient products and the advice provided to customers as part of this scheme.

More recent analysis of the data shows a reduction of 27.4 litres per property per day on average is being achieved from the installation of water efficient products and the advice provided to customers. This is an average c. £52 reduction using current 2018/19 tariffs.

Therefore we are not only committed to fitting low cost water saving devices but where appropriate, ensure households have access to water and energy efficient appliances to ensure maximum impact on water efficiency but ultimately impacting the size of their bill.

¹² ICS Consulting report – PR19 Affordability strategy: targeting water poverty modelling

Our 2020+ approach to supporting customers – making bills affordable for all continued

Maximising incomes

According to data published by DWP in September 2017, nationally up to 4 million families who were entitled to receive means tested benefits did not claim the benefit. This equates to c.12.4bn in unclaimed additional income to support families that are struggling.

Income-Related Benefits: Estimates of Take-up

Data for financial year 2015/16

● Annual
Published: 14 September 2017
Great Britain
Official Statistics

This report looks at estimates of take-up for the main income-related benefits. These are Pension Credit (PC), Housing Benefit (HB), Income Support/Income-related Employment and Support Allowance (IS/ESA (IR)) and Income-based Jobseeker's Allowance (JSA (IB)). Take-up refers to the receipt of benefits someone is entitled to and we estimate take-up in two ways, by numbers of people who claim these benefits ('caseload') and by the amount these people claim ('expenditure').

Pension Credit



6 out of 10 of those entitled to PC claimed the benefit



67 per cent of the total amount of PC that could have been claimed was claimed

Housing Benefit



8 out of 10 of those entitled to HB claimed the benefit



85 per cent of the total amount of HB that could have been claimed was claimed

IS/Income-related ESA



8 out of 10 of those entitled to IS/ESA (IR) claimed the benefit



86 per cent of the total amount of IS/ESA (IR) that could have been claimed was claimed

Income-based JSA



6 out of 10 of those entitled to JSA (IB) claimed the benefit



59 per cent of the total amount of JSA (IB) that could have been claimed was claimed

Since 2007 we have supported over 15,000 customers in identifying any unclaimed benefits they are entitled to. On average this is a weekly increase per customer of £43 (£2,221 per year).

Not only does it impact the bill to income ratio but customers who receive a benefit entitlement check (BEC) are more likely to pay more and more frequently. The amount of payments made increase from an average of 10 in the 12 months prior to the BEC to 18 in the following 12 months, with the value of payments over the year increasing by c.24%. This helps overall affordability of bills with the burden of debt decreasing across the whole customer base.

Extending the WaterCare Social Tariff (WCT)

We were one of the first companies to introduce a social tariff, with the level of help based on customers Willingness to pay (WTP) which in 2012 was c. £2.

When introduced, WaterCare offered a sliding scale of bill reductions dependent on (equivalised income after housing costs) income levels (up to £275/week) for households who:

- Pay a metered charge
- Are in receipt of a means tested benefit.

The income level bandings were re-assessed in 2016 with the top banding providing a 15% reduction increased to up to £295/week in line with the average median income AHC.

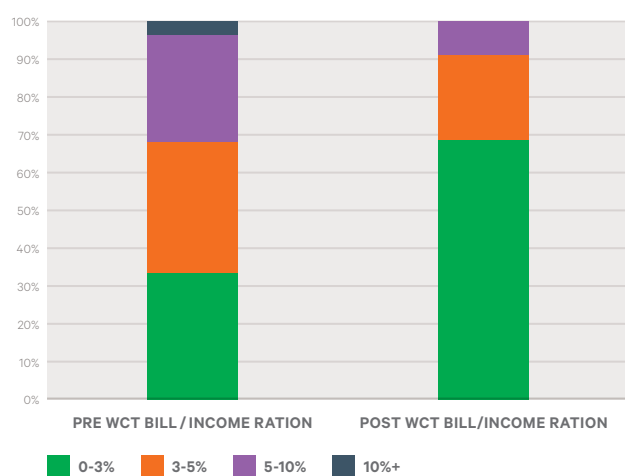
Unmetered households are able to access the scheme if they switched to a metered charge (or an assessed volume charge). The tariff is currently providing support to around c.9,000 households in South West Water with an additional c. 300 in Bournemouth Water.

Our 2020+ approach to supporting customers – making bills affordable for all continued

What we do know following analysis is that the WaterCare Tariff is effective in lifting the majority of customers out of water poverty, or at the very least moving them closer to the threshold (5%). This is in isolation with none of the positive impacts of greater water efficiency applied or income maximised.

Analysis of customers on WCT shows that before going on to the tariff approximately 32% were in water poverty at the 5% marker (with 9% of those paying more than 10% of income on their bills) and 67% at the 3% marker. Once the tariff is applied this reduces to 9% at the 5% marker (with none of these customers paying over 10%) and 23% at 3%.

Lifting households out of water poverty



However, the current benefits passport for eligibility significantly constrains the number of households who can access the support offered through WaterCare. Therefore we have reviewed the drivers for extending the support offered by the WaterCare Tariff to ensure bills are affordable for all. Drivers for extending the level of help include:

- We know the extent of water bill burdens is considerably greater than the current scheme helps with. c. 100,000 households fall above Ofwat’s 5% water poverty threshold
- PR19 customer research is indicating customer support for spreading financial assistance to more households
- PR19 research also indicates customer WTP is up to £9 per household per year (which is significantly above the current WaterCare cross subsidy).

We modelled four scenarios to understand what impact each would have, details of these can be found in appendix – ICS consulting – PR19 affordability strategy: targeting water poverty modelling.

Taking customer views into account, (customer views and support are explored later) we will be extending the WaterCare ‘social’ Tariff to target households who are on a meter and still paying >5%, after the layers of support have been applied.

The modelling has shown that a reduced tariff on its own does not address water affordability and in some cases bill to income ratios remain high, however applying greater water efficiency support and maximising incomes will begin to address affordability. A combination of all of the elements will be required to ensure that everyone gets an affordable bill. Tailoring the advice and support to individual households and understanding their circumstances is key.

Whilst customers are supportive of the use of subsidies, particularly to ensure bills are affordable for all to reduce levels of bad debt over time and ensure that investment is not restricted due to the affordability of those least able to pay; the cost of extending the social tariff will be jointly funded by the Company.

Help in reducing outstanding debt

We will continue to have mechanisms in place to assist customers with existing debt, so alongside flexible payment plans, we will continue to help customers reduce their debt through the FreshStart fund, to help those customers who find themselves either new to debt and in debt due to extraordinary circumstances, and the ReStart scheme to support customers by writing off debt while they continue to pay their ongoing charges.

Making it easy to get help – extending our reach even further

Our staff are trained to listen for and recognise triggers, both what customers say and how they say it, to identify customers who may be in vulnerable circumstances (financial and non-financial) and to adapt their approach to the call as necessary, offering additional support where needed, whether that be through a support tariff or other affordability scheme, flexible payment options, debt advice, or the services offered under priority services such as alternate format bills or water delivery in an emergency.

Our WaterCare Advisors regularly attend community events and drop-in sessions with a variety of organisations and community groups across the region, and provide pop-up surgeries at social housing provider rent offices and community centres, and arrange home visits for customers who would struggle to complete application forms. We also regularly visit 22 job centres across the region to provide access to our affordability support.

We ensure that our schemes are accessible to customers through a variety of routes. Customers can access the schemes through our contact centre and website or via Citizens Advice and the Water Debt Gateway which is accessible to debt advice organisations across the region.

Our 2020+ approach to supporting customers – making bills affordable for all continued

In addition we provide our affordability and vulnerability awareness training to frontline support staff at social housing providers and many organisations and community groups across the region. Not only does this ensure that customers have access to advice on the available support on a day-to-day basis, but many customers have existing, trusted relationships with these organisations and may be more inclined to seek advice and support from them rather than making contact with South West Water.

We are continuing to grow existing, and build new, relationships with social housing providers in the South West Water area and are rolling out this model in the Bournemouth Water region. We continue to seek out new ways of working with social housing providers to deliver the right outcomes for our customers, and we are currently piloting an approach whereby we fund a full-time resource within a social housing provider to provide a dedicated resource to tackle water poverty and provide support to customers in areas of deprivation in Torbay and Plymouth, particularly as Universal Credit is rolled out.

However in order to achieve our aim of affordable bills for all by 2025 we will need to increase the targeted work and partnering arrangements to maximise reach and take-up. We will be increasing our in-house WaterCare Advisor Team alongside increasing our reach through growing our network partner organisations. We will also be rolling out our WaterCare app to a wider audience to be able to provide on the spot decisions about the level of help customers can receive.

We have a good track record of delivering successful outcomes in this area efficiently and effectively and will continue to do this by monitoring the effectiveness and the efficacy of each scheme to ensure that each element of our toolkit continues to address affordability.

Do customers support the approach we are taking to address affordability?

We have engaged with customers on the approaches we have taken and will continue to take, to deliver affordability for current customers, future customers and those struggling or at risk of struggling to pay.

We have consulted with our customers to understand their views on the use of social tariffs and other financial support initiatives for PR19 and beyond. This included understanding their views on the role of subsidies and social tariffs, the level of support that should be provided, who should benefit from such support and how support should be administered in practice¹³.

Through our extensive research and engagement, customers have told us that metering is the fairest way for households to pay for what they use, however they still value the choice to switch. As previously stated our analysis shows some households will immediately have an affordable bill and be lifted out of water poverty just by switching and therefore one part of our strategy in addressing affordability from 2020+ is to dual bill unmetered customers so that they can see, without actually switching, what their metered charges would be and only if their metered charges are less than their unmetered charges will they be encouraged to switch.

Customers thought the dual billing initiative proposed by South West Water was a useful solution to this issue and would allay fears around metering, especially for older customers that they considered are more worried about the cost of metering than other customers. As long as the process was clear and accurate, people felt this would be enough to deal with people's fears about meters.

Customers also support receiving more water efficiency advice and access to low cost water saving devices, customers see it as a key element of the affordability strategy.

“I do think people need to be more educated on how they could save water.”

SEG C2DE, Aged 46+

In our acceptability testing 85% of customers support our proposals to reduce water consumption overall and providing advice and low cost saving devices to households to do this. Not only is this seen as important to reduce individual household bills but customers have said that using water wisely is a key priority as this prevents the need to take more water from rivers as populations grow and weather patterns change.

Future customers are also supportive of water efficiency measures and see solutions to future challenges as needing customer involvement as well as company actions. They also saw it as important to prevent the need to take more water from rivers, supporting demand side solutions over supply side ones.

Ensuring customers were able to maximise their income and be in a position to receive all the benefits they were allowed was also received positively. Customers were clear that these financial assessments are essential and must be undertaken, however care needs to be taken to make sure the right organisations are supporting this important affordability initiative and ultimately to ensure customers details and private information is protected.

Again customers agreed that the final step of reducing the water bill and/or writing off debt was the right step once all other options have been exhausted, however, good communications are needed upfront to ensure people seek help before they get into trouble.

Wider customer consultation for cross-subsidies to bring forward the WaterCare tariff was undertaken in 2012 (South West Water) and 2016 (Bournemouth Water) and the tariff developed around the principles that customers were willing to support i.e. metered tariff.

“To have that dual bill would be amazing for us because then we could see.”

SEG C2DE, Aged 46+

“I think metering gives you the chance if you haven't got a lot of money, to save. I suppose it gives you power to save money, if you're on a very limited wage...”

SEG C2DE, Aged 46+

¹³ ICS Consulting and eftec final report – Customer support for long-term affordable investment in services research November 2017, ICS Consulting final report – Trust Support Research July 2018

Do customers support the approach we are taking to address affordability? continued

More recent social tariff WTP research shows greater support than previous levels with an increase to c. £9 from a c. £2 cross subsidy. Customers are also supportive of increasing the eligibility to help more customers with perhaps a little less support rather than a small group of customers receiving lots of support.

Overall customers show support for a series of measures to help those who are least able to pay. Customers support a package where customers who consider their bill to be unaffordable are metered and educated on using water wisely, and that providing a discounted bill should only be a last resort when measures such as metering, dual bills and income maximisation are not enough.

We have also listened to the feedback from customers who have received support from our current schemes and also from third parties who administer or apply on behalf of clients. This is so we can understand, along with the analysis on the effectiveness of our schemes, what the impacts are to our customers.

Examples of customer and client support for our approach

“I can finally stop holding my breath for a while.”

“I am so glad you people can give a hand and I cannot thank you enough.”

“This grant has made such a big difference to my stress and anxiety – thank you for also making the referral to another charity for me.”

“Your help has freed up £30 per month which is a weeks food bill – thank you.”

“Please pass on my thanks to South West Water this scheme is invaluable.”

“Can’t fault them, they’ve been very, very good.”

“Never thought I would reduce my debt, so help was amazing, perfect service.”

“I’m really thankful for the help that was given to me. I feel less depressed, like something which had been hanging over me has been removed.”

“You have helped me financially and personally. Now debt free with South West Water.”

We also asked a group of wider stakeholders what they thought and overall they support a level of increase to the package but their views are mixed as to how far the company should go – more information about their views can be found in our stakeholder reports.

“Everyone should be given access to this.”

“For 2020–2025, I think it is worth the maximum, because we know there's going to be a major squeeze on income. Post-2025 we just don't know.”

“They help us and work with us, they listen to what we have to say, and we work together to improve the service for our customers.”

“Your assistance has given my client an extra £50 per week she wasn’t claiming – your service is invaluable This grant has made a big impact on my client and she can now get back on track.”

“If you do things that help reduce the overall bill; that would be a good benefit as well.”

Information about our collaborative working and support for our current packages can be found in our ‘Tackling water affordability in partnership’ publication (June 2017).

We held specific focus groups with customers in vulnerable circumstances at various stages of the research, general focus groups discussed what’s important to measure and incentivise in this area. Regional focus groups included customers in vulnerable circumstances to ensure their views are heard.

Some of the specific research activities that helped shape our strategy in this area were:

- **Community targeting** – feedback on application processes – WaterCare App development aided by this
- **Priority service survey** – service experience feedback on current offering, what could be improved and testing ideas – dash button, notification system on SMART meters etc and data sharing – helped shape vulnerability strategy and help design our performance commitments
- **Customer support for long-term affordable investment in services** – exploring customers views on wanting investments to happen at a pace that’s affordable for all which includes having protection in place for customers that genuinely can’t pay – clear view and support for social tariffs. Used to redesign WaterCare tariff for 2020+

Do customers support the approach we are taking to address affordability? continued

- **Building trust, supporting customers and sharing success** – aim was to understand more about affordability and value for money, how we support customers that are less well off and struggle to pay their bills and how we share success in the future through cost saving and share ownership. Feedback on our overall package of help to ensure it was the right level
- **Affordability baseline survey** -through this survey we captured customers' views on how best to measure affordability and gauged levels of awareness of our current affordability measures. Customers indicated that they did not feel that a subjective question in a survey was an appropriate way of measuring affordability of bills, as this was affected by customer perception and other factors such as views on value for money or their own household spending priorities. Customers expressed a preference for evidence based measures such as the number of customers with a high bill to income ratio. Awareness of affordability assistance measures was higher in the South West Water region at 48% where a package of measures has been in place for over ten years. In the Bournemouth Water region only WaterSure was in place prior to 2017 and as such awareness of schemes was lower at 31%.

Our strategy to address affordability and make bills affordable for all will focus on lowering bills through dual billing, reduction in water usage, maximising incomes through benefits checks and reduced tariffs.

We will also look at synergies to reduce other household bills alongside continuation of 'the existing affordability toolkit' to support reduction in existing debt. We will also continue to increase the targeted work and partnering arrangements to maximise reach and take-up.

What does vulnerability look like in our region?

There are currently 12,000 households on our Priority Service Register (PSR) covering both South West Water and Bournemouth Water supply areas. Our analysis of the extent of vulnerability in our regions and results from our PR19 research, which asked customers to identify whether they or anyone in their household had an illness or disability which impacted their day-to-day lives, indicates that in the region of 250,000 households may be eligible for the PSR.

We understand the scale of vulnerability across our service areas and use data from government and third sector sources to map vulnerability indicators and understand the areas which are most significantly impacted by multiple incidence of vulnerability. This information is used to effectively target our promotion of the PSR, to identify third party organisations to work with, and to focus the work of our WaterCare Advisors.

The scale of vulnerability in our service areas



over **415k**
living with a limiting long-term illness (1)



23%
of adults have received a diagnosis of mental health illness at some point in their lives (2)



230k
people providing unpaid care (3)



20%
of households classed as 'household in poverty' (4)



26%
live in rural areas (5)



9%
never use the internet (6)



374k
working age adults with no qualifications (7)



144k
working age adults claiming workless benefits (8)



Over **22k**
living with moderate or severe sight loss (9)



12k
households on the priority services register



35k
people living with dementia (10)



235k
pensioner households (11)

(1)(3)(7)(11) Census, 2011 – (2) Health Survey for England, 2014 – (4) ONS Small area income estimates for financial year ending 2014 – (5) ONS Output areas classification, 2011 – (6) ONS Internet Users in the UK, 2017 – (8) DWP, Nov 2017 – (9) RNIB Sight Loss Data Tool, 2017 – (10) Alzheimer's Research UK, dementia statistics hub

Understanding the extent of the drivers of customer vulnerability in our supply regions enables us to ensure that we train our staff to recognise where customers may need additional support. For instance in the South West area we have higher levels of working age adults in receipt of mental health related benefits, and a higher prevalence of dementia compared to the average in England. We have therefore focused initially on ensuring that our staff receive MIND training and will be rolling out dementia awareness training, but we are acutely aware of other factors such as the numbers of pensioner households, people providing unpaid care, and those living with limiting long term illnesses where we see higher levels compared to the rest of England. Our vulnerability strategy is focused on identifying the biggest regional vulnerability risks and to prepare the business to continue to be able to offer an inclusive service.

How do we identify customers in vulnerable circumstances?

Although we don't operate a rigid definition of vulnerability, it is important that we are able to identify and understand the needs of our customers in vulnerable circumstances to ensure that our services are inclusive and to provide additional support as needed, both during the normal course of business and during events or emergencies.

We use a tool called Local Insight, developed by Oxford Consultants for Social Inclusion, to build up a profile of vulnerability across our regions. The tool gives us access to nearly 900 data sets from government and third sector sources. Understanding the high-level overview of vulnerability across our region and which communities are particularly impacted by concentrations of multiple indicators of vulnerability not only enables us to better target promotional activities around the PSR, but also helps us to identify organisations (local, regional and national) to build partnerships with to raise awareness of and improve access to the available support, to help us to understand the impact of specific vulnerabilities on our customers, and to provide training to our frontline staff.

We are further developing our vulnerability mapping to incorporate a gap analysis at LSOA level¹⁴ showing the variation between incidences of vulnerability and the number of households on our priority services register. From this work we will improve our understanding of where within our service areas there are communities which may be less resilient to incidents and thereby be better able respond to the needs of vulnerable customers in rural and isolated communities during planned and unplanned supply interruptions through partnering with local organisations and/or parish councils.

MIND, the mental health charity, has been providing training to our frontline staff since 2016. This training equips our staff with an increased awareness and understanding of mental ill health conditions and the potential impact on customers and employees. The training promotes positive and constructive dialogue and empathy with our customers who may be experiencing mental health problems. To date, over 350 staff have received the training which we continue to rollout on a regular basis.

Our staff are trained to listen for and recognise triggers, both what customers say and how they say it, in order to identify customers who may be in vulnerable circumstances (financial and non-financial) and to adapt their approach to the call as necessary, offering additional support where needed, whether that be through a support tariff or other affordability scheme, flexible payment options, debt advice, or the services offered under priority services such as alternate format bills or water delivery in an emergency.

We engage regularly with local, regional and national groups to ensure that we maintain our understanding of the impact of vulnerability on our customers and to share best practice in identifying and supporting our customers, and will continue to do so as we further develop our understanding of vulnerability and its impacts across our regions.

Through the Freeze / Thaw event we worked with the Local Resilience Forum (LRF) to access their vulnerable customer lists so that additional support could be given to a wider group of customers than just those on our priority services register. The British Red Cross supported alternative water supply deliveries to our most vulnerable customers during this period.

We know that we need to do more to sell the benefits of being registered for our scheme, so that we have a robust database of customers and their individual household needs to be able to support them effectively.

Ahead of the implementation of the industry-wide water/energy data share project. We are currently developing 'one-way' data sharing with the Distribution Network Operators (DNOs) who overlap our service areas, Western Power Distribution (WPD) and Scottish and Southern Electricity Networks (SSEN). This will allow us to identify customers who are registered for priority services with the DNOs who may also benefit from receiving our priority services.

We are working with SSEN to develop a joint-working approach to promoting the benefits of the PSR across the Bournemouth Water region. This will involve developing joint promotional literature, cross-training of community teams and WaterCare Advisors, and accessing referral networks.

It is not only household customers who may be in vulnerable circumstances and require support during events such as supply interruptions. Non-household (NHH) customers may also require support where they have vulnerable consumers either because that is the nature of their business, such as care homes, or where they are a water reseller such as a caravan park which may have vulnerable consumers on-site who are not direct customers of South West Water.

Where non household customers have been identified as 'sensitive' either by us or by their retailer, their information is reviewed alongside our PSR during events. We will continue to work with retailers to identify 'sensitive' customers to ensure that we provide support to all consumers in vulnerable circumstances.

¹⁴ Local Super Output Area

How do we currently provide accessible support to customers in vulnerable circumstances?

Our customers are treated as individuals, allowing us to provide flexible services that take into account the potential transient and multi-layered properties of consumer vulnerability, recognising that anyone could find themselves in circumstances that make them vulnerable and that the degree of support required will vary depending upon personal resilience and existing support networks.

We focus on ensuring the right outcomes for customers by providing inclusive services that are accessible for customers who need them – this is why registration for our Priority Services Register is focused on the services that customers require rather than the underlying cause of vulnerability.

We understand that, particularly for customers in vulnerable circumstances, being able to contact us in a way they are comfortable with is especially important. We are conscious that given that nearly 10% of our population do not use the internet, traditional channels of communication remain just as important to our customers as digital.

Therefore we offer a range of flexible communication channels, both traditional and digital, including social media and webchat, telephone, minicom, post, and home visits for those customers who need particular support.

In 2016 we were awarded the Action on Hearing Loss, Louder than Words charter mark in recognition that we provide an inclusive service for customers, and staff, who may be deaf or hard of hearing.

In our region there are over 35,000 people living with dementia, around 23,000 of whom live in the community. Dementia is a progressive illness meaning that customers may need enhanced levels of support as their illness worsens. Customers with dementia have specific challenges when dealing with utility companies, and for those caring for people with dementia there are issues around power of attorney and deputyship. We are in the process of becoming a Dementia Friendly Organisation to better enable us to understand and meet the needs of this growing group of customers.



MIND, the mental health charity, has been providing training to our frontline staff since 2016. This training equips our staff with an increased awareness and understanding of mental ill health conditions and the potential impact on customers and employees. The training promotes positive and constructive dialogue and empathy with our customers who may be experiencing mental health problems. To date, over 350 staff have received the training which we continue to rollout on a regular basis.

Our staff are trained to listen for and recognise triggers, both what customers say and how they say it, in order to identify customers who may be in vulnerable circumstances (financial and non-financial) and to adapt their approach to the call as necessary, offering additional support where needed, whether that be through a support tariff or other affordability scheme, flexible payment options, debt advice, or the services offered under priority services such as alternate format bills or water delivery in an emergency

At community engagement events, customers told us that some of them have difficulty accessing or completing application forms for our support tariffs and other schemes, including PSR. Whether due to literacy/numeracy issues or inability to access help through existing routes, it was clear that there was a group of customers in need of additional support. To that end we developed the WaterCare App, which went live in April 2018, with the explicit aim of improving accessibility to support for customers in vulnerable circumstances.

Our WaterCare advisors identify customers who would benefit through our customer engagement events and referrals from social housing providers and other partner organisations. Our advisors spend time with customers, building trust and ensuring an understanding of any evidence required to support applications and enable the customer to gather the evidence. On average it takes three home visits from our advisors to achieve this.

The advisors use the WaterCare App to submit applications on behalf of customers for social tariffs, other financial support, meter applications and priority services. Any evidence required such as proof of income and/or benefits is reviewed by our advisors on site, meaning that the customer doesn't need to worry about making copies or sending personal information in the post. Decisions on support tariffs are made there and then, and applications and referrals for other support are sent securely from the App.

How do we currently provide accessible support to customers in vulnerable circumstances? continued

Case Study

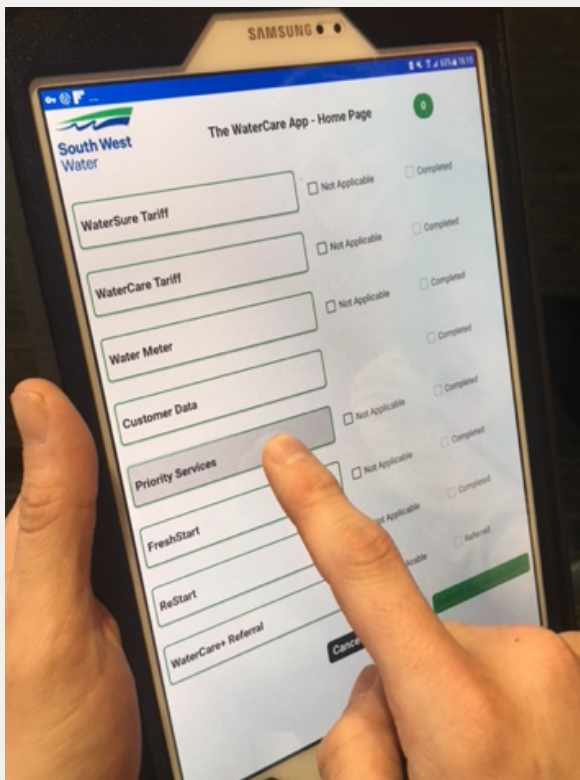
WaterCare App

Mr A, from Falmouth, suffers from depression and Asperger’s syndrome and Mrs A has cancer.

Mr A has struggled to manage household bills due to the issues he has engaging with people. The WaterCare Advisor was able to submit the WaterCare Tariff application on their behalf and provide instant feedback that they had been accepted for the tariff with a 25% reduction on their bills. Through the app the couple have also been referred for a FreshStart grant to clear their outstanding debt of £180, and have been registered for multiple services on the Priority Services Register. Mr A was really thankful for the home visit as due to his circumstances, without this service he wouldn’t have been able to complete the applications.

Mr W, from Plymouth, is on a low income and is struggling with his water bills, he hadn’t engaged with South West Water for some time and had an outstanding balance of over £2,500.

One of our WaterCare Advisors met Mr W at a customer engagement event and arranged a home visit. During the first two visits Mr W was unable to gather all the required evidence but this was achieved by the third visit. Mr W was immediately approved for our WaterCare Tariff and now receives a 15% discount on his bill and was referred to our ReStart scheme to help clear his outstanding balance which he is now doing.



We are improving the accessibility of our websites through introduction of ReCite Me, a piece of software that allows customers to adapt our website to meet their needs. For example, the tool provides a text to voice service, translation, special fonts to help users with dyslexia, and options to change background and text colours.

As a result of co-creation workshops held with customers to redesign our processes and communications around customer side leakage, we introduced additional assistance measures for customers in vulnerable circumstances who experience a leak on their private supply. We arrange for a leakage technician to visit the customer to assist in confirming and locating the leak. Where the leakage technician determines that the customer would struggle to repair their leak, or the cost of doing so would cause financial detriment, we will undertake the repair. Our technicians ensure that they reassure and support customers, guide them through the process and alleviate any concerns they may have regarding the leak; they are empowered to make the decision to conduct the repair based on the customer’s circumstances and their assessment.

Delivering additional support through the Priority Services Register

Our Priority Services Register provides support based on three levels of requirement.



The first and second tiers are based on household needs during supply interruptions or water quality incidents, and the third relates to customers’ requirements during day-to-day contact with us. Households may be registered for multiple services meaning that they fall into more than one tier.

Our PSR operates at a household level, so regardless of how many members of the household require support and how many types of support are needed, only one registration is required.

We regularly benchmark our PSR offering against organisations in our sector and in other industries, such as energy to ensure we are aligned with best practice.

How do we currently provide accessible support to customers in vulnerable circumstances? continued

During supply interruptions or water quality events, we contact all households on the PSR within the affected area who have a medical need or would find it difficult to reach alternative supplies, to determine what their specific requirements are at that time. We keep in regular contact throughout the duration of the event to ensure that we continue to meet requirements for alternative supplies.

Included in our PR19 research programme, and now embedded as business as usual, we have undertaken a series of post-event surveys. These allow us to understand how these events impact customers, including those in vulnerable circumstances, and how we can improve our response and communications during supply interruptions.

Customers in vulnerable circumstances were slightly more likely to say that the impact of the supply interruptions affected them seriously or a lot compared to those customers not in vulnerable circumstances. The key area of concern for customers during supply interruptions is around communication. While most agree that they have been kept sufficiently up to date there is a feeling that the company could be more proactive contacting people in vulnerable circumstances.

We have also surveyed customers on our PSR to understand their satisfaction with the services that they receive under the register in general. Overall 58% of customers were satisfied with the services under the register, however this rose to 85% for customers who had received or used the service that they were registered for.

Customers told us that measuring satisfaction with PSR service is important (83% of PSR customers). In line with this, and to support our commitment to delivering inclusive service, we have committed to increase satisfaction with PSR service to reach the same target, of 93%, as the wider measure of customer satisfaction with overall services by 2025.

We promote the availability of support to our customers through traditional channels such as on the back of bills and through the contact centre as part of the customer move process where customers are advised of the scheme. Our contact centre staff are also trained to listen for triggers that customers may need additional support. Additionally we promote the PSR through social media – Twitter and Facebook.



PSR uptake in the Bournemouth Water region is behind that in the South West Water area, so we are working with SSEN to develop a joint-working approach to promoting the benefits of the PSR across the region. This will involve developing joint promotional literature, cross-training of community teams and WaterCare advisors, and accessing referral networks.

We understand that not all customers who may benefit from additional support would think of themselves as being in a vulnerable circumstance, so we take care to ensure that the language we use in promoting our PSR is focused on the services that can be received and not customers' underlying vulnerability.

Our affordability and vulnerability toolkit training includes the PSR and is provided by our WaterCare advisors to a variety of organisations such as social housing providers, local authorities, Citizens Advice, community organisations, Royal British Legion, local Age UK organisations, and other third party organisations. This enables us to raise awareness with harder to reach customers and to provide alternative routes to the available support.

We are currently involved in the WaterUK PSR data sharing project which seeks to establish industry-wide data sharing between the water and energy sectors by 2020. Implementation of the data share may require changes to the information we collect from PSR customers to include identifying standardised 'needs codes' used to determine the services required.

How do we currently provide accessible support to customers in vulnerable circumstances? continued

As the industry-wide data share will not be implemented until 2020, we are in the meantime establishing data sharing agreements with Western Power Distribution and Scottish and Southern Electricity Networks to enable us to receive the details of South West Water and Bournemouth Water customers who register with them for priority services.

In our research, 83% of customers told us that they were happy to provide us with sensitive information such as needs codes in order to tailor the services they receive, however only 41% said they would be happy for us to share that information with other PSR organisations to avoid them having to register more than once. However customers are happy for us to share their details with organisations such as the British Red Cross in order for us to provide alternative water supplies and other support.

Therefore any data share will be on the basis of receiving explicit consent from the customer involved and should a customer not wish to provide us with 'needs code' level information, or prefer us not to pass their details on, they will still be able to register for the PSR.

Supporting non-household customers (NHH)

It is not only household customers who may be in vulnerable circumstances and require support during events such as supply interruptions. Non-household customers may also require support where they have vulnerable consumers, either because that is the nature of their business, such as care homes, or where they are a water reseller such as a caravan park which may have vulnerable consumers on-site who are not direct customers of South West Water.

We allow consumers who are not direct customers of South West Water to register for our PSR, either directly or through their landlord to ensure that they are provided with the same access to support as household customers.

For non-household customers who have been identified as 'sensitive' their information is reviewed alongside our PSR during events.

Our outbound messaging facility, which is used as standard, ensures that updates are sent to both household and non-household customers in the event of supply interruptions or issues in their area. The 'In Your Area' facility on our website also feeds directly through to our Retailer Portal which ensures that retailers are constantly updated about ongoing supply interruptions. Alongside this, our Wholesale Account Management Team engages with retailers during events. Where NHH customers with vulnerable consumers are identified through feedback from any of these communications we ensure that they are provided with alternative water supplies as necessary.

How will we continue to provide accessible support to customers in vulnerable circumstances 2020+?

We will continue to focus on ensuring the right outcomes for customers by providing inclusive services that are accessible for customers who need them

Everyday support

We will continue to offer a range of flexible communication channels both traditional and digital, including social media and webchat, telephone, minicom, post, and home visits for those customers who need particular support.

For the majority of customers in vulnerable circumstances we are able to provide suitable support through our usual channels. However, there are some customers with complex needs or in particularly vulnerable circumstances (or may be experiencing multiple vulnerabilities) such as those suffering with dementia or experiencing bereavement or mental health issues that require a higher than usual level of support or a greater flexibility in our approach.

We will be increasing our capacity within our frontline teams to provide a 'case management' approach delivered by a specialist, so that complex issues are dealt with sensitively.

Following the success of the co-creation workshops on customer leakage we will be utilising the same approach to review the support and services for customers in vulnerable circumstances to ensure that we continue to provide inclusive and accessible services. This will include services under the PSR and Codes of Practice. Where co-creation is not practical or possible we will work with specialist third party organisations to review our approach.

Partnership working

We are currently involved in the WaterUK PSR data sharing project which seeks to establish industry-wide data sharing between the water and energy sectors by 2020. Implementation of the data share may require changes to the information we collect from PSR customers to include identifying standardised 'needs codes' used to determine the services required.

As the industry-wide data share will not be implemented until 2020, we are in the meantime establishing data sharing agreements with Western Power Distribution and Scottish and Southern Electricity Networks to enable us to receive the details of South West Water and Bournemouth Water customers who register with them for priority services. Any data share will be on the basis of receiving explicit consent from the customer involved and should a customer not wish to provide us with 'needs code' level information, or prefer us not to pass their details on, they will still be able to register for the PSR.

We will continue to work with third party organisations such as Action on Hearing Loss and MIND to deliver training to staff, identify performance improvements, and enhance service provision. We will also build relationships with other specialist organisations such as the Alzheimer's Society Three Nations Working Group which allows organisations to seek feedback from consumers with dementia.

We are members of the Shared Utilities Partnership, a group of utility companies operating in the same geographical footprint to offer more co-ordinated support to customers in vulnerable circumstances. The group includes representatives from power and gas network operators and other water companies¹⁵. The group seeks to identify opportunities to develop and share best practice on consumer vulnerability, to deliver joint engagement and strengthen referral networks among participating organisations, and to identify future collaboration opportunities.

We have undertaken an internal assessment of our service provision against BSI18477 (Inclusive service provision) and will seek accreditation in the future to demonstrate our ongoing commitment to providing services that are fair and accessible.

To build upon the training we already provide to our frontline staff, we will develop a vulnerability training package for all staff, to promote inclusive service and embed awareness throughout the organisation.

We are establishing a Vulnerability Working Group made up of representatives from across the business to ensure that there is consistency in the delivery of inclusive services and understanding of the impact of vulnerability on our customers. The group will also support projects such as becoming a dementia friendly organisation, and obtaining BSI18477 accreditation, aiding in design and delivery of our vulnerability training package.

Supply interruptions

During supply interruptions or water quality events, we will continue to contact all households on the PSR within the affected area who have a medical need or would find it difficult to reach alternative supplies, to determine what their specific requirements are at that time. We will keep in regular contact throughout the duration of the event to ensure that we continue to meet requirements for alternative supplies.

¹⁵ Core membership comprises: SWW/BW, Thames Water, Portsmouth Water, South East Water, Southern Water, Scottish and Southern Electricity Networks, Western Power Distribution, Wales and West Utilities, Scottish Water, SGN

How will we continue to provide accessible support to customers in vulnerable circumstances 2020+? continued



We will enhance the SLAs around ‘time to contact’ and ‘time to deliver alternative supply’ for our PSR customers to ensure a standardised and consistent approach during events.

Throughout the Freeze / Thaw event we worked with the Local Resilience Forum (LRF) to access their vulnerable customer lists so that additional support could be given to a wider group of customers than just those on our PSR. Our partnership with the Red Cross enabled the provision of invaluable support to ensure we were able to provide alternative water supplies to our vulnerable customers.



By 2020 we will have entered into a working partnership so that the Red Cross can support customers with alternative water deliveries in supply interruption events. They will also be able to assess individual requirements, for example a dialysis customer may need to be re-housed for the duration of the event, which the Red Cross would be able to arrange, thereby ensuring customers individual needs are met at times when supplies are interrupted.

Awareness

There are currently 12,000 households on our Priority Service Register. Our analysis of the extent of vulnerability in our regions and results from our PR19 research which asked customers to identify whether they or anyone in their household had an illness or disability which impacted their day-to-day lives, indicates that in the region of 250,000 households may be eligible for the PSR.

Although this shows that there is significant scope to increase the numbers of households on the register, it is important to note that despite being eligible, many may choose not to register. Despite reporting an illness or disability within the household, personal resilience and existing support networks will vary across customers, so not all will need or want to be on the PSR.

Some of the reasons why customers aren't registered are because they have support networks in place.



It is more important that we have high levels of awareness of the PSR and services available, so that those who need the support can access it.

South West Water has the highest levels of PSR awareness among WaSCs at 52%¹⁶. Promotion of the PSR and the benefits to be gained from registering is a key element of our strategy and we aim to increase levels of awareness to 75% by 2025.

Although awareness is important, we are committed to increasing the number of customers registered for support through the PSR to ensure that more households across our regions receive the assistance that they need and our target for 2025 is to have 69,000 households on our PSR. We believe this will be an industry leading performance per 10,000 connections.

Effectiveness

In order to have an effective PSR in place, and to facilitate any data sharing agreements we may enter into, we need to ensure that the data we hold is accurate and that we are able to provide services to increased numbers of customers. We will also be increasing the number of PSR details that we confirm with customers to ensure that from 2020, 100% of details are confirmed every two years, 77% of our PSR customers felt this was an appropriate performance commitment. This will improve the quality of the data that we hold and ensure that customers continue to receive services and support to meet their needs.

Do customers support the approach we are taking to address vulnerability?

We undertook specific research activities to help shape our vulnerability strategy:

- **Post event surveys** – service experience feedback specifically relates to communications and vulnerable customer response – helped shaped vulnerability strategy and outputs used to tailor communications in promoting PSR
- **Cold Snap survey** – customer feedback relating to more severe resilience-based event, feedback showed that we could further raise awareness of PSR and text messaging alert services to support customers during these types of event – helped shape our vulnerability strategy and communications around PSR and during incident response
- **Priority service survey** – service experience feedback on current offering, what could be improved and testing 'ideas – dash button, notification system on SMART meters etc and data sharing – helped shape vulnerability strategy and the design of our performance commitments
- **Building trust, supporting customers and sharing success** – aim was to understand more about affordability and value for money, how we support customers that are less well off and struggle to pay their bills and how we share success in the future through cost saving and share ownership. Feedback on our overall package of help to ensure it was the right level.

Through the post-event surveys customers told us that many of them in vulnerable circumstances relied on neighbours and families, and did not realise that we provided additional help if the customer is on the Priority Services Register or makes us aware that they are unable to collect water themselves.

Customers also told us that we need to be more proactive in communicating with people in vulnerable circumstance, to promote the PSR and during events. This has shaped our current and ongoing communications strategy for both promoting the PSR and raising awareness of the benefits of registering.

We engaged with customers currently registered for PSR services to understand levels of satisfaction, to evaluate whether our current service levels met their needs, uncover views on data sharing with various organisations and to seek feedback on bespoke performance commitments in this area.

We have listened to feedback from the survey to develop our approach to data sharing both with organisations that can help provide support during supply interruptions and with other utilities in ways that customers are comfortable with.

Feedback from PSR customers has also driven the development of our bespoke performance commitments to ensure that they drive improvements that customers care about.

All customers are supportive of having a range of communication channels available to access our services how they like and when they like so support our approach to providing everyday support.

Customers were clear a resilient response is as important as well as a resilient network. This includes good communication throughout, provision of alternative supplies, priority to those in vulnerable circumstances and protecting essential business so they stay open.

They are supportive of greater and wider promotion of the PSR as currently there seems to be little awareness of the scheme. However customers also recognise they have a responsibility to be proactive to see if they qualify. They also told us that it is important that checks are in place to make sure those who are on it should be on it and getting the right support.

Customers are also supportive of working with agencies and sharing information within guidelines for instance 'consent to share data'.



“I think the agencies should have more contact with each other especially in instances like this.”

Axminster focus group

How are we going to measure our commitments?

Our performance commitments have been determined through our extensive programme of customer engagement.

We have chosen measures that have full customer support to monitor our effectiveness of addressing affordable bills for all and which will help improve our support and services to vulnerable customers.



For more information, see
Engaging Customers

Number of customers on one of our support tariffs

This PR14 performance commitment continued to have support for customers when tested alongside new measures. For PR19 it will measure the number of customers on one of our support tariffs.

The percentage of customers who have an affordable water and sewerage bill

We asked customers how we should measure our effectiveness of delivering an affordable bill for all; customers were not supportive of subjective measures so just asking customers how affordable your bill is was not considered a true reflection of peoples circumstances. They told us that a robust performance commitment would be to measure bill to income ratios.

Number of households on the PSR

Given the difference in the number of customers registered currently on the PSR and customers who self report an illness that could signal they should be on the PSR we have introduced this PC to measure our effectiveness of encouraging customers to register.

We are mindful of our customer views on this PC that it is getting the right customers on to the register, and that expressing it as just a number would not be meaningful but as a percentage of population or households in the area would be.

At the same time we will also be tracking awareness of the PSR although this is not a specific PC.

Overall satisfaction of services received on the PSR

We want our service to be inclusive and it is important that PSR customers have the same satisfaction levels with our services that other customers have; in particular this PC will measure the satisfaction with the additional services they get by being on the PSR.

In our PC research customers told us satisfaction of customers on the PSR was considered a good measure alongside checking customer details every two years.

Increase number of PSR customers' details checked every two years

Customers supported having the details checked regularly to ensure that individual needs are met and that databases are cleansed of customers who no longer need the services.

This suite of bespoke performance commitments on affordability and vulnerability have been designed to push us to deliver an affordable and inclusive service for all customers.

“I think every two years is sufficient enough, because if you did it every six months that would cost a lot of money.”

Poole focus group



For more information, see
Delivering Outcomes for Customers

Summary – Initial assessment of plan questions

We have provided evidence demonstrating our long and well established approach to addressing affordability and vulnerability for all of our customers.

Our approach is embedded into our daily business and delivers accessible affordability support for current customers, future customers and those struggling, or at risk of struggling, to pay.

We believe our approach to affordability is innovative, cost effective and industry leading. It has been built up over a long period of time, working with other agencies and partners (Citizen's Advice and social housing providers) and continually reviewed, enhanced and tested with our customers.

As a result we have a detailed understanding of our customer base and the affordability impacts in our region which enables us to effectively identify those customers in need of support.

Our Board are fully committed to ensuring every customer can afford their bill and are committing to addressing water poverty by 2024/25.

There are four challenges included within the Initial Assessment of Plans for 'addressing affordability and vulnerability'. These are set out below together with a summary of how we have responded to the challenges and how we demonstrate how we have met these requirements.

AV 1 How well has the company demonstrated that its bills are affordable and value for money for the 2020-25 period?

This is answered in 'Ensuring bills are affordable and value for money now and in the future' section.

In order to ensure that our bills and our future plans are affordable for all and represent value for money, we constantly focus on innovation and how to improve our efficiency in every area of our business. Efficiency is not something that we consider every five years; it is embedded in the culture of South West Water. This ensures customers' bills are kept as low as possible and external cost pressures are mitigated.

As part of our continuing pursuit of efficiency, we have carefully considered by how much we can reduce our costs going forward through internal scrutiny and challenge, opening up elements of our cost base to external competitive tendering where appropriate, and proactively implementing innovative approaches and implementing new technologies where possible. We have also used external independent top-down efficiency analysis in order to provide further challenge.

Overall our business plan will continue the excellent progress made in delivering efficiency savings and reflects 5% efficiency from our base costs models and 2% per annum of operating cost savings.

For 2020-25 we have committed to delivering to an average bill that is affordable for and lower than bills in 2009/10.

We have demonstrated that our bills are affordable and value for the period 2020-25 through testing the bill and service package with customers in the acceptability testing. South West Water customers found the package 88% (PR14 - 84%) and Bournemouth Water customers 92% acceptable (PR14 - 79%). there was high levels of support for all the investment areas between 81-91% depending on the activity.

As part of the acceptability testing South West Water customers were asked their views on the affordability of their current bill and their expectations around affordability of the 2020-25 plan; 75% of customers perceive their current bill to be affordable; this figure drops slightly to 73% for the 2020-25 plan with the main concern being inflation and its impact on their incomes. For Bournemouth customers, concerns around affordability of their current and future bill were less at 89% and 87% respectively.

We have carried out customer affordability analysis so that we know the extent of the issues facing some of our customers and also whether our current schemes are and will continue to be effective in providing the right level of support.

We have carried out a detailed assessment to ensure our plans are cost effective to address affordability.

We have engaged with customers about affordability and vulnerability but we have also meticulously ensured that we included customers in vulnerable circumstances in our conversations in developing our plan.

Our proposed package is based on cost benefit analysis and includes the following:

- **Metering** – providing c. £10k customers a more affordable bill
- **Income maximisation** – realising on average £43/week extra income
- **Water and energy efficiency** – £30-£50 water bill savings through low cost efficiency devices and home audits
- **Water advisors / partnerships / wider rollout of APP** – wider reach, removing accessibility barriers
- **Social Tariff** – benefits cap removed – help available for customers with bill to income ratio >5%.

Summary – Initial assessment of plan questions continued

We are confident that our 2020-25 plan supports our customer priority not to burden any generation by deferring investment or allowing services to deteriorate. During 2020-25 we will improve services in customers' priority areas, whilst keeping bills affordable. Concurrently we plan to make water poverty a feature of the past through the expansion of our industry leading support measures.

Our plan sets out a suite of performance commitment levels that have been designed to accurately reflect customers' values and views on service/cost trade-offs to ensure that they represent efficient and stretching targets from the customers' perspective.

We will be tracking perceptions of affordability alongside a new performance commitment that measures bill to income ratios in order to truly measure whether we have delivered on our commitment 'affordable bills for all' by 2025. We have retained our value for money performance commitment that measures customer perceptions of how they value the services they receive vs the amount they pay.

AV 2 How well has the company demonstrated that its bills will be affordable and value for money beyond 2025?

This is answered in 'Ensuring bills are affordable and value for money now and in the future' section.

We are confident that our 2020-25 plan supports our customer priority not to burden any generation by deferring investment or allowing services to deteriorate.

Our outcomes framework continues to be a central feature of our business plan. Outcomes are the higher-level objectives that result from the activities we undertake in delivering our water and wastewater services. They represent what current and future customers, stakeholders and communities value and care about. We have considered these from a longer-term perspective, spanning several investment periods in line with our customer-focused WaterFuture Vision 2050.

Our plan sets out a suite of performance commitment levels that have been designed to accurately reflect customers' values and views on service/cost trade-offs to ensure that they represent efficient and stretching targets from the customers' perspective. This has been achieved by implementing an extensive and innovative programme of customer valuation research to understand how customers value services, incorporating the latest thinking on triangulation.

We have used cost benefit analysis, reflecting customers' values to support and underpin the assessment of the level of investment and performance commitment forming each outcome. This ensures that customers' values and trade-offs are reflected in efficient and stretching service commitment levels.

We have challenged ourselves to ensure the plan is value for money – even when delivering our regulatory and legal obligations.

We have used these same customer values to define ODI incentives that are also directly based on customers' values and trade-offs. We have used customer and stakeholder views to define the overall package of stretching incentives to ensure that the balance between service and risk accurately reflects their preferences and provides strong incentives for further innovation

We are confident that the extensive programme of engagement undertaken has ensured that our outcomes and performance commitments are well evidenced. We are confident our approach is robust and reliable in all material aspects and ensures the business plan delivers value for money services to customers, with the target of delivering more for less in the future.

AV 3 To what extent has the company demonstrated that it has appropriate assistance options in place for those struggling, or at risk of struggling, to pay?

This is answered in 'Our 2020+ approach to supporting customers – making bills affordable for all' section.

We have carried out analysis on all our current schemes to ensure that they are fit for purpose and effective in providing the right level of support for customers who are struggling or at risk of struggling to pay.

The analysis has shown that our package is cost beneficial and provides positive outcomes to customers whether they receive help from one or more of our schemes. By 2025 we have made a commitment to make bills affordable to all, providing an average bill that will be lower in 2025 than it was 15 years earlier. Recognising for some customers that will still not be enough we are increasing the support from 2020 – this involves rolling forward our current package but expanding the eligibility of the WaterCare social tariff, dual billing for all unmetered customers and an increase in the volume of income maximisation and water efficiency home audits. We will also continue to provide various schemes to help with existing debt. This will be delivered through existing and new partnership arrangements plus an increase in our own WaterCare Team to ensure all customers that need it get help with their bills.

Our contact centre staff are fully trained to identify customers who may be signalling there is a problem with payments, we offer flexible payment plans to suit customer preferences and we offer a freephone debtline.

Summary – Initial assessment of plan questions continued

AV 4 To what extent does the company identify and provide accessible support for customers in circumstances that make them vulnerable, including proposing a bespoke performance commitment related to vulnerability?

This is answered in 'How do we currently provide accessible support to customers in vulnerable circumstances?' and 'How will we continue to provide accessible support to customers in vulnerable circumstances 2020+' sections.

We don't operate a rigid definition of vulnerability, it is important that we are able to identify and understand the needs of our customers in vulnerable circumstances to ensure that our services are inclusive and to provide additional support as needed, both during the normal course of business and during events or emergencies.

We use a tool called Local Insight, developed by Oxford Consultants for Social Inclusion, to build up a profile of vulnerability across our regions

We are further developing our vulnerability mapping to incorporate a gap analysis at LSOA level¹⁶ showing the variation between incidence of vulnerability and the number of households on our priority services register. From this work we will improve our understanding of where within our service areas there are communities which may be less resilient to incidents and thereby be better able to respond to the needs of vulnerable customers in rural and isolated communities during planned and unplanned supply interruptions through partnering with local organisations and/or parish councils.

We engage regularly with local, regional and national groups to ensure that we maintain our understanding of the impact of vulnerability on our customers and to share best practice in identifying and supporting our customers

Our staff are trained to listen for and recognise triggers, both what customers say and how they say it, in order to identify customers who may be in vulnerable circumstances (financial and non-financial) and to adapt their approach to the call as necessary.

We promote our PSR through social media, targeted adverts go out when we have an event. We promote it through our affordability partners as all third party organisations recognise the importance of properly identifying mutual customer needs. It is also promoted on the backs of bills along with articles in our annual Waterlevel magazine.

Our Priority Services Register provides support based on three levels of requirement, based on the severity of need if supplies were to be interrupted, with SLAs attached to each level to ensure that we do not cause additional detriment to customers. We will have delivery partners in place to support large events so that we can meet the needs of PSR customers but also customers that may signal vulnerability at the time of the event but not registered.

We are introducing three bespoke measures in this area that had customers support:

Number of households on the PSR

Given the difference in the number of customers registered currently on the PSR and customers who self report an illness that could signal they should be on the PSR we have introduced this PC to measure our effectiveness of encouraging customers to register.

Overall satisfaction of services received on the PSR

Because we want our service to be inclusive it is important that PSR customers have the same satisfaction levels with our services that other customers have; in particular this PC will measure the satisfaction with the additional services they get by being on the PSR.

Increase number of PSR customers' details checked every two years

Customers supported having these details checked regularly to ensure that individual needs are met and that databases are cleansed of customers who no longer need the services.

High quality, ambitious and innovative plan

In addition to the summary responses to each of the initial assessment of plan questions noted above, in the following section we have provided further information evidencing the high quality, ambitious and innovative nature of our plan.

All of the information is included in the documents directly from the document map or indirectly from links embedded in documents within the document map.

- Click on these documents to access them through the document map.
- These documents can be found in the reference folder on the sharepoint site.

¹⁶ Local Super Output Area

Summary – High quality, ambitious and innovative plan

High quality plan features	Evidence & activities	Evidence location within plan
<p>The company's approach to affordability will be based on strong evidence and customer engagement</p>	<p>Long established affordability toolkit continually refined to reflect emerging and changing customer affordability impacts</p> <p>Detailed analysis of affordability impacts on customer base comparing own data with ONS data</p> <p>Social tariff modelling alongside modelled impacts on water efficiency support.</p> <p>Modelled impacts on debt</p> <p>Long term effective partnerships with Citizens Advice Bureau and social housing providers</p> <p>Customer and stakeholder focus groups and workshops on approach and effectiveness of affordability support</p> <p>Collaboration with other utilities as part of Shared Utilities Group WFCP review and challenge</p>	<ul style="list-style-type: none"> ● Addressing affordability and vulnerability ● Engaging customers ● WaterFuture Customer Panel report ○ Customer support for long-term affordable investment in services research ○ ICS Consulting – PR19 Affordability modelling report ○ Tackling Water affordability in partnership report
<p>The company will demonstrate it understands what affordability looks like for its customers now and in the future and that this is reflected in its plan</p>	<p>Detailed affordability assessments undertaken on current and future bills for South West Water and Bournemouth Water customers</p> <p>Affordability assessments have driven the development of enhanced support measures to make bills affordable for all customers</p>	<ul style="list-style-type: none"> ● Addressing affordability and vulnerability ● WaterFuture Customer Panel report ○ Customer support for long-term affordable investment in services research ○ ICS Consulting – PR19 Affordability modelling report
<p>There is a high level of customer support for the affordability of the plan</p>	<p>Customer acceptability is 88% and 92% of the plan for South West Water and Bournemouth Water customers</p> <p>Customer affordability research indicates 73% and 84% affordability of the plan for South West Water and Bournemouth Water customers</p> <p>Board commitment to address water poverty by 2024/25 through flexing affordability support measures</p>	<ul style="list-style-type: none"> ● Addressing affordability and vulnerability ● Engaging customers ● WaterFuture Customer Panel report ○ Customer acceptability research report

Summary – High quality, ambitious and innovative plan continued

High quality plan features	Evidence & activities	Evidence location within plan
<p>The company’s approach to affordability for those struggling to pay will be highly effective, efficient and accessible</p>	<p>Setting the benchmark for cost efficiency keeping bills as low as possible</p> <p>Efficient identification of customers at risk of struggling to pay their bill</p> <p>Data correlation with ONS data and collaboration with other utilities</p> <p>Affordability toolkit used to help customers who still find bills unaffordable</p> <p>Enhanced affordability package based on income maximisation, reducing water consumption and help with other utility bills before additional social tariff support</p> <p>Customer willingness to pay for support measures is £9 (PR14 £2)</p> <p>WaterShare+ mechanism offers further sharing of benefits to customers to help customers afford their bill e.g. bill reduction</p> <p>Long term effective partnerships with Citizens Advice and social housing providers – providing accessible and meaningful support</p> <p>Innovative WaterCare app used to speed up process and access of benefits</p> <p>On average every customer helped realises an additional £43 of income per week</p> <p>42% of customers in debt have a repayment plan</p> <p>36 % of customers who have a repayment plan continue to pay</p> <p>Cost of affordability measures are £7.2m deriving £10.6m benefit for customers</p> <p>46% of customers aware of affordability measures</p>	<ul style="list-style-type: none"> ● Addressing affordability and vulnerability ● Engaging customers ● Securing cost efficiency ● WaterFuture Customer Panel report ○ Customer support for long-term affordable investment in services research ○ ICS Consulting – PR19 Affordability modelling report ○ Tackling Water affordability in partnership report ○ Customer acceptability research report
<p>The company will take a targeted, efficient and effective approach to supporting customers in circumstances which might make them vulnerable. This approach will bring about a step change in the identification, accessibility and support for these customers</p>	<p>We will continue to focus on ensuring the right outcomes for customers by providing inclusive services that are accessible for customers who need them</p> <p>Partnership working with British Red Cross and MIND</p> <p>Dementia friendly organisation</p> <p>Long term effective partnerships with Citizens Advice and social housing providers – providing accessible and meaningful support</p> <p>Post event surveys</p> <p>Priority services register awareness campaign</p> <p>Collaboration with other utility providers</p> <p>LRF engagement and liaison</p>	<ul style="list-style-type: none"> ● Addressing affordability and vulnerability ● Engaging customers ● WaterFuture Customer Panel report ○ Tackling Water affordability in partnership report

Summary – High quality, ambitious and innovative plan continued

High quality plan features	Evidence & activities	Evidence location within plan
<p>The company will adopt a high-quality bespoke performance commitment on its approach to supporting customers in circumstances which might make them vulnerable</p>	<p>We are introducing three bespoke measures in this area that had customers support:</p> <p>a) Number of households on the PSR Given the difference in the number of customers registered currently on the PSR and customers who self report an illness that could signal they should be on the PSR we have introduced this PC to measure our effectiveness of encouraging customers to register.</p> <p>b) Overall satisfaction of services received on the PSR Because we want our service to be inclusive it is important that PSR customers have the same satisfaction levels with our services that other customers have, in particular this PC will measure the satisfaction with the additional services they get by being on the PSR.</p> <p>c) Increase number of PSR customers’ details checked every two years Customers supported having details checked regularly to ensure that individual needs are met and that databases are cleansed of customers who no longer need the services.</p>	<ul style="list-style-type: none"> ● Addressing affordability and vulnerability ● Engaging customers ● Delivering outcomes for customers ● WaterFuture Customer Panel report
<p>The company’s approach for affordability and vulnerability should be supported with evidence of high-quality, independent challenge, scrutiny and assurance from the Customer Challenge Group and evidence from other expert organisations</p>	<p>Extensive review and challenge by the WaterFuture customer panel and research, engagement and vulnerability subgroup</p> <p>Quote from Steve Meakin at last WaterFuture customer panel meeting</p> <p>Plymouth Citizens Advice appraisal of approach</p>	<ul style="list-style-type: none"> ● Addressing affordability and vulnerability ● WaterFuture Customer Panel report ○ Tackling Water affordability in partnership report ○ Stakeholder workshop report
<p>The company will innovate to deliver a plan which leads the sector in delivering affordability for all customers as well as for customers struggling to pay</p>	<p>Industry leading affordability toolkit</p> <p>Board commitment to address water poverty by 2024/25</p> <p>Dual billing for all unmetered customers by 2024/25 so they can ‘choose’ their bill</p> <p>Smart meters for all customers in vulnerable circumstances</p> <p>Innovative WaterCare app</p> <p>Data mapping and analysis cross refining other external data sets</p> <p>Well established, effective partnerships with social housing providers and Citizens Advice</p>	<ul style="list-style-type: none"> ● Addressing affordability and vulnerability ● Engaging customers ● Targeted controls, markets and innovation ● WaterFuture Customer Panel report ○ Tackling Water affordability in partnership report ○ Innovation ○ Totex ODI innovation submission

Summary – High quality, ambitious and innovative plan continued

High quality plan features	Evidence & activities	Evidence location within plan
<p>The company will be innovative and sector leading in its strategy for identifying and supporting customers in circumstances which might make them vulnerable</p>	<p>Data sharing and working with energy network operators on PSR to identify customers who would benefit from PSR support</p> <p>Partnering with specialist organisations to deliver training to staff and enhance service provision, e.g. Action on Hearing Loss, MIND Dementia Friendly organisation</p> <p>WaterCare app to improve access to support for customers in vulnerable circumstances</p> <p>Co-creation workshops to develop solutions that work for customers in vulnerable circumstances</p> <p>Post-event surveys to identify and understand needs of customers in vulnerable circumstances</p> <p>Case management approach to supporting customers in vulnerable circumstances with complex needs</p> <p>SLAs for supporting customers in vulnerable circumstances during supply interruptions and other events</p> <p>Partnering with British Red Cross to support customers in vulnerable circumstances during supply interruptions</p> <p>Targeted social media engagement during supply interruptions to engage customers who need support</p> <p>Vulnerability training package for all staff</p> <p>BSI18477 accreditation (Inclusive service provision)</p> <p>Embedding inclusive service throughout the organisation via cross-business vulnerability working group</p> <p>Confirm 100% of PSR customer details every two years to ensure good quality data and effective service delivery during events</p> <p>Raise level of awareness of PSR to 75% by 2025, so customers who need support are aware of what is available</p> <p>Improving satisfaction with services received under the PSR to 93% by 2025</p> <p>Increase the number of customers registered on the PSR</p>	<ul style="list-style-type: none"> ● Addressing affordability and vulnerability ● Targeted controls, markets and innovation ● WaterFuture Customer Panel report ○ Tackling Water affordability in partnership report ○ Innovation ○ Totex ODI innovation submission

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Effectiveness of schemes

In the following appendices we detail the effectiveness of our affordability schemes in delivering outcomes for customers to support them in paying the lowest bill possible, reducing outstanding debts, maximising incomes and changing habits to ensure they continue to pay.

We conducted a cost/benefit analysis of our schemes for 2017/18 to understand the quantifiable financial benefits delivered by our affordability measures and to ensure that we are delivering those measures efficiently. Our analysis shows that based on 2017/18 performance our current measures provide a net benefit of £3.4m per annum¹.

¹ Benefits £10.6m, costs £7.2m

WaterCare tariff



On 1 April 2013 South West Water introduced a social tariff in line with Section 44 of the Flood and Water Management Act 2010 and Defra's guidance the company introduced a 'social tariff'. The Tariff is targeted at around 10,000 customers who are most in need. Only two other companies introduced a social tariff in April 2013.

The WaterCare Tariff is designed to help customers on a very low income, who have a metered supply (or are on assessed charges), are in receipt of certain benefits and have an equivalised income (after housing costs) of less than £295 per week. Equivalised income is actual income adjusted to reflect the size of the household.

There are three bands of bill reduction available under the WaterCare Tariff and following analysis to review the bandings, from 1 April 2017 they are:

- Band 1 – 50% reduction, if the weekly equivalised income is less than £170
- Band 2 – 25% reduction, if the weekly equivalised income is less than £235
- Band 3 – 15% reduction, if the weekly equivalised income is less than £295

Prior to 1 April 2017 the bandings were:

- Band 1 – 50% reduction, if the weekly equivalised income is less than £150
- Band 2 – 25% reduction, if the weekly equivalised income is less than £215
- Band 3 – 15% reduction, if the weekly equivalised income is less than £275

The bandings hadn't been reviewed since the tariff was introduced and the equivalised income was amended to ensure the tariff continued to support those for whom it was developed by reflecting changes in the poverty median.

In 2017 the tariff was implemented for customers in the Bournemouth Water region.

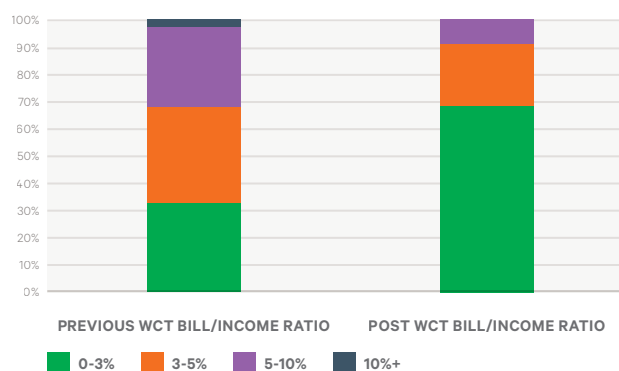
At the end of 2017/18 a total of 8,416 customers were paying a reduced tariff under the scheme.

Effectiveness of this scheme

Not only does the WaterCare Tariff support customers on low incomes through providing reduced bills, it is also effective in lifting customers out of water poverty, improving payment habits and reducing debt.

Analysis shows that before going on to the tariff approximately 32% are in water poverty at the 5% marker (with 9% of those paying more than 10% of income on their bills) and 67% at the 3% marker. Once the tariff is applied this reduces to 9% at the 5% marker (with none of these customers paying over 10%) and 23% at 3%.

Lifting households out of water poverty



The tariff also encourages improved payment habits. Comparing payment activity for the 12 months prior to and after being accepted onto the WaterCare tariff, the volume of payments increases by on average 44% and the value of payments increases on average by 34%.

Through provision of a more affordable bill, where customers have outstanding balances when they go on to the WCT, the tariff helps them to reduce that balance while continuing to pay their ongoing bills. During 2017/18, there was a reduction in outstanding balances for these customers of over £428,000.

The tariff not only provides support for customers who are in debt, but is also effective in providing support to customers who although they continue to pay their bills, may be doing so through sacrificing in other areas, i.e., the silent strugglers. 11% of customers accepted onto the tariff have a zero or credit balance on their account and an additional 27% have an outstanding balance of less than half the average annual bill.

Next steps

For 2020 the benefits criteria will be removed and the tariff will be aimed at customers whose bills to income ratios are >5% even when other schemes have been applied

WaterCare+ programme



Objectives

Operating since 2007 this programme assists vulnerable customers in debt through a benefits and tariffs review, free metering and free water audit and water saving devices.

In 2011, its scope was extended as WaterCare+ to offer customers free energy audits. Customers are offered energy saving ideas to make their homes more energy efficient, and can also be referred to energy efficiency grant schemes, where eligible, such as loft or cavity wall insulation. To date over 15,500 customers have been helped by WaterCare+.

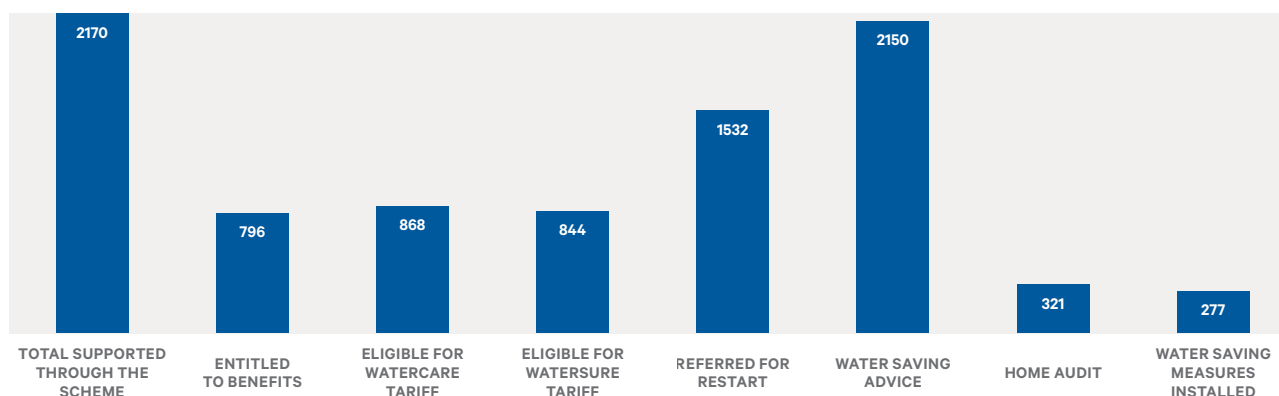
We were the first Water company to introduce this kind of programme and the Walker review of water charging praised the scheme as a potential model for the industry to follow. Since its inception other companies have followed and introduced similar schemes.

Effectiveness of this scheme

In the first three years of this AMP £1.8m in additional income has been identified for eligible customers and overall 2,170 customers have been supported by one or more measure through the scheme. All customers are given a Benefit Entitlement Check (BEC) and on average those customers who are eligible for additional benefits see a weekly increase to their income of £43 (£2,221 per year).

As well as providing the BECs, water saving advice, and home audits, WaterCare+ provides access to our other affordability schemes and customers are often eligible for more than one measure as shown in the chart below.

WaterCare+ Measures 2015/16 – 2017/18



The scheme is designed not only to provide financial support, but also to positively impact customers' payment habits through positive engagement that ensures customers are paying the lowest possible bill and are receiving the maximum income to which they are entitled. Comparing payment habits for the 12 months prior to being supported by the scheme to the 12 months following, we see on average a 24% increase in the value of payments and an increase in the average number of payments from 10 to 18.

Many customers who go through the WaterCare+ scheme are then also supported by one of our other affordability measures, such as ReStart, WaterCare Tariff or WaterSure Tariff.

However even for customers who aren't eligible for those schemes, the WaterCare plus programme alone often helps to reduce debt. For customers supported by WaterCare+ and no other schemes in 2017-18 we saw an average 14% reduction in outstanding balances for these customers, supported by either increased household income following benefit entitlement check, or reduced bills following water efficiency advice or home audit.

Analysis of the effectiveness of the scheme in reducing consumption previously undertaken by Waterwise shows that on average, households who have received a home audit, reduce their consumption by 16.79 litres per day, reducing bill levels by around £32 per annum.

Effectiveness of schemes continued

Customers who go through the scheme show good levels of satisfaction at 87% for 2017/18, and 86% saying they would recommend the service to a friend.

Customer comments



“Really useful, genuinely a 10/10 service. I was apprehensive about whether the service would help, as I am about all things like this, however I was blown away. I feel a lot better in myself, and I’m not the sort of person to usually give perfect scores, but they are very well deserved.”

“Really helpful, very happy with the overall service”

“You have helped me financially and personally. Now debt free with South West Water. You were very patient with me and answered all my questions”

“Very straightforward, and dealt with properly”

“Never thought I would reduce my debt, so help was amazing, perfect service”

“I’m really thankful for the help that was given to me. I feel less depressed, like something which had been hanging over me has been removed”

“Gentleman on the phone was really helpful and quite delightful, so informative. I was in a really bad place and they helped calm me down”

“Already recommended to a friend, brilliant, very clear and helped out a lot”

Next steps

Continuation of scheme 2020+

FreshStart



Objectives

In 2010 South West Water set up an independently managed fund, replacing an internally run hardship fund, supported by external panel members. Debt advice organisations across the region can help their clients apply for grants through the Water Debt Gateway.

Administered by an independent governance board led by Plymouth Citizens Advice this fund is available for customers who encounter a change in circumstances that lead them to debt, and involves giving grants to write off new water debt. It can also provide financial assistance to customers experiencing extraordinary circumstances.

In September 2015 we increased the eligibility criteria for the FreshStart Fund to assist more customers. Eligibility for grants from the fund was extended to customers who have up to two years of water debt, rather than up to one year of water debt.

In 2017 a FreshStart Fund was introduced for customers in the Bournemouth Water region.

Effectiveness of this scheme

Since the FreshStart Fund began in 2010, a total of £1.07m has been awarded to 2361 customers (an average of £452 per grant).

From April 2015 to March 2018, 1234 customers have been supported by a FreshStart grant, a total of £537,250.

The average level of grants awarded have been:

- 2015/16 £350
- 2016/17 £455
- 2017/18 £569 (South West Water),
£164 (Bournemouth Water).

Following receipt of a FreshStart grant, high numbers of customers move onto a payment plan. Of customers who received grants in 2015/16 and 2016/17, 80% are on a payment plan.

Receiving a grant also changes a customer's payment behaviour. Analysis on customers receiving grants in 2015/16 or 2016/17 show in the 12 months prior, on average they would have made 11 payments totalling on average £296, in the following 12 months after receiving the grant payment volumes increased on average to 16 payments and the value of those payments increased to £395.

In addition to being supported with a FreshStart grant, 72% of those who received a grant in 2015/16 or 2016/17 are currently on a support tariff providing reduced ongoing bills to support these customers in staying debt free.

Customer comments



“This grant has made such a big difference to my stress and anxiety – thank you for also making the referral to another charity for me.”

“This grant has made a big impact on my client and she can now get back on track.”

Miss G has mental health issues and had not opened her post for three years. When a support worker was appointed to help her they found she an outstanding water debt of £1914. She was awarded a grant to clear the debt with a three month subsidy to allow time for her benefits to be sorted and to set up a payment plan for her ongoing charges. Mrs G now pays by monthly direct debit and has a zero account balance.

Next Steps

Continuation of scheme 2020+

Pilot: Plymouth Citizens Advice – Generalist advice work



Objectives

Our work with Plymouth Citizens Advice dates back to 2006 when we started funding money advice development. In 2010 through the partnership we established The Water Debt Gateway to promote the help available for customers struggling to pay and enabling debt agencies across the region to access our affordability schemes. Both our FreshStart Fund and WaterCare Tariff are administered by Plymouth Citizens Advice. In 2017/18 we extended our funding to support the expansion of the Water Debt Gateway to include identifying customers in vulnerable circumstances who might benefit from assistance with further grant applications, welfare benefit assessment and debt advice. Following a period of training generalist advice has been provided under the funding since April 2018.

Effectiveness of this scheme

To the end of July 2018, 25 cases have been opened following referral for holistic support from the Water Debt Gateway and 16 of those cases have concluded. Clients have been provided with support and advice on a range of issues including:

- Attending benefit tribunals
- Benefit claims
- Identifying benefit entitlement
- Employee sick pay entitlement
- Applications for charitable grants
- Debt advice
- Non-priority debt repayments
- Budgeting
- Funeral expenses
- Support with employment tribunal
- Support with housing issues
- Support with consumer issues.

The total annual financial gain to clients, for cases that have concluded, in the four months to end July is £60,490. This is an average, per client, of £3,696 per annum (£71 per week).

Next Steps

Continuation of pilot 2018/19. Review effectiveness 2019/20.

Pilot: Westward Housing – Water Affordability Financial Inclusion Officer



Objectives

Since 2012 we have developed partnerships with social housing providers to targeted activities working within communities to address affordability issues. Building on the success of previous social housing pilots, we have integrated a Water Affordability role in Westward Housing. In March 2018 we started a six month pilot to have a Financial Inclusion Officer (Water Affordability) within Westward Housing's Income Team.

Effectiveness of this scheme

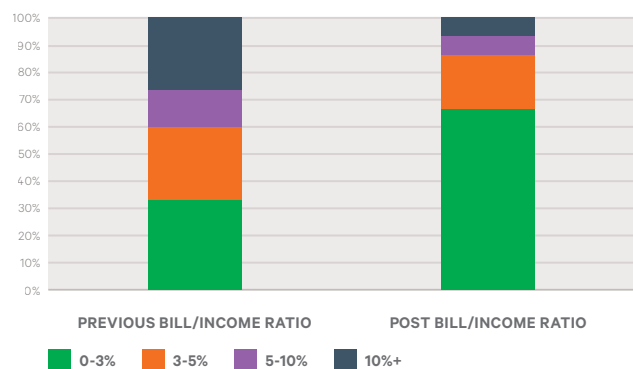
The Financial Inclusion Officer (FIO) offers support to tenants of Westward Housing in accessing South West Water's affordability assistance measures whether through advice around tariff eligibility or referrals to the Water Debt Gateway (for FreshStart and ReStart). Additionally the FIO advises tenants who may benefit from being on the priority services register and also provides more holistic debt support and benefit reviews where necessary.

Activities are focused in the Torbay and Plymouth areas where there are significant levels of deprivation and which are home to approximately one-third of Westward Housing stock. To date the FIO has undertaken data reviews of 20% of the housing stock in the target areas to enable proactive contact with tenants who may be eligible for support.

The FIO also undertakes more general tenant engagement within housing schemes to raise awareness of the available support and encourage tenants to make contact.

The FIO is also assisting tenants to understand if they are eligible for additional benefits and providing support in applying for those benefits where necessary. The average additional income realised into these households through additional benefits and reduction in water bills is £59 per week. (£3075 per annum). This combination of increased income and reduced bills has also lifted many of these households out of water poverty at both the 3% and 5% markers.

Lifting households out of water poverty



Next steps

Continuation of pilot 2018/19. Review effectiveness 2019/20.

Customer research and engagement

We make sure through our every day engagement that the views of customers in vulnerable circumstances are considered.

A good working example is our WaterCare App case study, introduced following discussions with customers on why they were not accessing our schemes.

Another would be the change to our customer leakage policy following co-creation workshops on improving the service journeys, whereby we established that our policy for customers who financially struggle, we were potentially causing more detriment – our leakage technicians are now empowered to arrange the repair for customers who may experience some difficulty with our processes.

Our APR customer summary is also tested yearly with customers who might struggle to engage with our literature, we do this so that the language, tone and presentation are appropriate for all customers.

New to PR19 has been our sampling strategy. This has underpinned our quantitative customer engagement – it sets out the requirements for engaging a diverse cross section of customers.

The sampling strategy sets out the customer segments we needed to engage with – age, socio-economic group (SEG), customers receiving financial support, those with disabilities and/or on the PSR, home owners and those in rented or other properties, metered or unmetered, a range of household compositions, and income/employment/education levels, etc.

The sampling strategy also sets out our quotas – to ensure a representative sample and to ensure sufficient numbers to drill down to customer segments. We set rigid quotas on socio-economic group (SEG), age, gender, and region (i.e. South West or Bournemouth).

The sampling strategy detailed the survey methods to be used to ensure that where the views of seldom-heard customers are critical to the research, they could be captured through the most appropriate means. For example, for households the sampling strategy sets out when to use each of the following:

- Online survey using a domestic customer panel or through telephone recruitment to an online survey
- A face to face/in-person approach (“CAPI”) which involves contacting respondents directly through door step recruitment. The customer completes the survey with the respondent in their home
- A telephone approach (“CATI”) which involves recruiting respondents by telephone.

As well as having a requirement to capture a diverse cross section of customers through our quantitative work we also applied this to all our qualitative focus groups. We held specific focus groups with customers in vulnerable circumstances to establish their priorities so that we could capture any differences right at the beginning of the PR19 engagement.

Where we held large numbers of focus groups on particular topics we had specific groups made up of customers in vulnerable circumstances. For example for our performance commitment research eight out of the 15 focus groups considered these customer views. Where we didn't run as many groups the groups were recruited as a mixed representation of our customer base and therefore included customers in vulnerable circumstances.

We engaged specifically with our current PSR customers to gain their views on current service experience, future requirements and whether their needs could be enhanced by new innovation or smarter technologies. We also asked them about their views on what measures we should have in place around vulnerability.

Through our stakeholder workshops we also captured the views of customer representatives who are experts in their field and have in-depth knowledge of the challenges some of our customers face.

We undertook specific research activities to help shape our affordability and vulnerability strategy and to ensure they were well supported:

- **Community targeting** – feedback on application processes – WaterCare App development aided by this
- **Post event surveys** – service experience feedback specifically relates to communications and vulnerable customer response – helped shaped vulnerability strategy and outputs used to tailor communications in promoting PSR
- **Priority service survey** – service experience feedback on current offering, what could be improved and testing ideas – dash button, notification system on SMART meters etc and data sharing – helped shape vulnerability strategy and help design our performance commitments.
- **Customer support for long-term affordable investment in services** – exploring customers views on wanting investments to happen at a pace that's affordable for all which includes having protection in place for customers that genuinely can't pay – clear view and support for social tariffs. Used to redesign WaterCare tariff for 2020+

- **Building trust, supporting customers and sharing success** – aim was to understand more about affordability and value for money, how we support customers that are less well off and struggle to pay their bills and how we share success in the future through cost saving and share ownership. Feedback on our overall package of help to ensure it was the right level
- **Affordability baseline survey** – through this survey we captured customers' views on how best to measure affordability and gauged levels of awareness of our current affordability measures. Customers indicated that they did not feel that a subjective question in a survey was an appropriate way of measuring affordability of bills, as this was affected by customer perception and other factors such as views on value for money or their own household spending priorities. Customers expressed a preference for evidence based measures such as the number of customers with a high bill to income ratio. Awareness of affordability assistance measures was higher in the South West Water region at 48% where a package of measures has been in place for over ten years. In the Bournemouth Water region only WaterSure was in place prior to 2017 and as such awareness of schemes was lower at 31%.

WaterFuture Customer Panel engagement and assurance

The independent Customer Challenge Group – known as the WaterFuture Customer Panel (WFCP) has been in place since December 2011.

The Panel is made up of representatives from customer, business, stakeholder and regulatory organisations and its role is to provide independent challenge to companies and independent assurance to Ofwat on:

- The quality of a company's customer engagement; and
- The extent to which the results of this engagement are driving decision making and are reflected in the company plan.

The Panel set up two sub-groups to work more closely with the company on the research, engagement and vulnerability (REAV) activities and another to look at the legislative and statutory obligations, both were chaired by a main panel member. Panel members attended a selection of focus groups to observe first-hand the engagement with customers. They reviewed and challenged all materials and surveys being used within the programme.

The panel were provided with Ofwat's methodology and Ofwat's vulnerability report 2016 for information and reference.

The research supporting our business plan was scrutinised by the REaV, all quantitative surveys had quotas set to ensure customers who may struggle financially and customers who need additional support were well represented and sample sizes were robust to be able to analyse – particularly when asking about service levels and price.

We held specific focus groups with customers in vulnerable circumstances at various stages of the research, and general focus groups discussed what's important to measure and incentivise in this area. Regional focus groups included customers in vulnerable circumstances to ensure their views were heard.

As well as ensuring customers in vulnerable circumstances views were captured, we undertook specific engagement activities to understand customers views on affordability and vulnerability:

- **Post event surveys** – service experience feedback specifically relates to communications and vulnerable customer response – helped shaped vulnerability strategy and outputs used to tailor communications in promoting PSR
- **Priority service survey** – service experience feedback on current offering, what could be improved and testing 'ideas – dash button, notification system on SMART meters etc and data sharing – helped shape vulnerability strategy and help design our performance commitments

- **Building trust, supporting customers and sharing success** – aim was to understand more about affordability and value for money, how we support customers that are less well off and struggle to pay their bills and how we share success in the future through cost saving and share ownership. Feedback on our overall package of help to ensure it was the right level
- **Customer support for long-term affordable investment in services** – exploring customers views on wanting investments to happen at a pace that's affordable for all which includes having protection in place for customers that genuinely can't pay – clear view and support for social tariffs. Used to redesign WaterCare tariff for 2020+.

The REaV were provided with the results from the post event, cold snap and PSR surveys and evidence on how we would use the findings to shape our vulnerability strategy

They reviewed the results from the customer support for long term affordable investment in services research and challenged how this would impact our current social tariff offering. Used to redesign WaterCare tariff for 2020+.

In June / July 2018, we presented our initial affordability strategy proposals and then a further iteration of our full affordability and vulnerability offering where we demonstrated how our approaches have, and will, deliver affordability for current customers, future customers, and those struggling, or at risk of struggling, to pay. We also presented a report on what affordability looks like for our customers.

We provided evidence on the customer engagement throughout the process but more specifically the customer support for the approaches we have taken.

We presented evidence that our approach to vulnerability is targeted, efficient and effective and that we will be introducing three bespoke performance commitments supported by customers to measure the effectiveness of our approach to vulnerability

The WFCP fully supported our proposals.



“The package as a whole demonstrated great ambition from the company.”

Richard Lacey
Chair, Customer View Group

“This is a super package that the company should be proud of. I would be very surprised if this affordability and vulnerability package was not industry leading.”

Steve Meakin
Chair, Research and engagement sub-group

“I believe this is a good package.”

David Heath
Chair, Consumer Council for Water Western Region

Board assurance

Affordability is one of the key themes of our plan and a priority for our customers. Our Board has overseen the development of a well established and effective affordability and vulnerability package for our customers who need or might be at risk of needing support.

The Board has been instrumental in embedding a culture of cost and service focus to ensure bills are kept as low as possible. This has been very successful but even with lower bills now than in 2009 we know that some customers still struggle to afford their bill. The Board have overseen the development of an industry leading package of support measures starting back in 2003.

The Board also played a key part in influencing the introduction of the £50 government contribution to all household customers in 2013. The Board has ensured the development of a plan that shows support from our customers with or without the £50 being retained post 2020.

Detailed analysis has been undertaken by an independent expert illustrating the impact on customer affordability of proposed bill levels with and without the £50. Different packages of support measures have been tested and challenged by the Board to enable them to commit to develop an overall enhanced package of innovative affordability measures that will ensure all customers can afford their bill, addressing water poverty for our customers by 2025.

This package of measures has been tested with customer and the independent WaterFuture Customer Panel (WFCP) who challenged the Board and NEDs directly on how the company was ensuring all customers could afford their bill, and in particular, if the £50 government contribution was not retained post 2020. The WFCP were very supportive of the response from our Board and the proposed package of affordability measures.

Affordability is closely linked to vulnerability and is also an important part of the plan. Board has been directly involved in incident management, where service disruption to customers can have acute vulnerability impacts. This oversight has ensured the prioritisation of service provision and response, and the establishment of partnerships with key organisations such as the British Red Cross and MIND.

We have had the highest levels of customer acceptability we have ever seen of our plan, with 88% of South West Water customers finding our proposed PR19 plan acceptable and 92% of Bournemouth Water customers finding our proposed PR19 plan acceptable. South West Water customer acceptance reduces to 80% when the bill is £50 higher (i.e. assumes the £50 is not retained post 2020).

For those customers not finding their bill affordable and are classified as being in water poverty (water bill makes up more than 5% of their disposable income) affordability support measures will be used so that the bill is considered affordable.

This direct involvement in this area of the plan has enabled the Board to be confident that **our business plan is affordable for all customers, including in the long term and including appropriate assistance for those struggling, or at risk of struggling to pay.**

This is included in our signed Board assurance statement.



For more information, see [Board assurance statement](#)

Professional credentials of third parties

ICS Consulting

ICS Consulting was established in 2000 and specialises in providing consultancy and support services to infrastructure businesses and regulators in the UK, Europe and Middle East. Their expertise covers:

- Customer and stakeholder engagement
- Regulatory economics, covering policy analysis and development
- Economics analysis, including assessing monetary benefits of investment and cost-benefit analysis
- Investment appraisal and optimisation, covering the design and implementation of bespoke asset management systems.

ICS is highly experienced in all aspects of the regulatory and business planning processes in the water industry and supports a number of key periodic review activities, namely:

- Customer research (priorities, willingness to pay, acceptability testing)
- Regulatory analyses (outcomes and incentives design, tariff formulation)
- Investment optimisation and business plan development (cost benefit analyses, scenario planning, business case development)
- Risk assessment (risk appraisal and assessment).

Third party endorsement

Citizens Advice

Citizens Advice Plymouth are proud to continue partnership work with South West Water and we are delighted that South West Water are at the forefront of the industry continuing to find solutions to tackle vulnerability and affordability in their future business plans. The commitment that has been proposed in a region with high water bills and low income is admirable and shows dedication to your customer base.

Taking a proactive approach to understanding vulnerability will ensure that customers are able to access a reliable and supportive service, partnering with Citizens Advice Plymouth also ensures your most vulnerable customers have an impartial platform that they can seek advice and support from.

Partnership work will ensure you are able to tackle water efficiency and maximise your customers income. Citizens Advice Plymouth will be able to offer support and guidance to South West Water customers that may not be capable of doing this for themselves.

Our commitment is to support South West Water with their 2020–2025 plans to ensure that customers are getting the correct outcomes through the support that they deserve.

Daniel Gill

Utilities Manager, Plymouth Citizens Advice





**South West
Water**



**Bournemouth
Water**

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