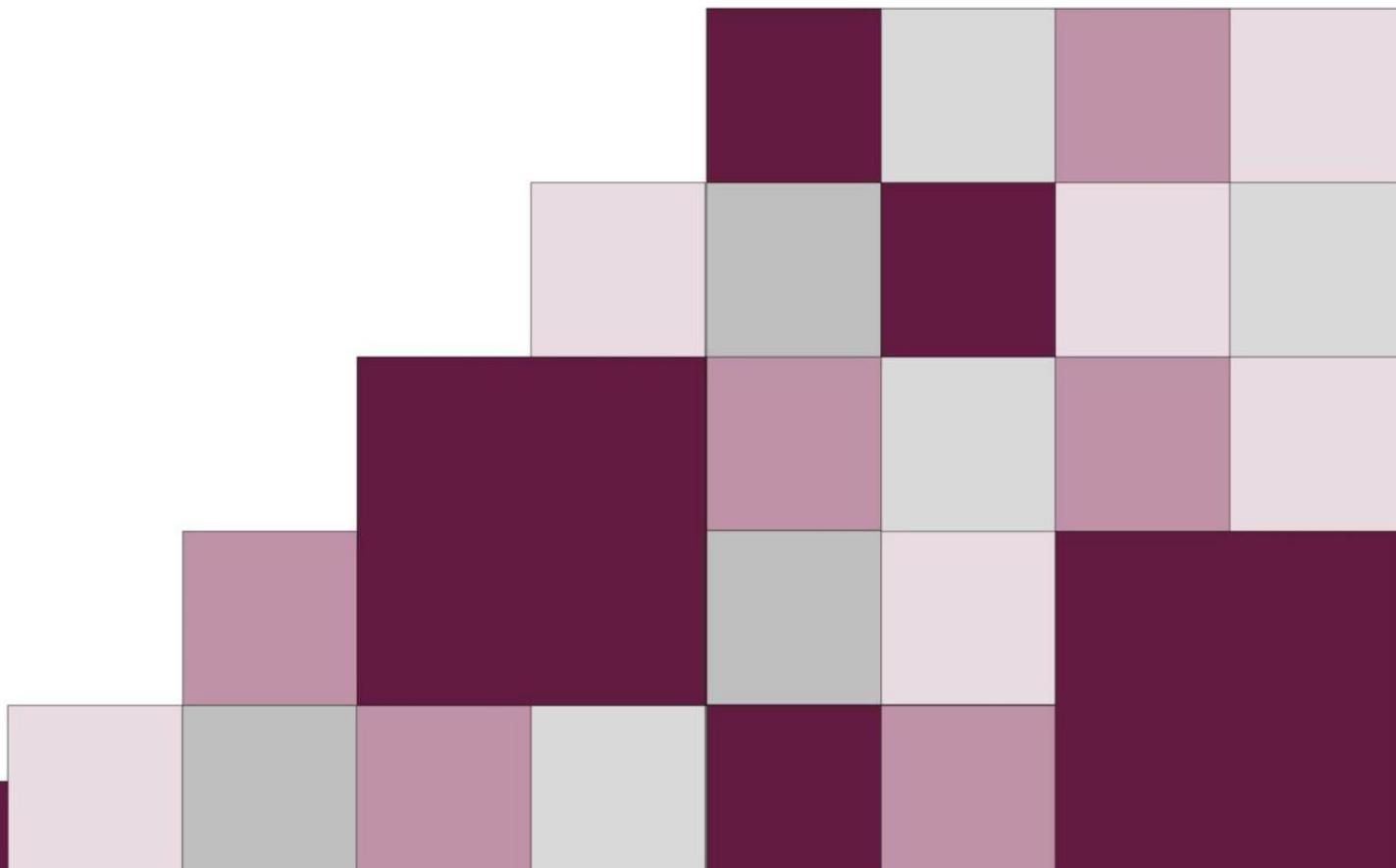


Delivering Affordability Assistance to water customers: cross sector lessons

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Foreword

In recent years the water industry has made significant progress in improving the help which it provides to customers who are struggling to pay their water bills. The Consumer Council for Water (CCWater) has worked with water companies as they have developed and implemented social tariff schemes and a range of other measures to help customers on low incomes and experiencing financial vulnerability.

However, our 2014 '*Living with Water Poverty*' research found that whilst more help is now available than ever before, awareness of assistance schemes remains relatively low. We used the research, and subsequent engagement with water companies and other stakeholders, to develop a series of recommendations for companies to improve the support they provide to customers and how it is promoted. A key focus was on companies re-framing their relationship with customers and raising awareness among those who are hard to reach.

The water industry has responded well with companies implementing a range of measures which are in line with our recommendations.

CCWater has also been working hard to help customers find the help which is available. We have achieved this through increased media and social media activity, the addition of guides and tools to our website and strengthening our links with other organisations which support customers in financial difficulty.

As a next step we commissioned Sheffield Hallam University's Centre for Regional Economic and Social Research to undertake a cross sector analysis of affordability assistance measures. This will help us identify further opportunities for companies and CCWater to link with wider poverty and affordability initiatives in order to reach those who need help. The report will also help improve our understanding of what might constitute good practice in promoting affordability assistance across a range of sectors and how these might be applied in the water industry.

The report shows that the water industry is doing a lot to try and reach those customers who need help, but also that there are also useful lessons that it can learn from other sectors. We will use the findings to inform our on-going work to help drive forward and share industry good practice through a collaborative approach. In addition it will also help us to identify what more we can do to reach water customers in financial hardship and guide them to the considerable support which is now available.

Andrew White, Senior Policy Manager, CCWater

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Contents

Executive Summary.....	i
1. Introduction	1
1.1. Context of the research	1
1.2. The water affordability challenge	1
1.3. Aims of the research.....	3
1.4. Limitations of the report	3
1.5. Structure of the report.....	3
2. Good practice insights and lessons from the water sector.....	4
2.1. Good practice from the water sector.....	4
2.2. Lessons from the water sector.....	8
3. Good practice insights and lessons from the energy sector	10
3.1. Good practice from the energy sector.....	11
4. Insights from other sectors	17
4.1. Good practice from the housing sector	17
4.2. Good practice from the health sector	18
5. Suggestions for policy and practice	20
5.1. Scope of the chapter	20
5.2. Suggestions for policy and practice	20
6. References	26
Appendix 1: Research approach	30

Executive Summary

Background to the research

Reports commissioned by the Consumer Council for Water (CCWater): Living with Water Poverty (Creative Research, 2014) and Water Matters (Allen, 2015), revealed that whilst more affordability assistance is now available to water customers who may be struggling to afford their water bills, awareness of the support on offer remains low. This is particularly the case for vulnerable and hard to reach groups who are arguably the most in need of this support (Creative Research, 2014). In light of these on-going challenges, CCWATER is eager to identify good practice - from both within and outside of the water sector - in relation to increasing the reach and targeting of affordability assistance. To this end, the Centre for Regional Economic and Social Research was appointed to undertake an evidence review, underpinned by the following aims:

1. Provide an overview of good practice and lessons in relation to affordability activities and/or research undertaken by other utilities, industries and organisations.
2. Identify opportunities to promote water affordability messages through related initiatives and programmes being delivered within different sectors.
3. Identify approaches to affordability support from other utilities and sectors which may be transferable to the water sector.
4. Make recommendations in respect of all of the above.

The evidence review comprised the identification and systematic review of all existing academic, policy and grey literature sources offering insights into what works in terms of targeting and extending the reach of affordability assistance initiatives. The review encompassed sources from across the water sector in addition to other utilities and the energy, housing, health and advice sectors. In order to supplement the evidence review, a series of short telephone interviews were also undertaken with representatives of the water, energy, and advice sectors.

Limitations of the research

The evidence base relating to good practice and lessons in the promotion and delivery of affordability assistance is limited in scope, primarily due to the lack of evaluation studies undertaken in this area. The evidence review identified around 35 sources that were considered sufficiently relevant and robust to inform this report. This relatively small number of sources places limits on the ability of the research team to reach authoritative conclusions about what works and therefore to make specific recommendations for future approaches and interventions.

Findings

The following good practice principles and lessons from across the water, energy and other relevant sectors were identified through the evidence review.

Good practice insights and lessons from the water sector

In recognition of the breadth of affordability assistance initiatives being delivered by water companies across England and Wales, the evidence review began by considering what good practice and lessons could be identified from within the water sector. The following good practice principles emerged:

- Aim to engage with customers on a face-to-face basis wherever possible.
- Utilise multiple channels of communication to convey water affordability messages to customers.
- Develop tailored communication strategies for different types of customers in different vulnerable circumstances.
- Work with trusted partner organisations to reach more customers in vulnerable circumstances and engage the hardest to reach.
- Consider integrating water affordability into more holistic debt advice approaches that deal with all aspects of financial vulnerability in order to secure more sustainable and far reaching outcomes for customers.
- Understand vulnerability better: develop more informed, flexible and dynamic understandings of vulnerability in order to more accurately target affordability assistance.

The following learning points also emerged from the sources reviewed:

- Move away from the use of welfare-related data to identify those in need of affordability support.
- Be mindful that the following initiatives have limited application as affordability tools: Water Direct; social tariffs; and water meters.

Good practice insights from the energy sector

There is a long history of developing and delivering affordability assistance initiatives within the energy sector. However, despite the great potential to learn from this experience, care should be taken when seeking to transfer approaches between the energy and water sectors due to the many differences between the two sectors. The following good practice examples of relevance to the water sector emerged from the review of energy sector sources:

- Working with trusted partner organisations to reach more customers and engage the hardest to reach.
- Utilising cascading training models, as exemplified by the Big Energy Saving Network, to reach more customers and engage the most vulnerable.
- Universal benefits, as exemplified by the Winter Fuel Payment, can avoid eligible customers missing out on affordability support.
- 'Moments of change'¹ - such as moving house - present an opportunity to embed key messages regarding water affordability.

Insights from other sectors

Relevant insights can also be gleaned from other sectors, particularly from the housing and health fields. The following good practice principles have been identified from across these sectors:

¹ '[Moments of change are] times in a person's life where existing habits and behavioural patterns are disrupted...providing a significant opportunity to encourage behavioural [and attitudinal] change' (Thompson et al, 2011).

- Communicating effectively with customers helps build better intelligence regarding their needs and enables water companies to pre-emptively identify financial vulnerability.
- Promoting routine communication with customers that is positive in nature wherever possible and delivers good news stories as well as requesting payment.
- Making Every Contact Count (MECC)² is an initiative used effectively in the health sector which treats every communication with customers as an opportunity to impart key messages regarding the affordability support on offer.

Suggestions for policy and practice

The suggestions for policy and practice set out here are based on key messages to emerge from the evidence review but also take account of the views of key stakeholders from across the water sector, canvassed both through the telephone interviews and an interactive stakeholder event held in late April 2016 and attended by a wide variety of water industry representatives.

Strategic-level suggestions

- Evaluate water affordability initiatives more often and develop an evidence base on what works in relation to affordability support that is shared across the sector. Dedicate at least 10 per cent of the budget for affordability initiatives to independent evaluation.
- Understand vulnerability better: develop more informed, flexible and dynamic understandings of vulnerability in order to more accurately target affordability assistance.
- Link the water sector into the health-based MECC agenda and adopt MECC principles when engaging with customers.
- CCWater may wish to consider formalising and extending existing partnerships and links outside of the water sector in order to improve the reach and targeting of affordability support and engage the hardest to reach.

Water company-level suggestions

- Develop cross sector partnerships in order to improve access to information about customers and enhance communication with a broader range of customers.
- Make every contact with a customer count by treating it as an opportunity to gather information and target appropriate support.
- Situate water affordability within more holistic debt advice approaches.
- Take advantage of 'moments of change' within customers' lives to embed messages around affordability assistance.
- Build relationships with customers through regular, positive contact from the outset of the relationship.
- Develop communication strategies tailored to the needs of particular groups of customers, which incorporate and pilot multiple channels and mediums of communication.
- Explore potential ways of engaging more effectively with customers on a face-to-face basis.

² The premise of MECC is that the millions of routine engagements that organisations have with their client base on a daily basis provide a previously untapped opportunity to pass on brief messages about healthier lifestyles and the importance of maintaining physical and mental wellbeing.

Introduction

1.1. Context of the research

Research by the Consumer Council for Water (CCWater) (Creative Research, 2014; Allen, 2015) revealed that whilst more affordability assistance is now available to water customers who may be struggling to afford their water bills, awareness of the support on offer remains low. This is particularly the case for vulnerable and hard to reach groups who are arguably the most in need of this support.

In response, both CCWater and many water companies across England and Wales have sought to increase awareness of the range of affordability support they offer by working closely with organisations experienced in administering financial assistance programmes, including debt advice agencies.

The parallel challenges of raising awareness of the affordability assistance on offer and ensuring that such initiatives are appropriate for and reach those in greatest need of assistance, remain ongoing and Ofwat (the economic regulator of the water and sewerage industry) has recently stated that water companies need to do more to promote affordability assistance schemes (Ofwat, 2015).

In light of these ongoing challenges, CCWater is eager to identify good practice -from both within and outside of the water sector - in relation to increasing the reach and targeting of affordability assistance. They were particularly keen, in this context, to identify opportunities to link water affordability assistance initiatives into anti-poverty projects and programmes being delivered across a number of sectors, particularly fuel poverty alleviation initiatives within the energy sector. To this end, the Centre for Regional Economic and Social Research was appointed to undertake an evidence review, underpinned by the aims outlined in section 1.3 below.

1.2. The water affordability challenge

Over the last two decades water customers' bills have risen significantly, partly to fund investment to maintain and improve water and sewerage infrastructure and to meet higher environmental and drinking water standards. Whilst efficiency savings have offset some of the costs associated with such investment, bills are about 40 per cent higher in real terms than they were in 1989 (NPI, 2015).

Increased pressure on household budgets brought about by, *inter alia*, the economic downturn and subsequent welfare reform agenda means that many more customers are now struggling to pay their household bills including water and other utility charges. In 2013-14, 24 per cent of households in England and Wales spent more than three per cent of their disposable income (i.e. income after housing costs) on water and sewerage bills. In Wales alone the figure was 32 per cent which means that nearly one in three households were meeting Ofwat's threshold of potential

affordability risks (Ofwat, 2015). Ofwat's analysis also shows that some groups are affected more than others:

- Household composition is an important factor, with 45 per cent of working-age adults living alone, 40 per cent of lone parents, and 38 per cent of single pensioners, spending more than three per cent of their disposable income on water and sewerage.
- Typically households with water meters are less likely to spend more than three per cent of their disposable income on water and sewerage, although this varies considerably by household type.
- Low household income appears to contribute more to affordability issues than high bills. 90 per cent of households in the first income decile (lowest 10 per cent) met the three per cent affordability threshold, compared with only 12 per cent of those in the fifth decile.
- Similarly, nearly half of households receiving benefits (Job Seekers Allowance, Employment Support Allowance, Income Support or Housing Benefit) met the three per cent threshold. In Wales this figure was as high as 59 per cent.

The scale of the challenge is reflected in recent figures from Ofwat which report that 23 per cent of households in England spend more than three per cent of their disposable income (income after housing costs) on water, and 11 per cent spend more than five per cent. The same data provide further evidence that water affordability is an even greater challenge in Wales where 32 per cent of households spend more than three per cent of their income on water, and 15 per cent spend in excess of five per cent.

Such affordability problems contribute to rising levels of customer debt being confronted by water companies which it is estimated to be the equivalent of adding around £21 per year to all customers' bills in England and £32 per year in Wales (Ofwat, 2015; Ofwat 2015a).

Cross subsidy is a long standing feature of water and sewerage charges. There are cross subsidies between urban and rural customers for example, and historically charges based on the rateable value of properties have tended to reduce the bills for those on lower incomes. The effectiveness of these cross subsidies has decreased over time in part as a result of customers opting to be charged for the water they use via water meters (Defra 2012b).

Section 44 of the Flood and Water Management Act (2010) enables water companies to decide whether to bring forward new cross subsidies through social tariffs and to take a more proactive approach to responding to the needs of their customers by developing and implementing local solutions to local problems. Guidance issued by the Government under the Act (Defra, 2012b) states that new cross subsidies created by social tariffs should target customers most likely to experience affordability problems. Companies which choose to bring forward a social tariff will need to consult customers on proposals and ensure there is broad acceptability. Any proposals for a company social tariff must be acceptable to a water company's customer base and this must include broad acceptance from households who will benefit from the social tariff and from those households that will be asked to contribute to the cost. In light of this guidance, a number of water companies have commissioned customer research programmes designed to explore customer views on the introduction of social tariffs. To date a total of 19 of the 21 water companies that exist across England have introduced a social tariff; 17 of which are funded by customer contributions. Water companies also offer a range of other schemes to address affordability including the WaterSure cap, debt allowance schemes, charitable trusts, etc.

According to Ofwat, whilst water companies are already providing affordability assistance, the targeting of this assistance - to ensure it reaches more of those who need it most - could be improved (Ofwat, 2015). Good practice, lessons and strategies may be gleaned from a range of sources across the water, energy, advice, health and housing sectors. This report aims to provide a digest of sound and defensible evidence regarding what works in relation to improving the reach and targeting of water affordability support available through water companies.

1.3. Aims of the research

1. Provide an overview of good practice and lessons in relation to affordability activities and/or research undertaken by other utilities, industries and organisations.
2. Identify opportunities to promote water affordability messages through related initiatives and programmes being delivered within different sectors.
3. Identify approaches to affordability support from other utilities and sectors which may be transferable to the water sector.
4. Make recommendations in respect of all of the above.

1.4. Limitations of the report

The evidence base relating to good practice and lessons in the promotion and delivery of affordability assistance is limited in scope, primarily due to the lack of evaluation studies undertaken in this area. The evidence review identified in the around 35 sources that were considered sufficiently relevant and robust to inform this report. This relatively small number of sources places limits on the ability of the research team to reach authoritative conclusions about what works and therefore to make specific recommendations for future approaches and interventions (aims 3 and 4).

The available evidence provides broad insights into what is regarded as good practice in relation to affordability assistance and enables the identification of broad lessons for the water sector but is not sufficient as a basis on which to provide precise recommendations. As such, the findings and recommendations set out in this report should be regarded as indicative and not authoritative.

1.5. Structure of the report

This report has five chapters including this one. The remainder of the report is structured as follows:

- Chapters Two to Four provide an overview of the most relevant good practice insights and lessons to emerge from the evidence review.
 - Chapter Two sets out evidence to emerge from the water sector.
 - Chapter Three covers insights from the energy sector.
 - Chapter Four comprises relevant evidence from other sectors.
- Chapter Five provides an overview of key messages to emerge from the study in addition to a set of suggestions for policy and practice within the water sector.
- Appendix One sets out the methodology underpinning this study.

2

Good practice insights and lessons from the water sector

In recognition of the breadth of affordability assistance initiatives being delivered by water companies across England and Wales, the evidence review began by considering what good practice and lessons could be identified from within the water sector.

The evidence review identified 11 relevant and credible sources providing insights into affordability assistance initiatives and approaches within the water sector. These sources were predominantly published by Ofwat, CCWater and a range of other organisations including consumer advice organisations; the UK Government; consultants and pressure groups. The views and experiences of water company representatives who took part in the stakeholder interviews have also been taken into account.

2.1. Good practice from the water sector

The following good practice principles emerged across the 11 sources reviewed and the telephone interviews with water company representatives and are explored in turn below.

- Aim to engage with customers on a face-to-face basis wherever possible.
- Utilise multiple channels of communication to convey water affordability messages to customers.
- Work with trusted partner organisations to reach more customers in vulnerable circumstances and engage the hardest to reach.
- Consider integrating water affordability into more holistic debt advice approaches that deal with all aspects of financial vulnerability in order to secure more sustainable and far reaching outcomes for customers.
- Understand vulnerability better: develop more informed, flexible and dynamic understandings of vulnerability in order to more accurately target affordability assistance.

2.1.1. Aim to engage with customers on a face-to-face basis wherever possible

Despite general improvements in perceptions of the affordability of water tariffs and the fairness and approachability of water companies, as revealed by the annual customer survey of CCWater (Allen, 2015), significant challenges remain in relation to the satisfaction of customers in vulnerable circumstances. In particular social renters, households with member(s) with a disability or long-term illness or those who are in receipt of benefits consistently rate value for money, fairness and

affordability lower than other customers. The same is true of ethnic minority households, those aged between 30 and 59, and housing association tenants.

Awareness of the affordability tariffs available to customers is also generally low: in 2014 only one in 10 customers was aware of them (Creative Research, 2014). The survey also revealed that customers in vulnerable circumstances were the least likely to know about their water provider's affordability assistance offer but were the most likely to want to know more about it. These findings have therefore confirmed customers in vulnerable circumstances (as currently defined) as priority targets for water affordability assistance initiatives.

In terms of how such customers can be reached with messages about affordability assistance and engaged in relevant initiatives, two recent reports from CCWater (Creative Research, 2014) and Ofwat (2016) provide helpful insights. The former report entitled 'Living with Water Poverty' was used by CCWater as the basis for the development of a series of recommendations for increasing meaningful engagement between water companies and customers in vulnerable circumstances including: treating the first contact with a customer as an opportunity to shape a positive and supportive relationship; training staff to empathise with those struggling to pay; allowing more contact time with customers in vulnerable circumstances and using multiple channels of communication to increase the chances of reaching customers in a range of different vulnerable circumstances. The report also emphasises the need to pre-emptively identify those who may be in vulnerable circumstances through intelligent analysis of billing data (i.e. identifying missed payments) and through data-sharing with third parties that hold more detailed data on those who are financially vulnerable. Some of the issues associated with such data-sharing are explored in sections 2.2.1 and 3.

A more recent report entitled 'Affordable for All' published by Ofwat (2016), strikes a similar tone and makes strong statements about the imperative to find new ways of engaging with customers in vulnerable circumstances on the basis that written communication is often ineffective. Instead they advocate the development of engagement strategies tailored to the particular groups identified as in need of affordability support. In this regard, they highlight examples of good practice from Southern Water who are proactively seeking out and assisting customers in vulnerable circumstances (as denoted by long-term debt issues) through specialist advisors. This approach utilises face-to-face engagement whereby specially trained advisors visit customers in their own homes and support them in completing applications for affordability assistance.

The Ofwat report places a significant emphasis on the value of face-to-face engagement and highlights this further through the inclusion of an example from Dŵr Cymru which is rolling out home visits for customers who tend not to engage with them. Groups targeted include those with low levels of literacy and numeracy and those with complex circumstances. This outreach approach is felt to have been particularly effective in identifying those most in need of assistance. However, as with many such initiatives, these two schemes have not been formally evaluated in order to confirm views regarding their effectiveness and impact on the circumstances of customers targeted.

2.1.2. Utilise multiple channels of communication to convey water affordability messages to customers

Independent research commissioned by Citizens Advice Scotland (CAS) (Walker, 2015) - which considered the plight of some of Scotland's most financially marginalised customers in relation to water debt - advocates approaches to affordability assistance that prioritise the personal financial security and wellbeing of

customers. They talk particularly about the importance of supporting customers to address overall household indebtedness as opposed to a narrow focus on water debt. However, the source acknowledges that the initial challenge is to establish contact with financially marginalised customers. In relation to this, they advocate multi-channel communication using 'alternative media' to reach hard to reach groups. Unfortunately examples of such channels or alternative types of media are not provided yet the principle of not relying on singular or traditional mediums for communicating with hard to reach customers is a valid one, albeit one in need of some elaboration. This sentiment was echoed by water company representatives that took part in the telephone interviews, who felt that it was vital to experiment with multiple methods of communications in order to gather intelligence regarding what works best for whom. So-called 'nudge' techniques, such as using customers' first names when communicating with them were also felt to be effective, although this view had not been formally tested.

Both CCWater (Creative Research, 2014) and Ofwat (2015) echo the sentiments of CAS, emphasising the need to identify and utilise multiple methods of communication and identify which channel works best for each type of customer. Ofwat also advocate developing tailored communication strategies with the assistance of behavioural specialists. These strategies - Ofwat suggest - may utilise mediums such as articles in local newspapers, targeted mail-shots issued through trusted partners' (such as housing associations and local authorities) websites and attending community events. The publication also suggests that all forms of communication with customers should undergo regular, independent checks - perhaps by behavioural specialists - to ensure they are optimally 'user-friendly' for different segments of the population. An interview respondent working within the water sector added that when one or more channel of communication is identified as being effective in reaching a particular group or type of consumer, it should be used to communicate on a routine basis in order to maintain engagement.

2.1.3. Working with trusted partner organisations to reach more customers in vulnerable circumstances and engage the hardest to reach

The suggestion and recommendations set out within the aforementioned report by Ofwat are not based on any empirical research or evaluation of what works in terms of engaging with customers. Instead the source highlights a range of what Ofwat consider to be 'good practice' examples from across a number of water companies. It is, however, authoritative about how companies should approach engagement with their customers and makes clear recommendations. A key recommendation is that water companies need to work more closely with 'trusted partners' to promote their affordability assistance offer. In this context, they specifically advocate working with advice agencies, local authorities, housing associations, landlords, GPs, pharmacies, community groups and food banks. They are not, however, specific about what form these partnerships should take or what kinds of joint activities should be undertaken.

There was also support for working with trusted partners amongst interviewees, who reported positive experiences of working with partners including local authorities, housing associations and advice organisations to reach a greater number of their customers and provide them with more holistic packages of support. It was acknowledged by these respondents that water customers are unlikely to have sufficient interaction with their provider for a bond of trust to form; therefore working through partner organisations to promote affordability assistance was vital.

2.1.4. Consider integrating water affordability into more holistic debt advice approaches that deal with all aspects of financial vulnerability

Ofwat also place particular emphasis on the importance of forging links with debt advice organisations (see Ofwat 2015), which - it is argued-are amongst the best-positioned to target affordability assistance. In particular they point to the value of face-to-face debt advice for improved recovery rates for creditors. However, they also caution that the debt advice sector will only be able to provide support in reducing consumer water debt if advice workers are trained in the specific workings of the water sector and understand the range of affordability support on offer.

It appears that the seeds of this approach were sown several years earlier in Defra's 2011 white paper 'Water for Life', which highlighted (as good practice) Wessex Water's work with debt advisors, like Citizens Advice who were used to identify and recommend affordability support packages for customers in vulnerable circumstances. The debt advice approach adopted by Wessex Water has continued to develop since 2011 and they now support community-based financial literacy projects (Ofwat, 2015).

A report by the Money Advice Trust (2014) lends further support to calls to embed water debt prevention and recovery efforts into broader debt advice and financial inclusion initiatives and approaches. Specifically, they echo the sentiments of CAS (Walker, 2015) calling for water debt to be viewed and treated as one facet of broader household indebtedness.

2.1.5. Understand vulnerability better: develop more informed, flexible and dynamic understanding of vulnerability in order to more accurately target affordability assistance

Utility regulators Ofwat and Ofgem have, in recent years, issued strong messages urging their respective sectors to re-think their understandings of vulnerability, arguing that vulnerability can be a fluid as well as a static state and can be transient as well as long-term. As such, water and energy companies have been encouraged to develop definitions of vulnerability that take account of the full range of characteristics (e.g. age, income, health, numeracy/literacy) and circumstances that can make an individual or household vulnerable (e.g. job loss, illness, caring responsibilities, domestic changes) (Ofwat, 2015).

Definitions of vulnerability are of critical importance when seeking to target affordability assistance at groups of customers most in need of it. As Ofwat (2016) caution, if narrow definitions of vulnerability are used to guide such initiatives, then many eligible customers (especially the most hard to reach) will be overlooked. Therefore the basis of any new approaches to affordability assistance must be grounded in a full and accurate understanding of which groups or types of customers are in need of support. Indeed, Ofwat contend that flexible and dynamic definitions of vulnerability are critical to effectively targeting initiatives and services and to building trust between water companies and their customers.

Discussions with stakeholders within the water industry highlighted the need, in this context, to distinguish between types of vulnerability directly linked to financial hardship and other forms of vulnerability. This distinction is considered important on the basis that affordability assistance - as the label suggests-is intended to benefit those experiencing affordability problems. However, as Lloyd (2013) warns, care should be taken over assumptions that the poor are always the most worthy of support - a particularly salient point given that affordability issues can be caused by high costs as well as low incomes (Defra, 2011). Yet, if income and cost-based definitions of vulnerability are not adhered to, this raises thorny issues for the sector

not least in terms of trying to distinguish between those customers who can't pay and those who won't pay. An alternative perspective on this dilemma is to contend that there are sometimes circumstances in which an individual has sufficient means but for a variety of reasons may be unable to manage their domestic affairs. For example, if someone who is recently bereaved has felt unable to keep on top of bill payments and other household matters, should they be offered affordability support?

It is not possible to resolve these intricate issues within the scope of this report. The objective of raising these dilemmas is predominantly to stimulate debate within the sector regarding targeting and eligibility. These debates should, however, be situated firmly within the context of the regulators' calls for more flexible and dynamic understandings of vulnerability. Ofgem's (2013) Consumer Vulnerability Strategy provides a comprehensive account of the different factors that may underpin vulnerability, which can be used to inform such debate.

2.2. Lessons from the water sector

The following learning points also emerged from the sources reviewed:

- The use of benefit data is not always effective in identifying all of those in need of affordability support.
- Water Direct has limitations as an affordability support initiative.
- Limitations of social tariffs.
- Limitations of water meters.

2.2.1. The use of benefit data is not always effective in identifying all of those in need of affordability support

In order to pro-actively reach out to those in need of affordability support, both CCWater and Ofwat have recommended 'data-focussed' solutions to the targeting of affordability assistance initiatives (see Creative Research 2014 and Ofwat, 2016). Such solutions primarily rely on welfare claimant data held by the DWP and Local Authorities to identify those in need of affordability assistance. However, there are also several commentators - predominantly from within the energy sector - that caution against this for a variety of reasons. The limitations of this approach are explored in Chapter Three.

2.2.2. Water direct has limitations as an affordability assistance initiative

In their 2015 report, Ofwat point to the limitations of Water Direct - a scheme which enables water bills to be paid to water companies directly out of a customers' benefit entitlement. It is argued, in relation to this, that Water Direct is not an affordability initiative but merely a debt recovery tool which only operates while the customer is in debt to the water company. Although anecdotal evidence suggests that there is some variation in practice and that, in some instances, Water Direct can continue once a customer has repaid their debts. However, as CCWater point out (Creative Research, 2014) such arrangements are unlikely continue under the new Universal Credit system when a minimum debt level will be required before Water Direct can be offered. Under these circumstances Water Direct will revert to a debt recovery tool.

2.2.3. Limitations of social tariffs

Social tariffs are now a key tenet of the water sector's affordability assistance offer, despite falling out of favour in the energy sector. However, a number of sources have

commented on the limitations of social tariffs as a water affordability assistance tool. In a House of Commons note Bennett et al (2013) reflect on the imperative to consult customers on who should benefit from social tariffs and how much subsidy should be available to those who qualify for it, concluding that the outcomes of this process may undermine the very purpose of social tariffs. They state that:

'If customers decide that they do not want their bills to increase at all, or only by a very small amount, the level of support available to those on low incomes might not address the problem.' (p.6)

Moreover, evidence from CCWater, presented to Defra, suggests that these fears are founded and that the extra amount that most customers are willing to pay is unlikely to raise sufficient funds to meet the needs of those identified as being in need of affordability support. This, they argue, reinforces existing inequalities within the system whereby water prices vary substantially between companies (Defra, 2012c). Kenway and Tinson (2015) reinforce this point, pointing out that - at that point at least - even the most generous of social tariffs (to cover four per cent) fell far short of the scale of the affordability problem (22 per cent).

There are also concerns detectable within the literature that consultation on social tariffs undertaken by water companies has resurrected notions of the 'deserving' and 'undeserving' poor and that as such, the basis of social tariffs is inherently exclusionary and unlikely to be made available to the breadth of groups in need of support. For example, research undertaken by Box Clever for United Utilities (2013) identified low income pensioners as "*the most deserving group of customers that other customers were willing to pay a premium on their own bills for*" (p.1). This view was challenged by CCWater on the basis that it didn't reflect '*other deserving customer constituents*'. Similarly Wessex Water customers felt that those with health problems were deserving of subsidy but benefit claimants were not.

2.2.4. Limitations of water meters

There is broad consensus within the literature that water meters have considerable limitations as both a means of identifying those who may be in need of affordability assistance and of alleviating water poverty. Independent academic research by Huby and Bradshaw (2012) argued that water bills are lower for metered customers not because they are an effective affordability tool but because they are generally installed on a voluntary basis by those who feel that their unmetered bills do not reflect their real (lower) levels of consumption or who are seeking to proactively reduce their water consumption. Kenway and Tinson (2015) support this point, highlighting how unmetered households are more likely to have lower incomes and experience affordability problems. This evidence does, however, suggest that there are opportunities for the targeting of water meters at households who may currently be paying too much through water rates. If this approach was taken forward, it would need to be implemented sensitively and based on careful analysis of customers' usage to ensure that they do not experience an increase in costs as a result of meter installation.

3

Good practice insights and lessons from the energy sector

There is a long history of developing and delivering affordability assistance initiatives within the energy sector which can be traced back to the recognition of fuel poverty which emerged as a concept in the 1980s. Potential therefore exists to learn lessons from the experiences of the energy sector regarding the reach, take up and targeting of affordability assistance. However, despite the great potential to learn from this sector, care should be taken when seeking to transfer approaches between the energy and water sectors. The reasons for this are fairly self-explanatory and predominantly concern the many distinctions between the two sectors, including the fact that water customers cannot currently switch supplier (switching has formed a key tenet of government policy to promote energy bill savings) and a water customer cannot be disconnected. These distinctions mean that some of the key approaches to affordability support advocated within the energy sector will have limited resonance within the water industry. Examples of good practice and lessons from the energy sector with limited external relevance have therefore been excluded from the review.

Another key difference between the two sectors is that, in the main, energy affordability initiatives are developed centrally within government (with input from other sectors) and rolled out in a 'top-down' fashion. Within the water sector - by contrast - there is greater scope for innovation and the development of initiatives at the water company level, an approach which appears to have stimulated the development of an extensive array of initiatives. Affordability assistance in the energy sector, on the other hand, revolves around three core initiatives: Winter Fuel Payments; the Warm Homes Discount and Cold Weather Payments, in addition to various energy efficiency and demand reduction schemes. It should therefore not be assumed that the energy sector is a site of greater innovation and variety in terms of approaches to affordability assistance.

The evidence review identified eight relevant and credible sources from across the policy and academic literature that together provide insights into affordability assistance initiatives and approaches within the energy sector. The views and experiences of energy sector stakeholders who took part in the telephone interviews have also been taken into account.

3.1. Good practice from the energy sector

The following good practice examples emerged from across the eight sources reviewed and the telephone interviews:

- Working with trusted partner organisations to reach customers.
- Utilising cascading training models to reach larger numbers of customers.
- Universal benefits can help bring affordability support to more of those who need it
- Using moments of change to embed key water affordability messages.

3.1.1. *Working with trusted partner organisations to reach customers*

Research by Lloyd (2013) in relation to tackling excess winter deaths clearly highlights the inadequacies of using income-related benefit data - held chiefly by the Department for Work and Pensions - to identify those eligible for affordability support. Two important points are made in this regard. First, that the poor are not always the most at risk and that definitions of income poverty used as a proxy for fuel poverty may not identify all those vulnerable to excess winter death. Second, not all of those eligible for income-related benefits actually claim them. There is consensus within the literature around the limitations of using centrally-held welfare data to identify those in need of affordability support and Lloyd's position has been upheld in various subsequent publications (i.e. NatCen and CSE, 2014) including the government's 2015 Fuel Poverty Strategy: *Cutting the Cost of Keeping Warm*.

In response to these shortcomings, the strategy (and Lloyd) advocates working in partnership with local-level agencies that routinely work with the most vulnerable and hard to reach in order to identify and engage those in greatest need of support. Particular emphasis is placed in both sources on the value of engaging with frontline healthcare professionals, especially GPs, who are in frequent contact with 'high risk' individuals with pre-existing medical conditions. Although certain health problems are a reasonable proxy for identifying those vulnerable to excess winter death, they are far less reliable as a proxy for water poverty and general financial hardship, although there are obvious opportunities for healthcare professionals to identify those eligible for WaterSure.³

It is therefore clear that the opportunities to publicise and target affordability support through health and social care providers are generally more limited in relation to water than they are for fuel poverty initiatives. However, the principle of working in partnership with agencies in routine contact with potentially eligible groups remains highly relevant to the water sector. Indeed the Department of Energy and Climate Change (DECC) (2013) and Public Health England (2015) have both sought to raise awareness of the breadth of organisations that can support efforts to reach those in need of affordability support including advice organisations, charities, housing associations and local government agencies. However both sources emphasise how enlisting the support of such organisations to promote and provide links into affordability schemes must be accompanied by scheme specific training. They also caution that partners should not be engaged in an 'ad-hoc' fashion but as part of a co-ordinated approach to scheme delivery.

³ Cap on water costs for those in financial hardship who also have unavoidably high levels of water consumption for health reasons.

The Nest home energy efficiency scheme⁴ based in Wales, provides another example of the merits of forging a broad range of cross-sector partnerships in order to reach more or those in greatest need of support. The model utilised by Nest is discussed in the next section.

3.1.2. Utilising cascading training models to reach larger numbers of customers

There are, within the energy sector, some examples of affordability support initiatives delivered through partnerships between agencies charged with alleviating fuel poverty and those working routinely with target groups. One of the largest examples of such schemes - that has also been fully and independently evaluated - is the Big Energy Saving Network (BESN) launched by DECC in 2013.

The core objective of BESN was to promote energy market engagement and switching of energy providers or tariffs amongst the most vulnerable and hard to reach in society. In pursuit of this aim, DECC enlisted the support of 94 partner organisations from across the public and third sectors (including housing associations, Local Authorities, Sure Start, Age UK, Citizens Advice etc.) and implemented a cascading training model. The model involved lead representatives (or Champions) from across the 94 partner organisations undergoing formal training on switching and the energy market, which they then rolled out to frontline staff and volunteers within their own and partner organisations. It is estimated that a total of 450 individuals received specialist training through BESN. Those trained promoted switching through a combination of workshops and one-to-one advice sessions with customers in vulnerable circumstances.

The evaluation of BESN (Ambrose et al, 2015) revealed that the initiative had been successful in engaging a far greater number of customers than anticipated. It was estimated that in total BESN reached 94,000 customers, predominantly through one-to-one advice sessions (around 78,000 customers were reached through this route). In terms of outcomes, a relatively small number of participants (11 per cent) actually switched tariff or provider as a result of engaging with BESN. However, a much greater number (29 per cent) had been prompted to make contact with their energy supplier as a result of their participation.

BESN was successful in engaging large numbers of customers in an affordability-related initiative, at a relatively low cost (£9.57 per participant). It also promoted contact between energy provider and customer in almost 30 per cent of cases. These successes provide some support for the adoption of both partnership approaches and cascading training models in other sectors. It is not however possible to make any judgements about the success of BESN in reaching those in most need of support as participants were not profiled, yet the chances of this are substantially increased by working with organisations routinely engaged with the most vulnerable in society.

Another example of a scheme that utilises a cascading model to reach a wider range of customers in vulnerable circumstances is the aforementioned Nest scheme in Wales. Nest has not yet been evaluated formally but figures quoted in its annual report (Nest, 2015) indicate that it has been successful in reaching a substantial amount (more than 68,000) of fuel poor households since 2011. Nest report that they are constantly striving to increase the reach of their initiative and target more of those who need it most. To this end they have recruited four Partnership Development Managers (PDMs), supported by other staff and volunteers, who co-ordinate relationships with hundreds of partner organisations across Wales, including national

⁴ Nest aims to alleviate fuel poverty in Wales through a combination of physical energy efficiency measures and energy and financial inclusion advice.

charities, regional health boards, Local Authorities and local community associations. PDMs also utilise a variety of mechanisms to inform partners about what Nest offers and how they can link potentially eligible households that they encounter into the service. These mechanisms include drop-in advice services, meetings, talks, events and publications.

Also of relevance to the water sector, is the Resource Efficient Wales (REW) online portal which is linked to Nest. The REW is designed to provide a 'one stop shop' for Nest partners to access information, advice and support relating to all resource issues that their clients may be experiencing, including water poverty. Referrals to support schemes can also be generated through the portal. Whilst it is incredibly useful to have water poverty information included in this portal, it would place an unreasonable burden on CCWater to drive the setting up of such a portal in England, but they could play a role in advocating such a move.

The particular value of this cascading model in relation to the water sector would be in its potential to raise awareness of the affordability assistance offer amongst large numbers of customers and if a Nest model is followed, generate direct referrals from a wide network of partner organisations to affordability assistance schemes. Nest is, however, a sort of intermediate organisation, not necessarily linked to the referred household's own energy supplier and it is not essential that the household contacts their energy supplier directly in order to access the services offered by Nest. In the context of the water industry, the customer would need to make contact with their water supplier to draw down water affordability support. In this scenario, the BESN model is helpful in so far as it was found to be successful in empowering participants to pro-actively make contact with their energy supplier. Once contact is pro-actively made by the consumer then the possibilities for imparting information, collecting data and establishing a relationship of trust are myriad (NHS England, undated). It is therefore suggested that some sort of hybrid incorporating principles from both schemes but tailored to the ways in which affordability assistance is administered in the water industry is considered.

The apparent success of Nest combined with the long list of partners that Nest PDMs have engaged in the delivery of the scheme further illustrates the need to work with the broadest possible range of partners in order to reach more of those households that are most in need of support. Some of the key organisations that Nest have enrolled into their partner network are listed below:

- **Wales-wide advice-services** (e.g. Citizens' Advice Bureaux and Money Advice Service)
- **Socially excluded people** (e.g. Communities First and Food banks)
- **Older People** (e.g. Age Cymru, Care and Repair and Age Concern)
- **Families with Young Children** (e.g. Save The Children, Families First, Action for Children and Barnardos)
- **Unemployed People** (e.g. Job Centre Plus across Wales)
- **Disabled People** (e.g. Action on Hearing Loss, Sight Cymru, Deaf Blind Wales and Sense Cymru)
- **People with long-term illnesses** (e.g. Macmillan, Stroke Association, Eiriol Mental Health Advocacy and Alzheimer's Association)
- British Red Cross
- Shelter Cymru
- People's first

- Communities first
- Local Authorities.

However, the BESN evaluation reminds us, in this context, that simply recruiting a broad range of partners to work with will not - of itself - necessarily lead you to those most in need of support. In this vein, a key lesson to emerge from BESN that may be of value to a variety of sectors concerned the importance of matching types of customers to the organisations best placed to engage them. In relation to BESN, the following pairings of organisations and groups of consumer emerged as being particularly successful:

- National charities, Rural Community Councils and social housing providers, engaged more of those aged over 65 than other organisations.
- Rural Community Councils were better at reaching those off the gas grid.
- National charities reached greater numbers with disabilities.
- Local charities, a national advice organisation and social housing providers performed better at reaching benefits claimants.

Adapted from Ambrose *et al*, (2015)

3.1.3. Universal benefits can help bring affordability support to more of those that need it

Winter Fuel Payments (WFP) are a universal benefit issued as cash to all UK pensioners. The exact amount paid varies between £100 and £300 according to age and income. They have existed since 1997 and have been heralded as a success in terms of their comprehensiveness (no-one is excluded) and for increasing household expenditure on fuel amongst those most at risk of cold-related illness and excess winter death (IFS, 2011; Lloyd, 2013). In this sense, universal benefits can help ensure that no member of a group known to be more vulnerable to particular form of poverty is overlooked for support. They can also help reduce the chances of debt being incurred amongst the groups targeted. It is for these reasons that universal benefits may be of interest to the water sector.

There are, however, a number of features of WFPs which may render an equivalent benefit in the water sector infeasible. They are, first of all, a large item of expenditure for the exchequer (£2.15 billion in 2011-12) and would almost certainly not receive public funding if adopted in the water sector (Lloyd, 2013). That scale of cost alone makes an equivalent universal benefit almost certainly untenable within the water sector, although the payment value would be lower. There is also the question of 'deadweight' (i.e. how much funding is directed at households not in need of financial support). In relation to UK pensioners, one third is estimated to be in poverty (Lloyd, 2013), which would suggest that the majority of the benefit paid out is directed at households that are not in need of it - an approach unlikely to appeal to more commercial organisations such as water companies.

Although - in spite of this deadweight - there remains political support for WFP for various reasons likely to include the assumed positive impacts on excess winter deaths and cold-related illnesses and the implied savings for the NHS. The same benefits could not be claimed in relation to a water-related benefit of a similar nature. There would also be questions about which groups such a benefit should be targeted at in order to maximise the impact on water poverty, which may be difficult to answer on the basis of current intelligence regarding groups most at risk. Moreover, even if such a judgement was made, there would need to be support amongst water customers (whose opinions may not align with available evidence) to direct support at this group or groups.

It is therefore concluded that there would be a limited case for the introduction of a WFP equivalent in the water sector. However, this is not to say that any form of universally targeted affordability assistance initiative should be ruled out completely within the sector, particularly given the potential for such an approach to avoid missing eligible households due to poorly informed targeting strategies.

3.1.4. Using moments of change to embed key water affordability messages

Psychological theory contends that some moments are better than others for encouraging changes in behaviour (Prochaska and DiClemente, 1983; Prochaska & Velicer, 1997). Changes in customers' attitudes and behaviour are needed - particularly amongst customers in vulnerable circumstances - to reverse existing trends of limited engagement with affordability assistance initiatives (Allen, 2015). Water companies also seek a closer relationship with their customers in order to better understand their characteristics, needs and circumstances. The creation of such a relationship will involve a re-framing of current relationships which have traditionally been transactional in nature.⁵ The moments of change (MoC) theory (Thompson et al, 2011) - a concept championed by Defra and which has been hugely influential in energy policy and practice - provides some insights into when the changes sought might best be achieved. The basis of the theory is summarised in the following quote:

'[Moments of change are] times in a person's life where existing habits and behavioural patterns are disrupted...providing a significant opportunity to encourage behavioural [and attitudinal] change' (Thompson et al, 2011)

The elements of the theory of most relevance in this context are the precise moments of change identified as providing opportunities for attitudinal and behavioural change. The moments identified fall into two categories: personal changes and exogenous events, as follows (Thompson et al, 2011):

Personal changes:

- First home
- Parenthood
- Moving home
- Retirement
- Change in health

Exogenous shocks:

- Price changes
- Recession

Whilst a water company would be unlikely to know when a customer is entering parenthood or has experienced a change in health (unless notified by the customer), they would certainly be aware of customers moving home. They may also - depending on the data they hold on their customers - be able to identify when retirement is likely. Moving home, however, represents a critical point in the relationship between Water Company and customer and naturally presents opportunities to set the tone of the relationship and impart important information to customers, including details of affordability assistance. The medium, style and format

⁵ A view expressed by industry representatives during the Interactive Feedback Event 21st April 2016.

of this communication will be important in determining its effectiveness in conveying key messages. Both of the water companies interviewed as part this research reported that they were employing 'nudge' techniques - another highly influential theory in energy policy - to help forge a connection with customers and encourage them to engage with the messages they were trying to convey.

Broader exogenous 'shocks' (i.e. recession) will also be significant in terms of the relationship between water companies and their customers and will often represent the point at which affordability assistance is needed the most. Promoting the affordability assistance offer at the outset of or ahead of economic downturn, major welfare reforms (i.e. Universal Credit) or a utility price increase may be important in terms of reducing the potential for customers to accrue water debt.

However, despite these possibilities, caution should be exercised when considering the transferability of moments of change theory to the water sector. This is primarily because the theory has been developed in relation to pro-environmental behaviours and has not yet been tested in the context of other behaviours. Despite being very influential in terms of energy policy, the concept is still very much theory-driven and as such requires a great deal more empirical investigation to be verified. In spite of these limitations, moments of change theory can be useful in stimulating thinking about the points at which communication with customers might have the greatest impact and stand the best chance of effectively conveying key messages.

4

Insights from other sectors

Relevant insights in terms of promoting reach, take up and targeting of affordability assistance can also be gleaned from other sectors, particularly from the housing and health fields. The following good practice principles have been identified from across these sectors:

- Communicating effectively and pre-emptively identifying financial vulnerability
- Promoting routine (non-transactional) communication with customers
- Making Every Contact Count (MECC)

4.1. Good practice from the housing sector

Social housing providers have for some time been key proponents of financial inclusion agendas (CIH, 2011). Aside from their social responsibilities to their tenants, they - like water companies - are also driven by the imperative to protect their revenue and recognise that financially-excluded tenants are less likely to pay their rent. As such they too are involved in the promotion of forms of affordability assistance.

4.1.1. *Communicating effectively and pre-emptively identifying financial vulnerability*

In their review of good practice in the promotion of financial inclusion initiatives, the Chartered Institute of Housing (2011) highlight a series of lessons in relation to the targeting of affordability support, some of which is of relevance to the water sector. The CIH suggest some useful prompts that might be considered in developing targeting approaches, as follows:

Considerations when targeting support (from the social housing sector):

Communicating with customers:

- How do you plan to communicate with customers?
- How is current information targeted?
- How do you know your current communication approach is effective?

Working with tenants:

- Do you have systems in place to identify new and existing tenants who are in vulnerable circumstances? Do you offer financial health checks to all new tenants?
- Do you monitor changes in tenant circumstances – such as a relationship breakdown or redundancy – and consider what this might mean for their financial situation? What support and advice could be offered?

Adapted from CIH (2011)

These prompts highlight two key points which could apply to the targeting of any affordability support initiative and draw together several of the key good practice principles cited earlier in this report:

- The importance of developing clear plans for communicating with customers, informed by a clear understanding of what works, when and for whom.
- Developing the ability to pre-emptively identify those customers likely to require affordability support through understanding and monitoring of their circumstances.
- Taking a holistic view of customers' financial circumstances in order to identify potential affordability issues.

These key principles were also underlined by research undertaken by Sheffield Hallam University in 2015 (Ambrose et al, 2015) which explored the reasons why social housing tenants in arrears do not seek and take up support available. The study identified the need to hold robust and up to date information about customers and to be able to identify early signs of financial vulnerability, as critical to effective targeting of affordability support. In relation to the latter point, the report advocated adoption of some form of 'early warning system' whereby changes in customer behaviour (i.e. a missed payment) would trigger contact to be made. This contact would focus on reiterating the range of support on offer and encourage the customer to enter into a conversation with their housing provider. A similar approach could be adopted by water companies, whereby customers' payment information can be used to identify possible changes in their circumstances. Indeed, the importance of noting changes in customer payment patterns has already been emphasised by CCWater in their 2014 publications: Living with Water Poverty (Creative Research, 2014).

4.1.2. *Promoting routine (non-transactional) communication with customers*

The same study (Ambrose et al, 2015) revealed that many of the housing association tenants interviewed associated communication from their landlord with bad news (i.e. owing money). This perception appeared to have developed as a consequence of the transactional nature of communications between the two parties. In response, the report recommended that a more routine approach to communication is adopted from the outset of a tenancy which involves regular communication between landlord and tenant through a variety of mediums that is positive in tone wherever possible. The theory here is that routine communication will not only reinforce key messages that housing associations wish to convey but will also help overcome the notion that all communications carry bad news, providing the foundation for a more trusting relationship. These recommendations are transferable to a variety of sectors and are particularly pertinent to utility providers whose primary point of interaction with their customers is through billing.

4.2. Good practice from the health sector

4.2.1. *Making Every Contact Count*

Chapter Three provided an exploration of the potential for linkages between the water sector and health and social care providers and concluded that the usefulness of these links would be limited. However, a key agenda to recently emerge from the health sector - known as Making Every Contact Count (MECC) - is of greater potential relevance to the water sector.

MECC is an initiative aimed at promoting healthier lifestyles in order to reduce risk of disease amongst the general population. A statement issued by Public Health

England and the NHS in 2016 states that the approach should be applied across all health and social care organisations and other 'relevant agencies' across the UK including financial advice, housing, social care, employment, education and training and home safety agencies. The MECC approach is outlined in Recommendation 5 of the Nice Guidelines on excess winter deaths and illness and the health risks caused by cold homes (NICE guideline [NG6], 2015), which sets out a series of actions for health and home care professionals.

The premise of the MECC initiative is that the millions of routine engagements that organisations have with their client base on a daily basis provide a previously untapped opportunity to pass on (very brief) messages about healthier lifestyles and the importance of maintaining physical and mental wellbeing. The brevity of these exchanges is critical to the success of the initiative, as participation in MECC is not intended to place additional strain on busy professionals or to impinge on the primary purpose of the conversation (PHE, 2016).

The agenda is of potential relevance to the water sector for two key reasons:

- Utility providers are not yet identified as potential MECC partners and yet have the potential to influence the wellbeing of their customers in variety of ways, including positively through the provision of affordability assistance and the promotion of financial inclusion.
- MECC principles could be combined with efforts to work in partnership with those in routine contact with customers in vulnerable circumstances by encouraging partner organisations to pass on brief messages regarding water affordability as part of routine exchanges.

5

Suggestions for policy and practice

5.1. Scope of the chapter

This chapter highlights the key learning to emerge from the research and frames it in terms of suggestions for policy and practice across the water sector. The emphasis on 'suggestions' is important because - given the differences in practice that exist across the sector - it would not be appropriate to be more prescriptive and offer definitive recommendations for policy and practice. Instead the chapter highlights suggestions for policy development intended to be debated and developed further within the water sector.

The suggestions for policy and practice set out in this chapter are based on key messages to emerge from the evidence review but also take account of the views of key stakeholders from across the sector that were shared with the research team at a feedback event held in Birmingham on 21st April 2016. The views of stakeholders present at this event were captured on dictaphones, transcribed and analysed to help ensure that the suggestions for policy and practice made in this report are realistic and grounded in current practice.

5.2. Suggestions for policy and practice

Stakeholders attending the feedback event were keen to emphasise the different levels on which the sector operates-ranging from the national strategic level bodies such as CCWater and Ofwat down to the water companies - and the different connections and jurisdictions that exist at each level. In recognition of this, the suggestions made in this section have been divided into two sections - those which would fall primarily into the remit of strategic level organisations and those which might more effectively be taken forward at the water company level. However, a key point to emerge from both the evidence review and the feedback event is that policy and practice across the sector is varied and lessons from local level initiatives are not always disseminated across the sector. These recommendations are therefore underpinned by the assumption that a more 'joined up' approach to the sharing of good practice and lessons will be taken in future.

5.2.1. Strategic-level suggestions

Rec 1: Developing an evidence base on what works that is shared across the sector

The breadth of approaches to affordability assistance being implemented across the water sector has been commented on at various points in this report. Yet, at present two key issues are preventing this good practice and lessons emerging from the various approaches being learnt and shared. First, affordability assistance

initiatives are rarely subjected to formal, independent evaluation. Second, there are no formal mechanisms for collating and disseminating good practice and lessons across the sector. However this - as one feedback event participant reminded us - will require coordination across the various levels on which the sector operates:

'There's lots of good practice out there but it's not necessarily documented and I wonder whether there is some work to be done at various levels within the national utility organisations and elsewhere to say this is what we see at present as best practice... I think it's a bit disparate at the moment.' (Feedback event participant)

One way of overcoming these issues in future would be to dedicate a fixed proportion of the budgets for affordability assistance initiatives to monitoring and evaluation. Big Lottery Fund guidance suggests that 10 per cent would be a reasonable amount (EdComs, 2013). It may also be advisable for all such evaluations to be registered with CCWater and final reports issued to them to be made available through a central platform.

Rec 2: Developing more dynamic and flexible definitions of vulnerability

It is clear from recent publications issued by both Ofwat and Ofgem that both regulators are seeking to drive forward reform in relation to the way vulnerability is understood and responded to. Both sources are clear that broader and more flexible definitions of vulnerability will help ensure that affordability support reaches more of those who need it. However, concerns were raised in the feedback event regarding the process implications of taking a more flexible approach, for example: in terms of defining eligibility. As such there were calls for some boundaries to be placed around the concept and to maintain a primary focus on financial vulnerability.

'If you focussed on financial vulnerability you've got some boundaries around it, if you talk about vulnerability as a whole then it's a quantum leap.' (Feedback event participant)

It was also highlighted that although the will may exist amongst water companies to extend support to a broader range of customers in vulnerable circumstances, they often lacked access to the data they needed to be able to move beyond the 'usual suspects' (i.e. welfare claimants):

'We completely believe that it's not just those on benefits that should be reached but we don't have that data like the energy sector have.' (Feedback event participant)

Definitions of vulnerability have wide ranging ramifications for water companies and the implications of any re-definition will require careful consideration. This is particularly the case in the context of the duty placed on water companies to consult customers regarding who benefits from affordability assistance. It is therefore difficult for an external agency to make any overarching recommendations regarding this complex and sensitive issue. However, it is clear that there is significant scope to extend the reach of affordability initiatives to ensure that they encompass more of those who need them most. It is proposed that a national level debate is facilitated which teases out both the implications of current definitions (who is missed as a result) and the practical challenges of broadening definitions (including questions of defining eligibility) whilst maintaining a commitment to extending the reach of affordability assistance.

Rec 3: Linking into MECC

As highlighted in section 4.2, utility providers have not yet been identified as potential MECC partners but have the potential to influence the wellbeing of their customers in a variety of ways. It is therefore suggested that the potential for the water sector to link into the agenda is explored at a strategic level. The main benefits of being part of this agenda would be in the potential to benefit from exposure to best practice regarding communicating with the most vulnerable and hard to reach in society and promoting engagement with initiatives designed to support them. There is also potential for more direct benefits in so far as MECC partners may be willing to promote water affordability messages and make cross referrals into affordability assistance schemes.

Rec 4: Formalising and extending existing partnerships and links

Partnership working will be critical to the attainment of the water sector's ambitions to extend the reach of its affordability assistance offer. The case for greater partnership working is strengthened by Ofwat's observation that water customers are unlikely to have sufficient interaction with their provider to form a bond of trust (Ofwat, 2015) and the fact that the UK government are advocating a move away from data-led targeting solutions (UK Gov 2015; Lloyd 2013).

It is acknowledged that CCWater have made significant steps forward in this regard, having forged strategic links with a range of other sectors and organisations, including the DWP, Citizens Advice, the Money Advice Service and food banks, to name but a few. However, there is potential to build on this strong start by extending these conversations to other sectors and organisations identified within this report as offering opportunities to improve the targeting of affordability support including those operating in the fields of health (in the context of MECC); fuel poverty and excess winter death; housing; employment support; childcare and specialist groups focussing on age; ethnicity; disability; relationship breakdown; bereavement, etc.

It is also suggested that these conversations have a more formal basis than is currently the case and that CCWater work towards tangible outputs with these partners. Such outputs may be 'low hanging' at first, such as the inclusion of water affordability messages in material issued to the fuel poor (i.e. the Keep Warm and Well booklet issued to millions of households at the start of winter) which is already being investigated by CCWater. However, over time, it is possible that more strategic and mutually beneficial partnerships could be formed, building up to the sort of multi-sector partnership that underpinned DECC's BESN scheme and continues to drive the apparent success of the Wales-based Nest scheme.

These sorts of conversations and alliances may be nurtured at the strategic level before being cascaded down to water companies to make local level connections. However, it is also acknowledged that some water companies have strong existing links with key local and national organisations within other sectors and are therefore equally well positioned to cascade these connections upwards where strategic level relationships can be cultivated for the benefit of the whole sector. This notion of cross-pollination was supported by stakeholders at the feedback event, as the following quote illustrates:

'I guess it's two-pronged, there's national relationships with national bodies and then there's local relationships with local, and I guess they should work in harmony and there will be links between some in some cases.' (Feedback event participant)

5.2.2. Water company-level suggestions

Rec 5: Develop cross sector partnerships in order to improve access to information about customers and enhance communication with a broader range of customers

A greater level of cross-sector partnership working brings many potential benefits for water companies including: access to better data and intelligence on customers; opportunities to communicate water affordability messages to a broader range of customers including the most vulnerable and hard to reach and the generation of a greater number of referrals to water affordability schemes. Although some water companies have been successful in forging links with partner organisations across a range of sectors, practice varies across the sector suggesting that many companies are not accessing these potential benefits.

It was accepted at the feedback event that there is a spectrum of partnership working with relatively 'loose' connections at one end that may result in some cross-referrals or the inclusion of a water affordability message in a publication to more formal collaborations involving data-sharing and joint initiatives at the other. The available evidence featured in this report suggests that the more formal and strategic partnerships yield the most direct, extensive and tangible benefits and should therefore be something that water companies strive to broker.

A key challenge here will be deciding which partners to target, a decision that will involve achieving a balance between targeting those ideally positioned to assist with understanding and reaching target groups and working with those who are willing to work in partnership and appreciate the benefits of doing so. Key lessons to emerge from the evaluation of BESN regarding the importance of matching types of customers to organisations best placed to engage them, should also be borne in mind.

The process of forging new partnerships may be eased where the principle of partnership working has already been established at the strategic level, as previously outlined in Rec 4.

Rec 6: Applying MECC principles whenever there is engagement with a customer

MECC principles could also be applied at the local level by encouraging partner organisations in routine contact with customers in vulnerable circumstances to pass on brief messages regarding water affordability as part of routine exchanges. Brief training would be required to ensure partners were conveying simple and accurate messages about water affordability.

MECC principles could also be adopted within water companies in so far as every conversation or communication with a customer can be treated as an opportunity to promote open lines of communication, gather information and target appropriate support. The value of this approach was appreciated by stakeholders at the feedback event:

'The most important thing is reframing the relationship, opening lines of communication so the customer just makes contact and you can have that conversation, if the problem is that they've not got enough money coming in, there may be a social tariff solution, or is it that they've got poor financial management skills and need a bit of help. If you can have that conversation then you can look at what help can be delivered.' (Feedback event participant)

Rec 7: Piloting of more holistic debt advice approaches

In deciding which partnerships to forge and nurture, there may be value in considering the calls of Ofwat (2015) and CAS (2013) to situate water affordability within more holistic debt advice approaches. Although evidence of the effectiveness of such approaches is limited, there was support for this approach at the feedback event, on the basis that it (theoretically) may represent a more sustainable solution for customers experiencing financial difficulties. In this sense it was accepted that focussing on water affordability issues in isolation of customers' broader financial circumstances is likely to achieve only short lived results. However, where this approach is adopted it will be important for companies not to lose 'visibility' by delegating responsibility for affordability support to debt advice partners, thus undermining the relationship between water company and customer by creating greater distance between the two parties.

Rec 8: Taking advantage of 'moments of change' to embed messages around the affordability assistance offer

There was strong support at the feedback event for the notion of using moments of change, as identified by Thompson et al (2011), to re-cast the relationship between water companies and their customers and to embed key messages regarding affordability assistance. It was accepted that moving home represented a particularly important juncture in this relationship and is an event that water companies are nearly always aware of, as the following quote illustrates:

'I think in terms of what companies can do...they get lots of contact with customers moving in and out of properties and it's often treated like a transaction to just complete that data exercise, where that's a real opportunity to start building that relationship'. (Feedback event participant)

It was also apparent that some water companies were already taking advantage of opportunities to establish or re-establish relationships with customers at the point of a house move. Indeed, some companies have also used this key juncture as an opportunity to target support at specific segments of their customer base likely to experience affordability issues. For example, one company mentioned that they were working with a youth charity to identify young people living independently for the first time and to embed knowledge of water affordability support as part of a broader package of support offered by the charity.

It therefore appears that ample opportunities exist to apply the moments of change concept to sharpen existing communication strategies (communicating at the right moment to improve chances of a message being absorbed) and as a basis on which to broker new, mutually beneficial partnerships (i.e. between water companies that know when someone is moving home and those looking to support people as they make this transition).

Broader exogenous 'shocks' will also be significant in terms of the relationship between water companies and their customers and represent another key window for the reiteration of water affordability messages.

Rec 9: Building relationships with customers routinely from an early stage and developing tailored multi-channel communications approaches

Evidence from both the water and housing sectors suggests that where a transactional relationship between provider and customer is the norm, the customer may come to regard any formal communication as suspicious or representing 'bad news'. It is therefore suggested that communication between water companies and

their customers should be regular and positive in tone (featuring good and interesting news as well as money owed) from the outset in order to avoid deterring engagement. It is also suggested that this approach is adopted as part of a broader commitment to developing more tailored approaches to communicating with hard to reach segments of the customer base. These approaches should utilise (at least initially) a range of different media and channels, in order to establish what works best for whom. Such mediums and channels may include: articles in local newspapers, targeted mail-shots issued through trusted partners; websites of partner organisations and attending community events. Partners with a greater understanding of how best to communicate with particular segments of the customer base can support the development of these more tailored approaches.

Holding robust and up to date information about customers is also critical to the effective targeting of affordability support and the identification of early signs of financial vulnerability. In the housing sector, there is anecdotal evidence that 'early warning systems' whereby changes in customer behaviour (i.e. a missed payment) trigger contact to be made, have been successful in preventing the deepening of rent arrears. Such an approach could be implemented relatively easily in the water sector, where customer payment records could be used to model payment behaviour and identify digressions from usual behaviour.

Rec 10: Explore potential ways of engaging more effectively with customers on a face-to-face basis

Achieving face-to-face engagement with customers wherever possible is widely heralded as good practice across the water, energy and debt advice sectors, particularly in relation to the engagement of vulnerable and hard to reach groups. Face-to-face interactions are considered particularly effective in engendering trust and allowing the advice provider to scope the full range of issues impacting on the individual or households' circumstances. In this sense, face-to-face engagement is particularly complementary to a holistic debt advice approach which allows for a broader range of issues to be addressed.

However, the resource issues associated with a greater level of face-to-face engagement are acknowledged and it is therefore suggested - once again - that this approach to affordability support is delivered in partnership with those already working on a face-to-face basis with target groups. At one end of the spectrum, those in face-to-face contact with target groups could simply impart messages about water affordability (in a MECC style interaction) or at the other, could support individuals to make applications for support. The latter approach is more likely to secure better outcomes for customer and water companies as it circumvents the need for the customer to proactively act on a message.

6

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A1

Appendix 1: Research approach

In order to fully address the research aims outlined above, the research team developed a methodology which combined systematic evidence reviewing techniques with nine targeted telephone interviews to help supplement the findings of the evidence review and provide more detailed accounts of good practice. This methodology comprised five stages, as follows.

Stage 1: Scoping of evidence

This initial phase of the project focussed on the identification of all sources with the potential to help address the aims of the research. These sources were identified through a number of literature searching mechanisms, which together took account of all academic, policy and grey literature sources.

A comprehensive list of 27 search terms was agreed with the CCW and searches were conducted through the following channels to identify all possible sources of relevance:

- Google Scholar search - to identify relevant academic sources
- general Google search - to pick up grey literature sources
- IDOX service - comprehensive searching service subscribed to by CRESR
- Requests to submit ideas for sources and evidence issued through relevant JISC mail groups - such as those relating to fuel poverty research

Stage 2: Systematic review of relevant sources

In order to ensure that recommendations to emerge from this project are both credible and effective if implemented, they must be underpinned by a robust evidence base, all sources identified at Stage 1 were subjected to a systematic review in order to:

- Assess the relevance, reliability and validity of the sources identified. For example: a source may appear to be of direct relevance but may not be based on a robust and credible evidence base.
- Extract relevant insights, good practice and lessons
- Pinpoint exact passages, quotes or figures of relevance to the research aims

Systematic reviews originated in the health sector but are increasingly being adopted within the social sciences. They aim to find all sources relevant to the core research aims of any research project and to identify what can reliably be said on the basis of these sources. As a technique it is different to traditional literature reviews, which usually examine the results of

a small part of the research evidence, and take the claims of report authors at face value. Systematic reviewing is accountable in so far as it provides a clear justification for the inclusion or exclusion of every source included in a study. It promotes replicability and consistency, as all sources are assessed against the same set of pre-determined criteria to establish the extent of their relevance and reliability.

A review framework to underpin the evidence review was developed in consultation with the client which guided the reviewers (members of the research team) through the stages of the review. The framework required the reviewer to consider the following criteria for each source:

- Specify the type of source
- Identify the sector or industry it emanates from
- Provide a short summary of the source (aims and key arguments)
- Specify the type of data underpinning the source - primary/secondary/quantitative/qualitative
- Identify the type of affordability activity it relates to
- Identify the types of consumer the source is concerned with
- Assess the reliability of the source taking account of its age, source, credibility, robustness of methods, bias, etc.
- If relevant and reliable, identify the specific elements of the source of relevance to the research aims.

This process culminated in each source being given a green, amber or red rating, where red is not relevant and/or sufficiently reliable and green is highly relevant and robust. Only green and amber sources were included in our analysis and are cited in this report.

Stage 3: Telephone interviews

Once the evidence review was completed, a series of nine telephone interviews were undertaken to supplement the evidence review in terms of identifying good practice in relation to affordability assistance. The aim of these interviews was to identify the following:

- What has worked? Good practice in the delivery of affordability initiatives
- Why has it worked? When? And for whom? Identify effective practice in raising awareness and promoting take up of assistance.
- What has not worked, and why?

Each interview lasted up to 30 minutes. The list of organisations and individuals targeted through this exercise were drawn up in consultation with CCWater and were comprised of representatives of organisations from across the water, advice, energy and other sectors which are known to be undertaking a range of affordability initiatives or to have insights into what works, including:

- Water companies
- Energy companies
- Charitable trusts
- Lobbying organisations
- Home Improvement Agencies

- Consumer advice organisations (i.e. CAB)
- Delivery agencies in the Voluntary Community Sector (i.e. Foundations for Independent Living Trust)
- United Utilities
- British Utilities
- Ofgem
- Ofwat

Stage 4: synthesis

Over 40 green and amber rated sources were identified through the review at Stage 3. The relevant insights extracted from these sources and from the telephone interviews have been drawn together and analysed in order to identify key themes from across the body of evidence. This inductive analysis generated a series of themes of relevance to the research aims, as follows:

- What works: evidence from the water sector
- What works: evidence from the energy sector
- What works: evidence from other sectors (advice, housing, health)
- Understanding vulnerability

The findings chapter of this report (Chapter Two) is structured according to these themes.

Stage 5: interactive feedback event

The initial analysis of the evidence identified at Stages 1 to 3 was shared with water sector representatives at an interactive feedback event where those present were invited to reflect and feedback on the emerging analysis and draft recommendations in terms of their usefulness and deliverability. Feedback received from the group was recorded by the research team and has been used to shape the contents of this report, particularly the key learning set out in Chapter Three.

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Delivering Affordability Assistance to water customers: cross sector lessons

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