



Office of Sarah Bentley  
Chief Executive Officer

8 December 2022

David Black, Chief Executive – Ofwat  
Emma Clancy, Chief Executive – CCW

**SENT VIA EMAIL**

Dear David & Emma,

Thank you for your joint letter of 17 October requesting an update about how we are supporting our customers through the current economic climate. We are acutely aware that the rising cost of living means we need to enhance support for the increasing number of customers in financial difficulty. We very much appreciate the collaborative activity with CCW as we have been considering how we can best support vulnerable households.

While we are not yet seeing a tangible impact in our bad debt, the demand to speak to our Extra Care team is currently 133% of our forecast, and around 60,000 of our directly billed accounts are reducing usual payments, both of which we believe can be directly attributed to the pressures households are feeling as the cost of living crisis takes hold.

London, which accounts for two thirds of our revenue, has the highest rate of poverty in the UK, with 27% of households in London living in poverty. In the rest of the Southeast, poverty is at around 19%, although the Thames Valley still contains areas of heightened deprivation such as parts of Swindon and Reading. As you will know from your joint cost of living research, the number of customers who believe they will struggle to pay their water bill has increased too (from 21% to 32% in London, and 11% to 16% in the South East, compared to a 20% national average).

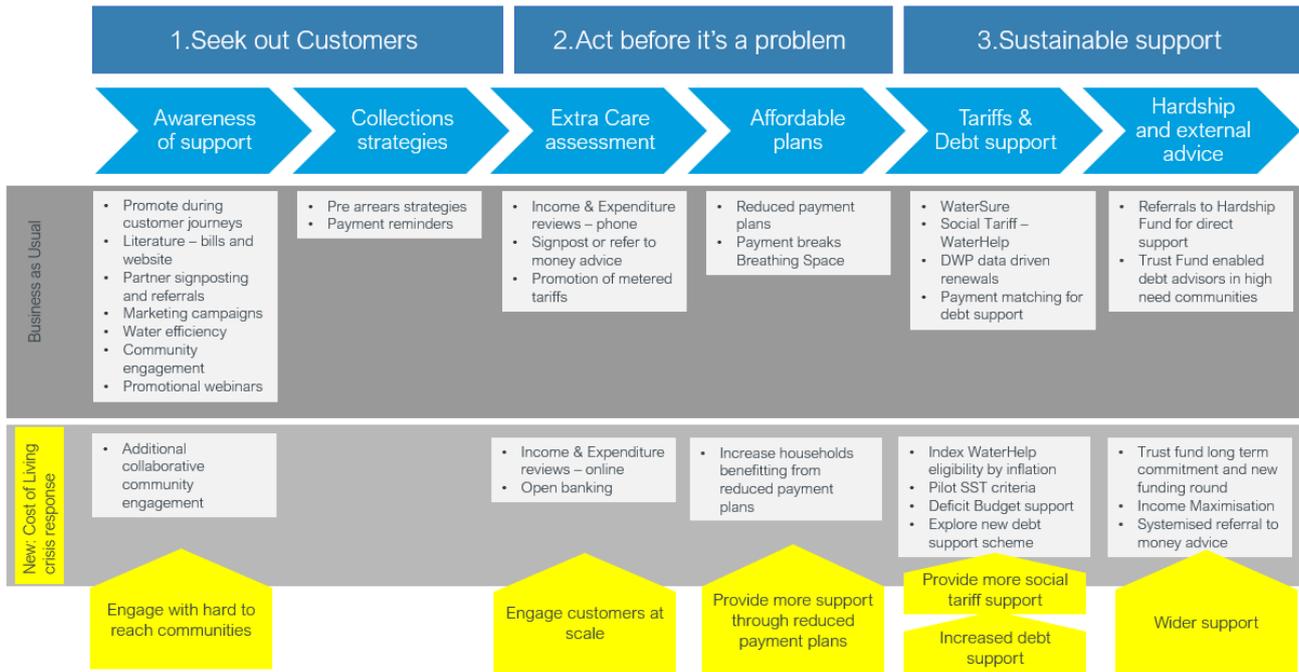
Recent estimates indicated that between 6.4% - 10.5%<sup>1</sup> (230,000 - 337,000) of our directly billed customers have bills that are unaffordable based on industry threshold of a water bill being >5% of their net equivalised income (the 'public interest threshold'), in addition to 100,000 - 140,000 households in our waste-only region, a number that will rise.

We recognise the need to increase the availability and accessibility of the support we can offer to households struggling to pay, and the need to act now to help these households when they really need us. Our urgent response to this unfolding situation has been focussed on substantially increasing our engagement to raise awareness of our existing support, irrespective of our regulatory cycles, and rapidly expanding our offerings.

The broad and comprehensive range of support currently available, plus our enhanced response in light of the cost of living crisis is summarised in the graphic below, with further detail available in the Appendices.

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<sup>1</sup> CEPA and Frontier studies



As you'll know, we are also pressing ahead in collaboration with CCW, DEFRA, other regulated water and wastewater companies and the debt advice sector to progress plans for a Single Social Tariff (SST) in advance of legislative changes.

We are clearly working within the constraints of our complex but necessary Turnaround Plan, however we are absolutely committed to supporting those customers in need. Taking care of our customers (and colleagues) is one of our six values and is at the core of our purpose.

In total our package of measures takes our support from 250,000 customers today to 324,000 directly billed and 419,000 total customers by the end of next year (April 2024), and to 530,000 by April 2025 – increasing the overall level of support by over 50% in two years starting now. In 2022/23, £58m of support has been enabled, which will increase to over £110m per year in 2023/24 with the inclusion of income maximisation.

I look forward to continuing the conversation as we develop and implement our plans and welcome your engagement to ensure we make the most of all the tools available to help our customers. If you have any questions, please don't hesitate to get in touch.

With very best wishes,



**Sarah Bentley**  
**Chief Executive Officer**

## Appendix 1 – Vulnerable Customer Support Expansion Plans

### Supporting an increased number of vulnerable households

We currently offer around 250,000 support packages<sup>2</sup> for our directly billed customers and are planning to increase this by 74,000 to 324,000 in 2023/24. This is a 58% increase in growth compared to the current year's forecast, and will result in the equivalent of 9% of our directly billed customers receiving support. This extends to 416,000 support packages when waste only customers are included, and has a value of over £110m compared to £58m in 2021/22.

This includes an increase in the amount of support available through our social tariffs. We explored customer support of an increase in cross-subsidy for our social tariff. After re-modelling the population of customers eligible for our social tariff (based on low-income eligibility criterion), we asked customers their opinion regarding an increase in our PR19 cross subsidy from £12.40 to £22 (2022 prices). This was supported, and as a result the social tariff is now available to 475,000 customers, increased from 300,000.

We have an 'always on' campaign that we have stepped up in recent months to raise awareness of our support propositions. This includes:

- Seeking to identify signs of financial hardship during customer interactions and signposting to our support or referring customers to our Extra Care team
- Regular social media posts raising awareness of our support packages
- Highlighting support in our communications with customers, for example bills and collections letters
- Media engagement, including radio interviews as part of our 'winter readiness campaign'
- Engagement with over 200 community organisations, including webinars and email updates, to increase awareness of the support available to front line advice workers.

### Adaptions to support the pilot and introduction of a Single Social Tariff

We recognise that while our low-income criteria is simple to operate and access for customers, it is not as highly targeted as the proposed Single Social Tariff (SST) will need to be. When modelling the overlap in eligibility, we see that 50% of our social tariff recipients may not be above the public interest 5% threshold. We want to put our increased cross subsidy to work now to support customers, however we are anxious not to create a cliff edge of support when the SST is introduced.

Therefore, we plan to modify our current support schemes to balance these competing drivers. We are progressing these now rather than waiting for enabling legislation or PR24:

- We increased the income threshold for WaterHelp on 1 December 2022.

Originally planned for April 2023 in line with the billing year, we have brought this forward to reflect the impact of inflation. These thresholds are index linked to external benchmarks<sup>3</sup>. The changes have increased the thresholds by an average of 5.7% to £21,749 in London and to £17,005 in the Thames Valley. The eligible population increases by 60,000 as a result, and we expect to identify 10,000 households that we will be able to support between now and the end of 2023/24, with further growth focussed on new eligibility criteria aligned to the Single Social Tariff.

- Create a new entry criterion to WaterHelp, based on having a bill to net equivalised income ratio greater than 5% (an 'affordable bill' as defined by the Water Industry Public Interest Commitment), will broaden the support provided to include more households with larger occupancy and is aligned to the expected direction of the SST.

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<sup>2</sup> Support packages used rather than unique customers as some customers may get more than one support package

<sup>3</sup> Indices are the London Living Wage and outside of London the 'Tax credit income thresholds and withdrawal rates, first threshold for those entitled to Child Tax Credit only'.

We are being innovative in how we engage this group of customers as currently the majority of those seeking support from us who are above the 5% threshold are also on low incomes. We know the 5% threshold is a complex proposition to communicate to customers and are committing to working with Debt Advice organisations to pilot referral routes to increase engagement.

We are also working closely with stakeholders to share learnings from using this eligibility criteria. If we can work with stakeholders to agree on the SST eligibility criteria by September 2023, we would implement the scheme in April 2024 ahead of legislation or regulation. At this stage the number of customers who will access WaterHelp through this route is uncertain, but we forecast this will be between 5,000 – 15,000 during 2023/24.

- Explore the creation of a temporary support scheme for those currently struggling with the impact of inflation but not eligible for a social tariff.

We plan to create a new scheme to provide a bill discount aimed at customers who have a household budget deficit. A typical recipient of this support will be those on housing benefit to cope with the high cost of housing in our region. This scheme will provide a water bill discount in the region of 25-50% for one year. We will work with our Water Only Company partners to align this proposition, where possible, with input from Debt Advice organisations and CCW. This may mean eligibility based on a new band of gross income rather than deficit budget and we are keeping our minds open on the best way to achieve this outcome of supporting customers at this time.

We anticipate 10,000 customers may gain benefit from this scheme in 2023/24, assuming we can achieve a go live date of 1 April 2023.

### **Trialling new awareness and engagement approaches**

We know we need to do things differently as some of the most deprived communities can be harder to reach and engage, so we are piloting a ‘boots on the ground’ approach in Islington with our partner Arvato, to understand the effectiveness of door knocking as an engagement channel in the community. As lead partners on Severn Trent’s innovation funded research into engagement methods with customers in vulnerable circumstances, learning is being fed into our plans and the pilot is due to complete in March 2023.

Also, we are progressing a data led approach to targeting community engagement using a range of data sources to identify communities that have the biggest disparity between perceived need and the penetration of our vulnerability support propositions. We will also be sharing this with UKPN to allow collaboration with the Energy sector.

We are also looking at how we can help households understand eligibility for support and this month have launched our online Income and Expenditure (I&E) review form. During 2023 we aim to integrate this online form with our billing systems to enable our customers to more quickly and easily understand their eligibility for support propositions and accept a payment plan in a single interaction. This online journey will complement our existing voice channel and increase capacity with more customers able to ‘self-help’, although our Extra Care team can also guide customers through completion of the form. We forecast 50,000 customers will use this channel in 2023/24 and it will increase over time.

The primary purpose of an I&E review is to create a sustainable payment plan. We anticipate 40,000 customers will be on ‘reduced plans’ paying at a rate below their charges during 2023/24, up from 10,000 currently. There is no cap on the number of customers who can benefit from reduced plans.

An important secondary benefit of the I&E review described above is using the data collected to leverage wider support. Our customers can now be referred to PayPlan for independent and free debt advice without the need to complete an additional I&E review, with support available to maximise income, with the aim to ensure customers get the right support for all their household bills, not only their water bill.

During 2023/24, we anticipate that 17%<sup>4</sup> of customers completing an I&E review, or 9,000 customers, will benefit financially from income maximisation advice as data suggests that customers may be able to claim an average £5,000 per year in unclaimed benefits and allowances.

As customers' circumstances evolve there will be customers who have been on reduced plans but have accrued arrears. Some will be able to pay this back quickly, or over a long period of time. Those that can pay their annual charges, but not their full arrears over two years, will be eligible for our payment matching scheme.

Additionally, we are investigating a long-term debt proposition for those that can't afford their current charges for whom arrears are continuing to grow. We are working through the detail but anticipate thousands of customers per year benefiting, with an average value of support of £500. We are targeting this scheme going live by October 2023.

### **Additional support**

Through our Trust Fund we have seen the benefit of face-to-face debt advice in the community for those with the most complex needs, and the transformative impact of providing essential household goods such as a bed or a washing machine. We have now committed to a two-year rolling funding of our Trust Fund at £500k per year. In January 2023 the Trustees plan to utilise this funding to seek innovative propositions from organisations that support those in financial hardship in areas of most need in our region. Our rolling commitment underpins these projects.

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<sup>4</sup> InBest – Income Maximisation service provider, £5k of benefits – 67% of customers that they support are eligible, but we have reduced this by 50% as there will be some dilution for our segment of customers and a further 50% for those that go on to complete the necessary paperwork