



Chartered  
Institute of  
Environmental  
Health

# Affordable water

Response to Defra's consultation

17 June 2011

# The Chartered Institute of Environmental Health

As a **professional body**, we set standards and accredit courses and qualifications for the education of our professional members and other environmental health practitioners.

As a **knowledge centre**, we provide information, evidence and policy advice to local and national government, environmental and public health practitioners, industry and other stakeholders. We publish books and magazines, run educational events and commission research.

As an **awarding body**, we provide qualifications, events, and trainer and candidate support materials on topics relevant to health, wellbeing and safety to develop workplace skills and best practice in volunteers, employees, business managers and business owners.

As a **campaigning organisation**, we work to push environmental health further up the public agenda and to promote improvements in environmental and public health policy.

We are a **registered charity** with over 10,500 members across England, Wales and Northern Ireland.

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# Affordable water: a consultation on the Government's proposals following the Walker Review of Charging

## Introduction

It is the fundamental belief of the Chartered Institute of Environmental Health that every household should be enabled to receive all the wholesome drinking water it reasonably needs. Mirroring a statement in the UN's "Rio Accord ", while our policy acknowledges that, traditionally, the focus of interest of public health organisations like ours in the water field has been on quality, issues of access are equally important. Whereas for the most-part we can take the safety of our supplies for granted, the emphasis of the CIEH's policy has shifted in the last 20 years from that, initially to the banning of domestic disconnections (in which we played a leading part) and since, to how rising costs are distributed against our social backdrop.

Clearly, water services have to be paid-for but consistently high quality standards mean little if consumers cannot pay for them. In the UK today, our concerns about this are encapsulated in the word "affordability" – crudely, the size of bills in relation to consumers' incomes, but inextricably related to the more complicated matters of how costs are allocated between consumers and to their differing needs. When, despite the gains of recent years, substantial numbers of households remain relatively poor while the real cost of monopoly water services continues to increase, the result, paradoxically, is a right to water alongside increasing unaffordability, but being brought into increasingly sharp relief by the advance of measured charging.

Whereas the potential consequences of that were always clear to us, it has taken governments a long time to take those seriously, nevertheless the scale of the problem is still not being acknowledged and it is not being approached in a coherent way. As to scale, the problem is no longer just for 'some households' but now for a sizeable minority and not just in the South West. Nor is the "South West problem" (of a small, relatively poor population and relatively high infrastructure costs) in fact unique to that region – it is just the worst example. Measured by the size and distribution of consumer debt, unaffordability is becoming deeper and more widespread. As to the coherence of the Government's proposals, nothing is more telling than its continuing reluctance to define affordability; not only does that necessarily undermine any efforts to address it but it also contributes to the confusion between measures actually aimed at doing that and others which are more to do with equity. Among those, moreover, are some to rectify past accounting errors which should be done regardless, wherever they occurred; those should not be misrepresented as, or traded-off against, genuine help for poorer consumers.

Our responses to the paper's particular questions follow:

**1. Do you agree that WaterSure customers should be given greater assistance with their bills by bringing WaterSure bills into line with the national average metered bill, the company average metered bill, or the actual metered charge, whichever is the lowest?**

'WaterSure' – just a re-branding of the 1999 Vulnerable Groups scheme – is thoroughly discredited. As we wrote to Anna Walker nearly two years ago, it needs to be put out of its misery as soon as possible. Never an affordability tariff as such anyway (in its compensation for medical needs in particular, its rationale is more to do with equity) and severely limited in scope, of the government's original estimate for eligible households of c.300,000 (which we showed in our 2002 analysis<sup>1</sup> to be an under-estimate), according to the most recent<sup>2</sup> figure on Ofwat's website, less than 10% (c.29,000, in fact) had taken it up. Minor relaxations of the eligibility criteria in 2005 suggest that figure is likely to be an over-estimate and according to CCWater's annual tracking survey last year<sup>3</sup>, only 5% of consumers had even heard of the scheme.

It is axiomatic that as, through metering, bills become 'personalised', any meaningful help with bills has to be based on consumers' personal ability to pay (ie not just on the size of the bill but on a consumer's available income) and it is, moreover, ironic that when metering is being 'sold' to consumers as 'fair', the only formal form of assistance for disadvantaged metered households should be of such variable value. Nothing in this proposal will change that.

**2. Should the concession granted under WaterSure to households with three or more children be delivered through a percentage discount on bills, or a free block of water per child, rather than through a cap on bills, to encourage households to use water wisely?**

In the first place, improving affordability should not be regarded as a 'concession'; in the second place, there is no evidence to suggest that these households (or almost all others) use water recklessly; in the third place, the whole point of the scheme is to enable them to continue to use all that they need and, avoiding social exclusion, comparable amounts to similar households not in such straitened circumstances. It is unfortunate that that criterion – poverty – is omitted from the question since it is not, of course, all households with three or more children which qualify for help but only those also meeting various criteria for low income, the purpose being to protect the children from the consequences of that.

We have no confidence in WaterSure at all but of the two options available, the second addresses that aim most clearly, though it will meet it only if the 'free' block is large enough; the way to ensure that would be, in fact, to cap the bill at that equating to the appropriate multiple (one or two, according to the household's composition) of the average p.c. consumption (so, around 150 l/day per adult). More to the point, nonetheless, would be to ensure a household income adequate to meet reasonable water charges like any other, non-

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<sup>1</sup> *Water Poverty in England and Wales*, Fitch M and Price H (2002), at [http://www.cieh.org/uploadedFiles/Core/Policy/Publications\\_and\\_information\\_services/Policy\\_publications/Publications/waterpoverty.pdf](http://www.cieh.org/uploadedFiles/Core/Policy/Publications_and_information_services/Policy_publications/Publications/waterpoverty.pdf)

<sup>2</sup> September 2009

<sup>3</sup> [http://www.cwater.org.uk/upload/pdf/CCWater\\_Annual\\_Tracking\\_Survey\\_2010\\_FINAL.pdf](http://www.cwater.org.uk/upload/pdf/CCWater_Annual_Tracking_Survey_2010_FINAL.pdf)

qualifying, household in particular by reflecting the true level of those charges in Income Support and JSA.

### **3. Should the cost of WaterSure in the future be met from public expenditure rather than by water customers at the company-specific level?**

As explained above, we think that WaterSure was an ill-conceived scheme which has failed and should be withdrawn. Insofar as the inability to afford water charges is a symptom of general poverty, and the relief of that is a matter for government towards which we all pay taxes, we think the costs of assistance with water charges should be met from taxation (and hence distributed across a wide base according to ability to pay) rather than from a growing levy on a smaller number of water customers, a proportion of whom are likely to be worse-off than the recipients of the benefit.

### **4. What more might be done, and by whom, to increase awareness and take-up of WaterSure?**

Notwithstanding the views on WaterSure expressed above, that so few consumers in total appear to know about it suggests that the primary fault lies with the water undertakers themselves and, in particular, that their advertising of the scheme in bills (their principal means of communication with customers) is inadequate. Though it is less clear what proportion of *eligible* consumers are aware of it, more might be done in that regard via the various other sources of advice and information they are likely to encounter by virtue of their eligibility such as family doctors and health visitors, support groups for sufferers of relevant medical conditions, benefits offices etc.

A significant constraint on take-up is, nevertheless, likely to remain that the scheme provides only a minimal benefit or even none at all – there must be many smaller households containing persons with qualifying medical conditions, for example, spending more on water than equivalent healthy households yet still less than the average (non-poor and probably larger) household in their region. This benchmark is simply wrong.

### **5. What upper limit should be specified in the guidance in relation to the level of cross-subsidy that non-qualifying households should reasonably be expected to provide under a company social tariff?**

We believe that assistance should come via the tax/benefits system, not via company schemes, nevertheless, one of the reasons why the vulnerable groups scheme has failed is that considerations of its acceptability to non-qualifying consumers took precedence from the start over considerations of affordability for qualifying ones. While this question becomes irrelevant if future funding comes from public sources (per Q.3 above), otherwise specifying an upper limit to the contributions to any future scheme, regional or national, irrespective of need, can only result in failure again and, in a sense, a waste of those contributions.

**6. Which households, if any, should the guidance suggest be considered for inclusion in a company social tariff?**

We believe that assistance should come via the tax/benefits system, not via company schemes, nevertheless it is clear that the design of any scheme must begin with consensus on what proportion of household income it is reasonable to disburse on water charges. That will then - by reference to their individual circumstances - define all those households large or small, with or without medical needs, measured or unmeasured, which should be eligible.

**7. Should companies that are introducing universal metering in their area be expected to consider a company social tariff?**

As our evidence to the Review<sup>4</sup> illustrated, there are both simpler and cheaper systems of charging, and alternative and equally effective ways of reducing demand and the CIEH opposes the choice of metering as the most complex and costly system conceivable. Facilitating tariffs intended to drive down overall demand, universal metering will increase cost pressures on the majority of households and to an intolerable extent on many while it would be perverse and unsustainable to subsidise them to the extent necessary. We believe it is unconscionable to impose meters on consumers who manifestly cannot afford sufficient water.

**8. Should the guidance encourage or discourage company social tariffs for unmetered households?**

We believe that assistance should come via the tax/benefits system, not via company schemes, but assistance with water charges should be available to every household, metered or unmetered, which needs it.

**9. To what extent should the actual concession offered in any concessionary scheme be for companies to decide?**

It is not the function of water undertakers to develop social policy and we believe that assistance should come via the tax/benefits system, not via company schemes. The scale of that assistance should be determined by an objective assessment of households' ability to pay local charges for reasonable quantities of water.

**10. Should Ofwat have an explicit power to veto company social tariffs in certain circumstances particularly where, in its opinion, a company has not undertaken adequate impact assessment, or where the proposed social tariff does not have the broad support of a company's customer base?**

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We believe that assistance should come via the tax/benefits system, not via company schemes, nevertheless should company schemes come into being, Ofwat's interest should surely be limited to that in respect of any other item reflected in its charges scheme, that is to ensure that charges are sufficient to meet the required expenditure. It would set an interesting precedent if Ofwat were mandated to intervene on the ground that an item of proposed expenditure was simply unpopular with customers.

**11. How can company social tariffs be brought forward in a way which provides adequate safeguards for all customers but minimises the associated burden of regulation and scrutiny?**

We believe that assistance should come via the tax/benefits system, not via company schemes; the possibility of 37 separate schemes (27 in respect of water plus 10 in respect of waste water for customers of the WOCs) cannot be other than bureaucratic and wasteful.

**12. Are there any other issues that you would like to see included in the Government's guidance on company social tariffs?**

We believe that assistance should come via the tax/benefits system, not via company schemes, nevertheless should company schemes come into being, they should not be reserved for consumers already in receipt of defined benefits. Though 'passporting' consumers into company assistance in that way would be simpler and cheaper there are various reasons why poorer consumers may not be eligible for benefits or may not claim them.

**13. In what ways can companies enhance the delivery of water efficiency, tariff and benefit entitlement support to households by joining up with the energy sector and with landlords, including local authorities and housing associations, and with community organisations?**

We have acknowledged under Q.4 above the role of a range of agencies in highlighting the financial help available to poorer consumers but we would not support the exchange of information about customers presumed to be under financial pressure between utility companies. We have, however, also advocated approaches such as appliance replacement used in other countries as a way of hard-wiring a reduced *need* for water rather than crudely driving down *demand* through price rationing. Particularly appropriate when demand pressures are due more to an increasing consumer base rather than increasing per-capita consumption, there is now considerable research supporting their cost-effectiveness. The introduction of such schemes might be encouraged by more stretching Base Service Water Efficiency targets for the undertakers.

**14. What balance should the government strike between using public expenditure to assist all households in the South West and providing assistance to low income households with water affordability problems, both inside and outside the South West?**

It is first of all necessary to separate the historic issue of the asset base in this region at the time of privatisation from the on-going issue related to its small and relatively low income permanent population. Rectifying the former – putting the South West on an equal footing with the rest of the country - should be done quite separately from any considerations of affordability today, in that region or anywhere else. If consumers in the peninsula were short-changed 22 years ago, that should be put right and no issue of 'balance' is involved. Similarly if the balance of sewerage charges between domestic and other consumers has been wrong, wherever that occurs it needs to be put right before the affordability of 'proper' charges (or the need for help with those) can be considered. We have also advocated in the past the transfer of highway drainage charges to the Road Fund and there are additional arguments in relation to how costs arising out of international obligations ought to be distributed.

Those things considered, it is no longer a matter of the South West versus the rest; though charges may be particularly high in that region they are only a little less in others, and increasing, while there are households in the South West which can afford their charges and others elsewhere which are struggling. That is to say that if the outstanding issues of fairness are dealt-with, there is no longer any reason to treat all consumers in the South West specially; the assistance which should be available to consumers with unaffordable bills everywhere should be sufficient.

### **15. What more can be done, and by whom, to encourage single pensioners and working-age adults living alone to opt for a water meter where this would see their bills fall?**

This is an irresponsible suggestion while the Department knows both that it would lead to higher bills in the short-term for the majority of unmeasured consumers (which they have done nothing to incur) and, in the longer-term, higher bills for the optants too as the number of measured consumers decreases; while the industry must recover its costs (including the c.£5bn capital cost of metering) the idea that metering leads automatically to lower bills is a false one.

## **Conclusions**

We argued in our submission to the Walker Review that water is special, that adequate supplies must be maintained and those those must be affordable. While, frustratingly, the Government refuses to define what is meant by "affordable" there is, nevertheless, growing evidence that those twin goals are not being met.

We welcome the Government's position on disconnection and the use of "trickle-flow" devices in debt, nevertheless there is a sizeable population of "water poor" households in our country, obliged to spend an excessive proportion of their incomes on water charges, perhaps compromising on food or heating to do so, and already spreading well beyond the tightly-defined vulnerable groups. For most, the problem is one of low income and trends in incomes and living costs suggest this group is likely to grow. Exacerbating their situation, the evidence also is that average water bills will continue to rise faster than inflation but for these households, it is pointless to consider water charges in isolation from the other challenges to



their domestic budgets. That is why we think the answer lies more with Government and the tax and benefits system than with other water consumers and piecemeal and, frankly, capricious local schemes. The current proposals, relying mostly on contributions by other water consumers just will not work.

That is not to say that the offer of Government cash, limited though it is, is not a start, nor that at the same time, the composition of water bills should not be reviewed to ensure that domestic consumers are not paying for elements which in fairness should be charged elsewhere or that variations in the structures of bills and how they reflect the balance of fixed to variable costs should not be examined. A clear recommendation of Walker, nevertheless, was that the affordability issue should be resolved *before* metering advanced further, and while that remains clearly "work-in-progress", we would like to see a moratorium on metering. Subsequently, there needs to be a little more candour about the costs of meters and where those fall, including the effects of tariff rebalancing.

It is also evident that, regardless of how water is charged-for, there is much work to be done in relation to water conservation, particularly on the practical means of encouraging the installation and use of water efficient devices and equipment. There would seem to be substantial lessons to be drawn here from policy in the energy sector and from experiences in other countries.

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