
Chapter 8

Helping customers who need our support – our response to the challenges of affordability and vulnerability

Summary

This chapter describes how we are ensuring that our services are affordable and offer value for money. It outlines the support for those customers who may be in vulnerable situations and require additional help. Our goal is that bills are affordable and services are accessible for customers, current and future, regardless of circumstance.

Customers have told us that maintaining affordable bills is a high priority. They want their bills to be predictable and be confident in the service quality they can expect. Our plan is designed to make bills more affordable for all our customers, while at the same time improving the level of service provided. It reduces average bills for dual service customers in AMP7 by 3.2%¹ in real terms compared to the forecast for 2019/20. We also project that bills will remain flat in real terms through AMP8 and commit to continuing to provide a range of assistance to customers who are struggling or at risk of struggling to pay.

As the provider of essential services, we must make sure that the service is accessible for customers, including those that are in vulnerable circumstances. We consider a customer as being in a state of vulnerability when they “require additional help and support to receive an accessible and inclusive service. The barriers to service may be transient or permanent in nature.” Our plan reflects an innovative approach to providing accessible, tailored support for customers in situations of financial and/or non-financial vulnerability who may require additional help from us.

This is a key priority in our plan. As part of being **brilliant at the basics**, we have set two outcomes in our plan to keep our bills affordable and support customers in vulnerable circumstances.

We also include four bespoke performance commitments (PCs) that are linked to affordability and vulnerability – two of these are designed to improve the affordability and fairness of bills overall (discussed further in Chapter 13 and TA 13.2), and two are specifically designed to measure the effectiveness of the support we provide to customers in vulnerable circumstances.

Chapter headlines at a glance

- In the past we have focused on both keeping bills affordable and supporting customers to afford their bills where they were struggling to pay. We exceeded the target set at PR14 with a total of 230,000 interventions to support customers to afford their water bills. In addition,

we have improved our support for customers in vulnerable situations through alignment of our Priority Service Register to the energy sector and establishing our Safeguarding Customer Welfare policy

- In AMP7, average bills for customers will fall by 3.2% for dual service customers. We are adjusting the Regulatory Capital Value (RCV) run-off rate to deliver a smooth and predictable bill profile, in line with customers' expectations, and project that we will keep dual service bills flat in AMP8
- Notwithstanding this, we predict approximately 90,000² unique customers may require support to pay their bill by the end of AMP7. We will continue to provide financial support to those facing genuine hardship, and our plan is built to be able to support 155,000 customers through core schemes and tariffs, alongside helping customers to reduce their own bills through water-efficiency campaigns and discounts. We will measure the effectiveness of this support as a PC. By the end of AMP7 at least 90% of customers who receive financial assistance will continue to pay their water bill
- We will also support customers that need further help. This means providing effective support to customers struggling with other (non-financial) forms of vulnerability so that 90% of those receiving this support are satisfied it meets their individual requirements. We will measure the effectiveness of this through a PC
- We will improve the way we identify customers who need our help and build awareness of our services through collaborating with trusted partners that form our Customer Inclusion Partnership Network (CIPN), such as Age UK and Citizens Advice
- We will deliver our support through a dedicated affordability team whose members will case manage customers who need help, to ensure that assistance goes to those in genuine hardship and meets individual needs – something our customers have said is important to them
- Working closely with colleagues in other companies across the South East, we will, wherever possible, adopt a common approach to supporting customers.

8.1 Key facts relevant to affordability and vulnerability

Key facts	Measure	
Customers surveyed who find their current bills affordable (2017/18)	%	72%
Cumulative interventions to support customers to afford their bills since 2015	#	230,000
Reduction in real average bills during AMP7 for dual service customers	%	3.2%
Estimated number of customers that may struggle to pay their bill in 2024/25	#	90,000
Customers we will support in 2024/25 through core schemes and tariffs ³	#	155,000
Cross-subsidy on dual service bills to fund our bespoke social tariff 'Essentials'	£	6
Projected bill reductions for customers through financial assistance in 2024/25	£	£17.7m
Number of customers we will support with non-financial assistance by 2024/25	#	58,000

8.2 Past performance: Customers have benefited from over 230,000 tailored services

Managing affordability and supporting customers has always been important to us. For AMP6 we set two PCs reflecting our ambition to improve in this area. These were:

- the number of customers receiving support through our financial assistance schemes
- the proportion of customers who feel they get value for money from our services.

AMP6 PC – The number of customers receiving support exceeds our AMP6 target

In total since 2015, we have made 230,000⁴ interventions to support customers afford their bills and carried out over 90,000 debt advice and benefit entitlement visits with our customers.

This exceeds our target level of performance. At the end of 2017/18, we were supporting 62,000 unique customers through core schemes and tariffs⁵ and in 2016/17, we had approximately 140 customers per 10,000 receiving support through our social tariff, compared to the industry average (WASCs) of 80 customers per 10,000⁶. To manage individual cases and tailor support for customers to pay their bills, we created a dedicated affordability team in 2018.

AMP6 PC – Customer perceptions of value for money have increased since AMP5

The proportion of customers who feel we deliver value for money has increased since the end of AMP5, though we expect to narrowly miss our target level of performance – by the end of AMP6 we expect 57% of customers to feel that we deliver value for money (the target was for 61% of customers to hold this view).

We have also supported customers who struggle to pay their bills

We have helped customers to manage their own bills through our Universal Metering programme, which increased meter penetration to 87%, and water efficiency support. This, coupled with improved debt management practices, has meant that more customers have been able to pay their bills and doubtful debts have fallen significantly as a result.

However, we know there is still more to do. Our doubtful debt is still among the highest in the industry, and the proportion of customers who continue to pay after receiving financial assistance has fallen from 70% to 60% over the past three years, indicating that we need to work harder to make sure that the support provided is aligned to customers' needs and monitored effectively.

(See TA 13.1 for more detail on reducing outstanding debt.)

Throughout AMP6 we developed, refined and integrated our approach to supporting customers. Improvements include our Safeguarding Customer Welfare policy. At the end of 2017/18, 16,000⁷ customers were registered on our Priority Services Register (PSR), but we are below industry average on this measure.⁸ By working with the energy sector and aligning approaches, we are making our PSR easier for customers to find the support they need.

Comparative analysis

In 2016, the British Standards Institute (BSI) carried out a gap analysis of our service against the International Standards Organisation (ISO) for Inclusive Service: Identifying and responding to consumer vulnerability.

The analysis identified that we:

- have a good understanding of requirements
- could increase the accessibility of our website
- could improve our training and understanding of risk factors
- can improve our approach to debt management
- can improve our processes, policies, objectives and performance monitoring.

We have already addressed many of the findings of the BSI report, for example with our improved approach to debt management and our #heretohelp awareness campaign.

(For more information see TA 13.1 and TA 8.1.)

We were pleased that in some areas, our activities have been highlighted as at the forefront of the sector. A small number of relevant case studies are presented below.

Case studies: AMP6 activities⁹

Case study



Working with experts through our CIPN

Our CIPN, comprised of organisations such as Mind, StepChange, Huntswood, AgeUK, Citizens Advice, Business Disability Forum and local authorities, challenges our approach, plans and support provision and will help us identify customers requiring support. Our operational teams work closely with local charity partners, such as Age UK's Age Friendly Island team in the Isle of Wight where we support transport for residents between various social clubs, while Age UK has helped our front line teams understand the true meaning of 'age friendly'.

Case study



Using data sharing to identify customers requiring support

We worked with Brighton and Hove City Council, Sussex University and the Consumer Council for Water to use consumption data to target water efficiency affordability support. The UK Regulators Network referenced our work in delivering support to these customers in social housing. Separately, our collaborative working and financial assistance passporting with water-only companies in our region has helped us to support more customers. We also successfully lobbied the government to include the water sector in the provisions of the Digital Economy Act. This increases the likelihood that data-sharing initiatives can be used to support customers in vulnerable circumstances across the water sector.

Case study



Cross-regional collaboration

We are innovating in our approach to tackling vulnerability in our region through our initiation of a cross-regional network of water services providers in the South East that supports customers who need our help. Our objective is to implement a common approach, where appropriate, to supporting customers. This will increase the consistency of support across the region, removing unnecessary complexity and thereby allowing customers to access the support they require without having to contact multiple organisations.

These case studies show that Southern Water can through collaborative working and innovative delivery lead approaches to managing affordability and vulnerability. Overall though we are clear we have more to do in AMP7 including increasing the accessibility and effectiveness of our support. (See TA 8.1 for more information on past performance.)

8.3 Affordable bills: In response to customer preference bills are coming down

Our plan to keep bills affordable for customers is based on two key principles. Firstly we will not move money between AMPs, and secondly we will use financial levers available to us within the AMP in order to keep bills affordable and consistent with what our customers have told us is important.

Customer views on affordability and value for money in AMP7 show bill levels are a high priority

We have listened closely to our customers' views on affordability and value for money both now and in the long term. Customers have told us they place a high priority on maintaining bills at an affordable level. Household customers and, specifically, customers in vulnerable circumstances view it as one of their key priorities for the short term, and an intermediate priority for the future.

Customers want bills to be predictable and want to be able to plan their finances. However they also questioned whether lower bills now mean higher bills in the future, and want us to invest now to help ensure service is maintained for future generations.

Most customers (72%)¹⁰ find their bills affordable today although there is growing uncertainty about the future.

Many are experiencing household bills rising more quickly than income. Those finding bills unaffordable today feel they will continue to struggle in the future, with hardship felt to be more related to larger bills (such as energy and Council Tax). Many refer to water bills being much lower than others – “half that of my energy”.

Customers also find the predicted bills within the business plan affordable

- 74% affordable or neither/nor, 24% unaffordable
- However, there is a significant minority (23%) who rate the bill as neither/nor and our qualitative work shows concern about wider economic and political uncertainty.

Wider economic hardship is the reason some customers find the future bills unaffordable (24%)

- Low income earners are experiencing household bills rising above their income
- Lower income earners under £15,000 are significantly more likely to find future bills unaffordable.

Our plan results in bill reductions in AMP7

In AMP7, one of our five customer outcomes is to make sure bills are affordable for our customers. This is part of being **brilliant at the basics**.

Our AMP7 plan results in a 3.2% bill reduction in real terms for dual service customers and a flat bill profile (see Table 1 below). We also note that at PR14 Ofwat intervened in a number of cases to smooth bill profiles so they were flat or nearly so in real terms. We believe this approach is consistent with the views of customers, and we have adjusted bill profiles accordingly.

Table 1: Illustrative AMP7 bills (constant prices)

£	19/20	20/21	21/22	22/23	23/24	24/25	AMP7 average reduction ¹¹
Water (all customers)	149.5	146.3	146.0	145.8	145.7	145.6	-2.4%
Waste (all customers)	272.7	265.8	265.7	265.8	265.8	265.6	-2.6%
Dual	422.1	408.6	408.6	408.6	408.7	408.6	-3.2%

We have designed interventions to keep bills affordable in AMP7

An important part of reducing bills and keeping them affordable is achieving efficiency across our wholesale and retail plans. Our plan targets our best estimate of efficient costs, this means significant savings across our wholesale plan and a material reduction in our retail costs. To deliver these savings we are leveraging the benefits of innovation and technology, corporate transformation and increasing the use of partners and collaboratively delivery.

(For more information on how our plan reduces bills for our customers see Chapters 13 and 14.)

To keep bills smooth and predictable, in line with customers' preferences, we are adapting RCV run-off rates in each year of the plan while ensuring our average run-off rate in AMP7 is in line with the natural rate for each price control. This protects customers from volatility caused from unpredictable fluctuations in cost profiles.

We note that we could choose to make use of the pay-as-you-go (PAYG) and run-off levers to soften the impact on bills arising from the transition to the Consumer Prices Index Housing (CPIH). We have chosen not to do this. We consider that the bill reduction we are proposing will be welcomed by our customers, and to introduce smoothing via the PAYG or RCV run-off levers to reduce or eliminate the rise caused by the switch to the (CPIH) would be both confusing and would place the burden unduly on future customers.

We will also limit the change in bills that results from Outcome Delivery Incentives (ODIs) to £5 between any two years. This would have the effect of spreading ODIs in excess of this level over multiple years.

(For more information see Chapter 6.)

We are committed to helping customers reduce their own bills.

Our plan includes measures to help customers reduce their own bills. As part of our **Target 100** programme we are supporting our customers to reduce their consumption. As 87% increasing to 91% of our customers have water meters, a reduction in consumption will directly lead to a reduction in the bill for individual customers. We summarise some of the key initiatives that will help customers to reduce bills in Table 2 below.

(For more information see Chapter 11.)

Table 2: Taking action to help customers reduce their bills

Initiative	Description
Smart metering	More customers will benefit from lower bills by reducing their consumption. We will provide daily consumption meter conversions to customers that want one, which gives them the ability to see daily usage and take actions to reduce their consumption and bills as a result.
Water efficiency	We will complete 100,000 water efficiency visits in AMP7, combining water efficiency and customer-side leakage detection to help customers save water and reduce their bills. We will also provide free water-saving devices and encourage developers to fit water efficient devices and appliances in new homes.
Customer incentives and discounts	We will launch an innovative discount scheme for customers who interact through digital channels and use online services. Customers will receive discounts for online sign-up, paperless billing, submitting meter readings, and paying by direct debit.

We also have a range of financial assistance available to customers struggling and at risk of struggling to pay their bills. This is summarised in 8.5 below.

Improving our service to deliver more value for money in AMP7

We will deliver value for money by improving service in the areas customers care about, at a lower bill level as compared to AMP6.

Right across our plan, we are delivering improved services for customers. Our plan is grounded on 10 key outcomes which cover the areas of particular importance for customers. In AMP7, we will deliver stretching levels of performance across 43 PCs that have been generated through our customer insight programme and based on customers' willingness to pay.

(For more information see Chapter 6.)

In all major investment decisions, we have embedded the importance of affordability and value for customers. For example, our approach to optioneering, explained in detail in TA 14.5, is based on a multi-criteria decision framework at both programme and scheme level. The core assessment criteria, whole-life cost benefit, is directly related to the value customers receive from investment over the longer term (this includes customer willingness to pay).

In addition, the assessment includes broader affordability considerations and wider societal value such as natural and social capital, where applicable. This ensures that the plan takes account of the full value of investment options, as appropriate. It also ensures that investment proposals deliver the best overall value for customers, while also ensuring they can be delivered at a cost that is affordable and that customers are willing to pay.

Maintaining the affordability of bills in the longer term

Lower bills in AMP7 will not mean higher bills for customers beyond 2025. To bring stability and predictability to customers we expect AMP8 bills to be broadly flat, given that we expect Totex to reduce but there may be an increase in the WACC.

Taking responsible decisions now allows us to deliver long-term affordability and value

We have taken responsible decisions now, to make sure that we deliver high levels of service for customers in the future, as well as affordable bills. For many of our PCs, our investment plan allows us to continue to improve beyond 2025 – we are investing now to deliver value in the future.

(For more information see Chapter 6 Outcomes, Performance Commitments and Outcome Delivery Incentives.)

In considering appropriate values for key financial levers (such as PAYG and RCV run-off) we have not systematically departed from natural rates during AMP7 (on average). As a result we have not pushed recovery of relevant revenues into subsequent AMPs, but have used these levers to support affordability, by profiling bills so that both water and waste customers receive similar bill reductions. That said, there may be one-off changes to prices which results from RCV increase and/or future Totex allowances that prompt one-off price changes into AMP8. Analysis at this stage suggests that any such changes would be small.

In order to determine our programme and scheme investments, we conducted whole-life cost benefit modelling which allowed us to compare programme and scheme options over 10, 20 and 60 year periods. In our decisions over investment programmes and schemes, we used a 20 year view to help us to plan far enough into the future, but not so far that we cannot adapt to rapid changes in the industry. Through focusing on these whole-life costs and benefits, we seek to ensure that quality of service and affordability of bills is maintained beyond 2025.

(For more detail see TA 14.5.)

An example of one of our **5 transformational programmes**, **Network 2030** will help us deliver resilient water services and maintain long-term affordability

Network 2030 is our plan through AMP7 and AMP8 to ensure water supply networks can cope with the pressures placed on them from climate change and population growth.

Through **Network 2030**, we will rationalise and automate networks to improve connectivity, and embed smarter technology. This will mean that our networks are resilient for future generations and our services are resilient to extreme events. We will deliver these improvements without increasing costs to customers. This secures for future generations a reduction in disruption to supply, and affordable bills. (For more information see Chapter 11.)

8.4 Reach & Support: through engaging with our customers and stakeholders we have developed a new strategy to support customers who need our help

While we are taking steps to make bills more affordable in AMP7 and AMP8, we know that some customers will require additional financial assistance to pay their bills. We also know that customers may face other challenges which mean they need our help in other ways.

As the provider of an essential service, we need to deliver an affordable, accessible and supportive service to all our customers. This is a key priority in our plan. As part of being **brilliant at the basics**, we have set an outcome to support customers in vulnerable circumstances.

Reach & Support is our action plan for supporting customers who need our help. This has been developed through consultation with customers and our CIPN, and a detailed review of cross-sector good practice.

Reach & Support covers:

- customers struggling to pay or at risk of struggling to pay (financial vulnerability)
- customers in other circumstances of vulnerability.

Customer views on supporting those who need our help

Our engagement with customers indicated that customers view supporting customers in vulnerable circumstances as a high priority. We have also undertaken specific research to understand customers' requirements across different circumstances.

Overall, our customers in vulnerable circumstances identified four areas that we need to focus on:

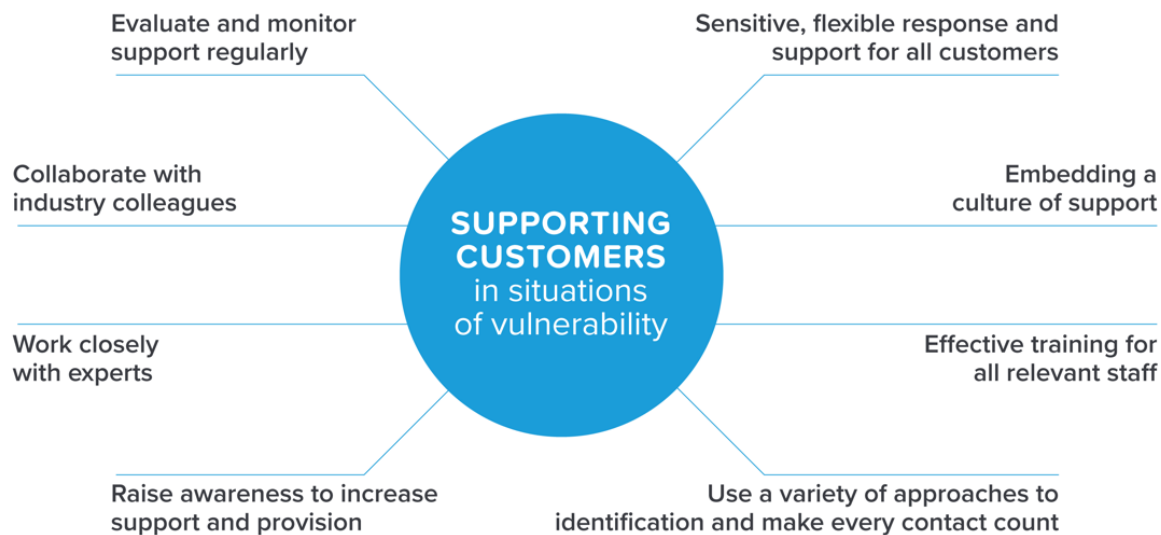
- **Listen to me:** adapt to and understand my particular requirements
- **Talk to me:** inform and educate me about what is available
- **Support me:** monitor, anticipate and adapt to my needs
- **Involve me:** maintain the relationship with me.

These four focus areas are crucial in the overall strategy we have developed for AMP7.

We have identified clear themes in delivering effective support for customers

Financial services, energy and telecoms have improved their support packages, partially driven by increased regulatory focus. The Financial Conduct Authority (FCA) and Ofgem both introduced guidance to ensure customers in vulnerable situations are fairly treated, for example, Ofgem's annual Social Obligation Reporting.

Drawing on a wide range of insight across sectors, we have identified key themes in supporting customers in circumstances that make the vulnerable¹². These themes formed a large part of our overall strategy for supporting customers, set out below.



Reach & Support combines everything we do today with the measures we will implement in the next three to five years into a comprehensive strategy. It aims to enhance the support for customers that are, or at risk of, struggling to pay their bills, *and* those in other situations of vulnerability, to ensure we deliver an accessible and inclusive service. It has five key pillars and one cross-cutting theme, illustrated in Figure 1 below.

Figure 1: Reach & Support



A number of new activities underpin our **Reach & Support** approach, and apply to our support for customers irrespective of the reason they need our help. These are summarised in Table 3 below. (See TA 8.1 for further information.)

Table 3: Key activities within Reach & Support

Pillar	Key activities
Identification and accessibility	Simplified process for disclosing circumstances and requirements using leading methodologies. Awareness-raising campaigns including our #heretohelp initiative and rural community work. Trigger-based approach to identification to make every contact count.
Support and services	<ul style="list-style-type: none"> ■ See section 8.5 for support for customers that are struggling to pay ■ See section 8.6 for support for customers that have wider requirements.
Delivering with expert partners	Increased signposting to external support. Formalisation of partnerships with members of our CIPN. Increased partner collaboration to help with identification and referrals.

Organisational processes	Data and analytics to provide proactive support to those who need our help. Expert-led staff training. Dedicated affordability team to deliver support.
Evaluating our approach	Expert audit of our performance through our CIPN. Ongoing customer engagement to improve support provided. Individual case management to ensure support is tailored to individual needs.
Cross-regional approach	Cross-regional data sharing with companies in South East. Cross-sector data sharing including pilots with EDF and SSEN. Alignment of support provision with water companies in the South East including social tariff eligibility.

8.5 Most customers support us providing financial assistance to people struggling to pay their bills

Customers who struggle to pay their bills or are at risk of struggling to pay their bill are in situations of financial vulnerability, and may require targeted support to help them to pay their bills. Our approach is designed to provide financial assistance to customers that goes beyond social tariffs, and delivers support that make bills affordable for all our customers.

Our support for customers struggling to pay is delivered as part of **Reach & Support**.

Understanding why customers fail to pay their bills

We carried out research to understand why customers fail to pay their bills. This research identified four main reasons:

- **Forgetfulness/disorganisation:** 32% of customers did not pay their bill because they forgot. The infrequency of bills and the lack of direct debit facilities for some can lead financially-vulnerable customers to forget about and not pay their water bill
- **Waiting to pay:** a lack of understanding about the cost of water and how much water appliances and activities use can lead to high bills
- **Unable to afford to pay now:** 15% of customers did not pay their bill because of a temporary inability to pay
- **Can't afford to pay at all:** some customers face high levels of existing debt, low incomes, or high consumption requirements for reasons such as medical or family needs.

Our range of financial assistance helps customers who can't afford to pay now or at all.

(For our approach to tackling wider barriers to payment see Chapter 13 and TA.13.1.)

Our customers have expressed views on how to support those who struggle to pay

Customers have told us that they want us to provide support to customers who struggle to pay their bills.

In particular, they have told us they want us to:

- **provide targeted support:** gain a better understanding of customers in vulnerable circumstances and provide assistance to those who are struggling to pay where there is genuine hardship
- **create formal partnerships:** work with expert agencies and organisations to jointly create efficient support initiatives
- **provide social tariffs:** to those in need, linked to household income, as well as other support such as water-efficiency advice
- **be empathetic, flexible and proactive.**

Our Customer Challenge Group (CCG) endorsed our methods of engagement with customers on their priorities and when they need our support, including when they're at risk of struggling to pay.

At PR14, we had support for a cross-subsidy of £2 on dual service bills in order to help us to support customers who needed assistance to pay their bills. For PR19, we have carried out further analysis to understand what customers are willing to pay on top of their current bills (i.e. on top of the current cross-subsidy) to help reduce the bills of customers struggling to afford them.

- Overall, 60% said that they find a social tariff acceptable. This can be compared to 30% who stated that they find a social tariff unacceptable. Opposition to a social tariff was largely based on a moral set of judgements including questioning why the individual should have to pay extra. 60% agreed with the approach of linking eligibility to total annual household income rather than as a percentage of household income spent on water bills. Only 15% objected to this approach, while a further 25% said they didn't know
- Dual service: at an increased contribution of £4, 63% of customers either find this acceptable or don't mind. 50% of customers find this net acceptable, with only 32% of customers finding this net unacceptable. 21% of customers find this very acceptable with only 15% finding this very unacceptable
- Wastewater-only service: at an increased contribution of £2.40, 61% of customers find this acceptable or don't mind. 42% of customers find this net acceptable, with 18% of customers finding this very acceptable. 33% of customers find this net unacceptable with only 16% finding this very unacceptable.

As 63% of customers accept (or don't mind) paying a further £4 on top of existing bills, our plan includes a total subsidy of £6 for social tariffs (i.e. the existing £2 subsidy, plus the additional £4 subsidy). This applies to the Southern Water "Essentials" tariff. Southern Water funds wider financial assistance available to customers (set out below) and the ongoing engagement, administration and delivery of this assistance.

Analysis of customers that could be struggling to pay in AMP7 is lower than in 2017/18

Our analysis indicates that, by 2024/45, we could have 90,000 customers who are struggling to pay, and 162,000 at risk of struggling to pay. This is lower than in 2017/18 which reflects the bill reductions we will implement in AMP7.

Table 4 below sets out the analysis based on an assessment of projected bills as a proportion of projected customer income.

This is similar to the analysis we carried out at PR14:

- bill-to-income ratio > 5%: struggling to pay
- bill-to-income ratio < 5% and > 3%: at risk of struggling to pay¹³.

Table 4: Affordability in our customer base^{14,15}

	17/18	19/20	24/25	30/31	35/36	40/41
Number of customers struggling to pay	98,000	102,000	90,000	92,000	89,000	87,000
Number of customers at risk of struggling to pay	153,000	165,000	162,000	165,000	165,000	165,000

Our plan provides a range of support to customers that struggle to pay their bills and are at risk of struggling to pay

We continue to offer a range of schemes, tariffs and other assistance that support customers that cannot afford to pay now or at all. This is summarised in Figure 2 below.

Figure 2: Support for customers that struggle to pay or are at risk of struggling to pay

Core schemes and tariffs		
<p>Essentials Social Tariff</p> <p>Our bespoke social tariff supports customers who struggle to pay due to relatively low incomes. We provide a discount of 20 to 90% based on the bill-to-income ratio of the customer requiring support. We are simplifying the eligibility criteria by aligning with other water providers in our region. This will make support easier for customers, as they can quickly determine if they are eligible and reduce costs through more efficient passporting across the region.</p>	<p>NewStart</p> <p>Our money-matching scheme provides a route out of debt and back to good payment behaviour for customers falling into debt and not making regular payments, perhaps due to low income or temporary challenges. We match any payment that customers can make towards their debt, no matter how small. We have improved NewStart compared to PR14, by making the eligibility criteria resilient to manipulation. This means that support is only provided to customers who genuinely need it as per our customers' expectations.</p>	<p>WaterSure</p> <p>We provide capped charges for customers who have high consumption for reasons such as medical requirements or having large numbers of children. Customers must have a water meter, and receive some certain benefits, to receive this support.</p>
<p>Water Direct</p> <p>This scheme is operated in partnership with the Department for Work and Pensions and allows for customers in receipt of prescribed benefits, with arrears of at least £50, to pay directly from their benefit receipt.</p>		
Payment plans		
<p>Payment Plans</p> <p>These support customers who face a variety of barriers to payment including high consumption, low income and temporary challenges. Our collections agents tailor payment plans to help them manage their payments and get back on track.</p>	<p>Payment Holidays</p> <p>Our payment holidays will provide customers experiencing transient vulnerability with breathing space and a break from bills. They will be managed by our affordability team who will also provide a payment plan.</p>	
Other support for customers struggling to pay their bill		
<p>Water efficiency advice visits</p> <p>These are for customers who struggle to pay their bills as a result of high consumption. In AMP7, applications for financial assistance will be reviewed for consumption profiles, and referrals for advice will be automatically triggered.</p>	<p>Specialist debt advice</p> <p>We provide bespoke debt support to customers that are struggling to pay their bills and have outstanding debt, using a field-based debt advice capability that supports customers at home. In AMP7 we are bringing debt advice visits forward in the collections process and will integrate our benefits entitlement checks into debt advice visits.</p>	<p>Referral to expert partners</p> <p>When the support our customers require exceeds what we can provide, we work with the StepChange debt advice charity to help customers experiencing acute financial vulnerability to access the support they require.</p>

(Go to TA 8.1 to see how each type of support tackles customers' specific challenges.)

Our support will be delivered through our dedicated affordability team, launched in 2018. This team will lead in the proactive identification of customers requiring support as set out above. They will also work directly with customers to make sure that the support provided overcomes their specific barriers to paying, providing a flexible and empathetic service through a case management approach.

We are also considering funding a tariff that promotes engagement with customers that are disengaged with the bill payment process. We are piloting this in 2018, and it would provide a time-limited 20% discount to customers, conditional on them re-engaging with the payment process.

Key benefits for customers

The awareness amongst our customers of the financial assistance available will increase from 37% in 2017/18 to 54.5% in 2024/25 as a result of our improved approach to identification and accessibility¹⁶.

This will help us to increase the number of customers who receive support. Table 5 below sets out our projections for the number of customers we will support in AMP7 by scheme, tariff and intervention.

Table 5: Number of customers supported through financial assistance (000s)¹⁷

	17/18	19/20	24/25
Ongoing schemes			
Essentials	39.1	58.8	108.1
WaterSure	10.4	14.4	24.6
New Start	13.8	14.4	31.6
Water Direct	7.7	9.4	13.4
Total unique customers supported	62.0	84.6	155.1
One-off support for customers			
Special Debt Advice Visits	19.5	24.0	27.7
Water Efficiency Advice Visits	-	1.4	0.9

We project that we will provide a total subsidy to customers of £17.7 million in 2024/25. This is an increase of over 150% compared to 2017/18. In 2017/18 the total benefits of our financial assistance to customers and our business was £11 million¹⁸.

Our support will also be more efficient in AMP7, helping to reduce our overall costs, and therefore bills for customers.

Our four step process for ensuring our support is efficient is to:

1. make sure it is closely aligned to specific barriers to payment
2. challenge the eligibility criteria of schemes and tariffs
3. use a dedicated team to monitor and deliver support
4. validate our approach with customers.

(For more information see TA 8.1.)

The overall **Reach & Support** approach will deliver a step-change in the effectiveness of financial assistance (i.e. the proportion of customers who are able to pay their bills following the receipt of assistance). This will be measured through our bespoke PC, set out in 8.7 below.

Customers are supportive of our approach to financial assistance

Our plans are aligned with the preferences of our wider customer base, who asked us to provide support to customers where there is genuine hardship, while improvements to our eligibility criteria mean that our support is more clearly targeted. The majority of our wider customer base support the use of social tariffs, our plan to align it to an income threshold, and the level of cross-subsidy.

Support for our approach to financial assistance is particularly high with customers in situations of long-term vulnerability. 51% of customers on our Priority Services Register (PSR) think this is a great idea. Our CCG has endorsed our final approach for supporting customers at risk of struggling to pay and agreed that **Reach & Support** includes appropriate and accessible support for customers in circumstances that make them vulnerable.

"Southern Water reduce our bills which is amazing. Money is so restricted in our household. When I have missed a date they have backdated it to our benefit, which I thought was really, really nice."

Customer

8.6 We will transform our customer experience to reach and support our customers who need additional help

In addition to when they require financial assistance, customers may experience circumstances where they require additional, wider support from us. Some of this is non-financial. While non-financial vulnerability does not necessarily cause barriers to payment, the two are closely linked. Citizens Advice found that 54% of their indebted clients have difficulties in at least one other area¹⁹.

Customer views on wider circumstances of vulnerability.

Customers support the idea of us providing assistance to those who need extra help accessing our services, identifying it as a medium priority.

Customers in vulnerable circumstances and our CIPN have identified four key ways for us to provide easier access to services and support:

- **Empathy for each situation:** be understanding of individual circumstances and difficulties
- **Proactive advice:** easy access to information on wider support available
- **Simplified engagement and flexibility:** choice of channel, time of contact, flexibility around payments and easy to fill in forms
- **Support through charitable organisations and carers:** support delivered by organisations and carers who they know, trust and interact with regularly.

Our wider customer base believe we should be focusing on the following areas when providing support:

- **Collaborate with others:** work with other organisations, especially expert partners, to better understand vulnerable needs and deliver effective support
- **Provide targeted support:** increase our understanding of those who need our help to better target those who require assistance.

Many of these requirements are embedded in the design of our overall **Reach & Support** approach. For example, our use of data to provide proactive identification and our close collaboration with expert partners. (see section 8.4 and Table 4).

We have also used this information to develop specific assistance types for customers, as set out below.

We have identified customers that face wider vulnerable circumstances

Our analysis indicates that we could have up to 372,000 customers a year facing long-term vulnerability, requiring assistance and an inclusive service, and up to 145,000 facing transient vulnerability²⁰.

We have analysed vulnerability at the level of specific circumstances. Table 6 below sets out four examples of circumstances that customers might face, and the associated requirements identified through our research. (See TA 8.1.)

Table 6: Identifying the requirements of customers in potentially vulnerable circumstances²¹

Circumstance	Needs and requirements	Potential customers
Longer-term vulnerability examples		
Sight impairments	<ul style="list-style-type: none"> Practical support through channels for disclosure and discussion Simplified communication processes such as forms and variety of channels Staff trained to understand loss of sight. 	43,000
Mental health challenges	<ul style="list-style-type: none"> Service providers to listen closely and understand the situation Engagement at appropriate times Support completing tasks included, for example, meter reading Flexible debt repayment if appropriate Minimising stress that water and water consumption can cause through not pushing behaviour change. 	86,000
Transient vulnerability examples		
Short-term medical dependency	<ul style="list-style-type: none"> Support and understanding regarding debt and financial difficulties Practical help filling in complex forms, advice on consumption reduction Understanding and flexibility from providers Advice on rights and benefits and signposting available support. 	26,000*
Bereaved	<ul style="list-style-type: none"> Time and space to adjust at their own pace Simple processes for changing account details and registration Financial advice from trusted sources and charities Understanding and flexibility from providers. 	84,000*

*In a given year

We recognise that each customer's circumstance is different and whilst customer segmentation is important, we do not rigidly segment customers operationally.

Reach & Support provides a range of support to customers who face a range of wider vulnerability circumstances

We primarily offer non-financial support to customers through our PSR. For AMP7, we are expanding the extent support is available from 29 types of support to 53 types. In doing so, we will exceed the assistance defined by the Consumer Council for Water (CCW) as 'core assistance'²², in order to offer all the support types that CCW identify.

Table 7 below provides examples of the support we provide now and will provide in AMP7.

(For all the support that we provide and will introduce in AMP7, see TA 8.1.)

Table 7: Examples of non-financial support

Assistance category	Example support available now	Example support available in AMP7
Safety	<ul style="list-style-type: none"> Advance supply interruption notice Emergency water supply for customers who medically need it. 	<ul style="list-style-type: none"> Emergency water supply for customers unable to leave their property, with cognitive disorders or are nursing mothers.

Mobility	<ul style="list-style-type: none"> ■ Help reading the water meter ■ Help if flooding (caused by a company asset) occurs. 	<ul style="list-style-type: none"> ■ Knock and wait – giving a longer time to answer the door.
Accessible communications	<ul style="list-style-type: none"> ■ Nominated contact for bills (friend, relative or carer) ■ Large print and braille bills. 	<ul style="list-style-type: none"> ■ Nominated contact for incidents (friend, relative or carer).

For AMP7, we will also introduce dedicated support for customers who experience transient vulnerability – whether this is financial or otherwise. This will primarily be provided through our Payment Holiday scheme, summarised in Figure 2 above.

We have embedded the wider requirements of customers in our Reach & Support framework. We will deliver Reach & Support and the specific support services within it through dedicated teams, using a case management approach. This will ensure that we provide support to customers that is tailored and meets their individual requirements.

Key benefits for customers.

The awareness within our customer base of the non-financial support available will increase from 44% in 2017/18 to 50% in 2024/25 as results of our improved approach to identification and accessibility²³.

This will help us to support more customers through our PSR. We will increase the customers we support from 16,000 in 2017/18 to 58,000 in 2024/25²⁴.

Partially though supporting customers in circumstances that make them vulnerable, we will increase the accessibility of our services for our customer base. The proportion of our customers satisfied that our services are easy to access will increase from 64% in 2017/18 to 77% in 2024/25.

The overall approach will increase the effectiveness of the non-financial support we provide. In particular, it will increase the extent to which customers in vulnerable circumstances are satisfied that the support provided meets their requirements and needs. This will be measured through our bespoke PC set out in 8.7 below.

8.7 We have set ambitious targets linked to affordability and vulnerability

Our plan includes four bespoke PCs that are linked to affordability and vulnerability.

Two are designed to improve the affordability and fairness of bills overall, rather than the support provided to customers in vulnerable circumstances. These are:

- void properties
- household gap sites

(For more detail, see Chapter 13 and TA.13.2.)

The remaining two PCs are designed to measure the effectiveness and perception of the support we provide to customers who need our help (including those who struggle to pay). These are:

- effectiveness of financial assistance
- satisfaction with vulnerability support.

We have challenged ourselves to deliver particularly stretching targets on these commitments. This demonstrates our determination to ensure that Reach & Support delivers effective assistance to customers in situations of vulnerability.

Our PCs have been developed in conjunction with customers, our CCG and our stakeholders. The detailed commitment definitions and approach to development and targets are explained in Chapter 6. It also outlines our rationale and customer support for replacing existing AMP6 PCs with these more stretching commitments.

These AMP7 PCs are outlined in Table 8 below.

Table 8: AMP7 performance commitments

Performance commitment	Outcome	Description	2024/25 Level	ODI type
Effectiveness of financial assistance	We make sure our bills are affordable for our customers and we support our customers in vulnerable circumstances.	The % of customers that pay their bills following the receipt of financial assistance.	90%	Non-financial
Customer satisfaction with vulnerability support	We support our customers in vulnerable circumstances.	The proportion of customers that have received non-financial support that believe Southern Water addresses their individual requirements and needs.	90%	Non-financial
Void properties	We make sure our bills are affordable for our customers.	The number of residential properties that are classified as void and are therefore not billed as a percentage of total residential connected properties. Reducing the number of void properties will increase the number of customers that we bill and therefore could reduce the average bill for customers.	2.1%	Financial out-performance and under-performance
Household gap sites	We make sure our bills are affordable for our customers.	A PC to monitor our success in tackling household gap sites. The measure is to be developed over the next two years and agreed with Ofwat. In the interim our target will be set on a percentage improvement in performance for the last four years of AMP7.	1.25% improvement per annum	Non-financial

8.8 Our programme is supported by our CCG

As part of our risk-based programme of assurance, Oxera provided assurance on our affordability models. They confirmed that the models were internally consistent and the assumptions used were reasonable.

(For further detail on the scope of assurance work and related findings, see Chapter 2.)

In addition, our CCG has endorsed our final approach for supporting customers at risk of struggling to pay and agreed that **Reach & Support** includes appropriate and accessible support for customers in circumstances that make them vulnerable.

8.9 Improvements are targeted and efficient, providing clear benefits to customers

Reach & Support is targeted, efficient and effective to deliver clear benefits to customers

- **Targeted:** **Reach & Support** will help us to significantly increase the number of customers who are in genuine hardship that benefit from support. The support, financial and non-financial, will be aligned and targeted to the requirements of individual customers, made possible through data sharing, formal partnerships with experts, and case management by specialist teams
- **Efficient:** we have challenged our approach to efficiency by identifying and prioritising best practice with input from a wide range of customers and other stakeholders, and implementing programmes with a high customer benefit-to-cost ratio²⁵. Our financial assistance schemes have gone through a further efficiency challenge process²⁶
- **Effective:** supported and monitored by our CIPN and our AMP7 PCs, we will deliver effective support for customers. Effectiveness is the extent to which our support enables us to deliver an inclusive service to customers, meeting customers' individual needs, and making sure that customers who struggle to pay are able to pay their bills.

Costs of Reach & Support

The total (business and customer) cost of providing financial assistance to customers in 2017/18 was £9.9 million²⁷. The operational expenditure associated with delivering affordability assistance in 2017/18 was £1.2 million.

To deliver the new programme set out in 8.4, 8.5 and 8.6 will cost us £300,000 in one-off costs, and £1.1 million per annum in new ongoing costs.

(For more on how we have challenged these costs for efficiency see TA 8.1.)

Our actions in support of customers will help us become *brilliant at the basics*

Our aim is to deliver services that are affordable, accessible and inclusive for all our customers. In doing so, we will become *brilliant at the basics*.

We will reduce average bills by 3.2% in AMP7 and keep them flat in AMP8. The profile will be smooth and predictable, allowing customers to plan their finances, and we are investing now to deliver resilient services for future generations.

Built on a closer relationship with customers, our **Reach & Support** strategy will enable us to support our customers that need our help. For those customers that struggle to pay their bills, we will provide a range of financial assistance. We will support 155,000 customers by 2024/25, with 90% of customers receiving this support able to pay their bills.

Beyond financial vulnerability, we will support our customers who face barriers to receiving an accessible and inclusive service. We are expanding the range of support we provide, including introducing payment holidays for those in transient vulnerability, and will work closely with experts and cross-sector colleagues to deliver effective support and identify customers in need of assistance.

We will deliver services that are affordable for all our customers, and provide effective support to customers who need our help.

Technical Annexes:

TA.8.1	Tackling Affordability and Vulnerability.docx	Approach to understanding the prevalence of and required support for affordability and vulnerability issues in our customer base.
--------	---	---

References:

- ¹ The calculated bill reduction for a dual service customer is 3.2%. This is based on our forecast actual bill for 2019-2020 and Ofwat's bill analysis for AMP7. Ofwat's model reflects an allocation of retail revenues based on a 1.3 times multiplier for dual service customers. Our actual bills use a difference allocation method. This clarification applies to all references of bill reductions of c. 3% in the plan.
- ² Our analysis is set out in Technical Annex 8.01.
- ³ Essentials Social Tariff, WaterSure, Water Direct, NewStart (see 8.5 for definitions)
- ⁴ Southern Water Annual Performance Report 17-18
- ⁵ Note this figure differs from those reported in data tables WS18 and WWS18. The figures in the data tables correspond to the aggregated customers on our four core schemes and tariffs. Here we adjust for customers on multiple schemes and tariffs.
- ⁶ Consumer Council for Water – Staying afloat: Addressing customer vulnerability in the water sector (2016-17)
- ⁷ Data Tables: App4 A13. The support provided through our PSR is broken down into categories and this is outlined in our App4 Data tables. The App4 data tables also include a variety of other quantitative metrics which provide information on our performance and ambition relating to affordability and vulnerability.
- ⁸ Consumer Council for Water – Staying afloat: Addressing customer vulnerability in the water sector (2016-17). For more information see Technical Annex.08.01.
- ⁹ UKRN – Making better use of data: A report for water and energy companies (2017)
- ¹⁰ See APP4 Data Tables for further information.
- ¹¹ Note that the illustrative AMP7 bills adopt the assumption made by Ofwat in relation to the implementation of the retail price control in deriving average bills
- ¹² Further information on best practice to support can be found in TA 8.1.
- ¹³ For further analysis see TA 8.1.
- ¹⁴ Note that bills are calculated before interventions to support customers with affording their bills.
- ¹⁵ Where a customer receives either water or wastewater only services from us, we have used equivalent bill-to-income thresholds (for more information see TA 8.1.).
- ¹⁶ Data Table: App4 A9
- ¹⁷ Note: not all schemes and tariffs are projected. In particular, we omit projections of our schemes and tariffs which primarily support customers facing transient vulnerability.
- ¹⁸ Data Tables: App4 A7
- ¹⁹ Citizens Advice (2016) – A debt effect? How is unmanageable debt related to other problems in people's lives
- ²⁰ For more information on a wider range of long-term and transient circumstances, and detail on the approaches taken to calculating the potential scale of customers facing such circumstances see Technical Annex.8.01
- ²¹ SWS vulnerability analysis
- ²² Core assistance defined in CCWater: Special Assistance Schemes Review (2016)
- ²³ Data Table App4 B12
- ²⁴ Data Table App4 B13
- ²⁵ Our efficiency challenge process is set out in TA 8.1.
- ²⁶ For more information on how we challenged each of our initiatives for efficiency and how we ensured AMP7 support is cost-efficient for customers see TA.8.1. Chapter 13 Retail Controls also shows how we are delivering benefits to customers without increasing costs.
- ²⁷ Data table: App4 A8