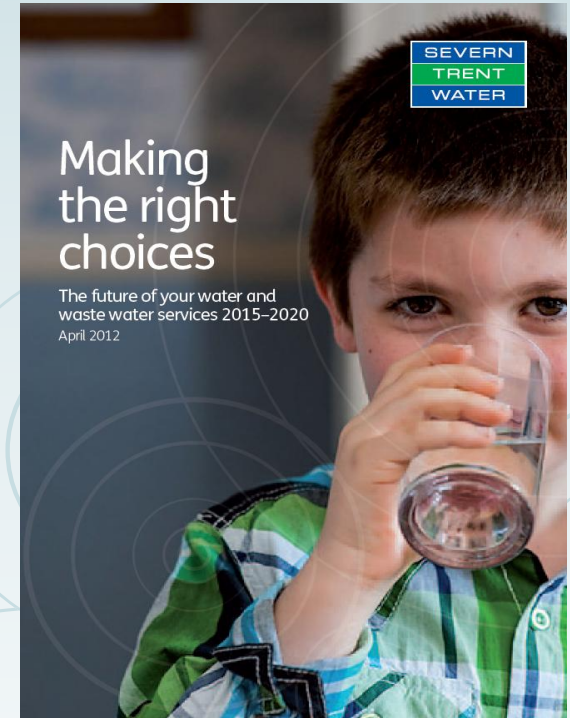


Making the right choices

Helping our customers who struggle to pay

Stakeholder workshop

6 September 2012



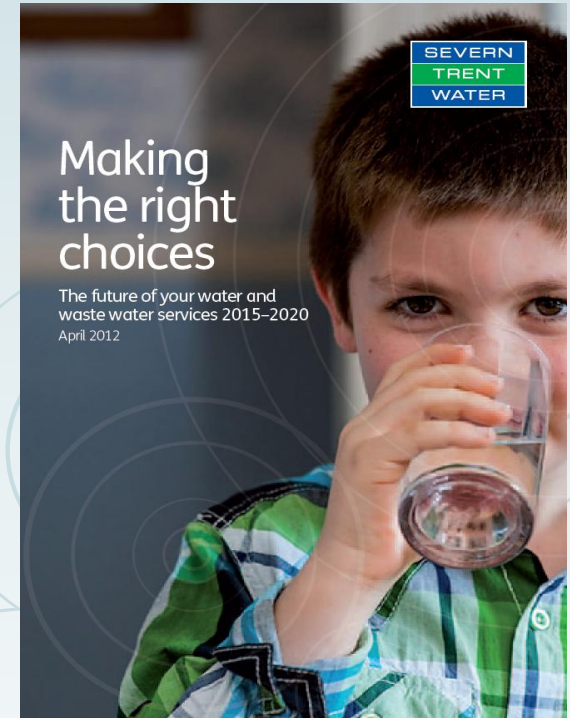
Making the right choices

Helping our customers who struggle to pay

Simon Mullan

Customer Relations

6 September 2012

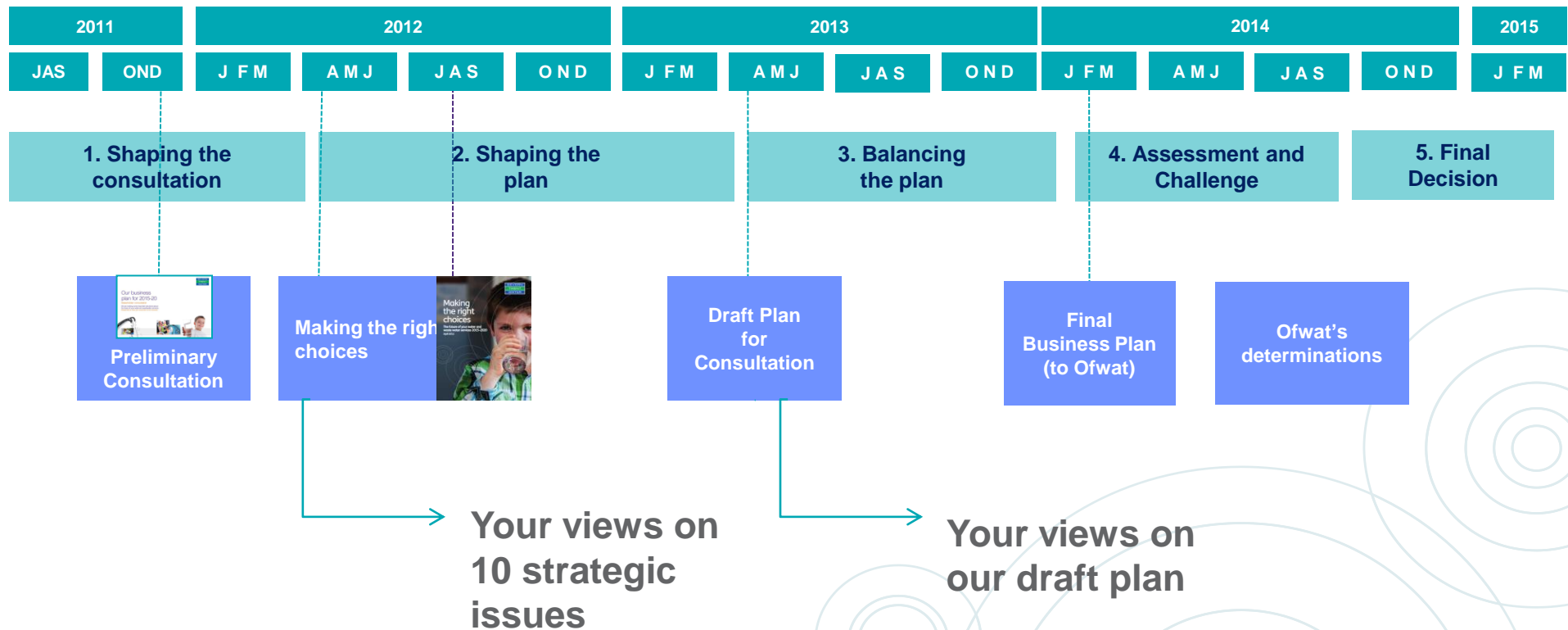


Making the right choices: DVD



Today is part of a programme of consultation

We will use what you tell us today, together with the outcome of customer research, to develop a draft plan.



Helping our customers who struggle to pay

Today we will focus on helping our customers who struggle to pay, but please also keep in mind the broader context:

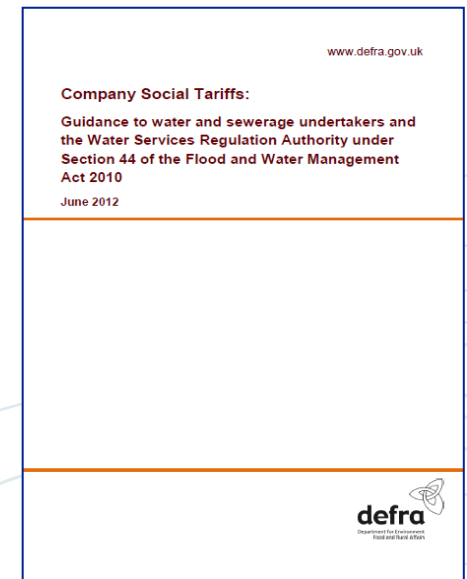
Upward pressures on our bills



Slow economic growth



New Government guidance



We have choices to make



Who do we help?



**How much do we
help them?**



How do we help them?

Today is about understanding your views

We would like to understand:

1. What you believe are the big issues relating to water affordability
2. What you think about how we currently help our customers
3. What you would like us to do in the future



Introduction from Green Issues Communiqué

The role of GIC

- Independent workshop facilitation
- Ensuring the comments are noted
- Production of the Stakeholder Participation Report

Format for the day

- Part1: How do we already help our customers who struggle to pay?
- Part 2: What should we do in the future?

Agenda

When	What
10.15 – 10.30	Welcome from Severn Trent Water
10.30 – 10.40	Welcome from GIC and your expectations
10.40 – 10.55	Presentation 1: How do we already help our customers who struggle to pay?
10.55 – 11.50	Your views
Break for Coffee	
12.00 – 12.15	Presentation 2: What should we do in the future?
12.15 – 13.10	Your views
13.10 – 13.15	Close and thank you
Finish with lunch	

What are your expectations?



Part 1: How do we already help our customers who struggle to pay?

Laura Bennett

Customer Relations, Credit Management team

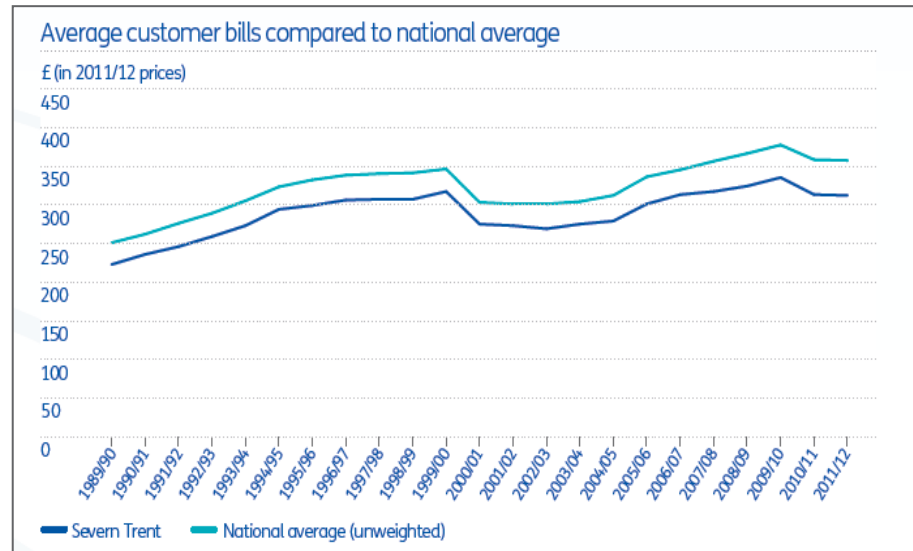
6 September 2012

A decorative background graphic consisting of several concentric circles and arcs in a light blue color, creating a ripple effect across the bottom right portion of the slide.

Severn Trent Water

Key facts:

- Serving 8 million customers
- 3.2 million domestic accounts
- Lowest average combined bill in England and Wales
- In our region 9% of our customer spend more than 5% of their annual income on water charges*
- **However only 2% of our customers don't pay their water bill**



*source: Ofwat analysis of Family Resources Survey 2008/2009

Methods of payment

Of the 2.1 million payments made during June 2012:

Payment Method	% of customer base
Direct Debit	69.6%
WaterCard/Pay Point	17.9%
Bank Giro	5.2%
Debit Card	2.9%
Water Direct	1.8%
Postal Order/Cheque	1.5%
Debt Agency	1%
Credit Card	0.1%

Existing schemes

Water Direct (c45,000 customers)	WaterSure (c6,000 customers)
<ul style="list-style-type: none">• A Government run scheme aimed at assisting those who are unable to budget• Small deductions taken at source and paid to creditors.• Maximum £3.55 for arrears• Governed and maintained entirely by DWP• STW will not take an unemployed customer to court• 4 eligible benefits	<ul style="list-style-type: none">• National Scheme• Charges capped for metered customers• Customers on a low income• Large families• Customers with medical condition which require high water usage

Existing schemes

Single Occupier Assessed Charge	Assessed Volume Tariff
<ul style="list-style-type: none">• Tariff for customers who are unable to have meter fitted• Live alone• Based on property – £200 for a flat	<ul style="list-style-type: none">• Tariff for customers who are unable to have meter fitted• More than one occupier• Based on property type - £386 for semi detached house
Free Meter Option	Water Efficiency
<ul style="list-style-type: none">• Fitted free of charge• Possible reduction in charges• 12 months reversion option	<ul style="list-style-type: none">• Pro-active team in STW• Partnerships with housing providers• Free devices available to all• Reduces charges

Existing schemes

We have a number of support schemes in place to help those in genuine need

Support scheme	Unemployed	Low income	Disabled	Elderly	Medical issue leading to high water use	Customers currently on scheme (rounded)
Water Direct	✓	✓		✓		45,500
Water Sure	✓	✓			✓	6,000
SOAC (Single Occupier Assessed Charge)	✓	✓	✓	✓		6,500
Severn Trent Trust Fund	✓	✓				3,500
Total						61,500

Severn Trent Trust Fund

- The Trust Fund was formed in 1997
- STW have donated £46 million to date
- Over 300,000 people have benefitted from the fund
- C. £4 million has been allocated to support debt advice in the region
- Offer debt advice and budgeting advice
- Pro-active project to assist difficult to reach customers

Together scheme

Trial scheme launched in 2010

- Scheme to assist low income customers or those going back into work
- 3 year scheme with eligible customers chosen following field visit – 500 customers in total.
- Eligible customers unable to maintain normal payment and not eligible for any other STW scheme (Trust Fund grant for example)
- Each year customer must pay half of current years charges plus £50 towards arrears – STW will match payments each year, clearing the remaining arrears at the end of year 3.
- Limited results:
 - only 6% remain active on the scheme
 - 7% have had amounts matched
- Lessons learnt – poor customer selection, should third party administer scheme to improve customer involvement?

New initiative for 2012 – The Big Difference Fund

- £500k charitable donation to Coventry Citizens Advice Bureau
- Pro-active project to assist customers within Coventry & Leicester
- CAB contact customers with high arrears who have not responded to STW
- Once engaged customers receive CAB appointment to assist them with:
 - Debt and financial issues
 - Financial education
 - Benefit checks to ensure claiming their entitlement
 - Sign posting to other services if required (health concerns for example)
 - All utility bills ensuring correct tariffs and schemes

Customer research

Communication

What do our customers want?	What have we done?
Water Direct leaflet – font pale and too small	New leaflet designed
Comms via housing associations and Councils	Now work in partnership with 8 housing providers
Increase awareness of Water Direct	Promotion via contact centres, training debt advisors
Improved comms from STW when payments missed	Text messages, outbound calls
0845 – barrier to customers contacting STW	Currently being looked into – date of free phone number TBC
Younger people unaware of need to pay water bills	Education team visit schools
Improved STW website – links to other organisations	New STW website to launch in September 2012.

Other

What do our customers want?	What have we done?
STW only promotes CAB for financial advice – why not recommend others?	We now also promote CCCS
Single occupiers should receive discount	We now have a single occupier tariff
Home visits	Pro-active work by the STTF & CAB include home visits
All help offered is for people on benefits – what about those who work?	Together Scheme Trial

Working with external agencies



SEVERN TRENT TRUST FUND



CONSUMER CREDIT *Counselling Service*
A Registered Charity



The Wrekin
Housing Trust

AGE
Concern

Education
Development
& Advisory
Services **EDAS**
Foundation



WE ARE
MACMILLAN.
CANCER SUPPORT



DWP Department for
Work and Pensions



Community
Legal Service



North Warwickshire
Borough Council

whitefriars
HOUSING



midland heart
housing, care and more



fomework
opening doors to homeless and vulnerable people

Discussion



Discussion

We would like to know....

1. From your experience, what are the big issues relating to water affordability?
2. How far do you believe our current approach goes towards addressing these issues?
3. What more can we do to encourage take-up of our schemes?
4. How do you think we compare to other utilities?

Part 2: What should we do in the future?

Dale Kenwright

Strategy and Regulation team
6 September 2012

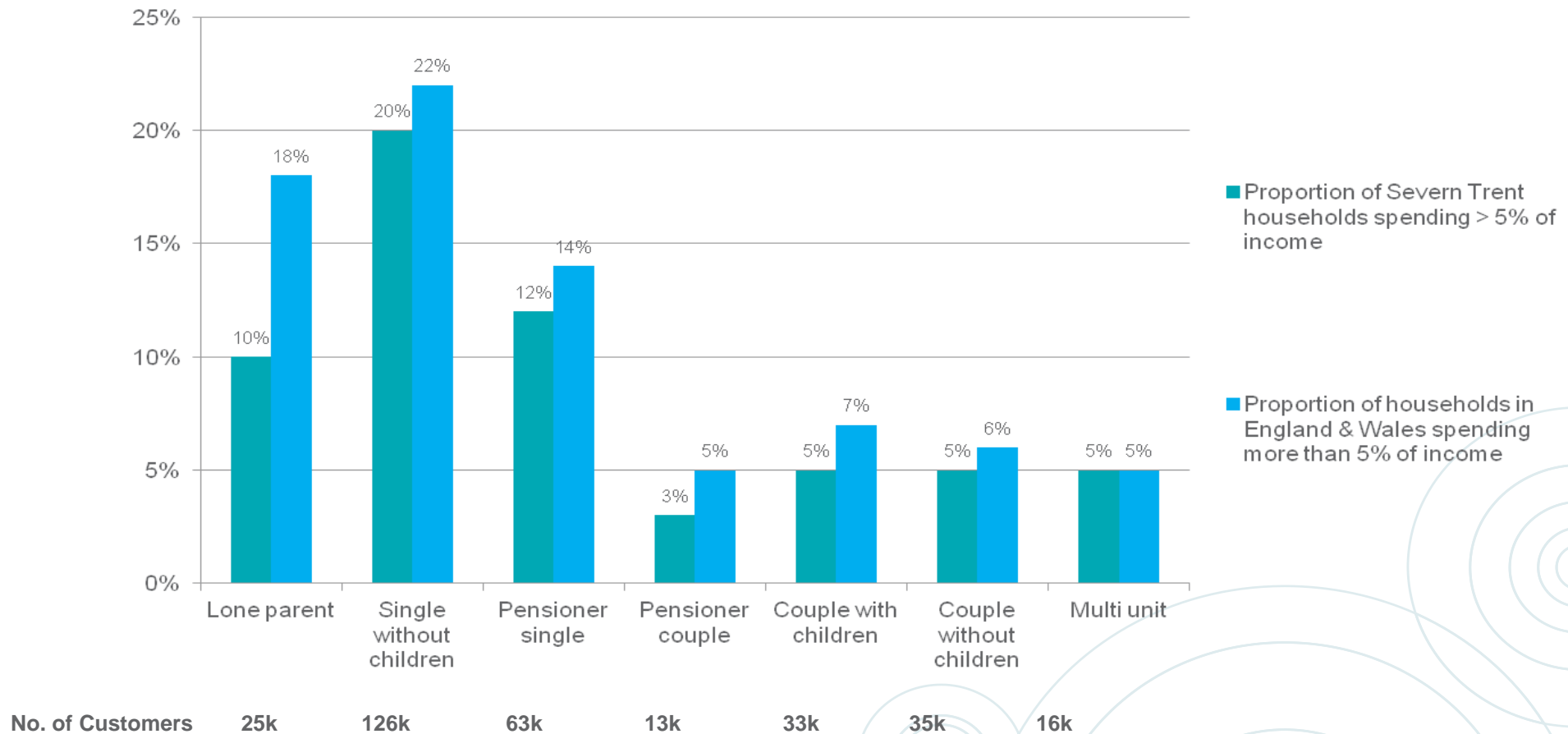


Introduction

Affordability is a complex issue

- Our average household bill for 2012-13 is £325
- We want help to understand:
 - who needs assistance?
 - those in genuine need
 - influence long term behaviours and ability to pay
 - minimise bad debt
 - how much do we help them?
 - customers are telling us they are prepared to pay an extra 1% on their bill to help us address the issue
 - this would equate to £3.25 per customer or around £10m a year
 - how can we best help them?
 - there are many different types of customers in different circumstances
 - there are many different approaches we could adopt to help them

Who needs assistance?



How much should we help them?

An illustration.....

- Our current average household bill is £325
- A 1% additional contribution would provide circa £10m per year
- Do we help a lot of customers a little?
 - reduce all 311,000 customers bills by around £32 per year
- Do we help a few customers a lot?
 - reduce the bills for all pensioners by £238 per year.
- However, any of the above would increase our average household bill to £328

Customer types experiencing difficulties paying their water bills

Low earners

- In work but now struggling (squeeze on low incomes and credits)

Changing circumstances

- Used to paying bills, less aware of what help is available

On the move

- Arrears / difficulties as result of house move

Financially naive

- Poor financial management skills / not exploiting payment options

Chaotic lives

- Live day to day compounded by social problems

Disability issues

- A notable % of Trust applications with disabilities & problems with changes to ESA

Behind a language barrier

- Multi-ethnic customer base

Won't pay

- Bill can be afforded with different choices

How do we help them?

- Clearly one size doesn't fit all
- We need to identify the most appropriate solution for each customer
- Some examples:
 - pensioners, who are on low incomes and are paying high unmeasured bills may benefit from a combination of metering and water efficiency measures
 - low earners who are financially naive may benefit more from advice on benefit entitlement, budgeting, payment options and the Severn Trent Trust Fund (STTF)
 - customers who historically have been good payers but who have found themselves in debt or struggling to pay as a result of a change in circumstances may benefit from debt advice from the CAB/STTF or assistance via the 'Together' Scheme or STTF
- The above are examples, we would like to know your views and how a 'social tariff' might fit in with this

Discussion



Discussion

We would like to know....

1. What is the right balance? Should we help a lot of customers a little or a few customers a lot?
2. Which customer groups do you think we should be helping and why? Can you prioritise them?
3. How do you think we should determine eligibility?
4. What is the right type of support for these customers?
5. In what circumstances do you believe a social tariff should be offered?

Thank you



Next steps

We will feed back to you:

- A copy of Green Issues' report will be available.
- Our Water Forum will discuss this report.
- When we publish our draft plan in April 2013, we will explain how views have been taken into account and the choices we have made.
- You can give us your views on whether we have made the right choices in our draft plan.



You can find out more at:

[www.severntrent.com/makingtheright
choices](http://www.severntrent.com/makingtherightchoices)