A2: Addressing affordability and vulnerability

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In this appendix we explain in more detail how our plan addresses the issues of affordability and vulnerability. This appendix is designed to be read in conjunction with Chapter 7: Addressing affordability and vulnerability.

In Part A – Improving Affordability, we discuss our approach to improving the affordability of our services to customers in both the short and longer term. We first explain how we have sought to understand the affordability challenge in our region. We then discuss the levers we have identified that we can use to improve the affordability of our services before focusing on our approach for AMP7. Based on our approach, we then discuss:

- the efficiency and effectiveness of our approach;

- how we are improving the accessibility of our support;

- customer support for our proposals; and

- key input from our Water Forum.

For further information please see:	• Appendix A1: Engaging customers, which sets out more detail about our customer engagement.
	• Appendix A11: Aligning risk and return, which explains how we are balancing risk and return and also detailed our engagement on bills over the medium term.
	• Water Forum report, which covers in detail the challenge from the group and retail sub-group.

In Part B - Supporting our customers in vulnerable circumstances, we discuss our approach to how we support customers in vulnerable circumstances. We set out how we have worked to better understand the complex, individual circumstances that may make our customers vulnerable, which then shapes our resulting 10 point response. This part focuses on:

- how we have engaged customers and stakeholders to understand how we can best support customers in vulnerable circumstances and develop our proposals;

- our approach to developing our proposals;

- how we propose to hold ourselves to account through our service vulnerability performance commitment;

- why our plan is targeted, efficient and effective; and

- the challenge and support provided by our Water Forum.

For further information please see:	• Chapter 14: A service for everyone which details our proposals.
	• Appendix A1: Engaging customers, which sets out more detail about our customer engagement.
	• Water Forum report, which covers in detail the challenge from the group and retail sub-group.

Contents

PART A– IMPROVING THE AFFORDABILITY OF OUR SERVICES

Over the last decade, we've kept our average household bills the lowest in the industry. But we recognise this is just one way we can tackle the much wider issue of affordability. In our plan we've identified six levers – with their foundation in customer insight – to take a comprehensive, rounded approach.

In this appendix we describe the detail of how we have approached this complex issue with the aim of promoting services that are more affordable today and in the future whilst providing more effective, efficient and accessible support to those struggling to pay. A summarised version is provided in Chapter 7 – *Affordability and Vulnerability* and the outcomes in part 2B, and principally *lowest possible bills* and *a service for everyone*.

This appendix is structured as follows:

- Section 1 describes **the scale of the affordability challenge in our region** by looking at evidence of water poverty in our region and at the number of our customers that find our bill unaffordable.

- Section 2 sets out **six levers for improving affordability** and the **engagement with our customers and with experts that helped us to identify these levers.**

- Section 3 explains our approach to **improving affordability through each of the six levers;**

- Section 4 discusses the **effectiveness and efficiency** of our approach;

- Section 5 summarises our approach to the **accessibility** of our support;

- Section 6 presents evidence on **customer support** for our approach; and

- Section 7 summarises the **challenge and support provided by our Water Forum**.

1.0 Understanding the scale of the affordability challenge

Although our bills are the lowest in England, we recognise that for some customers our bills are unaffordable. To ensure that we can effectively and efficiently improve the affordability of our services we need to better understand the affordability challenge in our region. This section summarises statistical evidence on the overall scale of the affordability challenge. We set out our more in-depth research on the affordability challenge, and how we can best tackle it, in Section 2 below.

We carry out quarterly surveys to track customer perceptions and satisfaction levels. From this research, we know that:

- 63% of customers surveyed state that they find our current bill affordable; and

- 11% of customers say they always or sometimes struggle to pay their household bills.

Although it might be surprising that we have such high affordability challenges, it is consistent with the high levels of deprivation in our region. PwC's research on retail costs for Ofwat showed that we have the 5th highest (out of 18) level of deprivation. This tells us that customers in our region could be at a higher risk than customers of other companies in the sector of finding bills unaffordable.

We have cross checked these results by modelling income levels against bills in our region. Although there is no set definition of water poverty, a metric that the Consumer Council for Water (CCW) and Ofwat have used to measure water poverty is households who spend more than 5% of their annual disposable income (after housing costs) on their annual water bill.

We have therefore modelled the number of households who spend more than 5% of their income after housing costs on their water bill. This involved us comparing our customers' bills with different income measures across each of the local authority districts (LADs) in the Severn Trent region. We then aggregated these comparisons in proportion to the number of households in each of the LADs in our area to give a balanced view across our region. And, to make sure we explored water poverty as fully as possible, we made sure to take account of both the lower end of the income distribution and households on income-based benefit payments (such as Job Seekers Allowance and Income Support). Finally, to investigate the potential for changes in water poverty over the AMP, we assumed that, in real terms, customers' bills in each of the LADs would move in line with the total average forecast bill through to 2025 and that the different earnings measures would remain fixed in real terms over this horizon.

Our analysis suggests that at 2020 we will have approximately 226,000 customers (5% of all customers in our region) paying more than 5% of their income after housing costs on their water bill. By 2025, we expect these numbers to fall markedly – by 30%, – purely as a result of the reduction in bills enabled by our PR19 Business Plan.

One observation from this analysis is that affordability challenges cannot be defined in formulaic terms. Although we can confidently conclude that if a customer is spending more than 5% of their income after housing costs on their water bill then they are likely to be in water poverty, customers who spend less may still face affordability challenges given their own specific circumstances, for example due to accrued debt across their household bills or supporting a large family.

For the purpose of our planning we consider the overall scale of the affordability challenge in the context of two elements:

- reducing water poverty – based on the 5% definition; and
- reducing the number of customers that find our bill unaffordable (currently 11%).

2.0 Identifying the levers of affordability

To improve affordability we need to better understand the levers that we can deploy. This in turn requires a much better understanding of our customers and why they might find bills unaffordable. In this section we summarise the engagement we have undertaken to better understand our customers, and the collaboration with stakeholders, that has led to the identification of the following six levers of affordability:

- We optimise our costs whilst delivering what customers want and need
- We ensure bills are fair (spread across as many customers as possible)
- Customers understand what they are paying for and feel they are getting value for money
- We make it easy for customers to pay
- We help customers reduce their usage to keep their own costs low
- We support customers who are struggling to pay in an effective and efficient way

The development of these levers, and of our approach to using them, has been underpinned by three types of engagement:

- **Engagement with our customers**: we have improved our understanding through a range of targeted customer engagement initiatives.
- **Collaboration with our partners and with affordability experts**: we recognise that there are many experts in relation to affordability, and have sought to utilise their knowledge and experience to help us focus our efforts on improving affordability.
- **Engagement with our Water Forum**: they have provided an ongoing source of ideas, feedback and challenge that have helped shape our engagement.

2.1 Engaging with our customers

Our starting point was to build our understanding of the issues that drive affordability problems in our customer base. We sought to incrementally build on our knowledge base through targeted research on a number of topics that inform how we can improve affordability.

- **Customer needs research** – designed to develop a deeper understanding of our customers' expectations and perceptions of affordability and value for money and how this changed when they became more informed customers
- **Social tariff and debt management research and expert workshops** – designed to give us a better understanding of customers who are struggling to pay, the drivers of affordability problems, and co-creating our response
- **Social tariff cross subsidy research** – designed to understand support for subsidising those who struggle to pay their bill
- **Best in class customer service and experience research** – designed to reveal customers' expectations about future customer service offerings and innovations, including communication channels and payment options
- **Payment method research** – designed to improve how we make it easy for customers to pay
- **Water efficiency campaign** – designed to trial and test how we could support different customer segments reduce water consumption and ultimately reduce bills.

Below we share the specific items of research that have helped us engage customers on the six topics.

Customer needs research

The purpose of the research was to understand:

- our customers' needs and priorities as they relate to water

- their current views and experiences of Severn Trent; and

- how well we are meeting customers' needs, and where we could do more to improve their services

We identified different customer groups we needed to engage with to ensure we reflected all needs:

- "General" customers

- Customers in vulnerable circumstances (from a financial perspective)

- Customers in vulnerable circumstances (from a health and wellbeing perspective)

- Future bill-payers (aged 19-24)

- Customers with a high engagement with waterways

- Faith and cultural groups (Muslim, Hindu and Polish)

- Customers who have suffered service failures

- Shared and indirect bill-payers

In total we engaged 172 customers through this research, through a multifaceted programme including 2-week online communities, at home in-depth interviews with vulnerable customers and those who have suffered service failures, deliberative workshops and co-creation workshops.

With respect to affordability it gave us insight into customers' current perceptions of affordability and value for money and how this changed when they became more informed customers. Our future customer group helped us understand what they might expect in the future and how their circumstances might be different, so informing affordability and value for money in the future. The research gave us insight into what customers would like to be communicated and engaged about and how, including our financially vulnerable customer group. Customers informed us that they believe we have a role to play in supporting customers who are struggling to play. One of the co-creation sessions focussed on metering which will help inform our lever 'We help customers reduce their usage to keep their own costs low'.

Social tariff and debt management research

The aim of this research was to help us further understand our customers who struggle to pay and how we can best support them. We wanted to understand how our current affordability assistance offering is viewed by recipients and non-recipients. We explored the circumstances that lead to arrears; how customers view paying water bills; and how they view the debt management approach of Severn Trent. We sought to understand how customers find out what help is available and their views on possible approaches to preventing arrears and encouraging the paying back of debts.

As part of the research we engaged 431 customers and undertook:

- 12 x in-depth interviews with customers in water debt

- 2 x focus groups: 1) customers who have received a grant or other support from the Severn Trent Trust Fund and 2) customers on the Big Difference Scheme

- Telephone interviews with 400 customers

- Co-creation workshops with customers in water debt

From our research we were able to identify that customers who are struggling to pay tend to fall into one of four typologies: 'Long Standing', 'Borderline', 'Sudden and Severe' and 'Struggles with Finances'. Each may need a different approach as they have different needs and circumstances. Customers told us they want the opportunity to explain their circumstances to us, and receive a human, empathetic response. They want to negotiate a payment plan that is manageable for them, not to feel like they are in an inflexible, uncaring process.

In terms of making our service easy to access for customers who are struggling to pay, some are unsure how much of what they owe is this year's bill vs arrears from previous years. Our billing contact centre number is a 0345 number, however some customers don't recognise this as a low cost local rate number and would prefer an 0800 or local number. Also many are not aware we can call them back.

Customers fed back that their first interaction with us when they move into debt is an arrears letter, which for those that won't pay could be effective but for those who are struggling to pay could cause additional anxiety, push them further away or make no difference as they already cannot get credit. Customers want a personal, human touch whether speaking to someone who shows empathy to their situation, or in a letter that focusses on the help we can offer if they are struggling. Customers said they tend to find out about schemes such as the social tariff from external support agencies, such as Citizens Advice, but advised they would like us to let them know about it, or promote it more widely as well.

Customers welcomed the generosity of our social tariff and felt it really helped certain recipients get back on their feet. However for some, once the scheme ends they are likely to go back in to arrears soon after. Some customers may need to be on a generous scheme for life whereas others will move forward with a lower level discount intervention.

In comparison to other utilities and mortgage/rent, some customers said water bills are of comparatively low concern, but that being on a tariff clearly leads to positive outcomes. Customers felt the financial support provided improves their short and long-term financial situation and improves general wellbeing. Being on a social tariff also leads to improvement in the way they view Severn Trent, with increased satisfaction.

Evidence from the qualitative and quantitative research suggests that not all recipients may need the level of support they get on the social tariff. There was a clear suggestion that the social tariff scheme may be unnecessarily generous. Through our co-creation sessions we tested this finding further and customers supported a reduction in the main level of support offered from a 90% bill reduction to 70% bill reduction, but recognised there will still be some customers who will need the 90% level of support.

Few customers on the Big Difference social tariff scheme offered any real criticism or suggested obvious improvements, although it's important to recognise that the application form is off-putting for some and others had to seek help with their application. Informing customers about what help is available and making it clear how to apply for the schemes are areas that customers feel could be improved.

Through our customer co-creation workshops we took key themes that came out of the qualitative and quantitative research to explore them further and test ideas. We asked customers their opinion on the use of text alerts to be sent the day after a payment was missed, using the customer's first name, signposting them to support if they are struggling, along with a free phone number and the message signed off from Severn Trent. There was general support for the notion of multiple channels to go alongside arrears letters. The text alert idea was welcomed as a simpler and accessible way to be reminded of a missed payment but it wouldn't appeal to all customer types. Most agreed that the text alert should go to those who have just missed their payment date. Some felt the text reminder would act as a helpful mechanism to prompt payment as sometimes people just forget to pay on time. Customers felt that if another reminder was needed then a repeat could be sent 24 hrs later if low level arrears but after one week if severe arrears.

We also explored options around eligibility criteria for the social tariff, considering customer circumstances rather than purely based on income. Expenditure details as well as household circumstances were seen as important factors to take in to account. Overall when considering eligibility, participants struggled to say what should or should not be included in the criteria as so many factors contribute to making paying water bills difficult. When communicating eligibility, customers felt it was important for Severn Trent to make potential applicants aware of the factors that will be considered when assessing customer circumstances so they can decide whether to bother applying or not.

We introduced customers to the Matching Plus scheme we had started trialling to seek their feedback on this. The three staged match payment scheme was seen as very positive, and customers liked the idea of a scheme dedicated to tackling arrears but thought it was possibly too complicated. Customers said the key to its success would be the upfront and ongoing dialogue from Severn Trent to eligible customers. They felt the scheme was best as a 'one off' opportunity but that it was important to understand whether the customer will be able to afford the bill once exiting.

Social tariff cross subsidy research

The purpose of this research was to explore perceptions of cross-subsidisation in different contexts, including the water industry, and to test the acceptability of a Big Difference contribution at a number of levels. The research involved 1,066 Severn Trent customers undertaking a 15 minute online survey.

The research informed our approach to customer cross subsidy to support customers who are struggling to pay through the social tariff scheme.

The research showed that the majority of customers are happy to increase their contribution to the Big Difference scheme from the current amount of £3.00. A significant majority (67%) were prepared to pay £8 per year. More than half of customers surveyed (53%) were prepared to pay £12 however we did not feel this reflected sufficient support to take this forward.
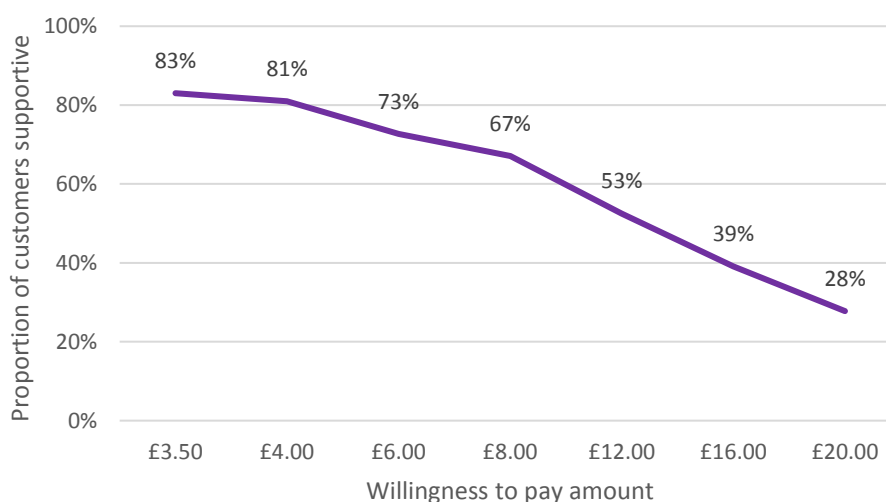
We understand from the research that it is essential to position the scheme carefully. Most customers are very open to supporting those in need, particularly pensioners. The idea of supporting customers before they get into debt is regarded positively, and seen as part of a social contract. However, the fairness of cancelling debt is seen differently, and as penalising the hard working majority for the actions of a minority. Therefore, it's vital to position the scheme as a fair and transparent vehicle for those genuinely in need to get a helping hand rather than a way for Severn Trent to manage risk. In addition customers are happy to contribute but want reassurance that the money is being responsibly used, and going to the 'right' people. 85% of customers surveys said only customers who have proved they are genuinely struggling should be eligible for a bill discount.

However, 14% of customers surveyed did not wish to contribute to the Big Difference scheme at all. Their opposition is not driven by having low income themselves or specific demographic characteristics, but appears to be driven by deep cultural perceptions that people should be self-reliant – they did not agree that other people should contribute to help those who are experiencing financial difficulties.

On the basis that 67% of customers are happy to contribute £8 cross subsidy we made the decision to propose this to the Water Forum and CCWater and both were supportive of this level of support and contribution. This increase in cross subsidy, along with the changes to tariff banding structure and levels, means we will be able to increase the number of customers we support on the social tariff from 35,000 to 97,750 customers.

Best in class customer service and experience research

As part of our broader best in class customer service and experience research we specifically sought to understand the customer service offerings and innovations that customers expect Severn Trent to offer now and in the future, including communication channels, payment options, technology and wholesale service level agreements. This informs our payment strategy which is an important lever as we discuss below, because it helps make it easy for customers to pay their bills. It has also helped inform us of where customers feel they will get value for money.

The research used a number of different techniques engaging a total of 2,025 customers:

- Market landscaping – desktop research exploring what cutting edge companies offer in terms of great customer service

- Co-creation with 8 customers

- 'Research road trip', 20 x 2-hour at home in-depth interviews across the region

- 20-minute online survey across the region. Sample size 1,997.

It included a mix of customers across the Severn Trent region over a mix of age, life stage, gender, metered/non-metered, ethnicity, housing tenure, rural vs urban etc. We also ensured we had some who had experienced service disruption, some who had visited a Severn Trent visitor site, some financially vulnerable customers, some 'just about managing', some 'health and wellbeing vulnerable' and some 'digitally disenfranchised'.

In terms of overall experience and therefore value for money, customers expect a service that works, and is seamless with minimal hassle for the customer. Aspects that contribute to a perception of great service and therefore value for money are seamlessness, personalisation, awareness of our services, transparency and a human tone of voice. Customers want ease, speed and efficiency when it comes to communication and payment options. Making communications efficient, seamless and result focussed is key to delivering more value for customers.

When we investigated payment preferences, only those on stricter budgets are likely to find direct debit less appealing. Younger customers, families and financially vulnerable customers would appreciate more payment flexibility. Flexible payment timings seem more important than numerous payment methods.

Payment methods research

We also undertook research to improve our payment strategy by testing whether it was meeting customers' needs and we were offering the right range of payment options. We sought to understand why customers use payment methods other than direct debit and determine who would be prepared to switch to lower-cost-to-serve payment methods and what will be needed to get customers to switch to direct debit. We also wanted to understand how customers feel about Severn Trent applying fees to higher-cost-to-serve payment methods.

We undertook 460 telephone surveys across a mix of customers paying their water bill by methods other than direct debit: cheque, online, paying through bank, Paypoint, Watercard, paying by phone. These customers were randomly selected, no quotas were applied, across a mix of across age, gender and SEG.

It has helped inform our affordability lever 'We make it easy for customers to pay'.

Water efficiency campaign

We are working to drive long-term change in customers' behaviours and habits in order to reduce the need for future investment and to help customers save money on their bills.

During 2017/18 we trialled a water efficiency campaign to drive adoption of water efficiency products. The creative theme for the campaign was 'Making it easy for you to save water'. The aim was to develop a broad range of campaign learnings so that we better understand the motivators and response rates for marketing of water efficiency products. This would enable us to design a more refined targeting model, in order to more effectively reduce water consumption within our region and to impact positively on our Outcome Delivery Incentives (ODIs).

We used a range of data and segmentation to target our campaign:

- Demographic data – from a range of sources including Acorn socio-economic profiling, third party data on ordering behaviour from Save Water Save Money and our own customer research to understand what messages would resonate with customers so that we could engage with them effectively when marketing to them.

- Consumption data - We overlaid demographic data with consumption data to understand key segments who used more water on average, in order to better target the campaign

- Household information – We utilised information collected on household types from water efficiency home checks, to inform the types of products we advertised to each customer segment

A wide range of off and on line channels were used, with re-targeting via digital channels. This provided an opportunity to understand the cost/benefit analysis and impact of each. Channels were selected based on preferences of the target audiences. The targeting also focused on those groups who have the highest consumption rates and the highest propensity to order water-saving devices.

Overall we targeted 264,000 households. Nearly 2,000 customers ordered products as a result of the campaign and there are now over 7,000 more products in customers' homes. The campaign performed very well against industry norms, especially the effectiveness of social channels. Facebook has the best cost-per conversation ratio and achieved a 89 l/d campaign cost. Of the two paper-based channels (Door Drop and Direct Mail), Door Drop was the most cost effective in reaching a wide audience at 17p per customer, compared to 53p for Direct Mail. However the trial found that Direct Mail was better if you want to drive a particular customer action from the communication out of the two. Door Drop is better suited to awareness raising.

We will continue to monitor and seek to improve how we help customers reduce consumption. For example we have recently used our online community to further develop our offering this AMP (see Appendix A1). This will support future

trials and campaigns to address behaviours that customers have in order to drive longer term changes around water usage and reduce average consumption per person.

2.2 Collaborating with partners

Our customer engagement helped reveal some common themes about affordability levers. Alongside optimising our overall costs and supporting those who struggle to pay, the research highlighted the importance of four additional levers:

- the importance of ensuring customers understand our services;

- the need to ensure bills are fair, including ensuring customers pay their fair share;

- making it easy for customers to pay their bills

- helping customers reduce their own bills

We also worked with our partners and experts from across other sectors to validate and cross-check the understanding we have gained. This involved significant work with a range of third party organisations which we have summarised below:

- Workshop involving over 30 financial vulnerability experts to validate what our struggling to pay customer groups identified through the research. We also sought to obtain input into the design of potential affordability assistance schemes and measures, and to gain their views on the quality of the potential overall offering.

- Engagement with partner organisations to obtain their views on our current offering of affordability assistance measures. Our aim was to obtain their expert input as to where they felt there were gaps in our offering and we could do more.

- Benchmarking with other organisations in other sectors to understand their current offering and exchange ideas on what we could do more as a collective. This included liaising with both the energy and financial sectors.

- Engagement with consumer experts to understand future retail and consumer trends to gain an understanding of how expectations might change in the future so we can ensure we provide value for money in the long term. These experts included Dr Tom Chatfield – Author, Technological Theorist and Commentator; Professor Dale Southerton – Director of the Sustainable Consumption Institute and Sustainable Practices Research Group; and Colin Burns – Chief Design Officer at the BBC.

- Proposing to work with WOCs in our area to get common and aligned qualification criteria for our social tariff. We felt the benefit of a consistent offering across companies would be two-fold; 1) Make it easier for customers to understand and apply for schemes and 2) allowing for simpler cross company comparison and future knowledge sharing on how to increase uptake from the struggling to pay population

Our financial vulnerability expert workshop was attended by our Water Forum and deemed a real success. It was attended by over 30 experts including those from Housing Associations, Food Banks, Financial support and advice charities, Citizens Advice and Councils. We explored numerous topics and gained real insight and validation for our plans. Firstly we explored the outputs of our customer research that helped us identify the four struggling to pay customer groups. Our experts helped us identify a further fifth group – New to Country or for whom English is not the first language. These customers will have differing needs and may not even realise they need to pay a water bill depending on their country of origin.

We then explored the social tariff scheme and discussed ideas of how we could improve this scheme, sharing the feedback we had received from our customers through the social tariff and management research discussed above. Our experts felt the change of our general maximum tariff band to 70%, from 90% was a good balance but agreed there would still be a number of customers who need the additional level of support. We discussed options around eligibility and qualification criteria – the consensus was an assessment involving income and expenditure was the fairest approach, however we could challenge and understand further certain items of expenditure included in some customer assessments to ensure it was fair.

We discussed the new Matching Plus scheme to understand whether the scheme would help address customer needs and if the design being trialled could be improved. There was agreement that the principle of this scheme certainly addressed a gap of helping customers with their arrears and would help the customer group 'struggles with finances' to get into new habits and control. There were some good discussions on the design of the scheme and mixed views on whether the three stage approach over 13 week cycles would work for some customers. We have taken this learning and combined it with our trial results to feed into the design of the final scheme that will be launched ready for 2020.

Lastly we asked our experts to share with us any affordability assistance schemes or approaches that they were aware other organisations offered or delivered that would help address any gaps they could identify in our proposals. Our experts felt that we had the right range of schemes and support, had solid plans to engage customers and they were not aware of any other best practice we could include.

2.3 Engaging with our Water Forum

Throughout our journey to develop our affordability plan, we checked in regularly with the Water Forum to gather their opinions, feedback and challenge. When we shared our planned customer engagement approach for wider affordability and specifically accessibility to seek challenge from the CCG, they fed back that the retail research programme was looking like a robust programme.

The CCG did however challenge that the customer research was missing customers that we provide a service to but don't bill as another company bills on our behalf – for example customers of South Staffs Water. We have responded to this challenge by including a sample of these customers in both our willingness to pay research and also within the acceptability research. We have worked with the insight team at South Staffs Water to share future bill profiles in order to ensure the research on both sides represents the full bill "picture" for respondents.

The CCG also asked how are we are ensuring we involved the right external experts at the right time to help develop our accessibility proposals. They saw a need to involve different experts for strategic thinking compared to testing solutions. We recognised this challenge and shared our plans for the hosting of an external expert workshop, and for the companies involved in our benchmarking/best practice sharing. Members of the CCG attended the external expert event.

When we later shared the outputs of the engagement and research activity, the CCG fed back that they were happy with the overall retail research and that it seemed robust.

For further information on our customer engagement and CCG challenge, including on acceptability research and balance of charges, please refer to (i) Customer Insight Appendix; and (ii) Risk and Reward Appendix.

2.4 Affordability levers

Our research and engagement has revealed the importance of focusing on six levers to improve affordability. We present these below.

- **We optimise our costs whilst delivering what customers want and need** - This means ensuring our business is run in an efficient manner such that our costs are as low as possible without any detriment to the level of service provided to the customer.

- **We ensure bills are fair (spread across as many customers as possible, and fair over time)** - Our second lever of affordability looks at how we reduce our average bill by spreading costs across all customers receiving water and wastewater services from us. There are three main drivers for ensuring we spread our bills across as many customers as possible to make bills more affordable – reducing voids, gap sites and bad debt. This lever is also concerned with ensuring a fair balance of charges over time.

- **Customers understand what they are paying for and feel they are getting value for money** – a recurring theme from our customer engagement is that customers do not understand and therefore appreciate the services they receive and when they learn more about what we do, appreciation and perceptions of value increase.

- **We make it easy for customers to pay** - Modern lives have become busier and people now value their time more than ever before. In addition, work structures and lifestyles are changing and it is for this reason that individuals seek convenience and ease when it comes to interacting with us and paying us their bill. We need to ensure we move in line with these trends and offer payment methods which are flexible and make it easy and effortless for customers to pay us their bill.

- **We help customers reduce their usage to keep their own costs low** – A factor we can influence is the amount of water used by our customers.

- **We support customers who are struggling to pay in an effective and efficient way** – we want to ensure we support these customers in ways that align to their different individual circumstances. We need to ensure we understand customers' circumstances and have a range of support options available which focus on both rehabilitation and delivering meaningful help now.

The six levers of affordability address all three components of affordability identified in the PR19 methodology. This is illustrated in the matrix below.

	Overall affordability	Long term affordability	Struggling to pay
Optimise our costs			
Ensure bills are fair			
Customers understand what they are paying for			
We make it easy for customers to pay their bills			
We help customers reduce their usage			
We support customers who are struggling to pay			

3.0 Our approach to improving affordability

In this section we set out how we are improving the affordability of our services by reference to each of the six levers.

3.1 We optimise our costs whilst delivering what customers want and need (lever 1)

Delivering our services cost efficiently over the long term is fundamental to keeping our bills low. Our track record of delivering totex savings in AMP5 and AMP6 has allowed us to reduce bills by £14 and £17 before inflation at PR09 and PR14 respectively.

Looking forward to PR19 we have set ourselves an even greater challenge and aim to deliver a bill reduction of 5%before inflation (including AMP6 ODIs) Importantly this reduction is based on inflation being measured by CPIH (rather than RPI), so in practice the bill reduction is much larger than what was delivered at PR14. On a like for like basis with PR14, the bill reduction is 13% (excluding AMP6 ODIs and deflating prices using RPI).

To deliver this reduction in bills, we have really challenged ourselves to become more efficient. As we explain in the Securing Cost Efficiency chapter we have used a wide range of benchmarks to test where improvements might be made across all areas of our business, and to set ourselves challenging efficiency targets. To deliver these cost savings, alongside stretching performance improvements, we will need to innovate across our business.

The table below summarises the different components that result in our proposed bill reduction for AMP7 of £17, including AMP6 ODIs (numbers may not add due to rounding)

Component	Bill impact
Reduction in totex	-£13
Reduction in WACC	-£15
Other key components – for example AMP6 ODIs	+10
Overall increase/(decrease) in average combined bill	**-£17**

We have used this change in bills to analyse the impact on affordability for customers in water poverty (based on spending 5% of income on water bills). The key result is that our plan will reduce the number of people in water poverty by 30% (from 226,000 to 157,000) when using econometric analysis.

We are able to deliver this reduction in bills and not compromise on the resilience of our business. A key feature of our plan is that we are improving both the operational resilience but also maintaining a credit rating of BBB+ on our actual and notional structure (consistent with how Ofwat is setting the cost of new debt).

We are not addressing long term affordability by holding back on investments to reduce costs. Instead we are always trying to find the right balance with the investments which impact customers now and have a long term lasting effect on our ability to carry out our core services effectively, with investments on issues which we know are on the horizon but unlikely to come to fruition imminently. E.g. climate change. We are choosing not to invest significantly in this space just yet – but have the plans in place to allow for quick execution at a future date.

For further detail see the chapters:

- *Securing Cost Efficiency* and *Markets and Innovation* – how we are delivering further efficiencies

- *Resilience* – how we are improving the resilience of our services

- *Risk and reward* – how we are delivering a fair balance, including the user of financeability levers.

3.2 We ensure bills are fair (lever 2)

To improve affordability of our services it is essential that bills are fair – this means everyone pays their fair share. A key way in which our PR19 business plan addresses this is by targeting three specific areas that allow for costs to be spread across a wider customer base, thereby reducing overall average bills. This can be achieved by:

- bringing more customers into charge, so that more of those who should be paying are (targeting void and unbilled properties)

- reducing our bad debt cost by improving our collection rates from those who won't pay whilst supporting those who can't pay

Each of the above are discussed below.

Our PR19 plan also seeks to ensure that charges are fair over time, and our approach to this has been guided by three core principles, which were strongly supported by our customers during PR19 deliberative research:

- Each generation of customers should pay its fair share.

- Bills should be stable over time, where possible, avoiding big fluctuations up or down.

- The balance of charges over time should enable us to maintain a stable and low cost funding platform for investment.

These principles are important for the issue of affordability over time, as they support a stable, long-term approach to charging. Our approach to fair charging over time is set out further in our Appendix A11 – Aligning Risk and Return.

Developing our performance commitment for void properties

We have carried out historical analysis on the number of void properties which shows an upwards trend since 2010-11. This is potentially linked to the fact that at PR09 the revenue correction mechanism (RCM) was introduced which effectively penalised companies for bringing voids into charge. This is because under the RCM if a company brought in voids, revenues would not increase (even by a fraction) however the costs incurred by a company would increase, reflecting:

- the costs of investigating void properties and of bringing those which are occupied into charge; and

- the bad debt risk borne by the company as these customers are deemed to be high risk and unlikely to pay.

For Severn Trent, the number of void properties as a percentage of total properties connected equates to c.4.2% (c.170, 000 properties).

We have developed two new performance commitments relating to voids – one each for residential and business voids. Our business voids performance commitment also combines unbilled properties and is discussed in the unbilled properties section below.

Our residential voids performance commitment seeks to reduce our percentage of void properties down to 3.99% of total connected properties by the end of 2024/25. We have designed the ODI to simply counteract the incentive consequences associated with the wholesale revenue forecasting incentive mechanism. This means there would be a:

- positive payment for delivering our target, which would offset the higher costs but still lead to an overall reduction in bills; and

- no negative payment, i.e. penalty, for not delivering the target

The financial reward earnt by the company for hitting its targets would be shared with customers at a ratio of 75:25 in the company's favour. This is to say that 25% of the additional revenue collected from void properties would be returned to all customers. This will reduce bills for customers in future thus helps towards addressing the challenge of ensuring long term affordability. The 75% of revenue which we receive will be off-set by the bad debt risk borne by the company mentioned above thus making this reduction of voids cost neutral for us. Our customers would benefit if we succeed but would be no worse off compared to now if we don't hit our targets; we consider this to be a win-win scenario for us and the customer.

Our voids performance will be delivered with no additional cost to the customer.

To deliver this target we will need to make a number of changes:

- Changing behaviours to improve process efficiency

- Cleansing our dataset to focus our resources better

- Nurturing our relationships with current third party organisations we work with

- Being smarter with our targeting of void properties

Developing our performance commitment for gap sites

Gap sites represent an unknown – given that it relates to properties not on our system (i.e. a gap). It is therefore extremely difficult to set targets for how many we bring into charge as the scale of the problem is unknown. However we can make assumptions that give a potential view of the likely number of gap sites.

As a result, we have developed a new performance commitment for reducing gap sites but unlike void properties, this will be a reputational incentive for PR19. This will be split between residential and business properties (similar to void properties) with the business performance commitment being a combined "void and unbilled properties" commitment.

Our performance commitment for residential gap sites is that we will target a 5% reduction in gap sites (by the end of 2024/25) from a 2019/20 baseline. The baseline will be based on the difference between the number of electricity supply points in our area versus the number of water connections we believe we have. We believe we can work in partnership with the energy sector by carrying out a full data share with the energy sector to have visibility of all electricity supply points in our area. We can then use this supply point data in AMP7 to analyse what they are (not all supply points will be residential properties which you would expect to be connected for water/wastewater services) and then look to bring these into charge.

As mentioned earlier, we have developed a combined voids and gap sites performance commitment for business properties. This PC is designed to incentivise business retailers participating in the business retail market in England to reduce the number of void properties and gap sites. We will make a payment to the business retailer for every property they bring into charge and in return we will earn an ODI reward equalling this payment.

Our new voids and gap sites performance commitments are summarised in the tables below.

Current	Status	Post 2020	Rationale
-	-	**Residential void properties**	• To incentivise activity around bringing void properties into charge
-	-	**Residential gap sites**	• To incentivise activity around bringing gap sites into charge
-	-	**Business voids and gap sites**	• To incentivise business retailers in bringing void properties and gap sites into charge

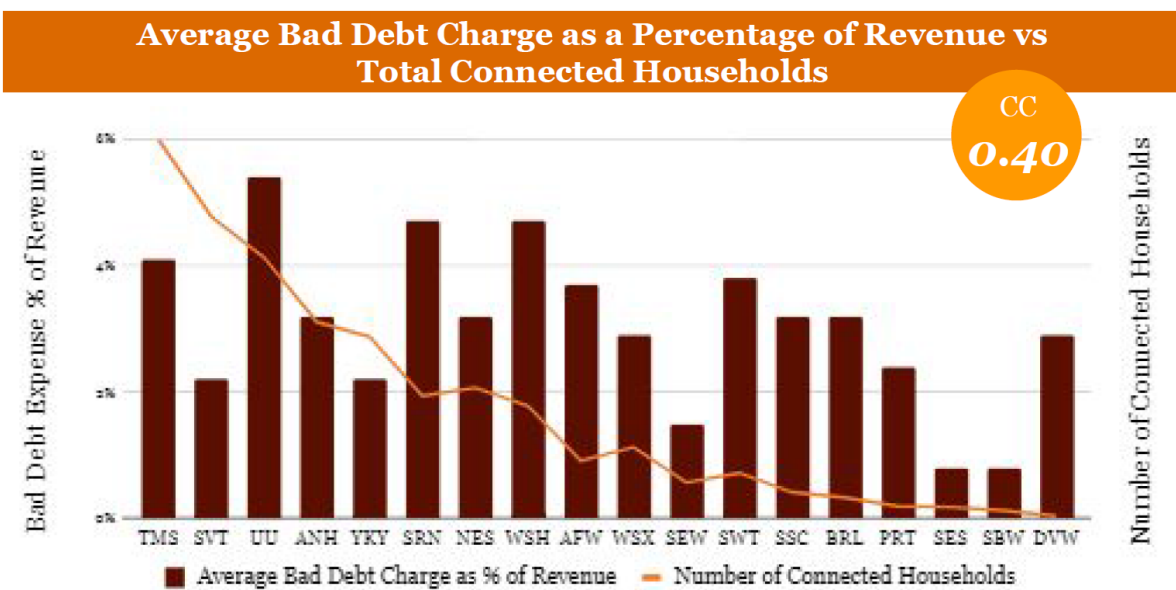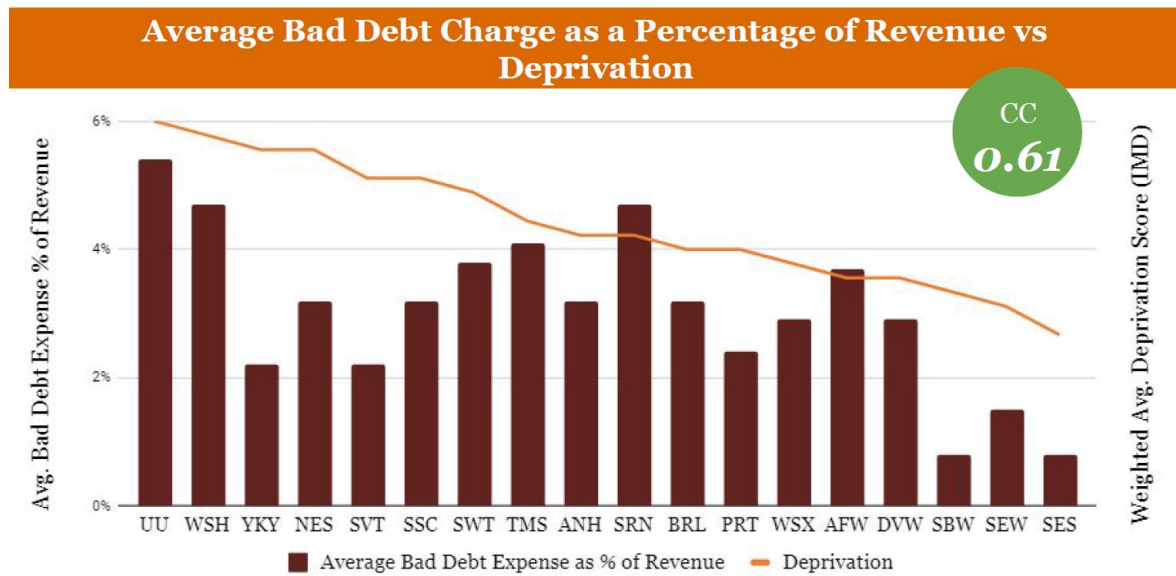|	Unit	Current	2020 forecast	2025 target
Residential void properties	# of properties	-	-	167,380
Residential gap sites	# of properties	-	-	3,440 reduction over the five years
Business voids and gap sites	# of properties	-	-	250 reduction over the five years

Our proposal for maintaining our debt performance

Our AMP6 performance commitment for debt performance was to have our bad debt as a percentage of our revenue at 2.7%. We have achieved a better performance this AMP and are looking to maintain this throughout the remainder of this AMP. In order to achieve this step change in performance from our PR14 performance commitment, we:

• focussed on distinguishing between customers who can't and those who won't pay;

• implemented improvements in the support of customers who struggle to pay, initially through the introduction of our social tariff and secondly through the establishment of our Care and Assistance team

• continued investment in improving our systems and processes and our ability to profile and understand customers' situations

Currently we have the best performance of WASCs and a strong performance relative to other water companies when factoring in the deprivation index for our region.

The following charts are taken from a PWC report into Retail Services Efficiencies comissioned by OFWAT and depicts the average bad debt charge across the industry versus revenue.

Average Bad Debt Charge as a Percentage of Revenue vs Deprivation

CC **0.61**

Average Bad Debt Charge as a Percentage of Revenue vs Total Connected Households

CC **0.40**

We will be looking to maintain our upper quartile bad debt performance position. This is particularly challenging given the socio-economic climate and uncertainty associated with Brexit. The increased focus on void properties will also represent an additional challenge on bad debt as more properties will be being brought into charge with customers who potentially have a history of non-payment and non-engagement with us.

We will need to continually innovate our approach to collections and improve the effectiveness of our credit management strategies to avoid higher costs. We will be focusing on the following activities in AMP7:

- **Data sharing**: We have already implemented full data share capability with credit reference agencies in AMP6. We will be focussing on trialling how we use it for the rest of this AMP with the aim to implementing solutions in AMP7 to better distinguish between those who are struggling to pay and those who won't pay. This will allow us to target actions more appropriately.

- **Predictive analytics**: Data share and predictive analytics will together enable us to pre-empt a problem and identify/support customers before they go into debt.

- **New enabling technology capability**: We will combine this with our outbound dialler, email and messaging capability to proactively engage customers if they miss a payment or start to slip into debt (today reminder letters are often our first engagement with customers). We will also be able to identify erratic payers which are often warning signs for customers who are struggling to pay.

- **Increased digital offering**: We can then proactively offer flexible payment options, payment plan concessions or payment breaks to customers on line

- **Personalised journey**: We will know more about our customers so will be able to develop more personalised offerings – we can choose the right debt management journey to align to customers actual circumstances

We are not proposing to continue our Bad Debt Performance Commitment into next AMP. There is already a strong incentive to reduce bad debt given the design of the household retail control. In particular the use of a cost to serve allowance means any outperformance is retained by the company over the AMP. Similarly any underperformance would be absorbed by the company.

This information is also reported to analysts and investors at our 6 month and 12 month updates.

We therefore do not consider a financial or reputational incentive is necessary to drive behaviour.

3.3 Customers understand what they are paying for and feel they are getting value for money (lever 3)

Customer perception of affordability stems from whether they feel they are getting value for money. Whether a customer feels they are getting value for money has a direct impact on both overall satisfaction and trust.

Through our customer tracker survey, we know that currently on average 59% of customers find our bills as good value for money whilst 7% explicitly feel they aren't receiving value for money. Our customer research highlights that customers do not have knowledge of many of the other activities we do outside of supplying clean water and cleaning wastewater. When we share with customers' information about the additional activities their perception of Severn Trent improves. For example at our research on balance of charges over time, customers perceptions about value for money and trust improved when they learnt more about what we do.

An area of our focus for AMP7 therefore is increasing awareness amongst our customers on what their bill contributes towards. This will include through:

- Educational visits – we provide facilities for school groups to visit our sites and learn more about water and wildlife. We also offer a range of free workshops and visits to schools, universities and adults, as well as girl guides and scouts.

- Visitor sites – we manage 12 visitor sites spread across our region. We work with volunteers and organisations like the RSPB and Wildlife Trust. These sites provide the opportunity to engage with customers whilst enhancing and protecting the sites nationally and internationally important species such as butterflies, water voles and tree sparrows.

- Reservoir activities – we have reservoirs where we offer a variety of activities including horse riding, cycling, fishing, walking routes, water sports, bird watching, play areas and picnic areas

For AMP6 we have a performance commitment: "Customers rating our services as good value for money". We will be discontinuing this performance commitment for AMP7, although we will continue to collect this information to help shape the business.

The reason for discontinuing the measure is that:

- There are other mechanisms in place to ensure our customers are receiving value for money notably C-MEX which measures customer experience

- The current measure is very subjective and broad – it covers all customers (not just those facing affordability difficulties), and some customers will always find our bills as not being value for money for as long as they have to pay for their water and wastewater services

- We have been receiving an ODI reward in AMP6 for providing value for money; this ODI reward subsequently gets added back on to our customer's bills which feels counter-intuitive

- Our focus for AMP7 is very much on reducing our bills now and in future, supporting those customers who are struggling to pay and providing all customers with lower bills whilst delivering improved performance measured through the remainder of our performance commitments. Achieving these will naturally improve value for money.

- Our proposed new performance commitment (set out below) provides a targeted way of addressing affordability concerns.

3.4 We make it easy for customers to pay (lever 4)

Making the customer journey as easy and effortless as possible is a key part of ensuring overall affordability and a feeling of value for money. At the start of AMP6 we sought to make it as easy as possible for customers to pay us. This involved offering numerous payment channels and various frequencies:

Current payment options	Current channels	
Half yearly	Credit-debit card	Payment booklet
Monthly (=2m customers)	Deductions from benefits (=40k customers)	Pingit
Four weekly	BACS	Cash
Fortnightly	Standing Order	Web Self Serve
Weekly	Giro	Cheque
On-demand	IVR – Card payment	Direct Debit
	Watercard/Paypoint (incl cash)	

Our recent customer feedback shows that customers are happy with the payment options we offer currently. Customers have advised us that they have no need for Severn Trent to offer further payment methods today. This is evidenced through our high voice of the customer scores for payment facilities - satisfaction score of 4.80 out of 5 from 100k customers for payment transactions/queries. Customers however do feel we need to do more to promote our payment options that are available. An example is many customers telling us that they would switch to Direct Debit if it was promoted more effectively than what it is today.

"The young lady listened to the situation and gave an excellent solution so as payment can be made without causing any future problems. Excellent."

To make it easy and effortless for customers to pay we will do the following:

- Continue to provide customers with choice in terms of channels and frequency

- Make it clear what customers need to do and when to pay their bill

- Promote the options that are available to customers

- Ensure customers have a payment plan that matches their needs and enables them to manage their payments to suit their circumstances

- Proactively notify customers if they have missed a payment and offer support to potentially prevent them falling into arrears

- Ensure the payment options are cost effective

We will also continue to deliver our early majority payment strategy approach as supported by customers. Due to the pace of change in the retail market, it is not possible to predict now what payment channels we would be introducing from 2020 to 2025. To manage against this we have included in our costing models the cost to introduce new payment options during this AMP.

We will use segmentation and behavioural nudge techniques to make customers aware of the best options available to them and make the payment journey as easy as possible. For example we recently commenced campaigns to encourage a switch to Direct Debit the results of which we are seeing an uplift of over 1.7%.

We will also send proactive text messages to customers to inform them if they have missed a payment. In May 18 we have launched a Mobi-pay trial – Mobi-pay is the ability for us to remind our customers about their upcoming bill with a simple SMS or email instead of a letter via the post. We will be sending an average of 500 messages each day to a select group of customers to encourage them to pay their bill online. Paying a bill online is quicker and easier with the added benefit of reducing our print and paper costs. This will also reduce our cost to service for agent card payments. This can also help reduce pressure on our contact centres allowing us to provide improved services and reduced wait times to our other customers.

We are using historic data to target customers who typically pay their bill once they receive their first reminder letter. This is a proof of concept to understand our customers' behaviour and needs. In the first ten weeks of the trial we have contacted 21,140 customers and see 9,036 individual transactions completed totalling £1,140,625 removing the need to send 9,036 white mail notices and reducing incoming call volumes by 1,519 into the contact centre. We have seen a 43% response rate, of which 14% using the link provided to pay and 29% paying using another channel such as Web Self-Serve, Paypoint, Water Card or Direct Debit. Early indications suggest the innovative solution might remove 5 FTE (£128k Opex benefit) whilst delivering a great service for customers. We will continue to track how many of our customers successfully pay their bill using the links provided and if it prompts our customers to call up and pay over the phone.

3.5 We help customers reduce their usage to keep their own costs low (lever 5)

Helping customers change their attitudes and behaviours towards water and water usage can improve short and long-term affordability. This occurs through two mechanisms:

- for metered customers, reduced consumption directly translates into lower bills; and
- for all customers, reduced consumption defers and/or avoids the need for new investment, thereby reducing costs over the long run.

As discussed in our Water Resources Management Plan, we face a supply-demand imbalance which is expected to worsen over time if steps are not taken now. A change in customer behaviour can quickly lead to a reduction in the pressures placed on water demand both now and in future. This avoids the need for large expensive solutions, which are often irreversible and would otherwise place pressure on bills.

We recognise that for customers billed on an unmeasured basis, there might be a perception that bills would increase if they transferred to a meter. However at present unmetered customers have no visibility as to whether having a water meter would be beneficial for them. Our analysis shows that bills for metered customers are on average lower than those who are not metered. We therefore want to focus on increasing the number of customers who have a meter in AMP7 so that they can better control their consumption and support fairer bills, therefore making them more affordable.

Another benefit of greater metering is that it allows us to more effectively reduce leakage. This is because metering provides us with a better indication of true leakage which would enable us to better target and deploy our resources. This will lead to both short and long-term reductions in costs and ultimately lower bills.

We are proposing to help customers reduce their usage to keep their own costs low through three channels:

- substantially increase metering, as per our ambition in our Water Resource Management plan to increase the number of meter installation to three times the level under our PR14 policy;

- inspire a generation of future water users; and

- undertake more effective customer engagement, including our first TV campaign and in-home efficiency audits

See Chapter 12: Water always there for more detail

3.6 We support customers who are struggling to pay in an effective and efficient way (lever 6)

The journey to water debt is complex. There can be a variety of reasons as to why a customer is struggling to pay their bill. These could be short term issues e.g. being between jobs, or longer term causes e.g. mental/physical health problems. In order to ensure our proposal for AMP7 is effective, we first sought to understand and summarise these different customer groups who could require support. Our offering for each customer group is then tailored to what they need from us – rather than a one-size fits all approach.

As noted earlier, we have identified five key customer groups who we need to provide support for in different ways due to their different circumstances. We need to ensure our support offering helps all five of these groups with both in year bills as well as arrears.

The five customer groups we have identified are:

- **Long Standing** – those in long term unemployment or reliant on benefits; potentially with wider vulnerabilities such as poor numeracy or literacy, mental/physical health issues/disabilities

- **Borderline** – Employed but low to average income; Life event may have caused reduction in income for a short term period e.g. lost job or ill health; General overall finances tight but not severe

- **Sudden and Severe** – Previously Employed with average or higher income; experienced serious unexpected life event e.g. major injury; sudden loss or severe drop in income – particularly acute if self- employed. Immediately unable to pay wide range or any bills including water

- **Struggles with finances** – Household income low to average; often busy and chaotic lifestyle. May find managing finances and bills confusing and difficult which could accumulate and cause anxiety

- **New to Country** or for whom English is not the first language. These customers might have different attitudes to paying water bills or may have come from countries where they didn't have to pay for water and therefore could get in to debt without realising. This group:
  - May not have the same access to benefits and support (public funds)
  - Might have difficulty engaging due to language barriers.
  - Might have difficulty setting up bills
  - Often believe that rent includes all bills – meaning there is a need to promote/advise via social/private landlords

We want to ensure we support these customers in ways that align to their different individual circumstances. We need to ensure we understand customers' circumstances and have a range of support options available which focus on both rehabilitation and delivering meaningful help now.

We are building on a strong platform from AMP6

We are not starting from a blank slate – we already have a number of schemes in place designed to support customers struggling to pay. Our support areas are:

- Our "Big Difference" scheme (social tariff) – available to all customers struggling to pay their bills by providing a discount of up to 90% on the average annual bill;

- Watersure – designed to support customers on low incomes with high water usage on a water meter by reducing the annual charge to average;

- Water Health Checks – Free health checks for customers who sign up to help them reduce water usage and thus reduce their bills; and

- Free meter option – option to switch to a water meter for free to trial whether this reduces the customer's annual bill.

In 2015 we introduced our Help When You Need It performance commitment. Since then we have increased the number of customers we provide support for fivefold.

Number of customers helped
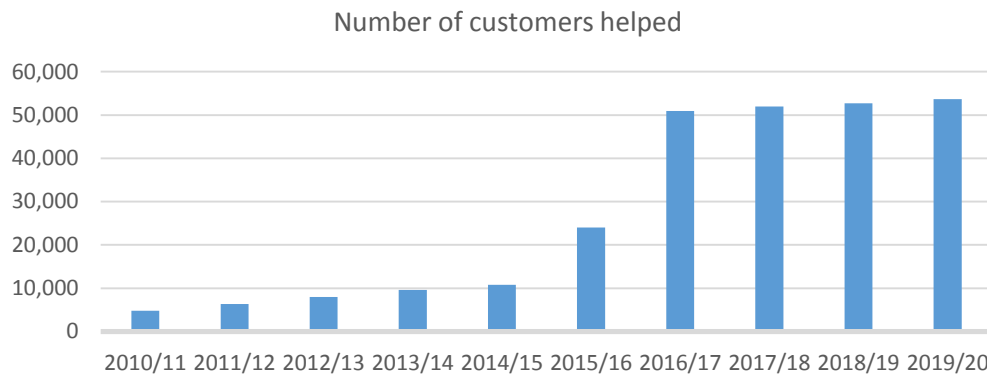
Management and advice

This AMP we are also introducing additional support to customers in the form of (i) case management and (ii) provision of financial advice through third parties. This is designed to ensure customers have access to all necessary advice and are managed in a sensitive and respectful manner. Recognising that some of our customers are in vulnerable circumstances and have additional needs, this AMP we reinvested efficiencies at a cost of c.£1m per year to introduce our Care and Assistance team who provide specialist caring support to these customers, including our 39,000 service vulnerable customers and 50,000 financially vulnerable customers.

We recognise that some customers have financial vulnerability needs due to health and well-being circumstances and vice versa. We have worked with charities, including StepChange, MacMillan and the Samaritans to ensure our team is trained to provide this specialist support. Our Care and Assistance team have already identified 300 customers who require case managed support from named contacts to support their needs. We are also working in partnership with organisations and charities such as Auriga Services and Citizens Advice to support customers in vulnerable circumstances further and ensure they receive holistic support and the service and experience they need.

Using a dedicated case management team is helping us ensure we deliver the right range of support to meet the differing needs of customers. Using this foundation will mean we can target the relevant schemes to the different customer groups to maximise efficiency and effectiveness of our support solutions. It also means we can focus on driving an outcome based approach of rehabilitation rather than just looking at the volume of customers supported during AMP7. This will ensure we are spending our customers' money wisely and making a real difference.

Our AMP7 proposals

For AMP7 we are proposing a combination of new schemes and improvements to our existing support mechanisms. This reflects improvements that have either been revealed by our customer engagement and/or co-created by our customers. These changes enable us to more effectively support the different customer groups.

Improvements to our existing schemes

We have looked to improve on our existing schemes by co-creating with our customers improvements to what we offer. This has resulted in a number of proposed improvements to our existing schemes:

- **Big Difference Scheme (social tariff)** – Following feedback from customers, we will look to reduce the number of customers receiving the 90% tariff. Customers on our social tariff consider a reduction to 70% will still be seen as impactful and would help increase the overall volume of customers we can support. Following our deliberative research and co-creation session with customers we will also (i) improve eligibility and qualification criteria to ensure we offer the right level of support to the right customer groups; and (ii) simplify the application process following the co-creation session

- **Water health checks** – We intend to include this measure again but will introduce new measures of effectiveness such as contact profiles, debt position, amount saved, payments received to ensure it is being delivered in an efficient and effective way

We will also be expanding the scope of our Big Difference scheme following new engagement on the cross subsidy. Overall our customers are broadly supportive of helping other customers in difficult financial circumstances. Our social tariff (the Big Difference Scheme) – uses a cross subsidy (c. £3) from our wider customer base. Our new research, which is detailed in Appendix A1: Engaging customers demonstrates that:

- almost all customers interviewed are happy to pay £4 per year;

- a significant majority (67%) are prepared to pay £8 per year;

- more than half of customers (53%) are prepared to pay £12 per year; but

- 14% of customers do not wish to contribute in the Big Difference scheme at all.

For the latter group, their opposition tends to be driven by deep cultural perceptions that people should be self-reliant. Many customers who took part in our research expressed concern that their contribution should go to those in genuine need. This insight has strongly influenced the design of our future scheme.

Increasing the cross subsidy from £3 to £8 and changing the design of the scheme described above will allow us to increase the number of customers we support through the social tariff scheme from 35,000 to c.97,750 by 2021/22. This will help a significant number of our water poverty customers get out of this category.

New schemes

Our identification of the five struggling to pay customer groups means we can better understand the differences in support they each require. They each have differing circumstances and to help with these we want to:

- support in year bills arrears and customers' future ability to pay;

- identify customers who are struggling to pay and predict customers who may be at risk of struggling to pay;

- effectively promote our services to ensure customers can access support if they need it;

- ensure accessing support is easy e.g. the application process for our Big Difference Scheme;

- support through flexible arrangements or reduced charges for those struggling to pay;

- work in partnership with third party experts to provide effective holistic support to customers; and

- ensure customers transition onto the right payment plans when they no longer require support to reduce risk of slipping back into arrears.

The key gaps in our offering relate to providing support for in-arrears debt, creating more flexible arrangements for customers who may be at risk of struggling to pay and providing more tailored management and advice.

Matching Plus

Our current social tariff helps customers reduce in-year charges but doesn't help with arrears built up over several years. This means customers are able to afford paying towards their current charges but still owe us money for historic debt.

We have therefore been trialling a debt write off scheme for customers called "Matching Plus" which addresses historical debt giving them a fresh start. Customers sign up to a payment plan which if maintained will clear all debt over two years old. Both our initial trial results and customer research feedback show that this scheme is a positive addition to our range of support and we therefore propose to make it part of our future offering.

Payment breaks

We will be introducing a payment break option to allow customers to seek financial advice and/or if circumstance means they have no income for short periods (e.g. hospitalised).

We will also be building on schemes introduced in AMP6 and expanding their reach:

- Home water efficiency checks for customers in social housing

- Fixing private issues for free for financially vulnerable customers

- Payment plan concessions to provide short term support

Our overall support offering for AMP7

In summary the following will form our holistic struggling to pay offering:

A Reducing their payments				B Additional support
Help with current charges	Help with arrears < 2 years	Help with arrears > 2 years	Reduces balance?	
PPC				• Case Management through Care and Assistance team (including breathing space)
SOAC/Assessed volume			✓	• Community engagement through External Relationship team
Watersure			✓	• Holistic financial advice via third parties
Free meter option			✓	• Water Health Checks
Big Difference Scheme			✓	• Further assisted payments – STTF white goods
	Water Direct			• Payment break
	STTF		✓	• Private issues fixed for free
	Payment Matching		✓	• Home water efficiency checks

The scope of our new PC measure

We have explored a number of potential options for ensuring our PC is effective and drives the right outcome. We want an outcome based measure that demonstrates the impact our support has on customers – lifting them out of water poverty and demonstrating a long lasting benefit to customers.

We are proposing to measure the number of customers we support versus the number of customers struggling to pay. This means we will abolish the input measure we currently have and adopt a new measure focused on the % of struggling to pay customers supported through tailored schemes.

Help with…	Scheme	Measurement
Future charges	Social tariff	Number of customers on scheme at 31st March
	Watersure	
	Water Health Checks	
Previous charges	Matching Plus	
	Severn Trent Trust Fund water grants	
Short term challenges	Payment Plan Concession	Number of customers helped in 12 month period (financial year)
	Payment breaks	
	Home Water Efficiency Checks (social housing)	
	Private issue free repair	

Incentive Type

We are proposing that this will be a reputational performance commitment. This reflects the fact that the measure is designed to lift customers out of water poverty and build trust. As such we don't think it's appropriate to apply financial incentives for this activity.

4.0 Effectiveness and efficiency

The effectiveness and efficiency of our schemes can be considered through a number of different ways:

- Is the **coverage** of our schemes sufficient to reach all the types of customers who might have affordability issues?

- Are we **placing** customers on the right schemes?

- How we **monitor** the success of the schemes in improving affordability and take action where appropriate; and

- The **cost of the schemes versus the benefits** delivered.

Note: we cover Water Forum support at the end of this chapter and it is covered in detail in the Water Forum report**.**

4.1 Coverage

We have mapped which affordability assistance measures would be appropriate for each struggling to pay customer group to ensure we have support available to meet their needs. This shows that our range of support is effective for each group:

Customer group	Payment Plan Concession	Single Occupier Assessed Charge/ Assessed volume	Watersure	Free meter option	Social tariff (likely tariff band cap)	Water Direct	Severn Trent Trust Fund water grant	Matching Plus	Case Management (CAT)	Community Engagement (External Relationship Team)	Holistic support	Water Health Checks	Further assisted payments (e.g. white goods)	Payment break	Private issues fixed for free	Home Water Efficiency Check
Long standing	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Borderline	✓				✓ 30%					✓	✓	✓		✓	✓	✓
Sudden & Severe					✓ 90%				✓	✓	✓	✓	✓	✓	✓	✓
Struggles with finances	✓	✓			✓ 50%			✓		✓	✓	✓		✓	✓	✓
New to the Country	✓									✓	✓	✓		✓	✓	✓

4.2 Placement

An important element of effectiveness is making sure our customers who need affordability support are placed on the right programme. We are doing this by:

- updating our eligibility and qualification criteria for the social tariff scheme to ensure they ensure the right customers qualify for the scheme (reflecting the results of our social tariff research). For example to qualify for the 90% reduction tariff in future we will be assessing customers' individual vulnerable circumstances to enable them to qualify. We are also looking at undertaking a credit reference check to confirm eligibility and therefore fairness.

- working with third parties who are experts in making assessments of "need" for support in relation to our social tariffs (they have the capability and trust with customers to be able to challenge unnecessary expenditure or help customers' access other holistic financial support).

4.3 Tracking

We will be looking to continually improve our affordability support. We will do this by putting in place processes that allow us to monitor success and take corrective action where necessary.

For our social tariff a key feature of our approach is that if a customer does not keep up with their payments then we will not auto-renew their social tariff support. This helps ensure the right customers are on the scheme – namely those customers that it helps to reduce debt rather than being a 100% subsidy. We will naturally ensure contact is made with these customers to understand how best to support them, for example if their circumstances have changed.

We are aware some customers are not meeting their payment plan concession agreements. We believe the introduction of a payment break scheme will better meet the needs of some of these customers as it will give them the opportunity to seek financial advice, therefore improving the effectiveness of the schemes but also not wasting money in setting up schemes that will not be delivered on.

We are ensuring that our schemes have effectiveness measures to ensure they are delivering the right outcome. For example we are introducing new effectiveness measures for our water health checks scheme, which include (i) amount saved after tariff change; (ii) debt due. We will be tracking this and use the results to ensure we continually improve our approach.

4.4 Cost benefit analysis

We've undertaken a cost benefit analysis of our affordability assistance schemes. The schemes in the scope of this measure are social tariff, Water Direct, Watersure, Matching Plus, water health checks, home water efficiency checks for customers in social housing, Severn Trent Trust Fund water grants, payment plan concessions (short term payment plans) and free private water repairs due to financial vulnerability.

We have included costs associated with third party contracts, manpower, administration, systems, postage/mailshot, customer contact, bill reductions, meter installation and charitable donation covering water grants.

We have included key benefits in our assessment, notably:

- reduction in debt activity costs;

- reduction in payment transaction costs;

- increase in payments received (for Water Direct only); and

- reduction in billing contact costs.

We have assessed the benefits for an average customer new to each scheme in 2016/17 (using transaction data for each customer 12 months before they joined the scheme and 12 months after joining) and used these to calculate the benefits of all customers on each scheme in 2017/18. For some schemes we have seen an increase in transaction activity costs, whilst others drive a benefit through a reduction – both these increases and reductions have been included to calculate an overall benefit number.

The free private water repairs due to financial vulnerability scheme was not included in benefits as the purpose of this scheme is for customer benefit, not business, from a purely financial vulnerability point of view; there will have been operational benefits but these have not been included.

The below diagram illustrates the outcome of this cost benefit analysis, taking into account the costs and benefits per scheme relative to the customers who we forecast we'll support on each scheme, using the same methodology as that used for the equivalent App4 common metrics. The analysis doesn't include payment breaks and fixing private issues for free, as no data is available on these schemes because they are new and have not yet been trialled.

Severn Trent CBA of affordability assistance
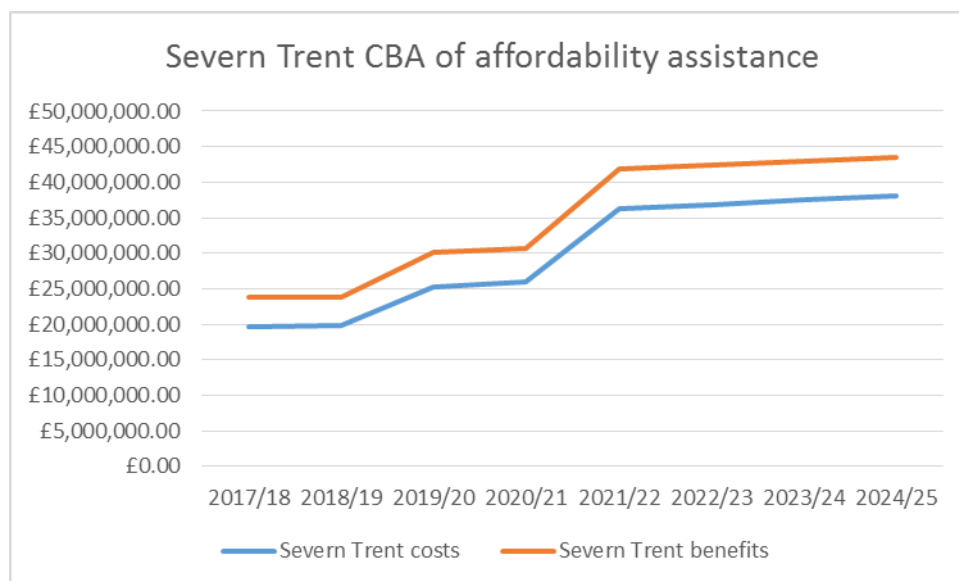
Costs and benefits increase over time due to (i) variation in the forecast number of customers supported on each scheme and (ii) assuming bills increase by 1% after inflation. For example, we propose to increase the social tariff cross-subsidy from £3 to £5 in 2019/20, which will increase the number of customers supported through the social tariff from 35,000 to c.50,900. Changing the social tariff banding design in 2020/21 will increase this further to c.61,600 and the increase in social tariff cross-subsidy in 2021/22 from £5 to £8 will take the number of customers supported to c.97,750.

A proportion of our charitable donation to the Severn Trent Trust Fund (STTF) goes towards helping customers with water grants and paying off their arrears. The expert third party responsible for administering the STTF is also able to provide holistic support for these customers and to identify other opportunities - for example, additional benefits or other utility schemes the customers could qualify for. As a result, the money we invest in the STTF returns an ROI of £2.62 for every £1 invested. We propose to continue to administer a proportion of our key schemes using external third parties as they provide holistic advice to customers who need it most, and therefore deliver additional benefits.

The benefits of the affordability assistance outweigh the costs as a result of the reduced administration and contact costs, along with increased payments from customers paying via water direct. The reduction in costs as a result of the schemes in realised in our retail cost to serve efficiency. Where schemes are cross subsidised (Watersure and social tariff) the benefits and costs of the cross subsidy net off against each other in the calculation.

5.0 Accessibility of our support

To effectively support customers who find the cost of their water and wastewater bill unaffordable, it's critical that they can access our services.

Throughout the development of our PR19 proposals we have sought input from our customers and challenge from our Water Forum about how to improve the accessibility of our support. As a consequence, our customers will benefit from:

- Enhanced support with future charges, previous arrears and short term challenges

- Easier to access meaningful support

- Independent, holistic advice to help their financial situation

We also engaged external experts to help develop our proposals including through an expert workshop we held with over 30 experts to validate our research and seek feedback and challenge on our proposals. They were supportive of our proposals and did not identify any specific gaps in our offering.

In the table below we summarise the key accessibility factors relating to affordability and our proposals.

Accessibility factor	Proposal
Understanding customers' needs and circumstances	Engaged different customer groups, including general customers, future customers, customers who are struggling to pay who we provide support to and those who do not currently receive support
	We identified five struggling to pay customer groups and developed personas to help us understand these customers
	Around 11% of customers tell us they find their current bills unaffordable
Promoting support available	Use existing touchpoints
	Digital campaigns
	Work with third party trusted experts to share support available
Proactively identifying customers who need support	Work with third party trusted experts who customers already engage with
	Work with organisations who hard to reach customers engage with, e.g. food banks
	Use credit reference agency data share insight to identify customers who might need support
Assess effectiveness of our current offering	Customers like the support available
	Reduce the social tariff discount to 70% and still offer support that is meaningful and effective
Make it easy for customers to pay	Customers fed back that they like the range of payment channels and frequencies
	Use segmentation and nudge techniques to promote suitable payment options
Ensure support is easy to access	Simple applications available in different formats (digital/paper) and support available to complete forms
Proactively deploy support in advance of problems arising	Use insight and analytics to identify changes in behaviour
	Proactive messages to remind a customer a payment is due
Ensure support available to meet all customer needs and circumstances	Mapped service proposals to customer groups to ensure full coverage
	Introducing payment breaks to provide additional short term challenge support
	Introducing matching plus scheme to help customers with arrears
	Introducing effectiveness measures to ensure schemes deliver tangible benefits to customers
Funding for affordability assistance	67% of customers are prepared to pay £8 per year to support customers on the social tariff
	Funding for affordability support goes beyond neutral levels of assistance
Holding ourselves to account	We have developed a bespoke performance commitment measuring the proportion of customers supported who find bills unaffordable
	For AMP8 we will look to measure rehabilitation or elimination of water poverty

5.1 Engaging with and seeking challenge from our Water Forum

In order to seek further challenge on our affordability assistance plans we have engaged our CCG throughout and asked for challenge on whether they feel our proposals will improve accessibility and are effective. Our CCG raised the following challenges which we went on to address to their satisfaction:

- Are the existing schemes reaching the right customers, those most in need or who might benefit most?

- Offer a broader range of struggling to pay schemes to support customers, including schemes which help customers take better control of their payments and get into new payment habits /rehabilitation

- How do the company propose to identify the most needy in their plans to support customers who are struggling to pay

- The company should identify the most appropriate ways to communicate with customers and raise awareness of the support available.

- The company should consider funding some of the affordability programme themselves out of profits

- The company was challenged to pilot different interventions to support customers struggling to pay to establish the effectiveness of support mechanisms

- Could the company stretch themselves further in terms of the proportion of customers supported through the help to pay when you need it performance commitment?

- The company should consider whether it is appropriate to include the Severn Trent Trust Fund charitable donation in the scope of the performance commitment.

In January 2018 we asked our Water Forum to challenge our overall proposals to improve affordability. This was in the form of asking the Water Forum to score our plan against four key questions:

- We understand the needs of customers who struggle or are at risk of struggling to pay their bills;

- We have appropriate plans to identify customers who struggle or are at risk of struggling to pay their bills;

- We have the right range of assistance available for customers who are struggling or at risk of struggling to pay their bill; and

- We have the right plans in place to support in advance of problems arising.

The CCG were asked to score from one 'Not met', through three 'Substantially met', to five 'exceeds expectations'. All CCG members scored all questions a score of 3 or above (substantially met or above). The CCG were asked to share where they thought there were gaps in the plan – no outstanding queries were identified.

Further information is set out in the Water Forum report

6.0 Customer support

In this section we set out the specific views of customers on both (i) our specific measures to support affordability and (ii) more broadly support for our plan, including price-service combinations.

6.1 Customer support on specific affordability measures

We sought to test specific customer support on our assistance measures for those struggling to pay. In the table below we have summarised the highlights from this engagement.

Customers views	Our proposals
Customer engagement co-creation session	
• Customers said a priority is to communicate affordability assistance support available • Customers said they would like to know more about how we use their money	• Promote affordability assistance generally to all customers through brand and marketing campaigns and target promotion where customers will find this information accessible • Run value for money campaigns to promote what customers get for their bill and promote options available to them via existing touch points
Co-creation on social tariff & struggling to pay measures	
• Customers supportive of social tariff & payment matching, also helped design some of the support	• Launch matching plus scheme to help clear customer arrears • Amend social tariff design to cap standard tariff band at 70% bill reduction and review qualification criteria to ensure fair
Expert workshop	
• Experts supportive of our proposals and said not missed anything in terms of different schemes others offer that we don't	• Continue with our proposals and continue to engage experts to continually evolve offering
Social tariff cross subsidy willingness to pay research	
• 67% of customers supportive of £8	• Increase cross subsidy from £3 to £5 from 2019/20 and then up to £8 from 2021/22

6.2 Overall support for our business plan

Acceptability research

It is important that the plan we propose is acceptable and affordable to our customers. We have consulted over 2,400 household and non-household customers, including a sample of South Staffs Water Midlands customers, on the acceptability and affordability of our plan, including potential ODI impacts. Our research methodology has included both face to face and online research, with engaging materials tested with a focus group of 10 year olds to ensure simplicity and understanding.

The sample allows us to understand customer views for the bill presented in both real and nominal terms, as well as segmenting different customer groups, such as those in vulnerable circumstances.

We asked customers whether the proposed performance commitments for water, wastewater and retail are acceptable, and the majority of customers agreed they are:

• 81% of household customers, and 80% of non-household customers, supported the proposed package of water performance commitments;

• 80% of household customers, and 78% of non-household customers, supported the proposed package of wastewater performance commitments;

• those who disagreed often perceived they would be paying more for the improvement or had no issues with the current service;

• 75% of household customers supported the retail performance commitments; and

• those who disagreed with the retail commitments felt other aspects of water supply are a higher priority compared to helping others.

Our research finds that 80% of household customers find our proposals acceptable. Some customer groups are less likely to find our proposals acceptable – low income customers and those who are "just about managing". Despite the fact the difference is significant we still find that 72% of low income customers, and 74% of those "just about managing" find the plan acceptable. Experience of service failure, and a disability in the household, do not make a significant different to acceptability. Attitudes towards water companies significantly impact on acceptability, those who say they trust their water company report the highest level of acceptability, followed by those who are satisfied with the service they receive, whilst those who believe profits are too high, or are pro-renationalisation report lower levels.

As we have found in other research, customers are altruistic. The main reason for finding the plan to be acceptable was that all customer would benefit from the improvements, followed by the improvements being needed and the environment benefiting. In the sample which saw the bill presented in real terms, we find that customers understand and expect inflation to further impact their bill.

Those (relatively few) customers who find the plan unacceptable tell us this is down to the bill being already expensive, or company profits being perceived to be too high.

The future bill is also seen to be affordable by customers, with 61% of households finding the future bill affordable (and less than 10% net disagree). This is an increase compared to those who find the current bill affordable. Those on a low income and who always struggle to pay their bills report significantly lower levels of agreement.

Acceptability of the plan – wave 2

Following our first wave of acceptability research, the proposed bill profile over AMP7 improved, to a 5% reduction in real terms. We repeated the acceptability research with a sample of 1,400 household customers on Tap Chat, with versions of the survey in both real and nominal terms. We find that 85% of customers find the plan acceptable when presented in real terms, and 77% when presented in nominal terms. Uninformed acceptability (in which the customers are presented purely with the future bill and not the details of the plan) is 80% in real terms and 67% in nominal terms.

The vast majority of customers support the proposed performance improvements, with over 90% agreeing with the water, wastewater and retail improvement packages, and 75% agreeing with the community dividend (and 18% neither agreeing nor disagreeing).

A fair balance of charges over time

We have used deliberative research as well as quantitative research with a representative sample on our online community, to explore how we ensure a fair balance of charges over time, and between generations. We find that customers want bills which are stable, and charges to be set in a way which means each generation pays their fair share. Our proposed approach to longer term bill profiles receives considerable support from customers, with 87% of those surveyed preferring a smaller bill reduction over the next five years, but a more stable profile over time.

7.0 Water Forum support

Alongside customer support, we sought Water Forum challenge and ultimately support for how we were seeking to improve the affordability of our services. This involved creating a dedicated sub-group focused on affordability and vulnerability.

We shared with the Water Forum and sub-group our progress at each step of this journey and took on board their feedback and challenges. This allowed us to better our approach and ultimately deliver a robust set of proposals. For example we shared all the drivers of affordability with our CCG to seek challenge and they helped us identify an additional driver.

We also valued the challenge on our approach to affordability customer research. Members of our Forum attended the expert struggling to pay workshop and witnessed the support from different experts for our plans. Members also attended our co-creation engagement activities and witnessed feedback from customers so they could better assess how we had listened and respond to customer feedback.

Once we had conducted our customer research and obtained customer support on our approach we took this back to the Water Forum to obtain support for how we interpreted the results. For example:

- Water Forum were supportive that 67% of customers we happy to pay £8 cross subsidy for the social tariff and that this level of support was significant enough to use this as a cross subsidy level. Our Water Forum were also supportive that we increase the cross subsidy from 2019/20 to £5 and then increase to £8 from 2021/22.

- We undertook a full review of the accessibility of our affordability measures with the Water Forum asking them to score our proposals against criteria to ensure we had gained enough customer engagement and the plans reflected what customers had said. We asked the CCG to score the questions on a scale of 1 (not met) to 5 (exceeded expectations). The CCG scored all questions as a four or five with a couple with an individual scoring us a three (substantially met). Further information can be found in section 1.3.4.

When we had completed the development of our affordability proposals and had evidenced them through customer support we undertook a full review with our Retail Sub Water Forum and they confirmed we had addressed all their challenges and had no gaps in our proposals.

PART B: SUPPORTING OUR CUSTOMERS IN VULNERABLE CIRCUMSTANCES

For vulnerability, while we already have in place a number of support options for customers, we want to do much more to raise awareness and take-up of our service offering, and better tailor it to individual circumstances.

This appendix sets out how our plans help address issues related to vulnerability. It also shares detail on how we have worked to better understand the complex, individual circumstances that may make our customers vulnerable, and our resulting 10 point response. A summarised version is provided in Chapter 7: Addressing affordability and vulnerability and Chapter 14: A service for everyone.

The structure of the chapter is as follows:

- Section 8 sets out how our approach aligns to **Ofwat's assessment criteria;**

- Section 9 describes **how we have engaged customers and stakeholders** to understand how we can best support customers in vulnerable circumstances and develop our proposals;

- Section 10 explains **our approach to developing our proposals**, specifically how we sought to understand customers, identify who is at risk and then how we can best support customers;

- Section 11 summarises **how we propose to hold ourselves to account** through our service vulnerability performance commitment;

- Section 12 presents evidence of how our **plan is targeted, efficient and effective; and**

- Section 13 summarises the **challenge and support provided by our Water Forum.**

Throughout each section we will draw out how we have challenged ourselves, whether through engagement with our Water Forum, working with stakeholders or as a result of our research.

8.0 Our approach and how it aligns to Ofwat's assessment criteria

Our service vulnerability approach encompasses **three parameters**:

- Understanding the circumstances that may trigger an issue for a customer;

- Identification of who is at risk; and

- Responding to customer needs (service offering).

This approach is underpinned by our performance commitment which will hold us to account – supporting our priority service customers during an incident.

Although our plan is focused from 2020 onwards, we have been working to improve our approach to supporting customers in vulnerable circumstances this AMP. This has involved creating a robust platform that we can build on through to AMP7 – with particular emphasis on improving the capability of our people and systems. This will allow us to significantly grow our Priority Service Register (PSR) in AMP7 and deliver flexible tailored support to customers with differing needs.

We consider that our approach and underlying parameters align closely to Ofwat's assessment criteria: *To what extent does the company identify and provide accessible support for customers in circumstances that make them vulnerable, including proposing a bespoke performance commitment related to vulnerability?*

- The company will adopt a high-quality bespoke performance commitment on its approach to supporting customers in circumstances which might make them vulnerable (evidenced in section 2.4).

- The company will take a targeted, efficient and effective approach to supporting customers in circumstances which might make them vulnerable (evidenced in section 2.5). This approach will bring about a step change in the identification, accessibility and support for these customers (evidenced in section 2.3).

We also recognise the requirement to report against a set of vulnerability common metrics (evidenced in App4 data table). These are referenced throughout this chapter.

9.0 Customer and stakeholder engagement

In order to understand customer needs, how to identify those who might be at risk of being vulnerable and to ensure we deliver the right level of support, we have undertaken a range of customer engagement activities as well as engagement with experts in vulnerability and with other companies.

9.1 Customer engagement

We have sought input from customers in or at risk of being in vulnerable circumstances in a number of ways to help us understand what might trigger them to be vulnerable, their needs and how we can better offer the service they require and expect:

- Customer needs in-home research specifically with customers with health and well-being vulnerable circumstances

- Participant-led online research and qualitative focus groups with faith/cultural groups focused on customer needs

- Voice of the customer – analysis of feedback provided by customers following an interaction with Severn Trent from customers in vulnerable circumstances or referencing them

Through our broader customer needs research, customers told us that they (whether in vulnerable circumstances or not) want to see that vulnerable customers are taken care of in the event of service failure.

In October 2017 we shared our customer research and engagement approach with our Water Forum who fed back that 'the retail research programme is looking like a very robust programme'. In the December 2017 Water Forum retail sub group meeting, we then shared the main outputs of our research programme and they agreed they were happy with the overall retail research and that it 'seemed robust'.
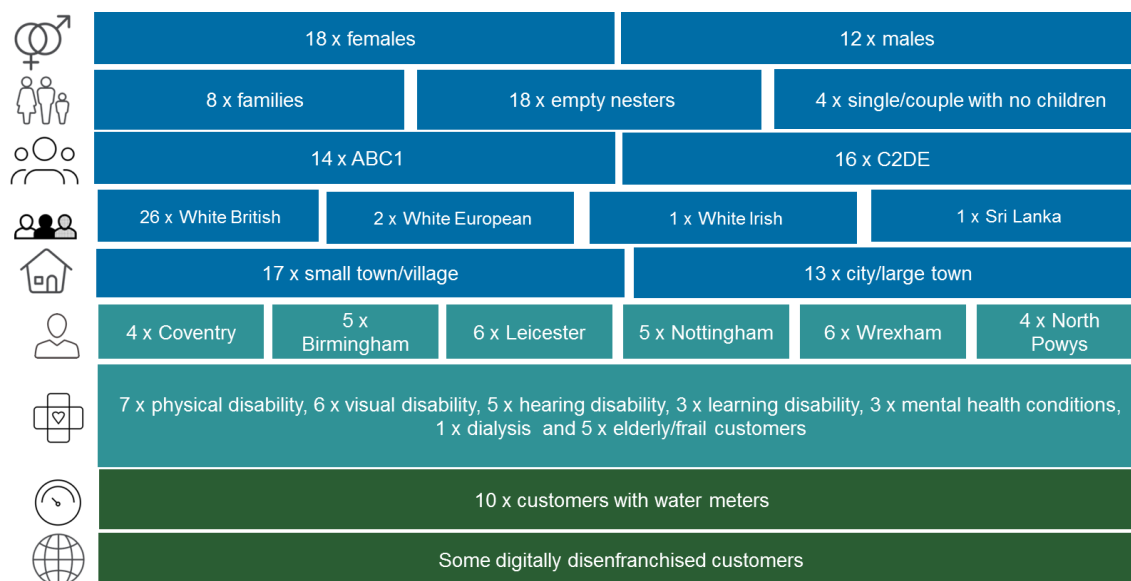
Below we discuss the key findings from the research.

A. Customer needs research with customers in health and well-being vulnerable circumstances

We believed the best way to understand customers in vulnerable circumstances was to immerse ourselves in their daily lives. This would allow us to see first-hand what customers' needs and priorities are, rather than relying on anecdotal evidence. We understood that health and wellbeing vulnerable customers may not be digitally enabled, and therefore, may not be able to take part in participant-led online research. We also understood that for this group of customers their ability to engage in an extensive research programme may be limited. Therefore, for this audience we ran a programme of in-home research – an approach that would give us first-hand understanding of their living situation and daily lives. The in-home in-depth interviews lasted up to 3 hours but with flexibility to reduce the length to reflect customer ability to take part.

We conducted 30 in-home depth interviews with customers who had a range of health and well-being vulnerabilities. We also ensured we recruited these customers across a range of other demographic and attitudinal profiles and across six different locations. We had a balance of customers who were already registered on our PSR and those that were not.

Figure 2.2.1 Customer needs research health and well-being vulnerable group customer profiles

18 x females		12 x males
8 x families	18 x empty nesters	4 x single/couple with no children
14 x ABC1		16 x C2DE
26 x White British	2 x White European	1 x White Irish / 1 x Sri Lanka
17 x small town/village		13 x city/large town
4 x Coventry / 5 x Birmingham / 6 x Leicester	5 x Nottingham / 6 x Wrexham / 4 x North Powys	

7 x physical disability, 6 x visual disability, 5 x hearing disability, 3 x learning disability, 3 x mental health conditions, 1 x dialysis and 5 x elderly/frail customers

10 x customers with water meters

Some digitally disenfranchised customers

The interview discussion explored:

- Experience of our service

- Front-of-mind priorities for improvements to our service

- Informed priorities for improvements to our service

Key findings:

- Customers with health and wellbeing vulnerabilities are very happy with the service provided by us and trust us to do a good job.

- For the most part, these customers do not see themselves as having specific needs. As such, they don't have hugely different priorities to 'general' customers, nor do they want to be made to feel 'different'.

- There are mixed views about how much contact this audience would like from us – some welcome greater awareness of their needs but others see it as intrusive. In the main, if customers find themselves having specific needs, they would take it upon themselves to get in touch with us directly.

- That said, there is clearly room for more communication about the services and support we offer to customers with health and wellbeing vulnerabilities - including the PSR, which few know about currently.

- Customers who have specific needs are the ones we could be addressing better and include those with mobility issues (who worry about access to water during service disruption) and those with mental health conditions, for whom there is a current perception of limited provision.

Health and well-being vulnerable customers told us they feel there are three key areas for improvement focus:

i. *Communicate more about what support and services are available*

Similar to other customer groups, their awareness of what we do and some of the support services we provide is relatively low. Customers would welcome more communication, specifically about the PSR and other support services available as they feel this would be seen beneficial for our reputation, as well as providing much-needed support to these customers.

ii. *Ensure that all communication is accessible, inclusive and not intrusive*

Customer preferences for communication varied depending on existing health conditions, age and life-stage. We heard preferences for letters, phone calls, emails, leaflets, and for information to be provided with bills. Some customers would prefer communication in a certain format — in large print, for example, or over the phone — to reflect specific needs they have. Customers also felt that we should be conscious of the specific challenges that can affect customers with mental health conditions when it comes to paying bills. It is important not to be too intrusive when communicating with customers.

iii.   Educate customers about the role that Severn Trent plays, as well as how they can save water

Similar to other customer groups, our health and well-being customers felt we have a role to play in educating customers about water, specifically providing more information about water saving devices, and more clarity on the role and benefits of water meters. This group of customers also felt that we should help customers understand the impact they have on the environment.
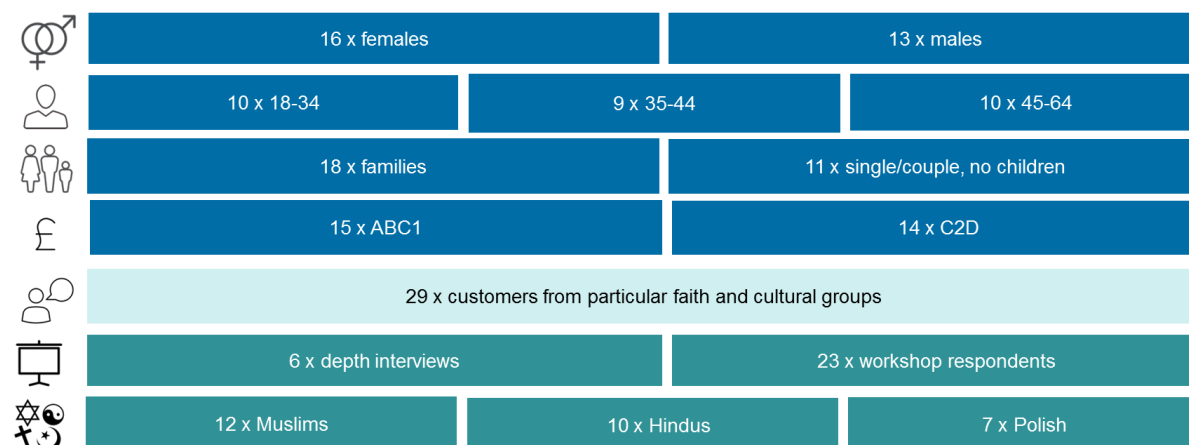
B. Customer needs research with faith and cultural groups

We identified that a customers' faith or culture may lead to different patterns of water use or needs from their water company and that these circumstances could be a trigger for service vulnerability. <u>For example, customers who do not speak or are unable to read English may be put at risk during a water supply event as they would not be able to understand the general communication that was issued.</u>

Additionally, different religious beliefs might require different patterns of water use and our planned or unplanned activity could impact this. We also identified that not all customers (of different cultures) are entirely comfortable with home visits and we recognise this and so adapt to their expectations. Faith and cultural groups may also have different expectations and needs from general customer service.

As a result of recognising these potential triggers linked to a customers' faith and/or culture, we chose to undertake specific research with this group of customers to further understand their needs. We specifically engaged with the Polish community, Muslims and Hindus who might typically not participate in customer engagement.

Figure 2.2.2 Customer needs research faith and cultural group customer profiles

16 x females		13 x males
10 x 18-34	9 x 35-44	10 x 45-64
18 x families		11 x single/couple, no children
15 x ABC1		14 x C2D
29 x customers from particular faith and cultural groups		
6 x depth interviews		23 x workshop respondents
12 x Muslims	10 x Hindus	7 x Polish

The objectives of the research were the same as that undertaken with the health and well-being customer group. The participant-led online research enabled us to understand customers' daily lives and priorities, including the peaks of their day and the frustrations and challenges they experience. We also set participants tasks – such as filming short camera clips, or making a collage – generating rich visual outputs to help us further understand customers. The deliberative events enabled us to further test priorities within different levels of the hierarchy of needs.

The key finding relating to service vulnerability from this customer group was that when dealing with 'large scale' incidents, participants felt that we could use a wider variety of methods to engage with customers. In particular, they felt that we could work with local 'influencers' (such as councillors, religious leaders) and local hubs (such as pubs, shops, recreation centres) to provide information and signposting to support services.

C. Voice of the customer analysis

We proactively send customers a satisfaction survey via SMS if we have their mobile phone number, when they contact us for a billing, water or a wastewater query or issue. In 2018 we have expanded our voice of the customer programme to also include email surveys and specific post-incident surveys. These surveys enable customers to score their experience out of five and also provide verbatim feedback.

We have analysed the feedback and the general theme coming from the survey relates to the provision of bottled water when there are problems with the main supply of the water. Customers have noted their gratitude when we have provided bottled water if there is someone at the property with a vulnerable circumstance.

At the same time, there were some customers with children (with no specific medical need) that expected bottled water to be provided. When further checking this expectation with customers through our wider customer need research, there were mixed views as to whether customers with young children should have bottled water delivered or be able to collect it from the bottled water distribution sites. In addition, a number of elderly customers who did not receive bottled water mentioned that they would have liked bottled water to have been provided and others who had received it thanked us for delivering it. We need to be clear on our service offering for bottled water and ensure we manage customer expectations early on in the journey.

9.2 Stakeholder engagement

Service vulnerability expert event

In November 2017 we hosted a service vulnerability expert event attended by 23 experts from organisations covering the health sector, Adult Services, Emergency Planning teams, charities, housing associations, adjacent sectors and by members of our Water Forum.

The purpose of the expert workshop was to…

- Validate our vulnerable circumstance triggers and categories

- Discuss how to effectively identify customers in vulnerable circumstances and how to promote the services

- Share ideas of how to support customers in relation to incidents, fraudulent activity, field visits and day-to-day contact

- Discuss how to effectively work in partnership to help support customers in vulnerable circumstances

Our key learning points and subsequent action plans are shown in table 2.2.1 below.

Table 2.2.1 Learning and associated action points from vulnerability expert workshop (November 2017)

Learning	Action plan
Importance of multi-channel and use of graphics as well as communication preferences – everything should be available in every channel of choice	Review all of our communications (water quality notices, bills, application forms) and work towards ensuring that every customer can receive all communications in their channel of choice.
Mirror NHS winter campaign 'if you know someone pass it on'	Identifying customers who may not see themselves as vulnerable until an incident occurs is a clear area for development. We will work to promote our services, using trusted local partnerships and organisations, so wider awareness will help us to identify and therefore support more of our customers in vulnerable circumstances.
Proactive partnerships – especially with local communities	We have started to explore these partnerships, and will continue to develop and add to our partnership working. We have also taken away the guidance about building these relationships during 'peace time' to prepare for incidents.
Care culture underpinning customer experience	Building on and extending our cultural change programme throughout all areas of the business through training, awareness and upskilling. This will continue to be a key focus.

Benchmarking and sharing best practice and learning

We have also attended a number of events and conferences to understand best practice and build networks for the future, including:

- Parliamentary Rural Vulnerability Day

- Local Resilience Forum Communications Workshop

- Vulnerability conference: a focus on best practice across regulated industries – hosted by Huntswood

To further build on this we have visited or spoken to over 20 organisations. These included charities such as Shelter, Mind and Guide Dogs for the Blind. Our key learnings were as follows:

- Importance of cultural change within the business, such as ensuring leadership from the top, adapting training to suit the needs of different teams

- Importance of voice of the customer and voice of employees

- Strength of working in partnership as customers will see some organisations as trusted partners

- Importance of having vulnerability sponsored at all levels of an organisation

- Importance of accurate customer data

We have taken the outputs from these to help develop our plans and build partnerships for today and the future.

In our January 2018 Water Forum meeting, we specifically asked the group to challenge us on whether we could do more to engage with third party organisations to identify best practice. We asked the group to score us from one (not met) to five (exceeded expectations). We also asked for them to comment on where they feel there are any gaps in our engagement. All members scored us a three out of five (substantially met) or higher. There were no specific comments relating to where gaps existed.

10.0 Approach to developing our proposals

We have taken the learning from our customer and stakeholder engagement to help us understand customers and develop our proposals. This service vulnerability approach encompasses three parameters:

1. Understanding the circumstances that may trigger an issue for a customer

2. Identification of who is at risk

3. Responding to customer needs (service offering)

This section covers how we have approached these three parameters that have resulted in our propositions.

10.1 Understanding the circumstances that may trigger an issue for a customer

Our approach to understanding customers and circumstances that might trigger them to become vulnerable covered five main activities:

A. Identifying triggers

B. Developing customer personas

C. Mapping triggers against customer personas

D. Categorising vulnerable circumstances

E. Understanding future needs

A. Identifying triggers

In order to understand our customers we need to first identify the triggers that might make a customer vulnerable in the context of our service. We took the five Ofwat triggers and engaged our teams to undertake an assessment of these against the core service we deliver for customers. Through this activity we identified two additional triggers where our core service activity might put a customer at risk.

We shared our seven triggers with our Water Forum to invite their challenge which the Water Forum was supportive of. They assisted us in identifying that the bogus caller trigger could be extended to include other potential fraudulent activity, such as identify theft. We took this on board and included it.

We summarise the seven triggers that might make a customer vulnerable below:

Seven triggers for vulnerability

1. Vulnerable during supply interruptions

2. Vulnerable during actual or potential drinking water contamination incidents

3. Vulnerable as a result of a private and/or wastewater issue

4. Vulnerable as a result of our work in the community, for example roadworks

5. Problems in communicating or receiving information in the formats that we usually use

6. May need help to read their meter, understand their bills, or to make arrangements to pay

7. Vulnerable to fraudulent activity, for example, bogus callers.

We validated these triggers at our service vulnerability expert event where our experts confirmed this covered all areas they would expect.

B. Developing customer personas

Early on in our service vulnerability PR19 journey, our Water Forum challenged us to consider using customer personas to help us further understand customer needs. We already use customer personas through our customer journey approach and so built on this capability which has helped us understand and bring to life our customers' needs and how the triggers might impact on customers' lives. We included a range of health and well-being circumstances across four vulnerable categories – physical, mental/emotional, life event and communication – and also built in customer persons with multiple vulnerabilities and transient vulnerabilities.

Figure 2.3.1 Customer personas to understand customer needs and multiple vulnerabilities

We shared our customer personas with our Water Forum retail sub group who agreed that this would help bring to life our response.

Our customer	Their circumstances
Jack, 75 years old from Solihull	- Jack has recently been diagnosed with dementia. - He is living at home with his wife. - Both Jack and his wife are partially deaf.
Sarah, 28 years old from Birmingham	- Sarah lives with her husband Tom, 29, two daughters aged 5 years old and 4 months old. - Sarah was recently diagnosed with breast cancer and is currently receiving treatment. - Water is priority as the family need to sterilise and prepare their daughter's bottles.
Liam, 36 years old from Gloucester	- Liam has type 1 diabetes and has been on and off dialysis for the last 5 years, currently undergoing treatment at the hospital 3 times a week. - Liam has recently had ileostomy surgery. He needs to regularly clean his wound and bag and take medication. He is also partially sighted. - Liam lives between two addresses with his girlfriend.
Ethel, 77 years old from Nottingham	- Ethel is housebound and has low mobility. - She has a carer coming in once a day to support. - Ethel has no internet access.
Dafydd, 92 years old from Shropshire	- Dafydd is very frail after a number of falls and partially deaf. - He lives with his son who is 69, partially sighted and receives no help from external carers.
Randeep, 28 years old from Leicester	- Randeep has autism and lives alone. - Due to his condition, Randeep finds it difficult to socialise with people, particularly strangers, and feels extremely anxious if he experiences changes to his routine.
Kirsty, 29 years old from Coventry	- Kirsty is affected by bi-polar disorder and is a full-time mum of two teenagers. - There are times when she feels she could be considered vulnerable.

C. Mapping triggers against customer personas

We took our customer personas and mapped the seven triggers against them so we could understand the potential impact these triggers might have on our customers specific to their circumstances. Table 2.3.1 illustrates an example of this mapping activity specifically for our persona Jack.

Table 2.3.1 Example of customer persona mapping to vulnerability triggers to understand potential impact

Customer: Jack, 75 years old from Solihull
Circumstances:
1.   Jack has recently been diagnosed with dementia.
2.   He is still living at home with his wife.
3.   Both Jack and his wife are partially deaf.
Jack is on Severn Trent's Priority Services Register

Trigger	Potential Impact
1. Vulnerable during supply interruptions	• Due to his hearing impairment, Jack and his wife may not be able to access or receive communication about the incident or alternative supplies. • Jack may also have trouble understanding any communication if his wife was not at home. • Due to their age, Jack and his wife may need alternative supplies delivered to their home.
2. Vulnerable during actual or potential drinking water contamination incidents	• Same as above • Jack's dementia may mean he may forget a DND/Boil notice and therefore be at risk of using contaminated water without a written reminder on tap etc.
3. Vulnerable as a result of a private and/or waste water issue	• Jack and his wife may feel anxious/unable to cope if their home is affected by a private leak/ waste water issue and may not understand whether it is a private issue or how to resolve it
4. Vulnerable as a result of our work in the community, for example as a result of roadworks	• Customers like Jack could feel more anxious if they do not understand the work we are doing. • Works may impact public transport routes and cause diversions which could impact Jack and his wife's travel plans
5. Problems in communicating or receiving information in the formats that the company usually provides	• Jack's dementia could mean that he will be unable to remember security questions or details needed to access the account at different points. • Jack and his wife may need access to alternative contact channels due to partial deafness such as email or web chat, or alternative provision and adaptation to allow them to use the phone if this is their preferred contact channel.
6. May need help to read their meter, to understand their bills, or to make arrangements to pay their bills	• Same as above • Consider that dementia diagnosis may change the dynamic and responsibility of payment for Jack and his wife, they may need to change the payment arrangements, or the bill may need to be explained to Jack's wife if she hasn't paid before. Consider channel choice.
7. Vulnerable to fraudulent activity, for example bogus callers	• Due to their age, Jack's dementia and their partial deafness both Jack and his wife may be more susceptible to fraudulent activity, specifically bogus callers.

This was a key point on our journey to really understanding customer circumstances and needs.

D. Categorising vulnerable circumstances

Whilst we were developing our customer personas, we researched what vulnerable circumstance categories other sectors had identified, including the finance and energy sector. We used these to develop a draft set of vulnerable circumstance categories to help us develop our personas. These were refined following Water Forum challenge through sharing best practice with other organisations. We validated our categorisation with our experts at our service vulnerable expert event in November 2017.

Our key take away was the importance of having outcome focused categories that would drive the right support for customers. We shared a further draft set of categories with the Water Forum retail sub group in December 2017 who challenged on whether the breakdown of the mental health/emotional list of conditions was too specific. We did a final review of our categorisation against the new GDPR requirements and further refined our categories to get the right balance of enough detail to be able to tailor services to meet customers' needs, but not too detailed that we are storing unnecessary sensitive data. We shared our final categorisation need code proposal with the Water Forum and they were supportive of this.

Table 2.3.2 Our proposed customer need code categorisation for vulnerable circumstances to be captured in our PSR

Physical condition	Mental health condition	Communication support	Live event
• Hearing difficulties (including deaf) • Speech difficulties • Blind • Partially sighted • Physical impairment • Dialysis, feeding pump and automated medication • Chronic/serious illness	• Developmental condition • Dementia(s) • Mental health • Additional presence required	• Unable to communicate in English • Unable to read or write	• Temporary – post hospital recovery • Temporary – life changes

In 2018/19 we are investing in a new PSR system which will give us the flexibility to adapt our categories through future continuous improvement activity and best practice learning. The new PSR also gives us the ability to easily capture multiple customer vulnerable circumstances and transient vulnerabilities.

E. Understanding future needs

Social and technological change will impact our population demographics, the number of customers needing priority services, and the type of support we will need to offer and deliver. To ensure we understand potential future requirements and volumes we have undertaken further desktop research of expert organisations to understand future likely trends. For example we have worked with Guide Dogs for the Blind and they have helped us understand the likely growth in the size of the visually impaired population over time and how this might look across our region.

Table 2.3.3 Future estimated size of visually impaired population across the Severn Trent region

Year	UK	Severn Trent region	Shropshire	Derbyshire	Leicestershire	Nottinghamshire	Warwickshire	Worcestershire	Staffordshire	Gloucestershire	West Midlands county
2017	2,032,360	261,130	12,060	27,050	22,780	27,220	19,240	21,040	29,730	21,850	80,160
2020	2,208,200	283,470	13,340	29,640	24,970	29,660	21,100	23,180	32,690	23,940	84,950
2025	2,477,400	317,850	15,200	33,390	28,490	33,490	24,010	26,280	36,990	27,290	92,710
2030	2,809,790	360,380	17,570	38,370	32,720	38,160	27,540	29,960	42,480	31,250	102,330

It is accepted that Britain has an ageing population, which will lead to an increase in the need for priority support. By mapping our region's population to both 2026 and 2036 we see a reflection of this, with the population over 65 years old increasing between 0.5% and 4.8% in specific areas across our region by 2026. The highest increases are in rural areas like the Forest of Dean and Shropshire, and this trend is forecast to continue into 2036, highlighting where our focus areas will be.

With one in four people currently experiencing a mental health problem annually, we expect awareness and understanding of mental health will continue to increase, and we will work with our charity partners to ensure that the support and assistance we offer our customers reflects this. Technological advancements up to 2025 could lead to better treatments and more accurate diagnosis of many vulnerabilities, and we will be prepared to reflect these in our services.

10.2 Identifying who is at risk

Once we understood the triggers, customer needs, and circumstance categories, we need to understand how to identify customers who are at risk.

Where are we starting from?

Currently we rely on word of mouth and promote our PSR during incidents via social media and our website. During some incidents, our Local Resilience Forum (LRF) partners share their list of vulnerable customers to allow us to expand our support, however we are not able to retain these lists following an incident. During incidents our LRF partners also help us identify specific groups of customers who might need additional support, for example during a water supply incident in Tenbury in September 2017, the Red Cross visited elderly customers to support them. Other members of the LRF helped us identify areas of the community where elderly customers live so we could proactively work with them to deliver bottled water. However we want to move to a world in which we have this information on hand before incidents occur.

Whilst our External Relationship team work with our partners on raising awareness of financial vulnerability support, they also make these organisations aware that we provide service vulnerability support too. However the promotional material we leave with these organisations is largely financial vulnerability focused. When customers qualify for Watersure financial assistance through a medical condition, we do register them on our PSR.

Our PSR volumes have gradually increased over the years increasing from 24,900 customers' pre-AMP6 to a forecast volume of 47,500 by the end of this AMP if we continue with our current activity and trend (excluding Western Power Distribution 2019/20 data share trial). We consider that there is a much higher proportion of our customer base who are vulnerable and would benefit from being on the PSR (which we discuss below).

Figure 2.3.2 Forecast Priority Service Register volumes assuming continuation of historic trend
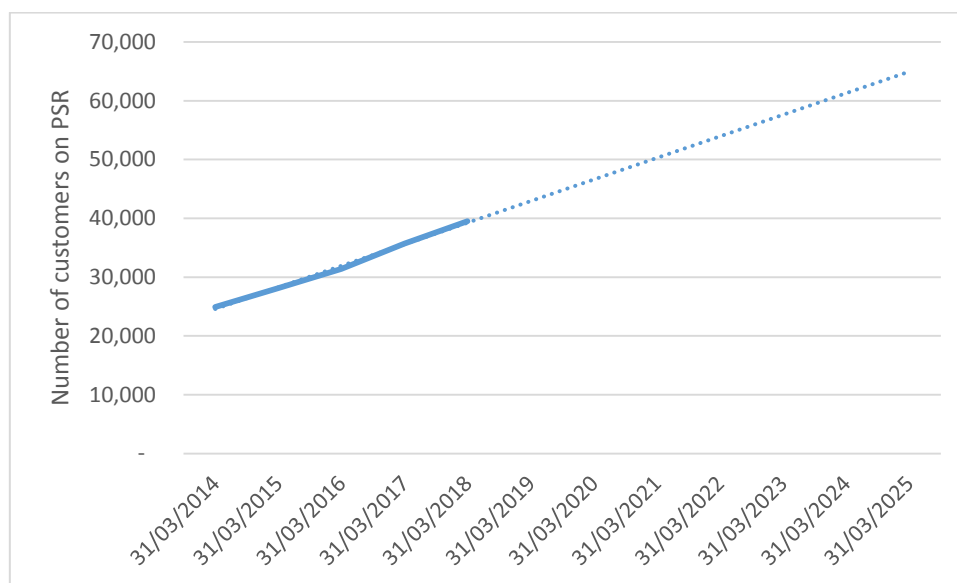
Our research indicates that 31.4% of our broad customer base are aware that we offer non-financial vulnerability assistance (February 2018 and May 2018 survey results) and this is largely awareness of our alternative bill format offering. To help customers self-identify we need to ensure that they are aware that we offer support, especially to help if their circumstances suddenly change or they have a transient vulnerability.

Table 2.3.2 Proportion of customers aware of each individual assistance measure

Vulnerability assistance offering	Proportion of customers surveyed who were aware of offering
PSR register	9.8%
Alternative bill format	20.8%
Bottled water	7.5%
Nominee/password scheme	6.3%
Dedicated support team	5.9%
Bereavement support	2.7%
None of these	68.6%

Data source: Severn Trent quarterly tracker survey Feb 2018 and May 2018 surveys

Understanding the scale of who might need help

Our customer research showed that not all customers would see themselves as vulnerable until they were potentially impacted. Also customers had mixed views about how much contact they would like from their water company – some welcome greater awareness of their needs, but others see it as intrusive. Some customers felt they would still not need to be registered on our PSR as they had the required support available at home, for example someone to collect bottled water on their behalf or read, understand and pay household bills.

45

Through researching our region's demographics and engaging with specific organisations, for example Guide Dogs for the Blind, we have managed to undertake an assessment on the number of customers in our region who might be experiencing certain health and well-being circumstances. For example we understand that there are likely to be c.266,900 sight impaired customers in our region (as at 2017) – we only had 6,500 customers registered on the PSR who are sight impaired as at end of March 2018 (acknowledging not all customers will need or want to be registered). Similarly, we had 6,500 hearing impaired customers registered but across the UK the proportion of deaf people is 1.3% meaning that the company could have in the region of 109,000 customers.

We know the energy sector have been on their customer vulnerability journey longer than the water sector. Therefore we have worked with Western Power Distribution to identify how many of their PSR customers might also be needing or wanting support from us. We have assessed which energy sector vulnerable need code categories are also relevant to the water sector. Western Power Distribution have shared with us anonymised postcode data for all their PSR customers and what vulnerable circumstance need code category each customer is registered under. This has allowed us to calculate that our PSR could include 409,500 unique customers by 2024/25 if we took the Western Power PSR as a guide.

Proposals for identifying customers

We recognise we need to proactively identify customers who might be at risk and also promote the service so customers can self-identify or share this knowledge with friends and family who should be registered.

To proactively identify customers in vulnerable circumstances we propose to use existing touchpoints with customers to promote the service:

- Ask customers if there is anyone with vulnerable circumstances in the property when they set up an account or report an operational issue.

- When speaking to customers or visiting their property we can identify customers in vulnerable circumstances. To enable us to do this we need to give front line teams' additional training.

- Promote the service via our customer bill and through web self-service notifications.

- Promote the service through our website and social media during an incident.

We will use proactive advertising to promote the service, including social media campaigns. We will highlight and educate customers using examples to encourage self-identification.

We also propose to work with our partner organisations who can promote the service and help proactively identify customers in vulnerable circumstances. These include health experts (such as GP surgeries and health visitors), charities and support organisations (such as housing associations). These organisations are seen as trusted partners by customers so can have more influence, for example by cascading our proactive advertising campaigns through their channels. They work with some of the hard to read customer groups, for example health visitors supporting customers who do not leave their home and are digitally disenfranchised. Transient vulnerable customers often engage with these organisations through the life event that has caused their circumstance, for example NHS for accidents leaving a customer with temporary mobility restrictions.

We will continue to build our local resilience partnerships and build further relationships to help us identify customers in the event of an incident and help us relay messages to a wider network.

We will proactively promote the PSR and support available in ways that will reach those customers who cannot always access normal channels. For example we are currently working with Coventry & Warks Association for the Deaf to record sign language videos for our standard incident messages.

In addition to promoting the support available to identify customers who are at risk, we can proactively identify customers through data share activity. We are in discussions with Western Power distribution to explore the possibility of trialling data share of PSR customers from 2019/20. We will be looking to do this data share trial for c.5,000 customers when our new PSR system is available from 2019. Western Power Distribution have already started seeking consent from customers when they register for their PSR online and through their routine review of customer needs they are also asking customers if they would like to consent then.

From 2020 there will also be the water and energy sector data share which will help us proactively identify customers. Throughout AMP7 we will look to engage with other organisations to set up data share activity to make it easier for customers to register a need for support.

As a result of this proactive and promotional activity, we are forecasting our PSR volumes to increase to 52,500 by 2020 (including the c.5,000 data share trial), equating to supporting 0.7% of our overall customer base through our PSR, and then up to 409,500 by 2024/25. Figure 2.3.3 below shows how we forecast this increase will look throughout AMP7. We note that there is little information available as to how this compares to other water company PSR volume proposals.

**Figure 2.3.3 Forecast PSR volumes driven from our promotion and proactive identification activity**
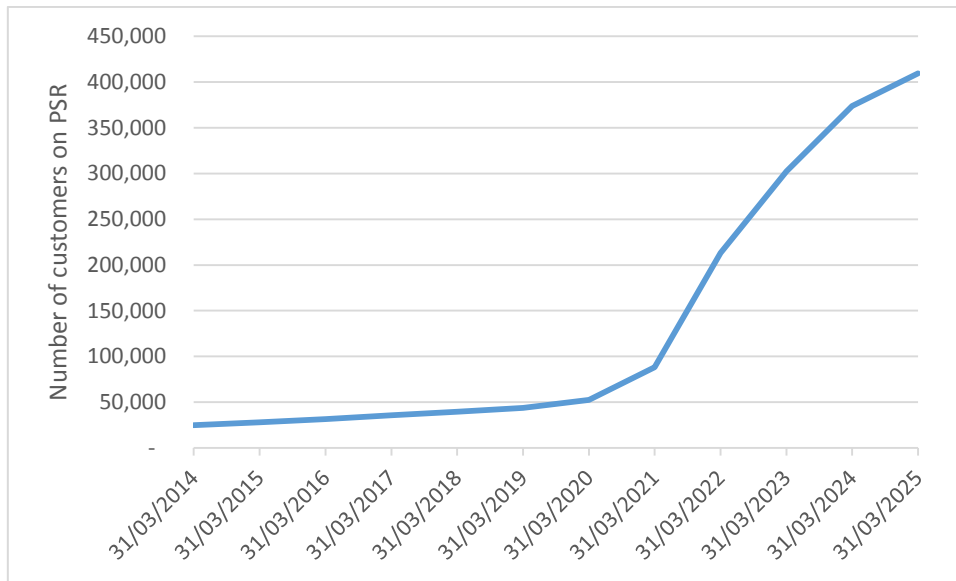
At the January 2018 Water Forum meeting we asked the Water Forum members to score our proposals against the following statement 'We have appropriate plans to identify customers who are at risk of being vulnerable'. The majority of scores were four or five out of five [fully met or exceeds expectations], with only one score of 3 and no specific gaps in our proposals identified.

10.3 How we are responding to these needs

By using a combination of the triggers, our customer persona impact mapping, customer research and stakeholder engagement insight we've built a ten point plan to respond to the needs of our customers in vulnerable circumstances. Points one and two are covered above and relate to our proposals for identifying customers who might need support. Points three to ten detail our response to meet our customers' needs.

Figure 2.3.4 A ten point response to respond to our customers' needs
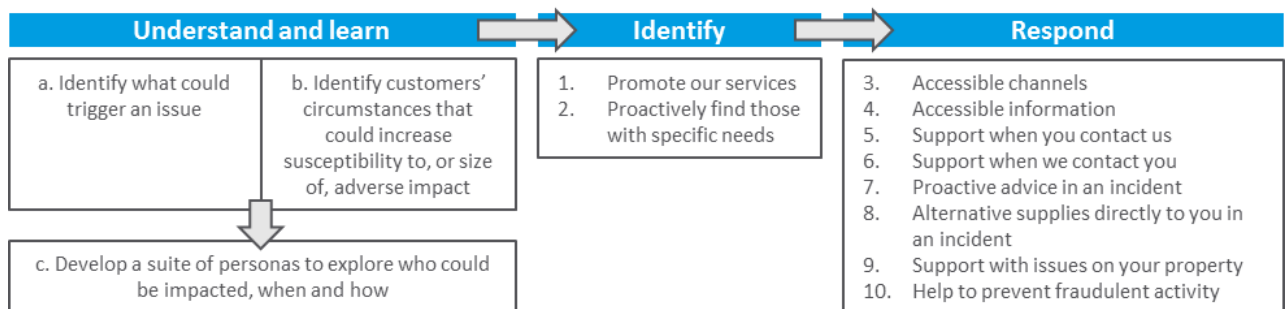
For the remaining eight proposition areas we have identified specific activities we need to deliver and these are shared below. We have benchmarked these activities against other water companies using CCWater's 'Priority Services Progress Review' (further detail of this assessment can be found in the section, A service for everyone). We have also sought to understand best practice offering from other sectors, including the wider utility sector, finance sector and organisations such as the AA who respond to urgent customer issues.

Table 2.3.3 Proposed support to respond to customer needs

Action	Customers and experts said	What this will mean for customers
3. Accessible channels		
Range of channels	Happy with current range of channels.	Continue to offer our wide range of channels, enabling customers to choose channel of choice – as circumstances may limit choice.
Digital access	Recognised not everyone has internet access.	Ensure non-digital options are available where possible. Promote the range of channels available.
Digital innovations	Want us to be early majority adopters, rather than too innovative with technology that people won't use.	Continue to evolve digital channels to meet accessibility needs of customers and trial channels that will support our specific needs e.g. British Sign Language videos available on our website.
4. Accessible information		
Key written comms	For many vulnerabilities, all written information would have to be in their chosen format, not just bills.	Propose to offer key written communications in alternative formats for customers including bills, water quality notices, debt letters, GSS compensation letters and water efficiency material.
Application forms	Not all forms are accessible online.	We'll ensure that our PSR registration form is available and accessible online, but also that there is support via other channels to register.
Our supply partners	When supply partners are working on behalf as Severn Trent they are seen as Severn Trent.	Expectation that partners will work to the same standards in terms of both access and promotion. Include supply chain partners in cultural change programme and awareness.
5. Support when you contact us		
Expert support 24/7	Support should be available at all times.	Customers will be able to reach advisors, across all channels 24/7, who will be able to provide advice and support, understand their needs or register them on the PSR.
100% awareness	All staff should be aware of our Priority Services.	Driving cultural change across the company so all staff across contact centres and operations will be aware of vulnerabilities and the PSR.
Proactive support	Use existing touchpoints to engage customers.	Trial proactive engagement with new customers to ensure everything is ok following a move or setting up a new account, and advice on customer support.
6. Support when we contact you (and work in your community)		
100% Field awareness and training	Ensure field teams are aware of potential vulnerabilities, even	Provide specialist training to field teams across the region, including supply chain partners. Have vulnerability experts within the field teams.

	when contact is not made via phone contact centre.	We are trialling basic sign language training for members of our field teams.
Traffic management and Streetworks	Need to understand challenges from customer viewpoint.	Traffic management layout to acknowledge and support the needs of our customers. For works affecting street access, we'll work to proactively inform our customers. Introducing Guide Dogs for the Blind to the Streetworks network to share best practice across all utilities.

7. Proactive advice during an incident

Proactive notification	Timescales are key when updating customers, especially if needing to rearrange appointments.	Proactively notify customers of an incident through their channel of choice and with tailored messages. Proactively notify a customer's nominee of an incident so they can provide support.
Partnership working in the community	Local groups have a key insight into the needs of their communities and could really help.	We'll work with our LRFs and community organisations to provide additional support for customers during incidents, following the example of some of our recent incidents and the support offered.

8. Alternative supplies directly to you in an incident

Bottled water	Seen as a good service, but need to ensure everyone needing water delivery gets it in the right way.	During incidents, we'll deliver bottled water to customers who have registered for this service including transient vulnerable customers, recognising our social responsibilities - for example, no late night deliveries.
Supporting babies	I have a young child, would I be eligible for anything in an incident?	Our own bottled water supplies have a low sodium content so can already be used to make formula. We should highlight this to alleviate concerns.

9. Support with any issues on your property

Help to fix		Where a customer's health is at risk as a result of a private issue, we'll fix it or support them to find a contractor who can fix it for them. For customers with mental or emotional vulnerabilities, we'll support them through the process of getting a private issue resolved and where required fix it for them.
Help with a waste issue		We'll help prioritise fixing waste issues if they are putting a customer's health and safety at risk in their home and support them through the insurance process where appropriate.

10. Helping prevent fraudulent activity and giving reassurance

Consistent messaging	Customers should be able to see that communication or visits are from Severn Trent.	We'll ensure customer messages (on the phone, written and in person) are consistent to help customers recognise genuine communication.
Assistance in event of a bogus caller		We'll train contact centre staff to provide assistance in the event of a bogus caller so they can support and reassure the customer.

Encourage questioning					We'll encourage customers to question our staff if they have concerns, and implement a reliable service to prove that visitors are legitimate, where appropriate.
Regulatory challenging	Customers would prefer to be given prior notice before visits as it helps to prevent against fraud.				We'll look to make the DWI aware of the potential risks associated with water quality samplers failing to provide notice before visits, focusing on the customer and risks around fraud and bogus callers.

Some of these propositions are intended to support all customers, for example advice and support when contacting us and during field visits. Other propositions need to be tailored to align to customer needs, for example alternative bill formats or support during an incident. In order to deliver this tailored support we have developed matrices mapping support to specific vulnerable circumstance categories. The table below illustrates an example of the matrices, specifically for our physical condition customer group in the event of a water supply incident.

Table 2.3.4 Standard support offering for customers in physical vulnerable circumstances during a water supply incident

Physical vulnerable circumstance	Bottled water delivered to customer property*	Highly dependent – priority customer contact	Proactive notification	Nominated contact communication option	Water quality notice options
Hearing difficulties (including deaf)	⊗	⊗	✓	✓	Key video updates available online with British Sign Language Social media/website updates
Speech difficulties	⊗	⊗	✓	✓	N/A
Blind	✓	⊗	✓	✓	Large print notice
Partially sighted	✓	⊗	✓	✓	Pictorial notice (standard) Audio version online
Physical impairment	✓	⊗	✓	✓	N/A
Dialysis, feeding pump and automated medication	✓	✓	✓	⊗	N/A
Chronic/serious illness	✓	⊗	✓	✓	N/A

This matrix approach gives us a standard service offering for each vulnerable category but our new PSR system will enable us to amend this standard offering to tailor the service and meet customers' specific needs.

We will continue to evolve these propositions throughout the remainder of this AMP and next AMP to ensure we are delivering a best in class service for our vulnerable customers.

A number of the proposition activities will involve us working with third parties to allow us to effectively and efficiently deliver the service. For example, our customer research and learning from incidents has shown that we need to engage with local community organisations. We will therefore be engaging with umbrella organisations such as Alzheimer's society to improve our reach. We will be developing these relationships in the remainder of this AMP and throughout next AMP.

In the January 2018 Water Forum meeting, we asked Water Forum members to score our proposals against the following statement 'We have the right range of support available for customers who are at risk of being vulnerable'. All Water Forum members scored us four or five out of five (fully met or exceeds expectations), except for two members who scored us three out of five (substantially met). No specific challenges were identified by the group for where we might have gaps in our proposals.

11.0 How are we holding ourselves accountable?

We have reflected on our customer and stakeholder engagement findings and explored a range of options for how to hold ourselves to account through a bespoke performance commitment for vulnerability. Below is a summary of the short list of performance commitment measures we explored.

1) Number of customers or percentage of our customer base on the PSR

Having a purely numbers based performance commitment may drive the wrong focus. We will continue to measure and report on the numbers on our PSR, however we don't think it is appropriate to target a specific number / input. This could drive perverse behaviours and reduce the focus on outcomes.

2) Awareness of our assistance and support for customers in vulnerable circumstances

This measure would be a beneficial performance commitment as it would encourage proactive promotion of the PSR, and ensure we work harder to reach those customers who may not necessarily identify themselves as vulnerable. This promotion would also enable us to raise awareness of our assistance and support through our wider customer base, who could use their networks to reach additional customers to support or if their circumstances suddenly changed be able to seek support, for example transient vulnerability.. We have decided not to move forwards with this as a performance commitment as following feedback from our Water Forum and experts we felt it was best to have an outcome focused performance commitment.

3) Supporting our Priority Service Register customers during an incident

Customers with health and wellbeing vulnerabilities share one top priority – that we provide our customers with fresh, clean drinking water. Our incident support is the most visible area of our support for customers in vulnerable circumstances. Most notably bottled water delivery, but also alternative methods of communication and alternative format notices (e.g. for water quality events).

Our customer research strongly supported the performance commitment for where we measure the support we provide during an incident. In our January 2018 Water Forum meeting we presented two performance commitment options to the group – option one and three above. We asked the group to consider how effectively each bespoke performance commitment meets the Ofwat criteria around whether it reflects the challenges relevant to our plan and takes account of customer views. The resounding majority of votes went to option three of support provided during an incident and the group felt that this met Ofwat's criteria.

This measure is an innovative measure as neither we nor any other organisations have measured this before, from what we have been able to ascertain.

The principle of the performance commitment is to measure the percentage of our customers in vulnerable circumstances, who are registered on our PSR, that we provide support to during an incident. The support we will provide will be tailored to each customers' needs and will be detailed within the PSR categories as shown in table 2.3.4 above. The support will be in the categories of bottled water delivery, tailored communications and nominee communications. The level of support offered is in-line with leading water company offering.

The performance commitment will be non-financial as the reputational power of this measure will be very powerful. We also do not consider it appropriate to gain reward for this performance. We have chosen a stretching target of supporting customers 100% of the time as this is what they both need and expect. The performance commitment will also be stretching with respect of the service provided as we only provide 50% of this today. With the forecasted step change increase in our PSR volumes to 409,500 by the end of AMP7 this will add additional stretch to the performance commitment.

We shared the performance commitment proposal with our Water Forum to invite challenge and they felt it was both relevant and stretching.

During AMP7 we will also develop shadow measures specifically relating to supporting our transient vulnerable customers during a water supply incident. We will be introducing a new priority contact channels for customers to identify themselves to us during an incident and promoting the availability of these channels to help transient vulnerable customers identify themselves.

Our new PSR will allow us to specifically register these customers under two needs codes specific to transient vulnerable customers: 'Temporary – life event' and 'Temporary – post hospital recovery'. We will also be ensuring we provide bottled water to these customers during a water supply incident.

12.0 Review against Ofwat tests

In the above sections we have illustrated how we have developed our approach to supporting customers in vulnerable circumstances. This has included engagement with other utilities and third-party organisations to help us understand customers better, identify those at risk and also work together to deliver the service to respond to customer needs.

At our January 2018 Water Forum meeting we specifically asked for the group to assess our proposals against the statement 'We've engaged with third party organisations to identify vulnerability and best practice'. Every member of the Water Forum scored us four or five out of five (fully met or exceeds expectations), except for one member who scored us three out of 5 (substantially met). We invited comments for anything that was missing and there were no specific gaps identified.

Ofwat require companies to illustrate how their approach to addressing vulnerability is targeted, efficient and effective. We have interpreted these criteria as follows:

- Targeted
  - o Promotion of support available where customers can engage with it directly – for example, through kidney units for dialysis customers
  - o Support is tailored to meet customers' specific needs – we do not propose a one solution for all

- Efficient
  - o Cost effective propositions
  - o Work collaboratively with other organisations to jointly deliver solutions and so reduce costs

- Effective
  - o Services are easy to access for all customers through various channels
  - o There is a general awareness amongst all customers that support is available if their circumstances suddenly change – this will help with transient vulnerability
  - o Customers in vulnerable circumstances are registered on our PSR so support can be provided when required
  - o The right support – suited to individual needs and circumstances – is provided to customers at a time they need it so that they can continue to enjoy or use the service we provide

Below we share how our approach delivers against these criteria.

12.1 How our approach to vulnerability is targeted

As stated above, we have defined a targeted approach to vulnerability as covering two areas. Here we share how our plans deliver against these two areas of the definition.

A. Promotion of support available is through routes where customers will see it

We propose to work with third party trusted organisations that already engage with customers in vulnerable circumstances. This engagement will be used to promote the support available to customers and help proactively identifying customers at risk.

For example we already have a partnership with Auriga Services who work in kidney hospital units and can help customers understand the potential impact on their lives if there is a water supply event and therefore help them register on the PSR for support. At the same time, Auriga can also help these customers who may also be financially vulnerable. We will be engaging with other organisations, such as GP surgeries to help identify customers with transient vulnerability, for example as a result of an accident or injury resulting in temporary vulnerable circumstances. We will be ensuring that we have a targeted approach for engaging customers across all the vulnerable circumstance categories.

We will be ensuring our promotion activity is in a form that customers can access, for example having sign language videos available on our website for customers with hearing impairments to be able to access information on support online.

We will be targeting promotion activity at specific times when customers engage with us and we recognise that they might be vulnerable, for example during incidents. Our third party organisations, for example our local resilience forums partners, can re-promote the messages through their communication channels, ensuring we reach hard to reach customers by re-posting social media updates and messages as an example.

B. Support is tailored to meet customers' specific needs – not one solution for all

Our matrix approach, an example of which is shared in table 2.3.4 above where we have mapped service offering against each vulnerable circumstance category for each trigger, allows us to ensure we target support to meet customer needs rather than just delivering one support offering for all our customers. We will be able to further tailor this standard service offering to meet customer needs when they register. Our customer persona work (see section 2.3 above) has helped us understand customer needs and so develop the targeted support.

Currently, we deliver bottled water to all customers registered on our priority service register as we do not have the system capability and customer data quality to enable us to deliver a targeted and tailored support offering. Our new PSR system will enable us to tailor support for each customer.

For customers who have specifically complex or unique needs, we offer a case management service that will give these customers specific named expert advisors from our care and assistance team to support them for anything they need.

12.2 How our approach to vulnerability is efficient

An efficient vulnerability approach is one that is cost effective – optimising cost whilst delivering the service customers need. In this section we explain key activities that minimise the cost whilst till ensuring we meet customers' needs.

The primary driver of efficiency is our targeted approach. As illustrated in table 2.3.4 above, our matrix approach allows us to efficiently target services against different customer needs, ensuring we do not provide services that are not needed. A key enabler for this service is our new PSR system which allows us to distinguish between different service needs.

Alongside our targeted approach we are seeking to efficiently deliver our services through collaboration with other partners and using existing touch points. For example:

- working collaboratively with other organisations to jointly promote support and deliver solutions – which helps reduce costs for both parties and therefore deliver efficient plans;

- data sharing will drive efficiency, allowing us to identify more customers than through extended periods of promotion. It will also make it easier for customers at the same time;

- using insight and analytics to better target our promotion and support, for example through identifying key areas of need through demographic analysis;

- using existing customer touchpoints to promote vulnerability assistance which will help raise awareness amongst our general customer base but also help us efficiently identify customers;

- enabling our frontline employees to understand our PSR will allow them to promote it during their work; and

- having accessible messages as standard, for example visual water quality notices, targets a larger base of customers in vulnerable circumstances at all times.

For any service where we source contractual partners to deliver the service we go through rigorous procurement processes ensuring we have contracts and partners that balance cost and quality for efficiency purposes.

We are also conducting an end to end review of our care and assistance team activities to understand how we can streamline processes and build in automation – allowing them to deliver more value added activity and create efficiency. By driving improved end to end workflow we will be able to improve performance, even with increasing volumes of customers on our PSR.

12.3 How our approach to vulnerability is effective

For a vulnerability approach to be effective it means that we support 100% of customers in vulnerable circumstances when they need support, consistent with our new performance commitment. We also recognise that there are several enablers, notably:

- ensuring customers are aware of the support offering;

- having the right channels so that people can contact us if they need support; and

- having an up-to-date PSR;

In order for our approach to be effective all customers need to have an awareness that support is available, especially if their circumstances change. Currently 31.8% of customers are aware that we offer non-financial vulnerability assistance measures. Our promotion activities discussed above will seek to improve this measure. However our primary focus in terms of engagement will be targeted promotion as described above, utilising third parties and other touch points to reach those who immediately need support.

In terms of channels, we consider that different options need to be available to ensure all customers can access services in a way that aligns to their preference or needs. This could include communication channels or information formats. We note that 68% of customers are currently satisfied that the services are easy to access. Customers like the communication channels that are available and through activity such as improving our bill design, customers find information accessible.

Finally we recognise that a measure of effectiveness will be the number of customers in vulnerable circumstances registered on our PSR. As discussed in section 2.3 above and illustrated in figure 2.3.3 we have forecast an increase in the number of customers on our PSR from 39,000 in 2018 to 409,500 by 2025.

13.0 Challenge and support provided by our Water Forum

Like other areas of such importance in our plan, the Water Forum established a dedicated subgroup, with a specific focus on affordability and vulnerability. Chaired by Karen McArthur the independent Water Forum member with expertise in social responsibility, and joined Gemma Domican from CCWater, the subgroup has extensively and constructively challenged the development of our proposals. As shared above, at the end of each stage of our approach we have asked our Water Forum to assess and score our plan against Ofwat's key tests and importantly identify gaps or improvements.

Below is a summary of the key challenges we have received from our Water Forum and our response.

Table 2.6.1 Constructive challenge by the Water Forum

Water Forum challenges	Our response
With such a disparity between the numbers of vulnerable people across the UK and the number of customers on the priority register, the company should define its categorisation of "vulnerable" customers	We conducted dedicated research to better understand the nature and consequences of vulnerability, creating seven personas to represent the diversity of these circumstances and mapping out vulnerable needs codes across physical condition, mental health condition, communication support and life events
Identify the specific needs of those groups and build a tailored, targeted proposition to meet them	Following research, we used a series of personas to bring to life the needs of our customers
Reflect on whether and how vulnerability changes and is dependent on circumstances	We used a combination of customer research and the experience of our operational teams to develop an expanded list of potential triggers (expanding Ofwat's list of five to seven).
Look more widely to identify best practice both in identifying priority needs customers and delivering services to them	We carried out benchmarking with almost 20 organisations and hosted an expert workshop. This insight has allowed us to identify and fill gaps in our propositions and the potential for future partnerships.
Consider and identify suitable partners who could support their work and better connect with vulnerable customers either individually or collectively	Our engagement process has helped us develop better links and relationships with relevant organisations that we plan to build further over the course of this and the next AMP.
Consider including a second vulnerability performance commitment focussed on supporting transient vulnerable customers	Transient vulnerable customers are most impacted during water supply incidents. Our proposals both help identify and support these customers during a water supply event. We will develop specific measurements in this area during AMP7 working with the Water Forum.

Read more: the Water Forum's independent report provides more detail on these challenges and our response.