

Big Difference Scheme Research

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Contents

- 03** Background, objectives & approach
- 07** Executive summary
- 09** Customer acceptability
- 25** Customer perceptions of the support schemes
- 32** Attitudinal statements
- 37** Appendix





Background, objectives & approach





Background & objectives

As part of its business planning process for AMP8, Severn Trent wanted to consult customers to ascertain how much extra, if anything, they are prepared to pay on their water bill to help fund a bill discount for low income customers during the next five-year period (2025-2030).

Like all water companies, Severn Trent offers a bill discount to make bills more affordable to customers on a low income.

Severn Trent's bill discount scheme is called the Big Difference Scheme, and it offers customers with a low household income a bill discount of 30% to 90%, depending on their household income.

The scheme is cross-subsidised by other customers, meaning the scheme is funded by a few pounds being added to every customer's bill.

Objectives:

Severn Trent wanted to conduct research to:

- Assess the acceptability of different cross-subsidy price-points using a Gabor Granger methodology
- Understand what factors would make customers more willing to contribute more to fund the Big Difference Scheme
- Understand why certain individuals are unwilling to contribute any more to fund the Big Difference Scheme
- Understand customer perceptions of Severn Trent's affordability support schemes and how they feel these can be further improved and better promoted
- Understand what customers think the top level the Big Difference Scheme discount should be
- Assess the acceptability of cross-subsidies generally and the acceptability of cross-subsidies in the water industry
- For context, to understand customers' attitudes around altruism and helping others



Approach (I)

The approach used predominantly an online quantitative approach with **a representative sample of 1,008 customers** via an online panel.

Severn Trent also opted for a number of structured face-to-face interviews (9%) to be carried out in order to capture the views and options of digitally disenfranchised customers. This number of face-to-face interviews was selected based on its representativeness of the offline audience*.

76 respondents were currently on the Big Difference Scheme.

Once a set number of online completes were received the responses were processed by our in-house Data Services department.

Fieldwork dates: Fieldwork was live from the 7th – 17th April 2023.

| Gender | |
|--------|-----|
| Male | 498 |
| Female | 510 |
| SEG* | |
| ABC1 | 492 |
| C2DE | 506 |
| Age* | |
| 18-24 | 51 |
| 25-34 | 180 |
| 35-44 | 250 |
| 45-54 | 185 |
| 55-64 | 162 |
| 65-74 | 127 |
| 75-84 | 48 |
| 85+ | 3 |

*NB. Numbers may not tally due to participants preferring not to say

Approach (II)



Understanding customer perceptions:

- Firstly, customers were given background information about the different schemes and asked for their initial thoughts

Acceptance of cross subsidies:

- Customers were then shown an array of general cross subsidies and one water specific cross subsidy. They were asked how acceptable they felt each cross subsidy was.

Price point acceptability

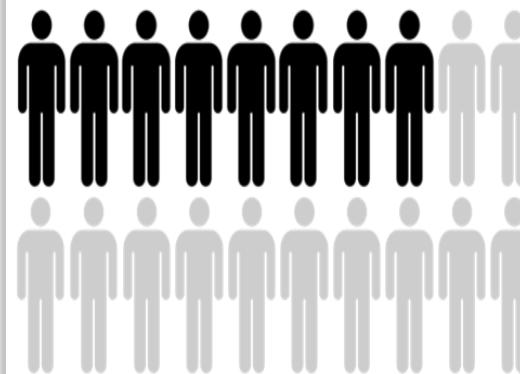
- To start, customers were informed of the level of cross-subsidy they are already paying and were given introductory information about how their additional contribution would help fund the Big Difference Scheme.
- They were then shown a random price point and were told what percentage of customers this additional contribution would help.
- Customers were then shown three of the price points and then had to say if they thought this additional bill increase was acceptable or not.

Severn Trent wants everyone's bill to be affordable. They have a number of ways to help people who are struggling to pay their bill:

- The Big Difference Scheme** – a water bill discount of up to 90% for any household with a low income. From 1 April 2023, any household earning less than £20,048 (plus additional allowances for households with children) is eligible for at least a 30% discount off their bill.
- Financial Hardship Fund: The Severn Trent Trust Fund** – this is a charity, funded from Severn Trent's profits, helping those in severe hardship. It gives grants to help clear debts (including water) and to pay for essential household items such as a bed or oven.
- Bill Cap Scheme, WaterSure** – bills are capped at the level of the average bill, for metered customers on benefits who have 3+ children or a medical condition requiring high water usage.
- Short term payment plans** – offered to any customer who cannot afford to pay their standard payment amount. Payments are reviewed regularly.

Severn Trent directs customers to this affordability help via information on bills and via its website, advertising campaigns and outreach work in the community. There is a freephone number that customers can call too.

What do you think about these schemes? Please provide as much detail as possible.



Proportion of struggling customers who could be helped by the Big Difference Scheme

If customers were each willing to contribute an extra **[PRICE]** via their water bill the company could give a Big Difference Scheme discount to **[NUMBER OF CUSTOMERS]** who are struggling per year.

Please remember that every penny of this extra Big Difference Scheme funding would be spent on water bill discounts for low-income customers.

How acceptable or unacceptable would you find the cross-subsidy at this level?



Executive summary





Executive summary

Over half of customers (51%) find an increase of up to £3.33 extra per month (**£40 extra per year**) acceptable.

There are some sub-group differences in the amount willing to be contributed, with some customers being more accepting of specific price points in comparison to other customers.

Most notably, differences in acceptance emerge when looking at household income with acceptance being higher at £1.25 extra per month (**£15 extra per year**) and £1.67 extra per month (**£20 extra per year**) for customers on lower incomes (up to £21k).

There are also differences in acceptance when it comes to bill payer type (high bill payer vs low bill payer), with acceptance being greater for low bill payers at 42p extra per month (**£5 extra per year**) and 63p extra per month (**£7.50 extra per year**).

Customers generally feel the Big Difference Scheme is a positive way of helping customers most in need, but there is concern amongst customers that there is a need for greater oversight of eligibility criteria in terms of who qualifies for support.

Similarly, customers commonly associate the Big Difference Scheme with positive descriptors words e.g., **excellent, helpful, generous** etc. and in terms of Severn Trent's contribution to the scheme, over two thirds (**68%**) feel the contribution is **about right**.

The majority of customers (68%) are unsure about how else Severn Trent could help customers who are struggling to pay their bill and whilst email and postal campaigns garnered support, almost three-fifths (58%) didn't know how else Severn Trent could let customers know about the ways in which it can help customers struggling to pay their bill.

Customer acceptability of paying extra towards the Big Difference Scheme



Background information

Context prior to questioning:

- Throughout the survey, customers were presented with a range of background information about the support that Severn Trent offers customers. The information that was shown to customers before Q08 is shown to the right:



Severn Trent bills around 3.5million household customers and currently **130,000 (4%)** of these customers each year **receive a Big Difference Scheme discount**.

However, Severn Trent believes that **at least 494,000 households** (12% of its household customers), **find their bill unaffordable**.

On the following pages we will show you some different options for increasing the number of struggling people the Big Difference Scheme can help through adding a different amount to everyone's bill. We would like you to tell us how acceptable or unacceptable this is to you.

It is important to note that every penny of extra Big Difference Scheme funding would be spent on water bill discounts for Severn Trent's low-income customers. This money could not be spent on other things and could not be diverted to shareholder dividends or executive pay.



Gabor Granger methodology (I)

The price points shown to customers are shown below:

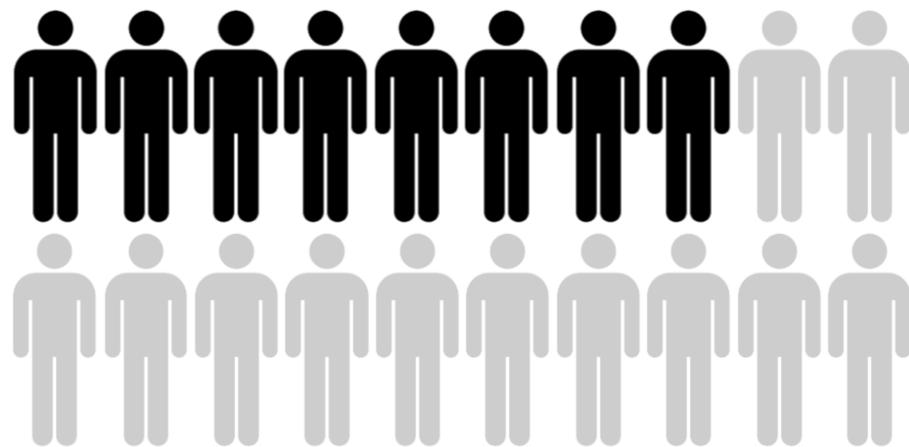
| Price point | |
|-------------|--|
| P1 | 42 pence extra per month (£5 extra per year) |
| P2 | 63 pence extra per month (£7.50 extra per year) |
| P3 | 83 pence extra per month (£10 extra per year) |
| P4 | £1.25 extra per month (£15 extra per year) |
| P5 | £1.67 extra per month (£20 extra per year) |
| P6 | £2.08 extra per month (£25 extra per year) |
| P7 | £2.50 extra per month (£30 extra per year) |
| P8 | £2.92 extra per month (£35 extra per year) |
| P9 | £3.33 extra per month (£40 extra per year) |

Gabor Granger methodology (II)

All customers were first given some background information about the Big Difference Scheme and were informed of the level of cross-subsidy they are already paying. They were then presented with a scenario which detailed the bill impact and the number of customers this would help. From nine potential price points, respondents were shown one; if this was seen as acceptable, they were then shown a higher price point, if unacceptable a lower price point. This was repeated a maximum of three times before respondents were asked what the maximum extra amount, they would find acceptable is. Please see the examples below:

Example 1 - price point 1:

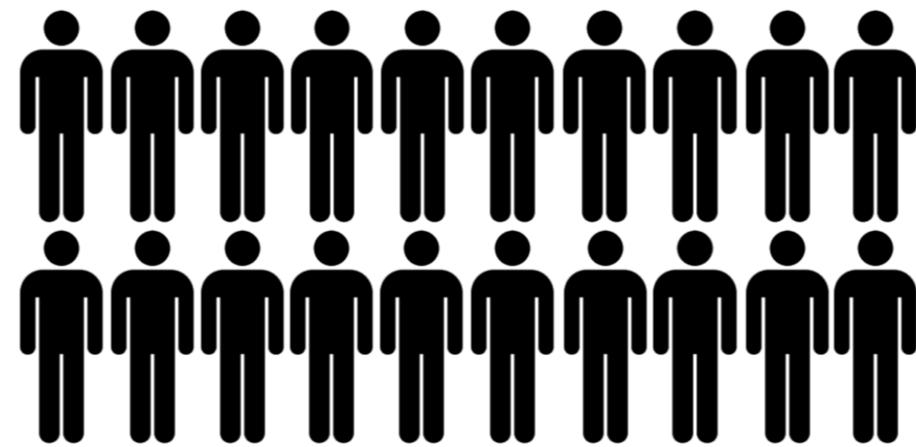
Customers were shown the price point:
42 pence extra per month (£5 extra per year)



Proportion of struggling customers who could be helped by the Big Difference Scheme

Example 2 - price point 9:

Customers were shown the price point:
£3.33 extra per month (£40 extra per year)

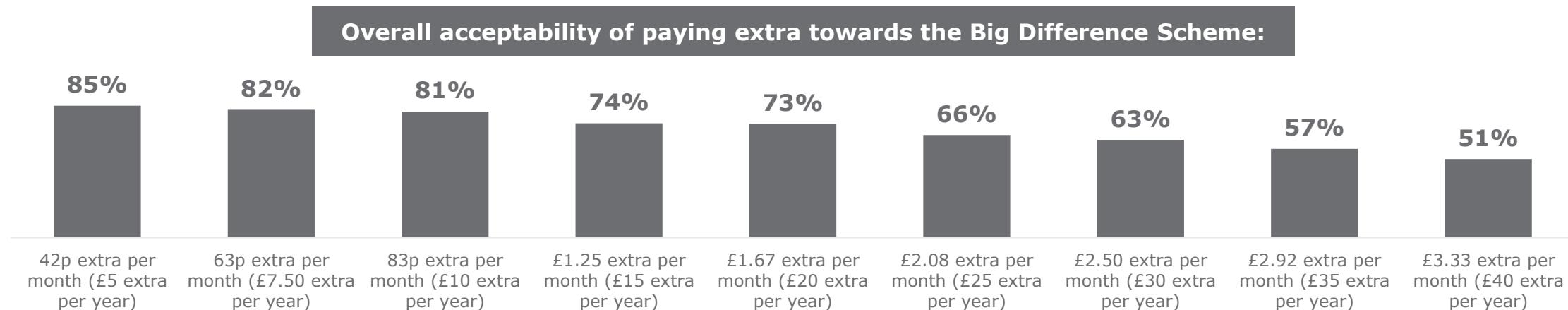


Proportion of struggling customers who could be helped by the Big Difference Scheme

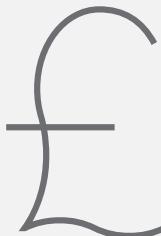


Acceptability towards paying extra is highest for price points up to £20 extra per year...

Seven in ten customers are accepting of price points up to the amount of £1.67 extra per month (**£20 extra per year**), and over half are accepting up to and including the amount of £3.33 extra per month (**£40 extra per year**). Only 12% of customers are unwilling to pay any extra.



Subgroup differences:



Acceptance at £1.25 extra per month (**£15 extra per year**) and £1.67 extra per month (**£20 extra per year**) is higher for customers on **lower incomes (up to £21k)**. Suggesting that lower income households are most accepting as they are more likely to qualify for support than higher income households.

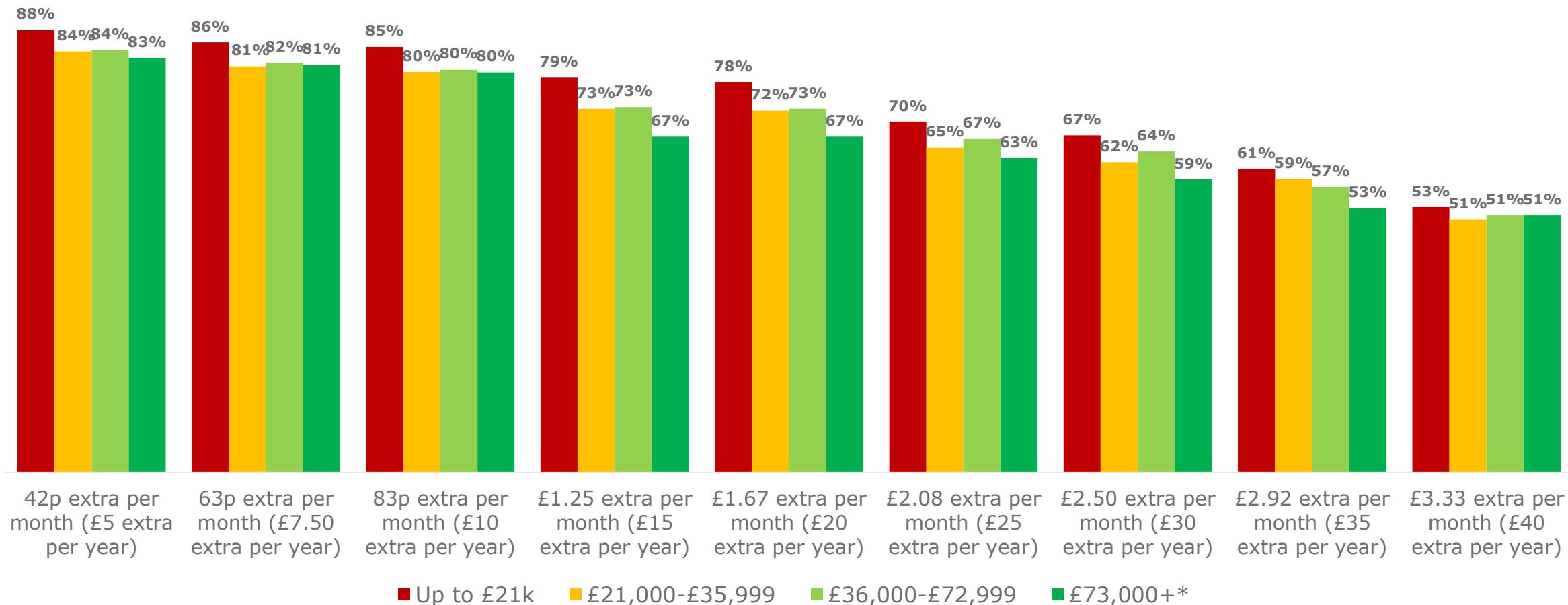


Acceptance at 42p extra per month (**£5 extra per year**) and 63p extra per month (**£7.50 extra per year**) is **higher for low bill payers than high bill payers**, however differences are not significant at other price points



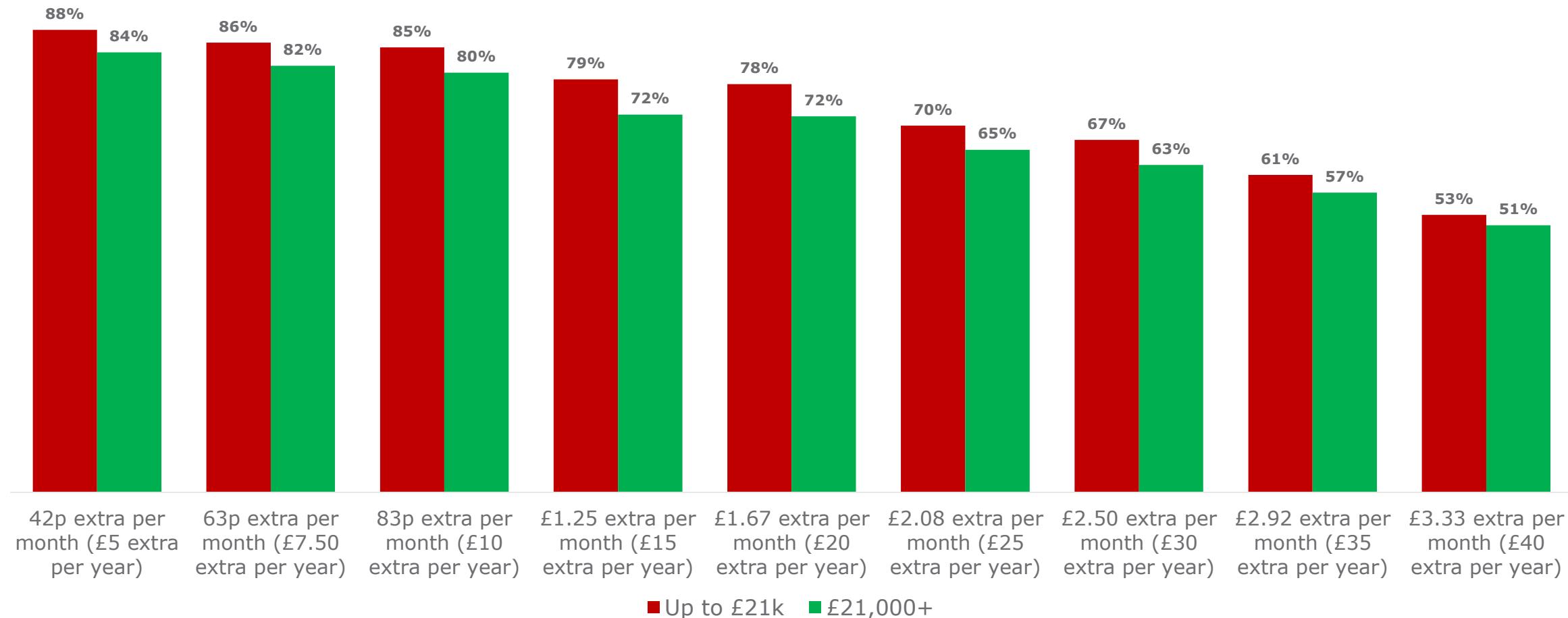
Acceptability by household income:

Those earning up to £21k are significantly more likely to support a subsidy at £1.25 extra per month (**£15 extra per year**) compared to those earning £73k+.



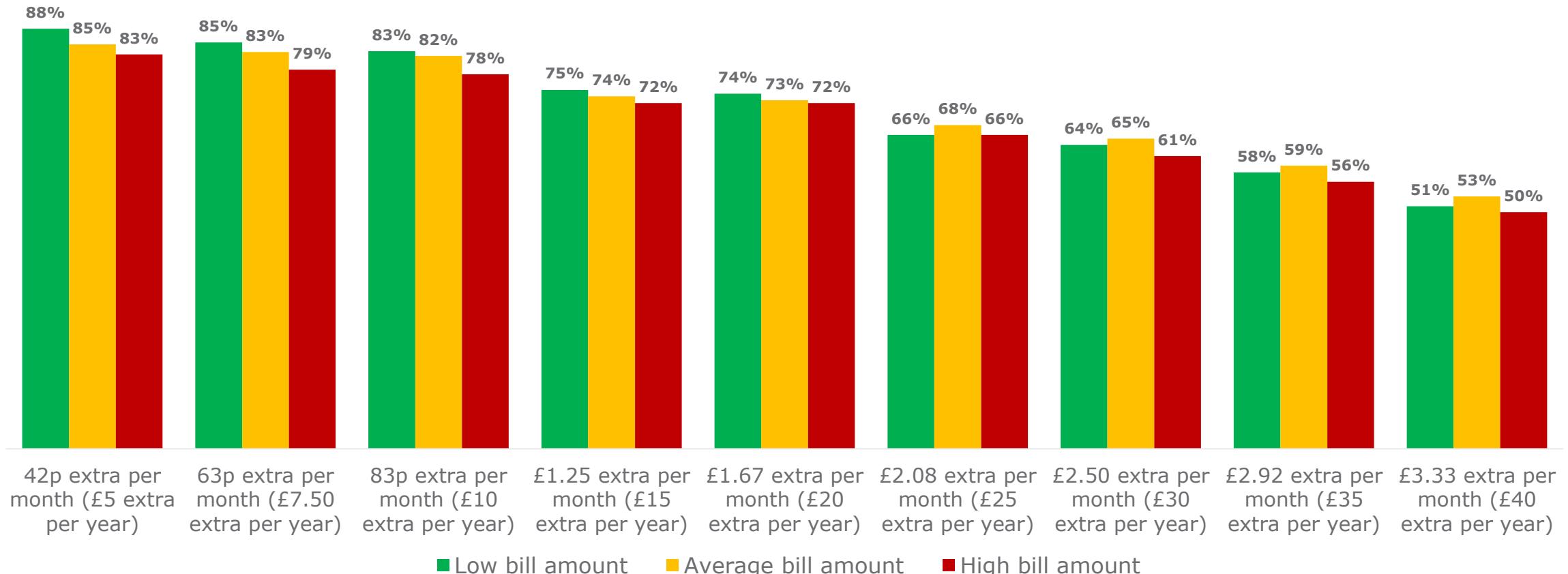
Acceptability by household income:

Customers with household incomes of £21k and over have significantly lower acceptance at £1.25 extra per month (**£15 extra per year**) and £1.67 extra per month (**£20 extra per year**) compared to customers with a household income under £21K.



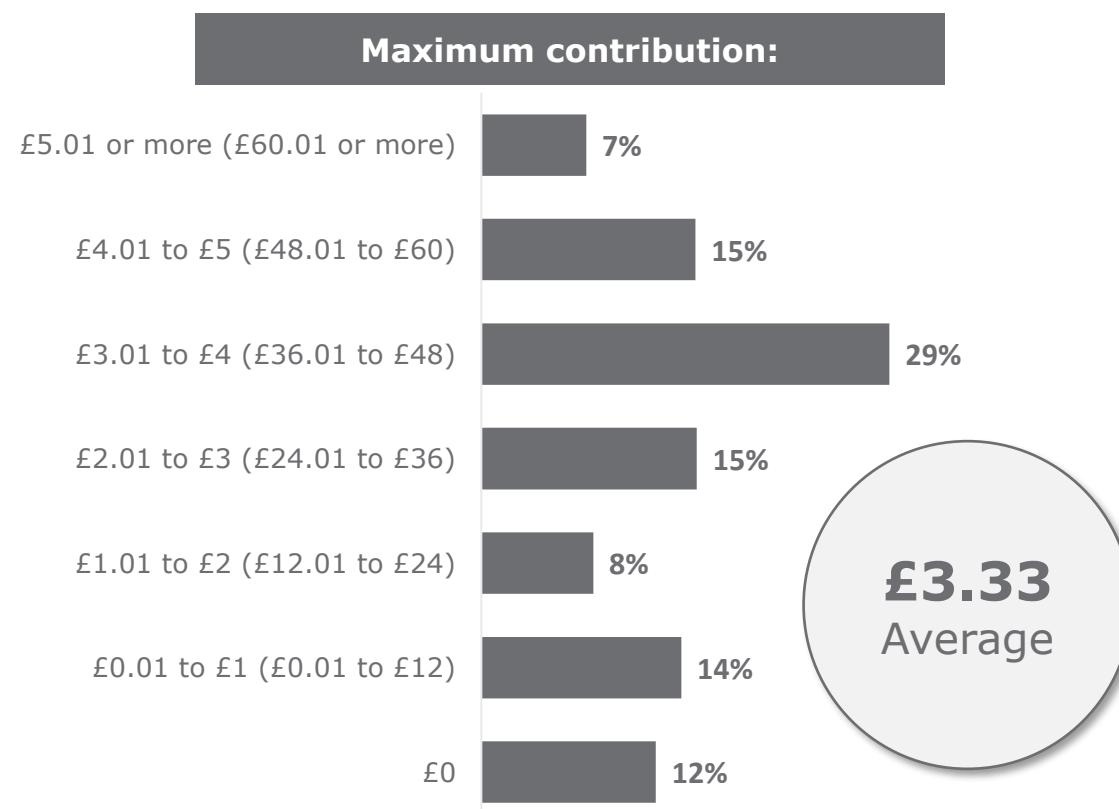
Acceptability by bill amount:

Low bill payers have significantly greater acceptance at 42p extra per month (**£5 extra per year**) and 63p extra per month (**£7.50 extra per year**) compared to high bill payers.

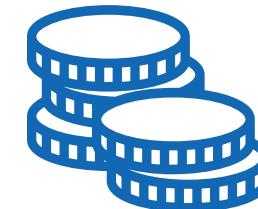


The majority of customers are not willing to go beyond £3.33 extra per month

On average, customers are willing to contribute around an additional **£3.33 per month** on their bill but some customers are willing to contribute more than average.



Subgroup differences:



Customers whose **household income stays the same each month** are, on average, significantly less likely than those whose **income varies** to find contributing more per month acceptable (**£4.90 cf. £3.70**).

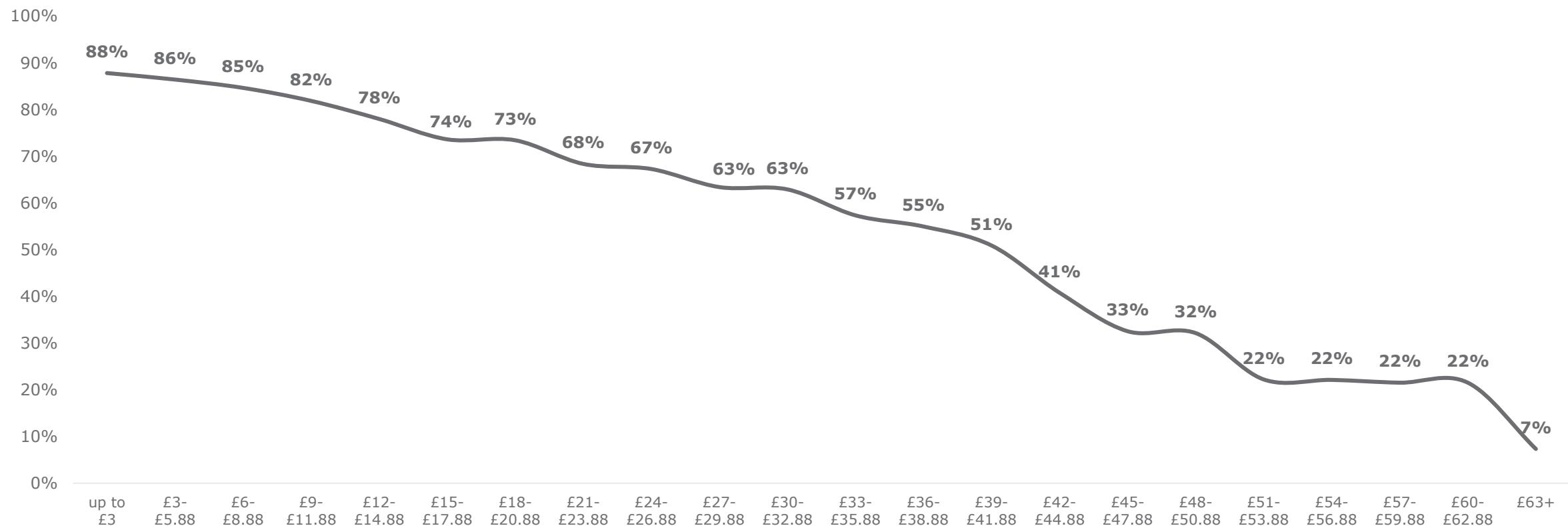


Customers **on the Big Difference Scheme** are on average significantly more likely than those who are not to find contributing more per month acceptable (**£6.90 cf. £3.80**).



Few customers are willing to pay beyond the price points presented to them...

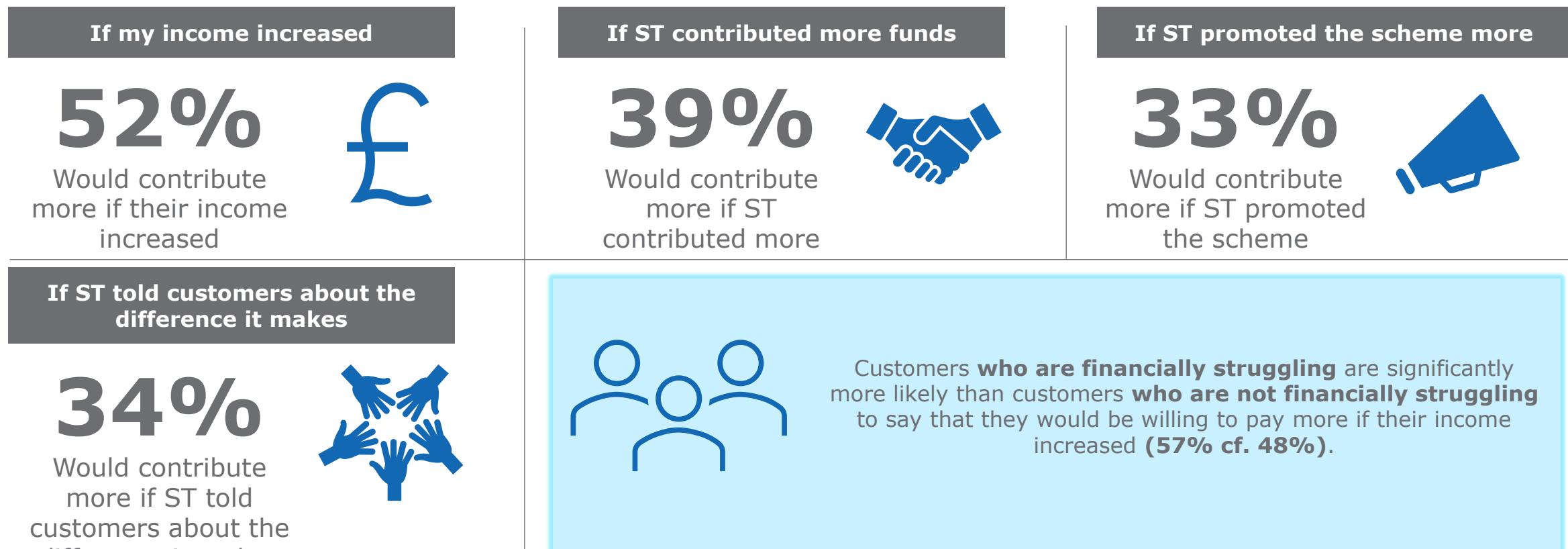
By using the answers to the fixed price points in conjunction with the answers to the open question, acceptability across the full range of prices can be mapped. This reveals that customers are less likely to suggest paying beyond the price points presented to them.



Base: All respondents (1,008) Q08. How acceptable or unacceptable would you find the cross-subsidy at this level?

Income is a determining factor in customers' willingness to pay more...

The maximum amount customers will contribute is heavily dependent on their income with over half of customers claiming that they would contribute more if their income increased; a view that is particularly pronounced amongst those currently on the scheme.



Why is acceptability of paying extra so high, given that we're in a cost of living crisis?

As in 2018...

This survey was not as neutrally designed as with ST's other surveys. As per the guidance, the survey focused on the acceptability of paying extra towards the cross subsidy, we didn't ask for views about paying extra for other elements of the bill.

As per the guidance, the mid-point of the answer scale was 'don't mind', rather than something neutral such as 'neither acceptable nor unacceptable'.

We showed all price points as both monthly AND annual amounts (on top of the current cross subsidy)

At each price point we showed a 'stick people' graphic showing the proportion of our struggling customers that could be helped with that amount of extra cross subsidy.

Changes since 2018...

Eligibility for the Big Difference Scheme is now based on household income, not income and expenditure as it was in 2018. Therefore, all respondents on a low income could be confident that they personally could get a discount. They may have said a high price point was acceptable to them, assuming that they wouldn't actually have to pay it.

We explained that the company is currently (until 2025) also contributing to the social tariff pot, as well as the customer cross subsidy. This was not the case in 2018.

At each price point we reminded respondents that every penny of extra cross subsidy would be spent on bill discounts for low income customers. We didn't say this in 2018, although it was true then too.



However, some customers are unwilling to pay extra towards the Big Difference Scheme...

A minority of customers (**n=62**) say they would not like to contribute anything extra to the Big Difference Scheme. The most common reasons for not wanting to pay more often relate to feelings of unfairness that some customers have to pay for other customers (**58%**), not being able to afford to pay more (**52%**) and not wanting to pay more (**52%**).

I don't think it is fair

58%

Do not think it is fair
that they must pay
for others



I cannot afford it

52%

Say that they cannot
afford to pay any
more



I do not want to pay any more

52%

Say that they do not
want to pay any
more



I do not want my bill to increase

47%

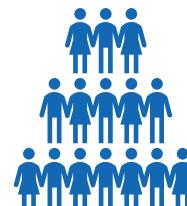
Say they do not want
their bill to increase



Scheme doesn't help the right people

16%

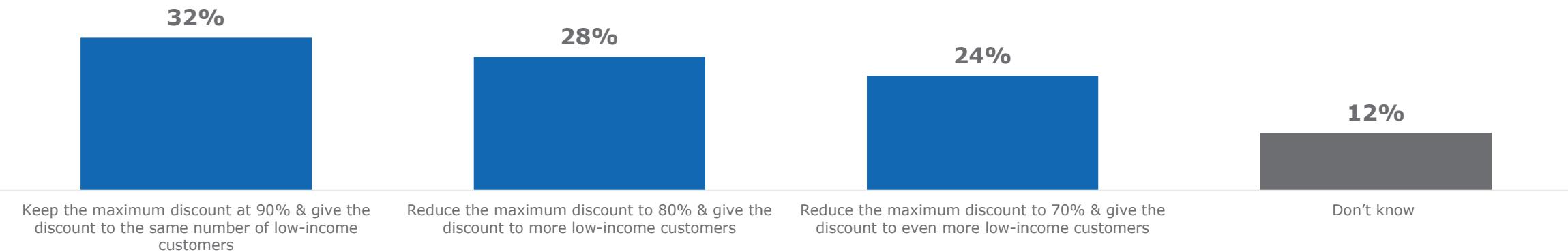
Feel the scheme does
not help the right
people



When it comes to the top discount level, there is no clear consensus among customers...

Customers are split with regards to the top-level discount amount versus how many people can be helped, but the most frequently selected choices are to keep the maximum discount at 90% or reduce the maximum discount to 80% but help more customers*.

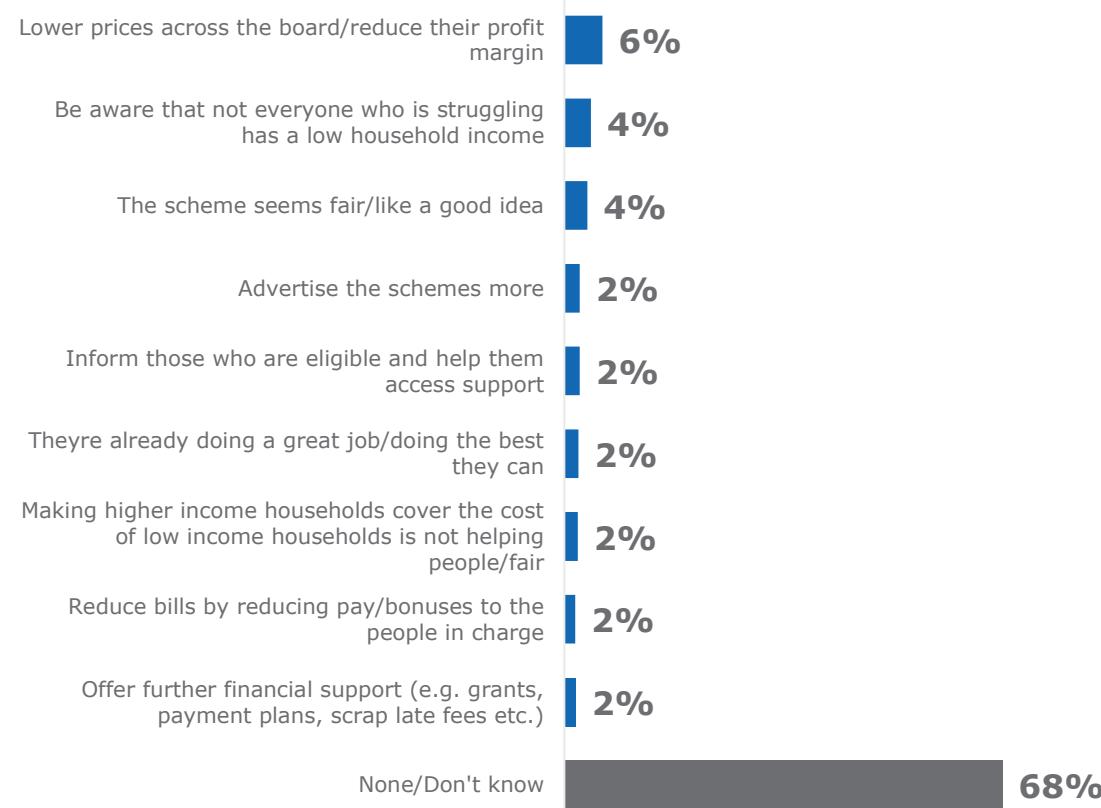
Top level discount amount:



*Please note that customers were not informed explicitly how many more customers would be helped if the top-level discount was reduced to 80% or 70%

Overall, customers are unsure about how else ST can help customers who are struggling

Over two thirds (**68%**) are unsure how else Severn Trent could help customers who are struggling to pay their bill. A small proportion of customers do have suggestions and these often relate to lower prices and being aware of who and who isn't struggling – not just basing calculations on income.



A large proportion of customers (58%) offer no suggestions as to how ST can increase awareness...

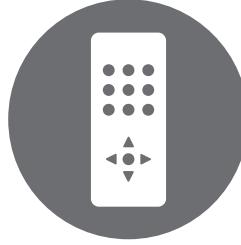
This free text question allowed customers to suggest additional methods of letting customers know about the help available. Of those who did offer suggestions, a variety of methods are mentioned by customers with email, post, media ads and including information on bills being most popular.



9%
Email



9%
Post



6%
Media ads



6%
Info on bills



5%
Social media



3%
Leaflets



2%
Prioritise informing those
with lower incomes



1%
Prioritise those falling
behind on their bills



58%
None/
Don't know

Customer perceptions of the support schemes



Background information

Context prior to questioning:

- Throughout the survey, customers were presented with a range of background information about the support that Severn Trent offers customers. The information that was shown to customers before Q01 is shown to the right:



Base: All Respondents (1,008). Q01. What do you think about these schemes?

Severn Trent wants everyone's bill to be affordable. They have a number of ways to help people who are struggling to pay their bill:

- **The Big Difference Scheme** – a water bill discount of up to 90% for any household with a low income. From 1 April 2023, any household earning less than £20,048 (plus additional allowances for households with children) is eligible for at least a 30% discount off their bill.
- **Financial Hardship Fund: The Severn Trent Trust Fund** – this is a charity, funded from Severn Trent's profits, helping those in severe hardship. It gives grants to help clear debts (including water) and to pay for essential household items such as a bed or oven.
- **Bill Cap Scheme, WaterSure** – bills are capped at the level of the average bill, for metered customers on benefits who have 3+ children or a medical condition requiring high water usage.
- **Short term payment plans** – offered to any customer who cannot afford to pay their standard payment amount. Payments are reviewed regularly.

Severn Trent directs customers to this affordability help via information on bills and via its website, advertising campaigns and outreach work in the community. There is a freephone number that customers can call too.

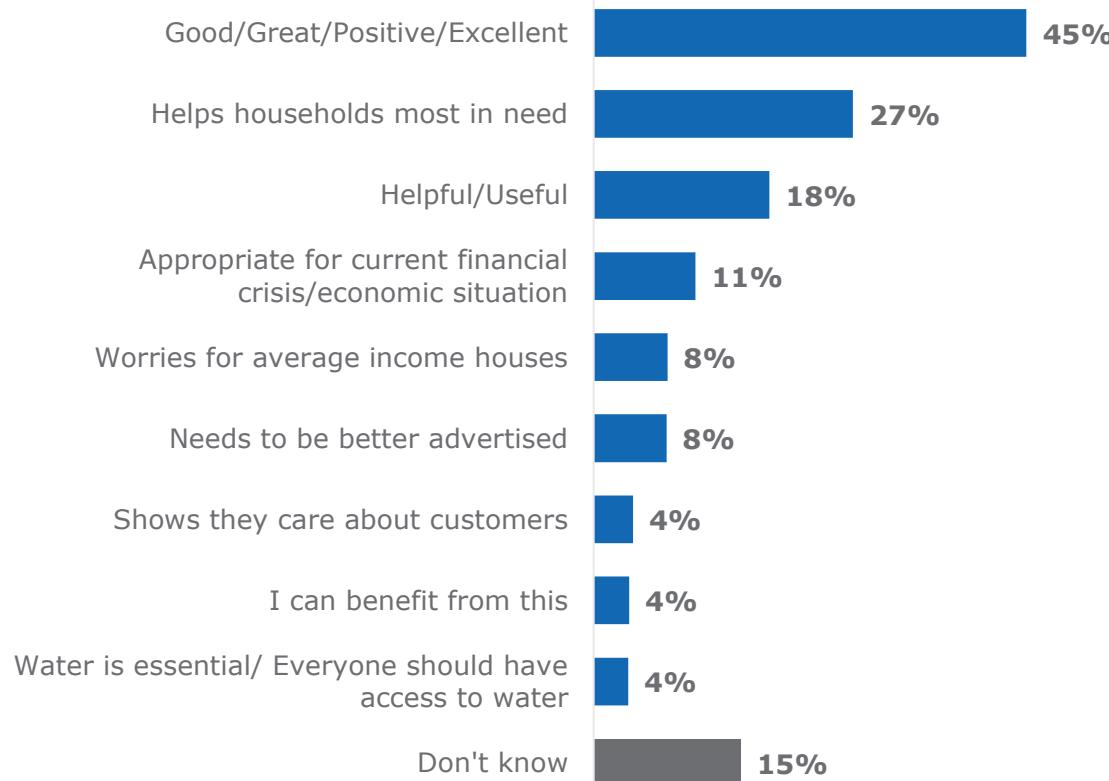
What do you think about these schemes? Please provide as much detail as possible.



ST's affordability schemes are viewed as positive

Customers are generally positive about the affordability schemes offered by Severn Trent with many praising the company for supporting those in need during the financial crisis. However, customers feel that the schemes are poorly advertised, meaning that awareness is low, especially amongst those that could benefit from them most.

Customer views on the support schemes:



"I think they are all great ideas to help people who need that extra hand in life to get a leg up. I like that they are aimed at the most vulnerable in society, but I also think there should be some help for people who earn maybe just a little more but are struggling because of the current economic climate."

Female, 25-34

"The schemes are interesting, but I think this is the first time I have heard of any of them. The Big Difference Scheme is very interesting to me as I am self employed and on a low income."

Female, 45-54

"I think that these are great schemes, but they are not very well advertised especially to the people that they would benefit the most."

Female, 45-54

At the end of the survey all customers were signposted to ST's affordability support webpage!

Background information

Context prior to questioning:

- Throughout the survey, customers were presented with a range of background information about the support that Severn Trent offers customers. The information that was shown to customers before Q02 is shown to the right:



Severn Trent also wants to have a positive impact in its region's communities.

Severn Trent's Community Fund provides grants to support local charities and community groups in the Severn Trent region. Last year, £1.86million was awarded to 73 different projects. The projects improve community wellbeing, especially those helping people live a healthier life, gain new skills, create better places to live and projects that help look after the environment.

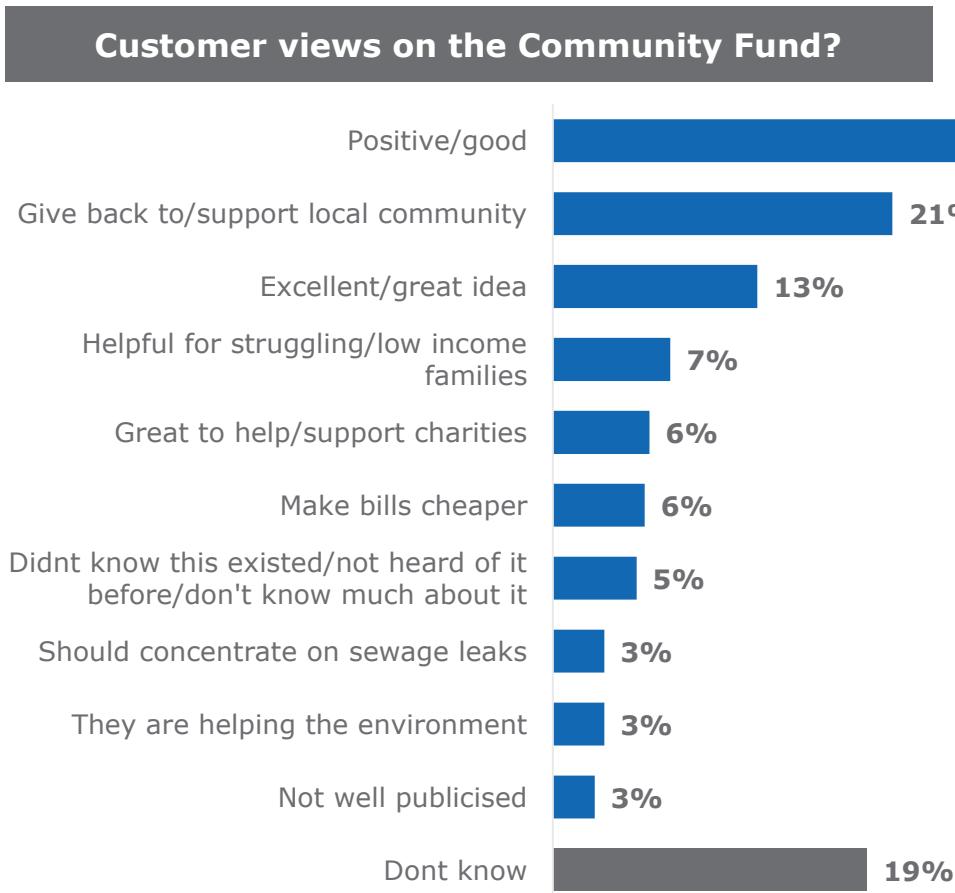
Between 2020 and 2025, Severn Trent has pledged to give more than £10 million of profits (money received for exceeding its performance targets) to the Community Fund.

What do you think about Severn Trent's Community Fund? Please provide as much detail as possible.



The Community Fund is also praised by customers

Feedback about Severn Trent's Community Fund is largely positive. There is, however, a small portion of customers who think that the organisation's focus should shift from community support to fixing leaks and eliminating sewage in rivers.



"An excellent way to give back to the community and support causes that will make a difference to people's lives."

Female, 35-44

"Does this take money away from sorting out leaks, sewage in rivers etc.? This fund sounds good, but they should have other priorities."

Male, 45-54

"I would be interested to learn about this as I run a nonprofit organisation and wonder if I could apply. Again, I don't think I have heard of this before."

Female, 45-54

"Charity support is important but not at the expense of putting bills up for hard working people struggling to make ends meet."

Female, 25-34



Background information

Context prior to questioning:

- Throughout the survey, customers were presented with a range of background information about the support that Severn Trent offers customers. The information that was shown to customers before Q07 and Q07a is shown to the right:

Introduction

All water companies have a **social tariff scheme** to help customers who are struggling to afford their water bills.

These schemes give customers a discount on their water bill. It is up to each water company to decide how much discount customers can get, who is eligible, how people apply for the discount, and so on.

What is the impact of the discount scheme?

These discounts make water bills more affordable and help customers to avoid falling into debt because the money does not need to be paid back.

As well as helping customers directly, these schemes help to reduce the amount of 'bad debt' (that's debt that will never be repaid) that companies have to write off. This helps to keep bills low for all customers.

How are the discount schemes funded?

Most water companies fund the discount scheme through a **cross-subsidy** on all customers' water bills.

The Big Difference Scheme

Severn Trent's discount scheme is called "The Big Difference Scheme". It gives customers a water and sewerage bill reduction between 30% and 90%, depending on their household income. The discount is easy to apply for; the customer simply has to submit evidence of household income. They do not need to be on benefits.

From 1 April 2023, anyone whose household income is less than £20,048 per year is eligible for a discount of at least 30%, and the income threshold is higher for households who have children.

The scheme is funded through a small **cross-subsidy** on all customers' water bills. In 2023/24, **£1.28 per month or around £15 per year**, that's 4% of the average bill of £419, goes towards funding the scheme.

In addition to this, Severn Trent has also committed to providing funding of £30million to help support struggling customers. £10million of this is from profits; **this will fund an additional 100,000 Big Difference Scheme discounts** through to 2025.

How do you feel about Severn Trent's contribution towards the scheme?



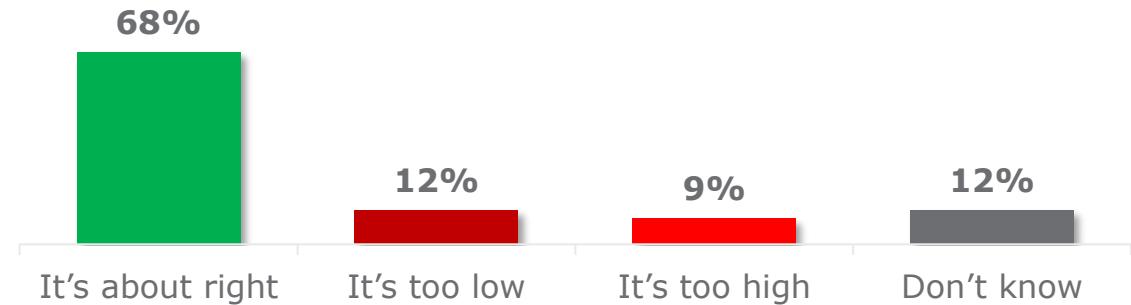
Positive words are associated with ST's contribution:

Customers commonly associate the Big Difference Scheme with positive words such as good, helpful, fantastic etc. However, there are some negative mentions around unfairness as well. In terms of Severn Trent's contribution to the scheme, over two-thirds (68%) feel it is about right whilst a minority perceive it as too low or too high...

One word to describe the Big Difference Scheme:

Generous Fantastic Unfair
Helpful Reasonable
Good Fair
Interesting Brilliant
Acceptable Great
Excellent

Feelings about ST's contribution to the scheme:



Those not on the Big Difference Scheme are significantly more likely to think it's too low than those who are on the Scheme (13% cf. 3%).

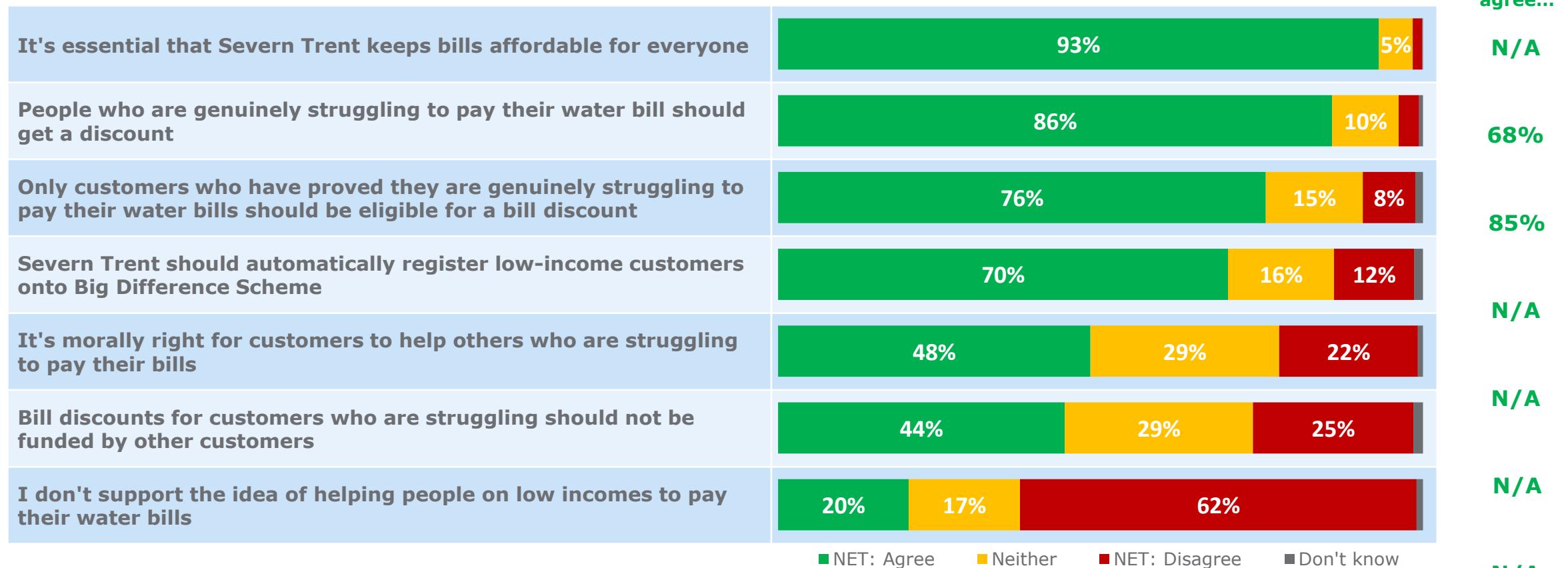
Attitudinal statements





Support for cross-subsidisation is high...

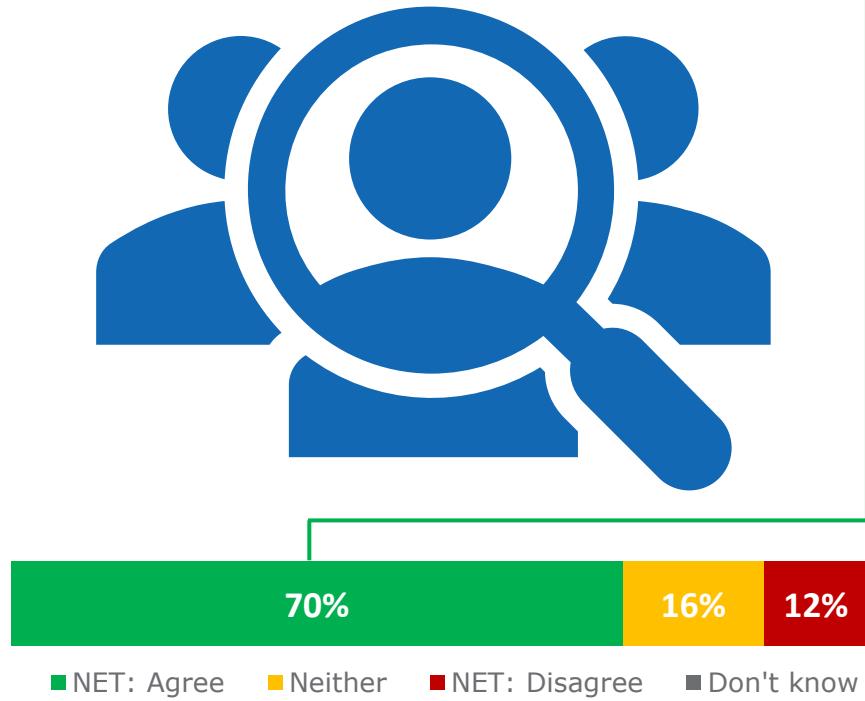
Customers strongly believe that bills should be widely affordable (**93%**), and that those who are struggling should therefore be eligible for a discount (**86%**). However, though **70%** state that those in need should be automatically registered for the Big Difference Scheme, an even higher proportion (**76%**) think eligibility must be proven first.



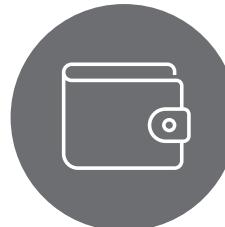
***It is important to note that the 2018 survey was conducted entirely using telephone methodology and this could account for the attitudinal differences demonstrated in this survey.**

Certain customers are more likely to be in favour of auto-enrolment...

Seven in ten customers (**70%**) believe that Severn Trent should automatically register low-income customers onto the Big Difference Scheme, but some customers are significantly more likely to be in favour of auto-enrolment. These customers include those on low incomes, those from C2DE backgrounds, those with a disability, those aged 35-44 and those who are struggling.



Customers most likely to be in favour of auto-enrolment:



Low-income customers
80%



Customers from C2DE backgrounds
79%



Customers with a disability
74%



Customers aged 35-44
74%

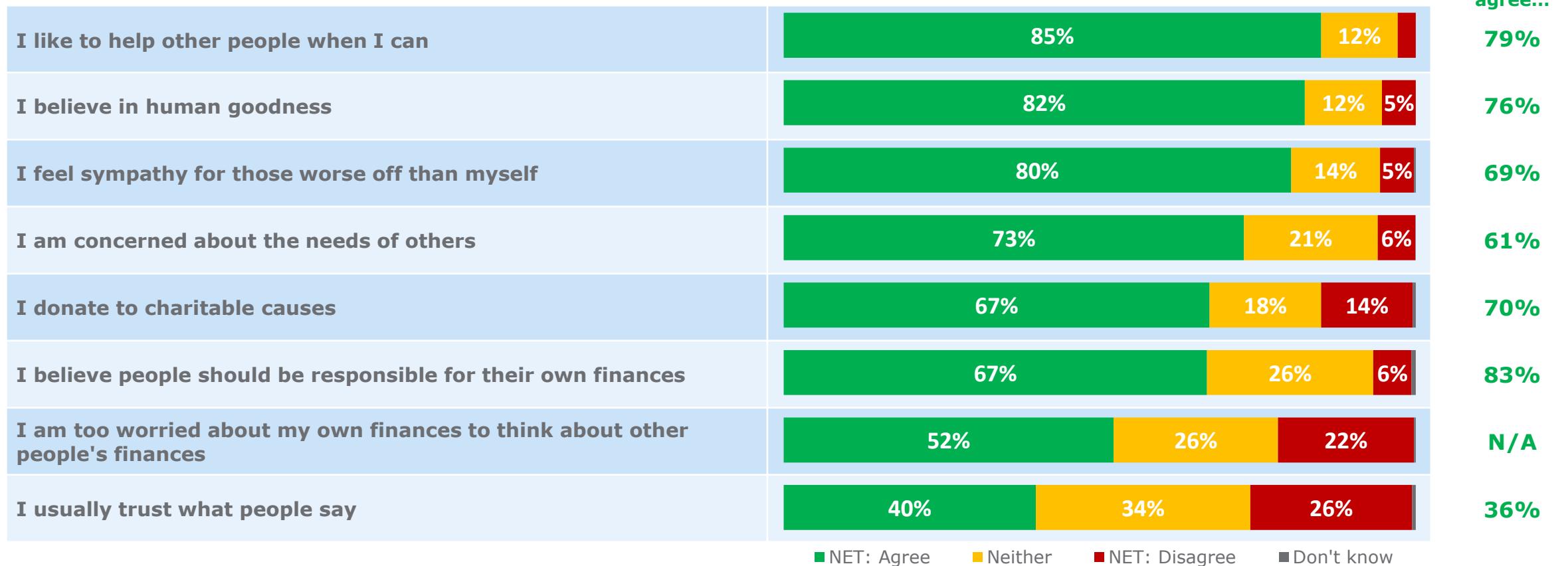


Customers who struggle
73%



Customers are largely willing to help each other...

The vast majority of customers see themselves as good, helpful, empathetic people. However, their trust in others is low (**40%**). This would suggest a willingness to help those in need, regardless of their own financial struggles, but the need for eligibility and hardship to be substantiated beforehand.



***It is important to note that the 2018 survey was conducted entirely using telephone methodology and this could account for the attitudinal differences demonstrated in this survey.**

For more information



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Appendix



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Acceptability of general cross subsidies



Background information

Context prior to questioning:

- Throughout the survey, customers were presented with a range of background information about the support that Severn Trent offers customers. The information that was shown to customers before Q03 is shown to the right:



What is a cross-subsidy?

In lots of areas of life, customers pay a little more for a service than it actually costs to provide. The extra money is used to provide services to other customers at a cheaper rate or for free.

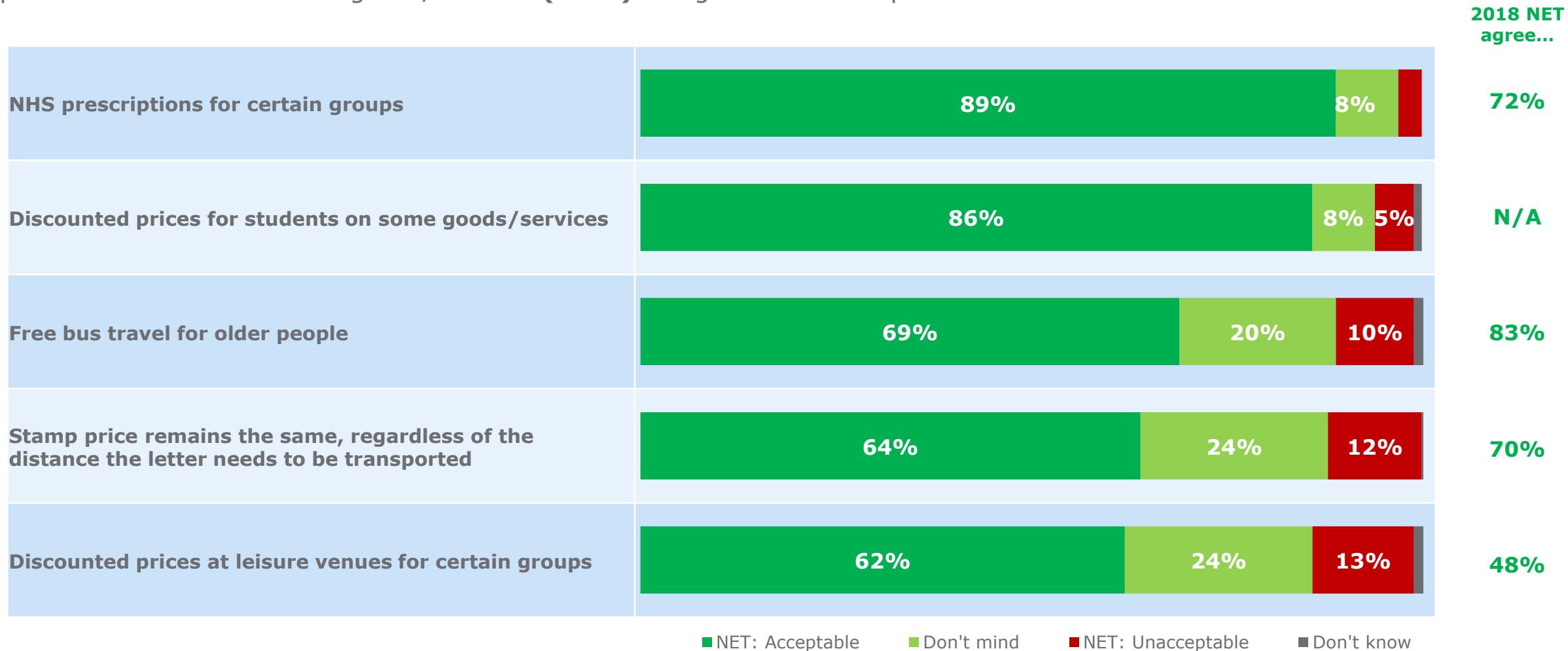
This is called a cross-subsidy.

Below are some examples of cross-subsides. How acceptable or unacceptable do you find each of these?



Customers are accepting of general cross-subsidies

Acceptance of general cross-subsidies is high, with NHS prescriptions for certain groups (**89%**) and discounted prices for students on some goods/services (**89%**) being the most acceptable.



Base: All Respondents (1,008). Q03. Below are some examples of cross-subsidies. How acceptable or unacceptable do you find each of these?



Acceptance of cross-subsidies: Subgroup differences

There are a number of subgroup differences in acceptability of the various cross-subsidies outlined, particularly in relation to age, gender and stability of household income.

NHS prescriptions for certain groups



Customers aged **18-34** are significantly less likely than **over 65s** to find this cross subsidy acceptable (**85% cf. 92%**).

Women are significantly more likely than **men** to find this cross subsidy acceptable (**91% cf. 86%**).



Free bus travel for older people



Older customers (65+) are significantly more likely than **younger customers** (35-44) to find this cross subsidy acceptable (**74% cf. 64%**).



Those whose **household income stays the same** are significantly more likely than those whose **income varies** to find this cross subsidy acceptable (**71% cf. 65%**).

Discounted prices for students



Customers aged **18-34** are significantly more likely than those aged **35-44** to find this cross subsidy acceptable (**66% cf. 52%**).

Stamp price remains the same



Women are significantly more likely than **men** to find this cross subsidy acceptable (**67% cf. 60%**).



Customers aged **18-34** are significantly less likely than **35-54s** to find this cross subsidy acceptable (**68% cf. 59%**).



Those whose **household income stays the same** are significantly more likely than those whose **income varies** to find this cross subsidy acceptable (**72% cf. 59%**).

Acceptance of cross-subsidies: Subgroup differences

There are significant subgroup differences in the acceptability of discounted prices at leisure venues between those with different household income levels and those with dependent children in the household.

Discounted prices at leisure venues for certain groups



Those with a household **income of £21k or less (90%)** are significantly more likely to find this cross-subsidy acceptable than those with an income of **£36k-£73k (84%)**, and **£73k+ (79%)**

Those with **dependent children (82%)** are significantly less likely to find this cross-subsidy acceptable than those with **no dependent children (89%)**



Acceptance of cross-subsidies: Open text responses

Customers largely feel as though cross subsidies are a good thing and have a positive impact both at an individual level but also at a societal level. However, a few customers do feel that there is a need for greater regulation / means testing around who qualifies for certain cross subsidies.

"I use buses frequently so know it can mount up, so I'm pleased to see this as one of the cross-subsidies for older people."

Male, 55-64

"I think free prescriptions should apply to everyone with a chronic condition. As an asthmatic, my inhalers can become expensive."

Female, 25-34

"A relative of mine receives subsidised public transport and is on a salary of over £100,000. She is a consultant in the NHS. She doesn't need the subsidy."

Male, 25-34

"Good initiatives and could really help those who need it and at the same time help the economy."

Male, 45-54

"Most are sensible, although ... it's a shame they can't be means tested and directed where needed the most."

Male, 45-54

"Those on low incomes need all the help they can get especially at the moment with a cost-of-living crisis."

Female, 55-64

"They are all very useful and helpful to those who are able to benefit and need to use the services."

Female, 35-44

"Ultimately I think it's a good thing, particularly bus passes which allow older people to get around more easily."

Male, 45-54

Acceptability of water specific cross subsidies



Background information

Context prior to questioning:

- Throughout the survey, customers were presented with a range of background information about the support that Severn Trent offers customers. The information that was shown to customers before Q05 is shown to the right:



The majority of your water bill is used by Severn Trent to treat your tap water, so it meets drinking water standards and to take your wastewater away safely.

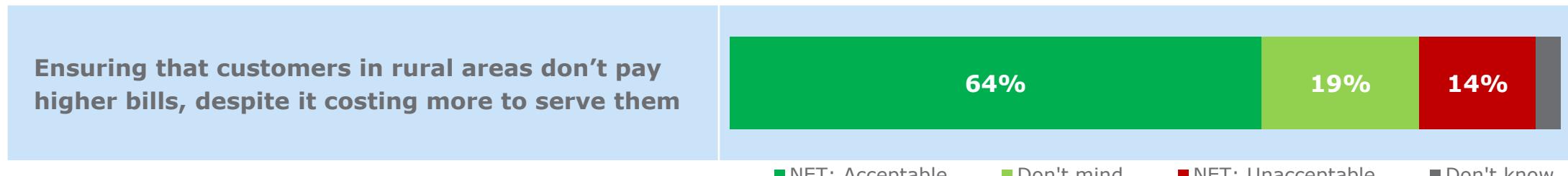
However, a small amount of the money you pay for your water bill is used to cross-subsidise things.

Below is an example of a cross-subsidy that Severn Trent operates. How acceptable or unacceptable do you find this?



Subsidies for rural customers are seen to be acceptable by a majority (64%)

Just under two thirds (**64%**) think that ensuring customers in rural areas don't pay higher bills despite the higher cost to serve them is acceptable, but around one in 7 customers (**14%**) consider it unacceptable.



58%

Subgroup differences:



Customers aged **18-34** are significantly more likely than those aged **35-44** to find this cross subsidy acceptable (**67% cf. 58%**).



Higher SEG customers (ABC1s) are significantly more likely than lower SEG customers (C2DEs) to find this cross subsidy acceptable (**67% cf. 60%**).



Customers **not financially struggling** are significantly more likely than those **financially struggling** to find this cross subsidy acceptable (**69% cf. 61%**).

Acceptance of water specific cross-subsidies:

Open text responses

Customers largely feel as though ensuring customers in rural areas don't pay higher bills despite the higher cost to serve them is a good thing in terms of fairness and equality. However, a few customers do feel that there should be certain exclusions to this rule i.e., if a customer is particularly wealthy or the cost to serve is excessively high...

"Not sure about this. People living in rural areas generally are the more affluent. I'd be against subsidies for them."

Female, 25-34

"No, I think that's fair. I wouldn't want to be paying more just because of where I live. So, I'd say that was a fair subsidy."

Male, 45-54

"It's a bit annoying that you're paying more for someone else's water that you aren't using."

Female, 35-44

"I do not think if you choose to live in a rural area, you should be at a disadvantage, it's right these customers are not charged more for water in these rural areas."

Female, 65+

"There should be no difference in bill paying wherever you live. Just because you may live in the countryside doesn't mean you are better financially than anyone else."

Male, 35-44

"It would depend on the rural property. While many rural communities are poor, there are also some sprawling country estates. Perhaps subsidised below a certain council tax band, perhaps excluding the very top but subsidising low and middle bands."

Female, 35-44

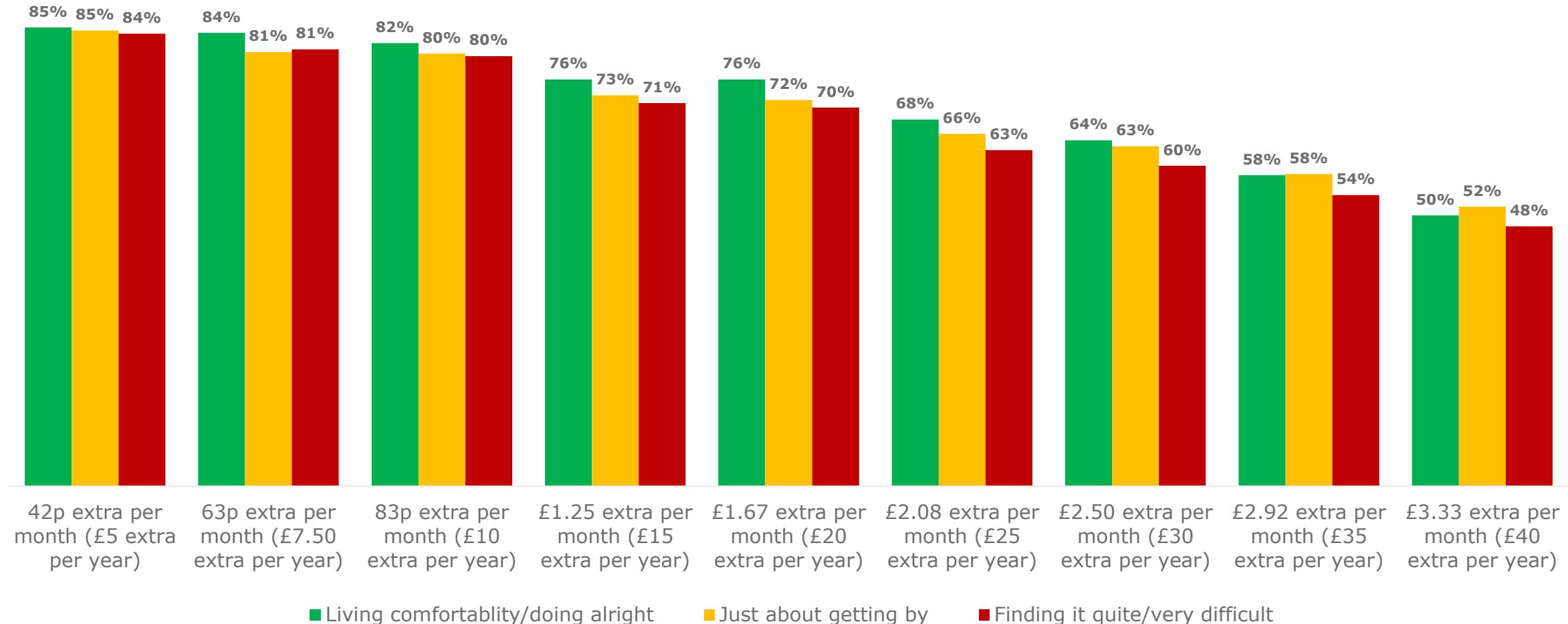


Subgroup charts



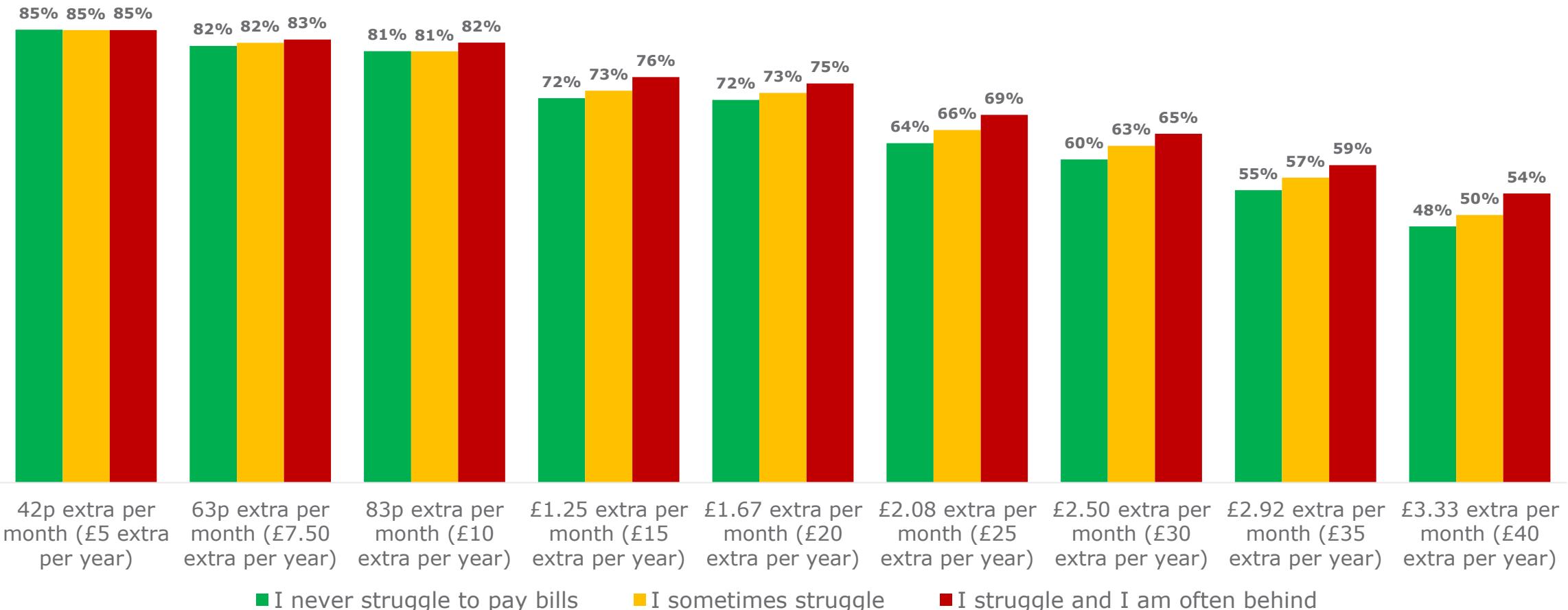
Acceptability by financial situation

There are no significant differences in acceptability level by financial situation.



Acceptability by ability to manage bills

There are no significant differences in acceptability level by ability to manage bills.





Acceptability excluding social tariff customers

When we exclude social tariff customers from the Gabor Granger analysis, we see small declines in acceptability amongst customers.



Base: All respondents (1,008) vs All respondents excluding social tariff customers (932).
Q08. How acceptable or unacceptable would you find the cross-subsidy at this level?

Research guidance information





Research guidance (I)

Ofwat have set out requirements for High Quality Research in their Customer Engagement Policy. All water company research and engagement should follow best practice and lead to a meaningful understanding of what is important to customers and wider stakeholders.

Useful and contextualised

This research was conducted to consult customers to ascertain how much extra, if anything, they are prepared to pay on their water bill to help pay the bills of struggling customers during the next 5-year period.

Fit for purpose

Pilot interviews were carried out prior to the full launch of field work and pilot interviews included additional questions to check customer understanding of the materials and questions.

Ethical

This research was conducted by DJS Research who are a member of the Market Research Society. Customers were reminded that they could be open and honest in their views due to anonymity and DJS and Severn Trent were subject to strict data protection protocols.

Continual

Customer views will be directly fed into the plans for AMP8 which covers the next five-year period (2025-2030).

Inclusive

A combination of online and in person CAPI interviews were conducted to ensure that customers classed as digitally vulnerable and hard-to-reach customers were included in the research.

Neutrally designed within the confines of the guidance

Every effort has been made to ensure that the research is neutral and free from bias. Where there is the potential for bias, this has been acknowledged in the report. Participants were encouraged to give their open and honest views and reassurances were given that Severn Trent were open to hearing their honest opinions and experiences.

Independently assured

All research was conducted by DJS, an independent market research agency. Severn Trent reviewed all research materials ahead of fieldwork and prior to the survey being scripted and provided a check and challenge approach on the method and findings.

Shared in full with others

The full final report and research materials will be shared internally with Severn Trent colleagues along with CCW. They will also be published on Severn Trent's website.



Research guidance (II)

We have taken advice from CCW and Defra on best practice for social tariff research, which states:

- The cross-subsidy acceptability question should not be placed in a standalone survey, focusing solely on the social tariff
- The survey should result in a single price-point that is broadly acceptable to customers
- There is no specific threshold for acceptability % that the survey should seek to find
- There is no need to test the current level of cross-subsidy
- All respondents should see the same stimulus materials
- The following acceptability scale is appropriate: very acceptable, acceptable, don't mind, not very acceptable, not at all acceptable, don't know
- Acceptance result should be as a percentage of all respondents, excluding those answering 'don't know' but including those answering 'don't mind'.