

Save the Children Consultation Response – Water Affordability and Child Poverty in Wales

National Assembly for Wales’ Environment and Sustainability Committee Inquiry into water policy in Wales

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About Us

Save the Children works in more than 120 countries. We save children’s lives. We fight for their rights. We help them fulfil their potential.

We believe no child should have their childhood experiences or life chances damaged by living in poverty. Save the Children is campaigning for an end to child poverty in the UK. We believe that action is needed now if we are to meet the 2020 target to eradicate child poverty.

Context

Save the Children Wales is grateful for the opportunity to respond to this call for evidence and welcomes that issues of water affordability are being explored by the Committee in the course of its inquiry.

In Wales today over 200,000 children live in poverty and our research shows 96,000 children are living in severe poverty. Save the Children is deeply worried by projections that child poverty is set to rise by a million by 2020 as a direct result of UK Government tax and benefit changes.ⁱ

Save the Children recognises the DEFRA threshold to determine water affordability, defining water poverty as when a household spends more than 3 percent of their household income on water costs. We note findings by OFWAT that 30% of all households in Wales are suffering water poverty, compared with only 23% in England.

In line with Save the Children’s focus on campaigning for an urgent end to child poverty, and against the backdrop of intensifying challenges for low-income families in Wales, this consultation response focuses on issues of water affordability in the household market in Wales.

Key Points

This consultation response will set out Save the Children’s views regarding water affordability as a key element of the child poverty picture in Wales, highlighting our relevant research and outlining our recommendations for policy in this area.

- Save the Children welcomes that ‘keeping water bills at an affordable level’ has been identified as a key priority for the Welsh Government and we welcome the recognition that providing a choice of charging options, protecting vulnerable groups and reducing bad debt will be key to achieving this.ⁱⁱ

- We welcome that during 2012 the Welsh Government consulted on the recommendations of the Independent Review of Charging for Household Water and Sewerage Services (the Walker Review) and that the responses received are being used to help develop policy in the area of water affordability.
- Save the Children notes that in June 2012 the UK Government proposed that water companies should introduce social tariffs based on an ability to pay and that the intention to provide guidance for water companies on social tariffs in Wales is outlined in the Tackling Poverty Action Plan (July 2012). It however remains unclear how customers most at risk will be identified and how vulnerable groups will be prioritised. We would urge that families with children are prioritised in any social tariff scheme.
- Save the Children believes that the UK Draft Water Bill is a key opportunity to introduce measures to help families struggling to pay water bills. We would encourage Welsh Government to ensure this opportunity is grasped during implementation in Wales.
- Save the Children would urge Welsh Government to consider further action to tackle water poverty in Wales.

Access to clean water and an adequate standard of living are core rights as highlighted by Articles 24 and Article 27 of the UNCRCⁱⁱⁱ and struggling with household bills that can lead to water poverty should not be permitted to limit any child's fulfilment of this right in Wales. Welsh Government's responsibilities under the Rights of Children and Young Person's (Wales) Measure should be taken into consideration:

- Families in Wales are facing unprecedented pressures on their household finances and Save the Children research has recently highlighted the difficulty and stress that many parents are experiencing in trying to make ends meet.^{iv}
- Recent analysis has predicted that the combination of UK Government tax and benefits policy will push a further 1 million children into poverty by 2020.^v
- There has been a steady rise in the cost of living and water costs play an important part in this picture.^{vi}
- Almost a third of households in Wales (compared to just under a quarter in England) suffered from water poverty in 2009/10 and if water charges continue to rise more quickly than inflation, the extent of water poverty could more than double by 2033.^{vii}
- Rising costs of water and increasing water poverty come at a time when the UK Government has committed to reducing the fiscal deficit by cutting the welfare budget and public services. Families on low incomes are disproportionately reliant on welfare and public services, and consequently cuts in both areas of government spending will have serious impacts on the poorest people in society. Analysis of the impacts of Welfare Reform recently published by the Welsh Government shows that families with children and inner city and the South Wales Valleys (some of the most disadvantaged areas of Wales), will be hardest hit.^{viii}
- This new financial austerity comes on top of existing difficulties that low-income families have to overcome to make ends meet. It is mainly those on low incomes who tend to be unable to access favourable payment terms for credit, whether for household or personal items they need to buy, fuel they need to purchase or loans they need to secure.
- Save the Children would express concern at the Walker Review recommendation that WaterSure should in future be targeted on those on a metered supply with medical conditions only. Save the Children would be concerned by the proposal that customers with large families (more than 3 children) would no longer receive any assistance. The concession granted under WaterSure to households with three or

more children should be maintained, and delivered through a free block of water per child.

- If any proposal to withdraw eligibility from families is progressed, other measures providing equivalent or better protection should be introduced to replace this safety net.
- Although the retaining the current design of Watersure would go some way to address elements of child poverty in larger families, this should be matched with support for all low income families – both those with less than 3 children and those who are not on a water meter.

Save the Children Poverty Premium Research^{ix}

- Not only are families facing deepening pressures on their household incomes, Save the Children would underline the shocking fact that families on a low income are still paying more for their basic goods and services than better-off families. This is particularly salient in the context of consideration of water affordability for households in Wales.
- Save the Children's research identifies the notion of a 'poverty premium' and calculated that it can amount to more than £1,280 for a typical low-income family. Moreover, when our research was updated in 2010 it was found that the poverty premium had risen by over £280 since Save the Children's original research was conducted in 2007.
- The Poverty Premium (2010) report set out the scale of the poverty premium and focused particularly on the extra cost of gas and electricity bills, which account for 20% of the premium.
- Many low-income households choose to manage their budget in cash to ensure they have control over their total spending, which is a rational, safe approach that limits risk and minimises exposure to unexpected costs and outgoings. Concerns have been raised about changes under Universal Credit that will see payments made on a monthly basis as opposed to previous weekly payments and the move to payments to the wallet rather than the purse. There are concerns that these circumstances could further impact on family finances.
- Across the UK, many households (690,000 in 2007/8) do not have access to a bank account or other banking facility that would allow them to pay a range of bills by direct debit, which is often the cheapest payment option for products and services. Many low-income families pay for their gas and electricity using prepayment meters, which attract one of the highest tariffs. The lowest tariffs are offered by energy suppliers to customers who can either pay by direct debit, online or who are eligible for the supplier's social tariff.
- Some low-income families have a poor credit history, which means they have no access to affordable, low or no interest credit. The credit that they can access is therefore charged at the highest interest rates in the market.
- We would recommend that Welsh Government consider recent research on the role of metering as part of the picture to tackle water poverty.^x
- However we would underline any benefits of increased metering for low-income families would need to be matched with appropriate social tariffs (particularly to protect those with high usage such as families with a number of children).

Recommendations

Low-income families shouldn't be penalised for being poor. Recent work has highlighted that tackling water poverty will necessitate an increase in the incomes of those at risk or a

reduction in their water bills (or both).^{xi} Welsh Government needs to do more to help children experiencing water poverty in Wales. To ensure a fairer system for all vulnerable families, Save the Children recommends that future Water Policy in Wales should:

- **Consider action to reduce water poverty as a key element the commitment to eradicate child poverty in Wales.** Save the Children research shows that low income families routinely pay more for core services. Low-income families with children should be prioritised for support with water affordability.
- **Ensure the prioritisation of low-income families with children in Welsh Government guidance on new social tariffs.** In 2012 UK Government proposed that water companies should introduce social tariffs based on ability to pay. The Welsh Government Tackling Poverty Action Plan (TPAP) commits to issuing guidance to water companies to enable the development of social tariffs in 2013-14. As part of this process the characteristics of groups experiencing water affordability in Wales (including the number of children affected) should be analysed. Oversight of social tariffs independent of water companies should be considered.
- **Establish a strategic package on Water Affordability in Wales.** To maximize the impact for reducing water poverty, Welsh Government should use the current review of Water Policy in Wales to create a comprehensive package which comprises a move to greater metering (with a full assessment of the impacts on larger families), a Wales-wide policy framework for social tariffs and water efficiency advice and measures.
- **Develop a coherent approach within the Tackling Poverty Action Plan.** The TPAP offers an opportunity for Welsh Government to adopt a coherent and joined up approach between action on water affordability and efficiency and existing action and support programmes on fuel poverty, energy efficiency and financial capability/debt programmes.
- **Make sure that any replacement for WaterSure retains protection for larger families.** The concession granted under WaterSure to households with three or more children attempts to address child poverty and should be maintained, and delivered through a free block of water per child.
- **Provide additional support for all low income families with children.** While WaterSure currently provides support for larger families increased assistance is needed for all low-income families with children. Welsh Government should ensure adequate support for low income families with 3 or less children as well as larger families, people in in-work poverty and not just those in receipt of benefits, and those who are not currently on a water meter.

ⁱ The IFS projections from December 2011 show a rise of 800,000 but that figure can now be revised up by 200,000 due to Benefit Uprating Bill and the revised down positive impact on CP of Universal Credit, see: CPAG (2012). *Child poverty strategy in disarray from poverty-producing bill*. Press Release 17 January 2013. London: Child Poverty Action Group; IFS (2011). *Forecast for relative and absolute income poverty in the UK among children and working-age adults from 2010–11 to 2020*. London Institute for Fiscal Studies. **Available at:** <http://www.ifs.org.uk/comms/comm121.pdf>

ⁱⁱ Welsh Government (2011). *Programme for Government 2011-2016*. Cardiff: Welsh Government.

ⁱⁱⁱ **Article 24** Children have the right to good quality health care and to clean water, nutritious food

and a clean environment so that they will stay healthy. Rich countries should help poorer countries achieve this. **Article 27** Children have a right to a standard of living that is good enough to meet their physical and mental needs. The Government should help families who cannot afford to provide this.

^{iv} Save the Children (2012). *It Shouldn't Happen Here*. London: Save the Children.

<http://www.savethechildren.org.uk/uk-child-poverty>

^v CPAG (2012). Op.cit. IFS (2011) Op.cit.

^{vi} PSE: UK (2012). Water poverty set to soar. University of York: Poverty and Social Exclusion.

<http://www.poverty.ac.uk/articles-water-utilities-inflation-low-income-households-editors-pick/water-poverty-set-soar>

^{vii} Huby, M. & Bradshaw, J. (2012). Water Poverty in England and Wales. Family Resources Survey User Meeting, Royal Statistical Society, London, 22 June 2012.

<http://www.york.ac.uk/inst/spru/presentations/JRBWaterPovFRSUM2012.pdf>

^{viii} Welsh Government (2012). *Analysing the impact of the UK Government's welfare reforms in Wales – Stage 1 analysis*. Cardiff: Welsh Government.

^{ix} Save the Children (2010). *The UK Poverty Rip-Off: The Poverty Premium*. London: Save the Children.

<http://www.google.co.uk/search?hl=en&q=Save+the+Children+Poverty+premium+research&meta=>

^x PSE: UK (2012). Water poverty set to soar. University of York: Poverty and Social Exclusion.

<http://www.poverty.ac.uk/articles-water-utilities-inflation-low-income-households-editors-pick/water-poverty-set-soar>

^{xi} Ibid.