



Water bills in the south-west

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This note provides information on water bills in the south-west, which are significantly higher than in other parts of England. It describes the Government's solution to the problem: a payment allowing a £50 reduction of South West Water customer bills from April 2013.

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1 High water bills in the south-west

2010-11 bills for South West Water customers were significantly higher (average £486) than elsewhere in the country (average £339), and unmetered customers have much higher bills (average £721) than metered customers (average £394).¹ Bills were higher largely because of a lack of sewerage infrastructure when water and sewerage services were first privatised—there was a reliance on disposal of raw sewerage from 200 sea outfalls.²

Most of the costs of addressing this pollution, over £1billion, fell to local water customers in the region—although at privatisation the government injected finance into the company equivalent to 20% of the capital programme.³

A major review of water charging in 2008 (see next section) highlighted a number of demographic and economic characteristics in the South West Water area that tended to reinforce the problems associated with high bills:

- some 22% of the population are pensioners (higher than elsewhere in the south-west or in England as a whole)—although in general these households do not have the worst affordability problems. Lone parents have more affordability problems than single pensioners and there a similar proportion in the South West Region to the national average;⁴
- a high proportion of the population live in rural areas making it expensive to serve;
- housing affordability is most acute after London; and,
- as the UK's top tourist destination, in peak weeks the local population goes up by 25% and demand for water is a third higher than for the year as a whole.⁵

1.1 Existing help for vulnerable water customers

A number of measures are in place to help certain vulnerable customers in receipt of benefits to pay their water bills. These are described in full in Library Standard Note: [Water bills - are they affordable to all?](#) Please note that there are significant concerns that, in spite of this support, water bills are not necessarily affordable to all. Please consult the Standard Note for full information.

2 The Walker Review and the South West

In August 2008 Anna Walker was asked by the Government to conduct an independent review of charging for household water and sewerage services. The report highlighted that there are growing challenges in the sector related to climate change, population growth and an ageing infrastructure. It concluded that water pricing needed to reflect its true value and that there was a need to ensure that water was affordable to those on low incomes.

The Review dedicated a chapter to the South West. In brief it said that water affordability issues were accentuated in the South West because of the high average bills found there. It said that the Government could remedy this by adopting one of two options:

¹ [Walker Review south-west briefing note](#), Defra, 8 December 2009

² National Audit Office Report: Department of the Environment: Sale of the Water Authorities in England and Wales (HC 256)

³ National Audit Office Report: Department of the Environment: Sale of the Water Authorities in England and Wales (HC 256)

⁴ Family Resource Survey 2005

⁵ [Walker Review south-west briefing note](#), Defra, 8 December 2009

- “a specific one-off corrective measure; or some form of annual transfer; this could come either from government or water customers... across the country”. It said that “any one-off adjustment to address these historic investment issues would require a government financial commitment and would need careful design, explanation and ring fencing”. It went on that “an alternative approach would be to adjust bills in the south-west through contributions by other water customers across the country”.
- A package of proposals to help customers in the south-west, such as “use of a seasonal tariff which charged additional summer use at a premium rate (water use in the south-west in the summer increases by one third); use of the review team’s recommended affordability measures, with the full package applying in the south-west whether or not it was adopted in the rest of the country, and water efficiency measures targeted at pensioners.”⁶

More information about the different Walker Review options available for the South West can be found in Chapter 14 of the [Walker Review](#).

3 The Government’s solution

3.1 The public consultation

In its Coalition Agreement the Government stated that it would “examine the conclusions of the Cave and Walker Reviews, and reform the water industry to ensure more efficient use of water and the protection of poorer households.” Following this, in the 2011 Budget, the Government said it was “committed to supporting households who face water affordability pressures and households in areas with particularly high water bills, such as the South West. The Government will consult shortly on proposals to address water affordability”.⁷

The [consultation](#) was published in April 2011. In it the Government rejected the Walker Review option of a one off payment to reduce bills by around £50 in perpetuity as “unaffordable”. Such a measure was calculated to cost around £700 million. Instead the Government put forward an annual payment from the Government to reduce the bills of all household customers of South West Water by about £50 a year, which it said would “bring average bills in the South West nearer to the Wessex Water level”.⁸

The Government also put forward two alternative options that would have reduced bills by £3 to £11, alongside possible additional help to those on low incomes.⁹

The Government said that those who responded to the consultation were polarised on whether public expenditure should be used to reduce all water bills in the South West. It stated that:

...respondents from the South West, supported by a few other respondents, thought that this was fair and necessary to address the disproportionately high bills in the region. However, other respondents believed that it would be fairer and more effective to target customers facing affordability problems across the country.¹⁰

⁶ [The Independent Review of Charging for Household Water and Sewerage Services \(The Walker Review\)](#), Defra, December 2009

⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/82240/110405-walker-consult-condoc.pdf

⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/82240/110405-walker-consult-condoc.pdf

⁹ *ibid*

¹⁰ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/89446/111025-walker-summary-responses.pdf

3.2 Government policy—a £50 reduction in water bills

The Government set out its policy on water affordability bills in the Water White Paper published in December 2011. The white paper is aiming to lower all household bills generally; there is more on this in the library standard note on '[Water Bills – Are they affordable to all?](#)'.

On the issue of the South West, the Government said that it would reduce water bills in the region by £50 from April 2013. It said that:

...the circumstances faced by customers of South West Water are exceptional, and that in order to deal with this historic problem it should contribute to the cost of reducing bills.¹¹

The funding will come from the HM Treasury Reserve until the end of the spending review period in 2014-15. After that time funding will come from the Department for Environment, Food and Rural Affairs (DEFRA) budget. The payment will continue until “at least the end of the next spending review period in 2020”.¹² [Legislation was passed](#) to enable the Government to make this payment.

The Government also said that:

as with other water companies, it will be for South West Water to consult with its customers on whether to introduce a social tariff to target those in the region facing the greatest affordability problems.¹³

4 Response to the policy

The new measures were widely welcomed with only a few reservations about affordability, fairness and stringency.

On the 5th July 2012, the Environment, Food and Rural Affairs Select Committee [responded](#) to the government's white paper and warned that it lacked ambition and urgency.¹⁴ On the specific issue of reducing the South West's water bill, whilst the proposals were largely supported, concerns were raised about how the rest of the country would perceive it.¹⁵ A witness to the inquiry feared that affordability issues would just shift to the North West.¹⁶ Others suggested that help should also be extended to non-household customers of South West Water.¹⁷

¹¹ www.parliament.uk/briefing-papers/SN06234

¹² www.parliament.uk/briefing-papers/SN06234

¹³ [Water for life](#), HM Government, December 2011, P. 67

¹⁴ <http://www.parliament.uk/business/committees/committees-a-z/commons-select/environment-food-and-rural-affairs-committee/news/water-white-paper-publication/>

¹⁵ Environment, Food and Rural Affairs Committee, The water white paper, Second report of session, P. Ev 26

¹⁶ [Water white paper, Written evidence by the United Utilities group \(WWP 22\)](#), 23 January

¹⁷ [Environment, Food and Rural Affairs Committee, Written evidence submitted by Consumer Council for Water](#)