

Changes to WaterSure as a result of the introduction of Universal Credit

October 2012

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1. Purpose of this consultation

Introduction and background

1.1. Low income metered water and sewerage customers who need to use a lot of water receive financial support through the WaterSure tariff. WaterSure caps the bills of metered households in receipt of a qualifying means-tested benefit or tax credit at the average bill for their company. Regulations provide that households qualify if they are in receipt of one of a list of means-tested benefits or credits and have either 3 or more children or if somebody in the household has a medical condition which necessitates a high use of water¹.

1.2. The benefits and tax credits system is changing. From October 2013, a single Universal Credit will replace the range of current in and out of work benefits and tax credits. Universal Credit will simplify benefits by providing a single system of means-tested support in the form of a single monthly payment. Recipients will receive a basic working age element and additional elements if they have a health condition or disability that limits their ability to work and/or have children and/or have caring responsibilities. They will receive additional elements for housing. Where people work, payments will be reduced gradually through a taper with the aim that work always pays².

1.3. The Government wants current and future WaterSure customers to continue to benefit from the scheme when their qualifying benefit or tax credit is replaced by Universal Credit. This is a consultation on amendments to the Regulations which govern WaterSure. We intend Universal Credit to become a qualifying benefit for WaterSure.

1.4. A list of the organisations that have been approached directly for views accompanies this consultation document and is available alongside this consultation document at the Defra web site <http://www.defra.gov.uk/consult/>. We welcome views from any interested party and individual.

2. Responding to this consultation and next steps

How to contribute

2.1. Comments and views are welcome on all or any of the questions asked in this consultation. We welcome responses from all interested parties including water companies, any companies considering market entry, regulators, academics, water customers and representative consumer groups and industry associations. A full list of consultees that have been invited to respond,

¹SI 1999 No 3441: <http://www.legislation.gov.uk/uksi/1999/3441/contents/made>

² <http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/universal-credit/>

Department for Environment, Food and Rural Affairs

together with a copy of this consultation paper, is available via the Defra website <http://www.defra.gov.uk/consult/>.

2.2. The closing date for written responses to this consultation is 14 December 2012, 8 weeks from start of consultation.

2.3. Responses should be sent to:

watersure@defra.gsi.gov.uk

or: WaterSure Consultation
Water Reform and Customers Team
Defra
Area 2C Ergon House
Horseferry Road
London
SW1P 2AL
Telephone: 020 7238 1526

2.4. It would be helpful if email respondents would provide their name and/or the organisation they represent.

Confidentiality

2.5. In line with Defra's policy of openness, at the end of the consultation period copies of the responses we receive will be made publicly available through the Defra Information Resource Centre, Lower Ground Floor, Ergon House, 17 Smith Square, London SW1P 3JR. They may also be published in a summary of responses to this consultation.

2.6. If you do not consent to this, you must clearly request that your response be treated as confidential. Any confidentiality disclaimer generated by your IT system in email responses will not be treated as such a request. Respondents should also be aware that there may be circumstances in which Defra will be required to communicate information to third parties on request, in order to comply with its obligations under the Freedom of Information Act 2000.

2.7. Copies of consultation responses to personal callers or in response to telephone or email requests will be supplied by the Defra Information Resource Centre (020 7238 6575, defra.library@defra.gsi.gov.uk). Wherever possible, personal callers should give the Centre 24 hours notice of their requirements. An administrative charge will be made to cover any photocopying and postage costs.

Code of practice on written consultations

2.8. This consultation is being undertaken in accordance with the Cabinet Office guidance on written consultation as set out at:

<http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

2.9. If you have any comments or complaints about the consultation process, as opposed to comments about any of the issues in this consultation paper, please address them to:

Olaoluwa Osinibi
Defra Consultation Co-ordinator
Area 2D Ergon House
Horseferry Road
London SW1P 2AL
Email: consultation.coordinator@defra.gsi.gov.uk

Next steps

2.10. All the responses received by the deadline will be analysed. We will publish a summary of responses and confirm next steps.

3. WaterSure

3.1. All water and sewerage companies in England must offer the WaterSure scheme. Under the scheme, low income metered customers with a high essential use of water may have their bills capped at the company's average bill if the household either is entitled to receive child benefit for three or more children under the age of 19 living at the home or if somebody in the house has a medical condition which necessitates high use of water. The cost is met by other customers at company level who provide a cross-subsidy to qualifying households.

3.2. In 2010/11, 42,978 households in England benefitted from the WaterSure scheme. Around 40% of those qualified for medical reasons and 60% by having 3 or more children. These customers benefit from an average discount of £120 for water and £125 for sewerage. WaterSure has no cost implications for Government; it is funded entirely by cross subsidy between water customers. On average it adds £0.49 per year to the bills of non-eligible households.

3.3. Regulations specify that WaterSure customers must be in receipt of one of the following means-tested benefits and tax credits:

- Council tax benefit
- Housing benefit

- Income Support
- Income-based Jobseeker's Allowance
- Working Tax Credit
- Child Tax Credit (except families in receipt of the family element only)
- Pension Credit
- Income-related Employment and Support Allowance

4. Welfare Reform and the introduction of Universal Credit

4.1 In November 2010, Government published *Welfare That Works*³, which set out plans to introduce legislation to reform the welfare system. The Welfare Reform Act 2012⁴ received Royal Assent on 8 March 2012 and legislated for the biggest change to the welfare system for 60 years. It introduced reforms to make the benefits and tax credits system simpler and fairer. Reforms include the introduction of Universal Credit to provide a single payment to eligible claimants in and out of work, to improve incentives to work. Under Universal Credit claimants will always be better off in work because payments will taper off as recipients earn more money. This will mean that there are no "cliff edges" where benefits stop or are reduced dramatically when a claimant starts working over a certain number of hours.

4.2 From October 2013, Universal Credit will start to replace the range of current in and out of work benefits and tax credits with a single benefit. New claimants will begin to receive Universal Credit from October 2013 and existing claimants will start to be moved on to Universal Credit in April 2014. The process is anticipated to be completed by the end of 2017. Between April and October 2013 there will be a pathfinder in the Greater Manchester and Cheshire region to test the system for new claimants. By the time migration is complete we intend Universal Credit to have replaced most of the benefits and tax credit which currently form the basis of qualification for WaterSure.

4.3 The exceptions to this are Pension Credit and Council Tax Benefit. Pension Credit will continue to exist separately and will not be subsumed into Universal Credit. Council Tax Benefit will cease to exist. Local authorities will be able to decide how best to support people who may struggle to pay their council tax and set up their own schemes.

4.4 Passported benefits are additional benefits that people in receipt of means-tested benefits and tax credits are eligible to receive. They offer further support to households on a low income. Examples include free school meals, free prescriptions and the WaterSure scheme. In March 2012, the Social Security Advisory Committee (SSAC) published *Universal Credit: the impact on passported benefits*⁵. SSAC were commissioned by the Minister of Welfare Reform to undertake an independent review of the current system of passported benefits and provide

³ <http://www.dwp.gov.uk/policy/welfare-reform/legislation-and-key-documents/universal-credit/>

⁴ <http://www.legislation.gov.uk/ukpga/2012/5/contents/enacted>

⁵ <http://www.dwp.gov.uk/docs/ssac-rev-of-pass-bens.pdf>

advice on the possible approaches to the provision of those benefits when Universal Credit is introduced. Such approaches should neither involve a net increase in expenditure nor compromise the key objectives of welfare reform – simplification of the benefits and tax credits system and making work pay.

4.5 SSAC found that passported benefits fulfil important needs and are highly valued by those who receive them. Their evidence showed that utility-related benefits are vitally important to support some of the most vulnerable households.

4.6 In the Government's response to the SSAC report we confirmed that we would consider how best to amend the WaterSure regulations in light of the introduction of Universal Credit. We stated that the eligibility criteria would aim to provide support to a broadly similar group as at present. We want the group of people who are eligible for WaterSure to remain as stable as possible so that the same people benefit under Universal Credit as they do now. This will also mean that the cost to other customers of funding WaterSure remains broadly similar.

5. WaterSure under Universal Credit

5.1 We therefore intend to add Universal Credit to the list of benefits which currently appear as qualifying criteria in the Water Industry (Charges) (Vulnerable Groups) Regulations 1999 in April 2013. We intend for everyone who receives Universal Credit, whether they are in or out of work, and regardless of their income, to be potentially eligible for WaterSure⁶. When all claimants of the existing "legacy" benefits have been migrated to Universal Credit we intend to remove the reference to those legacy benefits from the regulations. We intend to remove reference to Council Tax Benefit in the regulations from April 2013. Once this process is complete, we intend the regulations to only refer to two kinds of benefits as qualifying criteria for WaterSure: Universal Credit and Pension Credit. This is likely to be in 2017.

5.2 The group of people who will be eligible for Universal Credit is similar to the group who are eligible for the current group of means-tested benefits and tax credits detailed in the WaterSure regulations⁷. However, as Universal Credit will have slightly different eligibility criteria and will operate slightly differently, the group will not stay exactly the same. We have modelled the impact that these changes will have.

5.3 This modelling⁸ showed that 5.7 million households⁸ are currently eligible for the group of working age benefits and tax credits detailed in the WaterSure regulations. Around 5.9 million households will be eligible for Universal Credit in England. Before taking account of the additional qualifying criteria for WaterSure, 5.3 million households will retain their potential eligibility for WaterSure; 0.6 million households will gain potential eligibility for WaterSure and

⁶As long as they also satisfy the other elements of the qualifying criteria, i.e. including that they are metered, and either have 3 or more children or a medical condition which necessitates high use of water

⁷With the exception of Pension Credit and Council Tax Benefit

⁸Analysis is consistent with the Department of Work and Pension's Universal Credit Impact Assessment: (<http://www.dwp.gov.uk/policy/welfare%2Dreform/legislation%2Dand%2Dkey%2Ddocuments/welfare%2Dreform%2Dact%2D2012/impact%2Dassessments%2Dand%2Dequality/>) and subject to change.

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0.4 million households will lose their potential eligibility for WaterSure⁹. The additional qualifying criteria will not change.

5.4 Of those who gain potential eligibility, the majority are households without children who work under 30 hours per week. They were not previously eligible for Working Tax Credit as they were not working the required minimum 30 hours. They are now eligible for Universal Credit because Universal Credit removes “cliff edges” where payments stop or reduce dramatically as soon as someone starts working over a certain number of hours. Families with children working under 30 hours already qualify in the current system as they are eligible for at least Child Tax Credit.

5.5 Households which are likely to lose their potential eligibility for WaterSure are those with more capital¹⁰ and some higher earners who today claim Tax Credits.

5.6 Around 0.6 million people currently claim Council Tax Benefit and no other benefit. As Council Tax Benefit is one of the qualifying criteria for WaterSure, it is possible that some current WaterSure customers are eligible for WaterSure by virtue of their eligibility for Council Tax Benefit. This means that a small number of people may lose their eligibility for WaterSure as a result of these changes. However, national Council Tax Benefit is ending and, as local authorities will now be able to design their own schemes for reductions in council tax and design their own eligibility criteria, we do not believe it would be appropriate to passport people from those schemes to WaterSure. Water companies are able to design their own social tariffs¹¹ and could decide to work with local authorities to develop schemes which support local people who benefit from a reduction in their council tax.

5.7 We therefore believe that the simplest and fairest amendment we can make to the Regulations which govern WaterSure is to insert “Universal Credit” into the list of qualifying benefits for WaterSure, and in due course, remove all defunct benefits. We believe that this will result in the eligible population remaining broadly stable. The amount of money that non-eligible customers pay to fund WaterSure will also remain broadly similar.

1. Do you agree with this approach to amending the WaterSure regulations in light of the introduction of Universal Credit?

6. Data Sharing

6.1 Some water companies have expressed a wish to be able to access Government data on customers in receipt of benefits to help them target WaterSure and company social tariffs.

⁹ All numbers are for England only and are rounded to the nearest 0.1 million. All numbers come from the Department for Work and Pension’s Policy Simulation based on survey data from the Family Resources Survey and are based on eligibility rather than receipt of benefits or tax credits.

¹⁰ Households with capital over £16,000 are ineligible to claim Universal Credit. This is the same as current out of work benefits JSA etc but capital rules do not exist in Tax Credits so people with high levels of savings who can currently claim Tax Credits would be ineligible for Universal Credit.

¹¹ <http://www.defra.gov.uk/publications/2012/06/22/social-tariffs-guidance/>

6.2 In the Efra Committee's recent report of their inquiry into the Water White Paper *Water for Life*¹², the Committee stated that Defra should work with the Department for Work and Pensions to ensure that all means tested benefit claimants are given the option to consent to the sharing of their data with their water company for the purposes of help with affordability issues. The SSAC report noted that the introduction of Universal Credit could provide opportunities for passported benefits to be better targeted in future through data sharing and matching.

6.3 In *Water for Life* we confirmed that we would continue to work with the water industry in the development of social tariffs, including by making information available where this is legal, proportionate and feasible. However, Government takes the security of sensitive data extremely seriously and the circumstances in which any personal data may be shared are very limited and tightly controlled by law.

6.4 The processing of data is controlled by the Data Protection Act. Under the Act, data sharing is lawful under certain circumstances. We will continue to work with DWP to look into the possibilities of data sharing in the future. This is a long term project and we will need to work closely with DWP to determine if such data sharing is operationally and legislatively feasible.

2. Would you support the development of a scheme to share the data of Universal Credit and Pension Credit recipients with their water companies? How would you propose this is lawfully done? What information would need to be shared for such a scheme to be effective?

¹² <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmenvfru/374/374.pdf>