

**Minutes of the sixteenth meeting of the Customer Forum on 22 April 2013
at the office of Consumer Focus Scotland, Glasgow**

Attendees: Peter Peacock (Chair)
Fiona Ballantyne
Jo Dow
Cowan Ervine
Agnes Robson
Sue Walker
Bob Wilson

In attendance: Danny Phillips, Danny Philips Associates, (item 4)
Keith Dryburgh, CAS, (item 4)
John Dickie, CPAG, (item 4)
Jim Mulholland, Scottish Water (item 6)
Belinda Oldfield, Scottish Water (item 6)
Alan Scott, Scottish Water (item 6)
Adam Ralston, Water Industry Commission for Scotland
Nelly Maublanc, Principal Policy Advocate
Donna Very, Project Co-ordinator

Chairman's opening remarks

The Chairman welcomed everyone to the meeting and introduced Nelly Maublanc, Principal Policy Advocate for water at Consumer Focus Scotland.

1. Apologies for absence

Iain MacTaggart
Sarah Hendry

2. Minutes of previous meeting (15/04)

The Forum agreed that the minutes were an accurate record of the last meeting subject to one minor amendment.

3. Oral update on current issues and events

The Chair updated the Forum on recent activities.

The Chair had met with Iain MacTaggart to discuss his membership on the Forum. Mr Mactaggart informed the Chair that he will be unable to continue his duties due to a very heavy workload for the foreseeable future. SCDI will seek to nominate a representative to fill this vacancy.

The Forum had recently been invited to a dinner by the Scottish Water board and it was considered to have been a very good and constructive event.

The Forum noted the very useful letter from RSPB.

The Forum discussed the format and items for the agenda for the away day on 14 May. There are a number of issues that the Forum would like to be able to discuss out-with the normal monthly meetings.

The Chair recently met with Alan Sutherland, (Chief Executive of the Water Industry Commission for Scotland (WICS)) and discussed OPAs (Overall Performance Assessment) measures. WICS offered the expertise of their analysts to assist the Forum on the technical details of OPAs. The Forum noted that it was becoming clear that Scottish Water will probably require the OPA framework to be agreed by the summer as part of their Business Plan development. The Forum will discuss OPAs and their weightings at the away day. The Chair and Bob Wilson will look to the possibility of appropriate external input to help explore the SIM system from England and to aid the discussions on OPAs.

4. Economic Research: key welfare benefit changes

The Forum had commissioned research on the impact recent welfare benefit changes had on families. Danny Phillips (Danny Phillips Associates), Keith Dryburgh (Citizens Advice Scotland - CAS) and John Dickie (Child Poverty Action Group in Scotland - CPAG) provided the Forum with an overview on the pressures family budgets face in light of the recent and forthcoming welfare and tax credit changes and noted that even relatively small increases in costs can impact families that are struggling to make ends meet. At least a third of the population struggle to meet crucial bills. The CAS report provided some interesting case studies which highlighted a range of factors such as unemployment, debt and fuel poverty which are putting pressures on household incomes. The CPAG report gave a summary of the key welfare changes and it estimated that 15,000 more children in Scotland will be living poverty in the next three years and 50,000 more by 2020. The Forum found both reports to be very informative and will publish them on the Forum website.

The Forum noted that when it came to water charges in Scotland the impact of the charge being part of the Council Tax bill and collected by Councils both insulated Scottish Water to a considerable extent from having to deal with debt issues directly with customers, and proved beneficial to Scottish Water in terms of rates of collection and relatively low debt levels.

5. Forum Customer Research

The Forum had before it a report from Emma Partridge who managed the research work on the Forum's behalf and which sought to draw out the main points of interest arising from the research, together with a copy of the full final report from Mindspace.

Following discussion the Forum thanked Emma Partridge for her work and in particular in helping focus on the main issues of potential interest to the Forum arising from the data generated by the work, and also recorded their thanks to Mindspace for their work in organising and facilitating the focus groups and depth interviews.

The Forum further:

1. Noted the research work forms one part of a wider exercise in informing the Forum which includes all the customer research insights of SW, the economic appraisal of pressure on household income and future economic prospects, and the work

understanding the significant welfare benefit and tax changes under way or planned for implementation and which affect a large number of Scottish households.

2. Welcomed the helpful insights the research revealed on the reasoning of customers in arriving at their various views.
3. Noted full transcripts of the Focus groups were available for ongoing reference.
4. Noted the Mindspace brief 'conclusions and recommendations' section of their final report, but felt this did not do justice to the complexity of the data obtained through the research and, by seeking to summarise and headline conclusions, detracted from the fuller understanding the Forum was seeking from this qualitative work. The Forum considered the complexities and subtleties of customer views in arriving at their conclusions could only be revealed by a reading of the full report.
5. Noted the research confirmed earlier research work of SW in so far as Scottish Water was not a 'front of mind' service but, where customers were conscious of Scottish Water at all, it was generally well regarded as supplying a good, generally reliable and effective service.
6. Noted and also confirming earlier Scottish Water findings, it was very evident customers had very little awareness of the price paid for their water and waste water, possibly even less awareness of what drives industry costs or of how the industry is regulated and how prices are set. The Forum was particularly struck by just how little understanding there is by customers of these issues, and that much of this lack of awareness would appear to derive (for households) from the fact that the water charges were part of the Council Tax bill.
7. Noted that while Scottish Water was seen as one of the utilities, water in Scotland is not regarded negatively as a utility, principally for the reason that Scottish Water had not imposed price rises anywhere close to those experienced from the power companies. In this sense, Scottish Water was benefiting in reputational terms by reference to what was seen completely unacceptable practices by the power companies.
8. Noted a strong sense of fatalism among household customers in particular that prices would inevitably rise and there was nothing they could do about that and, for some, in part, this was because they believed Scottish Water's costs would be rising and would have to be passed on to customers. Given insights obtained from the work, the Forum concludes that such customers were not necessarily expressing a willingness to pay increasing bills, but were displaying a resigned acceptance of the probability of having to do so. The Forum noted that business customers were noticeably less prepared to accept the inevitability of price rises.
9. Noted too that for a number of domestic customers the water charges already contained finance for repairs and maintenance and it was not clear to them why more would be required. Businesses also expected maintenance to be covered without necessitating price increases.
10. Noted the research had not been particularly successful in engaging customers in the detail of service improvement considerations, partly for reason of customers

finding it difficult to conceive of what further improvements were possible, and because of the inherent complexity of some of the concepts.

11. Noted in particular that, given that significant lack of customer awareness of the price they paid for services, the actual cost pressures on Scottish Water, service improvement possibilities, prospects for further efficiency, and the price setting process, a particular responsibility falls to the Forum to act for customers, using its growing insights into the industry, with a view to securing the best outcomes customers themselves, with their more limited insights, may not currently see as achievable.
12. Noted that, given the lack of insights of customers it was difficult to consider they could reasonably judge whether they are receiving value for money and that a positive appreciation of Scottish Water and the effectiveness of its services could not necessarily be equated to a reasoned judgement that it was therefore value for money. Here too, the Forum noted it carried particular responsibilities.
13. Noted, on the cost of water services looking forward, a difference between the views of household and business customers. It seemed clear that while both groups would ideally like below inflation increases, business customers were less tolerant of rises. Further, smaller business customers appeared to harbour an underlying sense that their charges were fundamentally unfair because of the high fixed charge element of the charging arrangements. In noting household customers apparent tolerance of nearer to inflation rises than business customers, the Forum noted the reasoning for this spanned a mix of beliefs - by some that the costs of inflation rises were not so great as to be intolerable, by some that this was inevitable as all bills rise (the fatalistic group), and a belief by some that it was logical that this would happen if Scottish Waters costs were rising by inflation (therefore not particularly considering efficiency and performance improvement issues). Taken overall, customers would clearly prefer charges that did not follow inflation and allowed a continuation of current service levels.
14. Noted this research had been conducted before a number of significant changes to the benefits and tax credits system have been fully implemented and further noted that, contrary to comment originating the Mindspace report, Council Tax benefit recipients would require to pay increased water bills as these were not eligible for full benefit.
15. Noted, as set out above, that customer found it difficult to engage with the exercises around service improvement, partly because they found it difficult to see what improvements were possible. In this context the customer had price more to the fore than service levels, with service improvements not being high on their agenda. The Forum further noted in relation to the specifics of what it was possible to glean from customers on areas for service improvement, the priorities identified should not be considered to suggest material changes to priorities identified by Scottish Water through their research.
16. Noted, confirmation of earlier findings by Scottish Water that customers were generally altruistic about the needs of others who were not enjoying service levels they currently enjoyed, to the small extent that this featured in this research.

17. Noted a significant lack of awareness of the market for business customers in suppliers. This was a matter that was not directly for the Forum, but something of relevance to the WIC and Consumer Focus/RIU to pursue.
18. The Forum agreed it would be helpful to specifically engage with some larger businesses which did not feature strongly in this work, and this will be arranged.
19. Forum further agreed to share the research findings and the Forum's views on them with Scottish Water at as early a juncture as possible.
20. The Forum finally noted that the research had been useful and the lessons learned for the design of future research would be incorporated in any such future research.

6. Scottish Water

Scottish Water's conclusions from the consultation - "Shaping the future of your water and waste water services – Your views count"

Alan Scott gave a presentation on the conclusions from their recent consultation. It was noted that 15 stakeholders responded to the consultation. Scottish Water intend to publish a summary of responses and stakeholder responses and will update their strategic projections and publish with the draft business plan in October.

Service Improvement Report – Improving Water Services

Alan Scott set out Scottish Water's proposals for improving water services to customers and on improvements to water services on reliability, availability, pressure, look, taste and smell of water supply. The Forum asked a range of questions and will provide feedback on this report at a later date.

Scottish Water set out some initial thoughts on how the engagement with the Forum on the draft business plan might play out over coming months. The Forum noted Scottish Water's proposals, which will be the subject of further discussion.