



Social Policy Briefing #2

October 2004

adviceⁿⁱ policy paper in relation to

DOMESTIC WATER REFORM IN NORTHERN IRELAND

“inadequate ... indefensible ... incomprehensible”

adviceⁿⁱ is an umbrella group that exists to provide leadership, representation and support to its members to facilitate the delivery of high quality, sustainable advice services. adviceⁿⁱ members work within their local communities or "communities of interest" to provide information, advice, advocacy and representation. They work with some of the most socially excluded people in Northern Ireland and their work is informed by a community development model focused on overcoming social exclusion. Further information can be found at www.adviceni.net.

Background

The consultation paper “The Reform of Water and Sewerage Services in Northern Ireland”¹ was issued for public consultation in March 2003 by the Parliamentary Under Secretary of State, Angela Smith, MP. Highlighting the need for reform, the document

¹ http://www.waterreformni.gov.uk/pdf%27s/consult_full_document.pdf

states: “This consultation paper is underpinned by the proposal to move Northern Ireland’s water and sewerage services onto a self-financing basis. Given the nature of the water industry, it must be able to plan with certainty over the long term. Self-financing arrangements will provide the secure and reliable revenue stream, which is essential to effective planning, by reducing the uncertainty which exists within the current financing arrangements. In principle, self-financing arrangements will require the introduction of domestic water charges, although these charges may be phased in over a number of years to lessen the impact on householders. Domestic customers are charged for the water and sewerage services they receive in all other parts of the UK, and in many other countries, in addition to local taxes. Northern Ireland households are paying about £445 in rates, compared to an average of £1032 in council taxes and water charges in England. In the present context, the only realistic alternative to domestic water charges would be substantial cuts in public services, well in excess of what could be secured from improved efficiency in the management of public services. Both the Government, and the Northern Ireland Executive when it was in place, identified the development of public services as a key priority, so it is very clear that such cutbacks would be unacceptable.”

adviceⁿⁱ produced a Policy Paper² in response to this consultation which highlighted a number of issues including: “we find grave difficulty with the suggestion that charges should be imposed on the general public in particular those from disadvantaged communities for what the consultation document describes as ‘historic underinvestment’ ... we believe that if government moves to a system of self financing and introduces domestic water charges that socially just outcomes should be produced and that charges should be based on an ability to pay basis ... house prices have soared in recent years reaching an all time high and so although a house may be of great value it may be of no relevance to a household’s income as it may have been inherited or bought at a time when the capital value of the property was much lower. To set water charges on this basis could result in high levels of debt ... clean drinking water and effective sewerage services are critical to public health. Therefore, no-one should ever have their water cut off because of

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http://www.adviceni.net/global_pages/socialpolicy/social_policy_briefings/AIAC_Response_to_Water_Reform_Jun03.pdf

an inability to pay ... protection of those who are unable to pay or whose circumstances dictate high level water use is paramount.”

In October 2003, a Report on the Public Consultation was published³ highlighting that the exercise had been one of the largest ever responses to any local consultation process. Specifically regarding protection for vulnerable groups, the report concluded: “There is general support for some form of protection for vulnerable groups of customers as an essential element of a domestic charging system. Low income householders - whether pensioners, people with disabilities, or living alone - were identified as the categories of customers most in need of protection.”

On the 10th August 2004, the Minister of State, John Spellar, MP, announced that the Water Service was to become a Government Owned Company, or GoCo, on or as soon as practicable after 1 April 2006. On the same day the Minister announced that the role of the Northern Ireland Authority for Energy Regulation (NIAER) would be expanded to include the regulation of Northern Ireland’s water and sewerage industry in 2006. And in a further announcement on the same day, it was announced that the General Consumer Council for Northern Ireland (GCCNI) would undertake the role of consumer representative body on water and sewerage issues in 2006 – quoting from the Press Release “The Council has actively campaigned to undertake this role and their proven commitment to this subject should ensure that the voice of the consumer will be heard and the rights of the consumer protected.”

On the 13th September 2004 the Minister announced further detail regarding domestic water charges⁴ highlighting that (1) Household water and sewerage charges would consist of a standing charge of around £55 each for water and for sewerage, plus an element based on property value; (2) Charges would be phased in with customers paying one-third of the annual charge in the first year, and two-thirds of the annual charge in the second year following their introduction; (3) Bills to householders would vary depending

³ http://www.waterreformni.gov.uk/pdf%27s/consult_full_report.pdf

⁴ <http://www.waterreformni.gov.uk/Contman/Uploads/Domestic%20Charges%209%20Sept.doc>

on the value of their property. For example a property with a value of £60,000 would have an annual water and sewerage charge of around £235. A property valued at £250,000 would have an annual charge of around £615; (4) Protection for low income groups would be in the form of (i) a 25% discount on the annual water and sewerage charge for those in receipt of Housing Benefit, Rate Rebate, or the proposed new Rate Relief & (ii) a special hardship relief scheme, to provide temporary assistance for those householders who find themselves unable to meet the cost of their water or sewerage charges as a result of exceptional circumstances.

There is also a commitment to make provision for household metering once charges are fully phased in.

Charges will be introduced from April 2006 or as soon as practicable thereafter. The introduction of charges will be phased. Customers will pay one-third of the full charge in the first year, two-thirds basis in the second year and the full amount from the third year.

adviceⁿⁱ perspective

adviceⁿⁱ believes that the proposals in relation to domestic water reform as highlighted via the Press Statements fall short of what is required, particularly in respect of meeting the needs of the most vulnerable within our society.

The interlinked issues of water charges, water usage, property value and ability to pay do not appear to have been fully thought through. This is demonstrated on a number of levels:

- (1) A water charge which only affords 25% protection for those on the lowest incomes in society is **inadequate**;
- (2) A water charge which provides 100% protection for the rich by introducing a £750 maximum charge is **indefensible**;
- (3) A water charge which is linked to the value of the home, and not linked to usage within that home, is **incomprehensible**;

We have already highlighted that a fundamental flaw in relation to rates reform is due to the fact that it is a tax on people based on the value of their home and not on their income or ability to pay: this flaw is compounded in relation to water charges because water charges in their proposed format not only largely ignore a person's ability to pay; they also ignore usage within that household.

In relation to rates reform, government has tried to address the issue of impact on vulnerable groups by introducing a more generous relief scheme. It needs to take a similar approach in relation to water charges and should examine how to extend the rates relief scheme to water charges, and in so doing would prevent the necessity of the introduction of two separate relief schemes.

Property values have been increasing 15% - 20% year on year recently – whereas if one considers the increase in benefit levels and the latest NJC pay scales framework, the latest local government pay round has resulted in a cost of living increase equivalent to 2.75% for 2004/2005 (effective from 1 April 2004). For 2005/2006 the increase is 2.95% (effective 1 April 2005) and for 2006/2007 is set to be 2.95%. There is a very real concern that without effective safeguards for those on the lowest income levels in our society, hardship will be caused by these water charges proposals.

adviceⁿⁱ members have already highlighted some fundamental concerns:

“I was horrified by three things:

1. That the maximum help available for water charges will be 25%. This is going to cause massive problems for many low income families but particularly those in receipt of Income Support / Job Seekers Allowance / Pension Credit who will effectively have their incomes further reduced (estimated lowest charge £2.90 per week which is a lot if your total income is only £55.65 per week!!)

2. The fact that bills will be based on property value. This is already a concern for proposed domestic rates changes but seems even more unfair for water charges especially again in cases such as those of single elderly people whose house value has risen considerably but whose income is very low.”

“I can just imagine how many of my clients are feeling right now. For many of them adjusting and fixing their budgets comes within pennies of accuracy, heaping this charge on them is going to cause major amounts of stress and despair.”

The latest edition of NICVA’s SCOPE⁵ magazine has a front page headline “Water charges – beyond the pail?” and goes on to raise some interesting issues:

John Woods, Friends of the Earth NI Director,

“A property based tax with a 25% discount for those on low incomes or benefits is inadequate and inequitable. The value of a house bears little or no relation either to the likely water consumption of its inhabitants or to their ability to pay.”

Eleanor Gill, GCC chief executive,

“We believe that as well as the Government providing an upper cap of £750 for those in the most expensive properties, there should be a zero base for those on the lowest incomes. The new rates bill, like the water charge, will be based on how much your house is worth with no link to ability to pay. If the Government can provide a full subsidy for people who cannot afford to pay rates, why aren't they doing the same for people who cannot afford to pay for water?”

Seamus McAleavey, NICVA chief executive,

“One of our main concerns has been to ensure that those who are most vulnerable in our society are protected from costs which they cannot afford to meet ... given that these charges will be in addition to increased rates for some, where are low income families to find the extra money?”

⁵ <http://www.nicva.org>

Bumper Graham, NIPSA general secretary,

“The way in which our Water Service has been handled by successive Governments is reminiscent of the Board game Monopoly. They have provided it with only toy money, are prepared to sell it off to the highest bidders and, whilst receiving rent from us via the rates we pay, they now want to charge us over again by a massively inflated sum.”

In separate information briefings, the Northern Ireland Anti Poverty Network⁶ has highlighted additional concerns,

“These proposed charges will affect most, those groups and communities least able to pay, driving 150,000 families deeper into poverty and debt. It is ironic that Government is currently consulting on an Anti-Poverty Strategy for Northern Ireland while at the same time proposing charges that will significantly increase poverty levels.

Many people in Northern Ireland are asking about meters as though it will help them keep the cost of water and sewerage down. But if you look at the information that came through your door recently, it is obvious that a standard charge applies. So meters will do nothing to save on cost and the current proposals do nothing to encourage the conservation of water.

We at the NI Anti-Poverty Network are also concerned about this debate. What if meters were introduced? What would they do for large families living on low incomes? What would they do for families with caring responsibilities? For families with say a disabled child or an ill elderly relative? Access to water for washing, bathing etc is essential and we are already paying for it. If meters were introduced can you imagine the choices a family would be faced with? To flush the toilet or wash the bed clothes?”

adviceⁿⁱ will continue to engage in the debate on Water Charges, with a view to ensuring that vulnerable people are protected in the drive to secure the funding necessary to improve water services.

⁶ NIAPN, phone: 0845 120 3771 or email: info@niapn.org

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