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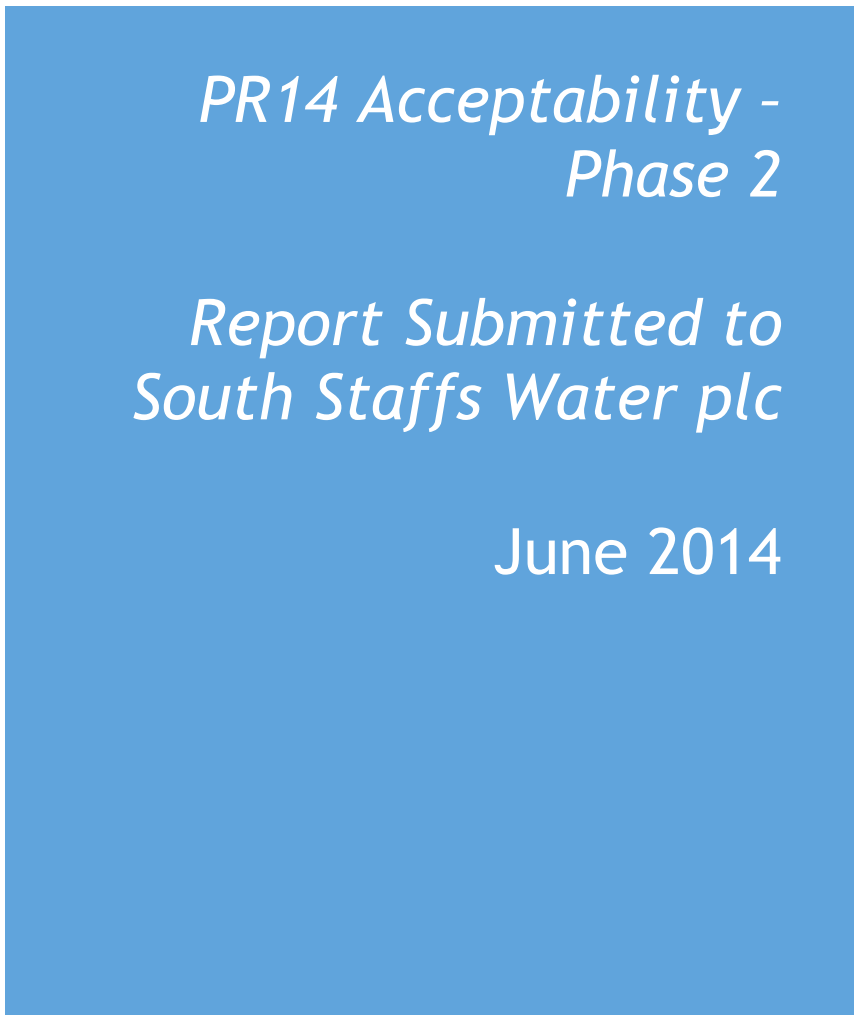
ICS consulting

PR14 Acceptability – Phase 2

Report Submitted to South Staffs Water plc

June 2014

This document has been prepared by:

ICS Consulting Ltd
Pear Tree House, Main Street
Little Smeaton, North Yorkshire
WF8 3LG
www.icsconsulting.co.uk

and

Economics for the Environment Consultancy Ltd (eftec)
73-75 Mortimer Street
London
W1W 7SQ
www.eftec.co.uk

Study team:
Amanda Borrmann (ICS Consulting)
Dr Lisa Gahan (ICS Consulting)
Dr Melinda Acutt (ICS Consulting)
Dr Adalbert Ngongang (ICS Consulting)
Dr Scott Reid (ICS Consulting)
Martin Baker (ICS Consulting)
Allan Provins (eftec)
Cara Rodwell (FACTS International)

Quantitative Fieldwork:
FACTs International
Facts Centre
3 Henwood
Ashford
Kent
TN24 8FL
http://www.facts.uk.com

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Executive Summary

ES.1   Introduction

A new Ofwat requirement for 2014 Periodic Review of Prices (PR14) is Customer Acceptability Testing of the proposed plan.

"Customers' views will feed into the price-setting process in one of three ways. Through direct local engagement between each company and its customers to understand customers' views, to inform development and test acceptability of the company's plan"

Involving Customers in Price Setting, Ofwat, 2012

The overall objective of this report is to understand customers' views on the proposed business plan and to provide South Staffs Water with a customer mandate to put into operation the Business Plan that has been tested in the acceptability research.

This document sets out how South Staffs Water has tested the acceptability of their proposed business plan which has been revised for the June submission to Ofwat and presents the results of this research. Overall the acceptability research has tested customers' views on specific investments proposed for the five year period from 2015 to 2020 and the profile of bill increases. This Phase 2 research builds on the Phase 1 research that was completed on South Staffs business plan in autumn 2013.

ES.2   Overview of the study

The design of the study was based on an iterative process involving a pilot and main study. The main features of the approach to the study are summarised as follows:

- **Presenting the plan**: The presentation of the proposed business plan was developed in consultation with South Staffs Water. The presentation of the plan was aligned with the key business plan proposals outlined in South Staffs Water's business plan consultation and involved presenting customers with an itemised bill tailored to the customer's existing bill amount. The presentation of the phase 2 survey was consistent with the phase 1 survey that was completed in autumn 2013.

- **Survey design:** The survey was designed to collect information on acceptability of the final business plan for a sample that is representative of South Staffs customer base. The survey also collects information to understand how acceptability varies across different types of customer. The survey was developed in consultation with South Staffs Water and South Staffs Water's Customer Challenge Group. Phase 2 also took into account feedback from Ofwat on Phase 1.

- **Pilot survey:** A short pilot survey was conducted for Phase 2 of the study. This involved administering a draft questionnaire to a sample of respondents, and requiring them to complete it in the same manner as those who will be recruited for the main survey. It is used to 'fine-tune' the questionnaire, assess response patterns to check these are in line with expectations. At this stage a question on the Small Company Premium was added to the survey.

- **Main survey:** The main survey sampled 805 household customers and 200 business customers. The survey of domestic customers used two approaches a computer-aided personal interview (CAPI) approach and an online survey. A CAPI survey is an interview that occurred at the respondent's home conducted by an interviewer using a computer programmed with the survey. This method has the advantage of ensuring the exact meaning is conveyed to the respondent

and can lead to more reliable data collection. It also has the advantage of reaching those respondents who do not have online access. However, the CAPI interviews may lead to an interviewer effect where respondents do not reveal their true answers on sensitive topics such as income.

The online sample was the same survey but administered entirely on-line without an interviewer. This means there was no interviewer effect but the exact meaning may not be interpreted correctly. The sample may also include selection bias to a greater extent than CAPI. Applying a sampling approach that uses both of these methods ensures that these issues are balanced and a wide demographic is captured.

For non-domestic customers, the computer aided telephone interview (CATI) to online format and an online panel was used. CATI is a mixture of an online survey format with telephone recruitment. The use of an online survey and CATI recruitment has the same advantages and disadvantages as the household online survey.

- **Results and Analysis**:   The findings are presented in section 3 of this report.   As well as information on acceptability the findings include sample representativeness, respondent view on service, bills and value for money and an analysis of the drivers of acceptability.

ES.3   The proposed plan

Table ES.1 presents the service impacts for the proposed plan linked to Outcomes identified by South Staffs Water through customer and stakeholder engagement.

Table ES.1: Outcomes and Service Measures for the Proposed Plan

Outcome	Service Measure
Fair customer bills & enhanced customer service	Fair customer bills & enhanced customer service
Excellent water quality	Meeting water quality standards
Secure and reliable supplies	Providing sufficient supplies
	Interruptions to supply – reliable supplies
Environmentally responsible operations	Enhanced Metering
	Improving rivers and the environment

The survey also included questions that explore the impact of other influences or potential changes on acceptability. These areas are:

- The bill profile for reductions between 2015 and 2020
- The small company premium
- The impact of a change in the sewerage bill

The proposed plan was presented to customers in the form of an itemised bill that summarised the impact both before and after further detail was provided on the proposals. The bill impacts were tailored to the individual customer's bill by linking the bill value the respondent entered to a set of bill impacts expressed as a percentage. An interactive survey approach was used to present the plan that allowed customers to consider their views and potentially change their answers as they read through the information.

The proposed plan and associated bill impacts were presented as real price impacts with increased reference to inflation based on feedback from Ofwat on the Phase 1 research. The overall impact of the proposed plan is a 1% decrease in bills.

ES.4　Acceptability of the proposed plan

Overall acceptability

Figure ES.1 and Figure ES.2 present the respondent's views on the acceptability of the proposed plan. Overall the level of acceptability is 87%. At a regional level the level of acceptance is 89% for the Cambridge region and 87% for the South Staffs region.

Figure ES.1: Informed acceptability
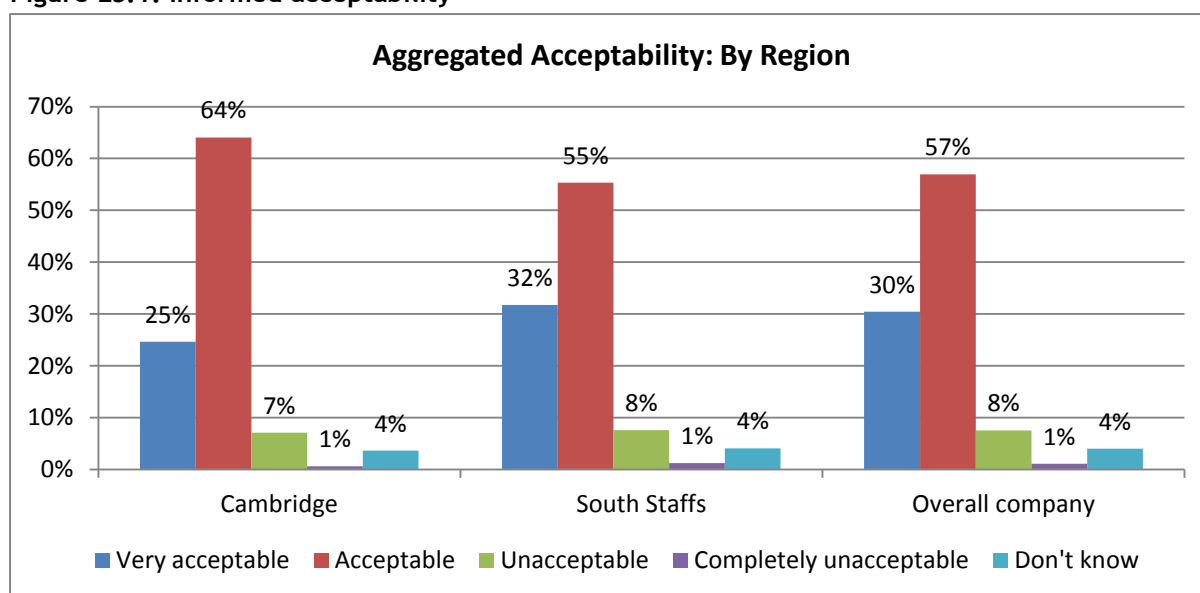
Note: The results are weighted to represent the overall profile of business and household customers at a regional level and the number of customers in the South Staffs and Cambridge regions when combined.

Figure ES.2: Informed acceptability - grouped
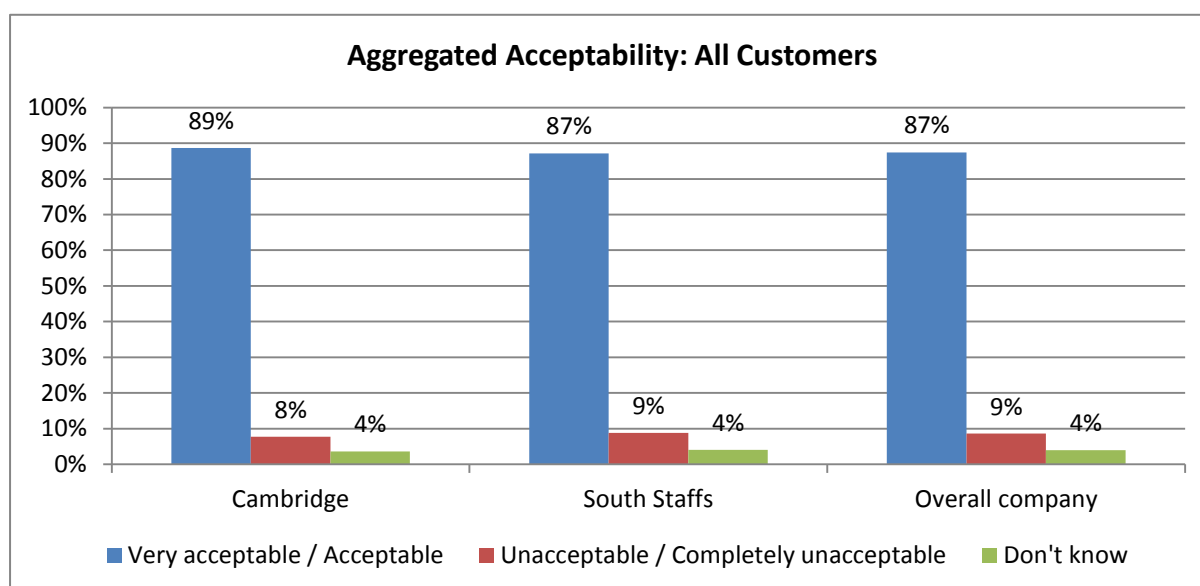
Note: The results are weighted to represent the overall profile of business and household customers at a regional level and the number of customers in the South Staffs and Cambridge regions.

Acceptability of proposed changes

Figure 3.5 below shows the respondent's views on the different components of the proposed plan. Although the results vary across proposals the findings show that a majority of respondents agree with the proposed changes. Between 12%-27% would like to see the proposed changed delivered for a lower bill impact. Fair customer bills and enhanced customer service receives the most support given the proposed bill impact.

The numbers of respondent that do not agree with the changes is consistently low (<6%) across the business plan with the exception of enhanced metering where 12% of respondents disagree with the proposal.

Figure ES.3: Views on proposed changes
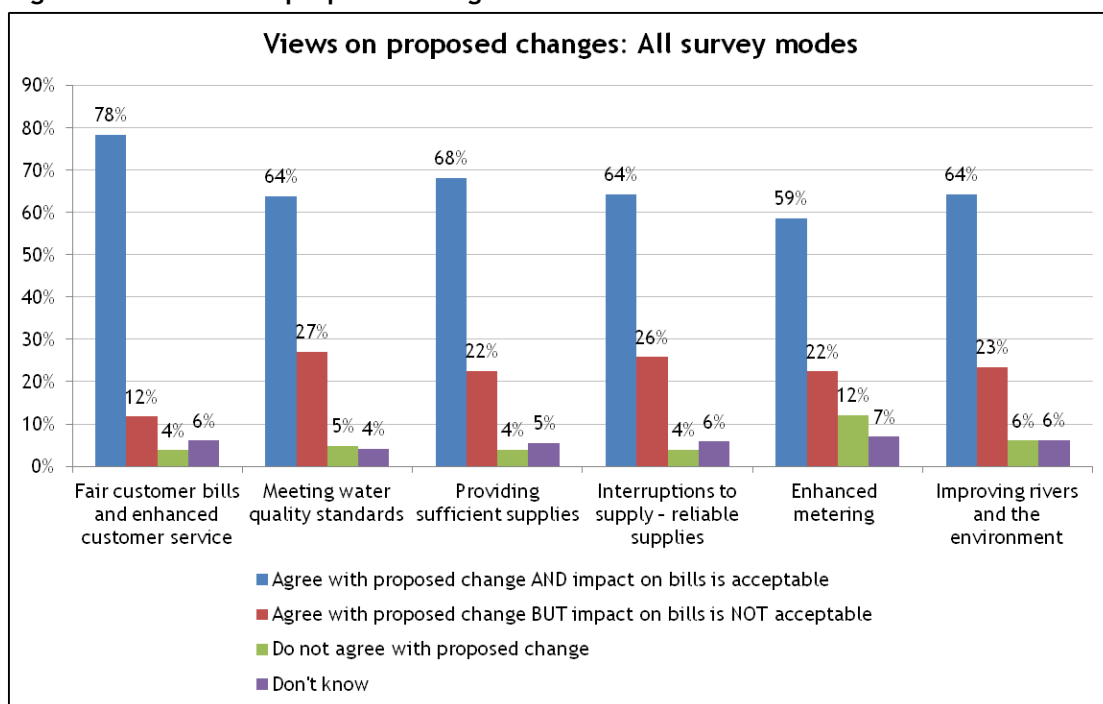
Grouping into 'agree' and 'do not agree' with proposed changes shows widespread support for the changes.

Figure ES.4: Views on proposed changes – grouped answers
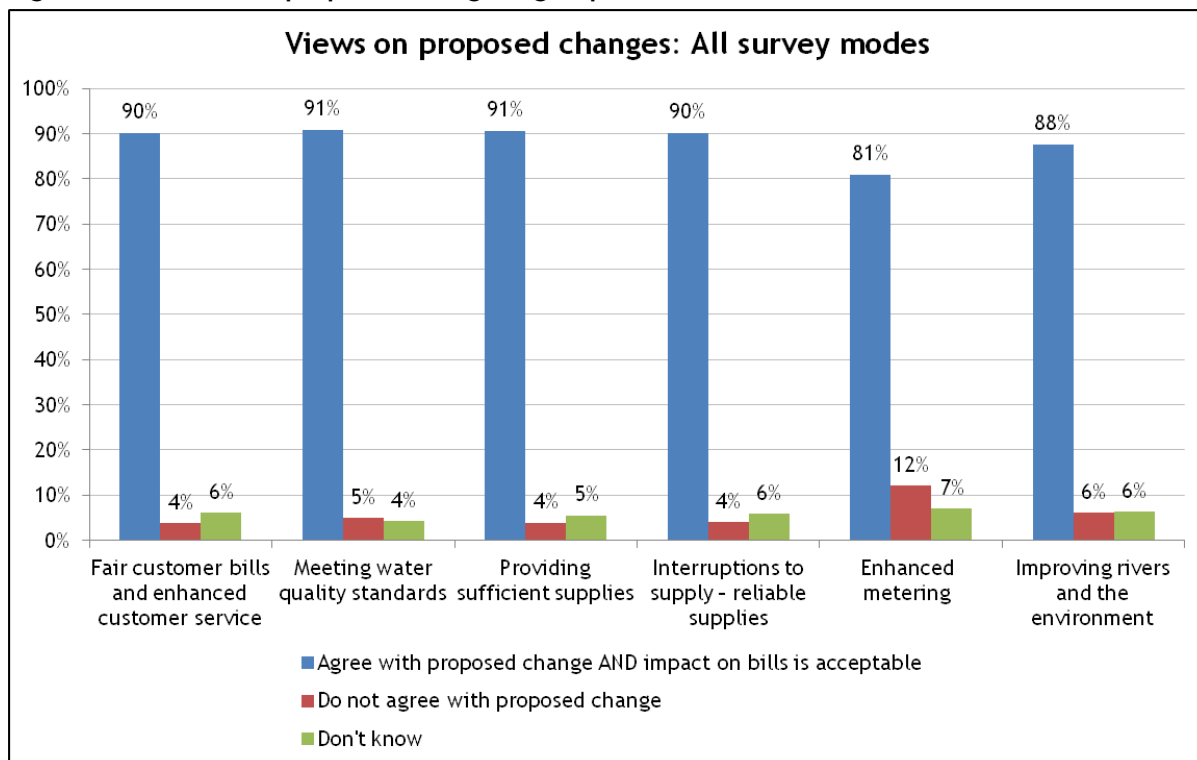
Importance of key activities

Figure ES.4 presents customers views on the importance of the key activities that South Staffs Water undertake. All activities are considered very or fairly important by a majority of respondents. The most important activities were providing drinking water that is safe and pleasant to drink and providing a reliable and continuous supply of water from the tap.

Figure ES.4: Importance of activities
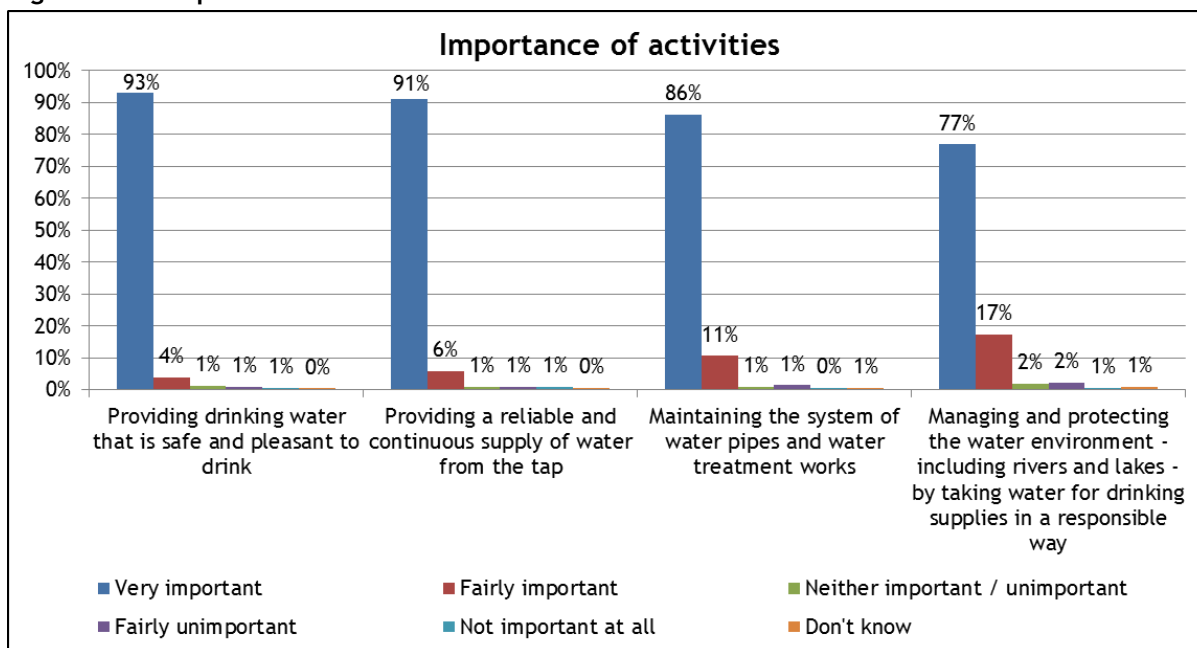
ES.5   Further Key Findings

In addition to the findings on acceptability of the proposed plan further key findings include:

- Customer satisfaction is currently very high with 97% of customers stating they are either 'very satisfied' or 'fairly satisfied' with the service they receive

- While the majority of customers find their water bill affordable, a sizeable number have some difficulty paying (1 in 6 in the South Staffs region and 1 in 10 in the Cambridge region).

- Acceptability is linked to customer characteristics such as socio-economic group and differs across regions. The level of acceptance remains high at 86% overall for the lower socio-economic group (group DE).

- Customers favour steady bill changes when asked about the bill profile up to 2020.

- Customers supported the costs associated with being a small company given the potential local benefits. 90% were very or fairly content to continue paying the Small Company Premium.

- When the change in the water bill was presented alongside a reduction in the sewerage bills acceptability increased to 92% for households.

- Compared to Phase 1, which presented a 1.7% bill increase, the results show that acceptability has increased both overall and in each of the regions. This increase has been larger in the South Staffs region than the Cambridge region. This may be due to the fact that acceptability was significantly lower in the South Staffs region in Phase 1.

- Overall the plan appears well balanced.

ES.6   Conclusion

The overall objective of *the PR14 Acceptability study* was to understand customers' views on the proposed business plan and to provide South Staffs Water with a customer mandate to put into operation the Business Plan that has been tested in the acceptability research.

The acceptability research has tested customers views on specific investments proposed for the five year period from 2015 to 2020, potential amendments to the proposed plan and the profile of bill changes.

The study presented customers with an itemised bill tailored to the customer's existing bill amount. The results of the study are based on a large scale sampling of household and business customers across the Cambridge and South Staffs regions. The results for the whole region show the proposed plan is acceptable to the majority of customers (87%). The acceptability for the lower socio-economic group (group DE) is 86% which provides confidence that the plan is acceptable.

Overall we conclude that the study provides robust estimates of acceptance that can be used to support the business plan development and submission.

1 Overview

1.1 Background

A new Ofwat requirement for 2014 Periodic Review of Prices (PR14) is the Customer Acceptability Testing of the proposed plan.

"Customers' views will feed into the price-setting process in one of three ways. Through direct local engagement between each company and its customers to understand customers' views, to inform development and test acceptability of the company's plan"

Involving Customers in Price Setting, Ofwat, 2012

South Staffs Water has undertaken its Acceptability in two phases:

- Phase 1 – test of the December 2013 draft business plan

- Phase 2 – test of the June 2014 final business plan; the plan has been updated in light of Ofwat guidance and outputs of the risk based review

This document sets out how South Staffs Water has tested the acceptability of their revised business plan. This report presents the results of this research.

1.2 Project Objectives

South Staffs Water is currently undertaking customer research to support the development of its PR14 Business Plan, focusing on the acceptability of the overall plan and its impact on customers' bills.

The requirements for this research include:

- To understand customers' views on the proposed business plan

- To provide South Staffs stakeholders with a view of the acceptability of the final business plan

- To provide South Staffs Water with a customer mandate to put into operation the Business Plan that has been tested in the acceptability research

1.3 Report structure

This document is structured as follows:

- **Methodological Approach** (Section 2) – outlines the research involved in South Staffs Water's acceptability testing.

- **Study results** (Section 3) – presents the results and analysis of the survey data, including identifying factors that influence acceptability.

- **Comparison to Phase 1** (section 4) – provides a high level comparison of the results from both phases of the research.

- **Conclusions** (Section 5) – summarises our findings.

Annexes to this report are contained in a separate supporting document.

2   Methodological Approach

2.1   Background

Ofwat expects companies to test the acceptability of their plans and to demonstrate to the Customer Challenge Group that the overall plan is acceptable to customers. For South Staffs Water to comply with this expectation they have chosen to develop the approach that was taken by Ofwat at PR09.

South Staffs Water has used the results from its PR14 customer valuation research in combination with risk, solution and cost information to create an investment plan. If the plan that is developed contains only schemes that are found to deliver net benefits (i.e. scheme benefits exceed scheme costs) it may be reasonable to assume that it will be acceptable to customers. However, the plan may be infeasible since it does not incorporate practical requirements, legislation and other impacts on customer bills that are accounted for in Business Plan decision-making. Consequently, further choices have to be made to develop a practical plan that satisfies both the customers and regulators. Given the most cost beneficial plan may not be feasible – and thus the business plan will include investments customers do not consider to be cost beneficial, or investments that it is not appropriate to ask customers to provide monetary valuations for, the final business plan needs to be assessed as to its overall acceptability to the customer base.

Figure 2.1: PR14 Business planning process
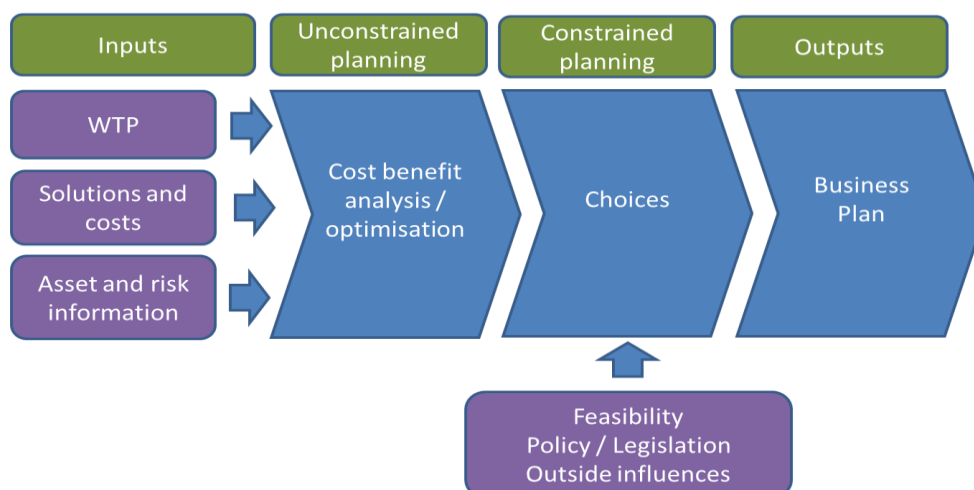
2.2   Approach

Figure 2.2 outlines the overall approach to the study.

Figure 2.2: Study implementation

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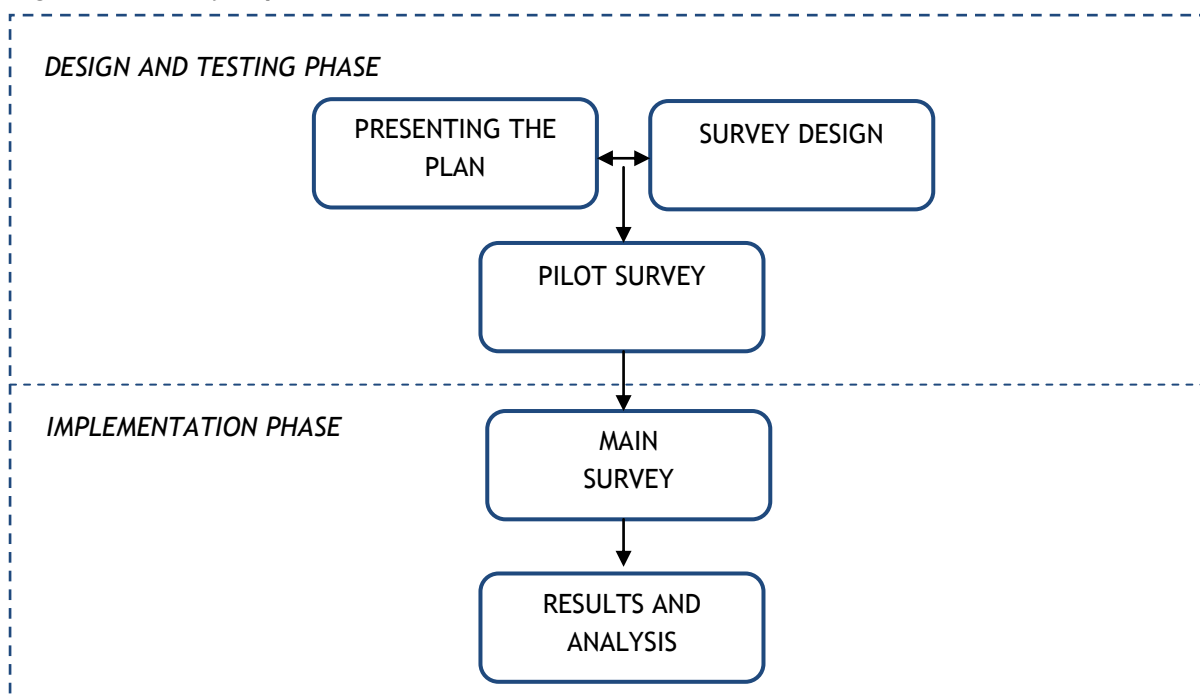
The main features of the approach to the study are summarised as follows:

- **Presenting the plan**: The presentation of the proposed business plan was developed in consultation with South Staffs Water. The presentation of the plan was aligned with the key business plan proposals outlined in South Staffs Water's business plan consultation. The phase 2 survey was consistent with the phase 1 survey that was completed in autumn 2013.

- **Survey design:** The survey was designed to collect information on acceptability of the final business plan for a representative of South Staffs customer base. The survey also collects information to understand how acceptability varies across different types of customer. The survey was developed in consultation with South Staffs Water and South Staffs Water's Customer Challenge Group. Phase 2 also took into account feedback from Ofwat on Phase 1.

- **Pilot survey:** a short pilot survey was conducted for Phase 2 of the study. This involved administering a draft questionnaire to a sample of respondents, and requiring them to complete it in the same manner as those who will be recruited for the main survey. It is used to 'fine-tune' the questionnaire, assess response patterns to check these are in line with expectations. It was at this stage that the question on the Small Company Premium was added to the survey.

- **Main survey:** the survey of domestic customers used two approaches a computer-aided personal interview (CAPI) approach and an online survey. A CAPI survey is an interview that occurred at the respondent's home conducted by an interviewer using a computer programmed with the survey. This method has the advantage of ensuring the exact meaning is conveyed to the respondent and can lead to more reliable data collection. It also has the advantage of reaching those respondents who do not have online access. However, the CAPI interviews may

lead to an interviewer effect where respondents do not reveal their true answers on sensitive topics such as income.

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For non-domestic customers, the computer aided telephone interview (CATI) to online format and an online panel was used. CATI is a mixture of an online survey format with telephone recruitment. The use of an online survey and CATI recruitment has the same advantages and disadvantages as the household online survey.

- **Results and Analysis**: The findings are presented in section 3 of this report. As well as information on acceptability the findings include sample representativeness, respondent view on service, bills and value for money and an analysis of the drivers of acceptability.

2.3   Presenting the Plan

The key business plan proposals were outlined in South Staffs business plan consultation included in the survey were linked to the outcomes identified by South Staffs Water. Each attribute included a description that was developed in consultation with South Staffs.

The outcomes and identified service impacts identified were:

Table 2.1: Outcomes and Service Attributes

Outcome	Service Measure
Fair customer bills& enhanced customer service	Fair customer bills & enhanced customer service
Excellent water quality	Meeting water quality standards
Secure and reliable supplies	Providing sufficient supplies
	Interruptions to supply – reliable supplies
Environmentally responsible operations	Enhanced Metering
	Improving rivers and the environment

Questions included in Phase 1 on the use of merger savings and the role of social tariffs were removed from the Phase 2 survey.

A new question on 'Small company premium' was introduced in Phase 2. This asked customers how content they were with the additional costs in the business plan coming from South Staffs Water being a smaller operator providing a local service.

2.4   Survey Design

The survey is designed to capture views on the individual parts of each plan, as well as the overall view of the whole plan. The draft survey was developed based on the Phase 1 survey. Key changes between Phase 1 and Phase 2 were:

- Removal of the nominal prices part of the survey, but with increased references to inflation – based on feedback from Ofwat on the Phase 1 research. Full details of this are presented in section 2.5.

- Removal of questions not required – around merger savings, social tariffs and changes to the plan.

- Updating the bill impact and description for the fair customer bills& enhanced customer service outcome.

The following table outlines the structure and content of the survey.

Table 2.2: Questionnaire description

Section	Structure
Section A: Introduction	This section has two purposes: (1) To confirm the respondents' eligibility to complete the survey. Those who are not South Staffs Water customers are excluded. (2) To determine the representativeness of the sample (such as age, occupation, etc.)
Section B: Customer bills and Uninformed Acceptability	This section starts by asking respondents their views on the current level of the water bill including affordability and their high level preferences for future bills and service. The second part of the section introduced a high level summary of the proposed business plan and asks how acceptable this is prior to any detailed information being given.
Section C: Current Service Levels	This section asks respondents their views on the importance of difference activities, satisfaction with the current service and whether they have experienced any service issues.
Section D: Business Plan and Acceptability	This section asks respondents about the Acceptability of the proposed plan. It outlines the current level of service and areas of proposed improvements associated with the proposed plan, grouped by Outcome. This includes both discretionary and non-discretionary elements. Each change is presented with associated bill change in ££ terms, and the respondent is asked to state whether they agree with each change. The section then questions if overall the proposed plan that the respondent is presented with is acceptable, very acceptable, unacceptable, very unacceptable. It captures reasons why and whether the respondent considers the proposed plan to be value for money. Following the question on the proposed plan the survey explores the impact of other influences or potential changes on acceptability. These area are: • The bill profile for reductions between 2015 and 2020 • The small company premium • The impact of a change in the sewerage bill

Section	Structure
Section E: Demographics	These questions are asked to gather information for potential explanatory variables for econometric analysis, such as the composition of the respondents' household. This section ends by asking respondents for feedback on the survey.

2.5   Presenting inflation

Phase 1 of the acceptability research tested customers' acceptability when the plan was presented in both nominal and real prices. In both cases the survey was clear whether inflation was included or excluded in the figures, and links were provided to more information about what inflation is and what it is forecast to be in the future.

It is our understanding that Ofwat's feedback on the Phase 1 results was largely positive, but that the references to inflation were not sufficient when presenting the plan in real prices for the acceptability results for real prices to be used. As such acceptability results based on nominal prices were presented by Ofwat as the headline result.

As the presentation of results in nominal prices are likely to be strongly influenced by money illusion (this is viewing a nominal bill rise as a real price increase) we recommend presenting the survey in real prices. To address Ofwat's feedback the plan has been presented in real prices only, but with increased references to inflation.

The changes have been to quote a range for the inflation forecast (3% to 3.5%) when the bill impact for the plan is presented and amending the information in the more information link. Specifically this information explained the monetary impact on customers' bills.

This presentation is consistent with what we consider to be best practice in acceptability testing across the industry.

2.6   Pilot Study

A small pilot survey was undertaken in early May 2014 prior to the main survey through the rest of May and early June 2014. The pilot survey covered 98 households from the South Staffordshire region using an online approach.

2.7   Small Company Premium

A section on the Small Company Premium was added to the survey following the pilot in response to the 2014 Ofwat Risk and Reward guidance, and based on South Staffs discussions with their Customer Challenge Group and Ofwat. A specific question was included in the survey, which was developed in consultation with South Staffs and the wider economic regulation and customer service team at ICS.

Survey Development

We were not aware of any other research on the Small Company Premium (SCP), so this is a new area of research for PR14. As such an iterative process was used to develop the question that was included in the survey. Each stage of the process is set out below:

- Stage 1: The first stage of the process involved the core project team developing a potential question with South Staffs Water.
- Stage 2: The proposed question was then shared with members of the wider team at ICS who had not been involved in stage 1. Their remit was to provide their independent views (in much the same was as we conduct peer reviews) to the wording of the section and question.
- Stage 3: The section wording and question was revised and finalised in light of the challenges from stage 2.

South Staffs Water wanted to understand if customers valued the benefits associated with being a small company with a local focus. The development of this question therefore focused on the local service benefits that customers experience due to the relatively small size of the company when compared to the size of companies across the industry.

It was clear that the question needed to use terminology and refer to issues that a wide range of customers are likely to understand. This led us to structure the question around the bill impact of the Small Company Premium and any likely impacts on service that customers experience due to the smaller size of the company. The decision was made not to directly refer to financing costs which are the source of the Small Company Premium. We did not expect that this issue could be adequately explained within one or two sentences so it would be widely understood by customers without creating unintentional impacts due to misinterpretation.

The decision was made to base these costs and benefits on factual information that is available. Specifically the impact of the Small Company Premium on customer's bills and information on how South Staffs Water's bill and service levels compare to the wider industry. To avoid overloading the customer with too much information this was limited to 5 service metrics, information on the number of employees and the bill impact of the Small Company Premium.

The presentation of the bill impact and service levels in the question that was developed is consistent with the rest of the acceptability survey and previous acceptability testing. Our wider experience suggests that content would be understood by a vast majority of customers.

The question was included so after the main acceptability question to avoid influencing the main acceptability results.

Finalised Wording

The finalised wording of the section and question aims to understand customers attitudes towards the Small Company Premium costs included in the business plan coming from a smaller scale of operation. Customers were informed South Staffs Water is able to use its smaller size to support the local community and tailor services accordingly.

Specifically respondents were informed at the start of the question that water companies in the UK are a mix of larger companies and smaller companies, and that South Staffs is one of the smaller companies. The survey added that:

"Your water company believes that being smaller means they can provide you with a better level of service by responding to issues more quickly and tailoring their services to the local community. They are also more likely to employ people from their local areas and buy goods and services from other local businesses."

This was supplemented with service and bill information provided by South Staffs Water that compared them to the average performance for the water industry. The showcard used is shown below.

Figure 2.3: Small Company Premium Showcard

Showcard K

	Your water company	Industry average
Average household water bill in 2014/15	£140 (2nd lowest in the country)	£188
Percentage of water meeting quality standards	99.96% (same as average)	99.96%
Likelihood of a hosepipe ban	1 every 33 years (better than average)	1 every 15 years
Interruptions to supply of tap water	9 minutes per year for every property (better than average)	17 minutes per year for every property
Ofwat ranking for customer service*	1st (better than average)	9th

Your water company also provides 900 jobs locally

*Ofwat is the Government regulator for the water industry
Rank is out of 18 water suppliers in England and Wales

Respondents were then told how much of their water bill was as a result of this additional cost and asked if they were content to continue to pay the costs or not.

2.8   Main Study: Final presentation of the plan

The outcomes and service attributes in the survey are shown below:

Table 2.3: Outcomes and Service Attributes

Outcome	Service Measure	Bill impact
Fair customer bills & enhanced customer service	Fair customer bills & enhanced customer service	-2.2%
Excellent water quality	Meeting water quality standards	0.5%
Secure and reliable supplies	Providing sufficient supplies	0.2%
	Interruptions to supply – reliable supplies	0.1%
Environmentally responsible operations	Enhanced Metering	0.1%
	Improving rivers and the environment	0.3%

Note: Bill impacts rounded to 1 d.p.

The bill impacts were shown in monetary terms by tailoring the impacts to the customer's current bill. The presentation represented an itemised customer bill relative to the customer's actual bill in 2014.

Inflation was forecast at 3% to 3.5% and the Small Company Premium was set at 1.4% of current bills.

2.9   Main Study: Sampling and administration

The main survey was implemented with the following sampling approaches:

- **Domestic customers via CAPI**: This approach means that interviews are conducted in a person's home. The main survey for the household CAPI sample ran in May and early June 2014. The target sample was 500 respondents. Respondents were offered a £5 voucher for taking part.

- **Domestic customers via online survey**: For the online household survey a questionnaire that was identical to the CAPI version was used. The main survey for the online sample also ran in May to early June 2014. The target sample was 300respondents. The online sample was selected from an online panel provided to FACTS International by an independent company. Although the online sample did not receive a direct incentive payment the provider used a credit based system that can be converted to rewards once enough points are accumulated.

- **Non-domestic customers via CATI to online:** The business customer survey was administered online with telephone recruitment. The main survey for the business sample ran from May to early June 2014, with businesses taken randomly from a databases provided by SSW. A sample of 200 businesses was targeted. Businesses were offered a £10 incentive for taking part. The survey included the option for businesses to donate this incentive to charity.

The sample size was designed to ensure a robust sample across the whole of the South Staffs Water and the results within the two regions. The table below shows the breakdown of the target sample across the two regions.

Table 2.4: Target sample size

	South Staffs Region	Cambridge Region	Total
Household CAPI	300	200	500
Household Online	200	100	300
Business Online	100	100	200

The key requirement for the sampling was to ensure that the samples were representative of the domestic and non-domestic customer bases. A set of target quotas were specified. For domestic customers the target quotas covered respondent gender, age, socio-economic group and metering. With the exception of metering the quota was based on 2011 census data. For non-domestic customers the target quotas were specified on the basis of (aggregated) industry classification. The industry classification was based on the Standard Industrial Code (SIC) information taken from 2012 ONS data on UK Business activity.

The fieldwork for the main survey was carried out in May and early June 2014. Results are presented in Sections 3. Target sample sizes were achieved for the domestic and non-domestic samples with 805 household surveys and 200 business responses.

CAPI Sampling points

The table below shows the CAPI sampling points.

Table 2.5: CAPI sampling points

Cambridge	South Staffs
Cambridge	Aldridge
Chesterton	Bierley
Cherry Hinton	Brownhills
Cottenham	Burton-on-Trent
Fen Ditton	Dudley
Fulborne	Great Barr
Histon	Kinver
Impington	Netherton
Linton	Pelsall
Melbourn	Rushall/Shelfield
Ramsey	Stourbridge
Sawston	Sutton Coldfield
Swavesey	Tamworth
Willingham	Uttoxeter
	Walsall

3   Survey Results

This section of the report presents the main results from both the household and business customer surveys. It covers the sample representativeness and respondent profile, views on bills and acceptability as well as analysis on the drivers affecting whether customer indicate the proposed plan is acceptable or not.

Overall target samples were achieved with 1005customers sampled comprising 805 household customers and 200 business customers. 399 customers were based in the Cambridge region and 606 customers were based in the South Staffs region.

Section 3.1and parts of Sections 3.2 where appropriate present the results for the two different household sample modes whereas the remaining sections present combined household results.

3.1   Sample representativeness: Household

Random sampling was used and the resulting customer samples are compared against available population statistics, based on Census data for the South Staffs and Cambridge regions based on the local authorities and postcode areas covered. In general the sample is in line with the population statistics and the results can be considered representative.

Gender

Table 3.1 and Table 3.2 present the gender split for the household sample. We observe the samples for the regions are very close to the regional populations they represent. Variations between samples and regions are small with the exception of the Cambridge Online sample where there are slightly more male respondents.

Table 3.1: Gender for each survey mode and region (percentage)

	Cambridge		South Staffs	
	CAPI (n= 194)	Online (n= 105)	CAPI (n=281)	Online (n=225)
Male	47	62	47	51
Female	53	38	53	49
Total	100	100	100	100

Table 3.2: Gender Combined (percentage)

	Cambridge (n=299)	Regional Population	South Staffs (n=506)	Regional Population	All regions (n=805)
Male	52	50	48	49	50
Female	48	50	52	51	50
Total	100	100	100	100	100

Age

Table 3.3 and Table 3.4 present the sample profiles for age. Overall there is good representation of all ages within the samples for both regions. The online sample is more likely to show differences from the population with a lower likelihood of capturing the lowest age groups in the Cambridge region.

Overall the samples are aligned with the population. The alignment is closer for the South Staffs region. The Cambridge region shows slight over sampling of the 45-64 age group and under sampling of the 18-29 group.

Table 3.3: Age for each survey mode and region (percentage)

	Cambridge		South Staffs	
	CAPI (n= 194)	Online (n= 105)	CAPI (n=281)	Online (n=225)
18-29	22	10	22	16
30-44	28	32	27	26
45-64	34	36	31	36
65+	16	21	20	22
Refused	0	0	0	0
Total	100	100	100	100

Table 3.4: Age Combined (percentage)

	Cambridge (n=299)	Regional Population	South Staffs (n=506)	Regional Population	All regions (n=805)
18-29	18	24	19	21	19
30-44	29	27	27	26	28
45-64	34	30	33	32	34
65+	18	19	21	21	20
Refused	0	0	0	0	0
Total	100	100	100	100	100

Socio-Economic Group

Table 3.5 and Table 3.6 present the sample profile for the respondent's socio economic group. Overall the profiles are broadly aligned with the population statistics. The South Staffs sample matches the population exactly but the Cambridge sample has a very slight over representation of both groups AB and DE.

Table 3.5: SEG for each survey mode and region (percentage)

	Cambridge		South Staffs	
	CAPI (n= 194)	Online (n= 105)	CAPI (n=281)	Online (n=225)
AB	33	61	14	24
C1	26	21	26	31
C2	20	6	25	21
DE	21	12	36	24
Total	100	100	100	100

Table 3.6: SEG Combined (percentage)

	Cambridge (n=299)	Regional Population	South Staffs (n=506)	Regional Population	All regions (n=805)
AB	43	38	18	18	27
C1	24	29	28	29	27
C2	15	17	23	23	20
DE	18	16	30	30	26
Total	100	100	100	100	100

Metering

Table 3.7 reports the percentage of sampled customers that are fitted with a water meter.

Table 3.7: Metered customer (percentage)

	Cambridge (n=299)	Regional Population	South Staffs (n=506)	Regional Population	All regions (n=805)
Yes	61	68	33	30	43
No	35	32	67	70	55
Don't know	4	0	1	0	2
Total	100	100	100	100	100

3.2   Sample profile: Household

This section presents the findings for a variety of socio-economic characteristics.

Employment

The overall results for employment are shown in Table 3.8 below. The table shows that just under half of respondents were employed full time. The samples cover a wide representation of other situations including unemployed and unable to work due to sickness or disability.

Overall the results are similar for survey modes although the CAPI survey captured more respondents that were unemployed.

Table 3.8: Employment Overall (percentage)

	Cambridge (n=299)	South Staffs (n=506)	All regions (n=805)
Employed full-time (30+ hrs)	46	45	46
Employed part-time (up to 30 hrs)	12	10	10
Looking after the home / children full-time	4	6	5
Retired	19	24	22
Self-employed	13	4	7
Student	3	2	2
Unable to work due to sickness or disability	0	2	1
Unemployed - other	1	2	1
Unemployed - seeking work	1	5	4
Other (please specify)	1	1	1
Prefer not to say	0	0	0
Total	100	100	100

Education

The highest level of education obtained by a respondent is shown in Table 3.9 and Table 3.10. A broad spread of educational attainments are represented which has potential implications for earnings. The results show that the Cambridge sample has more respondents with a degree, higher degree or professional qualifications whereas the South Staffs region has more respondents with NVQs or 'O' Level/GCSEs. This most likely reflects genuine differences between the regions, shown in the socio-economic group profile, as opposed to sampling inconsistencies.

When looking at survey modes the online sample captures more respondents with 'A' levels, degrees or professional qualifications. CAPI samples included more respondents with no qualifications.

Table 3.9: Education for each survey mode and region (percentage)

	Cambridge		South Staffs	
	CAPI (n= 194)	Online (n= 105)	CAPI (n=281)	Online (n=225)
Professional qualifications (teacher, doctor, dentist, architect, engineer, lawyer, etc.)	10	12	2	9
Higher degree (e.g. MA, PhD, PGCE, post graduate certificates and diplomas)	6	25	2	3
First degree (e.g. BA, BSc)	13	28	4	15
A levels / AS level / higher school certificate	12	6	13	16
NVQ (Level 1 and 2). Foundation / Intermediate / Advanced GNVQ / HNC / HND	10	5	16	19
O levels / CSEs / GCSEs (any grades)	19	11	30	16
Other qualifications (e.g. City and Guilds, RSA/OCR, BTEC/Edexcel)	17	8	9	14
No qualifications	11	5	17	7
Prefer not to say	2	1	7	2
Total	100	100	100	100

Table 3.10: Education Overall (percentage)

	Cambridge (n=299)	South Staffs (n=506)	All regions (n=805)
Professional qualifications (teacher, doctor, dentist, architect, engineer, lawyer, etc.)	11	5	7
Higher degree (e.g. MA, PhD, PGCE, post graduate certificates and diplomas)	12	3	6
First degree (e.g. BA, BSc)	18	9	12
A levels / AS level / higher school certificate	10	14	13
NVQ (Level 1 and 2). Foundation / Intermediate / Advanced GNVQ / HNC / HND	8	17	14
O levels / CSEs / GCSEs (any grades)	16	24	21
Other qualifications (e.g. City and Guilds, RSA/OCR, BTEC/Edexcel)	14	11	12
No qualifications	9	12	11
Prefer not to say	2	5	4
Total	100	100	100

Income

Table 3.11 and Table 3.12 present the household income profile for the surveys. Again there is good coverage of households of all income levels for both regions. Higher earners are more prevalent in the Cambridge sample which could influence acceptability. Again this is expected to reflect genuine differences between the regions. Almost 1 in 3 respondents chose not to disclose their incomes creating uncertainty around the exact income distributions sampled.

When looking at survey mode we observe that the respondents are more likely to refuse to answer the question on household income in the CAPI survey. This is likely to be due to an 'interview effect' where respondents are reluctant to share sensitive information with an interviewer.

Table 3.11: Household Income (before tax) for each survey mode and region

	Cambridge		South Staffs	
	CAPI (n= 194)	Online (n= 105)	CAPI (n=281)	Online (n=225)
Up to £539 per month (Up to £6,499 per year)	4	0	3	3
£540 - £789 per month (£6,500 - £9,499 per year)	5	1	4	4
£790 - £1289 per month (£9,500 - £15,499 per year)	7	8	10	13
£1290 - £2079 per month (£15,500 - £24,999 per year)	14	10	10	21
£2080 - £3329 per month (£25,000 - £39,999 per year)	13	18	12	25
£3330 - £4999 per month (£40,000 - £59,999 per year)	12	18	7	14
£5000 - £7499 per month (£60,000 - £89,999 per year)	7	22	1	4
£7500 and over per month (£90,000 and over per year)	3	10	0	1
Don't know	6	2	3	2
Prefer not to say	29	10	49	13
Total	100	100	100	100

Table 3.12: Household Income Overall

	Cambridge (n=299)	South Staffs (n=506)	All regions (n=805)
Up to £539 per month (Up to £6,499 per year)	2	3	3
£540 - £789 per month (£6,500 - £9,499 per year)	4	4	4
£790 - £1289 per month (£9,500 - £15,499 per year)	7	11	10
£1290 - £2079 per month (£15,500 - £24,999 per year)	13	15	14
£2080 - £3329 per month (£25,000 - £39,999 per year)	15	18	17
£3330 - £4999 per month (£40,000 - £59,999 per year)	14	10	12
£5000 - £7499 per month (£60,000 - £89,999 per year)	12	3	6
£7500 and over per month (£90,000 and over per year)	5	0	2
Don't know	4	3	3
Prefer not to say	23	33	29
Total	100	100	100

Long-term limiting illness

Respondents were asked whether any members of their household have a long-term illness, health problem or disability that limits their daily activities or the work they can do. The results are shown in Table 3.13 below. As it is possible for both a respondent and a member of their household to meet this definition the respondent could choose more than one category the results sum to more than 100%.

The sample findings below have been compared to the Census 2011 data on a long-term health problem or disability. This data shows that 19% of customers in the South Staffs region and 14% of customers in the Cambridge region reported having a health or disability issue that limits day-to-day activities either a lot or a little.

Table 3.13: Members of household with a long-term illness, health problem or disability Overall

	Cambridge (n=299)	South Staffs (n=506)	All regions (n=805)
Yes Self	9	9	9
Yes Other	4	7	6
No	87	85	86
Don't Know/Refused	0	0	0

3.3   Sample representativeness: Business

As with the household survey, random sampling was used for the business customer survey. The resulting sample is compared against available population statistics for the South Staffs Water customer base.

Industrial classification

Table 3.14 details the proportion of respondents by industry type and Table 3.15 shows these results summarised and compared to the regional statistic. Overall a good mix of industrial classifications has been achieved broadly following the quotas set.

Table 3.14: Industrial Classification (percentage)

	Cambridge (n=100)	South Staffs (n=100)
Activities of extraterritorial organizations and bodies	1	3
Administrative and support service activities	2	1
Agriculture, Forestry and Fishing	6	2
Arts, entertainment and recreation	4	6
Construction	4	4
Education	8	3
Finance and insurance activities	2	2
Human health and social work activities	4	3
Information and Communication	9	5
Manufacturing	10	3
Mining and Quarrying	1	18
Other (please specify)	13	9
Other service activities	8	9
Professional, scientific and technical activities	7	6
Public administration and defence; compulsory social security	2	3
Real estate activities	3	5
Transport and storage	4	3
Water supply, sewerage, waste management and remediation activities	0	1
Wholesale and retail trade; repair of motor vehicles and motorcycles	12	14
Total	100	100

Table 3.15: SIC grouped

	Cambridge		South Staffs	
	Sample	Quota	Sample	Quota
Agriculture, forestry and fishing	6	5	6	6
Construction/Manufacturing/Production	16	15	24	19
Service industries including public sector	30	35	20	18
Wholesale and retail trade	17	15	18	21
Other activities	31	30	32	26
Total	100	100	100	100

SIC Source: Office of National Statistics - UK Business activity, size and location, 2012 Table A1.1

Number of employees

In line with expectations we observe the greatest representation for smaller sized companies in both regions, however all scales of business are still included.

Figure 3.1: Organisation size
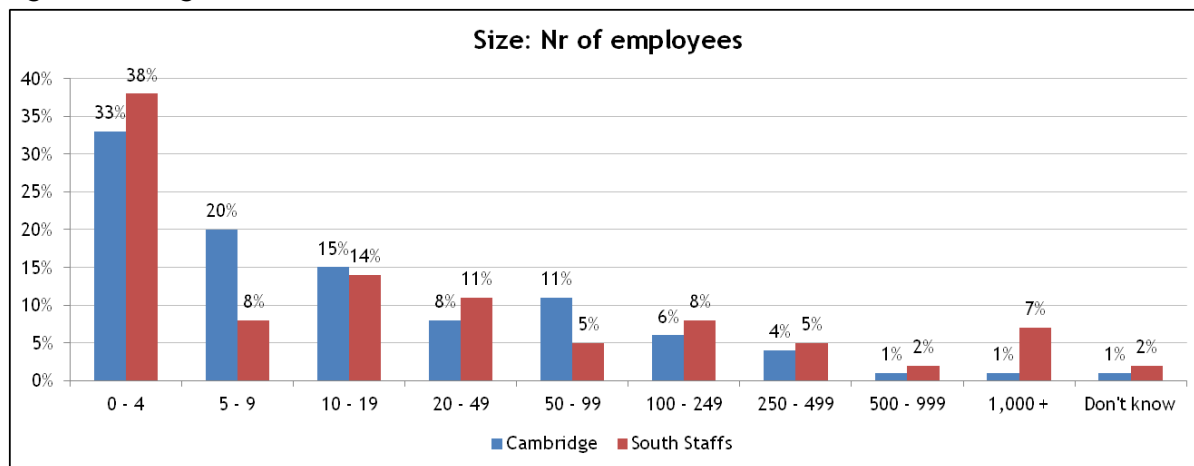
3.4 Perceptions of Service Levels

The survey included some questions on the existing service levels. These questions aimed to get respondents thinking about the provision of water. Questions included the importance of difference activities, satisfaction with the current service and whether they have experienced any service issues.

Importance of activities

Figure 3.1presents customers views on the importance of the key activities that South Staffs Water undertake. All activities are considered very or fairly important by a majority of respondents.

Figure 3.2: Importance of activities
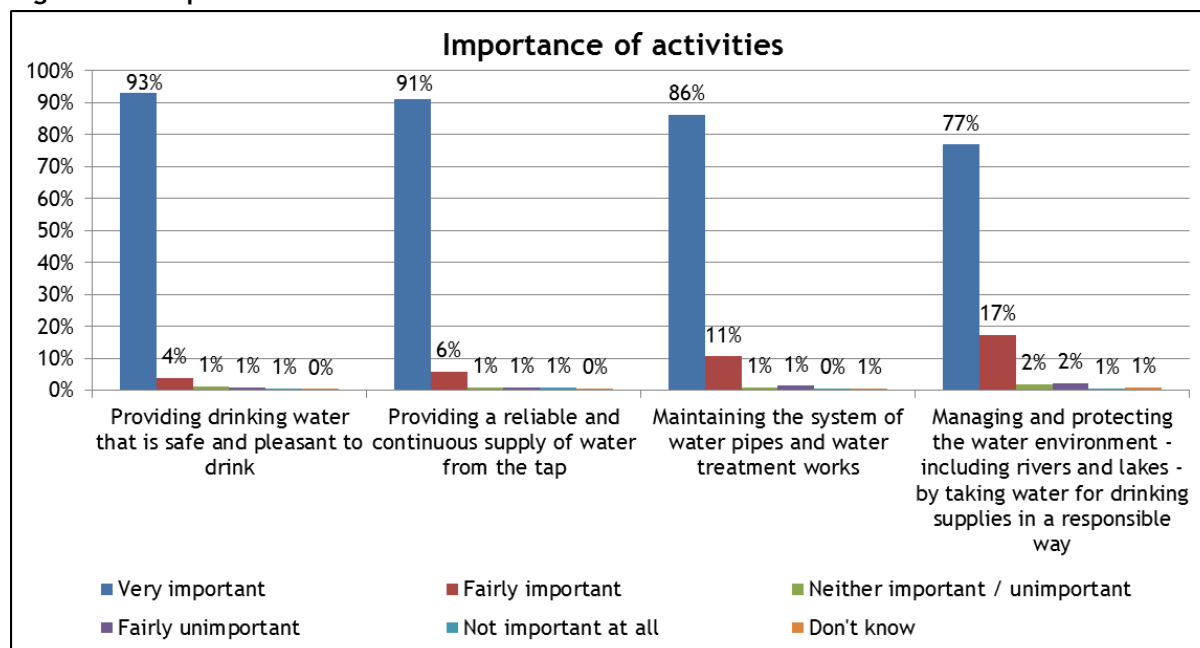
Experience

Figure 3.3 shows how respondents experience change across the survey modes and by region.   The most common service failure experienced by all groups was hard water.   Outside of this recognised problem there do not appear to be any unexpected patterns in service failures likely to skew acceptability results.

In general businesses were more likely to report experience of service issues.

Figure 3.3: Experience of service failures
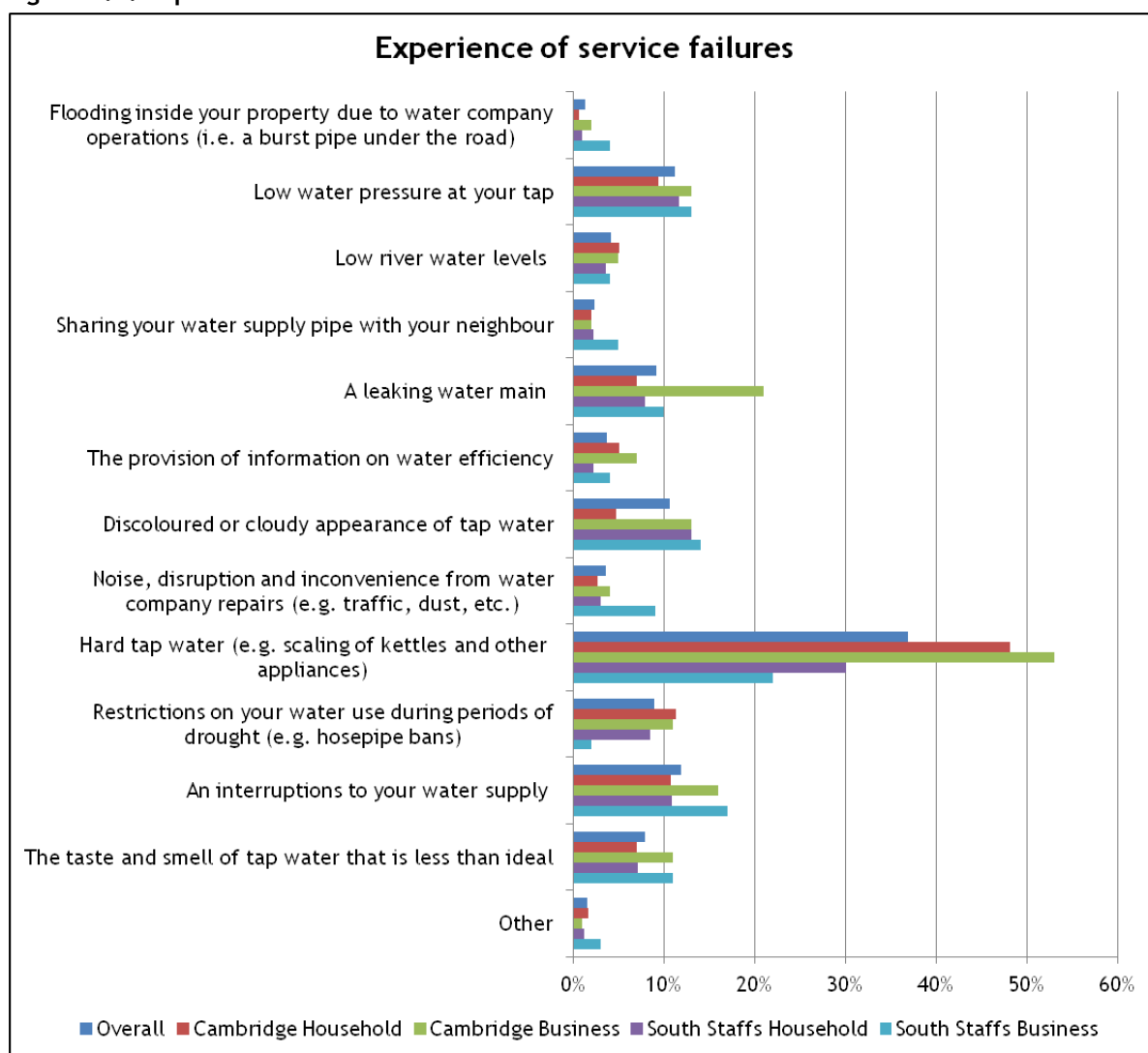
Customer Satisfaction

Figure 3.4presents the level of customer satisfaction with the current level of service.   While there are some variations across the regions the consistent message is that customers are broadly satisfied with the service they receive.

Figure 3.4: Customer satisfaction
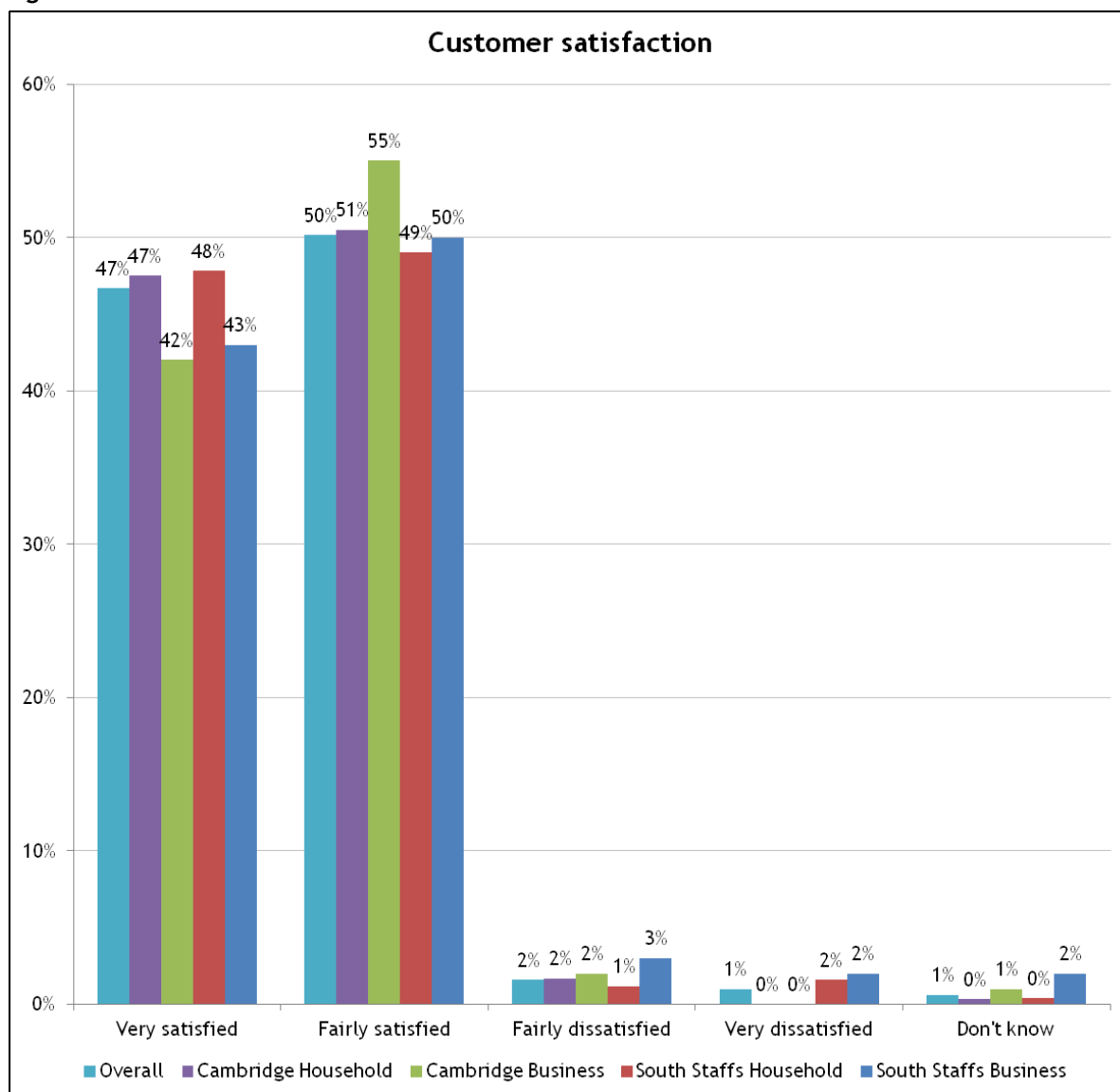
Depending on their answer to the above questions customers were asked their reasons for being satisfied or dissatisfied. The reasons for being satisfied or dissatisfied are presented in the tables below. The respondents who answered 'don't know' were not asked these questions.

While there are subtle differences between the samples, customers are most commonly satisfied because they have not experienced any problems (32%), find the service reliable (23%) and drinking water is good quality and pleasant to drink (25%).

Table 3.16: Reasons for satisfaction (percentage)

	Cambridge		South Staffs		All regions (n=1946)
	Business (n=194)	Household (n=586)	Business (n=186)	Household (n=980)	
Drinking water supplies are reliable with very few interruptions	26	21	28	23	23
Impacts on the water environment (rivers, lakes, and coastal waters) are well-managed	4	5	3	4	4
It is good value for money	11	11	9	9	9
Not experienced any problems with water services	28	35	32	32	32
Tap water is good quality and pleasant to drink	22	22	17	29	25
Your water company deals with customer queries or complaints efficiently	7	5	10	3	5
Don't know	3	1	1	1	1
Other	1	1	0	0	0
Total	100	100	100	100	100

Note: Sample sizes reflect that respondents answering the question gave two reasons for stating that the proposed plan was acceptable.

Those customers who were not satisfied with the current level of service were asked to give two reasons for this. Only 26 respondents answered this question in total, where only 7 came from the Cambridge samples. As such the numbers behind the percentages are small but value for money appeared to be the most common reason for dissatisfaction.

Table 3.17: Reasons for dissatisfaction (percentage)

	Cambridge		South Staffs		All regions (n=52)
	Business (n=4)	Household (n=10)	Business (n=10)	Household (n=28)	
Drinking water supplies are not reliable and there are too many interruptions	25	0	0	0	2
Have experienced problems with water supply	25	10	10	7	10
Impacts on the water environment (rivers, lakes) are not well-managed	0	10	0	4	4
It is poor value for money	25	40	40	29	33
Tap water is unpleasant to drink	25	0	10	21	15
Your water company does not deal with customer queries and complaints effectively	0	20	30	21	21
Other (please specify)	0	20	10	14	13
Don't know	0	0	0	4	2
Total	100	100	100	100	100

Note: Sample sizes reflect that respondents answering the question gave two reasons for stating that the proposed plan was acceptable.

3.5   Views on Water Bills

This section presents the finding for the question on the respondent's water bill. It covers bill amounts and certainty, affordability and views on current and future bills.

Bill levels and certainty

Table 3.18and Table 3.19show the water bill that respondents reported in the study.

In the household survey those respondents answering 'don't know' were shown figures relating to the average bill in the remainder of the survey. This amount was varied according to region and whether the customer was metered or not.

Table 3.18: Household Water only bill (percentage)

	Cambridge	South Staffs
Less than £100 per year	7	4
£100 - £150 per year	38	54
£151 - £200 per year	35	14
£201 - £250 per year	5	8
£251 - £300 per year	3	8
£301 - £350 per year	2	5
£351 - £400 per year	2	3
£401 - £450 per year	1	2
£451 - £500 per year	2	2
£501 - £600 per year	4	2
over £600 per year	1	1

Table 3.19: Business water only bill (percentage)

	Cambridge	South Staffs
less than £250 per year	37	26
£250 to £499 per year	20	28
£500 to £1,000 per year	15	15
£1,000 to £4,999 per year	21	19
£5,000 to £9,999 per year	5	6
£10,000 to £24,999 per year	1	5
£25,000 to £49,999 per year	0	0
£50,000 to £99,999 per year	0	0
£100,000 to £249,999 per year	0	1
£250,000 to £499,999 per year	1	0
more than £500,000 per year	0	0
Total	100	100

Those respondents that could indicate an exact figure or a range for their bill were asked about the certainty of this figure. The findings are summarised in Table 3.20 below and show that a majority of respondents were either very or fairly certain.

Table 3.20: Certainty of bills levels (percentage)

	Cambridge		South Staffs		All Regions (n=666)
	Business (n=100)	Household (n=176)	Business (n=100)	Household (n=290)	
Very certain	43	27	31	34	33
Fairly certain	46	55	56	50	52
Not very certain	10	17	12	16	15
Very uncertain	1	1	1	0	0
Total	100	100	100	100	100

Views on current bill and difficulty paying bill

Respondents were asked their views on their existing bill and household respondents were asked whether they had any difficulty paying their bill. The results are shown in Table 3.21 and Table 3.22 and show that customers believe their bill to be either about right or slightly too much. Customers in the Cambridge Region are more likely to think that their bill is about right. The differences in between the two regions are likely to reflect the differing socio-economic characteristics.

Table 3.21: Views on current bill amount (percentage)

	Cambridge		South Staffs		All Regions (n=1005)
	Business (n=100)	Household (n=299)	Business (n=100)	Household (n=506)	
Too little	0	1	2	0	1
About right	80	69	59	57	63
Slightly too much	18	22	27	29	26
Far too much	2	8	12	13	10
Total	100	100	100	100	100

Table 3.22 shows that a majority of respondents report that they do not have a problem paying their bill, however, the sampling has captured respondents that do have difficulties with around 1 in 6 in the South Staffs region either sometimes or always paying the bill late. This figure is lower for the Cambridge region at around 1 in 10 households.

Table 3.22: Difficulty paying bill (percentage)

	Cambridge (n=299)	South Staffs (n=506)	All regions (n=805)
I do not have any problem paying my bill	91	82	85
It is difficult to pay my bill and I sometimes pay it late	7	15	12
It is difficult to pay my bill and I never pay it on time	2	2	2
Total	100	100	100

3.6   Views on Acceptability of Components of the Plan

Figure 3.5below shows the respondent's views on the different components of the proposed plan. Although the results vary across proposals the findings show that a majority of respondents agree with the proposed changes. However, outside of *Fair customer bills and enhanced customer service* between 27%-22% would like to see the proposed changes delivered for a lower bill impact. It is this first outcome which receives the most support given the proposed bill impact.

The numbers of respondent that do not agree with the changes is consistently low (<8%) across the business plan with the exception of enhanced metering where 12% of respondents disagree with the proposal.

Figure 3.5: Views on proposed changes
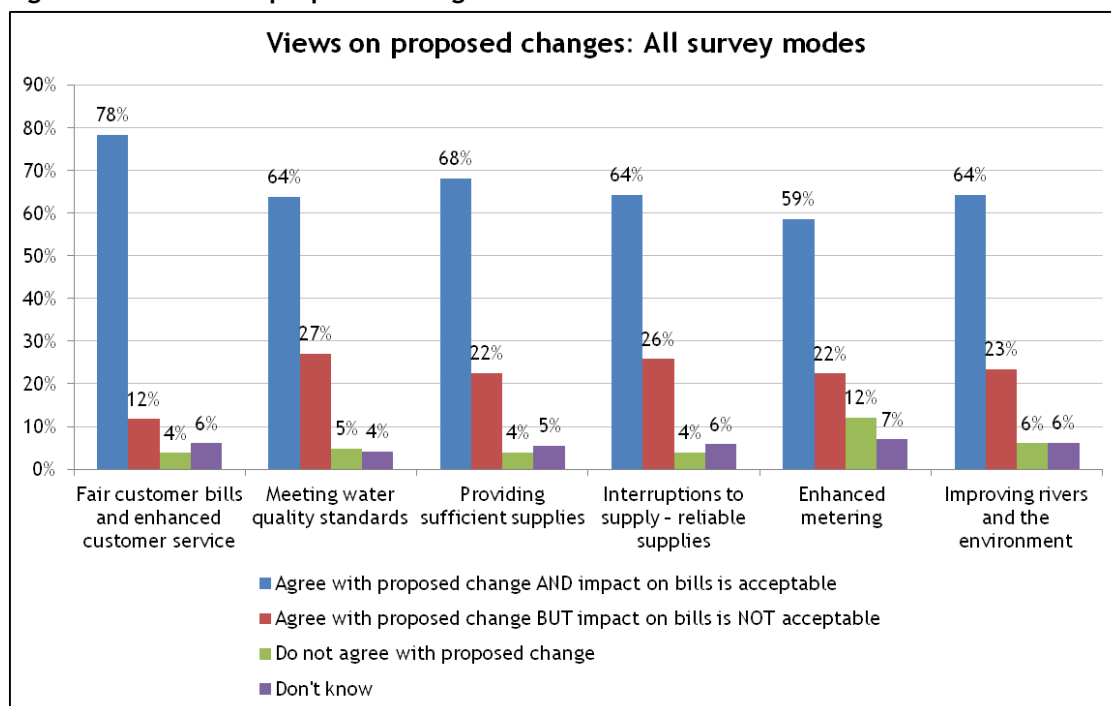
Views on proposed changes: All survey modes

Grouping into Agree or Do Not Agree

Grouping into 'agree' and 'do not agree' with proposed changes shows widespread support for the changes.

Figure 3.6: Views on proposed changes – grouped answers

Views on proposed changes: All survey modes
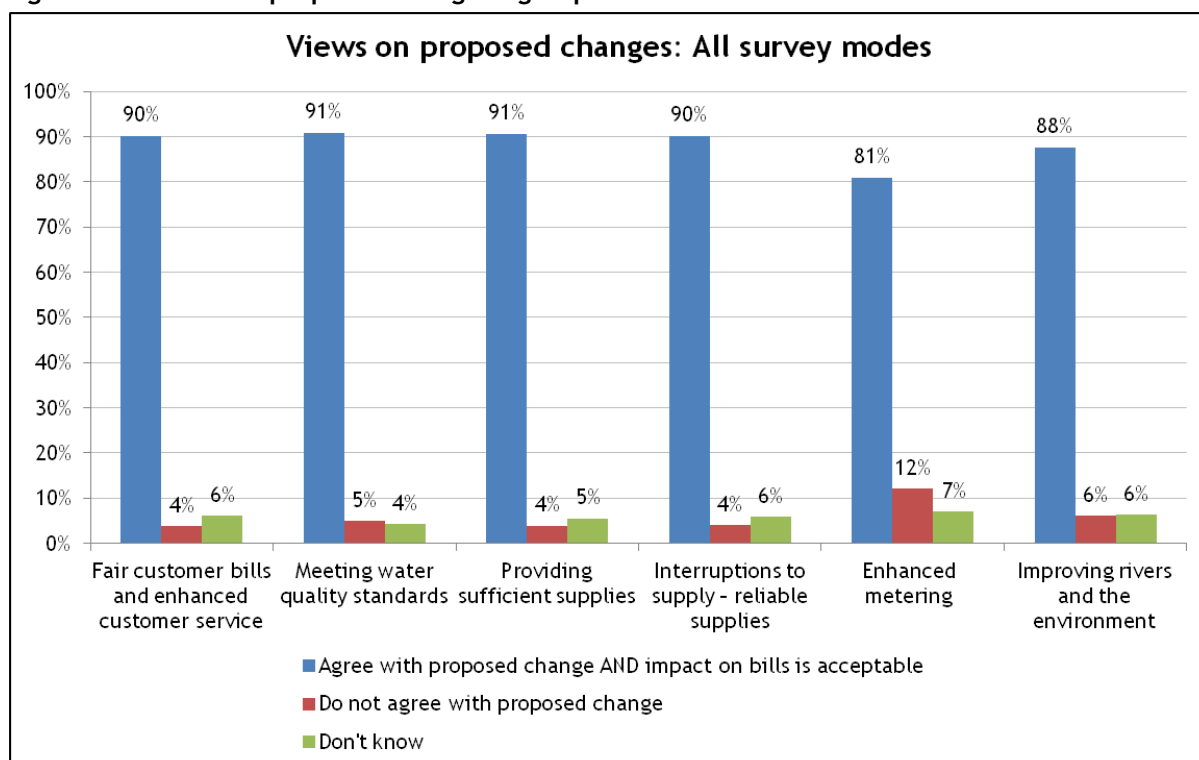
3.7 Overall Views on Acceptability

The study was designed to collect customers' uninformed initial views on acceptability and their informed views once the proposed initiatives had been shared. This section presents the findings for both of these questions.

Both the uninformed and informed acceptability questions were tested for both today's (real) prices (i.e. excluding inflation but with a prompt to remind customers of this). The results also need to be weighted to reflect:

- The composition of household and business customers within each region when the results are collated at a regional level; and
- The proportion of customers in each region when the results are collated at a company level.

To address the points raised above we first present unweighted uninformed and informed results in today's prices. We then reweight the informed results to be representative of the whole of South Staffs Water's customer base.

Weighting Acceptability

All acceptability results are weighted to be representative of the South Staffs Water's customer base. The proportions of respondents captured in the survey are shown in the table below.

Table 3.23: Sample size distribution by survey mode and region (percentage)

	Cambridge Water	South Staffs Water	Total
Business	10	10	19
CAPI	20	29	49
Online	10	21	32

The sample distribution was selected to ensure both Cambridge customers and business views are represented in the findings and that the results for both regions can be considered independently. All acceptability results are weighted to reflect the actual regional differences for the acceptability.

The results were then weighted using the proportions shown below:

- 92% household & 8% business customers in the Cambridge Region

- 94% household & 6% business customers in the South Staffs Region

- 81% South Staffs Region and 19% Cambridge Region

Uninformed Results

The uninformed results are presented in Figure 3.7 and Figure 3.8 below and show that there is a high level of uninformed acceptability for the final business plan. The results are summarised as Acceptable versus Not Acceptable in Figure 3.8.

Overall 84% of respondents find the final business plan to be acceptable. This is slightly higher at 84% in the Cambridge region.

Figure 3.7: Uninformed acceptability

Figure 3.7: Uninformed acceptability — Uninformed Acceptability: By Region
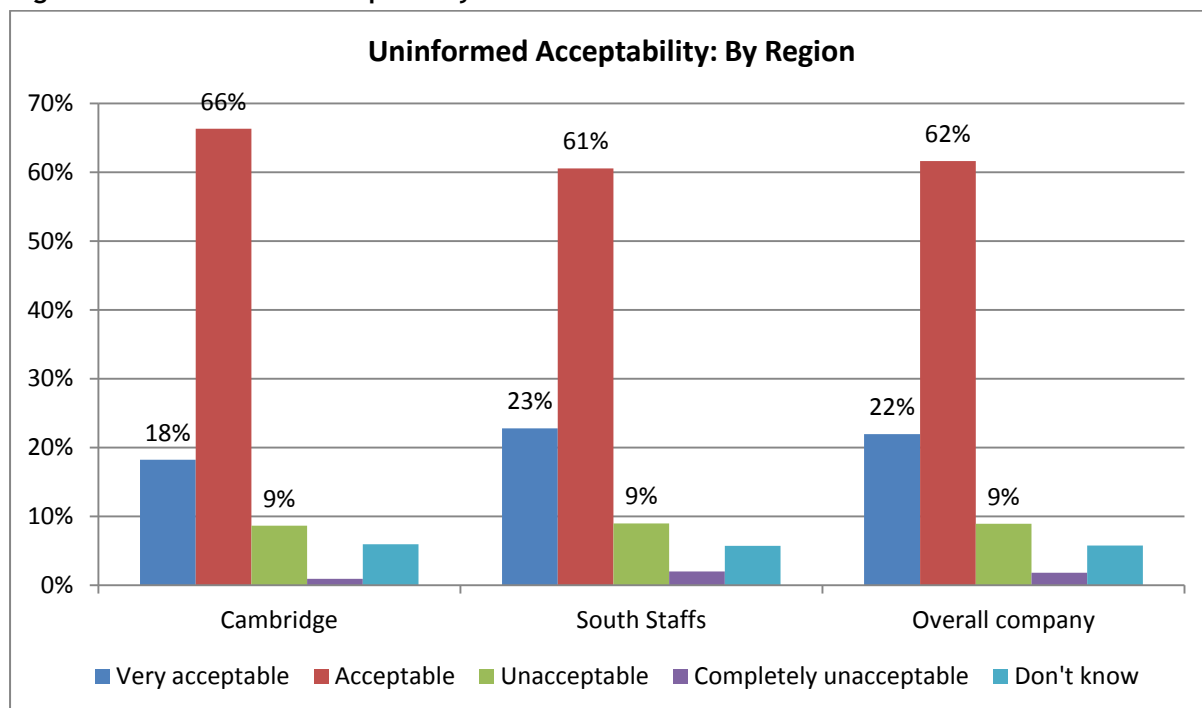
The results are grouped into acceptability and non-acceptability:

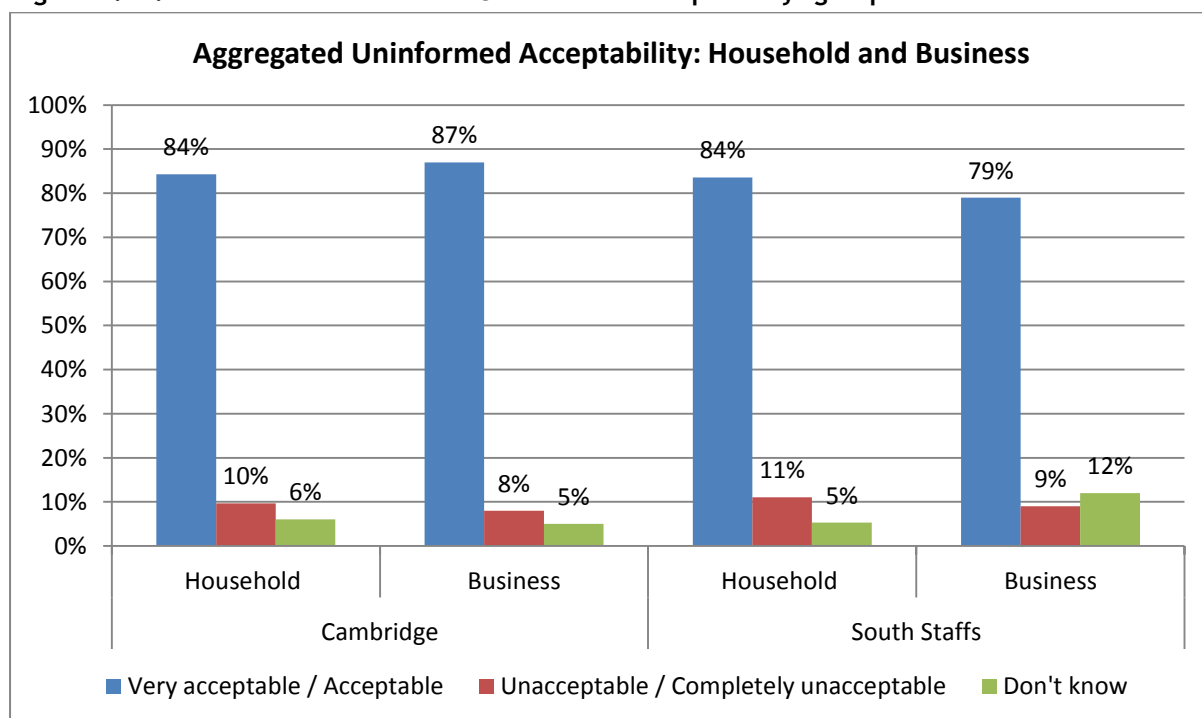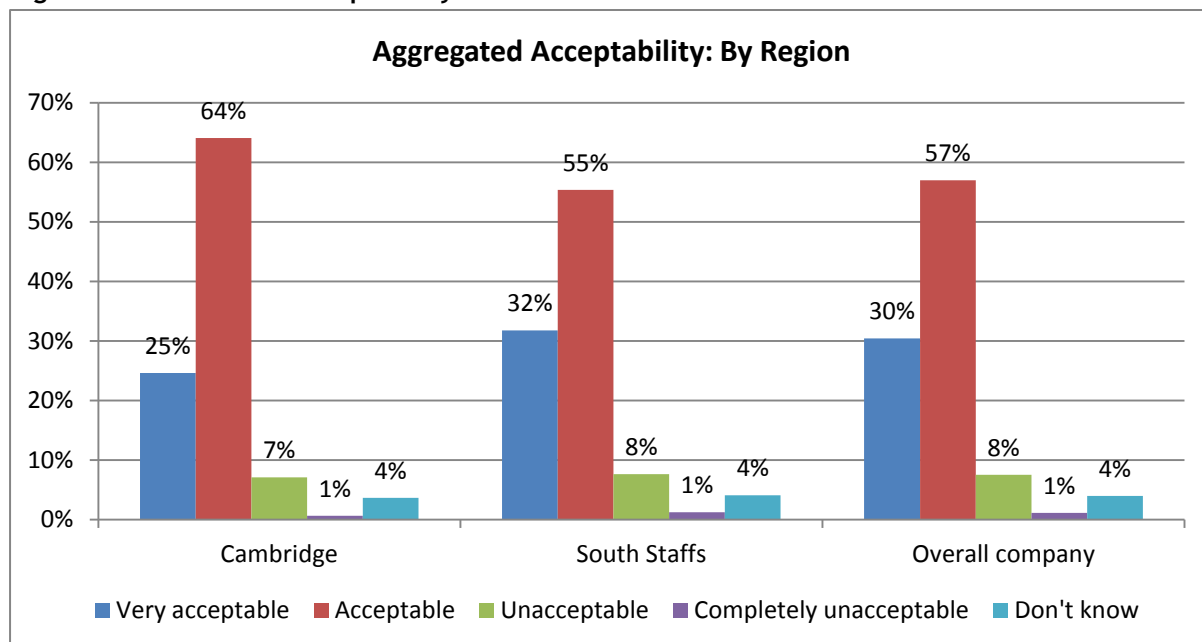**Figure 3.8: Uninformed acceptability –grouped**

Figure 3.8: Uninformed acceptability –grouped — Aggregated Uninformed Acceptability: All Customers
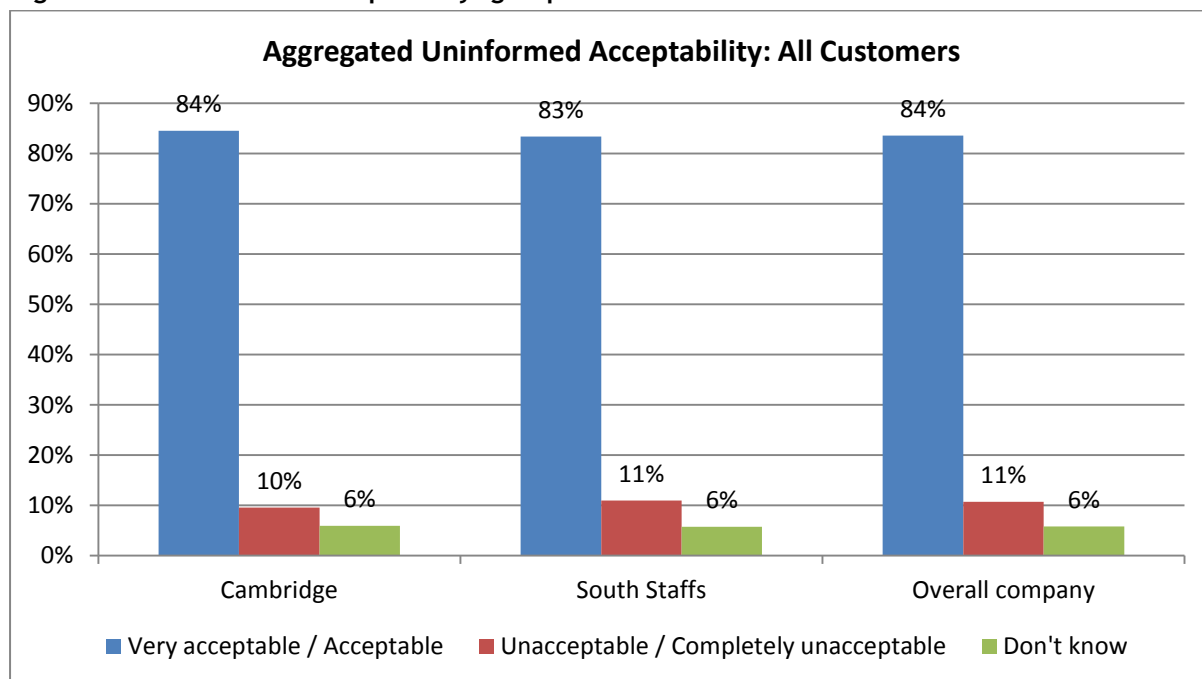
The results for different customer types by region are shown below:

Figure 3.9: Household and Business Uninformed Acceptability
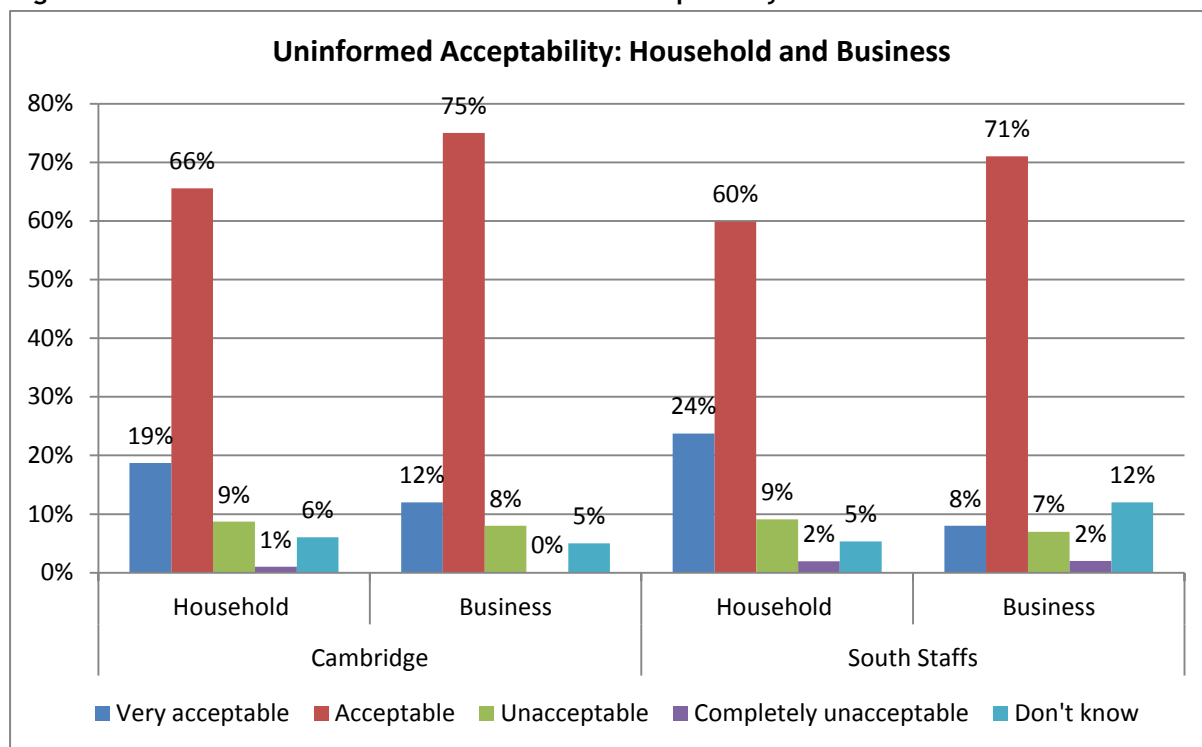
The results are grouped into acceptability and non-acceptability:

Figure 3.10: Household and Business Uninformed Acceptability -grouped

The results are broadly similar for households and businesses in both regions. All customer types and regions show uninformed acceptability to be high.

Informed Results

The informed results are presented in **Figure 3.11** and **Figure 3.12** below. Comparing the findings to the uninformed results shows that overall there has been some movement between categories and the level of acceptability is slightly higher at 87%. In line with expectation the numbers choosing 'don't know' have decreased.

Figure 3.11: Informed acceptability

The results are grouped into acceptability and non-acceptability:

Figure 3.12: Informed acceptability - grouped
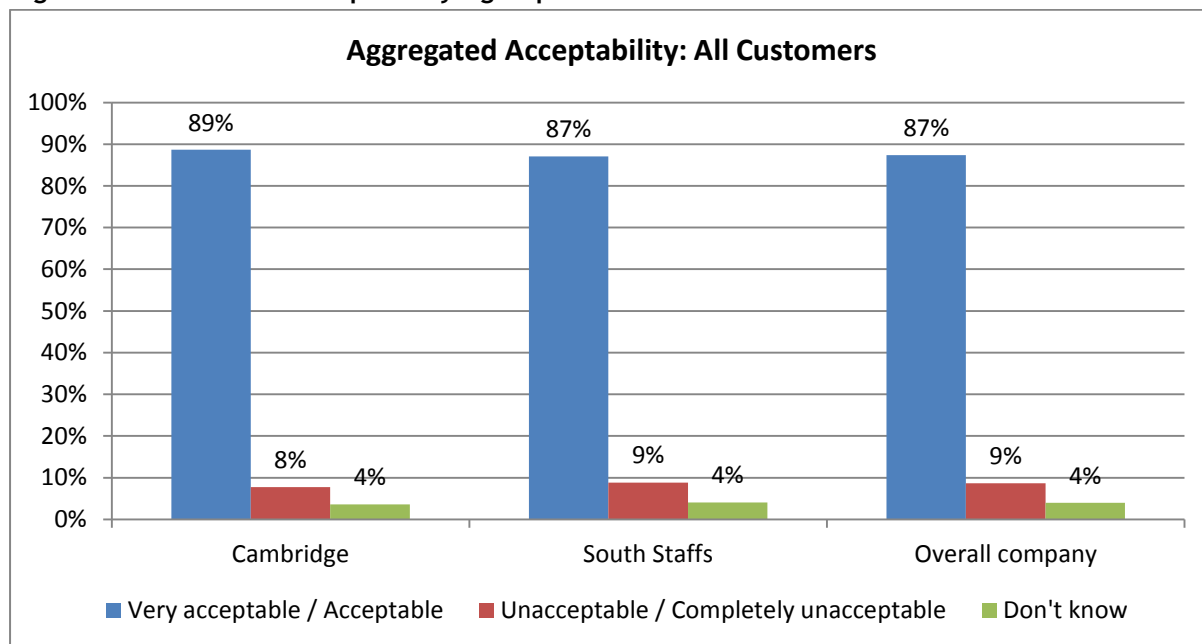
When broken down into household and business the results show that households are more accepting that businesses with businesses still more likely to choose the 'don't know' category.

Comparing the results to the uninformed results shows that both the household and business results reflect the overall trend of an increase in acceptability as respondents learn more about the plan being proposed.

Figure 3.13: Household and Business informed acceptability
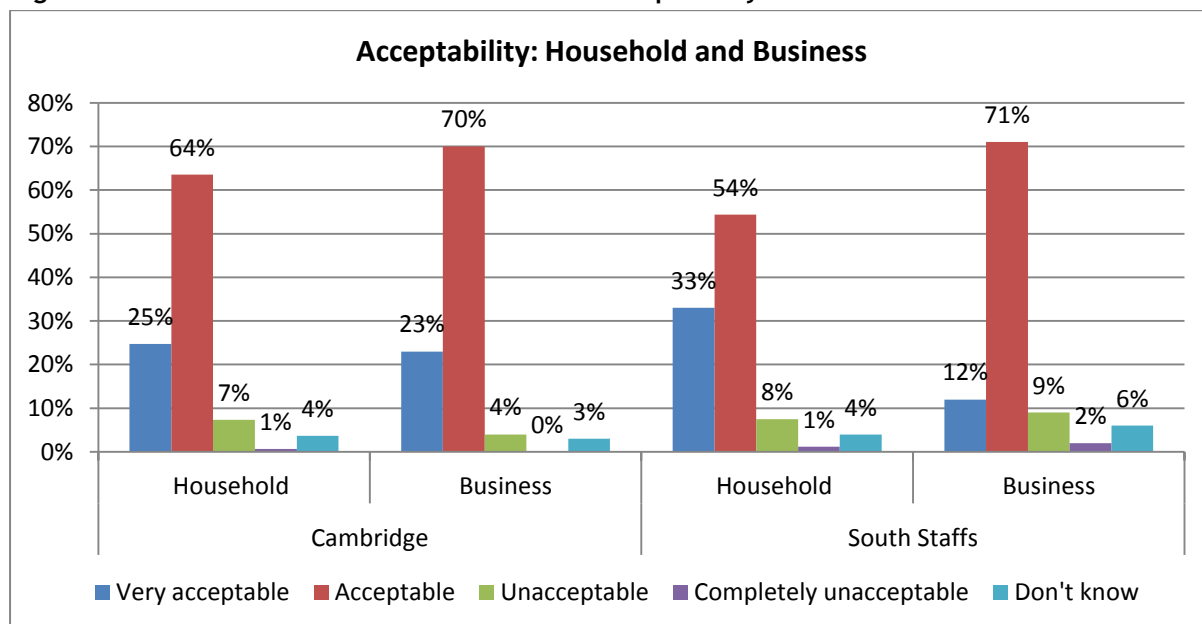
The results are grouped into acceptability and non-acceptability:

Figure 3.14: Household and Business informed acceptability - grouped
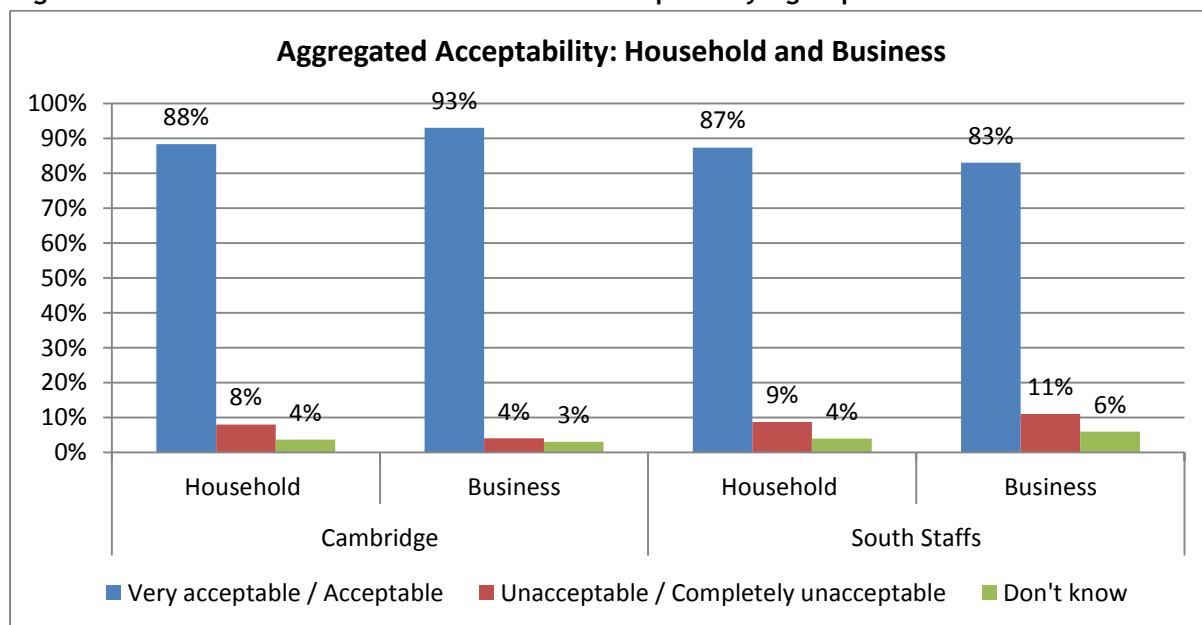
Reasons for Acceptability of the Plan

The reasons for respondent's choices are shown in Table 3.24 and Table 3.25. Each respondent was able to choose two reasons each.

A wide range of reasons are represented for indicating that the proposed plan is acceptable. The top reasons for households include all customers will benefit, having to pay the bill anyway, the proposed bill amount is affordable and the proposals benefiting future generations. The top reasons for businesses are similar and include all customers will benefit, having to pay the bill anyway, the proposed improvements are needed and the proposals will benefit future generations.

Table 3.24: Reasons for choosing acceptable/very acceptable (percentage)

	Cambridge		South Staffs		Total	
	Business (n=186)	Household (n=528)	Business (n=166)	Household (n=884)	Business (n=352)	Household (n=1412)
All customers will benefit from the improvements	13	9	11	15	12	13
I am happy to pay the proposed bill amount	6	11	7	8	7	9
I will have to pay the bill anyway	13	13	17	12	15	12
It will improve the environment in the region	9	12	2	7	6	9
My household will benefit from the proposed improvements	0	5	0	10	0	8
My organisation will benefit from the proposed improvements	4	0	10	0	7	0
The proposed bill amount is affordable	7	15	12	10	9	12
The proposed improvements are needed	13	5	13	7	13	7
The proposed improvements are worth the money	8	7	7	8	7	8
The proposed improvements represent good value for money	12	13	9	9	11	11
The proposed improvements will benefit future generations	11	9	10	12	11	11
Other	1	0	0	0	1	0
Don't know	2	1	1	1	1	1
Total	**100**	**100**	**100**	**100**	**100**	**100**

Note: Sample sizes reflect that respondents answering the question gave two reasons for stating that the proposed plan was acceptable.

Table 3.25 shows the reasons for indicating that the proposed plan is unacceptable. Again a wide range of reasons are represented. The top reasons for households include the current bill being expensive, water company profits and the improvements should be made with a lower impact to customer's bills. The top reasons for businesses include the current bill being expensive and that the bill is expensive enough already.

Table 3.25: Reasons for choosing unacceptable/completely unacceptable (percentage)

	Cambridge		South Staffs		Total	
	Business (n=8)	Household (n=48)	Business (n=22)	Household (n=88)	Business (n=30)	Household (n=136)
Current service levels are good enough already	0	0	0	2	0	1
Doesn't offer enough for the environment	0	2	5	0	3	1
I cannot afford to pay the proposed bill amount	0	2	0	6	0	4
I do not believe the proposed improvements will be made	0	4	0	3	0	4
I object to paying higher water bills	13	8	0	8	3	8
I object to water companies being privatised	0	8	5	2	3	4
I would like the proposed improvements but I cannot afford to pay	0	2	0	6	0	4
Improvements in one or two service areas are needed but not all of them	0	4	0	0	0	1
I would like the proposed improvements but my organisation cannot afford to pay	0	0	5	0	3	0
Improvements in one or two service areas are needed but not all of them	0	0	0	1	0	1
My current bill is already expensive enough	25	15	23	20	23	18
My household will not benefit from the proposed improvements	0	2	0	6	0	4
The Government or council should pay	0	2	14	5	10	4
The improvements should be made with a lower impact on customer bills	13	10	5	8	7	9
The proposed improvements are not needed	0	4	0	0	0	1
The proposed improvements are not worth the money	13	2	0	3	3	3
The water company should pay	13	6	14	10	13	9
Water companies make enough profit as it is	25	25	23	16	23	19
Other (please specify)	0	0	9	2	7	1
Don't know	0	2	0	1	0	1
Total	100	100	100	100	100	100

Note: Sample sizes reflect that respondents answering the question gave two reasons for stating that the proposed plan was acceptable.

Table 3.27 shows the reasons for choosing don't know. The number of respondents choosing this option was quite small. The top reasons for households include not having thought enough about water services to answer the questions and there was too much information and it was not clear enough to be able to make a decision. The top reasons for businesses are that not enough information was provided on the proposed plan overall and also include don't know.

Table 3.26: Reasons for choosing don't know (percentage)

	Cambridge		South Staffs		Total	
	Business (n=3)	Household (n=11)	Business (n=6)	Household (n=20)	Business (n=9)	Household (n=31)
I did not understand the information provided	0	0	0	10	0	6
I have not thought enough about water services to answer the question	0	27	17	25	11	26
I would like to know more about this before making a decision	0	9	17	15	11	13
Not enough information was provided on the aspects of the plan I am interested in	33	9	0	0	11	3
Not enough information was provided on the proposed plan overall	33	9	17	10	22	10
Other (please specify)	0	27	0	0	0	10
There was too much information and it was not clear enough to be able to make a decision	0	9	0	20	0	16
This is not important to me	0	9	0	0	0	3
Water companies and the Government should decide – customer should not be asked about this	0	0	0	5	0	3
Don't know	33	0	50	15	44	10
Total	100	100	100	100	100	100

3.8   Drivers of Acceptability

To understand whether the non-acceptors are a particular cohort of customers, a further analysis of the non-acceptors and acceptors of the plan has been undertaken.

Household SEG

Looking first at household socio-economic group (SEG), there is evidence that suggests SEG drives acceptance or non-acceptance with groups C2 and DE less likely to indicate that the plan is acceptable.

Figure 3.15: Household acceptability by Socio-economic group
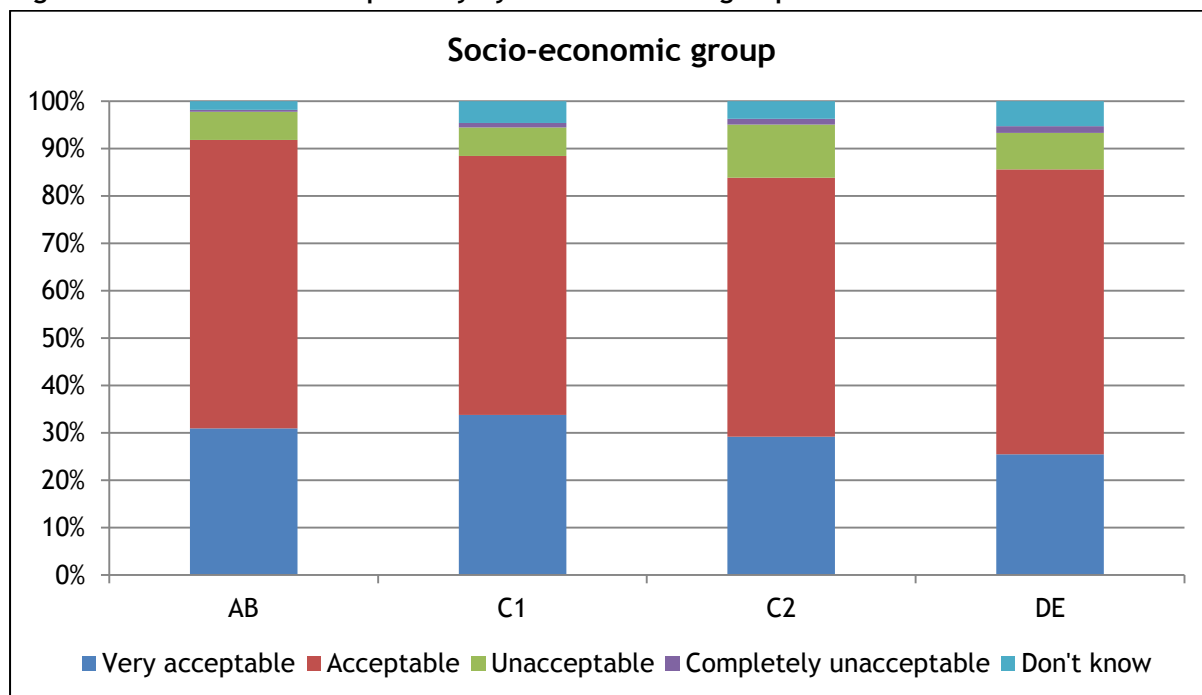
Figure 3.16: Household acceptability by Socio-economic group - grouped
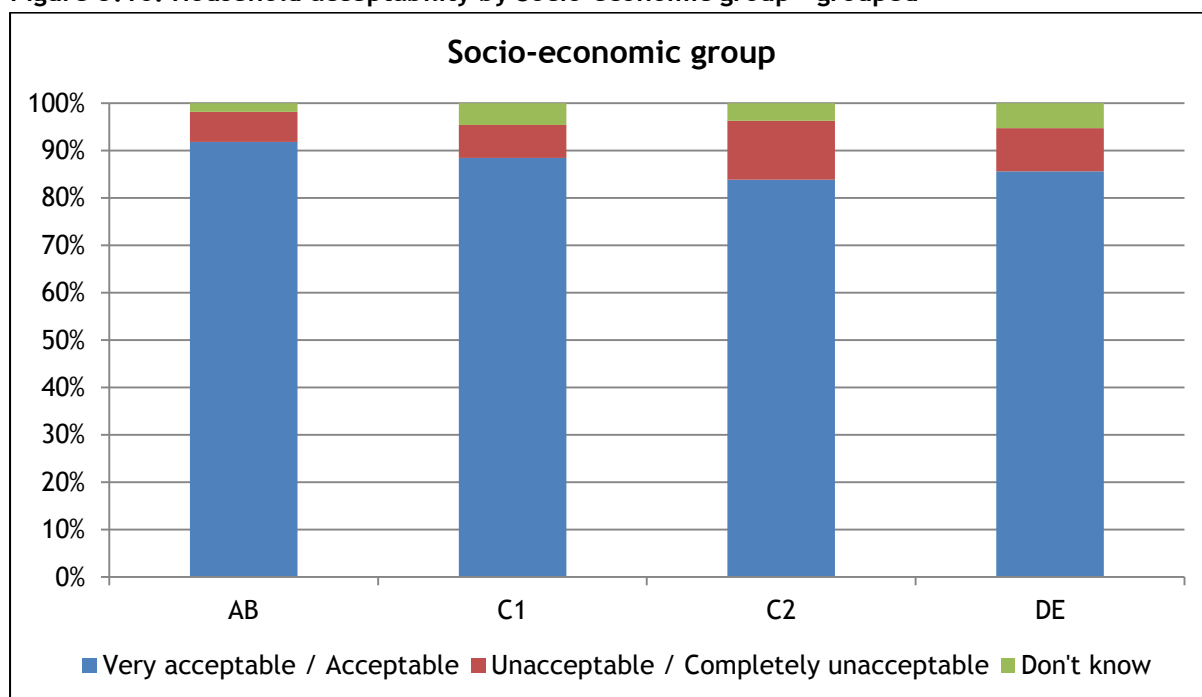
Household Metering

There is no clear visible link between metering and acceptability. Those without a meter have slightly lower acceptance but this is much less pronounced than the phase 1 pilot results.

Figure 3.17: Household acceptability by metered or unmetered
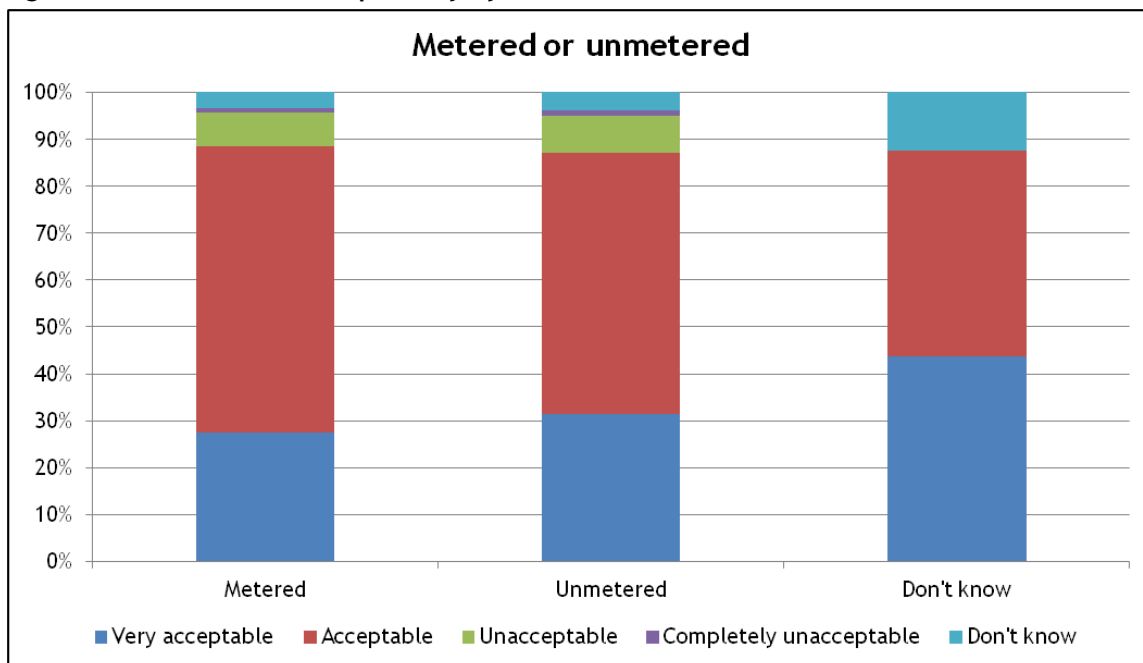
Figure 3.18: Household acceptability by metered or unmetered - grouped
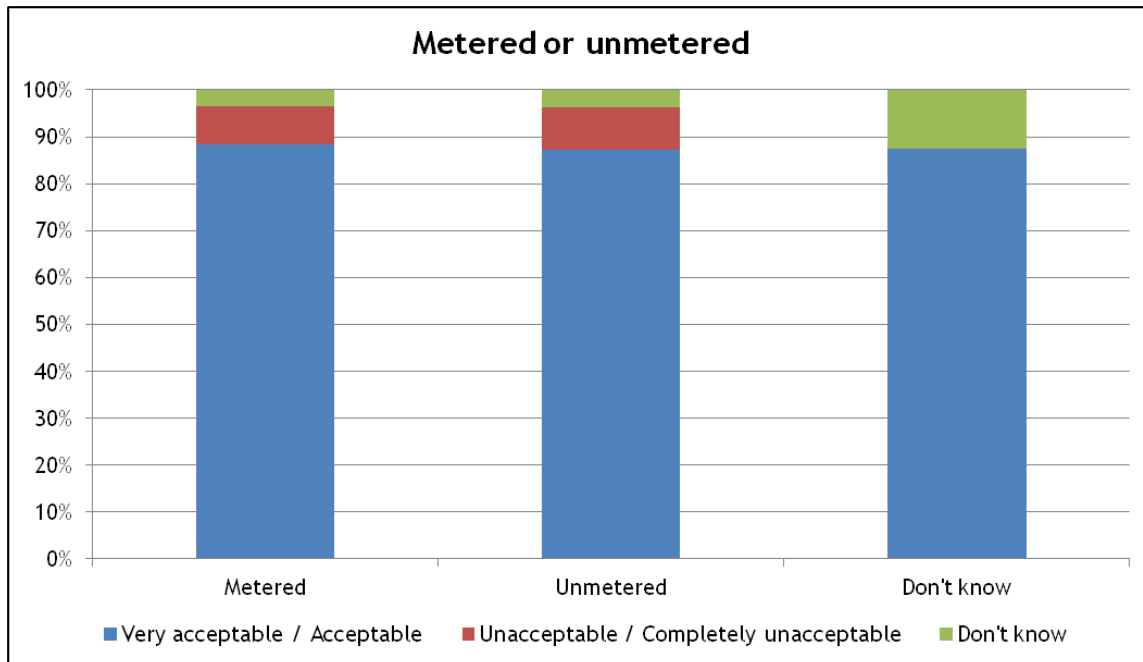
Gender

There is no clear visible link between Gender and acceptability. There are no clear differences between male and females. Although females show a higher percentage of 'don't knows' there is no evidence that suggests gender drives acceptance or non-acceptance of the plan.

Figure 3.19: Household acceptability by gender
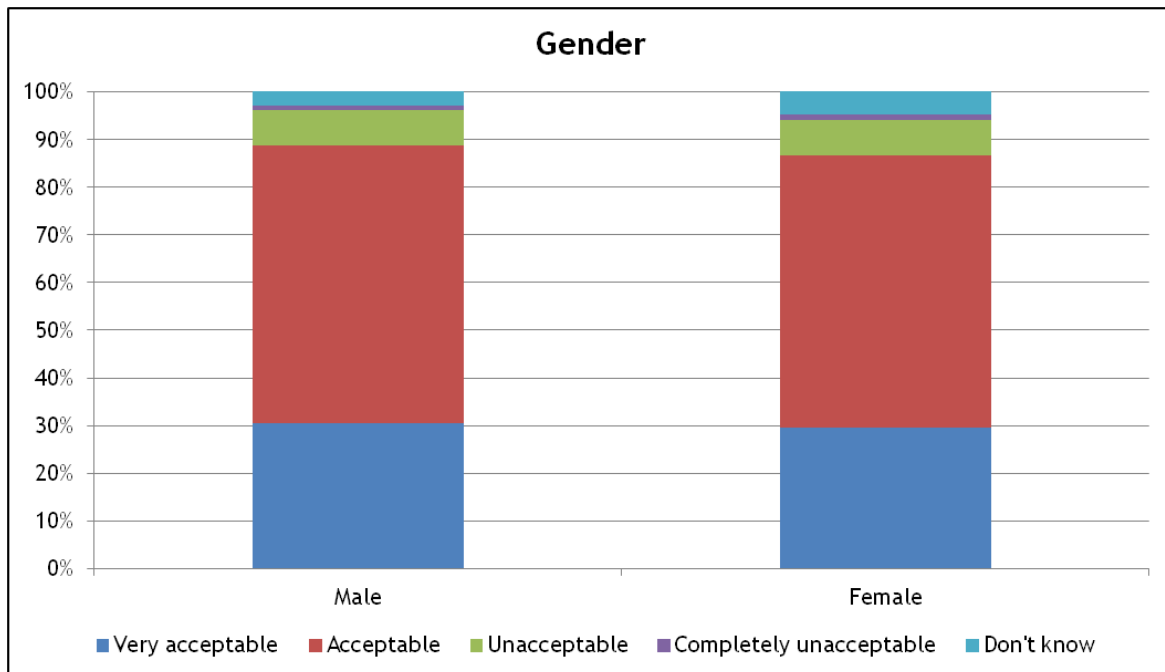
Figure 3.20: Household acceptability by gender - grouped
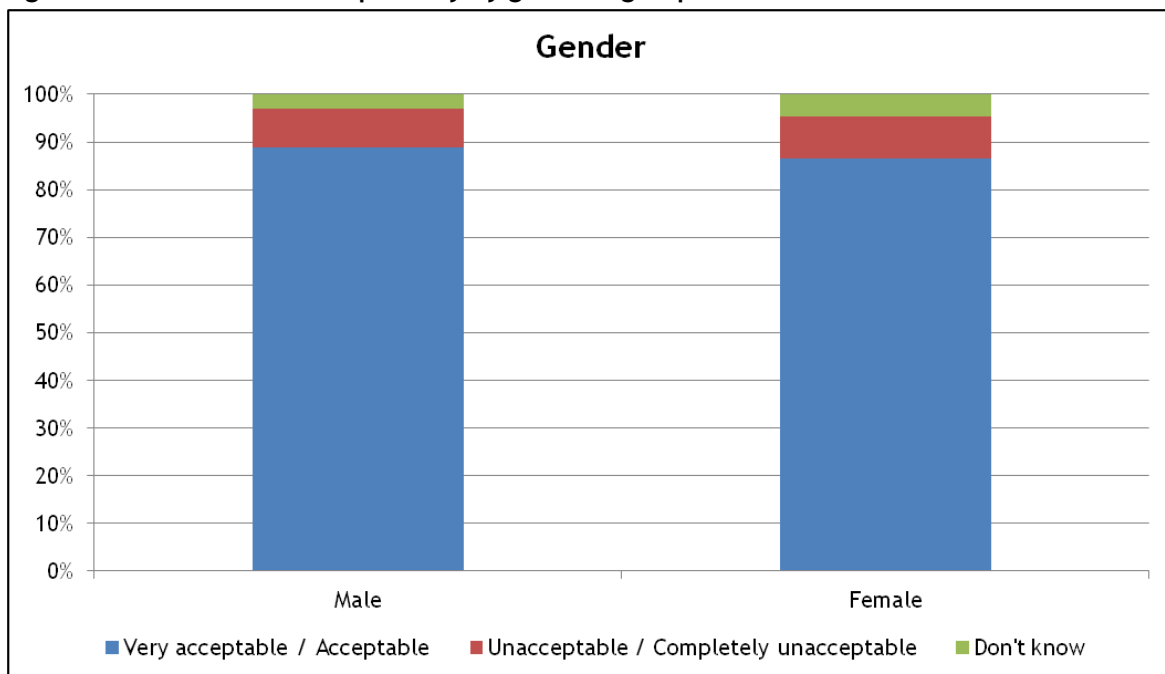
Age

There is no clear visible link between Age and acceptability. The results suggest that those aged 30-44 may be slightly less accepting but this is marginal. Younger respondents were more like to state 'don't know'.

Figure 3.21: Household acceptability by age
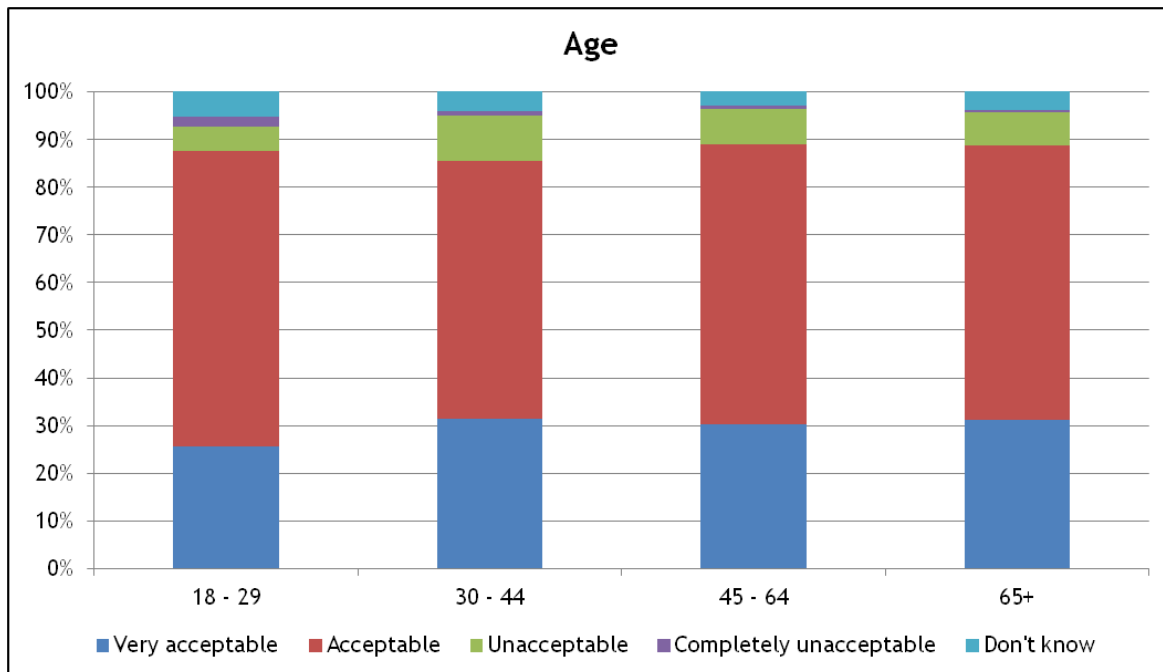
Figure 3.22: Household acceptability by age - grouped
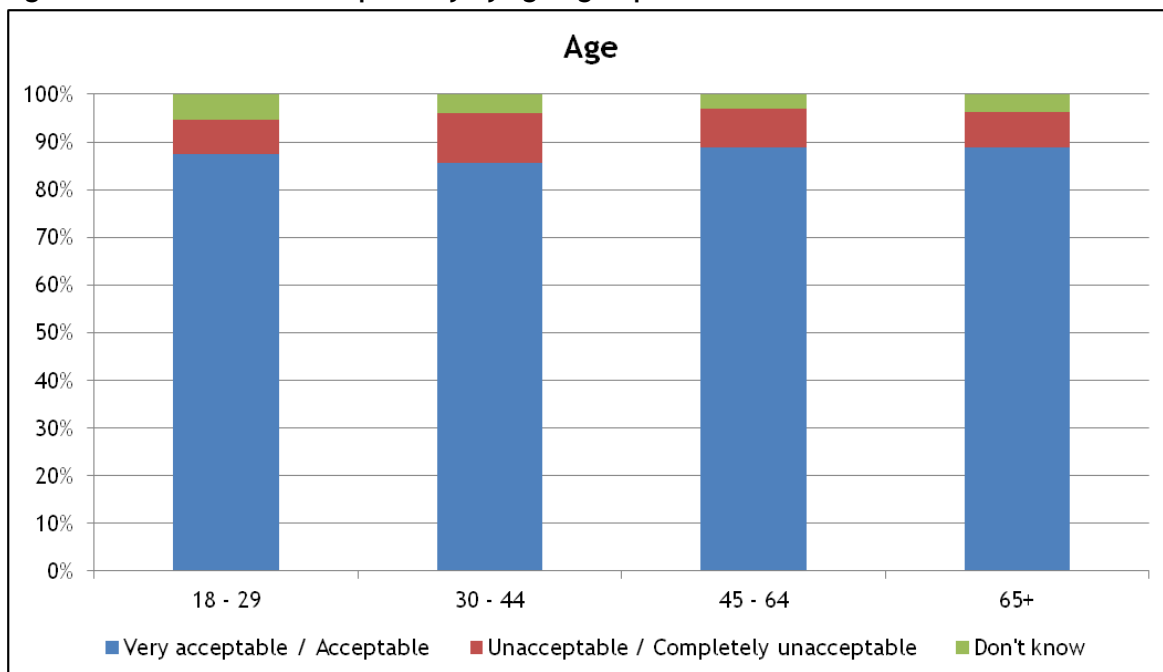
Statistical Analysis of Acceptability

Statistical tests of acceptability and the household characteristics was undertaken to confirm the visual results.

Acceptability is categorical and ordered, as are some of the household characteristics. The test to evaluate the degree of dependence between these variables is the Rank Correlation, also known as the Spearman correlation test.

The Spearman's Rank Order correlation coefficient assesses the degree of relationship between two rank-ordered variables. More specifically it tests the null hypothesis that correlation between the two variables of interest is 0. The test gives the estimated correlation and the corresponding p-value, which can be used to decide whether there is a correlation at a particular level of significance. The parameterisation of the variables used is given below.

Table 3.27: Variables parameterisation

Variable	Definition
Acceptability	Categorical variable 1= Very acceptable , 2= Acceptable, 3=Unacceptable, 4= Completely unacceptable, 5=Don't know/can't say
Region	1= Cambridge, 2 = South Staffs
SEG	Categorical variable 1 = SEG AB, 2 =SEG C1, 3 =SEG C2, 4 =SEG DE
Gender	Categorical variable 1 = Female, 0 = Male
Age	Categorical variable 1 =18-29 years,2=30-44 years,3=45-64 years,4=65+ years
Meter	Categorical variable 1 = Metered, 0 = Unmetered

The table below lists the correlation tests carried out and the corresponding p-value for the test.

Table 3.28: Correlation results

Test	P-value	Correlated?
Acceptability Vs Region	**0.057**	**Yes**
Acceptability Vs SEG	**0.099**	**Yes**
Acceptability Vs Gender	0.911	No
Acceptability Vs Age	0.477	No
Acceptability Vs Meter	0.482	No

Note: A p-value < 0.1 = 90% confidence, <0.05 = 95% confidence, <0.01 = 99% confidence.

The correlation tests suggest that only SEG and Region are related to Acceptability (statistically significant, due to a small p-value). The above analysis excludes those who choose 'don't know' when asked about acceptability. We note that when the 'don't know' responses are included in the analysis region becomes insignificant.

3.9   Impact of Sewerage Bill

As South Staffs provides Water Services and not Sewerage Services there is a possibility that the sewerage bills could change. At the time of study the combination of the published business plans and Ofwat's Risk and Reward guidance indicated that any real price change is likely to be very low

or negative. As a result the following range of sewerage bill changes were included in the study to be randomly viewed by respondents:

- Household

    o   -£6

    o   -£12

    o   -£20

    o   -£30

    o   -£40

- Business

    o   -4%

    o   -8%

    o   -15%

    o   -20%

    o   -30%

The results suggest that sewerage bill increases do impact on acceptability.

For households the results are similar for each bill change. On average the acceptability increases to 92%. For businesses there is a smaller sample and the results are more sensitive to sample size. Overall the business results show no significant increase in acceptability.

3.10 Small Company Premium

This section presents the findings on customers attitudes towards the small company premium costs included in the business plan coming from a smaller scale of operation.

Customers attitudes to the associated costs and balance presented in the business plan are represented below. These costs were well supported given the bill and service levels delivered by South Staffs with 90% overall stating they were very content or fairly content to continue paying this amount.

This level of contentment is specific to South Staffs only – as it is based on the bill and service information on South Staffs relative to the industry. The results show that South Staffs customers value the benefits of a small company, given that this is delivering good service and lower bills relative to the industry.

Figure 3.23: Content with small company premium

Aggregated Small Co. Premium: All Regions
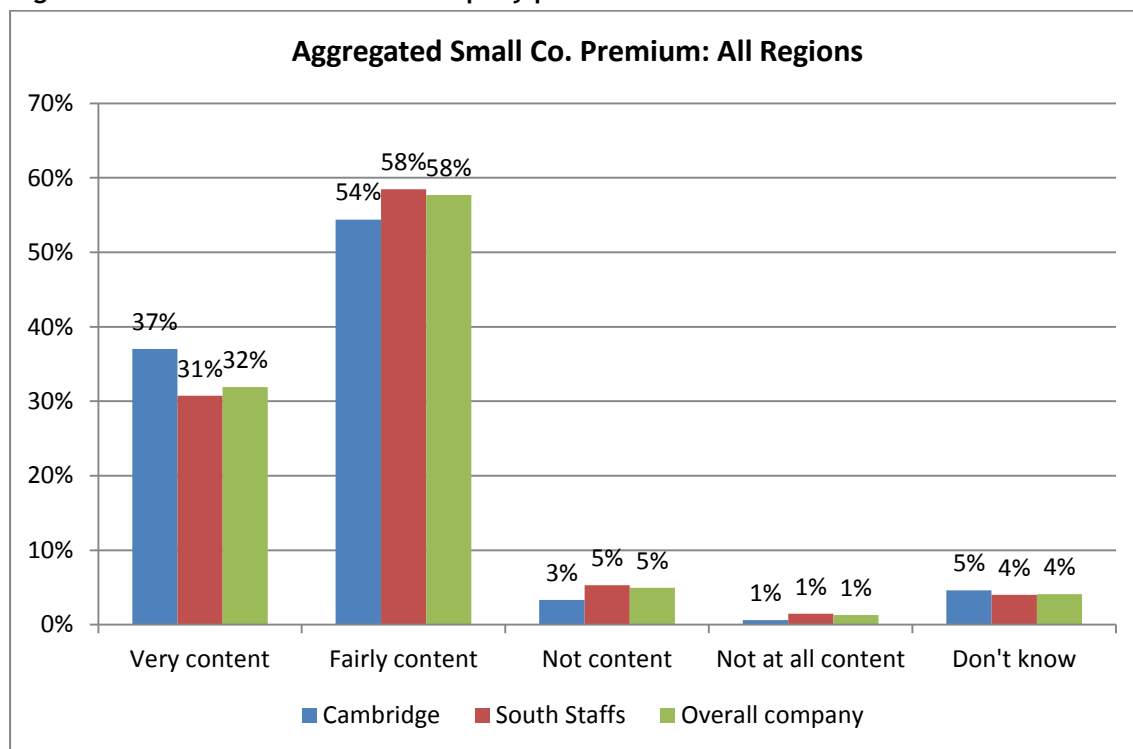
Figure 3.24: Content with small company premium – grouped

Aggregated Small Co. Premium: All Customers
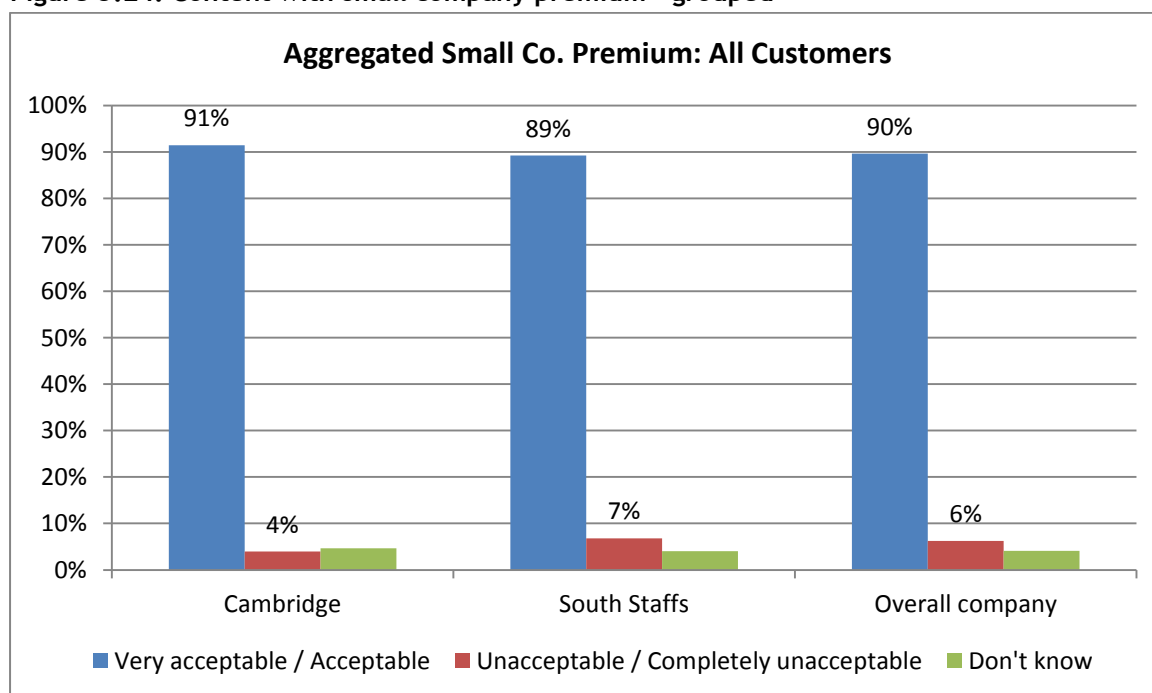
The results by business and household customers are shown below:

Figure 3.25: Households and Businesses – Views on small company premium

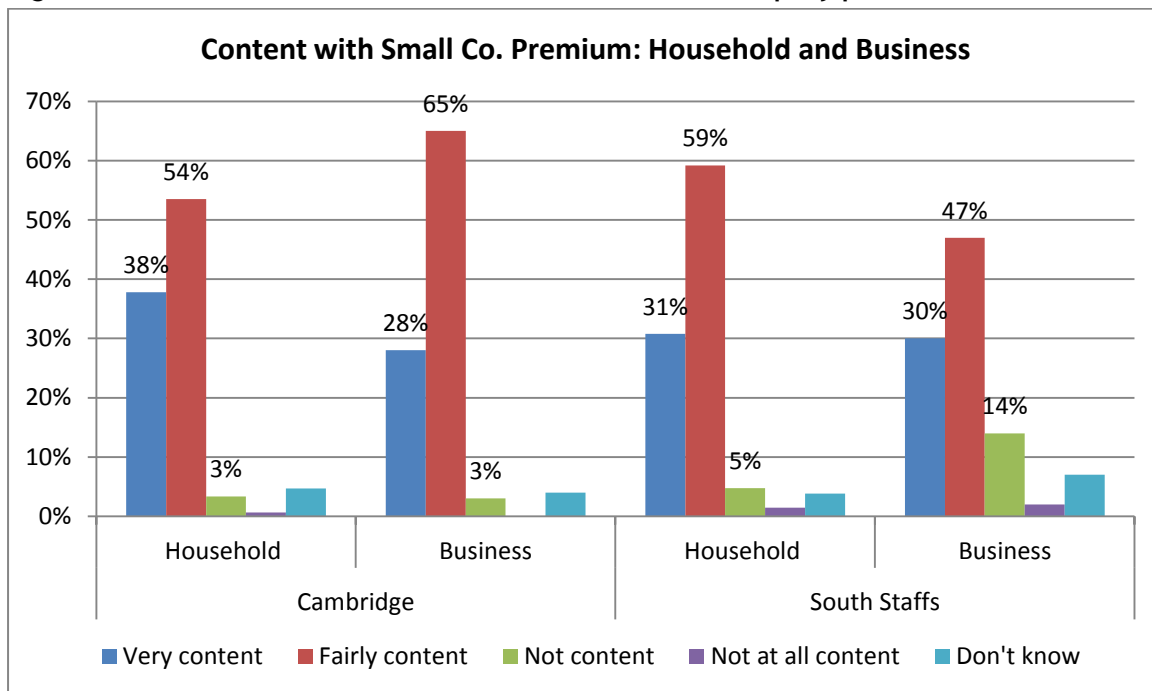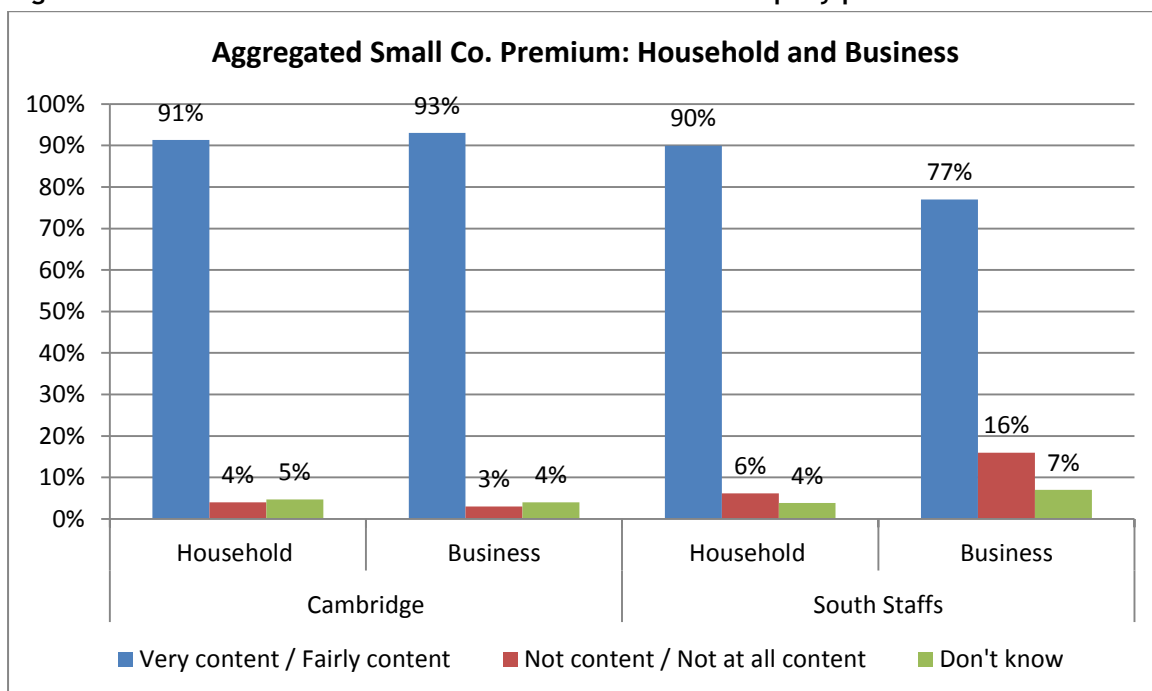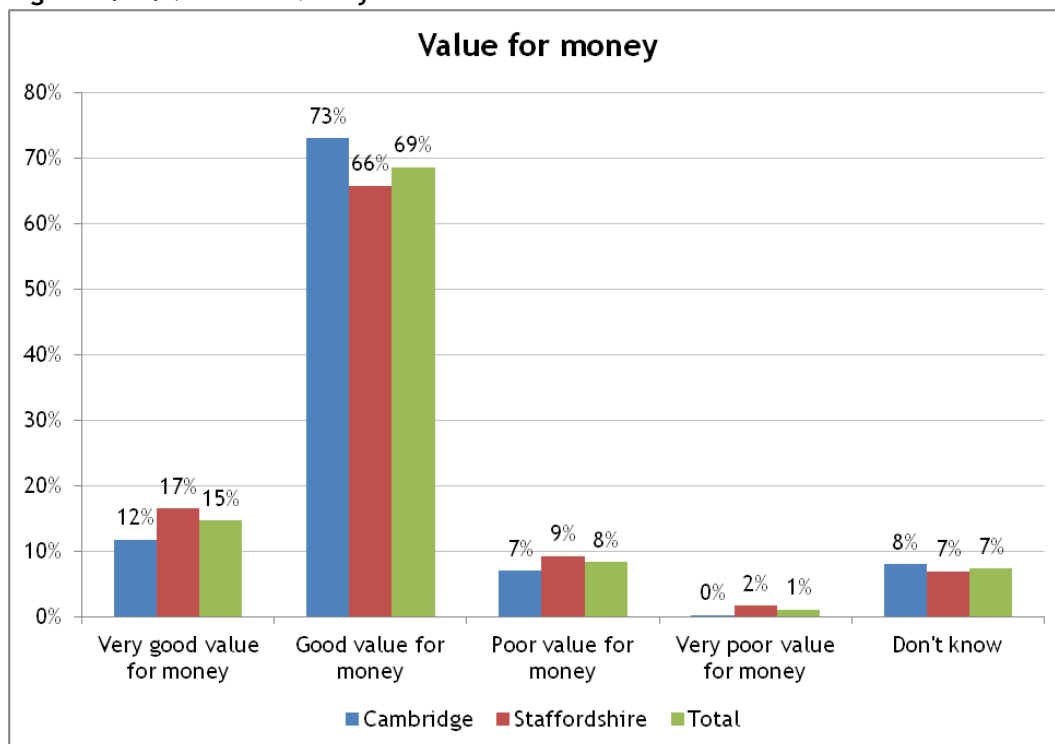**Figure 3.26: Households and Businesses – Views on small company premium**

3.11 Value for money

Respondents were asked evaluate the proposed plan in terms of the value it provided. The figure above shows that the majority of customers saw the plan as either 'Good' or 'Very Good' value for money.

Figure 3.27: Value for Money

3.12 Bill Profile

Customers were asked to express how they would prefer to see bill increases dealt with over the forthcoming five year period. Overall the greatest consensus was for a steady increase each year, although this was more marginal in the South Staffs region.

Figure 3.28: Bill profile preferences
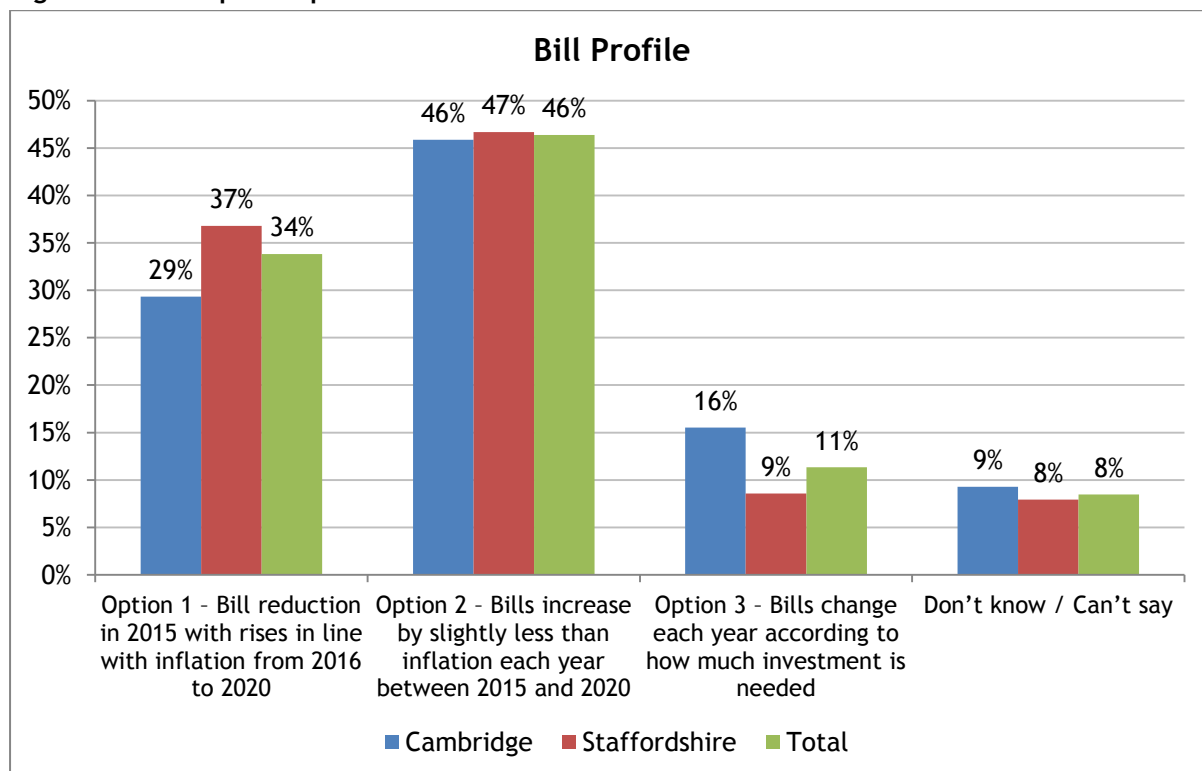
3.13 Respondent feedback on the survey

When given the opportunity to provide feedback on the survey respondents were able to choose one or more of the above responses. Over half stated the survey was interested suggesting engagement with the exercise. Only 9% found it difficult to understand and 2% stated that it was not credible.

Figure 3.29: Overall view
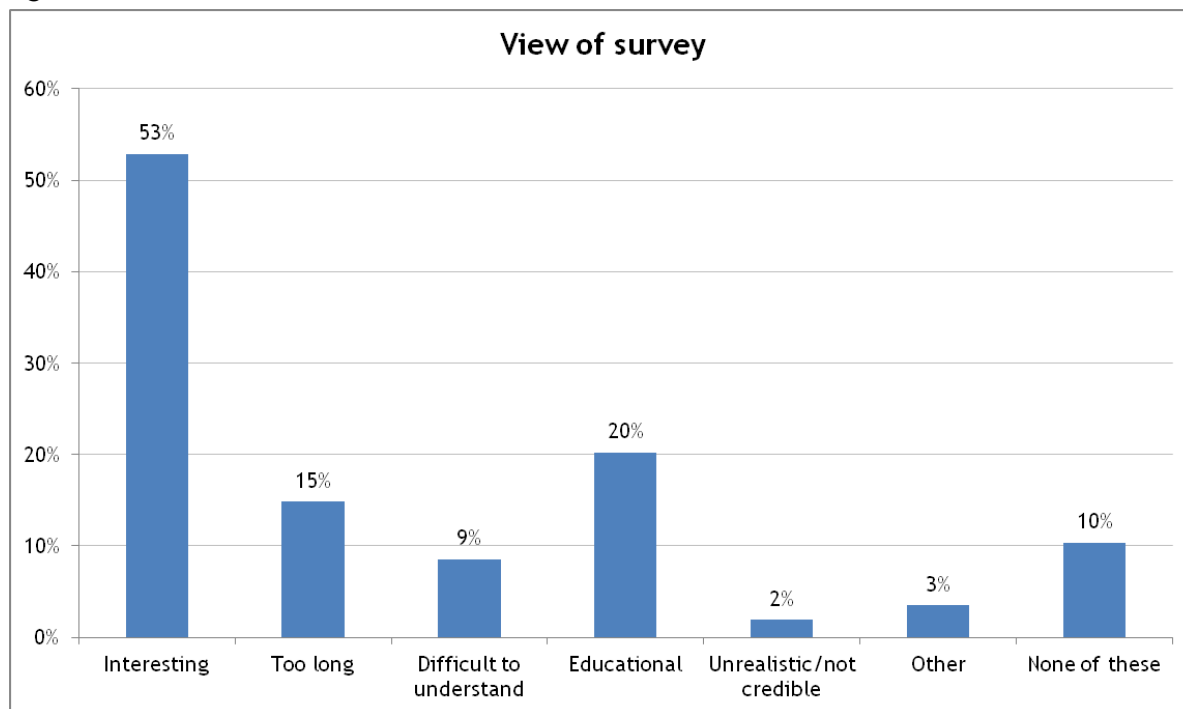
4   Comparison to Phase 1 results

This section of the report compares the key results presented in section 3 to the equivalent results from the phase 1 acceptability testing that was conducted in autumn 2013.

4.1   Acceptability

The figures below present the acceptability for the Phase 1 and Phase 2 studies. The main differences between the studies that are likely to affect the acceptability results are the changes to the bill impact (1.7% increase in phase 1 changing to a 1% decrease in phase 2) and the presentation of inflation. We present both the real and nominal results from Phase 1 and these are compared to the real results with enhanced references to inflation from Phase 2.

We would expect that a reduction in the bill impact to have a positive impact on the acceptability results regardless of the presentation in phase 1. The increased references to inflation should have the opposite impact on the real results but have a positive impact compared to the nominal results.

The results show that acceptability has increased both overall and in each of the regions. This increase has been larger in the South Staffs region than the Cambridge region. This may be due to the fact that acceptability was significantly lower in the South Staffs region in phase 1.

Comparing the real results show that the bill impact has outweighed the impact of changing the references to inflation. It is likely that this is due to the fact that the bill impact presented to customers changed to a decrease from an increase.

Both surveys found that socio-economic group and region was a significant driver of acceptability for households. The acceptability for the lowest socio-economic group has also increased by 8% (86% in phase 2 compared to 78% in phase 1 real results).
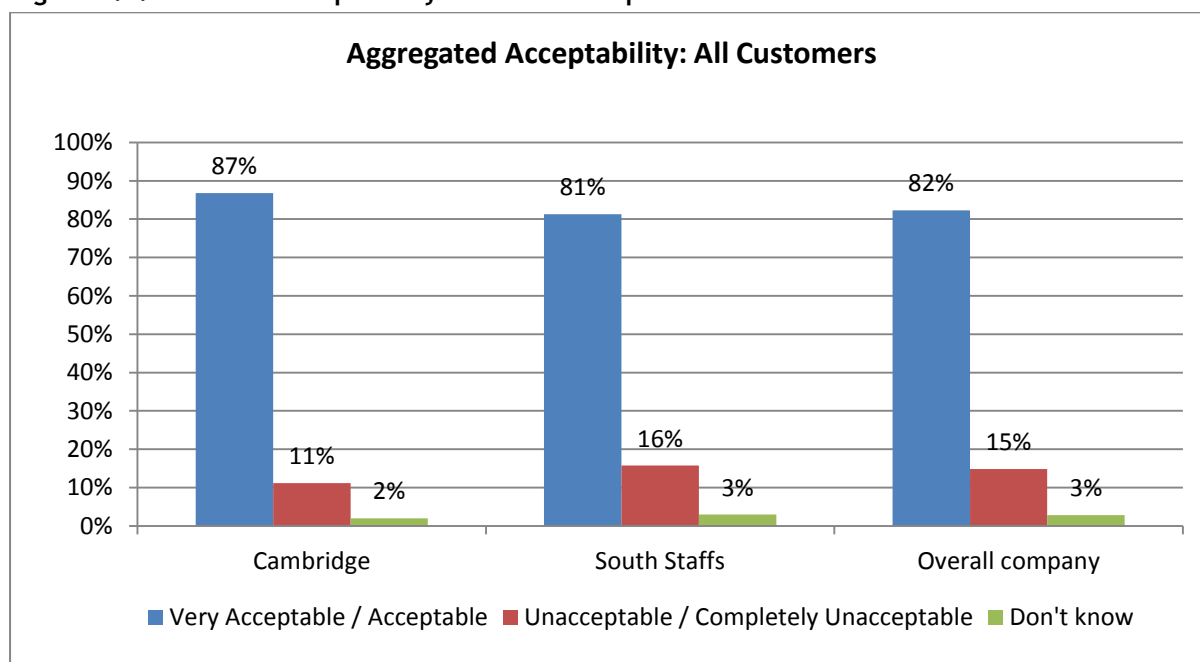
Figure 4.1: Informed acceptability – Phase 1 real prices
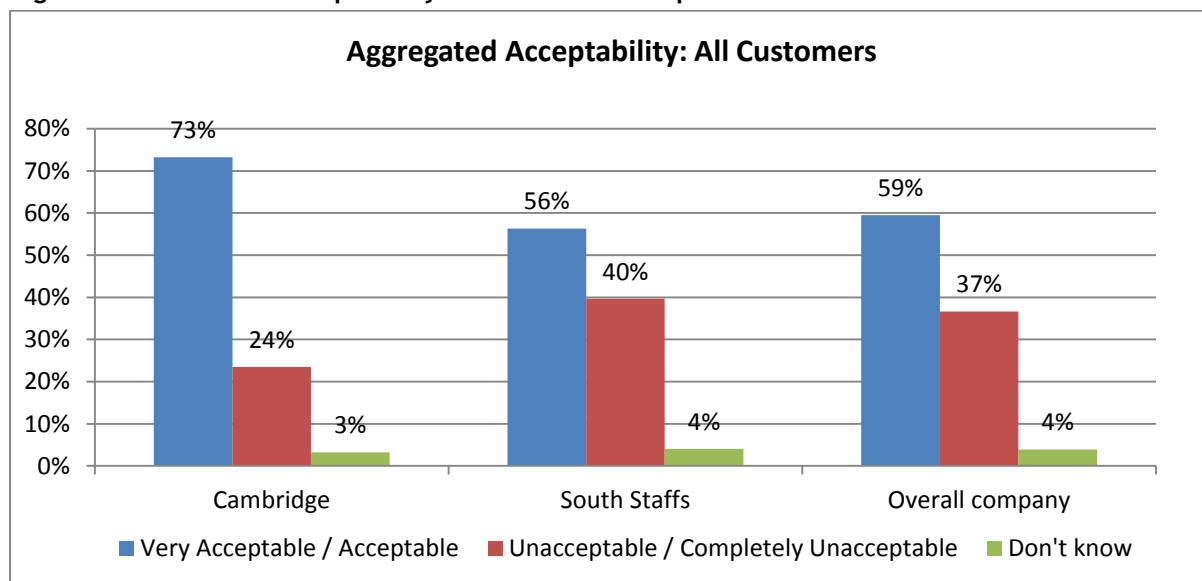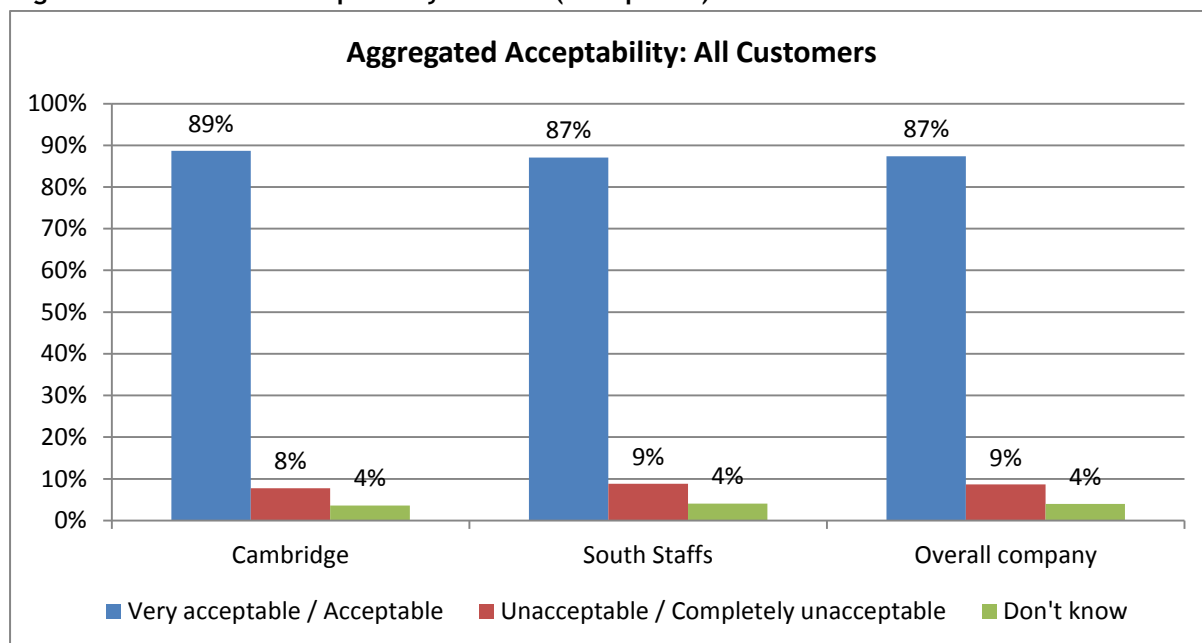
Figure 4.2: Informed acceptability – Phase 1 nominal prices

Aggregated Acceptability: All Customers

Figure 4.3: Informed Acceptability Phase 2 (Real prices)

Aggregated Acceptability: All Customers

4.2   Views on the proposed changes in the business plan

The figures below present customers views on the proposed changes for the Phase 1 and Phase 2 studies.

The reduction in bill in Phase 2 affected the fair customer bills and enhanced customer service outcome.   We would expect the acceptability for this area to increase.   The percentage of customers that agree with the proposal and believe that the impact on bills is acceptable has increased to 78% from 51%.

We note that there has been a general increase in acceptability for the other proposed changes.   It is likely that this is due to the psychological effect of having seen a bill that is reducing compared to one that is increasing.

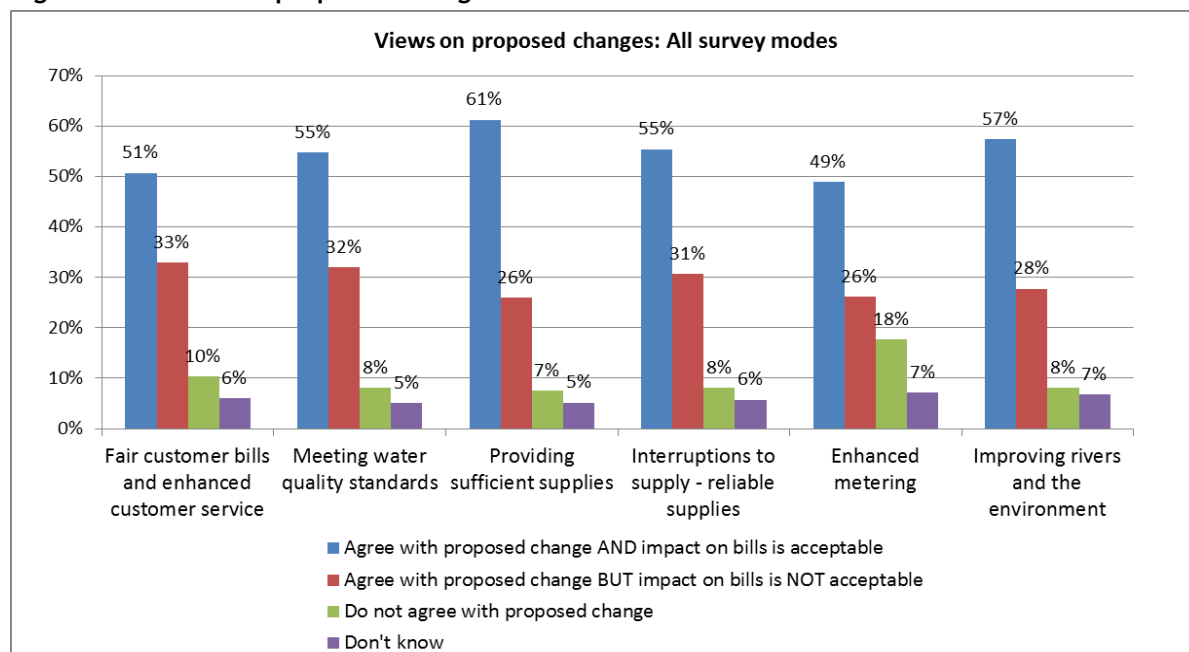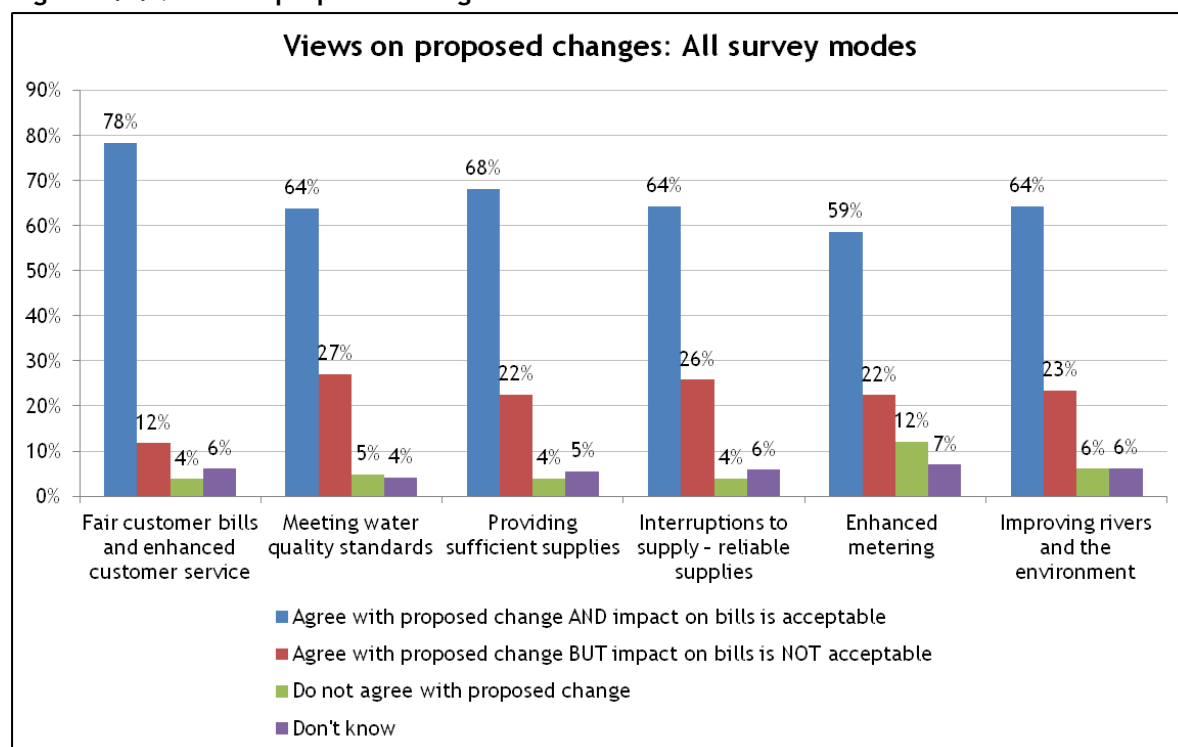**Figure 4.4: Views on proposed changes - Phase 1**

Figure 4.5: Views on proposed changes - Phase 2

Grouping into Agree or Do Not Agree

Grouping into 'agree' and 'do not agree' with proposed changes shows increased widespread support for the changes.

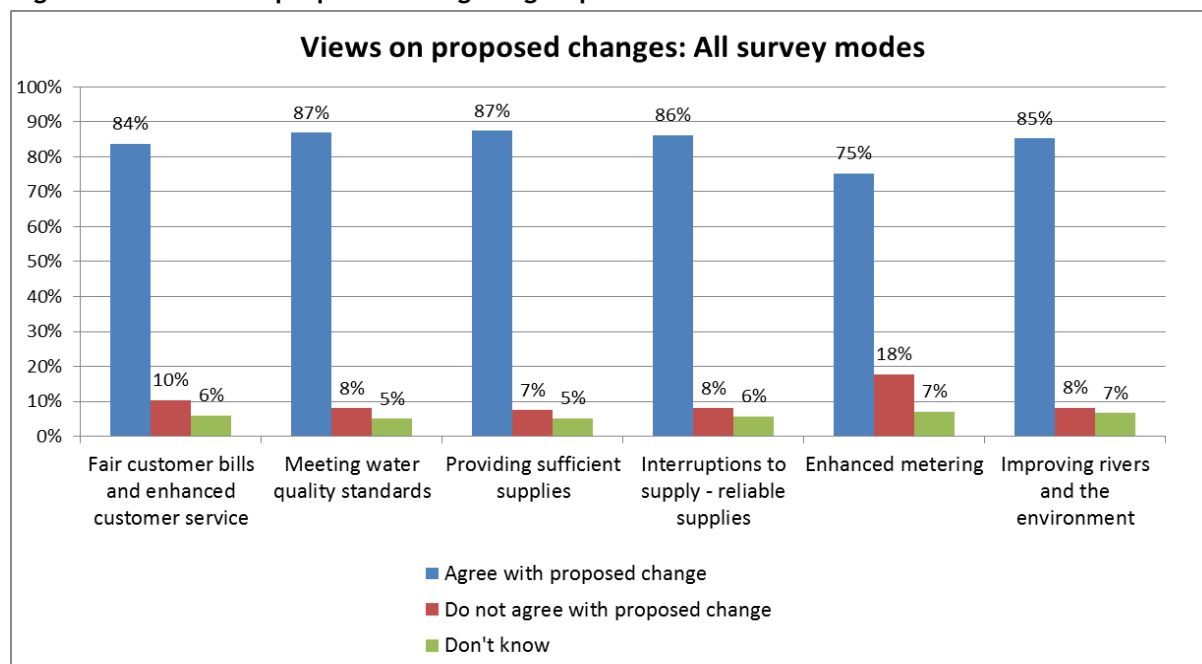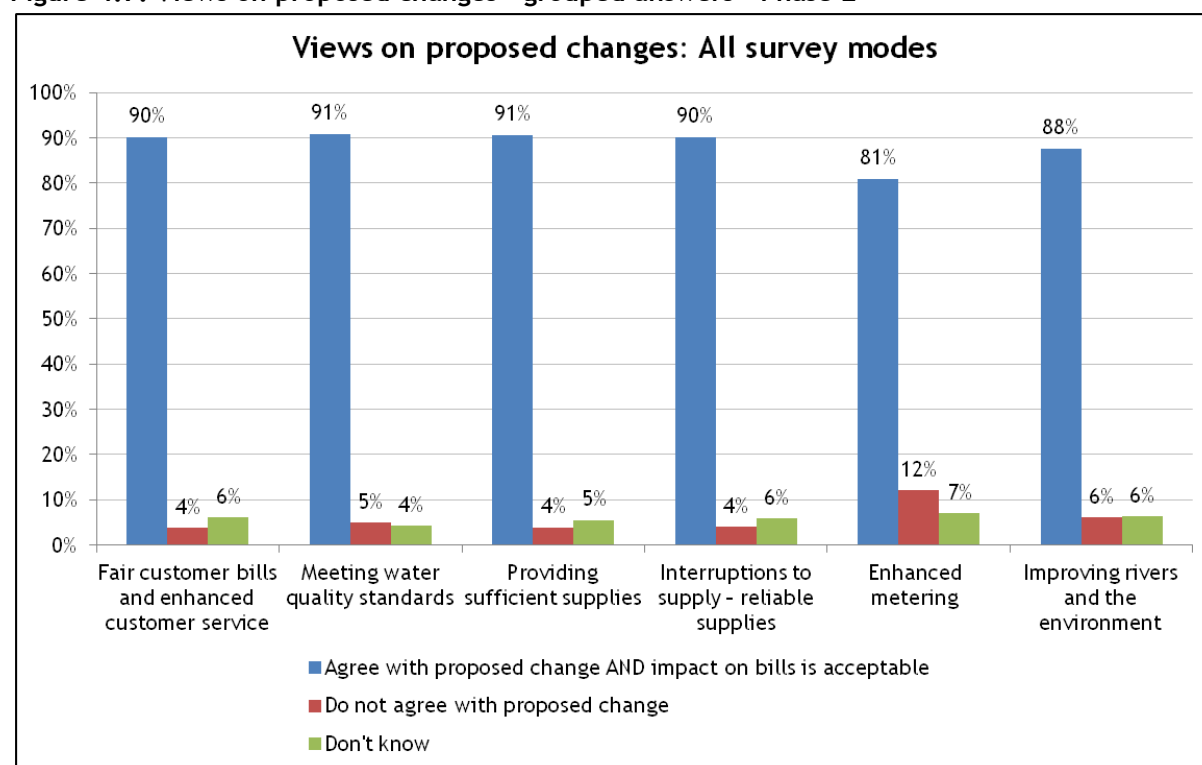**Figure 4.6: Views on proposed changes – grouped answers - Phase 1**

Figure 4.7: Views on proposed changes – grouped answers - Phase 2

5   Conclusions

5.1   Summary

The overall objective of the *PR14 Acceptability study* was to understand customers' views on the proposed business plan and to provide South Staffs Water with a customer mandate to put into operation the Business Plan that has been tested in the acceptability research.

The acceptability research has tested customers views on specific investments proposed for the five year period from 2015 to 2020, potential amendments to the proposed plan and the profile of bill changes.

The study presented customers with an itemised bill tailored to the customer's existing bill amount. The results of the study are based on a large scale sampling of household and business customers across the Cambridge and South Staffs regions. Analysis of the results has included statistical analysis to examine the drivers of acceptance. Overall the study provides robust estimates of acceptance that can be used to support the business plan development and submission.

5.2   Key findings

The Key findings are:

- Overall the level of acceptability is 87%. At a regional level the level of acceptance is 89% for the Cambridge region and 87% for the South Staffs region.

- Compared to Phase 1, which presented a 1.7% bill increase, the results show that acceptability has increased both overall and in each of the regions. This increase has been larger in the South Staffs region than the Cambridge region. This may be due to the fact that acceptability was significantly lower in the South Staffs region in Phase 1.

- Customer satisfaction is currently very high with 97% of customers stating they are either 'very satisfied' or 'fairly satisfied' with the service they receive.

- While the majority of customers find their water bill affordable, a sizeable number have difficulty paying (1 in 6 in the South Staffs region and 1 in 10 in the Cambridge region).

- The results show the proposed plan is acceptable to the majority of customers (87%). The findings show that acceptability increases as they are more informed about the plan.

- Customers favour steady bill changes when asked about the bill profile up to 2020.

- Customers supported the costs associated with being a small company given the potential local benefits. 90% were very or fairly content to continue paying the Small Company Premium.

- Acceptability is linked to customer characteristics such as socio-economic group and differs across regions. The level of acceptance is still 86% overall for the lower socio-economic group (group DE).

- When the change in the water bill was presented alongside a reduction in the sewerage bills acceptability increased to 92% for households.

- Overall the plan appears well balanced.

Document Control

Version History

Version	Date	Comments
1.0	12 June 2014	Draft issued to South Staffs Water
2.0	21 June 2014	Issued following comments from South Staffs

Distribution

Version	Owner	Proof read by	Issued to
1.0	Amanda Borrmann	Lisa Gahan	Rachel Barber
2.0	Amanda Borrmann	Lisa Gahan	Rachel Barber