

Water bills made affordable

A blueprint for targeted
support

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With modelling by:



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About this report

This report has been developed through a collaboration between Citizens Advice, IPPR and Policy in Practice.

- **Citizens Advice** has led the design of the blueprints to propose effective and sustainable targeted bill support across essential markets.
- **IPPR** has led the economic modelling using IPPR's tax-benefit model, mapping the impact and costs of different levels of support across each market.
- **Policy in Practice** has led on how technology and data can increase up-take, drawing lessons from its partnerships with a third of UK councils and utilities across the country to improve access to social tariffs and other essential support.

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Executive summary

The impact of rising bills is pushing families and households into crisis. For many people, the cost of essentials has simply become too high. In 2025, half of the people in debt who came to Citizens Advice for help were in a negative budget, where their essential expenses exceeded their income.

Targeted bill support offers a clear route forward to tackle the inequality of rising bills. To protect low income households, effective targeted bill support focuses financial relief on people who feel these struggles the hardest.

This blueprint, co-created by Citizens Advice, IPPR and Policy in Practice, lays out a path forward towards targeted bill support in the water market. This is one of five blueprints spanning essential markets - broadband, energy, motor insurance, water and an overall approach facilitated by automation.

In April 2025, households in England and Wales saw a steep hike to their bills rising to a national average of £603 (2025/26), amounting to a 26% increase compared to the previous financial year.¹ Our latest polling showed that nearly 1 in 5 bill payers (19%) couldn't always afford their water bill in the last 12 months.²

We recommend a single social tariff. Our proposed solution offers targeted bill support to those facing water poverty. We recommend that support is targeted at households with an average weekly income of £300 and below, or in 5% water poverty (defined as spending more than 5% income after housing costs on water). This supports 1.9 million households, with an average annual discount of £273. This would lift 580,000 households out of 5% water poverty, equating to a 2.3 percentage point reduction in 5% water poverty (9.4% from 11.7%).

¹ Water UK, [Average annual bill changes 2025-2026](#)

² Citizens Advice, [One in five struggled to pay water bill in last year](#), September 2025

The scheme we've designed uses the amount of funding already allocated to social tariffs in the 2024 Price Review (PR24) process.³ We model the discount as a flat rate reduction, where each household receives the same discount. However, water bills vary widely by region and household size, so we recommend that the Department for Environment, Food & Rural Affairs (DEFRA) explore distributing support as a percentage reduction on bills.

Current social tariff schemes administered at the local water company level suffer from persistently low uptake. But using income levels makes the single social tariff easy to implement. The government already has the income data to deliver support automatically to anyone who meets the eligibility criteria and is receiving means-tested benefits. Automation is already the approach in the energy market with the Warm Home Discount (WHD). Those who are not receiving a means-tested benefit would apply manually over the phone or online, with the possibility of expanding auto-enrolment if HMRC income tax data sharing opens up in future.

This government has promised a profound transformation of the water sector and is acting fast to achieve this. This includes the Independent Water Commission's review of the sector led by Sir John Cunliffe, and the government has promised to consult on a National Social Tariff for England,⁴ along with the other recommendations from the review in late 2025. This provides a momentous opportunity to reform water affordability support.

These blueprints are the culmination of a partnership project, which has released four reports since September 2024. These outline the guiding principles of targeted bill

³ PR24 is Ofwat's process for regulating water bills over a 5 year period from 2025 to 2029. This means our discount model could be delivered using the funding already embedded in customer bills. However, our model treats it as an additional £500m cross-subsidy and its impact is assessed against a baseline that still assumes current local social tariffs remain in place, as these cannot be removed from the model. In other words, while the discount could be funded from the existing cross-subsidy, the model does not capture the consequences of withdrawing support from local schemes. Because the future of local schemes is uncertain, the overall effect is difficult to predict. If all the funding from these schemes were instead redistributed through a single social tariff, a likely outcome is that more households would fall into water poverty and therefore become eligible for support under our model. As a result, the available funding would need to be shared across a larger group of customers. However, an additional premium would not be added to bills.

⁴The Independent Water Commission recommends that the UK government use the Water Special Measures Act (2025) to create a National Social Tariff in England. As the Welsh Government does not hold the same powers, the commission recommends they instead review the two Welsh water providers' existing social tariffs and ensure they are producing equitable outcomes. Our modelling assumes a single social tariff across England and Wales and so is indicative of what water social tariffs would look like if they were equitable and standardised for consumers across both nations.

support ([Securing Life's Essentials](#)), the barriers people face to bill support ([Barriers to Access](#)), different methods of targeting bill support ([Essential Potential](#)) and practical ways to implement support ([The Art of the Possible](#)).

Water bill support blueprint

In April 2025, consumers saw a steep hike to their bills which averaged £123 per year (for 2025/26), and amounted to a 26% increase compared to the previous financial year.⁵ The average annual bill for 2025/26 will be £603.⁶ Nearly 1 in 5 bill payers (19%) couldn't always afford their water bill in the last 12 months.⁷ Of these, 31% said their difficulties started after the April bill rises and 52% said they already had difficulties affording their bills but the price rises had made them worse.⁸

This government has promised a profound transformation of the water sector and is acting fast to achieve this. The Independent Water Commission's review of the sector led by Sir John Cunliffe published 88 recommendations.⁹ The government has immediately committed to taking forward some of the recommendations, including the abolition of Ofwat and establishing a new powerful and comprehensive regulator for water.

However, consumers must not be forgotten during this transition. Amid all-time low consumer trust in water companies,¹⁰ it's essential that the most financially vulnerable are shielded from bill hikes already baked into the PR24 process in upcoming years. One of The Independent Water Commission's recommendations for consumers was the introduction of a National Social Tariff in England and for the Welsh government to review support in Wales to ensure it is equitable. This is something consumer advocates and water companies have long been advocating for to replace the current patchwork of local water provider social tariffs with a single and equitable way of distributing support.

The government has promised to consult on this, along with the other recommendations from the review this year. This provides a momentous opportunity to reform water affordability support – it is an opportunity to build bill support in the market from the ground up, and learning from what has been achieved in the energy market. DEFRA should seize this opportunity to build an excellent scheme.

Bill support would be invaluable for people like Sara:

⁵ Water UK, [Average annual bill changes 2025-2026](#)

⁶ Water UK, [Average annual bill changes 2025-2026](#)

⁷ Citizens Advice commissioned survey conducted by Yonder Consulting, July-August 2025

⁸ Citizens Advice commissioned survey conducted by Yonder Consulting, July-August 2025

⁹ Department of Food, Environment and Rural Affairs, [Ofwat to be abolished in biggest overhaul of water since privatisation](#), July 2025

¹⁰ Consumer Council for Water, [Overall trust in water companies falls again as customers question fairness of bills](#), May 2025

Sara's* story¹¹

Sara has struggled with the increasing cost of water and energy bills, and affording costs for her child such as a school uniform. Sara has tried to reduce water usage as much as possible, including taking her son to his grandparents' house to use their shower multiple times a week. Despite these efforts, she has still fallen into water arrears. Sara relies on additional support from friends and family to help afford food and school items, whilst she uses most of her income on essential bills.

What targeted bill support / social tariffs are currently available?

At present, every major water company offers a social tariff. However, each scheme is designed and funded separately, setting its own ways of determining eligibility, discount model, and the level of support. In February 2025, we reviewed the tariffs on offer across companies and found that they varied widely:¹²

- Out of 19 schemes, **eligibility** was defined as an annual income limit for 5 schemes, 4 were based on income and expenditure assessments, 2 used means-tested benefits, while 8 used a hybrid of these criteria.
- As for **discount models**, 7 applied a bill cap, 3 applied a percentage discount, 7 offered banded discounts, 1 offered a reduced charge for water used, and 1 offered a fixed cash discount.

This creates a 'postcode lottery' for consumers, where people in exactly the same financial position are entitled to vastly different levels of support with their water bill, depending on where they live. In February 2025, we looked at the financial situation of someone who was struggling with their water bill and calculated what support they would have received in different areas of the country:¹³

¹¹ Case studies are real life examples from people who have come to Citizens Advice for help. Names and certain details have been altered to protect anonymity.

¹² Citizens Advice, [Barriers to access: Why water and broadband social tariffs aren't reaching struggling households](#), March 2025

¹³ This analysis was conducted in February 2025. Water companies may have changed the level of support their schemes provide when bills went up in April, but this is illustrative of different levels of support that result from the postcode lottery.

Jerome* is living with his 6-year old son. He works part-time alongside childcare. His income from part-time work is topped up by Universal Credit, totalling just under £19,000 per year. He is not yet in water arrears, but he's finding it difficult to make his monthly budget add up, as the cost of monthly bills seems to just keep rising. Struggling to cope, he is ending up further into his overdraft each month.

In three different areas of the country, Jerome would be entitled to a totally different level of support:

- In Portsmouth, his annual water bill would be capped at £91 per year.
- In Bradford, his annual water bill would be capped at £364 per year.
- In Liverpool, he would not receive any reduction. The average annual water bill in this area is £481.

A single social tariff would pool cross-subsidy funding into a shared pot across suppliers and then distribute it equitably among eligible households.

Barriers to support

The postcode lottery is not the only problem with the current design of the system, it's also that sign up processes are leading to low uptake. Just as each water company designs their social tariff scheme, there is a wide variation in the administrative processes to sign up. Some are more complicated than others. Our Barriers to Access research traced the consumer journey switching to a social tariff from start to finish, mapping the barriers along the way. It revealed the following hurdles facing consumers:¹⁴

- **Low awareness and inconsistent provider signposting.** Awareness of water social tariff has remained persistently low and two out of five (39%) people who fell behind on their water bills were not signposted to a social tariff.
- **Eligibility criteria can be complex and difficult to navigate.** There is a wide variation in how complex eligibility criteria are, and some providers have multiple schemes, sometimes making it difficult for consumers to understand if they qualify.
- **Application and sign-up processes often remain overly burdensome** causing difficulties for certain groups. For instance, requirements to provide proof of benefit documents or payslips are difficult for those who are digitally excluded, and long income and expenditure assessments are hard for those with mental health difficulties.

¹⁴Citizens Advice, [Barriers to access: Why water and broadband social tariffs aren't reaching struggling households](#), March 2025

Even after the April bill rises, our research found that only 16% of consumers say their water provider has told them about ways to reduce their bills since April. This figure rises slightly to 18% among low-income households and 30% among those who say they can rarely or never afford their bills.¹⁵ The government must take a new approach and ensure support is delivered automatically to people who are eligible wherever it can be.

¹⁵ Citizens Advice, [One in five struggled to pay water bill in last year](#), September 2025

Blueprint design

Eligibility criteria

There is a broad industry consensus, which we support, that a water social tariff should be targeted at households facing water poverty. The core purpose of bill support is to support households that cannot afford their essential costs. At Citizens Advice, we identify these households by looking at our 'negative budget' metric, which is when someone's income is not enough to cover their essential costs.

Water poverty (defined as spending more than 5% income after housing costs on water) is not a perfect measure – some households above the threshold will still be struggling to pay their bills – but our analysis confirms a substantial overlap between households in water poverty and those in negative budgets.¹⁶ Therefore, targeting the scheme around the established metric of water poverty makes sense and will ensure good targeting.

We also know that current schemes fail to reach struggling households because of the barriers in application processes. Wherever possible, support must be delivered automatically to households that are eligible. This means designing eligibility criteria with automation in mind by avoiding criteria where the data is not available to deliver automation.¹⁷

To achieve this, we propose using a dual-eligibility criteria, where households qualify if they are below a certain income threshold OR in water poverty at 5%. This ensures precise targeting while boosting uptake through automation.

We modelled the following eligibility criteria:

- Weekly household income of £300 and below, or in 5% water poverty.
- Weekly household income of £400 and below, or in 5% water poverty.
- Weekly household income of £500 and below, or in 5% water poverty.

To interrogate the suitability of income thresholds, we balanced two things:

- Accuracy (the proportion of households under the threshold who are in water poverty).

¹⁶ In 2024, three quarters (76%) of people we helped with debt advice who were in water poverty (at the 5% threshold) were also in a negative budget.

¹⁷ Citizens Advice, [Barriers to access: Why water and broadband social tariffs aren't reaching struggling households](#), March 2025

- Reach (the proportion of all households in water poverty it captures).

Table 1: Water poverty at 5% level by weekly household income threshold

Weekly household income	Accuracy: Households under this income threshold who are in water poverty	Reach: Percentage of households in water poverty who fall under this income threshold
£300	64%	53%
£400	47%	73%
£500	36%	89%

As the income threshold rises, the overall reach improves, but accuracy declines (e.g. at the £500 level, only 36% of households are in water poverty). We have chosen the eligibility criteria with the £300 weekly income threshold because it is most impactful on water poverty (as outlined in the section below). The £300 income threshold also provides good accuracy for water poverty, with almost two-thirds (64%) of households under this limit also being in water poverty – ensuring efficient use of cross-subsidy funds.

The one-third of recipients who do not meet the 5% water poverty criteria but are still below the chosen income threshold, are in the lowest income decile before housing costs, enabling the financial support to be used as effectively as possible. Half of all households in water poverty are under this income threshold (53%), and the remaining half of all water-poor households that are above the income threshold will still be eligible through the secondary 5% water poverty criteria with a manual sign-up route.

The income threshold eligibility would need to be updated each year to make sure it rises with increases to household incomes to maintain its effectiveness.

We have decided not to include 3% water poverty as a criteria because this pulls households with much higher income.¹⁸ This would make a scheme based on water poverty at the 3% threshold much more expensive to fund, and risk poor targeting of funds from the consumer cross-subsidy.

¹⁸ 3% water poverty is defined as households spending 3% or more of their income (after housing costs) on their water bills.

Cost & impact

We have used the estimated £500 million¹⁹ social tariff funding allocated through PR24, exploring the impact of distributing this fixed cost according to our 3 scenarios.

We recommend that DEFRA explore whether this would be best distributed as a percentage discount on bills; however, in this modelling we have distributed the £500 million equally across eligible households as a voucher discount.

Our modelling covers England and Wales.²⁰ For more information on this modelling, please see this [annex on our methodology](#).

¹⁹ We estimated £500 million by using the forecasted [£650 million](#) total annual funding for social tariffs across all companies by the end of the PR24 period. As this includes WaterSure and social tariff funding, we used previous spend of WaterSure and social tariffs to calculate approximately 80% allocated spend is for social tariffs. We have used the 80% assumption for the allocated £650 million annual funding. Shareholder contributions have not been removed from this calculation.

²⁰ The Independent Water Commission recommends that the UK government use the Water Special Measures Act (2025) to create a National Social Tariff in England. As the Welsh Government does not hold the same powers, the commission recommends they instead review the two Welsh water providers' existing social tariffs and ensure they are producing equitable outcomes. Our modelling assumes a single social tariff across England and Wales and so is indicative of what water social tariffs would look like if they were equitable and standardised for consumers across both nations.

Table 2: Modelled targeted bill support for water²¹

Eligibility	Take-up	Annual discount amount	Number of supported households	Number of households lifted out of water poverty ²²	Annual average cross-subsidy cost to a household ²³
<£300/week or 5% water poverty	51%	£273	1.9 million	580,000 (2.3 percentage point reduction)	£19
<£400/week or 5% water poverty	49%	£197	2.6 million	380,000 (1.5 percentage point reduction)	£19
<£500/week or 5% water poverty	48%	£142	3.6 million	240,000 (1 percentage point reduction)	£20

The cost of the scheme has been modelled to be funded as a cross-subsidy paid by all bill payers.

As you can see from the table above, expanding eligibility to households with higher levels of weekly income increases the number of households that would be eligible for support, but the trade off is that it reduces the amount of discount that each household receives. Based on which scenario is most effective at reducing water poverty, **our recommended eligibility criteria are households with an average weekly income of £300 and below, or 5% water poverty.**

From our modelling analysis, the chosen approach targets around 1.9 million households (which is 1.7 million households less than the £500 and below threshold). Implementing support for the £300 and below weekly household income group would result in **1.9 million households receiving a discount of £273 per household.** This scenario provides support to a smaller number of households, but each eligible household receives a higher discount.

²¹ Modelling is in addition to existing local social tariffs. Refer to the [Methodology Annex](#) for further detail.

²² 5% water poverty before bill support intervention is modelled at 11.7%.

²³ The cross-subsidy is presented as the median amount, some households would pay more or less depending on their initial bill expenditure.

Overall, targeting support on the £300 and below weekly household income group has the greatest impact on reducing 5% water poverty to approximately 9.4% from 11.7%.

In practice, this would make a huge difference for people like Jan.

Jan*'s story

Jan has a long-term health condition and is a single parent of 3 children, who all live at home with her. Jan is on a low income and is struggling to afford her water bills because of the increased cost of water, energy and food. Her water bills come to over 5% of her household income after housing costs, and she has fallen into water arrears. She's particularly worried about affording bills as she will soon lose Child Benefit and the child element of Universal Credit for her eldest next month.

Her annual water bill is £360. After receiving the bill support, Jan's bill could be reduced to £125. This support will be invaluable for Jan and her family.

Implementation

While we have modelled a flat discount rate, with the same pounds and pence reduction going to each eligible household, we would encourage DEFRA to explore distributing it as a percentage reduction in bills. The price of water bills varies significantly across different regions and larger households with higher usage also have higher bills. Therefore, although it would be more complex to deliver, it may be more effective at combating water poverty to deliver this discount as a percentage discount.

The discount should be applied for at least one year, to provide meaningful bill support and to allow households to budget for their bills. The discount can be automatically applied to households receiving means-tested benefits who are eligible under the income threshold.

To enable automated support, the means-tested benefit recipient or their partner would need to be named on the water bill, and DWP would need to undertake a data matching process. This approach is proven: in 2024/25, 96% of payments as part of the Warm Home Discount scheme in England & Wales were successfully made automatically through data matching.²⁴

²⁴ Department for Energy Security and Net Zero, [Warm Home Discount statistics 2024 to 2025](#), June 2025

For households that do not receive means-tested benefits, currently there is no automated process available. Households will need to manually apply for the discount. However, for households eligible through income thresholds, there is the potential for future automation using data checking with HMRC income data.

There are challenges for automation for households eligible through the 5% water poverty criteria. As water poverty requires using income after housing costs, the government only has this data for means-tested benefits recipients who are tenants. It also requires household bill data; water providers will have this data but linking it with household income would require DWP or a trusted third party for data protection. Without automation, we must accept that this will limit the possible take-up rate under the water poverty criteria.

To support the groups that cannot be auto-enrolled, we recommend a comprehensive national communication strategy to inform households of the single social tariff. A helpline and online application portal should be established to enable manual sign-up. And all social tariffs should be available through streamlined 'Apply Once' journeys on the GOV.UK listed benefits calculators, as called for in Policy in Practice's Art of the Possible paper.

Sign-up routes & data matching

This section was written by Policy in Practice, to outline practical implementation and data matching needs.

- **Scheme outline (income criteria):** Automatically applied to households on means-tested benefits based on household income, and available on application for those not on means-tested benefits
 - **Most similar existing scheme:** Warm Home Discount
- **Scheme outline (water poverty criteria):** Available on application to households where they are in 5% water poverty
 - **Most similar existing scheme:** Broadband benefits checker API

Considering the income criteria for households on means-tested benefits

This group could be automated using an approach based on the Warm Home Discount approach.

On **data availability**, household income is available for people on means-tested benefits. The main trade-off is that non-dependent income is not available.

Non-dependents are people who live in the same household but are not dependent on the benefit claimant, which can include adult children in employment or a flatmate. The scheme works around this limitation by assuming their income is zero.

A **legal gateway** is already in place and would serve this purpose. We do not foresee **implementation** challenges as this would follow the Warm Home Discount model. The intention is that the water company would apply the discount to water bills throughout the year, rather than just before winter as for the Warm Home Discount. Therefore, the data matching process to identify new claimants would be monthly or quarterly. This should not be a problem as such data matching will be automated. The proposed annual checks to see if the customer still qualifies would likewise be automated. Citizens Advice have proposed that the matching is run by DWP, but DWP can choose to use a Trusted Third Party model - for more details, see the annex "Data Sharing for Implementing Targeted Bill Support".

We expect that water companies would be responsible for communicating with customers and their call centres would handle any concerns, e.g. people who miss out because of the matching.

Considering the income criteria for households not on means-tested benefits

Data availability: This group cannot be automated as there is no reliable collection of income at a household level for people not on means-tested benefits. Customers in this group would need to apply directly with the provider or through an Apply Once journey from a benefits calculator. They would need to declare their household composition and the incomes of people in their household.

To avoid the complex process of sending documentary evidence like payslips to your water company to sign up, and presumably annually to renew, we propose that water companies can use an API to confirm with HMRC and DWP that a household's income is below the threshold on application and again at renewal. There are some challenges, but ones that we believe can be overcome. More detail is available in the annex "Data Sharing for Implementing Targeted Bill Support".

A **legal gateway** already exists, so this is no issue. The **implementation** challenges are addressed above with the income API.

Considering the 5% household water poverty metric

Citizens Advice does not propose that this group is automated at first because of potential challenges with using proxies for housing costs in a statutory national

scheme. As our work with Thames Water shows (profiled in [The Art of the Possible](#) report), it is possible to automate complex metrics like water poverty for people on means-tested benefits. We have discussed this as a 'go-further' option in the "Data Sharing for Implementing Targeted Bill Support".

Data availability: As this is not proposed to be automated at first, information on household income, and housing costs can be collected from the individual on application and at renewal. The water bills could be provided by the water company. We would propose an API for income verification (set out above).

A **legal gateway** already exists, so this is no issue. The **implementation** challenges are addressed above.

The complexity of the information required speaks to the value of using benefits calculators like our betteroffcalculator.co.uk (free to the public), as these can assess eligibility for water social tariffs alongside other support like DWP and local benefits, other social tariffs, and debt support. We called for "All water and energy and broadband companies to implement Apply Once with the GOV.UK endorsed benefits calculators" in our Art of the Possible paper.²⁵ Such an approach means that (a) the government would have a clear and simple message that to get onto social tariffs, use one of the calculators, and (b) that social tariffs and other support reaches people in their hour of need - because these calculators are routinely used in debt collection journeys and by housing associations, Citizens Advice offices, other charities, and local authorities when supporting people in financial hardship.

For further information on implementation, please see this annex on [Data Sharing for Implementing Targeted Bill Support](#).

Transitioning from existing schemes

The government and water providers will need to consider the future of existing local social tariff schemes, and how a single social tariff will interact with these schemes. Our modelling is based on the amount of funding already embedded in customer bills. However, it is modelled as an additional £500m cross-subsidy and its impact is assessed against a baseline that still assumes current local social tariff provisions remain in place, as these cannot be removed within the model.

In practice, though, either the funding from existing schemes needs to be redistributed in a single social tariff, or if local schemes are to still exist, bills would need to be raised to ensure there's enough money in the pot to deliver a successful national social tariff.

²⁵ GOV.UK, [Benefits Calculators](#)

Keeping existing local provider social tariffs would maintain the postcode lottery of support that we are working to eliminate, and so we think that existing cross-subsidy funding should go into funding a single social tariff to be distributed equally. However, this should be done in a phased and managed way, with recipients of local tariffs being rolled over once their entitlement to their current scheme comes to an end.

As well as ongoing bill reduction schemes like social tariffs, local water companies also offer other financial support schemes, such as debt matching or hardship funds. We think that ongoing bill reduction schemes should be standardised in a single social tariff, but the other kinds of financial support should continue to be available from each provider at a local level.

Cliff edges

Using income level and water poverty as eligibility criteria reduces cliff edges, compared to when using means-tested benefits. This is because households that are not claiming means-tested benefits but are low-income or in water poverty are able to access support.

However, as the scheme is cross-subsidised by consumers, households who are on the cusp of eligibility will miss out on support, and experience increased bills. Some of these households will be pushed into water poverty as a result. Our modelling of the impact social tariffs have on water poverty takes into account the number of households this could affect, presenting the net reduction of households in water poverty.

If eligibility checks through data matching are conducted every 12 months, there is a risk that households with variable income who fall in and out of eligibility could miss out on support during the checking period. The ideal scenario would be to have these checks repeated quarterly or monthly to capture anyone who becomes eligible and for the discounts to be applied pro rata. However, we recognise this would add administrative complexity.

Receipt of the social tariff should still last one year once identified as eligible to allow for support to last a meaningful length of time. Consideration also needs to be given to eligible households moving house into the catchment of a different water provider. This could be triggered when they sign up for a new water provider. Ideally, the discount should be automatically transferred to the new account to avoid a gap in support and higher than budgeted water bills.

Modelling decisions

Take-up of support for eligible households

The take-up rate is based on a weighted average of those on means-tested benefits with qualifying income having a take-up of 70%, and those with qualifying income not on MTB or those who qualify under the water poverty criteria of 25%.

Modelling with existing local social tariffs

The cost and benefits modelling uses a baseline which includes the bill reduction from existing local social tariff schemes. Therefore, the benefits gained from this proposed single social tariff are additional to the impact of existing bill support. We have kept the impact of the current schemes in the modelling because of the future uncertainty of the schemes, and to maintain the accuracy of the modelled household expenditure data.

Assuming the scheme is funded only by cross-subsidy and within the £500 million, it will require approximately a 3.2% increase in household water bills to fund. Whilst this £500 million has been incorporated into anticipated bill increases through PR24, depending on how cross-subsidy for existing schemes transitions into a single social tariff, then the total cost of social tariff schemes could increase.

Improvements in take-up

The relatively low expected take-up of the discount by eligible households who cannot be auto-enrolled limits the effectiveness of the scheme. Whilst there is potential for increased take-up over time with roll-out and improved automation of the scheme, it is unlikely that all eligible households will receive support.

We looked at the cost of completely eliminating water poverty, but it was highly unlikely to be workable through cross-subsidy alone, as it would push non-eligible households' bills up too far.

Funding

There are several ways the single social tariff could be funded. Choosing how the scheme is paid for will impact the number of households raised from water poverty, and the amount households will need to pay to cross-subsidise the scheme.

Recommendation

We recommend that the government invests in administration costs and data matching practices, and that the cost of the scheme is funded by industry cross-subsidy. To ensure the scheme's success, DWP needs to be given a clear remit and appropriate resources to deliver this data matching function at scale for the water sector. We estimate this cost to be around £15-£20 million based on estimations for the 2025/26

WHD.²⁶ This is an area where we would expect it would be possible to achieve cost efficiencies through systems being developed centrally, as existing technology is already used in existing models like the WHD.

The government should also consider short-term transition funding, to support households with the rising cost of water bills and to ease the transition from local schemes to a national scheme. As consumers roll off local providers' social tariffs and onto a single social tariff, short-term transition support would ease the pressure of water bills, and this additional funding could come from a cross-subsidy within the industry, or from the Treasury.

Funding options

1. **Cross-subsidy**, which could be on top of the existing cross-subsidy of local social tariffs.
 - The cost of the scheme would be paid for by all bill payers.
 - In our modelling, this option would have the highest additional cost for non-eligible households, estimated at an average of £19 per year, potentially alongside existing social tariff costs.
 - This option would take 580,000 households out of water poverty.
2. **Additional funding from the Treasury**, which could be on top of existing cross-subsidised local social tariffs.
 - This is the most progressive option as the cost can be raised by taxpayers. It also reduces the extent of cliff edges for households on low incomes who marginally miss out on support, because they would not experience bill increases.
 - This has the greatest impact on water poverty, taking an estimated 760,000 households out of water poverty.
3. **Combination of cross-subsidy and funding from the Treasury.**
 - The cost could be split by bill payers and the Treasury. Our modelling shows this reduces the cost added on top of water bills to an annual average of £10.
 - This option would take 670,000 households out of water poverty.

We have modelled the impact of who pays using the household weekly income of £300 and below, or water poverty eligibility.

²⁶ Department for Energy Security and Net Zero, [Expanding the Warm Home Discount Scheme 2025/26: Impact Assessment](#), April 2025.

Table 3: Funding options for water targeted bill support

Bill payer contribution (annual)	Taxpayer contribution (annual)	Average net bill reduction for eligible households ²⁷	Impact on 5% water poverty	Impact on household water costs from cross-subsidy	
				Additional annual costs	Percentage uplift
£500 million	£0	£250	580,000 households out of water poverty (2.3 percentage point reduction)	£19	3.2%
£0	£500 million	£273	760,000 households out of water poverty (3.0 percentage point reduction)	£0	0%
£250 million	£250 million	£262	670,000 households out of water poverty (2.7 percentage point reduction)	£10	1.6%

²⁷ The net bill reduction is the annual discount minus the bill percentage uplift to cross-subsidise the scheme.

Unused levers

We have decided not to explore the following:

- **The cost of eliminating water poverty** is not practical and implementable in the short term because of the extent of water poverty. We have decided to focus on addressing water bill affordability for households in the greatest need of bill support.
- **Matching the level of support of existing local schemes.** Some water providers are able to offer high levels of support and caps on bill prices for eligible households. This has a positive impact on reducing bills for households that are struggling financially. However, many of these schemes have low uptake and would not be financially viable to fund through cross-subsidy if available to households in every postcode across England and Wales and the uptake was increased. Our modelling focused on scenarios which would be sustainable to fund by cross-subsidy and remove the postcode lottery of support. As already mentioned, the government and providers should consider how households are best supported through the transition to a single social tariff.
- **How a cross-subsidy would be priced.** This includes whether a cross-subsidy would be priced as a fixed charge on all water bills or as a percentage reduction. We recommend that this be explored in future research, including whether cross-subsidy pricing would have different impacts for water metered and unmetered households.

In summary

- Targeted bill support offers a clear route forward to tackle the inequality of rising bills.
- Water bills are rising and contributing to the living standards crisis. In April 2025, households in England and Wales saw a steep hike to their bills, rising to a national average of £603 (2025/26).²⁸ Our latest polling showed that nearly 1 in 5 bill payers (19%) couldn't always afford their water bill in the last 12 months.²⁹
- We recommend a single social tariff, which offers targeted bill support to those facing water poverty.
- We recommend that support is targeted at households with an average weekly income of £300 and below, or are in 5% water poverty.
- Our modelling shows this would support 1.9 million households, with an average annual discount of £273. This would lift 580,000 households out of 5% water poverty, equating to a 2.3 percentage point reduction in 5% water poverty (9.4% from 11.7%).
- Investment in automated enrolment mechanisms would boost uptake.
- We recommend that the government invests in administration costs and data matching practices, and that the cost of the scheme is funded by an industry cross-subsidy.

²⁸ Water UK, [Average annual bill changes 2025-2026](#)

²⁹ Citizens Advice, [One in five struggled to pay water bill in last year](#), September 2025

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