

Amending C.O. advice

Energy



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Chase 14/11/79

Prime Minister

At E Committee on 17 October you asked for a note on existing energy conservation measures. I list below the existing schemes together with our proposal for a modest addition.

The Homes Insulation Act 1978 launched a 10 year programme to secure a basic level of insulation in existing buildings.

In the public sector this involves a specific allocation of resources to local authorities, housing associations and new towns to finance the insulation of lofts, pipes and water tanks. Expenditure qualifies for housing subsidy in the same way as other housing capital expenditure. (Annual provision £24m).

In the private sector the Homes Insulation Act 1978 provided for the payment of grants to private householders towards the cost of similar measures. The grant rate is 66%, with a maximum grant of £50 based on the estimated cost of insulating the average semi-detached house. (Annual provision £25m).

The background to this Act is that there are some 6 million homes without any form of loft insulation, approximately



$\frac{2}{3}$ private, $\frac{1}{3}$ public sector. An uninsulated loft can waste up to 25% domestic energy; a hot water tank with no jacket will waste at least £1 a week in energy. An estimated 1½ million of these uninsulated dwellings are occupied by elderly people with incomes at or below supplementary benefit level. During the first year of the grant scheme, only 12% of those insulating their dwellings were elderly householders.

During the passage of the Labour Government's Home Insulation Act last year, we pressed strongly from our front bench for special measures for the elderly and other cases of special need and eventually the Labour Government amended the Bill to enable such provisions to be made. I am, however, very keen to honour what I regard as a commitment to do something for the elderly and have proposed that we should increase the grant rate to 90% for elderly householders who receive either supplementary benefit or housing allowances. John Biffen felt unable to support this proposal on cost grounds, and you therefore concluded that this improvement to the scheme would have to wait.

The additional cost of this proposal can be accommodated within existing PESC provisions. The precise figure depends obviously on how many grants are applied for but our estimate



of the additional cost of each grant would total £1-1½m per annum. Even taking the Treasury view that every such grant should be expenditure taken at its total, rather than its incremental cost, the public expenditure comes out at about £4m per annum.

In view of the difficult announcement about higher fuel prices and against the background of a more limited scheme announced to help with winter fuel costs, I believe that this scheme is well worth adopting, both from the real benefits it could give to that sector of the community which suffers most during the winter and also its presentational benefits for the Government. Perhaps we could discuss it at an early meeting of E Committee?

I am copying this to colleagues on E.

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6 November 1979

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