



10 DOWNING STREET

Prime Minister 2

The Walker would like to create energy efficiency grants for insulation etc, absorbing grants already paid but with some net extra cost. I headed this up earlier because it had not been discussed with other departments. The Walker is keen on the idea and you will wish to be aware.

DRW

23/7

CCBG



*mf*

Prime Minister

ENERGY EFFICIENCY GRANTS

You suggested that the proposals in my minute of 14<sup>✓</sup> July should be discussed with the other Departments concerned. This is now in hand, and meanwhile you might like this report on where things stand.

David Hunt held a meeting last week with Tony Newton, John Major and Sir George Young. Officials from DHSS, D/Environment, Scottish Office and D/Employment were also present.

Both Tony Newton and Sir George Young, on behalf of their Departments, support my proposal in principle. (Although they were unable to be present I understand that Ian Lang, Michael Ancram and Mark Robinson have also expressed their support.)

They are both personally involved in supporting the voluntary sector insulation projects, and they accept that there is a strong case for doing more for low income households. They also accept that the Home Insulation Scheme is an excellent framework through which to channel the funds for any new scheme. The meeting therefore agreed with the objectives set out in the paper. Officials have now been asked to work out the details of the proposals, particularly on finance, and to report back quickly.

*mf*  
I hope that officials will have completed this work within about ten days. It may well be necessary to have a further meeting of David Hunt's group to discuss their report. But I would nevertheless hope to be able to submit an agreed proposal to you within about the next two weeks.

I am copying this minute to Norman Fowler, Nicholas Ridley, David Young, Malcolm Rifkind, Nicholas Edwards and John MacGregor.

*W. Hunt*  
Secretary of State for Energy

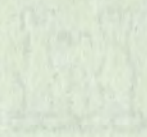
(Approved by the Secretary of State and signed in his absence)

22 July 1986

ENERGY Conservation PT2



COMPTON





CEBS

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PRIME MINISTER

ENERGY EFFICIENCY GRANTS

Note  
Junior Ministers from  
DoE, DEnergy and DHSS are  
to meet to sort out the facts.

DNW  
15/7.

NBPN.

One of the most successful schemes that the Government has supported is the introduction of voluntary insulation projects to help low income families to improve energy efficiency in their homes.

Four Departments have collaborated together: the Department of Health and Social Security, the Department of Employment, the Department of the Environment and my own Department. The result has been considerable activity from which the Department of Employment has already been able to find jobs for 5,000 unemployed and this figure will double over the next two years. It has been successful for the DHSS because one of the areas in which they have been most vulnerable is the heating problems of the aged and it of course has been an area where massive heating additions have been made to the order of £400 million a year to try to meet the social needs involved. The Department of the Environment have benefited in that it has created activity in both the materials and the building sectors for which they are sponsors. My own Department has benefited because it has been able to make a positive contribution to improved energy efficiency.

I do believe in the period of the next two years we could develop this collaboration in a very positive way which would be very cost

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effective in creating new jobs, very socially effective in helping the elderly and the low income groups and very effective in improving energy efficiency.

I understand that there are about to be major announcements affecting single payments which will give rise to further questioning of what our policy intentions are for the voluntary insulation groups. I also note from Nicholas Ridley's letter to John MacGregor of 13 June on his public expenditure programme that from his narrow Departmental view he is willing to make cuts in the Homes Insulation Scheme (which helps to underpin the work of these projects).

I think the politics of doing more are totally to the Government's advantage and the politics of doing less are disastrous. Having to be questioned twice a week in the House you are of course familiar with the allegations concerning those dying from the cold. You have always defended the position as I have on the massive increase we have made in this sphere. If we are now going to announce important changes affecting low income families we really ought to include some reference to positive and constructive measures which we can point to as our alternative. I enclose a paper which I had been working on with a view to consulting colleagues shortly and announcing a scheme before the end of the year. I hope that I will be consulted before any major announcement is made in this sphere.

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I am copying this minute to Norman Fowler, Nicholas Ridley, David Young, Malcolm Rifkind, Nicholas Edwards, John MacGregor, John Biffen, Norman Tebbit and John Wakeham.

A handwritten signature in blue ink, appearing to be 'D. G. Williams', is written over the typed name of the Secretary of State for Energy.

SECRETARY OF STATE FOR ENERGY  
14 JULY 1986

CONQUETOR



## ENERGY EFFICIENCY GRANTS

### HEATING ADDITIONS

In order to compensate for underpricing in earlier years, domestic fuel prices have risen since June 1979 by 130% (gas) and 92% (electricity) compared with the RPI which has risen by 74%. The Government has however been able to point to the greatly increased help for poorer consumers with heating costs. We now spend nearly £400 million a year on heating additions, £140 million more in real terms than when we took office.

### VOLUNTARY INSULATION GROUPS

In addition we have been able to point to the increasing numbers of voluntary insulation projects. My Department began sponsoring these groups in 1981 when there were five projects. Now there are 270 with over 250 more to come. This has become the biggest national initiative in the Community Programme. Over 200,000 homes have already been insulated and 5,000 jobs created. There will be over 500 groups by 1988/89 with over 10,000 people insulating 500,000 homes every year, many occupied by elderly, sick and disabled people.

### CHANGING BACKGROUND

The Social Security Bill abolishes weekly Heating Additions and Single Payments. There is now also a proposal from the Department of the Environment that the funds available through the Homes Insulation Scheme should be considerably reduced. The latter two moves would cripple the work of the voluntary insulation groups. The materials they use are funded three-quarters by DHSS Supplementary Benefit Single Payments for draughtproofing and one-quarter by Homes Insulation Scheme Grants for loft insulation.

We have however made it clear that the amounts spent on heating additions will be included in the resources for the proposed income



support scheme and that before ending single payments we would ensure that alternatives existed to secure the future of voluntary groups.

#### ENERGY WASTE

In Energy Efficiency Year we have highlighted the serious waste of energy in the domestic sector. The target improvement of 20% is equivalent to about £2 billion per annum. Insulation of existing homes could contribute about £1.4 billion. Three-quarters of the Homes Insulation Scheme Grants are at the level of 66% (up to £69 per applicant) without reference to the applicant's personal financial position. These grants are being very successful in improving the energy efficiency of the nation.

Amongst low income households the up-take of all insulation measures is well below the national average. A large part of the remaining uninsulated lofts and tanks are in such households.

#### ENERGY EFFICIENCY GRANTS

Many of the 8 million people in receipt of Housing Benefit and Supplementary Benefit face increasing problems with their fuel bills because of inadequate insulation and defects in the fabric. Any scheme should therefore concentrate on improving the energy efficiency of their homes.

The Homes Insulation Scheme administered by the Department of the Environment and the Scottish and Welsh Offices provides an excellent framework through which to channel the funds for any new scheme.

The voluntary insulation groups with their effective insulation service would provide a comparatively inexpensive means of channelling the necessary funds through to the disadvantaged.





I therefore propose we announce bold and imaginative proposals before the end of the year to provide an integrated package of assistance for those on low incomes. We should widen the present narrow eligibility criteria for the higher level of grants under the Homes Insulation Scheme to cover 100% Energy Efficiency Grants to all those in receipt of Supplementary Benefit and Housing Benefit. We should extend the scheme to cover not only loft insulation but also draughtproofing and other forms of insulation. Responsibility for funding this Scheme would fall to the Department of the Environment and the Scottish and Welsh Offices. The Energy Efficiency Grants would enable the voluntary insulation groups to continue and extend the range of the insulation advice and services they provide. The new scheme would start as from 1 April 1987.

MSC would continue to fund the employment costs through the Community Programme and my Department would continue its start-up financing of the groups.

#### COST

The forecast expenditure for the DHSS in 1987/88 on insulation materials is up to £20 million. The likely forecast for 1987/88 expenditure on the hitherto 90% Homes Insulation Grant is estimated to be up to £10 million.

My scheme would involve a programme of £50 million per annum which would enable an average of £100 each (up to £150 in particular cases) to be spent on 500,000 households every year ie further estimated expenditure of £20 million per annum with a limited further requirement to cover any associated administration costs.

#### CONCLUSION

This scheme will greatly improve the energy efficiency of low income households. As a result not only will people be more comfortable but in most cases their heating bills will be reduced. A difficult part of the housing stock would be improved. Thousands



of jobs would be safeguarded and many more created in what has been one of the most successful national schemes. A further stimulus will have been given to the construction industry. Above all the social benefits to the disadvantaged will once again demonstrate our commitment to a caring society in the most practical way possible.

