



PRIME MINISTER

ENERGY CONSERVATION AND EFFICIENCY

In his minute of 6 July the Secretary of State for Energy seeks your help in creating an effective Government organisation for energy conservation.

I am sympathetic to this aim and recognise its importance. I agree that the Department of Energy, through the Energy Efficiency Office, should be in the lead on energy conservation, determining the Government's strategy and co-ordinating our policies. And that applies to buildings.

But heating and insulation in buildings cannot sensibly be considered separately from the overall design and likely use of buildings. And this is just as true of housing as it is of schools and hospitals and other buildings. Yet there is a proposal that the Homes Insulation Scheme (HIS) should be transferred to the Department of Energy, involving as it does responsibility for £35 million spent on loft insulation grants to householders. This proposed transfer was essentially the crux of the argument between Peter Walker's predecessors and mine.

The main argument in its favour seems to be presentational. It would give, or appear to give, the Energy Efficiency Office greater resources. But the HIS £35 million are not free resources, to be spent at discretion. They are needed for mandatory grants for homes insulation, which are demand-led, within the annual allocation.

The arguments for retaining HIS in DOE are, in fact, substantial and were not sufficiently explored in the Rayner scrutiny.



First, it is desirable to keep responsibility for housing and home insulation together across the whole spectrum of housing activity and not hive off a small part of the work to another Department. It would be a small part because DOE would remain responsible for:

- a) Standards of design and construction of new dwellings via the Building Regulations, including basic standards for insulation.
- b) Home improvement grants for existing houses in the private sector for which there is a requirement that adequate insulation should be provided. (The Local Authority Associations have recently proposed that there should be a single home improvement grant system to include energy conservation and HIS. From their point of view as grant administrators a single system makes sense.)
- c) Remedies to housing defects in existing local authority flats and houses. The biggest single source of complaint and hence expenditure on remedying defects arises from dampness, condensation and mould. The causes are to be found in the interaction between energy use - or misuse - and the structure of the dwellings and the materials of which they are built. The problems on which my Department and the Building Research Establishment advise underline the importance of not dealing separately with heating and insulation from other aspects of housebuilding.
- d) Indoor pollution. This is a relatively new area of public concern now increasingly in the news. Apart from anxiety about the chemical properties of some insulating materials, eg urea formaldehyde foam, a balance has to be struck between increased insulation and less ventilation



against the need to disperse concentrations of potentially harmful substances inside the home. Examples are asbestos fibres from heating installations, heavy metals in house dust, and radon.

The fact that these aspects of housing are my responsibilities means that changes in the works that could be done via the HIS would need to be agreed with my Department. For instance the extension of HIS to cover draughtproofing is at present being examined with the encouragement of the Family Policy Group. Such a proposal cannot be considered on its own but must be looked at in terms of the effect on the dwelling as a whole - whether it would cause other problems, such as those in (c) and (d) above - and whether overall it would be beneficial.

Secondly, the administration of HIS is in my view more efficiently undertaken as part of my Department's arrangements for allocating and monitoring local authority housing capital expenditure. There is much greater flexibility if it is administered as part of the local authority housing programme. My Regional Offices are in constant touch with housing authorities and are the obvious source of advice on any problems affecting the administration of HIS, and on the allocation of funds to local authorities. DOE is accustomed to controlling grants to local authorities: this would be a new field for the Department of Energy.

Thirdly, the proposals to which Peter Walker refers in his minute fall well short of giving the Department of Energy a unified budget. They amount to the transfer of my Department's public expenditure on homes insulation grant while leaving similar expenditure in Wales, Scotland and Northern Ireland with the territorial departments. They take no account of energy conservation expenditure in schools, hospitals and other public buildings.



I see no rationality in this, and it is surely far-fetched to suggest that the transfer of the loft insulation element of DOE housing expenditure to the Department of Energy will have any significant impact on the nuclear power debate.

I am sorry, therefore, that I cannot accept Peter Walker's proposals for the transfer of the HIS in England. I am, as I have said, ready to support a strategic role for his Department with much greater coordination of all matters relating to energy conservation in buildings, including research. If this needs to be spelt out more fully, I should be very ready to see this done.

I am copying this minute to the recipients of Peter Walker's.

PJ.

PJ

18 JUL 83