



How to eliminate fuel poverty and not add one penny to the demands of public spending

As the squeeze begins on public spending a scheme first devised during the Second World War could be the saviour of domestic energy-saving programmes

Every political party acknowledges that the most cost-effective carbon savings can be realised by improving vastly the efficiency of the building stock.

To achieve this, there is a growing political consensus that the easiest way to square the circle, is to allow improvements to be made via loans incurred by borrowing against the value of the building. The necessary investments are funded by venture capital. With the capital being repaid with help from the lower fuel bills that then ensue. The underlying presumption is that pay as you save can only be pertinent for those able to fund such interest payments themselves. It is, if the relevant debt is the responsibility of the householder.

But what if the government itself was to become the debt-payer for households in true fuel poverty of which there are now estimated to be approaching 6 million? This obviates the need for government to finance the initial capital to improve the homes of those in fuel poverty. It simply finds the money to meet the interest payments. Following precisely the pattern followed for so many new schools, roads or hospitals.

The first such scheme on these lines was the Lend Lease arrangements set up with President Roosevelt in 1941, to provide the munitions to fight Hitler. Without this financing, few historians think that war could have been won. Climatologists tell us we have a similar war on our hands to combat global warming. We cannot begin to address this enemy if we are constrained by knowing how much energy price rises are damaging social equity.

Embracing Lend Lease when fuel poverty-proofing houses should ensure that we do obey the existing statutory requirement to abolish fuel poverty. Because only by eliminating fuel poverty first can we really create a low carbon future that is truly socially equitable.

But is there enough money around even to meet the necessary interest payments? At present the government is paying over £3bn a year to help those struggling with fuel bills. Only 10% of that goes directly onto capital payments, designed to improve the buildings themselves (through



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payers themselves. There are 6.4 million households who qualify for these payments who are nonetheless still paying income tax; indeed 400,000 of them are paying higher rate income tax.

These are the folk for whom WFP really means "we fund presents" (for the grandchildren). These are the folk who if they paid income tax at lowest levels on these £250 handouts would return to the exchequer around £250m: £215m is from the lower rate payers (taxed at 20%), £35m from the higher (taxed at 40%) .

Many (but not all) of those still paying income tax are understandably between 60 and 65. Were the starting age for WFPs to be aligned with the official retiring age of 65 that would free up some £658m. Indeed were all beneficiaries of the handouts who are paying income tax to be excluded, that would release no less than £1,157m.

Obviously proposing such sacrifices is predicated on one simple premise. That the funds are not squirreled away into the great maw of the Treasury, but are firmly ring-fenced, so as to help pay back the capital and interest on the Lend Lease scheme.

Let me spell out what would be the end result. It would be that within ten years, we should have an immeasurably improved building stock. Run-down communities would have been upgraded, thus reducing social and health costs. In the process of making those building improvements, we would have provided tens of thousands of jobs in the construction trade. Above all, we should have rid the UK once and for all of the scourge of fuel poverty.

We would have done all this, and not added one penny piece to public spending. Indeed we should end up making substantial savings, particularly via ancillary benefits like better health, family conditions, safer neighbourhoods.

There are two downsides. The first is that traditionally cautious public policy makers will have to take some radical new steps. The second is that the grandchildren of more affluent Britons may end up with a few less expensive Christmas presents.

programmes like Warm Front).

The vast bulk of the funding goes to provide Winter Fuel Payments (WFPs) for the elderly. Last year it required no less than a whopping £2.7bn of taxpayers money. No less than 12.4 million people over 60 received the money just before Christmas, worth £250 per household for those between 60 and 80, and £400 per household for those over 80.

No question. With average annual fuel bills now £1200, for many people receiving such financial help is absolutely invaluable. Despite not being particularly harsh, last winter was the worst for excess winter deaths this decade. How much worse would that cull have been in the absence of these WFPs?

But there is another side to this story. Over half of the recipients are in fact income tax

FURTHER INFORMATION

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