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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Young of Graffham
 Secretary of State for Employment
 Department of Employment
 Caxton House
 Tothill Street
 London
 SW1H 9NA

/6 September 1985

Dear David,

FRAUD STAFF

will request if required

Thank you for your letter of 12 September which emphasised your support for the proposal set out in Tom King's letter of 7 August to Peter Rees for increasing the number of fraud staff by 430 by April 1986 and by a total of 730 by April 1987. We will need to consider the proposal along with other running cost issues at the bilateral on 23 September.

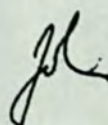
I fully accept the desirability of increasing the fraud staff. But in agreeing to some increase, E(A) concluded that "the possibility of offsetting manpower savings should be considered in discussion with the Chief Secretary." The overall position on running costs is such that I need to pursue seriously with you the maximum economies in your own running costs. This is something I suggest is best discussed at our bilateral in 10 days time. I hope you will give urgent consideration to the overall position so that we can reach a final decision then.

It may however be helpful if I make some preliminary comments. In his paper for E(A) Tom King had said that at an extra cost of £1.7 million for 100 fraud staff there would be benefit savings of £6.5m - i.e. a rate of return of 1:3.8 which I understand is about the present rate of return from the existing fraud staff. I was therefore surprised that the rate of return suggested by the figures in Tom King's letter was only just over 1:2.

Clearly the work of regional fraud teams in the Thames Valley has proved well worthwhile and some redistribution of manpower resources towards fraud work is justified. However, I suggest that we should examine the practicalities and cost-effectiveness of going for the exceptionally rapid expansion proposed in Tom's letter. As the experience of the Thames Valley experiment and other new work is examined I imagine it should lead to increasingly effective ways of using fraud staff. Therefore the expansion of staff numbers should be at such a rate that it allows account to be taken of developing experience in the use and deployment of fraud staff. Perhaps we could also look at an alternative increase of 300 fraud staff by April 1986 and 400 staff by April 1987, which still represents a significant expansion allowing proper account to be taken of developing experience. Clearly thorough monitoring arrangements will be necessary, as you suggested and as I know you would wish to have, to ensure that the expectations about benefit savings are being delivered.

Using the 1:3.8 rate of return, the savings made in the social security programme would rise in 1987-88 to about £33 million under the figures in Tom King's letter and about £20 million using the alternative manpower figures set out above. The savings will need to be taken into account in the estimates for social security given in the Autumn Statement. The savings should be very real even though they may not affect the rounded totals. I will assume that you and Norman Fowler are content with this arrangement unless I hear to the contrary by Thursday, 19 September.

I am copying this letter to the Prime Minister and to Norman Fowler.

Yours ever,


JOHN MacGREGOR

