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John MacGregor

FRAUD STAFF: EXPANSION

Thank you for your letter of 16 September in which you support an expansion of our anti-fraud operation but express some reservations about the pace and scale of what is proposed.

I cannot emphasise too strongly the priority which I attach to this programme. I am wholly convinced about the need for it both in terms of reducing fraud and in terms of highlighting the reality behind some of the current claims on the unemployment count. Moreover, the proposed expansion will be built on a proven, and rapidly improving, track record of detection and deterrence.

You refer in your letter to two, very different rates of return; the higher figure (1:3.8) was based on the maximum savings generated by a relatively modest injection of investigators who would have required little additional management or support staff. The 1:2 ratio represents the minimum returns to be achieved in the process of expanding and more than doubling the scale of our present operation. Currently we are obtaining a rate of return of 1:2.8 based on the developing expertise of our teams over some 18 months. I believe that we can certainly improve on this and I am looking for at least 1:3 in 1987-88 when our new staff are fully proficient.

In my letter of 12 September I also mentioned the register effect of fraud work. If we expand at the rate I want, I would expect a progressive register effect from the present 24,000 sign offs per annum to 50,000. This, together with the undoubted "knock-on" and deterrence effect, is by no means insignificant.

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As to the likely savings to be made in Social Security expenditure, the minimum savings of £18.8 million are, of course, dependant on an expansion to 730 staff. However, much greater savings can be projected using a 1:3 productivity ratio: the programme savings you may wish to discuss with Norman Fowler would therefore stand at around £27m in 1987-88.

We will, of course, pick this up in the course of our bilateral on 23 September, when I hope that we can also settle the implications for the rest of the current year.

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

Jan 4,
David

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