

CONFIDENTIAL*cc: [unclear]**Civil Service
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The Rt Hon Peter Rees QC MP
 Chief Secretary
 HM Treasury
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7th August 1985*Dr Peter***LONG TERM UNEMPLOYMENT**

At the E(A) meeting on 23 July it was decided that I should submit to you my proposals for deploying additional staff to combat benefit fraud over and above the 100 extra staff for which immediate authorisation was given. I have already taken steps to recruit those and hope to have them in post by 1 October. For convenience I am including that tranche of staff within my proposals set out below.

At E(A) I did explain that I felt the number of extra staff that could be employed on fraud work on a cost-effective basis could be as high as 1,000. I consider, however, that the approach should be to take on staff on a staged basis with a checkpoint built into the programme so that we can take stock and evaluate the results being achieved. We shall, of course, be closely monitoring the results achieved by the extra fraud staff from the start of their introduction.

For convenience I set out below the planned take on of the additional staff:

	<u>Target Date for recruitment</u>	<u>Target Date for operational working</u>	<u>Staff Numbers per tranche</u>
PHASE I	(1.10.85	31.12.85	130*
	(1. 1.86	31. 3.86	150
PHASE II	(1. 4.86	1. 7.86 checkpoint	150
	(1.10.86	31.12.86	150
	(1. 1.87	31. 3.87	150
PHASE III	1. 4.87 onwards - further input up to 270 according to operational results from Phases I and II		

* includes 100 staff already authorised.

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As you will see I have planned the phases to match the relevant financial years. The costs and benefits are as follows:-

	<u>Man years</u>	<u>Cost</u>	<u>Benefit Savings</u>
1985-86	102.5	£1.2m	£1.2m ⁺
1986-87	442.5 542.5	£5.3m £6.5m	£10.9m
1987-88	730*	£8.8m	£18.8m

⁺ benefit impact low due to staff training effort.

* option to expand by 270 not included.

These figures are based on a man year cost of £12,000 per annum for each addition and the benefit savings are calculated on the assumption of 22 weeks benefit savings at £35 a week (excluding housing benefit).

The benefit savings do, of course, occur on Norman Fowler's social security programmes which no doubt you will wish to take into account. The estimated savings are cautious and I have not attempted to use the higher indicator of 32 weeks benefit savings that can apply and is used by DHSS fraud teams for certain types of fraud activity.

I hope you will find this outline of my proposals helpful and my officials stand ready to discuss the details with you in advance of our PES meeting. I am sending copies of this letter to the Prime Minister and Norman Fowler.

