



Cabinet Office

Consultation on the expansion of the National Fraud Initiative Data Matching Powers and new Code of Data Matching Practice

February 2021

Document Control		
Version	Update	Date
1.1	Update to Timing and duration of this consultation reflecting extension by two weeks and now closing on 24 March 2021.	09/03/2021
1.2	Update to Timing and duration of this consultation reflecting extension by six weeks and now closing on 05 May 2021.	23/03/2021

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Contents

Introduction	3
1. Purpose	3
2. Who will be affected by proposals?	3
3. Timing and duration of this consultation	3
4. How to respond	3
5. Confidentiality	4
6. Alternative formats	4
7. Background	4
8. Provisional Timetable	5
Part 1 - The proposal for new NFI data matching powers	7
9. What are the new data matching powers?	7
10. Why introduce all four of the new powers?	7
11. How have you engaged with NFI participants and/or government departments on this?	9
12. How do the new powers align with government priorities?	10
13. Would the NFI collect new data for the new powers?	10
14. Do the new powers apply across England, Scotland, Wales and Northern Ireland?	12
15. Will the new powers mean there will be a cost to existing NFI participants?	12
16. Would you need a new data matching system?	12
17. How do the new data matching powers proposed for the 2014 Act fit with the Digital Economy Act 2017 (DEA)?	13
18. Will you prepare a Data Privacy Impact Assessment?	14
Part 2 - Updates to the Cabinet Office Code of Data Matching Practice	15
19. Introduction to the Cabinet Office Code of Data Matching Practice	15
Questions to Consider	17
20. Questions you may want to use in your response to this consultation	17
Appendix 1 - List of data sets matched by the NFI on a mandatory and voluntary basis	18
Appendix 2 - Background to the NFI	19
1. What is the NFI?	19
2. How does the data matching work?	19
3. Who participates in the NFI?	19
4. What are the NFI security measures?	20
Appendix 3 - The case for enacting each of the four new data powers	21
1. Why do we want to add the prevention and detection of crime power (in addition to current fraud powers)?	21
2. Why do we want to add the apprehension and prosecution of offenders power?	21
3. Why do we want to add the prevention and detection of errors and inaccuracies power?	22

4. Why do we want to add the assisting in the recovery of debt owing to public bodies power?	22
Appendix 4 - List of government departments and public sector organisations consulted/contacted	25
Appendix 5 - NFI Product Portfolio	26
Appendix 6 – Privacy Notice	27
Your Data	27
Your Rights	28
International Transfers	29
Contact Details	29
Complaints	29

Introduction

1. Purpose

- 1.1. This consultation sets out the Cabinet Office's (CO) proposals to allow the National Fraud Initiative (NFI) to extend the powers which allow it to conduct data matching exercises and seek views on the updated CO Code of Data Matching Practice (the Code).

2. Who will be affected by proposals?

- 2.1. The organisations affected by this consultation are public sector bodies in England that are required by the CO to submit data to the NFI¹, and/or other government departments, arm's length bodies, non-departmental public bodies or other organisations who may consider they could use the NFI data for one of the new powers set out below. It may also be relevant to other bodies that have an interest in the work of the NFI. The specified organisations are not meant to be exhaustive or exclusive and responses are welcomed from anyone with an interest in or views on the subject covered by this paper.

3. Timing and duration of this consultation

- 3.1. The consultation period will commence on Wednesday 10 February 2021 and will be open to responses for a period of twelve weeks.
- 3.2. The consultation will end at 23:45 on Wednesday 05 May 2021.
- 3.3. Following the consultation period, responses will be analysed and used in the final stages of developing work to pass the statutory instrument to 1) broaden the data matching powers and 2) approve the updated Code. The government will respond to the consultation and may make individual responses available.

4. How to respond

- 4.1. We have provided a list of suggested questions for you to use when responding to this consultation. Our preference would be for you to respond through our survey which is available online at smartsurvey.co.uk/s/NFIConsultation/. A full list of the questions are listed for your convenience on page 17.
- 4.2. However if you so wish you can send your comments on the proposals set out in this consultation to Darren Shillington, Head of the NFI Team, at nfiqueries@cabinetoffice.gov.uk
- 4.3. Please include the following **'Response to the consultation on the expansion of the NFI Data Matching Powers and new Code of Data Matching Practice'** in the subject line if you choose to respond this way.

¹ The Local Audit and Accountability Act (the 2014 Act) specifies that we must consult with relevant authorities, a best value authority which is not a relevant authority, and NHS foundation trusts. "Best value authority" has the meaning given by section 1 of the Local Government Act 1999. Relevant authorities are listed [Schedule 2](#) of the 2014 Act

5. Confidentiality

- 5.1. Please indicate in your response whether you are content for your comments to be published and attributed to your organisation.

6. Alternative formats

- 6.1. Alternative format versions of this publication can be requested from nfiqueries@cabinetoffice.gov.uk

7. Background

- 7.1. The CO has a leading role in ensuring government departments spend efficiently and identify innovative ways to deliver better services for less, never more so than now when COVID-19 has added financial pressure to all public bodies. The NFI is a data matching exercise which is currently conducted for the sole purpose of detecting and preventing fraud. It is operated by the CO under its statutory data matching powers set out in the Local Audit and Accountability Act²2014 (the 2014 Act).
- 7.2. The NFI is an important mechanism which helps to build the counter fraud detection capability of public bodies through data matching at a national level using data from over 1300 locally based organisations. Data is collected from all local authorities and all NHS trusts, there are also a range of other participating organisations including; Police Authorities, Probation Boards, Fire & Rescue Services. Voluntary participants can also include private sector organisations. The NFI collects more than 20 data types, which equates to over 8000 datasets, and includes over 300 million data records. The range of datasets are listed in Appendix 1 but examples include; public sector payroll, housing benefit, social housing waiting lists, parking permits, council tax, local authority pension payments, electoral register, right to buy, public sector housing. This results in a collection of data that is unique and it presents an opportunity to consider how it can be fully utilised in the best interest of the public using the new data matching powers.
- 7.3. To date, the NFI has detected fraud and overpayments across the UK worth £1.9 billion. This consultation includes proposals that aim to build on the existing NFI infrastructure and data matching expertise that have helped the NFI achieve consistent and highly valuable NFI outcomes since its inception in 1996.
- 7.4. The consultation is broken down into 2 parts. Part 1 of this consultation sets out the case for enacting new data matching powers as set out in Paragraph 8(2) of Schedule 9 to the 2014 Act for the NFI. These are:
 - i. to assist in the prevention and detection of crime (other than fraud);
 - ii. to assist in the apprehension and prosecution of offenders;
 - iii. to assist in prevention and detection of errors and inaccuracies; and
 - iv. to assist in the recovery of debt owing to public bodies.
- 7.5. Part 1 details how:

² Prior to March 2015, the NFI was conducted by the Audit Commission under its statutory data matching powers set out in Part 2A of the Audit Commission Act 1998. Following the closure of the Audit Commission in March 2015, the NFI transferred to the CO.

- If successful, enactment of these powers could deliver efficiency savings across the public sector including the police, local and national government organisations;
- This aligns with the CO purpose of creating efficiencies across government;
- It could produce financial savings to the public sector of at least £10 million a year;
- It would use the existing NFI infrastructure including the NFI's secure online web application and an updated Code of Data Matching Practice;
- It would build on the NFI's 20 years plus of data matching experience in the public sector; and
- It could cover operating costs within 3 years through participant fees and requires very little upfront investment.

7.6. Part 2 is the consultation on the updated version of the Code to reflect the additional powers, including addition of reference to the government's fairness in debt management principles.

7.7. We realise that many respondents to the consultation will be NFI participants. However, to help those that are not we have provided detailed background information on the NFI in Appendix 2. Further information about the NFI is also available on [GOV.UK](https://www.gov.uk).

8. Provisional Timetable

8.1. A provisional timetable for introducing the new data matching powers is set out in Table 1 below. Please be aware this may be subject to change as we progress through the parliamentary process. A final timetable will be confirmed following the consultation period and published on GOV.UK.

Table 1 - Provisional Timetable for implementation of the new powers

Activity	When
Draft laying date for the Statutory Instrument	Spring/Summer 2021
Enactment of powers	Spring/Summer 2021
First pilots in place	December 2021
Year 1 outcomes reported (as part of the NFI national report which is published every two years)	Summer 2022

New national batch matching to include new powers	To commence October 2022
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Part 1 - The proposal for new NFI data matching powers

9. What are the new data matching powers?

- 9.1. The 2014 Act provides that four additional powers for data matching can be added to Schedule 9. These are:
- to assist in the prevention and detection of crime (other than fraud);
 - to assist in the apprehension and prosecution of offenders;
 - to assist in the prevention and detection of errors and inaccuracies; and
 - to assist in the recovery of debt owing to public bodies.
- 9.2. The 2014 Act allows the new data matching powers to be added via an affirmative statutory instrument (SI). This means the new powers can be added if the SI is debated and passed by both the House of Commons and the House of Lords.

10. Why introduce all four of the new powers?

- 10.1. Work to enact the powers was one of the five key objectives set out in the NFI strategic delivery plan 2018 to 2022. They align with the CO ongoing purpose of creating efficiencies across government and the government's manifesto commitment to improve the use of data in the process of government.
- 10.2. Our work so far shows that enactment of the new powers will produce clear efficiency savings and important wider benefits for the police, local and national government organisations and citizens. We have therefore decided to consult on adding all four of the powers³ to the 2014 Act.
- 10.3. Initial analysis shows that the financial savings alone could result in £10 million plus a year in savings across the public sector. This breaks down into at least £5 million plus in reduced debts owed to local and national government and £5 million in reductions in errors. We would also expect further savings for the crime and offenders powers.
- 10.4. These estimates are based on the minimum estimates that we might expect. They may in practice be greater than this.
- 10.5. Critically research shows that there are clearly also important wider outcomes for citizens overall ie the data matching powers would help:
- the police solve crimes other than fraud, or find offenders more efficiently than is currently the case;

³ In preparing for the enactment of these powers the NFI considered three separate options:

- Enact all four supplementary powers;
- Enact some of the supplementary powers; or
- Do not enact any of the supplementary powers.

- local authorities and government departments to reduce debt owed to public bodies while adhering to the Fairness in Debt Management Principles; and
 - agencies or departments to reduce any errors that might exist in official data records and thereby helping to deliver more effective services or to ensure citizens receive the benefits they are entitled to.
- 10.6. The four powers would give key public sector organisations such as the police, local and central government the power to use existing datasets, which are normally held locally, for data matching to realise benefits in one of the new specified powers.
- 10.7. User research and engagement on this shows this has the potential to significantly help local and national public sector organisations in their day to day service delivery. See table 2 below for examples of how the powers might be used.

Table 2 - New Data Matching powers set out in Schedule 9 of the 2014 Act

Power as set out in the 2014 Act	Example of a potential data match
Data matching to assist in the prevention and detection of crime (other than fraud); and in the apprehension and prosecution of offenders.	The police may want to use the NFI data matching to help locate a person's address or employment details as part of their criminal investigations. This would be seen as a part of their intelligence gathering processes.
Data matching to assist in the prevention and detection of errors and inaccuracies.	The NFI data could be used to help local authorities to ensure citizens get access to their full benefit entitlements. There are, for example, a number of passported benefits ⁴ across the welfare system that entitle recipients to help with housing costs, free school meals, concessionary travel. A match could identify citizens entitled to the additional help they are not claiming. In 2019/20 DWP reported underpayments in benefits totalling £2.0 billion. The report can be found on GOV.UK .
Data matching to assist in the recovery of debt owing to public bodies.	There are key government organisations, such as HM Courts & Tribunals Service (HMCTS), that need to trace individuals with outstanding overdue debt and no arrangement to pay in place. In some instances these individuals may be difficult to trace. If this gateway was in place, NFI participants would be able to use the NFI data as an extra resource in their debt management strategies. It may also be a key tool in improved debt

⁴ Passported benefits are benefits or schemes which some groups of people are entitled to because of their entitlement to certain other benefits or tax credits e.g. income support and pension credit.

	management strategies, enabling the sharing of data to improve fairness in the debt management process ⁵ .
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- 10.8. We have also outlined further detailed information on each power in Appendix 3. **We recommend that you consult Appendix 3 before answering questions 1 to 4.**
- 10.9. The new powers will ultimately save taxpayers' money, increase efficiency and effectiveness and ultimately improve outcomes for citizens.

11. How have you engaged with NFI participants and/or government departments on this?

- 11.1. Between 2018 and present we have carried out extensive user research and engagement with NFI participants and government organisations. Our methods have included:
- An extensive survey of all key contacts (these are senior managers or equivalent with responsibility for the NFI across an organisation and they will report directly to the senior responsible officer who will be the Director of Finance or equivalent) and users (these may be those with responsibility for following up NFI matches and can include employees in specialist functions such as payroll, transport, housing or creditors/accounts) in NFI participant organisations, this had over 200 responses. The responses to this showed that early on there was particularly wide support for the crime, error and debt powers;
 - Regular updates through our quarterly NFI newsletter to NFI participant organisations;
 - Attendance at events and conferences where we have represented the NFI on this topic;
 - Detailed consultation with senior managers in over 20 government departments and organisations on the ways in which they might use the new powers (see Appendix 4);
 - Ongoing preliminary discussions with regulatory bodies such as the ICO;
 - Ongoing dialogue with both senior representatives of the Digital Economy Act team and the Government Debt Management Function within CO;
 - Continuing engagement with Government Digital Service (GDS);
 - We will also consult further with sector led organisations such as the Local Government Association and Solace as part of the formal consultation;

⁵ The government is committed to ensuring fairness in debt management, which is beneficial for both people and businesses facing problem debt and their creditors. Fair debt management ensures people who are vulnerable or in financial hardship are appropriately supported during the recovery process. For example, through being offered access to free debt advice. Fairness balances considerations of vulnerability against the need to recover money owed. It must ensure fairness to those who do pay on time, by taking a proportionate response to those who do not. More details can be found on [GOV.UK](https://www.gov.uk).

- We also plan to facilitate online consultation events for NFI participants as part of this consultation. We will be sending out email invites to NFI key contacts.

12. How do the new powers align with government priorities?

- 12.1. The CO is responsible for improving efficiency in government. COVID-19 has added pressure to all public bodies. The need to find efficiencies wherever possible is paramount. The proposals also fulfil part of the government's manifesto pledge to improve data use in the process of government.
- 12.2. The expansion of data matching powers in the NFI also aligns with themes set out in the government's new proposed National Data Strategy (NDS). The NDS framework document includes a focus on transformation of data management and use across government⁶.

Questions you may want to consider

Please also refer to Appendix 3 (further background to each of the powers) when considering these questions. The questions are available to answer in the online survey: smartsurvey.co.uk/s/NFIConsultation/

How far do you agree with the following statements? Please give reasons for your answers.

- A. The NFI should widen the data matching powers to include prevention and detection of crime (other than fraud).
- B. The NFI should widen the data matching powers to include apprehension and prosecution of offenders.
- C. The NFI should widen the data matching powers to include prevention and detection of errors and inaccuracies.
- D. The NFI should widen the data matching powers to include recovery of debt owing to public bodies.

13. Would the NFI collect new data for the new powers?

- 13.1. With the new powers we will be able to:

⁶ The Government launched a call for evidence on the NDS in September 2020, information about this can be found on [GOV.UK](https://www.gov.uk).

- i. make use of the data already collected as part of the NFI main (mandated) exercise⁷; and
 - ii. explore new data sets that we could use if the new powers are enacted (on a mandated or voluntary basis) where it meets the data matching requirements, is in line with the data protection legislation and there is a public benefit to doing so.
- 13.2. If we were to collect or match any new data the NFI would apply its established governance, namely undertaking a pilot data matching exercise to assess proportionality and ensure the data match can effectively target the risk area. This would involve:
- i. identifying the minimum data needed to undertake the matching;
 - ii. completing a Data Protection Impact Assessment (DPIA) - and secure CO Data Protection Officer (DPO) sign off;
 - iii. completing a data ethics framework assessment⁸;
 - iv. obtaining NFI Governance Board approval to undertake the pilot;
 - v. Getting the pilot participants to confirm compliance with data protection requirements on data subject notification⁹;
 - vi. Evaluating the pilot outcomes and report back to the NFI Governance Board; and
 - vii. If, based on the pilot outcomes, we propose to mandate the data match going forward we would also consult stakeholders as part of the NFI statutory consultation process.
- 13.3. As part of the ongoing checks in place the CO will review the results of each mandatory exercise in order to refine how it chooses the data for future exercises and the techniques it uses. As part of this review the CO will consider any complaints or representations made by participants or by people whose data has been processed during the exercise.
- 13.4. Many of these controls are set out, as requirements, in the Code (further information about the Code is set out in Part 2 of this consultation).
- 13.5. The NFI will also report publicly on results of data matching in a biennial national report. Please see [GOV.UK](#) for a copy of the latest report.
- 13.6. Any new data could be matched to:
- i. the same dataset provided by other bodies;

⁷ Please see [GOV.UK](#) for a list of mandated datasets by organisation type.

⁸ Please see [GOV.UK](#) for further details.

⁹ Data protection legislation includes the requirement that data must be processed lawfully, fairly, in a transparent manner and for specified and legitimate purposes. In addition, data controllers must inform individuals that their data will be processed. Participating bodies must therefore provide a written notice, known as a privacy notice, which contains the information required by data protection legislation. Guidance is available from the Information Commissioner's Office [website](#).

- ii. other new datasets collected;
- iii. the NFI database; or
- iv. data held by 3rd parties. For example the DWP, HMRC or credit reference agencies. This would involve NFI sharing the data with the 3rd parties for them to undertake data matching on behalf of the NFI. These organisations undertake the agreed data match and provide the results back to the NFI, for example DWP undertakes deceased matching for the NFI.

14. Do the new powers apply across England, Scotland, Wales and Northern Ireland?

- 14.1. The new powers will apply to England only.
- 14.2. The Cabinet Office delivers the NFI on behalf of Audit Wales, Audit Scotland, and the Northern Ireland Audit Office. We have engaged with them fully on these proposals and it is likely that they will look to proceed to roll out similar powers if they are enacted in England where the same powers exist in their legislation¹⁰.

15. Will the new powers mean there will be a cost to existing NFI participants?

- 15.1. The NFI is a fee earning initiative. Fees are designed to cover costs. For any matching, both mandatory and voluntary, we would levy a fee to cover the associated costs. Currently fees vary depending upon the number of datasets involved, the anticipated benefits and the NFI product type. For example fees for the main national exercise range between £1,050 up to £4,200 for the main batch matching in a London Borough Council. All the current public sector NFI fees are published on [GOV.UK](https://www.gov.uk). We are required, under the 2014 Act, to consult on any fees associated with mandatory data matching exercise.
- 15.2. We anticipate a similar charging approach for data matching against these new powers with any organisations participating in additional data matching, either on a mandatory or voluntary basis, being charged an appropriate fee. Under the legislation, for any charges for additional mandatory data matching we would have a statutory obligation to undertake a consultation before we could mandate the data collection and levy the fee. This consultation would commence if we secure these additional powers and then subsequently elect to mandate new data.
- 15.3. We do not envisage fees posing a barrier to participation.

16. Would you need a new data matching system?

- 16.1. The current NFI data matching is delivered through a range of products that include the national two yearly exercise in the main NFI web portal as well as products such

¹⁰ Northern Ireland and Wales have three of the four extra powers listed in the 2014 Act (crime, offenders and debt). These are set out in Articles 4A to 4G of the Audit and Accountability (Northern Ireland) Order 2003, and Part 3A of the Public Audit (Wales) Act 2004. The crime and offenders powers have already been enacted in Scotland, but Scotland does not have the equivalent debt, errors and inaccuracies powers (the Scottish powers are set out in the Public Finance and Accountability (Scotland) Act 2000)

as FraudHub, Recheck and AppCheck¹¹. All the products are web based and are hosted within the NFI environment which is accredited against government standards (see paragraph 4 in Appendix 2 for further details).

- 16.2. The new data matching would be delivered through either extensions to the existing products or building new but similar products to those listed in Appendix 5 using the same infrastructure and high level security checks. For example, we may consider using AppCheck to help deliver data matching for police forces as this would allow records to be accessed on demand and a search for an individual could be conducted easily and securely.

17. How do the new data matching powers proposed for the 2014 Act fit with the Digital Economy Act 2017 (DEA)?

- 17.1. Currently the DEA¹² and the 2014 Act both enable data to be matched for counter fraud purposes. The DEA also already allows data matching to help reduce debt owed to public bodies. If these proposals are carried forward the 2014 Act will also introduce a power to data match where it reduces debt owed to public bodies.
- 17.2. The DEA has no powers related to the crime, offenders, or error and inaccuracies.
- 17.3. Both the 2014 Act and the DEA are used and applied differently across different types of organisations and have different schedules. For example, the DEA does not apply to the NHS. The 2014 Act however mandates all NHS trusts to provide payroll and creditors data to the NFI. The 2014 Act also allows organisations such as NHSE to participate on a voluntary basis.
- 17.4. The DEA is also permissive, ie organisations will agree to participate in any DEA data matching exercise¹³. While some matching under the 2014 Act is voluntary, the 2014 Act is primarily used to mandate data where there is public benefit in doing so.
- 17.5. There are instances, however, where both the 2014 Act and the DEA have been used side by side within the CO. For example, NFI used the 2014 Act to provide data to HMRC; HMRC then added data and provided back to the NFI using the DEA. Data matches were then available to NFI participants using the 2014 Act. As at October 2020 the successful pilot had identified savings of £11.8m for the taxpayer.
- 17.6. The DEA also gives powers for the specified public authorities in the DEA schedules to share data for the purpose of taking action in connection with debt owed to a public authority or to the Crown. The 2014 Act debt power would, as above, be used alongside or separately to the DEA power as appropriate.
- 17.7. The debt power under the 2014 Act could open up opportunities to make better use of the data already collected from over 1300 organisations as part of the existing

¹¹ Please see Appendix 5 for further details.

¹² The DEA, Part 5, introduced information sharing powers to reduce debt owed to, or fraud against, the public sector.

¹³ To be able to use the information sharing powers using the DEA, public authorities (and bodies which provide services to public authorities) must be listed in Schedule 7 of the DEA for the debt powers or Schedule 8 for the fraud power.

NFI process, to help deliver DEA pilots (as in the HMRC fraud related example above).

- 17.8. The 2014 Act would also allow data for the reduction of debt owed to public bodies to be mandated, for example where a successful DEA pilot delivered benefits and the purpose aligned with both the debt fairness principles.
- 17.9. We are consulting with both DEA colleagues and colleagues from the government debt management function on these proposals and will work with them to identify suitable pilots if the powers are introduced. See paragraph 4 in Appendix 3 for further details about how the debt powers might work as part of the 2014 Act.

18. Will you prepare a Data Privacy Impact Assessment?

- 18.1. As outlined in section 13 in all instances any new data collection would require the CO to set out a full DPIA.
- 18.2. In addition, and before laying the SI, CO are required to consult separately with the Information Commissioner's Office (ICO) under Article 36 (4) of the UK GDPR which can be found on [GOV.UK](https://www.gov.uk). In preparation for this we will produce a data protection impact assessment. As above this will be signed off by the NFI Governance Board and the Cabinet Office Data Protection Officer (DPO) and then submitted to the ICO if required. We have also begun preliminary discussions with the ICO about these proposals.
- 18.3. We will also be seeking to work through the Data Ethics Framework on these proposals¹⁴. We will also continue our engagement with GDS on these proposals.
- 18.4. Linked to this, as a matter of good practice, we have carried out a Public Sector Equality Duty (PSED) analysis and overall, have found no evidence that the legislation will impact on equalities. The use of the new powers, however, does provide the opportunity to identify inequality and address it, for example, to ensure those entitled to benefits are in receipt of the full amount available to them.

Question to consider:

E. Do you want to raise any particular equality related issues in relation to this proposal?

¹⁴ For more information please refer to [GOV.UK](https://www.gov.uk).

Part 2 - Updates to the Cabinet Office Code of Data Matching Practice

19. Introduction to the Cabinet Office Code of Data Matching Practice

- 19.1. The Code is a requirement of the 2014 Act and has to be approved by Parliament. The Code governs the conduct of the data matching powers within the 2014 Act and takes into account all current data protection legislation. The purpose of this Code is to explain the data matching work the NFI does and to give guidance to CO and its staff, auditors and all persons and bodies involved in data matching exercises on the law, especially the provisions of data protection legislation, and promotes good practice in data matching.
- 19.2. The updated Code which forms part of this consultation reflects the introduction of four new data matching powers as set out in the 2014 Act. The Code will be laid before Parliament at the same time as the SI.
- 19.3. In summary we have:
- i. Added the 4 new powers;
 - ii. Updated the contact details;
 - iii. Updated references to data protection law to the UK GDPR and Data Protection Act 2018;
 - iv. Incorporated some further information on the processing of data related to crime; and
 - v. Included reference to the government's fairness in debt management principles¹⁵.
- 19.4. The Code incorporates further information to participants on their obligations in relation to the data matching processes and their compliance with the relevant data protection legislation. Data protection legislation requires that data must be processed lawfully, fairly, in a transparent manner and only for specified and legitimate purposes.
- 19.5. In addition to the Code, when participating in data matching exercises, bodies should have regard to data protection legislation or any other relevant data or information sharing agreements and guidance¹⁶, including any statutory guidance from the ICO, which is available on the ICO website at <https://ico.org.uk/>

¹⁵ The CO leads work to improve debt management practices in government and is committed to ensuring fairness in debt management. In line with the NAO 2018 report on tackling problem debt, the data held in the system offers the potential to help assess a person's ability to pay that debt - there might be details on the benefits they are in receipt of, employment in the public sector, pension they have received etc. Inclusion of the Fairness principles aims to ensure public sector organisations take a person's ability to pay into account when looking at the follow up action.

¹⁶ This includes the ICO data sharing code of practice ("the ICO data sharing code"), as altered or replaced from time to time, and it is recommended that the Code be read alongside this.

- 19.6. Investigatory bodies using the crime and offenders powers will need to ensure they adhere to their relevant data protections legislation. They will need to seek local advice on this from their legal teams and data protection officers. The ICO has produced a Guide to Law Enforcement Processing which can be used as a source of further information which can be found on ico.org.uk.
- 19.7. Organisations proposing to use the debt powers will need to align with the fairness in debt management principles.
- 19.8. The CO has an obligation under the 2014 Act to keep the Code under review and further appropriate amendments will be consulted on in the future when required.

Questions to consider:

F. Do you have any views on the updates to the Code of Data Matching Practice?

G. Do you have any views on the proposals to extend the data matching powers with respect to data protection?

Questions to Consider

20. Questions you may want to use in your response to this consultation

- 20.1. A full list of the questions included within this consultation document are set out in Table 3. You may wish to consider these questions in your consultation response, along with any other comments you may have with regards to the proposals to enact the new powers set out in Schedule 9 para 8 (2) of the 2014 Act.
- 20.2. Ideally we would like you to access the survey to provide your responses at smartsurvey.co.uk/s/NFIConsultation/. However, should you wish to write in a response please consider your level of agreement to statements A-D below: strongly agree, agree, neither agree or disagree, disagree, strongly disagree or don't know and please provide reasons for your answers. This will assist collation of results.
- 20.3. You are also able to submit responses outside of these questions. The questions are provided only to facilitate your response.

Table 3 - Questions to consider

Reference	Questions to consider
A	The NFI should widen the data matching powers to include prevention and detection of crime (other than fraud).
B	The NFI should widen the data matching powers to include apprehension and prosecution of offenders.
C	The NFI should widen the data matching powers to include prevention and detection of errors and inaccuracies.
D	The NFI should widen the data matching powers to include recovery of debt owing to public bodies.
E	Do you want to raise any particular equality related issues in relation to this proposal?
F	Do you have any views on the updates to the Code of Data Matching Practice?
G	Do you have any views on the proposals to extend the data matching powers with respect to data protection?

Appendix 1 - List of data sets matched by the NFI on a mandatory and voluntary basis

Datasets matched by the NFI
• Mortality Screening (DDRI Deceased data)
• DWP deceased data
• Amberhill - Metropolitan Police false identity data
• Housing Benefit Claimants
• Student Loans
• Council Tax Reduction Scheme
• Council Tax including exemptions
• Blue Badge Parking Permit
• Concessionary Travel Pass
• Deferred Pensions
• Housing Tenants
• Payroll
• Pensions
• Pensions Gratuities
• Resident Parking Permit
• Right to Buy
• DWP: State Benefits
• Taxi Drivers
• Housing Waiting List
• Market Traders
• Personal Alcohol Licence
• Credit Reference Agency Data
• Home Office Immigration
• Utilities discounts and voids
• Vehicle Hire
• HMRC

Appendix 2 - Background to the NFI

1. What is the NFI?

- 1.1. The NFI is a nationally recognised counter fraud data matching exercise which has to date detected fraud and overpayments across the UK worth £1.9 billion. It began in 1993 as a pilot with 13 London Borough Councils, matching housing benefit and student awards data, finding 500 cases of fraud. The NFI is established as a key part of the UK Governments fraud prevention strategy. In the last two year exercise the NFI identified and prevented fraud, overpayments and errors totalling £245 million. It collects more than 20 data types, over 8000 datasets, which is over 300 million data records from 1300 participants. The range of datasets are listed in Appendix 4 and examples include; public sector payroll, housing benefit, social housing waiting lists, parking permits, council tax, local authority pension payments, electoral register, right to buy, public sector housing. The NFI publishes a national report every two years, the latest report published in July 2020 can be found on [GOV.UK](https://www.gov.uk).
- 1.2. In 2018/19 the NFI received £2.8 million in fee income and cost £2.7 million to run (this includes staff costs and data services). Fees for participants vary depending upon the NFI service accessed, mandatory fees per participant range between £1,208 and £4,594.
- 1.3. The NFI has a number of products that range from an online two yearly national data matching exercise to online real time point of application fraud prevention checks using Fraud Hub, Recheck and Appcheck. Further details about the NFI products are set out in Appendix 5.

2. How does the data matching work?

- 2.1. Data matching in the NFI involves comparing sets of data electronically, such as the payroll or benefit records of a body, against other records held by the same or another body to see to what extent they match. The data matching identifies inconsistencies or verifies similarities that may require further investigation. The NFI data matches allow potentially fraudulent claims and payments to be identified.
- 2.2. No assumption can be made as to whether there is fraud, error or another explanation until the investigation process is completed. Once an investigation has been completed, the body can take appropriate action which may be to prosecute cases of fraud, recover overpayments, make good underpayments and update records as appropriate. There is also an opportunity to identify system weaknesses and review controls.

3. Who participates in the NFI?

- 3.1. The CO can require organisations listed as relevant authorities as listed Schedule 2 of the 2014 Act to provide data for the NFI data matching exercises (these are known as mandated bodies). The mandated list of organisations is listed on [GOV.UK](https://www.gov.uk). Mandated NFI organisations include all local authorities, NHS trusts, police authorities, passenger transport executives (PTEs), Fire & Rescue Services and Combined Authorities in the UK. The full requirements for mandatory data are set out on [GOV.UK](https://www.gov.uk).

- 3.2. The NFI also has voluntary participants. The 2014 Act sets out that any other body or person may provide data (not including patient data) voluntarily for data matching exercises if the CO decides that it is appropriate to use their data and where to do so would not breach data protection legislation or the Regulation of Investigatory Powers Act 2000. Voluntary participants include organisations such as the Student Loans Company and NHS Business Services Authority.

4. What are the NFI security measures?

- 4.1. The NFI is designed to provide the maximum security of the data it holds. NFI participants are never given full access to all NFI data and are only provided with matches relevant to their own organisation as defined by the Schedule 9 of the 2014 Act. The NFI IT contractor has ISO 27001 accreditation. The NFI environment at the supplier is accredited against government standards annually - including penetration testing and IT Health Checks undertaken by a specialist 3rd party company.
- 4.2. All relevant staff in the NFI team and the contracted body Synectics Solutions are security cleared. All data transmissions (unless an exception is approved) are via the secure NFI environment. A full incident response plan is in place. We hold monthly security working group meetings with the supplier involving the CO security lead for the NFI, CO accreditor and Head of Information Assurance, and a representative from the National Cyber Security Centre.
- 4.3. Participant organisations have individual accounts on the web portal, and users within that have two factor authentication password-controlled access to matches, using the same computer architecture as online banking. The web portal actively monitors user activity. All participants have to adhere to the NFI Security Policy.

Appendix 3 - The case for enacting each of the four new data powers

1. Why do we want to add the prevention and detection of crime power (in addition to current fraud powers)?

- 1.1. The police service is facing significant pressures which have been heightened by COVID-19. The NFI data provides a comprehensive national perspective that cuts across police boundaries from which early intelligence can be gathered about offenders. Examples include residence, financial status and employment records. Complex, serious and organised crimes, ranging from human trafficking to sexual crimes against children, are becoming more common and are challenging for the police to investigate. A number of police forces including the City of London Police have said that the NFI data would be a valuable intelligence resource in the investigation of crimes. The NCA have a specific role in targeting crime and they have also expressed interest in piloting both the prevention and detection of crime (other than fraud) power and apprehension and prosecution of offender's power.
- 1.2. In England and Wales in 2019/2020 there were 5.6 million recorded incidents of crime according to an Office for National Statistics Report which can be found on [GOV.UK](https://www.gov.uk). It is difficult to put a cost on every crime prevented. However, early conservative estimates suggest the financial savings in police time through accessing the NFI data could be in the region of £1.2 million a year across the 43 police forces in England¹⁷. In addition there will also be very important wider social impacts in crimes prevented where an offender is caught more quickly, prosecuted and prevented from causing another crime.
- 1.3. A senior representative from one Police Force said:

“If the current range of data sets compiled by NFI were accessible to police forces this would provide a very useful data source to trace persons of interest. We consider the potential benefit to be significant.”

2. Why do we want to add the apprehension and prosecution of offenders power?

- 2.1. The Criminal Justice System is under increasing pressure to reduce inefficiency. In 2018/19, 1.59 million people were formally dealt with by the criminal justice system in England and Wales according to a MoJ report which can be found on [GOV.UK](https://www.gov.uk). Our research shows that the apprehension and prosecution of offender's power would permit the police, as well as other organisations such as the NCA to use the results of NFI data-matching as a further source of intelligence to help verify information about individuals such as their current known address. It would ultimately save valuable police time and reduce some of the follow up time required across the rest of the

¹⁷ 15 officers per police force with a saving of 15 minutes per officer per week using their average salary.

criminal justice system. The NFI offers police forces a more effective way of searching locally held records from multiple organisations simultaneously. Currently, individual requests are made to separate local authorities/government departments using written data protection exemption requests. Both the crime and offenders powers would give a clear legal gateway that would allow the police access to more data about a person in a much more efficient way that still meets the required data protection requirements.

3. Why do we want to add the prevention and detection of errors and inaccuracies power?

- 3.1. Errors are causing financial losses to the Government and can result in significant over or under payments. Across government, 17 departments reported losses linked to error in excess of £106 million (2018/19), see the Cross-Government Fraud Landscape Annual Report 2019 which can be found on [GOV.UK](https://www.gov.uk)¹⁸.
- 3.2. The error power could be used to help identify and reduce error in public records held across government. This might include customer error, for example, by benefit claimants or grant recipients; or official error, such as incorrect data entry or assessments. Departments such as HM Land Registry have also expressed interest in potentially using this power to help ensure they can use data matching in this area to help reduce any error or inaccuracies in the important data they hold.
- 3.3. The term ‘errors and inaccuracies’ was used specifically in the drafting of the 2014 Act to ensure the power covered errors made by customers as well as errors made by officials and it was the intention that this power would be subsequently enacted which would enable the NFI to carry out a wider variety of bespoke data matching exercises that would be of benefit to participants.
- 3.4. The NFI data could also be used to ensure citizens get access to all benefit entitlements. The NFI are exploring the use of these powers for other Government departments such as the DWP. In 2019/20, DWP reported underpayments in benefits totalling £2.0 billion. The report can be found on [GOV.UK](https://www.gov.uk). representative from a council said;

“This could be used in all financial areas to cross match relevant data held. For example, blue badges to identify those who are no longer in receipt of a qualifying benefit... or students as they can drop from a course at any stage not just once a year.”

4. Why do we want to add the assisting in the recovery of debt owing to public bodies power?

- 4.1. The NFI data could be used to recover debt more efficiently and effectively. The CO leads work to improve debt management practices in government and is committed to ensuring fairness in debt management, recently initiating ‘Fairness in government debt management: a call for evidence’ which can be

¹⁸ Please refer to pages 23 and 26 of the report.

found on [GOV.UK](https://www.gov.uk). Improving data quality and data related capability is a key part of the 2020-23 Government Debt Strategy.

- 4.2. The NFI has joined up with the strategic centre for the Government Debt Management Function (part of the CO Fraud, Error, Debt and Grants directorate) to look at this work jointly. There are clearly areas where additional data matching activity would be beneficial and scope to recover outstanding debt. To put the problem into perspective:
 - As of March 2019 there was £24.1bn of overdue debt owed to central government.
 - In 2018-19 local authorities were unable to collect £1.0 billion of council tax, and £483 million of non-domestic rates (after any write off action).
- 4.3. Furthermore, the COVID-19 pandemic has exacerbated this situation in the following ways:
 - By increasing the total level of debt owed to government (due to COVID fiscal stimulus packages and other emergency response measures);
 - By potentially increasing debt for central government departments that historically have relatively low debt balances and few specific debt recovery powers;
 - By likely increasing the number of vulnerable people interacting with government debt recovery processes.
- 4.4. There is an opportunity to use the proposed 2014 Act debt power alongside the DEA to help local authorities and/or central government organisations:
 - share data and trace individuals with outstanding overdue debt;
 - fast track the recovery of debt which has occurred through fraud or criminal activity;
 - identify and better share data on vulnerability or hardship; and
 - make better use of affordability data across government.
- 4.5. Whilst ensuring criminal and fraudulent activity does not go unpunished the data in NFI would help government organisations to work with those with outstanding overdue debt in a fair and proportionate way. Data can be used to inform segmentation strategies ensuring individuals are treated in a manner appropriate to their circumstances taking into account affordability and vulnerability. It would also assist in the delivery of a joined up debt management process across government organisations and avoid organisations competing with each other to recover debt from the same individuals, in line with the National Audit Office (NAO) recommendations from 2018 which can be found on [NAO.ORG.UK](https://www.nao.org.uk). Data is key to the 2020-23 Government Debt Strategy and the NFI data will contribute to this.
- 4.6. The NAO (2018) cited the lack of legal gateways to data sharing as a barrier to effective debt management across government. Evidence demonstrates that good debt collection practice both benefits individuals and boosts collection rates. One debt advice agency found that affordable repayment

plans saved commercial retail lenders £82m a year (NAO, 2018) in recovery costs. Estimates show the 2014 Act debt powers could result in a reduction in debt owed on outstanding council tax and non-domestic rates to local authorities of up to £4.3 million¹⁹.

4.7. A representative from one council said:

“Any data which helps provide forwarding addresses etc. could be useful to Local Authorities in collecting unpaid Council Tax, Business Rates, Housing Rents, Commercial Rents, and Unpaid Fines.”

¹⁹ At the start of 2019-20 there was £3.2 billion of council tax arrears outstanding. The total outstanding amount of non-domestic rates was £1.1bn. Based on the government's official figures, an 0.5% improvement in debt recovery would generate £21.5m across local government. More conservative estimate of 0.1% improvement would generate £4.3m.

Appendix 4 - List of government departments and public sector organisations consulted/contacted

Government departments and public sector organisations consulted/contacted	
<ul style="list-style-type: none"> Participants of the NFI (circa 1300). This includes all local authorities, police and NHS trusts in the UK. 	
<ul style="list-style-type: none"> Audit Scotland 	<ul style="list-style-type: none"> HM Land Registry
<ul style="list-style-type: none"> Audit Wales 	<ul style="list-style-type: none"> HM Revenue and Customs (HMRC)
<ul style="list-style-type: none"> BBC 	<ul style="list-style-type: none"> HM Treasury
<ul style="list-style-type: none"> Cabinet Office Debt Management Function and DEA teams 	<ul style="list-style-type: none"> Home Office
<ul style="list-style-type: none"> Crown Prosecution Service (CPS) 	<ul style="list-style-type: none"> Information Commissioner's Office (ICO)
<ul style="list-style-type: none"> Department for Business, Energy and Industrial Strategy (BEIS) 	<ul style="list-style-type: none"> Legal Aid Agency
<ul style="list-style-type: none"> Department for Digital, Culture, Media and Sport (DCMS) 	<ul style="list-style-type: none"> Ministry of Housing, Communities and Local Government (MHCLG)
<ul style="list-style-type: none"> Department for Education 	<ul style="list-style-type: none"> Ministry of Justice (MOJ)
<ul style="list-style-type: none"> Department for Environment, Food and Rural Affairs (DEFRA) 	<ul style="list-style-type: none"> National Crime Agency (NCA)
<ul style="list-style-type: none"> Department for Transport (DfT) 	<ul style="list-style-type: none"> NHS England
<ul style="list-style-type: none"> Department of Health and Social Care (DHSC) 	<ul style="list-style-type: none"> NHSX
<ul style="list-style-type: none"> Department for Work and Pensions (DWP) 	<ul style="list-style-type: none"> Northern Ireland Audit Office
<ul style="list-style-type: none"> Government Digital Service (GDS) 	<ul style="list-style-type: none"> Rural Payments Agency (RPA)
<ul style="list-style-type: none"> Government Internal Audit Agency (GIAA) 	<ul style="list-style-type: none"> Society of Local Authority Chief Executives (SOLACE)
<ul style="list-style-type: none"> HM Courts and Tribunals Service (HMCTS) 	

Appendix 5 - NFI Product Portfolio

The National Fraud Initiative Product Portfolio	
National Exercises	
	Data is collected from organisations across the UK for national fraud detection batch matching every two years. Matches are available through the secure web application.
AppCheck	
	A fraud prevention tool that helps organisations to stop fraud at the point of application, thereby reducing administrative and future investigation costs.
ReCheck	
	A flexible batch matching tool that allows an organisation to repeat national batch matching at a time to suit them.
FraudHub	
	FraudHub enables individual organisations or groups of neighbouring organisations to regularly screen more than one dataset with the aim of detecting errors in processing payments or benefits or services.
Pilot Activity	
	Working with stakeholders to pilot new and innovative matches of data with a view to incorporating these into the national exercise once they are fully evaluated. Recent pilots have included COVID-19 post event assurance, utility company discounts and voids, insurance fraudulent applications and claims.

Appendix 6 – Privacy Notice

1. This notice sets out how we will use your personal data, and your rights. It is made under Articles 13 and/or 14 of the General Data Protection Regulation (GDPR).

Your Data

Purpose

2. The purpose for which we are processing your personal data is to obtain the opinions of members of the public, parliamentarians and representatives of organisations and companies about departmental policies, proposals, or generally to obtain public opinion data on an issue of public interest.

The data

3. We will process the following personal data: name, address, email address, job title (where given), and employer (where given), as well as opinions.
4. We will also process additional biographical information about respondents or third parties where it is volunteered.

Legal basis of processing

5. The legal basis for processing your personal data is that it is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in the data controller. In this case that is consulting on departmental policies or proposals, or obtaining opinion data, in order to develop good effective policies.
6. Sensitive personal data is personal data revealing racial or ethnic origin, political opinions, religious or philosophical beliefs, or trade union membership, and the processing of genetic data, biometric data for the purpose of uniquely identifying a natural person, data concerning health or data concerning a natural person's sex life or sexual orientation.
7. The legal basis for processing your sensitive personal data, or data about criminal convictions (where you volunteer it), is that it is necessary for reasons of substantial public interest for the exercise of a function of the Crown, a Minister of the Crown, or a government department. The function is consulting on departmental policies or proposals, or obtaining opinion data, in order to develop good effective policies.

Recipients

8. Where individuals submit responses, we may publish their responses, but we will not publicly identify them. We will endeavour to remove any information that may lead to individuals being identified.
9. Responses submitted by organisations or representatives of organisations may be published in full.

10. Where information about responses is not published, it may be shared with officials within other public bodies in order to help develop policy.
11. As your personal data will be stored on our IT infrastructure it will also be shared with our data processors who provide email, and document management and storage services.
12. We may share your personal data where required to be law, for example in relation to a request made under the Freedom of Information Act 2000.

Retention

13. Published information will generally be retained indefinitely on the basis that the information is of historic value. This would include, for example, personal data about representatives of organisations.
14. Responses from individuals will be retained in identifiable form for three calendar years after the consultation has concluded.

Where personal data have not been obtained from you

15. Your personal data were obtained by us from a respondent to a consultation.

Your Rights

16. You have the right to request information about how your personal data are processed, and to request a copy of that personal data.
17. You have the right to request that any inaccuracies in your personal data are rectified without delay.
18. You have the right to request that any incomplete personal data are completed, including by means of a supplementary statement.
19. You have the right to request that your personal data are erased if there is no longer a justification for them to be processed.
20. You have the right in certain circumstances (for example, where accuracy is contested) to request that the processing of your personal data is restricted.
21. You have the right to object to the processing of your personal data where it is processed for direct marketing purposes.
22. You have the right to object to the processing of your personal data.

International Transfers

23. As your personal data is stored on our IT infrastructure, and shared with our data processors, it may be transferred and stored securely outside the European Union. Where that is the case it will be subject to equivalent legal protection through the use of Model Contract Clauses.

Contact Details

24. The data controller for your personal data is the Cabinet Office. The contact details for the data controller are: Cabinet Office, 70 Whitehall, London, SW1A 2AS, or 0207 276 1234, or publiccorrespondence@cabinetoffice.gov.uk.
25. The contact details for the data controller's Data Protection Officer are: Data Protection Officer, Cabinet Office, 70 Whitehall, London, SW1A 2AS, or dpo@cabinetoffice.gov.uk.
26. The Data Protection Officer provides independent advice and monitoring of Cabinet Office's use of personal information.

Complaints

27. If you consider that your personal data has been misused or mishandled, you may make a complaint to the Information Commissioner, who is an independent regulator. The Information Commissioner can be contacted at: Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF, or 0303 123 1113, or casework@ico.org.uk. Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.