



Cabinet Office

Proposed Work Programme and Scale of Fees, including Covid-19 Counter Fraud Measures

National Fraud Initiative 2020/21

May 2020

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Introduction

Purpose

1. This consultation sets out the Cabinet Office's proposals for the National Fraud Initiative (NFI) 2020/21 work programme and the associated scale of fees. The consultation is undertaken to fulfil the requirements of statutory data matching powers set out in Part 6 and Schedule 9 of the Local Audit and Accountability Act (LAAA) 2014, which states that the Minister for the Cabinet Office must prescribe and consult on a scale of fees for mandatory data matching exercises.
2. Therefore, the primary purpose of this consultation is to seek your views on proposed changes to the NFI fee scale. Additionally, it also takes the opportunity to ask questions with regards to the proposed dataset requirements for mandatory participants.
3. When reading the proposals outlined in this document in relation to prescribed fees, it is recommended that you consider if you have any comments on proposals to:
 - implement a new fee model applicable to mandatory NFI participants;
 - uplift fees to generate an overall increase in NFI income of 9.4%, which is equivalent to £145,500 per two yearly NFI exercise; and
 - implement a new penalty charge fee, applicable in instances where participants fail to comply with data submission requirements as determined by the Cabinet Office.
4. When reading the proposals outlined in this document in relation to the NFI work programme, it is recommended that you consider if you have any comments on:
 - whether or not to remove personal alcohol licence and/or market trader data from the list of mandatory data submissions;
 - the proposal to mandate the participation of Combined Authorities in the NFI; and
 - any additional comments on the NFI work programme relating to the data we collate and the existing data matching remit.
5. If you are a Local Authority, you should also consider if you have any comments on proposals to mandate data relevant to the grants and payments you have made, or will make as part of the government Covid-19 relief programme. This may include any additional datasets needed to help detect fraud within these grants and payments.
6. All consultation responses will be considered by the Cabinet Office. If, following the consultation there are any changes to the NFI work programme and fee scale, the assumption is that these would come into effect from 1st July 2020.

Consultation process

Who will be affected by proposals?

7. This consultation is directed at public sector bodies in England that are required by the Cabinet Office to submit data to the NFI.

8. It may also be of interest to other bodies that have an interest in the work of the NFI, or that of the bodies required to take part in the NFI, such as some government departments or other membership bodies.

Timing and duration of this consultation

9. The consultation period will commence on 4 May 2020 and will be open to responses for a period of three weeks.
10. The consultation will end at midnight on 25 May 2020.
11. Following the consultation period, responses will be analysed and the work programme and scale of fees will be revised as necessary. The government will respond to the consultation and may make individual responses available.

How to respond

12. Comments on the proposals set out in this consultation should be sent to Darren Shillington, Head of the NFI Team, at nfiqueries@cabinetoffice.gov.uk
13. Some specific questions to consider as part of your consultation response are included in this document. A full list of these questions which you may wish to use as a template for your response, are listed on page 20.

Confidentiality

14. Please indicate in your response whether you are content for your comments to be published, with or without attributing it to you or your organisation.

Alternative formats

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

Background

16. The NFI is a data matching exercise which helps to detect and prevent fraud. It is conducted by the Cabinet Office under its statutory data matching powers set out in out in the LAAA 2014¹.
17. The NFI is an important offering from the Government Counter Fraud Function which helps to build the detection capability of public bodies through data matching at a national level. Specifically, the NFI works towards delivering one of the Function's strategic objectives to focus on intelligence sharing and the use of data, measured by increasing the detection, prevention and recovery of fraud loss across the public sector.

¹ 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 Cabinet Office.

18. The National Crime Agency highlights fraud as the most commonly experienced crime, with 3.8 million instances reported in the National Crime Survey of England and Wales in 2019. In the public sector it is estimated that fraud and error costs the government an estimated £31 billion to £53 billion every year.
19. Fraud is a diverse and evolving crime, the scale of which continues to increase as new fraud areas and more sophisticated mechanisms to commit fraud are sought. It is therefore important that counter fraud activity and initiatives like the NFI evolve at a similar rate to ensure they continue to be effective.
20. The NFI continues to prove an effective tool for detecting and preventing fraud and error across the UK. Since 2015, the NFI has prevented and detected fraud and error worth £495 million². Other achievements include:
 - winning awards for its pioneering work in the insurance sector with QBE;
 - utilising Digital Economy Act 2017 (DEA) powers to pilot data sharing with HMRC to identify fraud committed by individuals that have not declared earnings, property or capital;
 - developing a wide range of flexible products that allow participants to target both fraud prevention (point of application checks) and detection in line with their own counter fraud priorities;
 - implementing more regular matching of data sets, for example, annual matching of council tax single person discount data and biannual mortality screening;
 - introducing new datasets such as Companies House and data from private sector credit reference agencies to further enhance the quality of matches;
 - continuing engagement with over 1,200 participants from local and national government, the NHS and private sector. This included a major survey in 2017 which led to the development of a new four year strategy for the NFI; and
 - expanding into new data areas including private sector fraud risk areas such as financial, insurance, utilities and car hire.
21. Working towards its objective of targeting new and emerging fraud risks, the NFI now has a specific business development work stream which identifies new technologies and data matching opportunities across the public and private sector. To date this work has involved innovative new pilots, such as working with the utilities sector to identify potential fraudulent access to customer discounts. Trials with machine learning technology have also been undertaken and the NFI web application has been improved to help users target their most valuable data matches through the development of new match risk scoring and fraud risk approach.
22. In addition to this, the NFI has now commenced preliminary work on extending the purposes for which data matching exercises may be conducted, pursuant to paragraph 8(2) of Schedule 9 to the LAAA 2014. This is a significant development, which, if successful, would bring further opportunities to increase the usage and impact of the NFI across the public sector.

² 1 April 2015 to 31 March 2019

Statutory Framework

23. The Minister for the Cabinet Office, as the “relevant minister” responsible for the NFI’s data matching exercises, conducts the NFI under the statutory data matching powers in Part 6 and Schedule 9 to the LAAA 2014. Under Schedule 9, the Minister for Cabinet Office:
- may conduct data matching exercises, or arrange for them to be conducted on the minister’s behalf, for the purpose of assisting in the prevention and detection of fraud;
 - may require certain persons to provide data for data matching exercises;
 - may accept data submissions on a voluntary basis;
 - must prescribe a scale or scales of fees for mandatory data matching exercises;
 - may charge a fee to any body or person providing data, or receiving the results of a data matching exercise; and
 - must consult mandatory participants, representatives of mandatory participants as the minister thinks appropriate, and other bodies or persons as the minister thinks appropriate before prescribing a scale or scales of fees for data matching exercises.
24. Our aim is to ensure that, while upholding and protecting citizens’ rights in relation to their personal data at all times, the NFI continues to serve the public interest by:
- safeguarding public money against losses from fraud or misappropriation; and
 - making an effective contribution to the wider fight against fraud and, potentially, other crime.

Proposed Work Programme

25. The existing NFI work programme was reviewed to consider the type of datasets submitted to the NFI and also the list of authorities required to submit data. The proposals:
 - consider whether or not personal alcohol licence data and market trader data should be removed from the list of required datasets; and
 - suggest mandating the submission of relevant data to the NFI from Combined Authorities³.
26. The proposed NFI 2020/21 work programme shown in [Appendix 1](#) sets out the data requirements for all mandatory participants, by organisation type.
27. For Local Authorities, we are also proposing to mandate additional datasets to support counter fraud work related to the government measures in place to mitigate the economic and social impact of the Covid-19 pandemic.

Mandatory Datasets

Why Change?

28. As part of the NFI 2018/19 work programme and fees consultation, we highlighted continued low financial outcomes from personal alcohol licence and market trader datasets. We committed to monitor the position and to review their inclusion in the NFI prior to the NFI 2020/21 exercise.
29. A recent review has found that the level of fraud and error prevented or detected from the inclusion of personal alcohol licence data has remained low. Recoverable financial benefits of £54,000 were reported from NFI 2018/19 data matches, with just 12 cases of fraud or error detected. Whilst this data contributes to Housing Benefit fraud investigations, the low financial impact suggests that it may not be proportionate under data protection legislation, to continue to mandate its inclusion in the NFI.
30. In addition, a review of this data in the context of our voluntary data matching products AppCheck and Recheck show that it may not be enhancing these products sufficiently to merit its continued inclusion. Statistics from AppCheck, which flags data anomalies at the point of application, identified only 48 cases over the past 12 months where personal alcohol licence data highlighted potential fraud. Currently 19 of these cases are under review.
31. Similarly, financial outcomes derived from market trader data in NFI 2018/19 were also low, with only £21,000 reported savings. However, it is likely that outcomes from this data were adversely affected by the withdrawal of immigration data in NFI 2018/19. Matching market trader data to immigration data to identify persons who may have committed fraud and may be working illegally, is an established NFI data match. As we anticipate the inclusion of immigration data in NFI 2020/21, it is proposed that we retain market trader data for the

³ A combined authority (CA) is a legal structure that may be set up by local authorities in England. The relevant legislation is the Local Democracy, Economic Development and Constructions Act 2009 and the Cities and Local Government Devolution Act 2016. Combined authorities can be set up to enable a group of two or more local authorities to collaborate and take collective decisions across council boundaries.

forthcoming NFI 2020/21 exercise, but continue to evaluate its impact to make a decision about its inclusion in NFI 2022/23 and beyond.

32. Table 1 shows the reported outcomes from personal alcohol licence and market trader data submitted in NFI 2018/19. We are interested in your views on the impact of personal alcohol licence data and market trader data in the NFI and whether or not these datasets should be retained as mandatory dataset requirements for NFI 2020/21.

Table 1 – Personal Alcohol and Market Trader Dataset Outcomes NFI 2018/19

	Matches processed as per cent of total matches	Matches processed per fraud / error case detected	Average Outcome per match processed	Average Outcome per match (all matches)
Personal Alcohol Licences	44%	471:1	£9.60	£4.20
Market Trader	41%	139:1	£17.00	£7.00

Questions to consider:

- A. Do you believe that personal alcohol licence data should be retained as a mandatory dataset in NFI 2020/21? Please provide your reasons why.
- B Do you believe that market trader data should be retained as a mandatory dataset in NFI 2020/21? Please provide your reasons why.
-

33. Over the past two years we have undertaken a number of pilot data matches which have yielded some positive results. However, these pilots have not yet provided the evidence base to indicate that they detect or prevent a sufficient level of fraud to warrant mandating their inclusion in the NFI work programme. Therefore, with exception of the data we are proposing to mandate in response to Covid-19 measures set out in paragraph 41, we are not proposing to mandate the inclusion of any additional data in the NFI 2020/21 work programme.
34. As an alternative, we have added pilot datasets such as business rates data, into our non-mandatory NFI products like Fraud Hub. This gives organisations the opportunity to provide data for matching on a voluntary basis, where they feel the fraud risk, and their counter fraud strategies justify it. The benefits derived from any voluntary data submissions will be

evaluated and the decision to mandate such datasets in future NFI exercises will be reconsidered.

Questions to consider:

C. Do you have any additional views on the proposed NFI 2020/21 work programme in relation to the required data submissions set out in Appendix 1?

Mandatory Participants

Why Change?

35. The proposed decision to obtain data from Combined Authorities is in response to the growth in the number of these organisations. A Combined Authority is a 'relevant' authority for the purposes of the LAAA 2014 and can be mandated to provide data to the NFI under paragraph 2(2) of Schedule 9 to the LAAA 2014. The NFI has not sought data from Combined Authorities for previous NFI data matching exercises due to only the recent emergence of these organisations.
36. There are currently 10 Combined Authorities and roles and responsibilities vary across them all. As a result, mandatory dataset submissions for these bodies will be restricted to payroll and creditors as standard, as well as concessionary travel passes and pensions data where applicable. However, if any Combined Authorities operate other datasets that fall within the NFI work programme, they will be able to submit this additional data on a voluntary basis, at nil additional cost.
37. Some Combined Authorities already take part in the NFI. Three Combined Authorities submitted data to the NFI 2018/19 exercise, resulting in more than £415,000 in detected and prevented savings. This gives a good indication of the benefits that could be realised from NFI data matching for these authorities. The additional data obtained from Combined Authorities will also benefit other NFI participants where data is matched between organisations.

Questions to consider:

D. Do you agree with proposals to mandate the participation of Combined Authorities in NFI 2020/21? Please provide your reasons why.

Mandating additional data as part of the Covid-19 response

Why change?

38. The UK Government is responding with significant measures to mitigate the economic and social impact of the Covid-19 pandemic. This includes administering grants and payments to support UK citizens and business during this critical time.
39. The Counter Fraud Centre of Expertise is working to support government on its counter fraud response to the measures being taken. One element of this work is focused on counter fraud risk measures that can be applied either as part of the upfront application process or as a retrospective check of any funding awarded. These checks will enable action to be taken to identify and recover any fraudulent grants or payments.
40. Local Authorities are playing an important role in the Covid-19 relief programme, issuing a wide range of funding support to business and individuals. With the NFI already embedded into local authority counter fraud strategies, it is ideally placed to extend its remit in order to help Local Authorities target these additional fraud risks.

What additional data will be required?

41. Additional data requirements will be linked to the government measures in place to support local businesses and individuals. Specific data requirements are still to be confirmed but they will include information specific to any grants or payments provided, for example the information collected on relevant application forms. It is also anticipated that additional information already held by Local Authorities, for example Business Rates, may be required in order to identify potential fraudulent grants or payments.
42. The exact details of the mandatory data that will be required, along with the timetable for submission, will be communicated to Local Authorities as the eligibility for the different grants or payments being made by Local Authorities becomes clearer.

What will the fee be?

43. No additional fee will be levied on Local Authorities for the NFI work linked to the Covid-19 emergency response.

Questions to consider:

- E. Do you have any comments on the proposal to extend NFI to target the fraud risks associated with Covid-19 grants or payments made by Local Authorities?
 - F. Do you have any comments on the proposal to not levy an additional fee to cover the costs associated with this work?
-

Proposed Scale of Fees

44. The NFI fee scale is designed to cover the costs of delivering the NFI exercise including the collation, processing and matching of participant data.
45. Following a review of the existing NFI fee scale, the proposals set out in this consultation include three significant amendments. These are:
- a new fee model which determines fees based on the number of mandatory datasets submitted to the NFI by organisation type and the number of released NFI data matches risk assessed as 'high risk' by organisation type;
 - an underlying decision to increase overall NFI income from the fee scale by 9.4%; and
 - the introduction of a penalty fee applicable in instances where participants fail to comply with data submission requirements as determined by the Cabinet Office.
46. Table 2 details proposed NFI 2020/21 fees by organisation type. It shows:
- **NFI 2020/21 standard fee** – based on a new methodology and 9.4% income uplift, applicable to authorities that comply with data submission requirements;
 - **NFI 2020/21 penalty fee uplift** – based on a 5% uplift on the NFI standard fee;
 - **NFI 2020/21 uplifted fee** – the sum of the NFI standard fee, plus the penalty fee uplift, applicable to authorities that do not comply with data submission requirements;
 - **NFI 2018/19 fee** – for comparison to the previous NFI fee scale.

Table 2 – Proposed Fees for NFI 2020/21

Organisation type	NFI 2020/21 Standard Fee £	NFI 2020/21 Penalty Fee Uplift £	NFI 2020/21 Uplifted Fee £	NFI 2018/19 Fee £
London borough council	4,200	210	4,410	4,150
Metropolitan borough council	4,200	210	4,410	4,000
Unitary authority	3,900	195	4,095	3,650
County council	3,800	190	3,990	3,750
County council (with fire)	4,375	219	4,594	4,500
District Council	2,450	123	2,573	2,100 – 2,300
Pension authority	2,400	120	2,520	3,000
Other London ⁴	1,200	60	1,260	1,000 - 4150
Combined Authority	1,200	60	1,260	1,000
Passenger transport executive	1,200	60	1,260	1,000
Police ⁵	1,200	60	1,260	1,000
Fire and rescue authority	1,150	58	1,208	1,000
Waste regulation or disposal authority	1,150	58	1,208	1,000
NHS trust	1,150	58	1,208	1,000
Clinical commissioning group	1,150	58	1,208	1,000
Foundation trust	1,150	58	1,208	1,000

⁴ Includes Transport for London and Greater London Authority. These authorities have been reclassified into an 'other London' category in the proposed fee scale.

⁵ Both police and crime commissioners and police chief constables are mandatory participants. A fee will be charged to the police body in each area which will submit data on behalf of both bodies.

Fee Model

Why change?

47. The NFI fee scale has in previous years set out fees for mandatory NFI participants, based on the number of mandatory data sets submitted to the NFI for matching. Where applicable, the model also utilised the number of housing benefit records as an indication of the size of the organisation and volume of data submitted.
48. Responses received as part of the NFI 2018/19 consultation challenged the relevance of the existing fee model, in particular the use of housing benefit records to determine fees. In response, the Cabinet Office set out a commitment to undertake a full review of the NFI fee scale for the NFI 2020/21 exercise, to re-evaluate the model and explore new options.

What is the new model?

49. In re-evaluating the fee model the aim was to identify the most relevant factors that should drive the model and generate a fair and consistent fee scale. Therefore, the proposed NFI 2020/21 fee model incorporates the two following factors:
 - the number of mandatory datasets submitted to the NFI by each participating organisation; and
 - the number of NFI data matches risk assessed as 'high risk'⁶
50. The inclusion of dataset submissions in the fee model is relevant because it is directly linked to the costs incurred by the Cabinet Office to process and match NFI data. A greater number of datasets means higher data processing charges. We recognise however that the number of datasets submitted by each participant is prescribed by the Cabinet Office as part of the NFI work programme, and therefore the number of data submissions by each participant reflect the fulfilment of mandatory requirements.
51. The inclusion of high risk data matches seeks to incorporate potential user benefits into the fee model. Feedback from previous consultations challenged that the fee scale does not reflect the range in benefits obtained from the NFI amongst participating organisations. Benefits, in part, are measured by the financial savings realised as a result of NFI intelligence. However, we recognise that the actual financial savings reported to the NFI are impacted by a range of factors including participating organisations' counter fraud priorities and the completeness of outcomes reporting from all participants. In this context, high risk data matches are considered the fairest indicator of potential savings and benefits that could be gained from NFI participation.
52. As one of the main purposes of the NFI is to deliver benefits to participants, the fee model applies a greater weighting to high risk data matches than to data submissions. The weighting applied to the fee model is 3:1 – i.e. the level of high risk matches is considered three times as important as the number of datasets submitted.
53. In applying this proposed fee model we have retained the concept of a fee for each organisation type rather than calculate an individual fee for every participating organisation. However the split between District councils (between large, medium and small), which has

⁶ High risk matches are matches where the data indicates there is a high risk of fraud, error or overpayment as risk scored by the NFI risk scoring process

historically been based on housing benefit caseload, has been dropped and a single District council category established.

54. An average figure for dataset submissions and high risk matches was calculated per organisation type and used in the model. Organisation types were then scored based on their average datasets and high risk matches, with higher fees applied to organisations with higher scores.
55. After applying this methodology to determine the standard NFI fee for each organisation type, we undertook a reasonableness review and made the following adjustments:
 - fee increases or decreases for organisation types were capped at 20%;
 - the fee for London borough councils was uplifted to bring in line with the fee proposed for Metropolitan councils to ensure that all potential benefits, in particular those related to concessionary travel pass data are reflected in the fee scale. This is because concessionary travel pass data matches relevant to London borough councils are disseminated to one specific body for follow up. Subsequently the methodology excluded concessionary travel match counts in relation to individual London borough councils; and
 - the fee for County councils with fire was determined by adding together the proposed County council fee and half the stand alone Fire authority fee. This reflects the reduced costs that would be incurred by the Cabinet Office as a result of fewer dataset submissions.
56. To help assess the fee model, [Appendix 2](#) shows an example of how the NFI 2020/21 fee scale would look if the Cabinet Office sought to generate the same income as it did in the NFI 2018/19 exercise. This demonstrates how the new methodology has impacted the fee scale excluding the 9.4% income uplift, and is designed to help you determine if the new methodology underpinning the NFI standard fee is reasonable.

Questions to consider:

G. Do you have any views on the proposed methodology for determining the NFI 2020/21 fee scale?

Increasing NFI income by 9.4%

Why Change?

57. Despite increases in operational costs, fees for the NFI have remained the same over the past 12 years, with no fee increases levied for participants during this time. During this period, the Cabinet Office has maximised efficiency to enable continued investment and development of the NFI, which have enhanced user benefits and sought to effectively target important fraud risks faced by participants.
58. While significant enhancements to the NFI have been achieved in recent years, there are limitations to how much more can be delivered without further investment. The ambition to innovate and evolve to remain relevant in a landscape that is moving at great pace requires considerable and continued investment in areas such as technology, techniques and data

sources. Only by doing this will the NFI be able to work with participants to reduce false positives (through improved data matching techniques and increased data), enhance the functionality and product range to meet users' needs, and introduce additional match intelligence to target emerging fraud risks on a timely basis.

59. Considering this, the overarching principle adopted in the proposed scale of fees is that the Cabinet Office will seek to increase the income from mandatory participants by 9.4% (equivalent to £145,500) per two yearly data matching exercise.
60. Predominantly, this additional funding will help the NFI maintain and grow its programme of pilot data matches, with the aim to find solutions that improve the service and benefits for NFI participants.
61. The Code of Data Matching Practice⁷ states that the NFI will undertake new areas of data matching on a pilot basis to test their effectiveness in preventing or detecting fraud. Only where pilots achieve matches that demonstrate a significant level of potential fraud should they be extended nationally.
62. In NFI 2018/19 we were able to pilot the use of HMRC data to target undeclared earnings and capital, undeclared property ownership and inaccurate statements about household composition. This pilot, which has been undertaken using the legal gateway afforded by the DEA, is due to be evaluated by the DEA Review Board in spring 2020. If the board approves the continuation of the work then the Cabinet Office will seek to work with HMRC to include the data, refined in line with the lessons learnt from the pilot, in NFI 2020/21.
63. In line with the NFI's new business development work stream, we will also produce a 'pilot pipeline' identifying ideas for potential new data matching pilots. The aim is to publicise the pipeline in late spring 2020 and encourage engagement from all our stakeholders to help shape and prioritise the pilots we will deliver. Current pilots being researched include using data matching to target school admissions fraud, housing tenancy illegal succession and procurement fraud.
64. Closely linked to the pipeline approach, and building on the piloting of the HMRC data, we will also work towards producing a Data Acquisition Plan to identify datasets from across the public and private sector which could add value. We will develop a prioritised approach to evaluating the potential impact of new datasets and then test this through pilot initiatives.

Impact of the 9.4% uplift

65. The impact of the proposed 9.4% uplift on individual organisations varies in line with the application of the new fee model described above.
66. Therefore, proposals show that fees for some organisations may increase more than 9.4% and others will increase less. In some cases, proposed fees are lower than in NFI 2018/19.
67. To help minimise impact, proposed fee increases and decreases for organisation types have been capped at a maximum of 20% compared to NFI 2018/19 fees. A breakdown of the proposed NFI 2020/21 fees and the percentage change compared to NFI 2018/19 is shown in [Appendix 3](#).

⁷ Accessed at <https://www.gov.uk/government/publications/code-of-data-matching-practice-for-national-fraud-initiative>

68. To assess the reasonableness of the proposed 9.4% uplift, we have used average CPIH inflation rates⁸ to calculate what the overall income would look like if NFI fees were increased in line with inflation for each NFI exercise since 2008.

69. Between April 2008 and December 2019, the average inflation is calculated at 2.17%⁹ per year, which, if applied to the existing fee scale would result in an overall income increase of £454,000 (29.4%) by NFI 2020/21. This is more than three times the proposed increase of £145,500 for the same period.

70. Tables 3 and 4 show an illustrative example of how inflation rates over time would have impacted organisations with a fee of £1,000 in 2008. In this case, if fees were increased for each NFI exercise in line with inflation, the fee for NFI 2020/21 would be £1,294, with an additional £993 in fees levied over this period.

Table 3 – NFI 2020/21 fees based on average CPIH inflation between April 2008 and December 2019

NFI 2008/09 Fee £	Average CPIH inflation 2008 – 2019 %	NFI 2020/21 Fee £	Fee change 2008 to 2021 £	% change
1,000	2.17	1,294	294	29.4

Table 4 – NFI fees 2008/09 to 2020/21 based on average CPIH inflation of 2.17% per annum

	NFI 2008/09 £	NFI 2010/11 £	NFI 2012/13 £	NFI 2014/15 £	NFI 2016/17 £	NFI 2018/19 £	NFI 2020/21 £	Total £
Fee Increase (from baseline)	0	44	90	138	187	240	294	993
Fee	1,000	1,044	1,090	1,138	1,187	1,240	1,294	-

Questions to consider:

H. Do you agree that it is reasonable to uplift fees to a level that generates an overall NFI income increase of 9.4%? Please provide your reasons why.

⁸ The Consumer Prices Index including owner occupiers' housing costs (CPIH) is now considered to be the most comprehensive measure of consumer price inflation, as it extends the CPI to include owner occupiers' housing costs (OOH) and Council Tax

⁹ Source: [ONS](#)

Penalty Fee

71. The NFI standard fee for each organisation type has been uplifted by 5% to generate a NFI 2020/21 uplifted fee, which includes a penalty for late or poor quality data submissions (see [Table 2](#)- NFI 2020/21 penalty fee uplift and NFI 2020/21 uplifted fee).
72. It is proposed that this penalty will be waived for organisations that submit all mandatory datasets by 1 December 2020¹⁰ and where these datasets are accepted as meeting the necessary data quality standards, as set out in the relevant data specifications. In the event that this is not the case, then the penalty will be applied and the NFI uplifted fee will be levied.

How has the penalty fee been calculated?

73. The penalty fee has been informed by an assessment of late data submissions to the NFI and a calculation of estimated costs incurred by the Cabinet Office for late and poor quality data submissions.
74. In the NFI 2018/19 exercise, 184 organisations submitted late or inaccurate data, resulting in 628 datasets being excluded from the first data match release in January 2019. A further two data match releases were required over the following nine months to incorporate missing data into the NFI.
75. Costs associated with additional data match releases were estimated based on the time and work involved in collating, processing and matching remaining data. These costs were then used to calculate an estimated average cost per organisation for late data submissions. Multiplying this figure by the number of mandatory participants, we were able to estimate that costs linked to late data submissions could equate to a maximum of 5% of overall NFI income.
76. Linking this to the NFI fee scale, the proposed penalty fee for each organisation is calculated at 5% of the standard NFI fee. This reflects the resource and data matching costs that will be incurred where data is excluded from the initial NFI match release due to late or poor quality data submissions.

Why has a penalty fee been introduced?

77. This penalty has been introduced to encourage the timely and accurate submission of mandated data to the NFI.
78. NFI participants often ask if the timeliness of the NFI match release can be improved. One of the main barriers to doing this is the timely and accurate submission of data by mandatory participants. Although data submissions are requested for early October, in order to get at least 90% of the data included in the main NFI results, the database cannot be closed for submissions until the beginning of December.
79. Not being able to include all the data in the initial data matching run can inconvenience any NFI participant, not just those whose data is late. It also impacts on the Cabinet Office in

¹⁰ This will exclude data that is submitted to the NFI by one organisation on behalf of a number of other organisations for example housing benefit data, NHS payroll data and some transport data. It will also exclude any data that is submitted by Local Authorities as part of the Covid-19 emergency response.

terms of the NFI work programme delivery, as resource has to be redirected towards following up late data and requesting resubmissions of poor quality data.

80. Securing the remaining data usually takes the NFI team up to nine months and often, there is a negligible amount of data that is not provided at all. This late data requires additional data matching to be undertaken, which generates significant work for the Cabinet Office and Synectics Solutions (the contracted third party supplier). In addition, because many of the datasets are matched between organisations, resulting matches can be generated for any other NFI participant who has previously submitted data. This means participants who complied with the NFI deadlines, and have completed their NFI reviews in a timely manner, may find they receive additional potential fraud referrals to consider.
81. Proposals to apply a penalty fee therefore seek to:
- encourage participants to comply with data submission deadlines and data specification requirements, which subsequently will benefit other NFI participants and delivery of the NFI work programme; and
 - cover the costs incurred by the Cabinet Office associated with the processing of late data.
82. The proposed application of a penalty fee is not intended as a tool to generate additional income for the Cabinet Office. However, in the event that penalty fees are levied, any income will be used to obtain additional resource to collate and match late data from relevant participants. Any remaining monies would be used to fund further developments and enhancements to the NFI product range.

Questions to consider:

- I. Do you have any views on the proposal to introduce a penalty fee to be applied in instances of late or inaccurate data submissions?
- J. Do you think that the proposed penalty fee of a 5% uplift on the standard NFI 2020/21 fee is reasonable? Please provide your reasons why, including any suggested alternatives.
-

Invoicing arrangements

83. Each NFI data matching exercise is run over a two year period, so the NFI 2020/21 work programme and scale of fees covers the two financial years 2020/21 and 2021/22. However to avoid duplicating administration, mandatory participants will be billed in one instalment between January and March 2021.
84. In the previous NFI 2018/19 exercise we introduced a new billing section to the NFI web application to help improve the billing process. Building on this, and in response to feedback, the billing details section of the web application will set out the confirmed NFI 2020/21 fee to help participating organisations set up purchase orders for the required amount.

Timetable

85. A provisional timetable for NFI 2020/21 is shown in Table 5. A final timetable will be confirmed following the consultation period and published on [GOV.UK](https://www.gov.uk). Please note the timetable for proposed Covid-19 related work will be communicated to Local Authorities separately as work progresses.

Table 5 – Provisional timetable for NFI 2020/21

Activity	When
NFI 2020/21 work programme and scale of fees consultation begins	4 May 2020
Consultation ends	25 May 2020
Publication of the final NFI 2020/21 work programme and scale of fees	By 30 June 2020
Issue NFI final data specifications	By 31 July 2020
Data requested from Senior Responsible Officers	By 31 July 2020
Submit privacy notice compliance returns	By 25 September 2020
Extract and submit NFI 2020/21 data	9 October 2020
Deadline for data submissions ¹¹	1 December 2020
2020/21 matches available	From 31 January 2021

Next Steps

86. This consultation will close at midnight on 25 May 2020.
87. All consultation responses will be reviewed and taken into account by the Cabinet Office. For information about how we treat your personal data when you respond to our consultation, please see the privacy notice set out in [Appendix 4](#).
88. A summary of consultation feedback and the Cabinet Office response to the feedback will be published on [GOV.UK](https://www.gov.uk) in June 2020.
89. The final NFI 2020/21 work programme and scale of fees which will include any amendments made in response to this consultation will be published in June 2020.

¹¹ The penalty fee will apply to all mandatory participants who fail to supply all their mandatory datasets to acceptable data quality standards by this deadline.

Questions to Consider

90. A full list of the questions included within this consultation document are set out in table 6. You may wish to consider these questions in your consultation response, along with any other comments you may have with regards to the proposals on the NFI 2020/21 work programme and scale of fees.

Table 6 – Questions to consider

Ref	Consultation Question
A	Do you believe that personal alcohol licence data should be retained as a mandatory dataset in NFI 2020/21? Please provide your reasons why.
B	Do you believe that market trader data should be retained as a mandatory dataset in NFI 2020/21? Please provide reasons your why.
C	Do you have any additional views on the proposed NFI 2020/21 work programme in relation to the required data submissions set out in Appendix 1?
D	Do you agree with proposals to mandate the participation of Combined Authorities in NFI 2020/21? Please provide your reasons why.
E	Do you have any comments on the proposal to extend NFI to target the fraud risks associated with Covid-19 grants or payments made by Local Authorities?
F	Do you have any comments on the proposal to not levy an additional fee to cover the costs associated with Covid-19 work?
G	Do you have any views on the proposed methodology for determining the NFI 2020/21 fee scale?
H	Do you agree that it is reasonable to uplift fees to a level that generates an overall NFI income increase of 9.4% (equivalent to £145,500)? Please provide your reasons why.
I	Do you have any views on the proposal to introduce a penalty fee to be applied in instances of late or inaccurate data submissions?
J	Do you think that the proposed penalty fee of a 5% uplift on the standard NFI 2020/21 fee is reasonable? Please provide your reasons why, including any suggested alternatives.

Appendix 1 – NFI 2020/21 Proposed Work Programme

Organisation type	Mandatory Dataset
<ul style="list-style-type: none"> London borough council Metropolitan borough council County council County Council with fire Unitary authority District council 	<ul style="list-style-type: none"> Payroll Pensions Trade creditors' payment history and trade creditors' standing data Housing benefits Housing - Tenants, Waiting list, Right to buy Council tax (annual submission) Council tax reduction scheme Electoral register (annual submission) Students eligible for a loan Private supported care home residents Transport passes and permits (including residents parking, blue badges and concessionary travel) Licences – taxi driver, market trader/operator and personal alcohol licence data¹² Personal budget (direct payments) Covid-19 – relevant datasets to be determined
<ul style="list-style-type: none"> Passenger transport executive Combined authorities (NEW) Other London¹³ 	<ul style="list-style-type: none"> Payroll Pensions Trade creditors' payment history and trade creditors' standing Transport passes and permits (including residents parking, blue badges and concessionary travel)
<ul style="list-style-type: none"> Police body¹⁴ Fire and rescue authority Waste regulation or disposal authority 	<ul style="list-style-type: none"> Payroll Pensions Trade creditors' payment history and trade creditors' standing data
<ul style="list-style-type: none"> Pension authority 	<ul style="list-style-type: none"> Pensions
<ul style="list-style-type: none"> Clinical commissioning group NHS trust Foundation trust 	<ul style="list-style-type: none"> Payroll Trade creditors' payment history and trade creditors' standing data

¹² We are seeking specific comments on whether or not to retain market trader and personal alcohol licence data in the mandatory dataset list.

¹³ Includes Transport for London and Greater London Authority. These authorities have been reclassified an 'other London' category in the proposed fee scale.

¹⁴ Both police and crime commissioners and police chief constables are mandatory participants. A fee will be charged to the police body in each area which will submit data on behalf of both bodies.

Appendix 2 – Fee Model Comparison

This table sets out an **illustrative example** of what the NFI 2020/21 fees would look like based on the new methodology and excluding the 9.4% income uplift.

Please note the fees shown in this table are to allow comparisons to be drawn between the NFI 2018/19 fee model and the new NFI 2020/21 model and are **not** the proposed fees for NFI 2020/21. The actual proposed fees for NFI 2020/21 are shown in [Table 2](#).

Organisation type	NFI 2018/19 Fee £	NFI 2020/21 Fee £	Fee change £	Fee change %
London borough council	4,150	3,805	-345	-8
Metropolitan borough council	4,000	3,805	-195	-5
Unitary authority	3,650	3,533	-117	-3
County council	3,750	3,442	-308	-8
County council with fire	4,500	3,963	-537	-12
District Council:				
Small	2,100	2,219	119	6
Medium	2,200		19	1
Large	2,300		-81	-4
Pension authority	3,000	2,174	-826	-28
Other London ¹⁵				
TFL	4,200	1,087	-3,113	-286
GLA	1,000		87	9
Combined Authority	1,000	1,087	87	9
Passenger transport executive	1,000	1,087	87	9
Police ¹⁶	1,000	1,087	87	9
Fire and rescue authority	1,000	1,042	42	4
Waste regulation or disposal authority	1,000	1,042	42	4
NHS trust	1,000	1,042	42	4
Clinical commissioning group	1,000	1,042	42	4
Foundation trust	1,000	1,042	42	4

¹⁵ Includes Transport for London and Greater London Authority. These authorities have been reclassified into an 'other London' category in the proposed fee scale.

¹⁶ Both police and crime commissioners and police chief constables are mandatory participants. A fee will be charged to the police body in each area which will submit data on behalf of both bodies.

Appendix 3 – Fee Change NFI 2018/19 to NFI 2020/21

Organisation type	NFI 2018/19	NFI 2020/21 Standard Fee	Change 2018/19 – 2020/21
	£	£	%
London borough council	4,150	4,200	1
Metropolitan borough council	4,000	4,200	5
Unitary authority	3,650	3,900	7
County council	3,750	3,800	1
County council with fire	4,500	4,375	-3
District Council	2,100 – 2,300	2,450	7 – 17
Pension authority	3,000	2,400	-20
Other London: ¹⁷		1,200	
TFL	4,200		-250
GLA	1,000		20
Combined Authority	1,000	1,200	20
Passenger transport executive	1,000	1,200	20
Police ¹⁸	1,000	1,200	20
Fire and rescue authority	1,000	1,150	15
Waste regulation or disposal authority	1,000	1,150	15
NHS trust	1,000	1,150	15
Clinical commissioning group	1,000	1,150	15
Foundation trust	1,000	1,150	15

¹⁷ Includes Transport for London and Greater London Authority. These authorities have been reclassified into an 'other London' category in the proposed fee scale

¹⁸ Both police and crime commissioners and police chief constables are mandatory participants. A fee will be charged to the police body in each area which will submit data on behalf of both bodies

Appendix 4 – 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.