



Cabinet Office

# **National Fraud Initiative NFI 2020/21 Work Programme and Scale of Fees**

Consultation Feedback

July 2020

© Crown copyright 2013  
Produced by Cabinet Office

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk)

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

Alternative format versions of this report are available on request from [nfiqueries@cabinetoffice.gov.uk](mailto:nfiqueries@cabinetoffice.gov.uk).

# Contents

<b>Introduction</b>	<b>2</b>
Purpose	2
Background	2
Summary of results	2
<b>Consultation Response Rate</b>	<b>5</b>
Number of responses	5
<b>Detailed Consultation Feedback and Cabinet Office Response</b>	<b>6</b>
Proposals on the NFI 2020/21 work programme	6
Proposals to mandate data to address Covid-19 fraud risks	10
Proposals on a new fee model and fee uplift	14
Proposals to implement a penalty fee for late or inaccurate data	18
<b>Next Steps</b>	<b>23</b>
<b>Appendix 1 - Additional Views on the NFI Work Programme</b>	<b>25</b>
<b>Appendix 2 - Additional views on Covid-19 Data Submissions</b>	<b>28</b>
<b>Appendix 3 - Business Support Grant Pilot</b>	<b>29</b>
<b>Appendix 4 - Additional Views on the NFI Fee Methodology and Fee Uplift</b>	<b>30</b>
<b>Appendix 5 - Additional Views on the Implementation of a Penalty Fee</b>	<b>32</b>

# Introduction

## Purpose

1. In May 2020 the Cabinet Office launched a consultation on the National Fraud Initiative (NFI) 2020/21 work programme and associated scale of fees. The consultation was relevant to public sector bodies in England that are required by the Cabinet Office under Part 6 and Schedule 9 of the Local Audit and Accountability Act (LAAA) 2014, to submit data to the NFI. The full consultation document can be viewed at [GOV.UK](https://www.gov.uk).
2. The purpose of this document is to summarise the response to the consultation and set out the Cabinet Office response to the feedback received.

## Background

3. The consultation was undertaken to fulfil the requirements of statutory data matching powers set out in Part 6 and Schedule 9 of the 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. The proposals sought 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. Along with proposals for the NFI fee scale, the consultation also took the opportunity to consult on the dataset requirements for mandatory participants of the NFI. The consultation sought views on:
  - whether or not to remove personal alcohol licence and/or market trader data from the list of mandatory data submissions;
  - a proposal to mandate the participation of Combined Authorities in the NFI;
  - any additional comments on the NFI work programme relating to the existing data matching remit; and
  - proposals to mandate the inclusion of data relevant to the grants and payments made by councils as part of the government Covid-19 relief programme.
5. Overall the consultation set out ten specific questions for organisations to consider. A full breakdown of the consultation questions are shown in Table 1.

## Summary of results

6. In total 92 organisations provided a response to the consultation, which equates to a response rate of 10.6%. All responses were reviewed to determine if they were supportive, or in disagreement with the proposals. Responses were then further analysed to identify recurring themes within each question, specifically drawing out the reasons why respondents were for or against proposed changes. A summary of the responses to the questions asked, including the Cabinet Office action based on the feedback received is shown in Table 1.

**Table 1 Overview of Consultation Responses by Question**

<b>Proposal / Question</b>	<b>Agree / Positive</b>	<b>Disagree / Negative</b>	<b>Neutral</b>	<b>Cabinet Office Action</b>
Should personal alcohol licence data be retained as a mandatory dataset in NFI 2020/21?	3 (4%)	53 (73%)	17 (23%)	We will not mandate the inclusion of this data, but will offer it as an optional submission for NFI 2020/21.
Should market trader data be retained as a mandatory dataset in NFI 2020/21?	9 (12%)	46 (63%)	18 (25%)	We will not mandate the inclusion of this data, but will offer it as an optional submission for NFI 2020/21.
Do you have any additional views on the proposed NFI 2020/21 work programme? <sup>1</sup>	-	-	40	No further changes to the NFI 2020/21 work programme will be made.
Do you agree with mandating the participation of Combined Authorities in NFI 2020/21?	64 (91%)	0 (0%)	6 (9%)	Combined Authorities will become mandatory participants for the NFI 2020/21 exercise and beyond.
Should the NFI be extended to target the fraud risks associated with Covid-19 grants and payments made by councils?	45 (65%)	8 (12%)	16 (23%)	We will seek to collate data relevant to the grants and payments administered as part of the Covid-19 relief programme, commencing with a pilot on Business Support Grants.
Do you have any comments on the proposal to not levy an additional fee for Covid-19 work?	46 (75%)	5 (8%)	10 (17%)	We will seek to secure funding to subsidise this work and we will deliver as much as possible with the funding obtained.
Do you have any views on the proposed methodology for determining the NFI 2020/21 fee scale	22 (33%)	17 (25%)	28 (41%)	We will implement the new methodology for the NFI 2020/21 exercise.
Is it reasonable to uplift fees to a level that generates an income increase of 9.4%?	31 (41%)	26 (35%)	18 (24%)	We will apply an uplift across fees, equivalent to a 9.4% overall income increase.
Do you have any views on the proposal to introduce a penalty fee to be applied for late or inaccurate data submissions?	27 (36%)	30 (39%)	19 (25%)	We will implement a penalty fee for late or inaccurate data submissions and communicate guidance about data quality expectations.
Is a penalty fee of 5% uplift on the standard NFI 2020/21 fee reasonable?	32 (53%)	19 (32%)	9 (15%)	The penalty fee, when levied, will equate to 5% of the standard NFI fee for individual organisations.

7. Having considered all responses, we have confirmed the final NFI 2020/21 work programme and scale of fees, which has been published alongside this document on [GOV.UK](https://www.gov.uk).

8. The planned timetable for delivery of the NFI 2020/21 exercise is set out in Table 2.

<sup>1</sup> This was an open question with no proposals presented. In total 40 organisations offered general suggestions about the NFI programme which we will review against our planned programme developments.

9. The remainder of this document sets out in detail the consultation responses and the Cabinet Office rationale for taking the action set out in Table 1 above.

**Table 2 – NFI 2020/21 Timetable**

Activity	Who	Timing
Issue the FINAL data specifications for each data set	NFI Team (Cabinet Office)	By 31 July 2020
Issue the instructions to bodies participating in NFI 2020/21	NFI Team (Cabinet Office)	By 31 July 2020
Make the 2020/21 National Exercise part of the web application available to participants	NFI Team (Cabinet Office)	From 5 August 2020
Check the list of expected data sets is accurate	NFI Key Contact	Between 5 August and 31 August 2020
Communicate data quality criteria	NFI Team (Cabinet Office)	By 31 August 2020
Ensure the person uploading data has a web application account	NFI Key Contact	By 11 September 2020
Complete the NFI 2020/21 privacy notice compliance declaration in the web application	NFI Key Contact	By 25 September 2020
Extract data from systems in accordance with the data specifications and upload data to the NFI web application	NFI Key Contact / User (data upload)	Data must be uploaded between 9 October 2020 <sup>2</sup> and 1 December 2020
Cut off for the main 2020/21 NFI release	NFI Key Contact /Senior responsible Officer	5pm on 1 December 2020 <sup>3</sup>
Set up/review accounts for those reviewing matches	NFI Key Contact	By 28 January 2021
The 2020/21 exercise matches are available	NFI Team (Cabinet Office)	From 28 January 2021

**Note:** Council Tax Single Person Discount, Personal Budgets and Residential Care Homes data will be collected against a different timetable. More information is provided in the published NFI 2020/21 Work Programme and Fee Scale available on [GOV.UK](https://www.gov.uk).

<sup>2</sup> A series of reminders will be issued from Wednesday 14 October 2020. Reminders will go to Senior Responsible Officers if data is more than two weeks late (23 October 2020)

<sup>3</sup> Failure to submit all of your required data promptly and of acceptable quality by Tuesday 1 December 2020 may incur additional fees and result in some datasets being excluded from the matching process for the results release at the end of January 2021. Data should still be submitted for a later match release.

# Consultation Response Rate

## Number of responses

10. We invited 850 existing mandatory NFI participants to review our consultation proposals. We also contacted ten Combined Authorities and five other organisations 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 organisations.
11. There were 73 responses representing the views of 92 organisations. This equates to an overall response rate of 10.6%.
12. There was a broad response across organisation types with feedback on proposals received from all sectors. The highest number of responses was received from councils who made up 74% of all responses. A breakdown of responses by sector is shown in Table 3.

**Table 3 - Consultation Responses by Organisation Type**

Organisation type	Number of organisations	Number of responses	Response rate (%)	Proportion of all responses received (%)
Councils	343	68	19.8	73.9
Police	39	3	7.7	3.2
Fire and Rescue Authorities	34	2	5.8	2.2
Combined Authorities	10	4	40.0	4.3
Other Local Government <sup>4</sup>	11	3	27.2	3.2
<b>Total Local Government</b>	<b>437</b>	<b>80</b>	<b>18.3</b>	<b>87.0</b>
NHS Trusts	80	3	3.8	3.2
Foundation Trusts	148	8	5.4	8.7
CCGs	195	0	0	0
<b>Total Health</b>	<b>423</b>	<b>11</b>	<b>2.6</b>	<b>11.9</b>
Stakeholders	5	1	20.0	1.1
<b>Total All Organisations</b>	<b>865</b>	<b>92</b>	<b>10.6</b>	<b>100</b>

<sup>4</sup> Includes Passenger Transport Executives, Other London, Waste Authorities

# Detailed Consultation Feedback and Cabinet Office Response

## Proposals on the NFI 2020/21 work programme

13. In the consultation we set out four questions relating to the NFI 2020/21 work programme. Specifically, we asked for views on the continued inclusion of personal alcohol licence and market trader data in the NFI, as well as any additional views on the NFI work programme. We also set out a proposal to mandate the inclusion of Combined Authorities for the NFI 2020/21 exercise and beyond.
14. A summary of the main points provided by respondents to these questions are set out below, along with the Cabinet Office response to the feedback received. A breakdown showing the number of respondents who either agreed, disagreed, or provided a neutral response to proposals is shown for each question. Details of any additional points raised in relation to these questions can be shown in Appendix 1.

### Question A – Summary of Feedback

Question Ref	Question	Agree	Disagree	Neutral	Total Responses
A	Do you believe that personal alcohol licence data should be retained as a mandatory dataset in NFI 2020/21?	3 (4%)	53 (73%)	17 (23%)	73

15. The majority of respondents (73%) who answered this question indicated that personal alcohol licence data should not be retained as part of the NFI 2020/21 work programme. The main reason provided by respondents was that matches to this dataset yield little results, which are particularly negligible when offset against the investigative resource required to review the matches. It was further highlighted by some that match reviews are exacerbated by high numbers of false positive matches due to the indefinite length of personal alcohol licences and no requirement of licence holders to notify the council of any change in circumstances. Other respondents in favour of removing personal alcohol licence data noted that they viewed this data as low risk, and would prefer to direct investigative resource towards datasets with higher fraud risk.
16. Of the 4% of respondents that were in support of retaining personal alcohol licence data, the main reasons provided were that whilst outcomes are low, there are still areas of fraud that can be identified through these matches.
17. The neutral responses to this question were mostly received by organisations that do not hold personal alcohol licence data, and indicated that they had no strong views on whether to retain or remove this dataset requirement. Some organisations in this group provided responses that set out both pros and cons of this data similar to the themes already addressed above. One organisation noted that whilst its inclusion may impact on investigative resources, the data which includes names and addresses, could support wider fraud and error risk areas linked to household composition and school admissions. Another indicated that this data can be useful when matched to Metropolitan Police Amberhill data to identify known or convicted fraudsters.



## Cabinet Office Response to Question A

18. As set out in the consultation document, outcomes from data matches to personal alcohol licence data have been relatively low in recent years. Whilst we recognise that collating a range of data helps to maintain the wide scope of the NFI, the issues identified by respondents around the investigative resource and low financial impact associated with this data raise concerns about the cost-benefit of its inclusion.
19. In addition, one of the important focuses of the NFI is to ensure participants receive good quality matches with minimal false positives. However, the feedback received from participants indicate that the administrative controls on personal alcohol licences do not lend itself to the data quality controls required for the NFI to produce the most effective matches.
20. Therefore, having reviewed the responses and noting the strong views in favour of removing personal alcohol licence data from the list of required datasets, we will no longer collate this data on a mandatory basis as part of the NFI 2020/21 exercise. For any councils that are keen to retain personal alcohol licence data matches, we will allow this data to be submitted on a voluntary basis, should it benefit local counter fraud strategies.

## Question B - Summary of Feedback

Question Ref	Question	Agree	Disagree	Neutral	Total Responses
B	Do you believe that market trader data should be retained as a mandatory dataset in NFI 2020/21?	9 (12%)	46 (63%)	18 (25%)	73

21. The majority of respondents (63%) who answered this question indicated that market trader data should not be retained as part of the NFI 2020/21 work programme. The main reason provided was that both the volume of matches and the number of fraud and error cases identified from this dataset are low and not proportionate to the time and resource needed to collate the data and review the matches.
22. In addition, it was noted that often any income discrepancies linked to market trader licences have already been declared, or are highlighted by HMRC earnings data. It was also suggested that even when undeclared income is identified, it rarely has an impact on benefit entitlement. As such, a number of respondents indicated that these data matches are low priority and that it is more beneficial to direct investigative resource to higher risk fraud areas.
23. Of the nine respondents (12%) who were in support of retaining market trader data, over half indicated that it would be useful for identifying fraud and error linked to immigration data, should this data be included for the NFI 2020/21 exercise. Two participants indicated that the quality of market trader data held by councils may currently be better than in previous years due to the recent business support grant payments made to small businesses as part of the Covid-19 relief programme. A number of those in favour also indicated that its inclusion should be kept under review.
24. The neutral responses to this question were mostly received by organisations that do not hold market trader data, and indicated that they had no strong views on whether to retain or remove this dataset requirement.

## **Cabinet Office Response to Question B**

25. In the consultation document we acknowledged the low financial outcomes identified from market trader data in the previous NFI 2018/19 exercise. However it was highlighted that this may have been adversely affected by the temporary removal of immigration data which when matched, helps to identify fraud associated with persons working illegally.
26. We acknowledge the points raised by respondents that market trader data matches, without the availability of any immigration data, may not always bring benefits worthy of the resource required to submit the data and investigate results. We are currently working closely with the Home Office to secure immigration data for the forthcoming exercise, but at this stage we cannot confirm its inclusion for NFI 2020/21.
27. Therefore, the Cabinet Office will remove the mandatory requirement for market trader data to be provided for the NFI 2020/21 exercise. However, recognising that some councils felt that this data is still helpful in identifying fraud, we will allow councils to submit market trader data on a voluntary basis should its inclusion benefit local counter fraud strategies.

## **Question C - Summary of Feedback**

28. This consultation question included no specific proposal, however was an open question asking for any additional views on the proposed NFI 2020/21 work programme. Forty respondents provided feedback to this question. Of these, ten (25%) indicated that they were happy with the current NFI work programme.
29. A clear theme amongst respondents was around the inclusion of HMRC earnings data, which had been introduced as a pilot exercise for councils during NFI 2018/19. In total eight organisations (20%) made reference to this data, with seven of them in favour of its inclusion in the NFI 2020/21 work programme. Five of these were NHS organisations, who indicated that they would welcome this data to help identify where employees may be undertaking other employment outside of the public sector. Two councils indicated that they had some positive results from the 2018/19 data matches, however two felt that further refinement of matches may be beneficial to reduce false positives and subsequent investigator resources.
30. Nine organisations (23%) provided views on the information contained in data match reports. Comments included suggestions on how to better refine the data, such as improved matching algorithms to eliminate false positives, and enabling data fields that provide additional context and narrative to be included in the results. Examples provided include being able to flag 'known discrepancies' in weaker match combinations, and including the department or job role of employees within payroll data to help prioritise matches that are likely to be higher risk. Four respondents also highlighted that high risk data matches should be more clearly flagged to support match prioritisation.
31. A number of organisations provided views about the specific datasets included in the current work programme. Four respondents indicated that they would like to see business rates data included as part of the mandatory dataset requirements to help identify companies that are dissolved and / or not entitled to small business rate relief. Five respondents each identified one dataset which they felt provided limited value for them, including waiting lists, resident parking permits, taxi drivers, council tax single person discount and creditors data.
32. Several organisations made reference to the inclusion of Covid-19 grants and payments data and the impact of the Covid-19 pandemic for NFI 2020/21. This will be addressed in later sections.

## Cabinet Office Response to Question C

33. In NFI 2018/19 we utilised 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. We are actively working with HMRC on proposals to undertake a further pilot, again using powers afforded by the DEA, as part of the NFI 2020/21 exercise. The aim is to build on the success of the previous pilot by refining the scope and approach based on what we have learned so far. At this stage the remit will remain with councils only, as DEA powers do not apply to NHS organisations. We will raise the interest shown by the NHS bodies with those responsible for governing the use of the DEA powers and also seek to work with NHS organisations to understand if alternative data sources could be used to address their fraud risks.
34. We welcome feedback on steps we can take to improve the data matching exercise. We are continuously assessing processes and have recently identified a number of developments which seek to enhance both match returns and the match review process for participants. We will evaluate the individual suggestions raised in the consultation against the proposed developments we have in the pipeline, and will continue to work closely with our software provider Synectics Solutions to deliver enhancements to the NFI 2020/21 exercise.
35. Prior to each NFI exercise, we review the impact of each dataset in the NFI work programme. This review led to the consultation asking specifically about the continued inclusion of personal alcohol and market trader licence data. We are confident that the other datasets listed for mandatory inclusion do prevent and detect fraud and therefore warrant their inclusion as mandatory datasets. We will therefore make no further changes to the NFI dataset requirements, however we will continue to review datasets for future NFI exercises. We also welcome any further discussions or questions participants may have about individual datasets.
36. With regards to comments about adding business rates data to the list of mandatory dataset requirements, the NFI has previously undertaken a pilot exercise on business rates, which did identify some levels of fraud and error. As a result, local councils are already able to undertake matching on a voluntary basis, enabling us to continue to refine the matching and review its effectiveness. In addition, it should be noted that the extension of the NFI work programme to include grants and payments administered as part of the government Covid-19 relief programme is expected to include business rates data. The decision whether to mandate this data going forwards will be reviewed as part of the next NFI exercise.

## Question D – Summary of Feedback

Question Ref	Question	Agree	Disagree	Neutral	Total Responses
D	Do you agree with proposals to mandate the participation of Combined Authorities in NFI 2020/21?	64 (91%)	0 (0%)	6 (9%)	70

37. The vast majority (91%) of respondents who answered this question were supportive of proposals to mandate the participation of Combined Authorities in the NFI, including 100% of Combined Authorities that responded to the consultation.
38. The prominent reason provided was that the collection of data from these authorities will enhance the scope of the NFI, enabling more extensive data matching which will benefit

all participants. Some organisations also noted that excluding Combined Authorities may leave a 'gap' for fraudsters to target.

39. The four Combined Authorities that responded to the consultation all acknowledged that participation could benefit them as individual organisations, as well as other NFI participants. Amongst these responses, two agreed that mandatory datasets should be kept to a minimum due to the different remits of these organisations, but the option to add additional data on a voluntary basis would be welcomed. Conversely, one council disagreed with this proposal, suggesting that all data held by Combined Authorities should be mandatory, with a fee to reflect their submission volumes.

### **Cabinet Office Response to Question D**

40. Combined Authorities have become more established in recent years with a varied and important remit. It is anticipated that their inclusion in the NFI will provide the opportunity for more extensive data matching across the public sector, increasing the opportunities to detect and prevent fraud.
41. In line with the feedback in favour of mandating the participation of Combined Authorities, we will now work with these organisations to support their integration into the NFI 2020/21 exercise and beyond. At this stage we will mandate only payroll and creditor datasets, however we will encourage the submission of additional datasets where held. The dataset requirements and subsequent fee will be reviewed prior to the NFI 2022/23 exercise when we have a better understanding of the data input and match outputs across these organisations.

### **Conclusions**

42. After reviewing the feedback received in relation to the NFI 2020/21 work programme, we can confirm the following:
- personal alcohol licence data will be removed as a mandatory dataset requirement for relevant organisations, but can be submitted voluntarily by organisations that wish to do so;
  - market trader data will be removed as a mandatory dataset requirement for relevant organisations, but can be submitted voluntarily by organisations that wish to do so;
  - no further changes will be made to the NFI 2020/21 work programme; and
  - Combined Authorities will become mandatory NFI participants for the NFI 2020/21 exercise and beyond.

### **Proposals to mandate data to address Covid-19 fraud risks**

43. The consultation asked two questions on proposals to mandate the inclusion of additional data relevant to the grants and payments administered as part of the government Covid-19 relief programme.
44. A summary of the main points provided by respondents to these questions are set out below, along with the Cabinet Office response to the feedback received. A breakdown showing the number of respondents who provided a positive, negative or neutral response to proposals is shown for each question. Details of any additional themes raised in relation to these questions can be shown in Appendix 2.

## Question E – Summary of Feedback

Question Ref	Question	Positive	Negative	Neutral	Total Responses
E	Do you have any comments on the proposal to extend NFI to target the fraud risks associated with Covid-19 grants and payments made by councils?	45 (65%)	8 (12%)	16 (23%)	69

45. The majority of respondents (65%) who answered this question were supportive of proposals to incorporate data to help detect fraud associated with Covid-19 grants and payments. Of these organisations, around half indicated that this work would help them to respond to emerging fraud risks in this area, helping to protect the public purse and recover public funds where needed.
46. A number of respondents supportive of this proposal indicated that incorporating this additional data into the NFI will offer a mechanism to match data between different organisations and grant schemes, something that is difficult to do independently. The opportunity to undertake retrospective checks was also highlighted as beneficial, in particular because grant payments were administered quickly in response to the pandemic, allowing limited opportunity for pre-payment due diligence. Some organisations also indicated that NFI data matching may be useful for supplementing their existing or planned work relating to Covid-19 grant payment fraud risks.
47. Two Combined Authorities (newly mandated for the NFI 2020/21 exercise) indicated that they would like to be considered for inclusion in this work, whilst two other participants asked if the scheme could be extended to cover discretionary support schemes and grants.
48. Eight organisations (12%) were not in support of proposals. One reason provided by six of these respondents was that it would duplicate the work already undertaken in this area. Some felt that retrospective data matching was unnecessary due to the measures already put in place prior to administering payments. Furthermore, two suggested that the duplication could result in poor quality matches and false positives.
49. Other concerns raised by this group were that there would be additional work to collate the necessary data and that the benefits obtained may not warrant the input required. Two respondents raised concerns that outcomes from this work could be used by central government to penalise councils for not undertaking appropriate due diligence prior to awarding grant payments.
50. Sixteen (23%) responses were classified as neutral. These organisations broadly agreed with proposals, however also highlighted some questions or reservations. Resource capacity was a concern, with five respondents highlighting that the Covid-19 pandemic may affect capacity to provide data and investigate results.
51. As with respondents who were against proposals, duplication of effort was a concern for two respondents in this group, with two more questioning what retrospective checks may offer for those who used the NFI to undertake bank verification data matching prior to administering grants. Some suggested that data submission should be voluntary, or follow up of matches should be optional based on what work they have already undertaken to identify fraud and error.

52. Timing of this work was another point raised, with suggestions that work should be undertaken as early as possible to be most effective.

### **Cabinet Office Response to Question E**

53. We understand that a wide range of pre-payment checks have been undertaken by some councils and that these will have helped ensure grant payments have been made to those that are genuinely entitled. The purpose of the post award checks is to flag any fraud in the grants and payments that were released. Those organisations who have undertaken comprehensive pre-payment checks would expect to have eliminated much fraud and so will have less actual fraud identified in the data matches released. Additionally, as raised by some respondents, one advantage of the NFI undertaking checks across all local councils is that we can also look at persons and companies receiving duplicate funding across council boundaries and / or from other relevant sources. To achieve this, it is important that all councils provide data, however we recognise that councils may opt to follow up matches in a way they deem appropriate, in line with their overall fraud risk approach to this work. It should also be noted that whilst data collation will be mandatory, we can only mandate data already held by participants. Therefore there would be no requirement for councils to obtain additional data beyond what they already have, to satisfy the data specification criterion.
54. In response to feedback regarding the timing and data matching remit of Covid-19 work, we have been engaged in discussions with stakeholders about how best to proceed. As a result of this we have already commenced a pilot looking at how the NFI can assist in finding fraud across business support grant payment schemes. One of the important factors is understanding when all the funding in a particular scheme will have been issued so that we can appreciate the whole picture and undertake effective matching. While we cannot currently be specific on the timetable for any post award checks, we can confirm that each work programme, and there may be a number, would be designed to target specific emergency relief and the timing would be set to ensure this is as effective as possible. Further details of the business support grant pilot currently underway is available in Appendix 3.
55. With regards to whether the Covid-19 work can be extended to include Combined Authorities and to other discretionary grants / support schemes administered (such as those to charities and social enterprises), we are, and will continue to actively liaise with NFI participants and other stakeholders to look at the scope of post award data matching that can be undertaken. All funding grants distributed by local councils, including Combined Authorities given they represent a collaboration between two or more local councils, will be considered. Whether matching would progress will depend upon whether we can identify and obtain the necessary datasets, as well as secure funding and support to undertake the data matching. We are unable to mandate data from charities but we would be willing to engage in discussions around how NFI could assist in this area, with any data being provided on a voluntary basis.
56. In response to concerns that any identification of fraud and error may highlight lack of due diligence in payments, the sole purpose of the Cabinet Office and NFI work is to help ensure that monies that went to those not entitled are identified and those monies are subsequently recovered as far as reasonably possible. The Department for Business, Energy and Industrial Strategy has issued guidance stating that it will stand behind any erroneous payments, subject to local councils taking reasonable and practicable measures to avoid making payments to those not entitled in the first place, and then having taken reasonable and practicable steps to recover any over-payments.

## Question F – Summary of Feedback

Question Ref	Question	Positive	Negative	Neutral	Total Responses
F	Do you have any comments on the proposal to not levy an additional fee to cover the costs associated with this work?	46 (75%)	5 (8%)	10 (17%)	61

57. The majority of respondents (75%) welcomed the proposal not to levy any additional fee for the Covid-19 data matching. Many indicated that it was right not to charge for this work given the financial pressures already on councils due to the pandemic. Several councils suggested that this work should be subsidised by central government as part of the Covid-19 response, in particular as any recovered monies will benefit central government.
58. A number of organisations raised concerns that the work was being funded from NFI 2020/21 income, which considering proposals to increase fees, would mean that this work is being subsidised by all NFI participants. Questions were also raised around why the voluntary pre-payment bank verification checks offered by the NFI were not subsidised as per the post award checks set out in the consultation. Two respondents asked whether the Cabinet Office would consider reimbursing those organisations who undertook this work, should the post award checks be a duplication of this matching.
59. Some concerns were raised by organisations that provided a negative or neutral response to this proposal. Four respondents pointed out that whilst no charge is levied, there is still a resource impact on councils to collate and submit data, and review match results. In some cases, respondents felt that these resource costs would outweigh any benefits realised from the data matching.

### Cabinet Office Response to Question F

60. In response to concerns that the Covid-19 work will be subsidised by income from NFI fees, we can confirm that any mandatory NFI Covid-19 work will not be funded from the fees levied for the NFI 2020/21 exercise. Instead, other funding streams will be sought and the level of work undertaken will be linked to the level of funding obtained. To date we have been able to utilise some additional central government funding to commence this work, with a current pilot underway looking at how the NFI can effectively assist local councils to find fraud in business support grant payments.
61. In answer to questions about why the pre- payment bank verification and active company checks offered by the NFI were chargeable, these were commercial offerings that were made available to local councils to utilise on a voluntary basis if they felt it appropriate as part of their counter fraud strategies. Any Covid-19 work involving post award checks would be mandatory and as such we do not feel it appropriate to impose additional expenditure on councils for this work.
62. We appreciate that there are resource implications for all engagement with NFI in terms of work to collate data and investigate the match outputs. As set out above, we encourage NFI participants to take an approach for prioritising their match reviews which factors in resource availability, local priorities and any other relevant organisational responsibilities.

## Conclusions

63. After reviewing the feedback received in relation to mandating the inclusion of additional Covid-19 data, we can confirm that we will:

- proceed with the expansion of the NFI to collate data to address the fraud risks associated with Covid-19 grants and payments, commencing with a pilot on business support grants as agreed with the Department for Business, Energy and Industrial Strategy. We will continue to work with participants and stakeholders to formulate plans around what data will be matched and when; and
- continue efforts to secure funding to subsidise this work and we will deliver as much as possible with the funding obtained.

## Proposals on a new fee model and fee uplift

64. The consultation asked two questions relating to the NFI fee scale, specifically on the proposal to implement a new methodology to determine participant fees and a proposal to uplift fees to generate an overall income increase of 9.4%.

65. A summary of the main points provided by respondents to these questions are set out below along with the Cabinet Office response to the feedback received. A breakdown showing the number of respondents who provided a positive, negative or neutral response to proposals is shown for each question. Details of any additional themes raised in relation to these questions can be shown in Appendix 4.

### Question G - Summary of Feedback

Question Ref	Question	Positive	Negative	Neutral	Total Responses
G	Do you have any views on the proposed methodology for determining the NFI 2020/21 fee scale?	22 (33%)	17 (25%)	28 (41%)	67

66. A third of respondents (33%) who answered this question were supportive of the proposed fee methodology, accepting it as a fair and reasonable method to determine fees. A number of these respondents felt that using the number of datasets and high risk matches as a basis for the methodology was appropriate, with two organisations indicating that it is a better methodology than the use of housing benefit records, which underpinned previous fee scales. Five organisations were supportive of applying a set fee per organisational type.

67. Conversely, organisational categories was a strong theme that emerged from the negative responses. Six respondents felt that categorising fees by organisational type would create inequalities within the category, and penalise smaller organisations due the variation in size within organisation types. Of these, three respondents highlighted that the fee scale was unfair on smaller district councils and that the methodology should continue with the former tiered approach, where district councils were categorised as small, medium and large. One organisation in the 'Other London' category challenged the application of an average fee for this organisation type, when only two authorities with different datasets and high risk matches are included in the category.



68. Five respondents not in favour of the proposed fee methodology raised concerns that the methodology impacts some more than others. One respondent felt that the new methodology favours larger organisations in terms of them seeing minimal fee increases. Another suggested that fee increases should be the same across all organisations. Two respondents queried why the fee for Police bodies was higher than the fee for NHS and Fire organisations.
69. Some respondents who disagreed, or provided a balanced response to proposals raised questions and concerns about how the number of datasets is applied in the fee model. Four respondents felt that the number of datasets held by organisations was not convincingly reflected in the fee scale. Examples provided were that some organisations are charged more than those with higher datasets, or that the fee for organisations with minimal datasets is not low enough compared to those with much more data. Two respondents also challenged that not all organisations within the same category hold the same amount of data. Linked to this, some of the neutral respondents felt that the fee modelling could be more transparent.
70. Along with datasets, the use of high risk matches as a driver for the methodology was challenged by two negative and one neutral response. These respondents felt that the risk scoring approach introduced in the NFI 2018/19 exercise was not robust enough to underpin the NFI 2020/21 fee model methodology, although one recognised the need to differentiate between organisations. Linked to this, five other organisations suggested that rather than using high risk matches, the fee should be determined on a results basis, relative to the financial outcomes achieved by each organisation.

### **Cabinet Office Response to Question G**

71. As set out in the consultation, the fee scale applies a fee per organisation, based on the average numbers of datasets and high risk matches for that organisational type. There is a clear need to move away from the previous approach which included housing benefit record count (being replaced by universal credit), but did not take potential benefits that could be realised into account.
72. Whilst we appreciate there will be variations in sizes of bodies within each category, the fee model deliberately moves away from using size as a factor, instead focusing more on the potential benefits that can be gained from NFI data matching. Analysis of the data from NFI 2018/19 identified no direct correlation between the size of an organisation and the number of high risk matches within the same category. This is because the number of high risk matches received by individual organisations depends on the type of datasets submitted, and what controls they already have in place to mitigate fraud risk in different areas. The number of datasets provided has also been taken into account as this directly links to the costs incurred by the NFI.
73. Applying a fee per organisation type rather than an individual fee per organisation, and using averages to calculate that fee, minimises the impact of outliers. For example, outliers could occur where a data quality issue for an individual organisation leads to increased volumes of high risk matches, and subsequently a higher fee.
74. One exception to this rule was in the 'Other London' category. With just two participants in this category we accept that applying an average in this instance skews the results, in particular because there is a broad range in high risk matches between the two organisations. Therefore, we will treat the organisations in this category as unique bodies, and apply the corresponding fee based on their own datasets and high risk matches.
75. We recognise that the new fee methodology impacts each participant differently, however we maintain the new model has been applied consistently across all organisations. The

variation in fee increases between organisational categories is reflective of the move to the new methodology from the previous model, which predominantly focused on authority size as opposed to potential outcomes. It would be difficult to apply a standard fee increase and simultaneously amend the methodology underpinning fee model. Moving forwards there should be less disparity in fee increases should we continue, as intended, with this methodology for future NFI exercises.

76. As set out in the consultation, the fee model incorporates the number of both datasets and high risk matches in the fee model, the weighting of these is 3:1 in favour of high risk matches. This means that there is more emphasis on potential benefits, over the range of data submitted. Therefore, participants with fewer datasets may still pay a higher fee, should the data they submit be more prone to producing high numbers of high risk matches.
77. In NFI 2018/19 we introduced a new risk scoring approach whereby we sought to identify the matches with the highest risk and subsequently, the highest likelihood of fraud, error and overpayment. We have undertaken some analysis on the effectiveness of this risk scoring, looking at match hit rates<sup>5</sup> across risk scoring categories. The analysis identified some correlation between risk score and outcomes, with data showing that matches with a 80-100% risk rating were five times as likely to result in outcomes than matches with <20% risk rating. As such we consider that the number of high risk matches is the best indicator available of the potential benefits that can be realised. We do recognise however that there was variation across different datasets and we are committed to review and refinement of the risk scoring process for the forthcoming exercise and beyond.
78. It should also be noted that we previously disregarded the approach of a fee scale based on the financial benefits reported by each organisation, due to the variation in outcomes reporting across NFI participants. Additionally, linking the fee to reported outcomes may encourage some participants to withhold information regarding reported benefits. We therefore maintain that using high risk matches is the fairest way to differentiate between the benefits that can be gained through NFI matching.

## Question H – Summary of Feedback

Question Ref	Question	Positive	Negative	Neutral	Total Responses
H	Do you agree that it is reasonable to uplift fees to a level that generates an overall NFI income increase of 9.4%?	31 (41%)	26 (35%)	18 (24%)	75

79. Several respondents (41%) were supportive of proposals to uplift fees, with most agreeing that it was reasonable given the freeze in fees over the past twelve years. A number of these respondents recognised that the fee increase was important for investment into the NFI to help bring about benefits such as better quality matches and pilot data matching opportunities. Five participants also noted that the exercise is good value for money, and additional fees are negligible in comparisons to the benefits that can be realised.
80. 35% of organisations were against the proposal to uplift fees. The main reason provided by two thirds of these respondents was that the fee increase is excessive and higher than inflationary increases. A number of organisations also noted that the proposed increase is disproportionate to the income growth potential from government funding and council tax increases.

<sup>5</sup> Defined as the proportion of matches processed that result in a fraud, error or overpayment

81. Six respondents felt that it is inappropriate to increase fees, and that instead the Cabinet Office should seek to make efficiency savings to reduce NFI costs. Two of these respondents felt that these efficiency savings could be realised through the removal of data from the work programme.
82. The impact of Covid-19 on organisations was another important theme raised by five respondents, who highlighted that the pandemic has brought additional financial pressures to their organisations. A further four respondents warned that any increase in fees will take away money from individuals that rely on local public services.
83. Almost half of the organisations that provided a neutral response to this question broadly accepted that a fee increase was reasonable. Four organisations raised questions with regards to how the proposed increase of £145,500 was calculated, while another organisation suggested that investments, such as those in pilot exercises, are not always beneficial to all participants. Eight respondents in this group indicated that they had no comments on this proposal

### **Cabinet Office Response to Question H**

84. We acknowledge that some organisations perceive the fee increase to be excessive for a year on year increase and that a large yearly increase may be more difficult to manage than more consistent, incremental fee increases spread over several years. Whilst we recognise that the fee percentage increase may appear high, particularly on the back of a twelve year fee freeze, we maintain that the actual monetary implications are not significant, with the fee increases ranging from £50 to a maximum of £350 (£175 per year over the NFI period). We also note that even with the uplift, fees are still lower than what they would have been had we applied increases in line with inflation since 2008. We will however consider these comments in regards to future NFI exercises, and be mindful that small incremental fee increases linked to inflation may be a more favourable approach.
85. Linked to this, we accept that the timing of the fee increase is unfortunate in light of the Covid-19 pandemic. However the increase is a considered and planned move deemed essential for ensuring the NFI remains relevant in the current fraud landscape. Again, we feel that the monetary value of such increases are not excessive, even in the current climate.
86. Having frozen fees for the past twelve years, the NFI has undertaken a number of efficiency savings to ensure the programme has not only been delivered, but has expanded to offer new pilots and data matches, improved technology and additional NFI product offerings. Examples of expansion include:
  - implementing more regular matching of data sets such as annual matching of council tax single persons discount data and biannual mortality screening;
  - developing new and flexible products (Recheck, Appcheck and Fraud Hub) which provide opportunity for additional and targeted data matching in line with local counter fraud priorities;
  - introducing new datasets into the NFI work programme including blue badges and Amberhill data (NFI 2012/13), personal budgets (NFI 2014/15), housing waiting list and council tax reduction scheme (NFI 2016/17), and Companies House (NFI 2018/19);
  - utilising Digital Economy Act 2017 (DEA) powers to pilot HMRC data sharing to identify fraud committed by individuals that have not declared earnings, property or capital (NFI 2018/19);
  - introducing data from private sector credit reference agencies to improve the quality of matches – for example enhanced council tax single person discount matching;

- piloting new data matches to tackle public sector fraud risk areas in business rates, procurement, universal credit and housing tenancy; and
- expanding into new data areas, including private sector fraud risk areas such as financial, insurance, utilities and car hire, which generates income to invest into NFI without having to raise fees.

87. In response to comments regarding NFI efficiency savings, we have achieved significant cost efficiencies, driven through two effective procurement exercises, with each resulting in contracts that delivered improved value for money. We have also utilised staff resources more effectively by reviewing portfolios, and implementing improved processes to increase staff efficiency. Removing personal alcohol licence and market trader data would save processing charges (already factored into the fee modelling) but would not enable us to reduce the resource required to deliver the exercise. We believe that we have delivered as much as possible within our financial remit and that more investment is needed to support further programme improvements. We do however commit to utilising additional fee income in the most efficient way possible to ensure participants receive maximum benefit from the fee increases imposed.

88. In response to organisations that questioned how the fee uplift (£145,500 – 9.4%) was calculated, we can confirm that this was based on planned investment into the NFI that included:

- product improvements such as improved web app functionality, refined risk scoring and data matching rules, enhanced management information, and a bulk outcomes upload facility;
- resources to strengthen the data acquisition strategy, such as HMRC data;
- resources to pursue new data matching powers to enable the NFI to expand its remit to data matching to prevent and detect error and inaccuracies, assist in the recovery of debt owing to public bodies, prevention and detection of other crime and the apprehension and prosecution of offenders; and
- increased business development resources to increase the NFI ability to work with stakeholders to identify and target emerging fraud risks.

### **Conclusions on the fee methodology and fee uplift proposals**

89. Having considered all the feedback we confirm that we will:

- implement the new methodology which uses numbers of datasets and high risk matches for determining the fee scale for the NFI 2020/21 exercise; and
- apply an uplift across fees, equivalent to a 9.4% overall income increase.

### **Proposals to implement a penalty fee for late or inaccurate data**

90. The consultation asked two questions relating to the proposed implementation of a 5% penalty fee, applicable in instances where participants submit data to the NFI that is late or of insufficient quality.

91. A summary of the main points provided by respondents to these questions is set out below along with the Cabinet Office response to the feedback received. A breakdown showing the number of respondents who provided a positive, negative or neutral response to proposals are shown for each question. Details of any additional themes raised in relation to these questions can be shown in Appendix 5.

## Question I – Summary of Feedback

Question Ref	Question	Positive	Negative	Neutral	Total Responses
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?	27 (36%)	30 (39%)	19 (25%)	76

92. Feedback to this question was balanced, with a similar number of organisations for and against proposals. Of the neutral respondents, many broadly agreed with the concept of a penalty fee, but raised questions or concerns about how it may be implemented.

93. Of those respondents in favour of the proposal, over half agreed that it would encourage participants to provide more timely and accurate data, which would improve programme delivery and benefits for all. A number of these organisations noted that it is frustrating when late or poor quality data from others generates additional matches and false positives.

94. One of the strongest themes that emerged from across all responses was the implementation of a penalty fee for inaccurate data. Overall fifteen responses (25%) raised this as a concern, with the main point being that data quality failures for each dataset would need to be clearly defined and communicated. Six respondents also raised concerns about whether a penalty will be imposed for missing data fields in instances where they do not hold the data on their system. Additionally, three of these highlighted that capturing data above and beyond the purpose for which it is intended would result in a breach of Data Protection Act (DPA) guidelines.

95. Overall, there was less opposition to proposals for a late data penalty, with five organisations suggesting that this should be implemented without the fee penalty for inaccurate data.

96. Across both negative and neutral responses, it was suggested that there are likely to be valid reasons for non-compliance and therefore steps should be taken by the Cabinet Office to work with participants to understand participant issues relating to data collation. Examples provided included:

- software systems in place that do not capture all the relevant data in the desired format;
- where data is collated by a third party organisation and participants have limited control over the quality of third party data;
- the Covid-19 pandemic placing additional pressures on resources, which may affect capacity to comply with NFI data submission requirements; and
- system failures that could impact data submission.

97. Amongst the respondents against the penalty fee, five indicated that a fine should only be imposed for persistent non-compliance, or multiple dataset failures. Another four felt that the concept of a penalty fee was harsh and draconian, with four respondents warning that the approach may affect joint working relationships between central and local government. A further six organisations stated that a penalty fee would also add financial pressures which are unwelcome in the current climate.

98. Other respondents suggested that the Cabinet Office should seek to improve data quality by supporting participants and by investing in and improving the processing of NFI data.

Linked to this, some respondents felt it may be more appropriate to implement a penalty fee for the NFI 2022/23 exercise to enable more time to iron out data quality issues.

### **Cabinet Office Response to Question I**

99. The purpose of the penalty fee is to encourage organisations to provide timely data of the best possible quality, to enable the release of timely and accurate data matches for all participants. In previous NFI cycles we have worked to support participants with the data submission process, however there remains a proportion of datasets that have been received late and / or have required resubmissions to address data quality issues. These have led to multiple NFI data match release cycles meaning NFI participants have received matches spread over a few months. Not only do these late matches increase the risk of timing differences, but they also hinder an effective and thorough follow up process. Having tried to work with participants in previous exercises we now feel that it is appropriate to trial a penalty fee alongside continued collaboration to see if this leads to improvements.
100. Whilst several responses had more concerns over imposing a penalty for inaccurate data than for late data, in our view, a penalty for late data cannot be implemented in isolation. Our key objective is to improve the timeliness of the matches that we can release. Therefore setting a target purely on a submission date but not taking into account whether the file submitted meets the data quality standards necessary for it to be used, would not align with our objectives.
101. It is important to note that the Cabinet Office can only mandate the provision of data that is already held by participants. We cannot mandate the collection of additional data to satisfy data specification requirements. Therefore no penalties can be levied where a participant does not hold specific data on their system.
102. We understand the requests for clarity about what is acceptable data quality and we will ensure clear and timely guidance is issued. In advance, we are currently in the process of collating feedback from all participants that experienced issues with their data in NFI 2018/19. This will help us to determine the data quality criteria for NFI 2020/21 and also identify any support we can offer both now and during the data submission window. We are also committed to finding solutions that could help to improve data quality post data submission. Our data processors currently use a range of methods to 'clean' the data where possible, however we are exploring other potential solutions such as using algorithms to append data from other datasets to populate blank fields.
103. We can also confirm that we will apply leniency for mitigating circumstances that we deem beyond a participant's control. Each case will be assessed on its merits with the rationale fully documented and a review process to ensure fairness and consistency.
104. We acknowledge concerns that the Covid-19 pandemic is having an impact on all public bodies to varying degrees, however, we feel that the NFI schedule allows sufficient lead in time to enable the completion of NFI requirements. Draft dataset specifications for the NFI 2020/21 exercise were released in March 2020, a full six months before the NFI database opens for submissions, with an additional three months before it closes in December 2020. Additionally, we have kept data specification changes to a minimum, which, for those organisations already experienced in NFI data, should facilitate data collation.
105. In response to feedback that the penalty fee is too harsh, we reiterate that the purpose is to encourage positive behaviours that benefit the overall delivery of the NFI. In formulating the penalty fee concept we explored options such as imposing fees for significant or persistent non-compliance, however it was felt that this would be difficult to administer

operationally and may inadvertently result in additional administrative costs, for both the Cabinet Office and participants.

### Question J – Summary of Feedback

Question Ref	Question	Positive	Negative	Neutral	Total Responses
J	Do you think that the proposed penalty fee of a 5% uplift on the standard NFI 2020/21 fee is reasonable?	32 (53%)	19 (32%)	9 (15%)	60

106. Over half (53%) of respondents who answered this question agreed that the penalty fee of 5% of the standard NFI fee was a reasonable approach, with some in agreement that the fee should be proportionate to the costs associated with managing data submission issues. Four respondents within this category suggested that we could consider applying a higher penalty fee to further incentivise compliance.
107. Of the organisations that did not agree with the 5% fee, over half disagreed with the concept of a penalty fee, as opposed to the proposed value of the fee. Other respondents against the fee value indicated that the fee was too high considering the limited availability of public funds, whilst three authorities warned that additional fees may take away funds from service users.
108. Two organisations felt that a 5% penalty fee would have minimal impact on behaviours and may cost more in administrative duties such as the processing of invoices.
109. The organisations that provided a balanced response to this question broadly agreed with the concept of a 5% fee, however added some caveats relating to the points raised in question I around implementation of the penalty. Two respondents questioned why a standard 5% penalty fee will be applied to all participants irrespective of the number of late or poor quality datasets, whilst two further organisations suggested that a sliding penalty fee scale based on the severity of non-compliance might be better.

### Cabinet Office Response to Question J

110. We appreciate in some cases (in particular for lower paying organisations), the penalty fee may be relatively small, however the penalty fee is not intended as a means to generate additional income, but to cover costs associated with data submission issues. We explored the possibility of charging a fee by individual late dataset and by recurring late data, but this would potentially add additional administrative pressures which may negate the purpose. The proposed method of applying the fee will have minimal administrative impact, as we will be able to incorporate any penalty fees due into the invoice for the standard NFI matching.
111. We note the additional financial pressures documented by respondents but maintain that whilst an additional fee may add to these pressures, the fee will not automatically be levied. At 5% of the total fee charged, the monetary value of the penalty fees ranges from £58 - £219.
112. We acknowledge the idea of implementing a fee value based on the severity of non-compliance and recognise that this approach may penalise more extensive data issues accordingly. However, as this is the first time we intend to implement the penalty fee, we believe the best approach is to continue with a more simplistic 5% penalty across the board. We will then assess its effectiveness prior to the next NFI exercise and at that point

may seek to explore recalculating the penalty fee to reflect higher fees for greater instances of non-compliance.

### **Conclusions on proposals to implement a penalty fee for data submission issues**

113. We have given consideration to the balanced responses for and against the implementation of a penalty fee and acknowledge that the majority of concerns were around a penalty for inaccurate data submissions. We believe we can consider these concerns and implement a fair process. Therefore:

- we will proceed with the implementation of a penalty fee for late or inaccurate data submissions for the NFI 2020/21 exercise; and
- the penalty fee, when levied, will equate to 5% of the standard NFI fee for individual organisations.



## Next Steps

114. The Cabinet Office has complied with its statutory duty to consult before prescribing the scale of fees for the NFI 2020/21 exercise. Following consideration of all responses, the final NFI 2020/21 work programme and scale of fees is available to view on [GOV.UK](https://gov.uk).

115. We will now proceed with delivery of the NFI 2020/21 exercise, in line with the confirmed timetable set out in Table 4 below.

**Table 4- NFI 2020/21 Timetable**

Activity	Who	How	Timing
Issue the FINAL data specifications for each data set	NFI Team (Cabinet Office)	Final <a href="#">data specifications</a> will be available on the NFI GOV.UK web page.	By Friday 31 July 2020
Issue the instructions to bodies participating in NFI 2020/21	NFI Team (Cabinet Office)	An email containing a link to the NFI 2020/21 instructions on the NFI GOV.UK web page will be sent to Senior Responsible Officers and Key Contacts.	By Friday 31 July 2020
Make the 2020/21 national exercise part of the web application available	NFI Team (Cabinet Office)	The web application will be made available for 2020/21 access.	From Wednesday 5 August 2020
Check the list of expected data sets is accurate	NFI Key Contact	Key Contacts will log in to the 2020/21 web application Data File Upload (DFU) and check the list of expected datasets is accurate and advise us of any changes to the list by Monday 31st August 2020.	Between Wednesday 5 August and Monday 31 August 2020
Communicate data quality criteria	NFI Team (Cabinet Office)	The data quality criteria for each dataset will be communicated to all participants, including examples of data quality failures that may result in a penalty fee.	By Monday 31 August 2020
Ensure the person uploading data has a web application account	NFI Key Contact	Key Contacts should ensure the person responsible for uploading data has a user account on the web application.	By Friday 11 September 2020, and as and when future changes occur
Complete the NFI 2020/21 privacy notice compliance declaration in the web application	NFI Key Contact	Key Contacts should ensure the privacy notice compliance declaration is completed.	By Friday 25 September 2020

Extract data from systems in accordance with the data specifications and upload data to the NFI web application	NFI Key Contact / User (data upload)	Key Contacts should ensure that data is extracted from systems as at 30th September 2020 (unless otherwise stated in the data specification) and uploaded to the web application 2020/21 DFU as soon as quality checks have been completed.	Data must be uploaded between Friday 9 October 2020 <sup>6</sup> and Tuesday 1 December 2020
Cut off for the main 2020/21 NFI release	NFI Key Contact /Senior responsible Officer	If data is not received by close of business on Tuesday 1st December 2020 it may be classed as late and a failure to fully meet your statutory duty <sup>7</sup>	5pm on Tuesday 1 December 2020 <sup>8</sup>
Set up/review accounts for those reviewing matches	NFI Key Contact	Key Contacts should ensure user accounts are set up on the web application for those in their organisation responsible for reviewing matches.	By 28 January 2021 and as and when future changes occur
The 2020/21 exercise matches are available	NFI Team (Cabinet Office)	An email will be sent to Senior Responsible Officers and Key Contacts informing them that the matches are available.	From Thursday 28 January 2021

**Note:** Council Tax Single Person Discount, Personal Budgets and Residential Care Homes data will be collected against a different timetable. More information is provided in the published NFI 2020/21 Work Programme and Fee Scale.

<sup>6</sup> A series of reminders will be issued from Wednesday 14 October 2020. Reminders will go to Senior Responsible Officers if data is more than two weeks late (23 October 2020)

<sup>7</sup> Under Part 6 of the Local Audit and Accountability Act 2014 (England)

<sup>8</sup> Failure to submit all of your required data promptly and of acceptable quality by Tuesday 1 December 2020 may incur additional fees and result in some datasets being excluded from the matching process for the results release at the end of January 2021. Data should still be submitted for a later match release

## Appendix 1 - Additional Views on the NFI Work Programme

Ref	Theme / Question	No. responses	Cabinet Office Response
A	Few matches are received for this dataset so removal will have minimal impact.	3	Match volumes vary across organisations, however we are generally more focused on match quality rather than quantity.
A	Personal alcohol licence data should be an optional datasets and / or a requirement for new licences only, which would help reduce the overall volume of work.	2	Agree – confirmed as an optional dataset in NFI 2020/21 work programme.
A	Potential frauds are often related to housing benefits and so are forwarded to DWP to investigate	1	The DWP have responsibility for investigating fraudulent housing benefit referrals, however the follow up of any erroneous cases identified remains within the council remit.
A	Removing this requirement will comply with DPA legislation on proportionate data.	1	Agree.
A	Matching personal alcohol licence data to immigration data may yield better results.	1	We have previously explored this option, however there are challenges around the 'fraud' aspect of this match due to immigration status often being omitted from licence data applications. Therefore whilst this match may help detect persons working illegally (which is an offence), the fraudulent intent is difficult to prove.
B	Few matches are received for this dataset so removal will have minimal impact.	5	Match volumes vary across organisations, and may have been impacted by lack of immigration data. We are generally more focused on match quality rather than quantity.
B	Different licencing regimes and outsourced markets to events companies / third parties mean that market trader data held by councils may not include all market traders.	3	Noted data may not capture all individuals. Keeping this an optional dataset will enable councils to weigh up what benefits they may get from its inclusion in the NFI.
B	Market trader data should be offered as an optional data submission.	2	Agree – confirmed as an optional dataset in NFI 2020/21 work programme.
B	Potential frauds are often related to housing benefits and so are forwarded to DWP to investigate.	2	The DWP have responsibility for investigating fraudulent housing benefit referrals, however the follow up of any erroneous cases identified remains within the council remit.
C	Make it clearer which datasets are relevant to which councils.	1	We have caveated the work programme to state that data is required from each organisation type 'where held'. We will also confirm expected datasets with individual organisations in due course.
C	NFI data matching should be undertaken on a real time basis, as	1	This would require NFI to have API (Application Programming Interface) links

	opposed to a two yearly batch matching exercise.		with all the relevant systems at all participating organisations. The NFI strategy includes a commitment to 'Increasing both the volume and frequency of data that is used in, or accessed through, the NFI'. As part of this strategy some data submissions have moved to an annual basis and we have introduced AppCheck so that organisations can undertake checks at the point of application. This product can be accessed via an API.
<b>C</b>	Disagree with NFI reporting notional or estimated savings for some datasets.	1	Notional savings are included to quantify a) the value of past fraud where a monetary overpayment is not applicable ie recovery of a property or travel pass, or, b) where there is a future loss prevented from identifying and stopping an incorrect payment. Notional savings methodologies are scrutinised by a cross government panel, and the distinction between actual recoverable savings and notional savings are defined in any reported savings figures.
<b>C</b>	Pension to payroll (abatements) are not relevant.	1	We appreciate abatement rules differ amongst different organisation types. We have therefore added an additional field to the pensions data specification to flag pension cases that should or should not be matched to payroll data to identify pension abatement cases.
<b>C</b>	Limited information received on matches referred to DWP.	1	The matches referred to the DWP are assessed by Counter Fraud, Compliance and Debt. Match outcomes from NFI referrals are reported back to the Cabinet Office and the outcomes are included in our reported savings figures.
<b>C</b>	What is the rationale for having an 'Other London' category?	1	The two organisations in the 'Other London' category do not fit into other organisation types. As set out in the consultation we will now treat these two organisations individually, but the methodology in terms of the use of high risk matches and datasets has been applied consistently.
<b>D</b>	Why is the inclusion of central government payroll data not mandated?	3	Under existing legislation, central government departments are not required to submit data to the NFI. We will however continue to invite and encourage central government departments to take part in the NFI where there may be a benefit for them to do so.
<b>D</b>	Follow up of data matches, including responding to shared matches between organisations should also be mandatory.	2	Currently the legislative requirement is to submit data to the NFI for matching, however we will continue to encourage all participants to engage with match reviews and follow ups to facilitate the collective fight against fraud.
<b>D</b>	The inclusion of Combined Authorities will facilitate cross boundary working.	2	Agree.

<b>D</b>	Disagree with notional savings applied to previous Combined Authority outcomes.	1	Notional savings are included to quantify a) the value of past fraud where a monetary overpayment is not applicable i.e. recovery of a property or travel pass, or, b) where there is a future loss prevented from identifying and stopping an incorrect payment. Notional savings methodologies are scrutinised by a cross government panel, and the distinction between actual recoverable savings and notional savings are defined in any reported savings figures.
<b>D</b>	Will Companies House data be included in NFI 2020/21?	1	We can confirm Companies House data will be included in NFI 2020/21 exercise to help detect potential procurement fraud. This will be sourced in bulk from Companies House.

## Appendix 2 - Additional views on Covid-19 Data Submissions

Ref	Theme / Question	No. of responses	Cabinet Office Response
E	This work may benefit future learning in terms of refining business rates policy and lessons learned in distributing grant payments quickly.	6	NFI data matching has historically led to improvements to system design to prevent and detect fraud. As outlined this may be the case in this instance.
E	The Department for Business, Energy and Industrial Strategy (BEIS) has confirmed that they will be accountable for any erroneous payments that local councils are unable to recover. How will this be co-ordinated and managed?	1	BEIS have confirmed that they will stand behind any erroneous payments that local councils are unable to recover. This is a specific policy decision for BEIS. Assurance guidance has been issued by BEIS to local authorities and, we understand, further guidance will be made available.
E	Additional checks relating to the validity of a company or creditor could be applicable to creditor data generally and not just to Covid-19 related payments.	1	As with all pilots and new data matching we will take the opportunity to identify where this work may support or enhance elsewhere within the NFI.
E	Potential duplication of work may have a detrimental effect in respect of NFI credibility.	1	As outlined in the consultation, we envisage that this work should help supplement the work already undertaken by councils. Its impact will be different for each council, however it is important that we provide the best possible solutions for those that may need it. Our advice in this scenario is to review a sample to establish whether or not the NFI is identifying risks that the previous work has not. Based on the results an informed decision can be made as to whether there is value in undertaking further work.
F	It is right not to charge for Covid-19 work, particularly given the increase in fees for the main NFI exercise.	5	Data matching to identify fraud risks from Covid-19 grant payments is currently outside of the NFI fee scale. We are seeking additional funding for this work to help minimise financial impact on councils and we will deliver what we can with the funding available.
F	This is a new dataset reflecting an emerging fraud risk. Potential results of data matching are an unknown and therefore it is difficult to see how any proposed fee could be calculated.	1	This is the case with any new pilot data matches. In cases where NFI is unable to fund the costs of a pilot exercise then the NFI charges a fee to cover the costs associated with delivering the pilot. In this case no fee is being charged for this work.
F	Councils may have more resource capacity to address this work due to reduction in the wider NFI work programme.	1	Agree.

## Appendix 3 - Business Support Grant Pilot

1. In advance of collating and matching data to address fraud risks associated with Covid-19 grants and payments, we have commenced work on an initial pilot data match to help identify the best possible matching solutions.
2. The pilot involves matching Covid-19 Business Support Grant payment data against a number of business specific datasets to identify fraud. Specifically, the pilot seeks to identify:
  - Businesses that were inactive at the date of entitlement; and
  - Payments made to invalid bank accounts.
3. This will be done using multiple datasets:
  - a. Bank Account Validation - Credit Reference Agency data;
  - b. Active company check – including Companies House data and Credit Reference Agency companies trading data; and
  - c. Known fraud risk - Disqualified Directors data
4. We are working with BEIS as the government department responsible for administering this particular response package and will continue to collaborate with them throughout the pilot to understand the potential impact of any full roll out to councils in England. We expect to release matches to the six councils participating in the pilot in week commencing 27 July 2020 and will work closely with them to get feedback and outcomes by the end of August 2020.
5. An update about this pilot and any proposals to roll this out across English councils will be issued in due course.

## Appendix 4 - Additional Views on the NFI Fee Methodology and Fee Uplift

Ref	Theme / Question	No. responses	Cabinet Office Response
G	Has consideration been given to splitting the charge for NFI over two years rather than charging once every two years? Splitting the cost may assist authorities with budgeting.	1	We appreciate that this approach may support budget management, however we feel this should be balanced against administrative costs. In previous NFI exercises we split the cost across two years, and invoiced participants twice. Due to the high of number of participants, we have found it is more efficient to invoice once across the two years.
G	It would be useful to have scope for amending the scale if there is a reduction in high risk matches.	1	The fee scale and its methodology will be reviewed prior to each NFI exercise. Using this methodology, the fee scale will be based on information from the preceding NFI exercise. Any significant changes in the number of high risk matches for a specific organisation category will be considered.
G	NFI should be fully funded by the Cabinet Office.	1	Under the Cabinet Office current data matching powers there is a duty to prescribe a scale of fees for data matching. Any changes to this would require legislative change.
G	The NFI exercise should be replaced by real time matching using products such as FraudHub.	1	The real time products such as AppCheck and FraudHub are designed to complement the NFI exercise. The NFI exercise specifically brings together the data from 1200 participants across the UK. Matching in this way allows more fraud to be detected. AppCheck and FraudHub offer more flexibility but involve individual or small groups of organisations working together.
G	There should be a discount for those that use FraudHub.	1	Currently the NFI fee scale treats mandatory and voluntary NFI products separately. In future we may explore how we can incorporate voluntary and mandatory products into the fee scale which may provide more value for money options and help to recognise the potential impact regular use of additional NFI products may have on the results from the mandatory exercise.
H	The fee increase should be staggered over future exercises.	2	As set out in the consultation response we recognise that incremental fee increases may be a preferable approach and we will consider this for future NFI exercises.
H	The NFI should not be a chargeable exercise.	2	Under the Cabinet Office current data matching powers there is a duty to prescribe a scale of fees for data matching. Any changes to this would require legislative change.
H	Government should provide central resource to support participants with	2	We are committed to supporting participants through the NFI process including in the



	meeting NFI requirements and reviewing matches, including recovery of overpayments.		submission of data and interpreting the resultant data matches. The current approach is for participating organisations to consider, and investigate where applicable, in line with their counter fraud strategies and specific responsibilities. In some cases, in line with specific policies, government departments are involved. For example the DWP has responsibility for investigating fraud in housing benefit payments. Any further centralisation of responsibility would be a decision for the relevant government department.
<b>H</b>	The NFI fee methodology should be reviewed to obtain larger revenue from larger organisations.	2	As highlighted in the consultation the methodology seeks to move away from the 'size' aspect of an organisation to draw more on the benefits that can be potentially obtained from data matching. This is predominantly determined by the type of data held by each organisation, not necessarily the volume of data held.
<b>H</b>	The fee increase is unjustified considering NFI already charge additional fees for add-on services such as mortality screening, which should already be included in the overall fee.	1	Deceased matching is incorporated in the NFI main exercise, however additional mortality screening is voluntary and chargeable to participants to cover the costs of this additional matching. In future we may explore how we can incorporate voluntary and mandatory products into the fee scale which may provide more flexible fee options.
<b>H</b>	We would expect consideration of future fee reductions should the benefits arising from the fee uplift are not achieved.	1	The fee scale and its methodology will be reviewed prior to each NFI exercise. This will include reviewing benefits realised by organisation type.
<b>H</b>	Combined Authorities should be included in the pilot pipeline.	1	Agree. We welcome the inclusion of Combined Authorities in any applicable data pilots. We will also work with Combined Authorities to better understand how we can further develop the NFI to help support their fraud risks.
<b>H</b>	NFI should be reducing the costs of this exercise to encourage all organisations to provide good quality data.	1	Good quality data is important for producing useful data match results and we are continuing to work with participants to help achieve this. We do not believe that a lower fee would necessarily improve data quality. Additionally, baseline costs for the data matching exercise need to be met from the NFI fee.
<b>H</b>	Capping the increase to a maximum of 20% is supported	1	Noted.

## Appendix 5 - Additional Views on the Implementation of a Penalty Fee

Ref	Theme / Question	No. responses	Cabinet Office Response
I	Administering and invoicing for the penalty fee would result in additional administration costs for Cabinet Office and participants.	3	Any penalty fees due will be identified in December following the deadline for data submissions. We will therefore be able to incorporate the penalty fee into the main NFI fee, raising just one invoice to be paid per organisation.
I	An appeals process should be in place.	2	Any penalty fees levied will take into consideration any mitigating circumstances which will be reviewed under a defined process and timescale. Further guidance will be issued in due course.
I	A penalty fee may encourage participants to submit partial data in order to meet requirements.	1	Levying a penalty for poor data quality alongside late data submissions will help mitigate the risk of incomplete data being submitted simply to meet deadlines.
I	The Cabinet Office should also consider implementing a penalty where no action is taken on matches.	1	This was considered as part of an early proposal to encourage engagement with the NFI, however at this stage we felt it more appropriate to focus initially on actions that will encourage better and more timely data. We will however continue to encourage and support participants to engage with match reviews and follow ups.
I	The Cabinet Office should work with software suppliers to support automation of data.	1	The NFI software has the capacity to receive data on an automated basis, for example some private sector organisations participate in AppCheck on this basis. Exploring further automation is part of the NFI strategy and we would be keen to hear from anyone willing to work with us on this agenda.
J	NFI should be funded by the Cabinet Office.	4	Under the Cabinet Office current data matching powers there is a duty to prescribe a scale of fees for data matching. Any changes to this would require legislative change.
J	The penalty fee should only be applied to datasets within an organisation's control and not where data is provided by a third party.	3	Any penalty fees levied will take into consideration any mitigating circumstances that may impact on data submission requirements.
J	The penalty fee should be renamed as an administration fee.	1	Whilst the penalty fees seek to cover the additional administrative costs associated with late and poor quality data, we want to be transparent that the fee is in fact a penalty that will be levied in instances of non-compliance.