



Cabinet Office

National Fraud Initiative NFI 2022/23 Work Programme and Scale of Fees

Consultation Feedback

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Introduction

Purpose

1. In April 2022, the Cabinet Office launched a consultation on the National Fraud Initiative (NFI) 2022/23 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 Schedule 9 (2) of the Local Audit and Accountability Act (LAAA) 2014, to submit data to the NFI. The full consultation document is available to view on [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 Schedule 9 (6) 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.
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.
5. Proposals relating to the NFI work programme included:
 - removing social care datasets from the NFI work programme for relevant organisations
 - continuing to mandate data, where appropriate, relevant to the coronavirus (COVID-19) grant relief programme (councils only)
 - mandating the submission of data to the NFI from Integrated Care Boards (ICBs) in place of Clinical Commissioning Groups (CCGs), in line with the reforms set out in the Health and Care Act 2022
6. Proposals relating to NFI fees sought views on:
 - continuing with the existing fee model which determines a fee scale for organisations that participate in the NFI, based on the number of datasets submitted and the volume of high risk NFI matches received by participants
 - adjusting fees for relevant organisations to account for the removal of social care datasets from the NFI work programme
 - uplifting fees in line with the average annual inflation rate of 1.75% per annum, based on the average annual inflation rate for the period 2019 to 2021
 - continuing with the existing policy to levy a 5% penalty fee where participants fail to comply with NFI data submission requirements as determined by the Cabinet Office

Consultation Response Rate

7. We invited 753 organisations to review our consultation proposals. This included existing mandatory NFI participants as well as other organisations that have an interest in the work of the NFI, or that of the bodies mandated to take part in the NFI, such as some government departments or other membership organisations.
8. We received 50 responses to the consultation which equates to an overall response rate of 6.6%.
9. We received feedback on proposals from most sectors. Responses from local authorities made up the highest proportion of responses, at 87.5%. Local authorities also had the highest response rate of 13.2%. A breakdown of responses is set out in Table 1.

Table 1- Consultation Responses by Organisation Type

Organisation Type	Number of organisations	Number of responses	Response rate (%)	Proportion of all responses (%)
Local Authority	332	44	13.2	87.5
Police	39	1	2.6	2.1
Fire Service	34	1	2.9	2.1
Combined Authorities	10	0	0	0
Other Local Government ¹	10	0	0	0
NHS	320 ²	3	0.9	6.2
Government departments or other public sector bodies	8	1	12.5	2.1
Total	753	50	6.6	100

Summary of results

10. The consultation set out specific questions for organisations to consider. We collated and reviewed all feedback to determine if participants supported or disagreed with proposals. Responses were then analysed to identify themes in response to each question. A summary of the consultation questions and the Cabinet Office response is set out in Table 2.
11. Having considered all feedback, we will not make any changes to the NFI 2022/23 work programme. We are however applying a minor adjustment to NFI 2022/23 fees for some organisations, following a review of how the fee reduction for social care data is applied.
12. The final NFI 2022/23 work programme and scale of fees is available on [GOV.UK](https://www.gov.uk).
13. The remainder of this document provides more detail on the comments made in relation to the consultation proposals and the Cabinet Office response to the feedback received.

¹ Includes waste authorities, passenger transport executives, pension bodies, Transport for London and the Greater London Authority

² Note that some CCGs were in the process of merging in preparation for the reorganisation to ICBs

Table 2. Overview of Consultation Responses and Cabinet Office Action

Proposal / Question	Agree	Disagree	Neutral	Cabinet Office Action
Do you have any comments on the proposal to remove social care datasets from the NFI 2022/23 work programme, or any wider comments on the value of matching data to identify fraud risks in this area?	22% (11)	36% (18)	42% (21)	We will remove this data in line with current legislation and continue to explore alternative solutions for future matching
Do you have any comments on the proposal to continue to mandate data, as required, to target the fraud risks associated with COVID-19 grants or payments made by local authorities?	74% (37)	2% (1)	24% (12)	We will continue to mandate data, and consult with the department for Business, Energy and Industrial Strategy on what and when any matching may be appropriate
Do you have any additional views on the proposed NFI 2022/23 work programme ³ and the list of required datasets?	No specific proposal for this question. Opportunity to provide open feedback			We will make no further changes to the NFI 2022/23 work programme
Do you have any comments on the proposal to mandate the inclusion of Integrated Care Boards in the NFI 2022/23 exercise, following the planned abolition of Clinical Commissioning Groups in July 2022?	56% (28)	0	44% (22)	Integrated Care Boards will become mandatory NFI participants for the NFI 2022/23 exercise and beyond
Do you have any comments on the proposal to retain the existing fee model to generate the fee scale for the NFI 2022/23 exercise?	50% (25)	14% (7)	36% (18)	We will use the existing fee methodology to model participant fees for NFI 2022/23
Do you have any comments on the proposal to reduce fees by £220 to reflect the removal of social care data from the NFI work programme?	56% (28)	2% (1)	42% (21)	We will deduct £220 from NFI fees for relevant bodies. This reduction will apply prior to inflationary uplifts
Do you agree that it is reasonable to increase fees in line with the average annual inflation rate of 1.75% per annum based on the period 2019 to 2021?	62% (31)	26% (13)	12% (6)	We will apply an uplift across all participant fees of 1.75% per annum
Do you have any comments on the proposal to continue with the policy to levy a 5% penalty fee for late or poor quality data submissions?	58% (29)	14% (7)	28% (14)	We will levy a 5% penalty fee for late or poor quality data submissions

³ This was an open question with no specific proposals. Respondents offered general suggestions about the NFI programme which we will review against our planned programme developments.

Detailed Consultation Feedback and Cabinet Office Response

Feedback on NFI 2022/23 Work Programme Proposals

14. In the consultation, we asked for feedback on our proposals for the NFI 2022/23 work programme. Specifically, we asked for views on the removal of social care data, as well the intention to continue with mandating data relevant to the coronavirus (COVID-19) grant relief programme. We also set out proposals to include Integrated Care Boards (ICBs) as mandatory NFI participants.
15. A summary of the main themes identified from participant responses to proposals are set out below, along with the Cabinet Office response to the feedback received. Details of any additional points raised are set out in Appendix 1.

Question A – Summary of Feedback

Ref	Question	Agree	Disagree	Neutral	Total Responses
A	Do you have any comments on the proposal to remove social care datasets from the NFI 2022/23 work programme, or any wider comments on the value of matching data to identify fraud risks in this area?	22% (11)	36% (18)	42% (21)	50

16. Over a third of respondents disagreed with the proposal to remove social care data from the NFI work programme, with the majority indicating that they consider this a valuable and useful dataset. Some noted that the inclusion of social care data has previously helped to identify high levels fraud, error and overpayments by enabling the detection of undeclared deaths in care homes and duplicate payments of personal budgets. Two respondents felt that removal of this data is detrimental to the overall value of the NFI exercise and a potential loss to the public purse due to large overpayments that may remain undetected.
17. Across all respondents, there was wide support for continued efforts to find alternative solutions for reinstating social care data back into the NFI work programme, with 16 organisations indicating that they are in favour of reintroducing this data where possible.
18. Of the 11 (22%) of respondents that were in support of removing social care data, around a quarter (3) indicated that they had previously gained poor outcomes from these datasets, in part due to the time lag between data submissions and receipt of matches. A few respondents also commented that the process of reviewing and investigating social care matches is resource intensive for minimal gains. However, many respondents in agreement with the removal of this data acknowledged that it is the appropriate action to take in response to the current legislation, until a potential resolution is identified.
19. Other comments on this question included requests for clarity on whether voluntary matching of this data is possible, and the need to keep local authorities informed of any developments.

20. The 42% of respondents who provided a neutral response to this question indicated that they had no comments to add, or that the removal of social care data is not applicable to their organisation.

Cabinet Office Response to Question A

21. We would like to thank participants for the feedback they provided in relation to this question. As set out in the consultation document, we are currently unable to collate, match and return social care data to local authorities on a mandatory or voluntary basis due to restrictions in legislation. However, we recognise that many respondents perceive that the risk of social care fraud remains high.
22. We will continue to explore ways to make social care data matching possible and will engage with local authorities to understand more about the benefits of matching this data through NFI. We will continue to work closely with the relevant bodies on the processing of social care data for fraud and will formally consult where required, should we intend to introduce this into future mandatory exercises.

Question B – Summary of Feedback

Ref	Question	Agree	Disagree	Neutral	Total Responses
B	Do you have any comments on the proposal to continue to mandate data, as required, to target the fraud risks associated with COVID-19 grants or payments made by local authorities?	74% (37)	2% (1)	24% (12)	50

23. The majority (74%) of organisations that responded to this question agreed with the proposal to continue with mandating COVID-19 grants and payments data as part of the NFI 2022/23 exercise. Many of these respondents indicated that this area of work remains a valid fraud risk due to the demand for grant payments and the speed at which local authorities administered them. Others noted they had identified savings from COVID-19 data matching in the previous NFI exercise and welcomed a consistent approach for targeting fraud in this area across all councils. Five local authorities pointed out that whilst they saw benefits for its inclusion in the NFI 2022/23 exercise, it is only appropriate for the short term and would not add value for future NFI exercises.
24. Several respondents commented that they found COVID-19 data matching useful, in particular for providing assurances on internal system controls. However, those in disagreement with proposals noted that as they had sufficiently strengthened internal controls over time, the benefits from further post payment checks are unlikely to outweigh the resources required to prepare data and investigate matches.
25. Some respondents in agreement with the proposals provided feedback on the process and gave recommendations for improvements. Five councils requested that the NFI consider the timing of any COVID-19 matching and provide sufficient notice for data submissions and data match releases to enable them to align resources accordingly. Two councils identified the need for more detail and clarity on dataset requirements, whilst a further two commented that data requirements should be better aligned with the data collected from grant applicants, to help minimise the work in preparing data to meet specifications. One

council felt that there is scope to review and refine the match logic in some areas to help reduce the risk of false positives.

26. Some respondents also provided suggestions for alternative data matching using COVID-19 data. Examples included matching COVID-19 grant payments against furlough scheme data, or using COVID-19 data such as self-isolation payments to help assess household composition relative to Housing Benefit and Council Tax fraud. Another felt that it would be beneficial to match COVID-19 grants data against HM Revenue and Customs (HMRC) data to give greater assurance of company trading pre COVID-19 and subsequently, grant eligibility.
27. The 24% of respondents who provided a neutral response to this question indicated that they had no comments to add, or that COVID-19 data is not applicable to their organisation.

Cabinet Office Response to Question B

28. We acknowledge that there is some strong support in favour of opportunities to match COVID-19 data in the NFI 2022/23 exercise and that assurance on the administering of grant payments remains an important area of work for many local authorities.
29. The purpose of including this data in the NFI work programme is to provide a gateway to collect and match COVID-19 data in response to current and future need, undertaking matching as and when it is appropriate to do so. We recognise that this data may serve a short to medium term purpose. The inclusion of this data in future NFI work programmes will be determined by the direction of COVID-19 and any associated fraud risks.
30. Before we proceed with further matching in this area, it is important that we work with the Department for Business, Energy and Industrial Strategy (BEIS) to review the effectiveness of our previous COVID-19 counter fraud work and identify any gaps where further or alternative NFI matching may add benefit. We will also share the feedback from this consultation with BEIS, highlighting the preference for further data matching, as well as the comments and suggestions regarding the wider use of COVID-19 data in fraud detection and prevention.
31. Decisions on the type and timing of any data matching will be in consultation with BEIS and local authorities, with a cost-benefit assessment for all parties. We will also consider if there are any wider risk mitigation controls, tools or data matching undertaken outside of the NFI, which may remove or reduce the benefits offered from further NFI matching.
32. In response to comments about the need to improve aspects of the data matching process, we accept that through working at pace to deliver timely post assurance checks, we experienced some operational challenges during the first rounds of COVID-19 matching. Any further work in this area will benefit from the learnings from previous work, helping us to refine match results and improve the timings and turnaround of data. We will also work closely with local authorities to gain input on data specifications and data match logic, and ensure we communicate requirements effectively.

Question C – Summary of Feedback

Ref	Question	Total Responses
C	Do you have any additional views on the proposed NFI 2022/23 work programme and the list of required datasets?	50

33. There was no specific proposal associated with this question, however, it offered the opportunity for respondents to provide additional views or feedback on the NFI 2022/23 work programme.
34. Fifty respondents answered this question, with the majority (33) indicating they had no comments to make. A fifth of respondents (10) specifically stated that they were supportive of the NFI work programme. These organisations indicated that the requirements are reasonable and that the programme remains beneficial for providing assurance and identifying savings, in particular from matching data across organisational boundaries.
35. Some respondents provided feedback on the specific datasets included in the work programme, offering views on which data requirements are, or would be, most beneficial to them. Three respondents indicated they would like to see additional data such as small business rates relief data, HMRC data, and a reintroduction of Home Office immigration data. A further two organisations identified datasets which they felt provided limited value for them, including resident parking permits, housing waiting lists and taxi driver datasets. Furthermore, both suggested that there should be an option to opt-out of providing data that does not align with their priority fraud risk areas.
36. Four organisations provided views on data match results and the match review processes, in particular in the context of resources required for follow-up investigations. Comments included that match algorithms could be refined to improve match quality and reduce the risk of investigating false positives. Others indicated that refining risk scores to give more weighting to higher value fraud risk areas would support them with allocating resources for a targeted approach to data match reviews.

Cabinet Office Response to Question C

37. Our aim is to ensure the NFI work programme supports all participants with targeting a wide range of relevant fraud risks. However, we accept that risks may differ significantly across organisational types and geographical areas. We therefore carefully consider and assess existing and potential work programme datasets in terms of their impact, accessibility and complexity to ensure it is appropriate to include them as mandatory requirements.
38. Prior to each NFI exercise, we review the work programme and take action where needed to ensure that required datasets produce adequate benefits for the majority of participants. For example in NFI 2020/21 we removed licence data due to minimal reported savings, and this year we have highlighted Right to Buy as an area for further review. We are confident that the other datasets listed for mandatory inclusion do prevent and detect fraud and warrant inclusion in the NFI.

39. In response to suggestions that organisations should only submit data that is relevant to their local fraud risks, it is important to recognise the benefits of collecting a full suite of data for matching between organisations. In NFI 2020/21, participant data helped to identify fraud and error for other participating organisations, generating savings of £17 million. Removing the requirement to submit all data would reduce the overall volume of data in the programme, which would subsequently affect the value of cross-organisational matching. In addition, data collected as part of the main NFI exercise is utilised within the NFI's voluntary matching tools, which is useful for organisations wanting to undertake additional matching.
40. We can confirm that outside of the mandatory data requirements, we are continuing to explore and progress matching opportunities across business rates, HMRC and HO immigration data. Currently, business rates data matching is available to local authorities on a voluntary chargeable basis following a NFI 2018/19 pilot that produced good results. We will continue to monitor results from any take up of this matching opportunity and assess the appropriateness for mandating this data in future NFI work programmes.
41. Over the past two NFI exercises, we have utilised Digital Economy Act (DEA) powers to pilot data sharing with HMRC to identify fraud committed by individuals through non-declaration of earnings, property or capital. We are currently evaluating the results of the second pilot. Subject to the evaluation outcome, we intend to seek permission to undertake this data matching as part of our business as usual activity for the NFI 2022/23 exercise and beyond.
42. Through liaising with the Home Office, we understand that there are currently a number of measures in place that enable public sector bodies to check immigration status and eligibility prior to individuals gaining access to employment, public funds and services. We are therefore considering what additional benefits would derive from integrating immigration data back into the core NFI work programme. We will continue discussions with the Home Office to explore where the NFI may add further benefit, or where existing Home Office tools may be appropriate for use in NFI products outside of the main NFI exercise.
43. We welcome feedback on the steps we can take to improve the data matching exercise. We note the individual suggestions for improvements and continue to work closely with our software provider Synectics Solutions to deliver enhancements to the NFI. One enhancement already in the pipeline is the refinement and further development of NFI risk scoring, which we plan to roll out across some datasets for the NFI 2022/23 exercise.

Question D – Summary of Feedback

Ref	Question	Agree	Disagree	Neutral	Total Responses
D	Do you have any comments on the proposal to mandate the inclusion of Integrated Care Boards in the NFI 2022/23 exercise, following the planned abolition of Clinical Commissioning Groups in July 2022?	56% (28)	0% (0)	44% (22)	50

44. Over half of all respondents who answered this question agreed with the proposal to mandate the inclusion of Integrated Care boards (ICBs) in the NFI, including 100% of NHS bodies that responded to the consultation. One NHS organisation highlighted the

importance of ICBs, noting that they form a substantial part of the NHS in terms of both function and the flow of finances.

45. The main reason provided in support of proposals was that mandating ICBs would help to maintain a broad range of organisational data, which is beneficial for matching between participants. Specifically, some noted the usefulness of NHS payroll data for identifying duplicate employment cases, as well as its use within benefit related data matches. Many in favour of the proposals recognised that it is in the counter-fraud interests of all NFI participants for as many organisations to take part as possible. In addition, one NHS organisation noted that exclusion of ICBs from the work programme would result in a substantial gap in NFI data, with outcomes not adequately representative of NHS activity.
46. Others in agreement with proposals felt that mandating ICBs is a reasonable approach in line with the NHS reforms and abolition of Clinical Commissioning Groups (CCGs). Of the 44% of respondents who provided a neutral response to this question, most indicated that they had no comments to add, whilst three felt that mandating ICBs has no direct impact on their organisation.

Cabinet Office Response to Question D

47. The Health and Care Act 2022 received Royal Assent in April 2022. As a result, ICBs became legally established bodies from 1st July 2022, coinciding with the abolition of CCGs.
48. We note the support for the inclusion of ICBs in the NFI and will now progress with integrating these new organisations into the NFI 2022/23 exercise. Over the forthcoming weeks, we will continue our work to engage with ICBs, ensuring we create necessary NFI web application accounts and identify primary users in preparation for the start of the exercise. We recognise that there is already some knowledge and experience of NFI amongst ICB staff due to prior involvement with CCGs. However, we will work to provide support and guidance where needed to help ICBs understand the processes and benefits from participation.
49. As set out in the confirmed work programme, the data requirements for ICBs will be payroll and trade creditor datasets. We anticipate that collection of this data will replicate the same processes as with the former CCGs, whereby we will source data directly from relevant system providers, not from individual organisations.

Conclusions on NFI Work Programme Proposals

50. After reviewing the feedback received in relation to the NFI 2022/23 work programme, we do not intend to make changes to proposals. We can therefore confirm that:
- social care data will be excluded from the NFI 2022/23 work programme, however we will continue to explore future matching opportunities for this data
 - COVID-19 data will be included in the NFI 2022/23 work programme to enable data matching to target relevant fraud risks, if and when appropriate
 - ICBs will become mandatory participants of the NFI

Feedback on NFI 2022/23 Fee Proposals

51. The consultation sought feedback relating to NFI participant fees, including proposals on the fee methodology, fee adjustments and inflationary uplifts. Questions also sought views on proposals to retain the policy of a 5% penalty fee for late or poor quality data submissions.
52. A summary of the main themes identified from participant responses to proposals are set out below, along with the Cabinet Office response to the feedback received. Details of any additional points raised are set out in Appendix 2.

Question E – Summary of Feedback

Ref	Question	Agree	Disagree	Neutral	Total Responses
E	Do you have any comments on the proposal to retain the existing fee model to generate the fee scale for the NFI 2022/23 exercise? This model determines fees based on the number of datasets submitted and the volume of high risk NFI matches received by participants	50% (25)	14% (7)	36% (18)	50

53. Half of the respondents that answered this question were supportive of retaining the existing fee model to determine participant fees for the NFI 2022/23 exercise. The majority indicated that the existing model is fair and reasonable, whilst some commented that the methodology results in fees that are proportionate for all organisations. Some organisations in support of the model suggested improvements such as incorporating organisational savings as a better measure of potential benefits.
54. Amongst the negative responses to this question, the fairness of the existing fee model was a strong theme, with five respondents challenging the methodology used to determine fees. Of these, some felt that the model should put more emphasis on the number of datasets, whilst others challenged how well the model reflects the potential benefits derived from NFI matching.
55. In terms of potential benefits, two respondents argued that district council fees are disproportionately high in comparison to other councils who have the potential to gain greater benefits from NFI matching due to their size and wider range of responsibilities. They recommended that the model should incorporate population as a measure of potential benefits, with fees based on population bandings. Another respondent challenged the inclusion of Housing Benefit risk scored matches in the fee model, highlighting that local authorities have limited control over realising any potential benefits from these matches due to the investigative responsibilities of the Department for Work and Pensions (DWP) for Housing Benefit fraud. Another council noted that organisations that use the voluntary NFI Fraud Hub service would potentially gain fewer benefits from the main NFI exercise and subsequently should have a reduced fee to recognise this.

Cabinet Office Response to Question E

56. The existing fee model incorporates both the number of datasets processed (linked to NFI costs) and the number of high risk matches (an indicator of potential benefits), weighted 3:1 in favour of high risk matches to represent the potential benefits that each organisation could gain from NFI matching. We believe that this helps to centre the model on value for money for participants, whilst ensuring that data matching costs are also considered. It is worth noting that 78% of those who expressed an opinion (25 out of 32) agreed with the current model.
57. We recognise that the current model does not use monetary savings as a measure of NFI benefits and accept that incorporating this data into the model has the potential to enhance it. However, due to the variation in outcomes reporting across NFI participants, there is a risk that incorporating savings data could skew results, resulting in an inconsistent and unfair fee scale. In addition, linking participant fees to participant savings may discourage organisations from following up matches and / or accurately reporting savings in order to secure a lower fee.
58. We have however been able to use savings information to check that the reported savings for each organisation type are broadly in line with their position on the fee scale. Following this, we are satisfied that the use of high risk matches within the model is a suitable measure of potential NFI benefits.
59. We acknowledge that organisational size and responsibility can affect the scale of potential benefits derived from NFI matching. We agree that it is more likely for larger organisations with a wide range of responsibilities to have greater fraud risks, and subsequently have the potential to gain more from NFI matching.
60. Whilst the existing model does not incorporate population as a measure of organisational size, we believe that the inclusion of average high risk matches by organisation type reflects the size and responsibility of each organisation. The volume of high risk matches are proportionate to the amount of data submitted (including the number and size of data files), as well as the type of data submitted. Therefore, we do not feel that adding population into the fee model would offer any further benefit or significantly alter the current order of the scale.
61. In response to concerns that fees for district councils are disproportionate compared to other councils, it is worth highlighting that the number of data submissions and associated cost of processing district councils' data is similar to other councils. Therefore, the dataset part of the fee model brings district councils in line with other council types. In terms of benefits, we have undertaken some analysis to measure the cost-benefit of NFI participation for different council types. Available savings data from the previous reporting period shows that fees paid are less than 1% of average reported savings across all council types, after deducting data file processing costs attributed to each organisation. We apply the fee model consistently across councils and we are satisfied that participant fees are a fair reflection of potential benefits.
62. Currently, high risk matches associated with Housing Benefit data are included in the fee model. Whilst we accept that the DWP retain responsibility for Housing Benefit fraud investigations, erroneous overpayments identified through the NFI are currently realised by local councils. In NFI 2020/21, councils identified £9.7 million erroneous Housing Benefit overpayments, satisfying us that it is appropriate to retain this data as part of the fee model at this time.

63. The number of organisations using the NFI FraudHub product has increased over the last NFI cycle, enabling participants to undertake additional and bespoke data matching relevant to their local areas. As these hubs become more active, we understand that overall benefits from the main NFI exercise may reduce for these organisations. Over the next two years, the increased number of FraudHub users should provide us with a range of comparable data to assess any impact of FraudHub matching on the NFI main exercise. We will then be in a position to consider any implications as part of the fee modelling process for the NFI 2024/25 exercise.

Question F – Summary of Feedback

Ref	Question	Agree	Disagree	Neutral	Total Responses
F	Do you have any comments on the proposal to reduce fees by £220 to reflect the removal of social care data from the NFI work programme?	56% (28)	2% (1)	42% (21)	50

64. Over half of the respondents that answered this question were in agreement with proposals to reduce NFI fees by £220, in line with the removal of social care data from the NFI 2022/23 work programme. Most of the respondents in agreement with this proposal commented that this is a fair approach, which aligns with the methodology used to determine NFI fees. One noted that any future amendments to dataset requirements in the NFI work programme should follow this approach.
65. Six respondents noted that any fee reduction is welcome, in particular during the current economic climate. Others commented that whilst they appreciate the reduction, the fee reduction of £220 does not compare to the value of savings identified through previous matching of social care data.
66. There were two comments provided on the application of the fee reduction. One respondent disagreed with proposals to apply a flat fee reduction, indicating that it would be a fairer approach to pro-rata fee reductions in line with the fees paid by different organisation types.
67. Another respondent noted that the fee model reduces fees to account for social care data after the application of inflationary increases on the NFI 2020/21 fee. They questioned whether the overall fee modelling considered the omission of social care data from the NFI 2020/21 exercise (for the same reasons as set out in question A) and its impact on the baseline NFI 2020/21 fee used for inflationary uplifts.
68. The 42% of respondents who provided a neutral response to this question indicated that they had no comments to add, or that the fee reduction for the removal of social care data is not applicable to their organisation.

Cabinet Office Response to Question F

69. Removing social care data from the list of required data submissions means that our data processing costs will reduce. In line with our fee methodology, we feel it is fair to pass this reduction onto affected organisations. The majority of organisations that expressed an opinion (28 out of 29) agreed with our proposed approach.
70. Based on feedback, we are satisfied that aligning the fee reduction to data processing costs is appropriate. Whilst we acknowledge the suggestion of allocating pro rata fee reductions for different organisations, we believe that applying a flat fee reduction across all affected organisations is a consistent and simple approach that is replicable for future work programmes.
71. We believe there was a valid challenge raised over proposals to apply the £220 social care fee reduction after inflationary fee uplifts, given that we did not match social care data in the NFI 2020/21 exercise. Whilst this data was initially included in the NFI 2020/21 work programme, we were unable to progress with data collection and matching due to the legislative barriers documented in question A.
72. When work on the fee modelling for the NFI 2022/23 exercise commenced, there were still some unknowns about how the legislation may affect our capacity to collect and match social care data in the NFI 2020/21 cycle and beyond. Therefore, we applied an inflationary uplift to NFI 2020/21 fees without considering the omission of social care data from that cycle. Subsequently, we overstated the baseline fee for councils with social care data when modelling inflationary fee uplifts.
73. In response, we have recalculated fees to ensure that we apply the social care fee reduction of £220 prior to inflationary fee uplifts set out in question G. This results in an additional fee reduction of £10 for relevant organisations, from the original fee proposals.
74. In addition, as we were unable to progress with social care matching during the NFI 2020/21 exercise, we will refund affected organisations by £220 in line with the social care reduction calculated for the forthcoming NFI 2022/23 exercise. To reduce administration, our intention is to credit this refund amount against NFI 2022/23 invoices.

Question G – Summary of Feedback

Ref	Question	Agree	Disagree	Neutral	Total Responses
G	Do you agree that it is reasonable to increase fees in line with the average annual inflation rate of 1.75% per annum based on the period 2019 to 2021? Please provide your reasons why.	62% (31)	26% (13)	12% (6)	50

75. Almost two-thirds of respondents agreed with proposals to increase fees in line with the average annual inflation rate of 1.75% per annum, with 21 of these organisations indicating that they felt this is a fair and reasonable approach. Some also recognised the need for fees to cover NFI data matching costs as well as contribute to continuous programme improvements. Furthermore, two respondents noted that the proposed fees are

proportionate to NFI output and that the fraud, error and overpayments they expect to identify through NFI data matching outweighs the proposed fee increases.

76. Other comments from organisations in agreement with proposals highlighted the approach of aligning fee increases with inflation rates. They noted that whilst incremental fee increases in line with inflation are welcomed and manageable, the Cabinet Office should be mindful of the current trajectory of inflation rates and the impact this could have on future fees should the same approach be applied to the NFI 2024/25 exercise.
77. Almost half (6) of the organisations who disagreed with proposals acknowledged that the proposed fee increase is minimal. However, in contrast to those in support of proposals, they indicated that fee increases are not manageable or reasonable, due to continued pressure on organisation budgets. Examples provided by respondents included a greater demand for local services and the need to support communities, a high number of incremental increases across other areas of spend, and for councils, the need to absorb inflation costs that exceed the funding available through the local government finance settlement.
78. Value for money was another strong theme emerging from organisations in disagreement with proposals, with six organisations challenging the savings and benefits derived from the NFI exercise in comparison to fees charged. These organisations indicated that as they have experienced limited and / or declining savings from NFI matching, fee increases are not proportionate and should instead be relative to the savings identified by individual organisations.
79. Additional feedback suggested ways to reduce participant fees, such as by subsidising fees through central government funding or by identifying efficiency savings in NFI costs. In addition, two authorities expressed that they would prefer more clarity on the calculations for fee inflation.

Cabinet Office Response to Question G

80. In response to feedback from the previous NFI 2020/21 work programme and fees consultation, we listened to concerns over the manageability of large fee increases and the preference for incremental fee increases that align with inflation. Our approach for NFI 2022/23 is to uplift fees by 1.75% per annum in line with average annual CPIH⁴ inflation. This uplift uses the baseline CPIH index for 2019, and calculates the change from 2019 to 2020, and 2020 to 2021, to identify the average annual inflation rate for the two yearly period.
81. Whilst we acknowledge that some organisations perceive a 1.75% per annum uplift as unmanageable due to budgetary pressures, we maintain that the monetary implications are not significant, ranging from £40 to a maximum of £85 (£42.50 per year over the NFI two yearly cycle). We feel that incremental increases are the most consistent approach, which minimises the risk of us levying greater fees to compensate for periods of fee freezes and unsustainable cost absorption.
82. In terms of our approach of aligning fees to inflation rates, we are mindful of the current trajectory of inflation rates and recognise that this could have a significant impact on future NFI fee uplifts. We are committed to keeping participant fees as low as possible and we will

⁴ CPIH is the most comprehensive measure of inflation. It extends Consumer Price Index (CPI) to include a measure of the costs associated with owning, maintaining and living in one's own home, known as owner occupiers' housing costs (OOH), along with council tax.

assess the position when modelling the NFI 2024/25 fee scale. Where possible, we will seek to levy manageable fees balanced against NFI costs and sustainability of the NFI programme.

83. In response to organisations that challenged the value for money of the NFI exercise, we accept that actual monetary benefits from NFI data matching vary across individual participants. This is due to a range of factors, for example, fraud risk controls already in place, or an organisation's capacity to review matches and follow up investigations. However, as set out in our response to question E, we have reviewed the range and value of reported savings from the previous NFI cycle and are satisfied that financial benefits greatly exceed fees paid across all organisation types, with savings ranging from 10 to 200 times the fees levied on average across organisation types.
84. In response to comments regarding alternative methods for subsidising fees, we have an ongoing commitment to finding ways to help offset fee increases. In terms of efficiency, we maintain that we have, and continue to seek value for money in all our procured services whilst simultaneously exploring data matching opportunities outside of the mandatory work programme to generate additional income. This has allowed us to keep fees proportionately low whilst enabling us to continue adding improvements and enhancements to the programme.

Question H – Summary of Feedback

Ref	Question	Agree	Disagree	Neutral	Total Responses
H	Do you have any comments on the proposal to continue with the policy to levy a 5% penalty fee for late or poor quality data submissions?	58% (29)	14% (7)	28% (14)	50

85. Over half of respondents (58%) were in agreement with proposals to retain the policy of a 5% penalty fee, applicable to organisations that do not submit required data on time, or that fail to comply with data quality requirements. The benefits of this policy on overall data quality was highlighted by several respondents who recognised that a penalty policy may encourage all participants to submit good quality data which will subsequently improve resulting matches, reduce the likelihood of false positive matches and make match reviews more efficient.
86. Respondents in agreement with proposals also recognised that the timely submission of data is important and that complying with the NFI timetable benefits all participants. Three authorities agreed that the penalty policy was effective in the NFI 2020/21 exercise, in particular at helping to reduce the number of additional match runs to accommodate late data submissions. Furthermore, two indicated that they received fewer matches generated from other participants' late data due to more organisations complying with data submission deadlines. Subsequently, this helped them to manage and resource match reviews more effectively.
87. Whilst broadly supportive of the proposals, five respondents commented that they would prefer more clarity on the expectations for acceptable data quality, with examples of what may result in a data quality failure. One organisation who provided a neutral response

asked for further information on what mitigating circumstances the NFI might consider before levying penalty fees.

88. Across positive and negative responses, some organisations highlighted the time and resource required to prepare and submit data and whether levying a penalty is appropriate in certain circumstances. For example when data specifications change, resulting in additional work and / or third party costs to extract new or different data fields.
89. The 14% of respondents not in favour of the penalty fee cited mixed reasons for disagreeing with proposals. Many respondents in this group felt a penalty fee is unfair, with two highlighting that non-compliance is often unintentional and unavoidable. Others highlighted that penalty fees would potentially add additional cost pressures to organisations that are trying to support communities during post COVID-19 recovery. Some respondents offered alternative suggestions including penalising repeat offenders only, escalating issues to senior organisation representatives, and providing more support to participants during the data preparation and submission phase of the NFI exercise.
90. The majority of neutral respondents had no comments to make on this proposal.

Cabinet Office Response to Question H

91. As set out in the consultation document, the primary purpose of the penalty fee is to encourage organisations to provide timely data of the best possible quality. We note that many respondents acknowledged the potential benefits of this policy, which include improved match results and less supplementary matching to accommodate late data.
92. We agree that in some cases, non-compliance with the data submission timetable and / or data quality criteria is unavoidable and reiterate that we will consider any reasonable mitigating circumstances preventing organisations from submitting timely and accurate data. Whilst we acknowledge that organisations may prefer more clarity on the definition of a mitigating circumstance, we feel that circumstances are unique to each organisation and therefore warrant individual review. We do not feel it is appropriate to set out a definitive list of mitigating circumstances, however as a guide we would favour circumstances that we deem 'beyond reasonable control' such as a cyber-attack preventing data extraction from organisation systems. We will also have a review process in place to ensure fairness and consistency in any decisions to waive penalty fees.
93. We appreciate that it is important for participants to understand expectations for data quality. As a rule, data quality failures constitute where the data file does not meet sufficient criteria to allow file processing with reasonable quality results. Data quality requirements vary by dataset and we have resources in place to support participants with preparation of their submissions. For example, guidance on data quality including examples of potential data quality failures is available to participants on the NFI web application. The NFI web application also includes a 'data quality' area, enabling participants to review a summary of prior data submissions, and any previous data quality issues. We will communicate the availability of this resource to all participants so they can use it to assess what (if any) action they should take to meet data quality requirements for NFI 2022/23.
94. We appreciate that participants work hard to produce the required data for inclusion in the NFI exercise and acknowledge that many participants rely on third-party bodies to extract data on their behalf. We accept that the preparation of data for the NFI can be more challenging and costly where changes to data fields are required. To help manage operational pressures associated with data extraction, we publish draft data specifications early in the year, allowing around six months lead time before data submission. We also

seek to keep data specification changes to a minimum, only implementing changes that we believe will significantly benefit or refine resulting matches. The data specifications for the NFI 2022/23 exercise include only one optional change to one data field across all data specifications.

95. Based on prior year data, we believe that the penalty fee policy is an effective tool for encouraging compliance to data submission requirements. We will continue to review its effectiveness for future NFI exercises and assess if any amendments or alternative approaches are necessary.

Conclusions on Fee Proposals

96. After reviewing the feedback received in relation to the proposals for NFI 2022/23 fees, we can confirm that:
- the existing fee model which determines fees based on the number of datasets submitted and the volume of high risk NFI matches received by participants will apply for the NFI 2022/23 fee scale
 - fees for relevant councils will reduce by £220 to reflect the removal of social care data from the NFI 2022/23 work programme. This reduction will apply before inflationary uplifts, which is a change from original proposals in response to feedback
 - fees for relevant councils will reduce by an additional £10 from the original proposals after applying the refund for social care data
 - relevant councils will receive a refund for the omission of social care data in the previous NFI 2020/21 exercise, to be credited against NFI 2022/23 invoices
 - fees will increase by 1.75% per annum based on the average annual inflation rate for the period 2019 to 2021
 - a penalty fee of 5% will apply for data submissions that are late, or where data submitted is not of sufficient quality

Next Steps

97. The Cabinet Office has complied with its statutory duty to consult before prescribing the scale of fees for the NFI 2022/23 exercise. Following consideration of all responses, the final NFI 2022/23 work programme and scale of fees is available to view on [GOV.UK](https://www.gov.uk).
98. We will now proceed with delivery of the NFI 2022/23 exercise and we will communicate the final NFI timetable along with confirmed data specifications and participant instructions by 5 August 2022.

Appendix 1 - Additional Views on the NFI Work Programme

Ref	Theme / Question	No. responses	Cabinet Office Response
A	We would appreciate more clarity on the barriers to using social care data, in particular when matching social care data against deceased person data, with matches returned to local authorities	1	We have consulted with legal experts extensively regarding all of our social care data matching, including gaining a Queen's Council (QC) opinion. Regardless of the match specifics, all social care data matching falls under the category of 'patient data' and therefore we can currently only disclose match results to NHS organisations
B	What 'payments' are being referred to in "COVID-19 grants or other payments made by Local Authorities"? Other payments should already be included in creditor payments runs	1	This is specifically referring to other COVID-19 payments, which may not be included in regular creditor data
B	What is the rationale for providing COVID-19 data matches to NAFN for review?	1	To date COVID-19 matching has included both matching between authorities to find duplicate grants, and matching against NAFN fraud watch list data to identify potential instances of serious organised crime. NAFN will conduct any necessary enquiries with other outside agencies and liaise with local authorities where needed
C	Matching of Land Registry data to social care fees and charges assessments may be a useful pilot match	1	We can explore this as part of our pilot pipeline, however we would need to consider any implications of current social care data legislation
C	Why are Housing Benefit results provided to local authorities to investigate when pervious investigation resource was transferred to DWP in 2015?	1	The current policy is that the responsibility of Housing Benefit match reviews remains with councils, with any suspected fraud cases referred to DWP for investigation. Councils should review and follow up erroneous cases where possible

C	Benefits teams have identified minimal overpayments across some Housing Benefit and Council Tax reduction match types, outside of matches to student loans and taxi driver licences. It is more beneficial to direct resources towards investigating matches that have a higher likelihood of outcomes based on existing business processes	1	Whilst we encourage a thorough follow up of matches, we expect participants to prioritise NFI matches that align with their local fraud risk strategies and resource capability
D	It would be helpful to have further information in respect of the mandatory submission of data to the NFI from Integrated Care Boards (ICBs) to understand full the benefits that such associated data matching would offer councils	1	Mandatory data requirements for ICBs will include payroll and creditors data. Through cross-organisational matching, ICB payroll data will provide intelligence to help detect employment and benefit fraud for other bodies.
C	Are waste authorities approached directly to take part in the NFI?	1	We approach joint waste authorities that cover more than one council area.
C	Schools are able to opt out of council payroll and creditor systems. Is it the council's responsibility to bring schools data into the NFI?	1	Where possible we ask that councils work with all local authority maintained schools to incorporate payroll and creditors data into NFI data submissions.

Appendix 2 - Additional Views on NFI Fees

Ref	Theme / Question	No. responses	Cabinet Office Response
E	Where council areas are reorganised, fees for the new organisations are often significantly lower than what the collective fees would have been for the group of bodies prior to reorganisation	1	Where councils are reorganised or merged, the number of datasets submitted reduces substantially which results in much lower data processing costs. For the mandatory exercise, our processing costs prioritise the number of datasets over the volume of records per dataset.
E	Does the fee model look at previous risk scores?	1	The model for 2022/23 uses data from the previous NFI 2020/21 exercise
E	It is not clear if the fee model is applied to voluntary participants such as housing associations	1	The fee model applies to the mandatory fee scale only. Different approaches apply to voluntary bodies' fees and these are outside the scope of the consultation.
E	Question the principal of using the number of high risk matches in the fee model, as assume that processing costs are based on the total number of matches returned rather than those identified as higher risk	1	For the mandatory exercise, processing costs are linked to the number of data submissions, not the resulting matches. High risk matches are used in the model to assess potential benefits from NFI matching
E	The Cabinet Office determines both data requirements and resulting match risk scores, which are the two components of the fee model. There is a potential conflict of interest because the Cabinet Office can amend fees through altering data requirements and / or risk score logic	2	Although the Cabinet Office determines data requirements, we consult participants on the work programme for each NFI exercise. For risk scoring, our aim is to refine risk scores as far as possible so that participants can target potential fraud more easily and identify more savings. It is not in our interests to inflate risk scores to affect fees.
G	The inflationary uplift should also apply to voluntary organisations that take part in NFI	1	Fees for voluntary bodies are outside the scope of this consultation, however for consistency we intend to apply the same inflationary uplift to voluntary participant fees
G	There should be a balanced view about the volume of matches that councils are	1	Whilst we encourage a thorough follow up of matches, we expect participants to prioritise NFI matches

	expected to review, in particular in revenues and benefits where there is reduced capacity		that align with their local fraud risk strategies and resource capability
H	It would be illuminating to publish (a) the proportion of organisations each year which receive the penalty fee (and the reasons why) and (b) how the Cabinet Office has used any penalty fees collected	1	We aim to be as transparent as possible and we will consider the benefits of publishing this information once data collection and matching is complete
H	It would be beneficial to understand what improvements have been realised in respect of the data quality as a consequence of the penalty fee	1	We measured improvements to data quality by assessing the number of 'resubmissions' required by participants in NFI 2020/21 and the final number of files that were not able to be processed due to poor quality
H	Data requirements should be specific to the fraud risks pertaining to each participant, therefore reducing the volume of data required and the operational impact on organisations to meet the data submission timetable	1	Information from one organisation can provide vital intelligence to another. Therefore, limiting data submissions to individual organisations' fraud risks only would reduce the overall volume of data in NFI and limit the benefits of matching between organisations