The Serious Fraud Office (SFO) Main Estimate for 2018-19 seeks the necessary resources to support the functions of the SFO. These functions, to investigate and prosecute cases of serious or complex fraud in England, Wales and Northern Ireland including cases of bribery and corruption with a UK connection, are continuing from previous years and no new functions have been added.

The purpose of this memorandum is to provide the Select Committee with an explanation of how the resources and cash sought in the Main Estimate will be applied.

Summary – Voted Provision

This Main Estimate provides for:

- Deparmental Expenditure Limit – Resource £52.7m
- Of which ring fenced depreciation £ 2.7m
- Annual Managed Expenditure – Resource £ 1.0m

Giving a total Resource Budget of £46.7m

The Main Estimate also provides for:

- Departmental Expenditure Limit – Capital £2.3m
- Net Cash Requirement (NCR) £52.3m

Changes in budgetary limits:

The SFO’s Main Estimate reflects an increase in the annual baseline provision set during the 2015 Spending Review, with the expectation that sums requested from the Reserve during the year will be reduced accordingly. This represents a cost-neutral adjustment, in that SFO total annual RDEL expenditure will not increase in 2018-19 and 2019-20 when taking into account drawdowns from the Reserve. This change follows discussions and agreement between HM Treasury (HMT) and the SFO. The table below shows the limits set at the 2015 SR for 2018-19 and 2019-20 and the revisions agreed for these years by HMT.

<table>
<thead>
<tr>
<th>£m</th>
<th>2015 Spending Review</th>
<th>Revisions to SR15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource DEL</td>
<td>34.3</td>
<td>33.5</td>
</tr>
<tr>
<td>AME DEL</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Capital DEL</td>
<td>2.3</td>
<td>2.8</td>
</tr>
</tbody>
</table>

In summary the SFO’s Resource Departmental Expenditure Limit has been increased by £18.4m and £17.8m for the final two years of the 2015 Spending Review.

The changes agreed with HMT are fiscally neutral. This change is intended only to reduce the extent of the SFO’s recourse to the Reserve, and improve the efficiency with which funds are utilised.
The SFO will retain access to the Reserve through the Supplementary Estimates process to cover the cost of cases once they exceed the threshold of 5% of non ringfenced RDEL expenditure, which for 2018-19 is the equivalent of £2.5m. This is a change from the current arrangement whereby the full cost of cases is recoverable from the Reserve once they exceed the 5% threshold, which for 2017-18 was the equivalent of £1.7m.

**Machinery of Government Changes**

There are no machinery of government changes anticipated.

**Approval of Memorandum**

This memorandum has been prepared with reference to guidance in the *Estimates Manual* provided by HM Treasury. The information in this memorandum has been approved on behalf of the Accounting Officer by Bashar Shahin, Head of Finance.

12 April 2018