Objectives

The Serious Fraud Office (SFO) is a non-ministerial Government department under the superintendence of the Attorney General. The SFO’s purpose is to investigate and, where appropriate, prosecute cases of serious or complex fraud, bribery and corruption.

In addition, the SFO recovers the proceeds of those crimes it investigates and assists overseas jurisdictions in their investigations into serious or complex fraud, bribery and corruption. The SFO will investigate those cases which call for the legal powers and multi-disciplinary approach available to the SFO.

Spending

The SFO’s net spending is broken down into several different spending totals, for which Parliament’s approval is sought.

The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit (Resource DEL) - a net limit comprising day-to-day running costs, less income from cost awards.
- Capital Departmental Expenditure Limit (Capital DEL) - investment in capital equipment such as servers, laptops and software.
- Annually Managed Expenditure Limit (AME DEL) - used to record costs arising from events in year but expected to be paid in future financial years.

In addition, Parliament votes a net cash requirement to cover the elements of the above budgets which require the SFO to pay out cash in year.

Comparison of net spending totals sought

The table below shows how the net spending totals sought for the SFO compares with last year:

<table>
<thead>
<tr>
<th>Net Spending total Amounts sought this year (Supplementary Estimate 2018-19)</th>
<th>Compared to original budget this year (Main Estimate 2018-19)</th>
<th>Compared to final budget last year (Supplementary Estimate 2017-18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>%</td>
<td>£000</td>
</tr>
<tr>
<td>Resource DEL</td>
<td>59,700</td>
<td>52,700</td>
</tr>
<tr>
<td>Capital DEL</td>
<td>2,200</td>
<td>2,300</td>
</tr>
<tr>
<td>AME DEL</td>
<td>2,500</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Key drivers of spending changes since original budget this year

The net Resource DEL has increased by £7m since the Main Estimate was agreed, this is reflective of the particular circumstances of the SFO whereby access to the Reserve is available for the additional cost of cases above £2.5m (5% of non-ringfenced DEL). Of the £7m increase, £5m is attributed to cases which will cost above £2.5m for the year while £2m of the increase is to cover cost awards against the SFO that have been settled or part settled in year.
Capital DEL is 4% less than agreed at Mains this year. This change is a result of a Budget Exchange transfer of £0.1m to 2019-20 financial year. The £2.2m capital budget this year is an allowance for IT upgrades and new IT software.

AME DEL is 150% higher than agreed at Mains this year. AME at the SFO is used exclusively for the recording of new or increases in existing provisions at the end of the financial year. This is not a predictable value as there can be significant movements due to in year events not anticipated during the Spending Review.

**Spending and income trends**

The charts below show overall resource DEL funding for the last five years including 2018-19.

![Resource DEL Funding](image)

**Ring fenced budgets**

Within the totals, the following elements are ring fenced i.e. savings in these budgets may not be used to fund pressures on other budgets.

<table>
<thead>
<tr>
<th>Ring fenced budgets (Supplementary Estimate 2018-19)</th>
<th>Compared to original budget (Main Estimate 2018-19)</th>
<th>Compared to final budget last year (Outturn 2017-18)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>%</td>
</tr>
<tr>
<td>depreciation</td>
<td>2,700</td>
<td>2,700</td>
</tr>
</tbody>
</table>
Changes to contingent liabilities

There are currently no changes to the contingent liabilities from the 2017-18 Report and Accounts. The first of these concerns a longstanding operational case where a resolution is not anticipated in 2018-19 while the second concerns an issue around employment status of self-employed counsel directly engaged by the SFO, discussions with HMRC are ongoing to determine whether they have been treated correctly for tax.

Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved on behalf of the Departmental Accounting Officer.

Mark Thompson
Chief Operating Officer

Serious Fraud Office
31 January 2019