

Serious Fraud Office Supplementary Estimates Memorandum 2021-22

1 Overview

1.1 Objectives

The Serious Fraud Office (SFO) is a non-ministerial Government department under the superintendence of the Attorney General. The Serious Fraud Office fights complex financial crime, delivers justice for victims and protects the UK's reputation as a safe place to do business.

Our Objectives:

- To investigate and prosecute the most serious or complex cases of fraud, bribery and corruption.
- To uphold the rule of law, deliver justice for victims and recover the proceeds of financial crime.
- To deter criminals and require offending companies to reform in order to protect the UK's economy and global reputation as a safe place to invest and do business.
- To collaborate with partners in the UK and overseas to ensure there is no safe haven for those who commit serious financial crime.

1.2 Spending controls

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 legal 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.

1.3 Comparison of net spending totals sought

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

Net Spending total Amounts sought this year (Supplementary Estimate 2021-22) £000		Compared to original budget this year (Main Estimate 2021-22)		Compared to final budget last year (Supplementary Estimate 2020-21)	
		£000	%	£000	%
Resource DEL	73,150	55,900	31	66,900	9
Capital DEL	3,900	3,900	0	3,600	8
AME DEL	3,500	2,500	40	1,000	250

1.4 Key drivers of spending changes since original budget this year

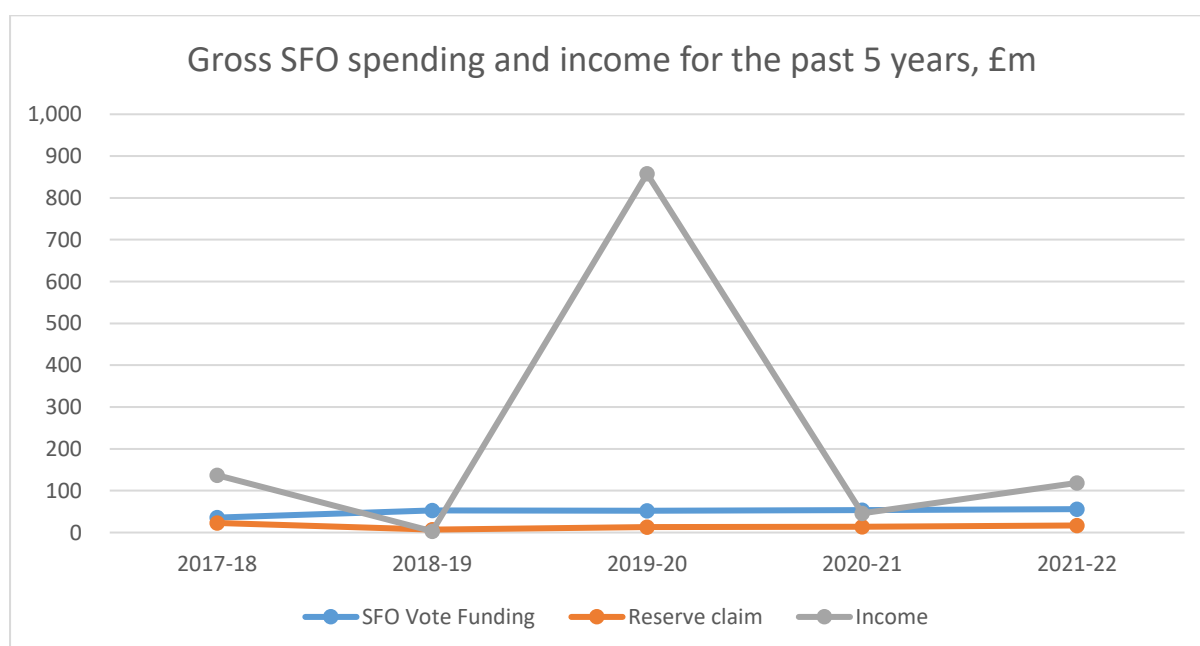
The net Resource DEL has increased by £17.25m since the Main Estimate was agreed, this is reflective of the particular circumstances of the SFO whereby access to the Reserve is available for the additional cost of cases above £2.128m (4% of non-ring-fenced DEL). Of the £17.25m increase, £11.0m is attributed to cases which will cost above the 4% threshold for the year and £3.5m to cover the in-year cost of civil litigation. The remainder of £2.7m is to cover the payment of settlement cost on the Serco case which collapsed after a review of the disclosure process. The SFO incurred an Excess vote on AME in 2020-21 as a result of this settlement, the payment of £2.7m in full and final settlement was agreed and paid in August 2021.

Capital DEL is in line with the total agreed at Mains this year. The £3.9m capital budget this year is to enable the SFO to continue to invest in essential IT and digital infrastructure to respond to the increasing volume and complexity of case data and the challenges this poses for disclosure, investigations and prosecutions, in line with prior years, the Document Case Management System accounts for the 8% increase against last year.

AME DEL is 40% higher than agreed at Mains this year. AME at the SFO is used exclusively for the recording of new or increases in existing legal 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.

1.5 Spending and income trends

The chart below shows actual overall resource DEL funding, supplementary request and income for the last five years.



2 Spending detail

2.1 Explanations of changes in spending

Costs are expected to be broadly in line with last year. The change in the supplementary estimate request compared to last year is largely due to the payment of settlement cost on the Serco case.

2.2 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.

Ring fenced budgets (Supplementary Estimate 2021-22) £000		Compared to original budget (Main Estimate 2021-22)		Compared to final budget last year (Supplementary Estimate 2020-21)	
		£000	%	£000	%
Depreciation	2,700	2,700	-	2,700	-

2.3 Changes to contingent liabilities

There is one significant change to the contingent liabilities reported in the Annual Report and Accounts. Following the Court of Appeal ruling in favour of Mr Bond on the Unaoil case a contingent liability has been recorded, this is likely to switch to a provision as we enter settlement negotiations, and therefore up to £3m AME has been allocated to settle any potential wasted costs claims.

The ENRC civil litigation proceedings in the High Court are ongoing but we can expect a decision in Jan / Feb 22. This relates to a claim of alleged misfeasance dating back to 2011-2013. The SFO is represented by Eversheds who consider the risk of the SFO being held liable in these proceedings to be low – i.e., they consider that there is a less than 30% risk of the SFO being held liable. If the SFO is successful in these proceedings (as we expect to be), the court will make a costs order in our favour, the sum payable to be agreed between the parties or to be decided by a costs judge following a formal costs assessment. The full amount received will be repaid to HMT as a CFER via the reserve.

To protect the SFO and public purse an application for security of costs was made and the order was successful. The liability of the Guarantor is capped at £7 million in total.

It should be noted that there is a possibility (less than 30%) that ENRC could have some limited success. If ENRC were successful, the SFO would need to cover the likely costs order in respect of ENRC's costs (this is likely to be in the tens of millions), as well as an estimated £140m in damages sought by ENRC.

Major projects

The SFO has completed the procurement and initial implementation phase for a new Backup, Storage & Archive Infrastructure system. The next phase will involve the migration of data from its current location to the offsite data centres.

3 Other information

3.1 Additional specific information required by the select committee

No additional information has been requested by the Select Committee

4 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.

Liz Corrin

Chief Financial Officer (CFO)

Serious Fraud Office

8 February 2022