

Serious Fraud Office Main Estimates Memorandum 2022-23

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.

To achieve our mission we have set ourselves a series of 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) - 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.

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:

Spending total Amounts sought this year (Main Estimate 2022-23)		Difference (+ reduction / - increase) compared to final budget last year. (Supplementary Estimate 2021-22)		Difference compared to original budget last year. (Main Estimate 2021-22)	
		£m	%	£m	%
Resource DEL	£57.77m	£73.15m	21.0%	£55.9m	-3.4%
Capital DEL	£3.1m	£3.9m	20.5%	£3.9m	20.5%
Capital DEL (IFRS16)	£5.20m	£0.0m	100%	£0.0m	100%
AME	£2.5m	£3.5m	28.6%	£2.5m	0.0%

1.4 Key drivers of spending changes since last year

The net Resource DEL is largely unchanged compared to last year's original budget. The 3.4 % increase is primarily the inflationary uplift and adjustment to cover increases in employer national insurance contributions, received as part of the 2021 Spending Review.

Against the supplementary estimate Resource DEL is 21.0% lower than last year. This is reflective of the particular circumstances of the SFO whereby access to the Reserve is available for the additional cost of cases above and beyond £2.13m (4% of non-ringfenced DEL). The additional £17.25m allocated as part of the supplementary estimate 2020-21 was made up of; £11.0m for cases where the total cost was above the 4% threshold for the year, £3.5m to cover the in-year cost of civil litigation, and 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 net Capital DEL (excluding IFRS16 adjustment ¹of £5.2m) is 20.5% less than last year's original budget. However, the SFO is entering a new phase of a significant programme of capital expenditure over the SR period. Our CDEL control total is £3.1m – this is to modernise the SFOs IT systems, address legacy IT risks and deliver a case system that works seamlessly together and supports effective end-to-end case delivery, including providing management information and management of case data to help us tackle serious financial crime more rapidly, effectively and efficiently.

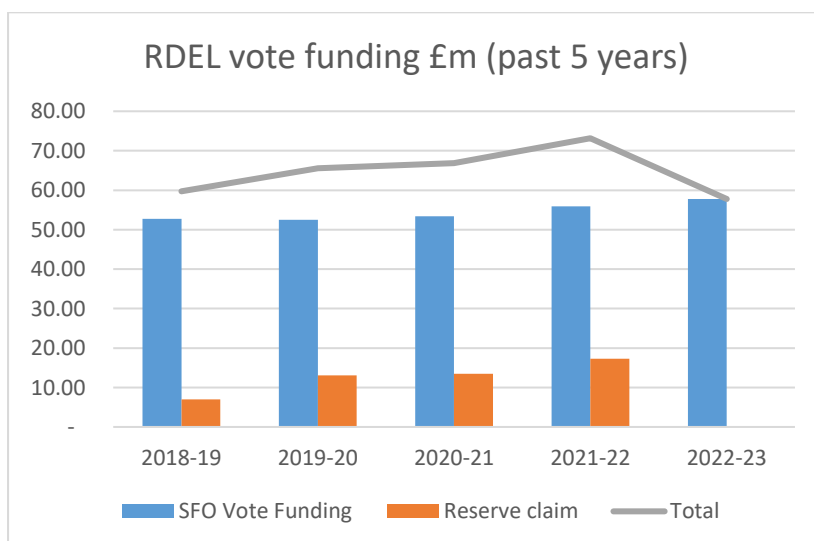
1.5 New policies and programmes; ambit changes

There are no new policies or ambit changes.

The next three years will be a period of significant change for the SFO. We will modernise, build our skills and capabilities, implement improvements in how we do things and seek to influence our operating environment, including the legislative framework. Given the breadth and importance of the change we want to see, we will establish a new team led by a Deputy Director organisational change expert who will design and lead a dedicated change programme for the duration of SR period. The intention is that this has been operationalised and embedded in our core operations by 2025.

1.6 Spending and income trends

The chart below shows actual overall resource DEL funding for the last five years, plus budget for 2022-23.



¹ IFRS 16 is a new lease accounting standard that will be adopted by the public sector from 1st April 2022.

1.7 Funding: Spending Review and Budgets

The SFO Resource DEL budget will increase by £1.87m to £55.07m (excluding depreciation), our Capital budget has been set at £3.1m and AME budget at £2.5m.

2 Spending detail

2.1 Explanations of changes in spending

The table below shows how spending plans for Resource DEL compare with last year.

		Resource DEL				
		This year (2022-23 Main Estimates budget sought)	Last year (2021-22 Supp Estimates budget approved)	Change from last year		Is change significant? see explanation
Subheads	Description	£ million	£ million	£ million	%	Note number
A	Investigations & Prosecutions	58.67	74.05	-15.38	-20.8%	1
A	Cost awards & other income	-0.90	-0.90	0.00	0.0%	
A	Net expenditure	57.77	74.05	-15.38	-20.8%	

Note 1. Costs are expected to be broadly in line with last year. The 20.8% change is due to last year's supplementary request of £13.75m attributed to cases where the in-year cost is above the 4% threshold, and £3.5m to cover the in-year cost of civil litigation.

2.2 Ring fenced budgets

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

Ring fenced budgets Amounts sought this year (Main Estimate 2022-23)		Compared to final budget last year. (Supplementary Estimate 2021-22)		Compared to original budget last year (Main Estimate 2021-22)	
		£000	%	£000	%
Depreciation	2,700	2,700	-	2,700	-

2.3 Changes to contingent liabilities

In addition to the remote contingent liabilities reported in the 2020-21 Annual Report and Accounts, there is a new contingent liability for 2021-22. 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 earmarked from the 2021-22 budget to settle any potential wasted costs claims – the quantum is yet to be agreed.

The judgment on the ENRC civil litigation case was handed down 16 May 2021 – the judge found against ENRC (and in favour of the SFO) for the majority of its allegations against the SFO. In particular, there was no misfeasance in public office, no deliberate destruction of evidence, no leaking of information to the media and no use of ENRC’s privileged material.

In this judgment, the SFO has not been found liable for the tort of inducing breach of the Dechert/ENRC contract. This is because causation and loss have not yet been determined.

ENRC was partially successful with its allegations against the SFO relating to a number of contacts between the SFO and Neil Gerrard. The judge found that Neil Gerrard had made unauthorised disclosures to the SFO and, for a number of those contacts, by not actively stopping him, SFO officials had passively assisted him (“induced him”) to make disclosures and thereby breach his contractual duties to ENRC.

The SFO continues to deny any liability to ENRC and therefore we are continuing to treating this as a remote contingent liability. There will be a further hearing on causation in due course.

2.4 Major projects

The current standalone Finance and HR systems for conducting the SFO’s core corporate businesses are fragmented and highly inefficient. A replacement for the current corporate systems is therefore urgently required. In 2022-23 will be deploying a modern, fit for purpose & integrated ‘Enterprise Resource Planning’ (ERP) solution, and appropriate information governance processes and procedures alongside it.

The SFO has is the final stages of implementation for a document management system. The next phase will involve the implementation of the case management systems and the migration of data from its current location.

3 Priorities and performance

3.1 How spending relates to objectives

SFO spending is under a single subhead which contributes to all objectives. 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.

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3.2 Measures of performance against each priority

The SFO business plan ([see here](#)) sets out the following high-level objectives, and measures of performance, for the department for the current financial year. We will undertake quarterly monitoring of the Business Plan, the indicative timeline for the first progress report is November 2022.

4 Other information

4.1 Additional specific information required by the select committee

No additional information has been requested by the Select Committee

5 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

CFO and Head of Corporate Services

Serious Fraud Office

11 May 2022