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PERMANENT SECRETARY

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14 December 2022

**Dame Meg Hillier MP**  
**Chair of the PAC**  
*Sent electronically*

Dear Chair,

## **CHINOOK CAPABILITY SUSTAINMENT PROGRAMME ACCOUNTING OFFICER ASSESSMENT**

This Assessment has been produced as a consequence of the Chinook Capability Sustainment Programme joining the Government Major Projects Portfolio on 1 January 2022.

It is normal practice for Accounting Officers to scrutinise significant policy proposals or plans to start or vary major projects, and then assess whether they measure up to the standards set out in *Managing Public Money*. From April 2017, the government has committed to make a summary of the key points from these assessments available to Parliament when an Accounting Officer has agreed an assessment of projects within the Government Major Projects Portfolio.

### **Background**

The Programme will deliver transformational change to the UK's vertical heavy-lift capability through the procurement of 14 new-build Chinook H-47 (Extended Range) aircraft. The Programme also addresses the first element of long-term equipment and capability obsolescence issues across the Chinook fleet by replacing the most obsolescent aircraft at the earliest possible opportunity. The aircraft are being procured using the Foreign Military Sales process with the US Government. The Full Business Case, accompanied with side letter of a 3-year defer<sup>1</sup> to aircraft delivery against the original delivery plan, was approved in March 2021 by the Investment Approvals Committee. Subsequently, to make the most of an emerging Capital Departmental Expenditure Limit underspend within Defence, the Investment Approvals Committee approved a Review Note to bring forward enabling elements of the Programme. The Review Note's approval in December 21 resulted in the US Foreign Military Sales team being instructed to re-baseline the Programme's schedule. The Programme has an

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<sup>1</sup> This resulted from an Integrated Review (IR) measure which saw Chinook CSP delivery deferred by 3yrs to release circa £900m across Yrs 1 to 3 to balance the wider equipment programme and not based on delays or affordability challenges within Chinook CSP.

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agreed baseline Approved Budgetary Level of £1,478.387M. Prior to the decision to bring forward elements, there was an expected cost growth of c£293M (driven primarily by Foreign Exchange and inflation) to this baseline. However, the decision to bring forward elements is expected to reduce this anticipated cost growth by circa £100M; work continues to confirm this and bring the project back as close to its original cost profile as possible.

### **Assessment against AO Standards**

#### **Regularity**

The Programme is within MoD's Budget and Supply Estimate. The Programme will be delivered primarily through a Foreign Military Sales approach with smaller specific items procured locally (e.g., Information System Hardware and Infrastructure). This strategy was endorsed at Full Business Case, enabling the signing of the US Letter of Offer and Acceptance, committing the UK to the Programme. This strategy remains extant and consistent with UK Law and complies with all relevant UK and international legislation, regulation, and laws. The Programme has appropriate departmental and HMT approvals in place. The aircraft's baseline Certificate of Design will be completed by Boeing as the Coordinating Design Organisation. It will then be certified, supported, and operated in accordance with the Military Airworthiness Authority's regulations.

#### **Propriety**

The Chinook Capability Sustainment Programme conforms to HM Treasury's *Managing Public Money* principles and rules. The Programme will be reviewed and assured using the Gateway review process as part of the Defence Major Programmes and Portfolio underneath the Government Major Projects Portfolio. The Programme and its finances are reviewed regularly by the Department and the Infrastructure and Projects Authority through quarterly reporting.

#### **Value for Money**

The Chinook H-47 (Extended Range) represents the only viable platform available from all current providers for procurement to meet the capability requirements. In reaching this decision, the programme considered options including maintaining or modifying the existing UK Chinook fleet, modifying existing UK Chinook fleet, acquiring the proposed H-47 (Extended Range) or an alternative platform. The current UK Chinook (Mk6) and the proposed H-47 (Extended Range) unit production costs are within £1M per platform in real terms, despite the significantly increased capability that the H-47 (Extended Range) will provide to the UK. The Full Business Case and Accompanying Note confirmed that the Chinook Capability Sustainment Programme was deliverable within budget and remains affordable.

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### **Feasibility**

The Procurement Strategy is through a Foreign Military Sales arrangement with the US. Boeing are the prime contractor for the production of the baseline aircraft. There are multiple Original Equipment Manufactures producing other aircraft equipment. The Department is confident of the US' ability to release specific equipment and capabilities as required by the programme. The Apache Capability Sustainment Programme has also been delivered through the Foreign Military Sales process, further adding to delivery confidence.

### **Conclusion**

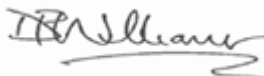
At all times, the Programme has been properly governed and assured in accordance with HM Treasury rules.

As the MoD Accounting Officer, I considered this assessment of Chinook Capability Sustainment Programme and approved it on 14 December 2022.

I have prepared this summary to set out the key points which informed my decision. If any of these factors change materially during the lifetime of this Programme, I undertake to prepare a revised summary, setting out my assessment of those factors.

This summary will be published on the government's website ([www.gov.uk](http://www.gov.uk)). Copies will be deposited in the library of the House of Commons and sent to the Comptroller and Auditor General and Treasury Officer of Accounts.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D Williams', with a horizontal line underneath.

**DAVID WILLIAMS**