

UNCLASSIFIED

The Defence Estate Portfolio Plan 2025-2040

Executive Summary

August 2025

The Defence Estate Portfolio Plan 2025-40

The two previous Defence Estate Regeneration Programmes (DERP) were agreed by Cabinet in 2016 and 2019. This Defence Estate Portfolio Plan responds to changes since 2019. It makes the case for a significant funding uplift for the period 2025-2040 to deliver the Estate needed by a modern and professional Defence Force in a deteriorating strategic environment.

Acknowledgement

The Defence Estate Portfolio Plan: prepared by the Defence Estate and Infrastructure Alliance for the NZDF.

Points of Contact

Contact	Name/Title/ Organisation	Phone	Email
Phil Gurnsey	GM Estate Strategy	0272743379	philip.gurnsey@nzdf.mil.nz
John MacLachlan	Director Strategy	0274966137	john.maclachlan@nzdf.mil.nz

Contents

Executive Summary	03
Portfolio scope	04
Investment priorities	04
Key assumptions	05
Summary: The Strategic Case	05
Summary: The Economic Case	09
Summary: The Commercial Case	12
Summary: The Financial Case	14
Summary: The Management Case	15

Executive Summary

The New Zealand Defence Force (NZDF) protects and promotes New Zealand and its interests at home and abroad. It is a key part of New Zealand's national security system, and vital to the Government achieving its security and foreign policy objectives.¹

The NZDF is at the frontline of New Zealand security and defence. Tasks include peacekeeping, humanitarian assistance and disaster relief, resource and border protection; to training for, deterring or engaging in armed conflict.

The global security environment has deteriorated rapidly since the release of the last Defence Capability Plan (DCP) in 2019. The NZDF is not in a fit state to respond adequately to current and future challenges, with workforce hollowness and a pressing need for the generational replacement of some equipment and investment in the Defence Estate.²

The Estate in 2025 is a product of history, indecision over some locations, and many years of underfunding. It is now 81,000 hectares of Crown-owned land over 4,700 buildings across nine main locations, and various regional training and support facilities. It is also aged, prone to failure, lacks resilience to shocks and changing circumstances, and is generally 'in very poor condition, impacting on the delivery of military outputs'.³ Historically indicated funding envelopes will not allow this situation to be fully or quickly resolved. Meanwhile many personnel train, work and sometimes live on the Estate, which comprises the land, buildings, environments and other facilities needed to train for and deliver successful operations.

The Government and the NZDF operate within an environment of fiscal constraint in tension with higher expectations of performance and benefits. This is likely to result in more facilities closed, degraded training impacting deployments, and consequently greater risks to personnel and operations. Estate regeneration is essential to support a higher state of operational readiness, resilience, and compliance while it must also be affordable.

The Defence Estate Portfolio Plan 2025–2040 (referred to as 'the DEPP 2025') is the third Plan since 2016 to advance the case for a sustainable NZDF Estate that enables (resolves the greatest risks to) Defence outputs and operations in a structured and affordable way. This will occur by investing in core locations that directly support operations, military training and output delivery; in service- critical assets; and in resilience, while progressively lifting the overall standard of asset performance and providing value for money from the investment.

Four investment profiles are presented, ranging from 'Depreciation funding, limited capital injection' (Investment Profile 1) to achieving a 'Fully Regenerated' Estate (Investment Profile 4).

1. NZDF Annual report 2024, 'Who we are', p. 12.

2. CAB-24-SUB-0420 refers.

3. CBC-24-MIN-0068: 'The New Zealand Defence Force Estate and Future Investment via Public Private Partnerships' refers.

Investment Profile 3 ('Estate investments supporting Defence Capability Plan 2025') matches the DCP 2025 funding envelope. This is the pragmatic and affordable investment profile to deliver very significant, even if not full, regeneration by 2040 and which will:

- Improve effectiveness and flexibility in delivering outputs
- Improve personnel well-being, safety, recruitment and retention
- Improve the efficiency and sustainability of asset management and project delivery practices; and
- Increase support to wider New Zealand economic and social outcomes.

The NZDF will be able to demonstrate greater flexibility (ability to respond to a range of circumstances); be scalable (able to expand if required by accommodating surge capacity); be able to act independently or in partnership because of greater interoperability and common asset standards; increase combat capability (through realistic training environments and personnel preparedness), and resilience (with an improved ability to withstand and recover from shocks).

Portfolio scope

The **Defence Estate Portfolio Plan** (DEPP 2025 – this Plan) represents investment in the "Defence Estate Portfolio" regardless of funding source and initiator. This approach aligns with the DCP 2025 and includes significant Capital and Operating expenditure investment. It is a significant change from the earlier 2016 and 2019 Estate Plans, which focused on investment to regenerate existing estate assets and were referred to as 'Defence Estate Regeneration Plans' – 'DERP' 2016 and 2019.

Six Defence Estate **programmes**⁴ are outlined, each with approved scope, indicative funding and benefits, and discrete contributing projects that may be clustered due to the similar nature of the investment (e.g. Homes for Families); and **workstreams**,⁵ make up the portfolio of intended investments to 2040.

Additional scope definition is in the Strategic Case section 1.8. Portfolio scope will evolve as programmes are completed and removed, new programmes and workstreams are added, or the infrastructure components of other capability investments are identified, costed, and scheduled.

Investment priorities

Investment priorities (not in order) in the near term to 2028/29 are:

- Compliance, resolving health, safety and security concerns, and maintaining asset usefulness as far as practicable, especially of assets critical to military outputs:
 - Defence Estate Regeneration Programme/Rolling Replacement/ Horizontal Infrastructure workstreams.
 - Ōhakea Infrastructure Programme.
 - Maintenance Programme.

4. Currently the Future Naval Base, Defence Estate Regeneration, Ōhakea Infrastructure, Accommodation Messing and Dining Modernisation, Homes for Families, and Maintenance programmes. This list excludes the infrastructure components of other capability investments.

5. A workstream comprises 'like' investments that are managed together but not established as a formal programme such as Horizontal Infrastructure and Rolling Replacement.

- Planning for future development at locations essential to training, deploying and sustaining military operations:
 - Future Naval Base (Devonport) infrastructure design stage.
 - Modernised Army Training Capability infrastructure design stage (Waiouru).
- Facilities that support a modern and diverse NZDF:
 - Accommodation Messing and Dining Modernisation Programme.
 - Defence Housing Programme ('Homes for Families').
- Delivering infrastructure components of capability investments in the DCP 2025.
- Delivering programmes and projects that are still a priority and already funded.

Key assumptions

- The NZDF will maintain a substantial presence in its current locations unless otherwise directed. Limited changes could occur, for example to support future-proofing, resilience or wider Government initiatives.
- In general, the NZDF will continue its responsibilities to design, procure and operate military-specific infrastructure to give direct control over security, use and access.
- Cabinet approved Defence Estate management guiding principles will continue to apply [CAB-19-Min-0171.01 refers/ Defence Estate Regeneration Portfolio Plan (DERP) 2019 Appendix A].
- Funds will be available and sequenced in accordance with the DCP 2025 and future reviews, or this Plan will need to change.
- The DEPP 2025 does not attempt to present all costs associated with managing the Estate. These will fluctuate annually, are subject to annual budgets, and there will be emerging programmes with infrastructure costs and unforeseen urgent investments.
- DEPP 2025 implementation is subject to annual budget allocations.

Summary: The Strategic Case

The Strategic Case confirms that the need for estate regeneration, as outlined in the DERP 2019, remains relevant but needs to consider further factors.

The global security environment has deteriorated rapidly since release of the previous DCP in 2019 [CAB-24-SUB-0420 refers]. The Government's 2025 Defence policy recognises that New Zealand is facing a more challenging strategic environment than it has for many decades. The increasing risk to New Zealand's interests requires the NZDF to be more prepared to perform a range of demanding tasks, often at the same time.

The current Estate configuration has significant advantages and has received substantial recent investment, but its overall condition will continue to compromise NZDF actions to support the Government's Defence Strategy. On the contrary, increased investment will realise significant benefits including greater resilience, flexible support to operations and living, working and training environments far more appropriate to current and future needs.

The current Estate provides strategic dispersal and proximity to main centres. It can meet all foreseeable Defence needs, but *not* in its current state. The existing Estate does not enable the NZDF to prepare for all demands, or those of rapidly changing domestic or international situations. The condition of service-critical assets, for example, is well below requirements.⁶ Parts of the Estate are vulnerable to shocks such as seismic events, flooding from sea level rise, opportunistic or premeditated sabotage, or the impacts of urban development. It requires consistent and committed long term funding to maintain or regenerate it just to a satisfactory standard. Crucially, the NZDF has developed a culture of acceptance or short-term fixes that do not resolve underlying problems, which is not in the best interests of the NZDF in the long term.

‘[NZDF] Estate (land and property) assets are ageing, often not in good condition and are not meeting performance standards’: New Zealand Infrastructure Commission/ Te Waihangā *‘Taking care of tomorrow today, asset management state of play’*, November 2024.

Some required NZDF outputs and tasks have been, and will continue to be, compromised to the point of failure because of inadequate or poorly performing infrastructure. While not the sole factor (workforce hollowness, ageing platforms and equipment, and funding constraints also impact for example), it is often a significant contributor. To resolve this requires long term consistent decisions and sustained investment.⁷ Examples of poor infrastructure, with others in Appendix AA, are:

- Five barrack blocks (90 beds) at Papakura Military Camp closed because roof leaks caused black mould, with personnel relocating to temporary accommodation and portacom solutions. This directly impacted efficient operational delivery.
- The Sea Safety Training School (SSTS) at Devonport Naval Base is out of commission up to 6 weeks a year because of sea water inundation. Sailors cannot go to sea unless they are certified through the facility, which equates to a potential 20% loss of crew.⁸
- Increasingly frequent water main bursts at Devonport Naval Base reduce firefighting capacity and restrict water supply to ships.
- Water supply and storage is severely limited at both Waiouru⁹ and Woodbourne. Loss of supply means that operations and training will need to stop.
- The poor condition of training, education, and accommodation facilities makes it difficult to attract, retain, and train the people (including those from strategic partner nations) needed to deliver directed Defence outputs.¹⁰
- An operational task was cancelled because hangar doors malfunctioned at Base Auckland (Whenuapai), trapping the aircraft inside.

The NZDF has an extensive footprint of camps, bases, regional facilities and training areas, but is not funded to maintain it to an acceptable standard, putting NZDF tasks and activities at risk.

6. The condition of critical assets with their condition rated ‘average or higher’, is 59%. The target is 100%.

7. Annual Plan 2025: Defence Estate performance measures, page 139

8. Future Naval Base PBC Strategic case summary p9.

9. In 2024 water storage at Waiouru reached 9% of capacity; and most water demand is caused by leaks (80%)

10. Army Leadership Board Investment Logic Map exercise August 2024 in relation to Waiouru.

Despite historic uncertainty about the future of some camps and bases, recent Governments have consistently agreed to retain core NZDF locations.¹¹ In general these meet long term NZDF location requirements, and provide some strategic dispersal, yet have proximity to main centers, and retain isolated training areas. Current locations also mitigate against single points of failure, albeit there is only one naval base.

Between 1985 and 2018, over 800 hectares of the Defence Estate were nevertheless disposed of as they were no longer needed.¹² Disposal of surplus assets, and tenure rationalisation will continue to reduce holding costs. However, despite significant investment in recent years, the NZDF is not funded to develop or maintain the remaining Estate to an acceptable standard. At the current rate of investment, it will degrade further, increasingly constraining operations, decreasing personnel preparedness and their health and safety, and reducing regulatory compliance. Asset failures will ultimately undermine the viability of some camps and bases and their roles will have to be reconsidered.

Unfunded planned maintenance priorities amounted to a \$500 million liability (operating funded) in April 2025; \$400 million is deferred maintenance from previous financial years, with \$100 million unable to be funded in the next three years. This represents increased failures, short-term repairs and temporary workarounds. Over 70% of infrastructure (by replacement value) now has less than 20 years of remaining useful life,¹³ with 14% already beyond its useful life (<0 years). This means that assets will rapidly reduce in value and relevance to training outcomes and operations, creating a widening capability gap and increasing risks. These vary by location and asset type. For example:

- At Waiouru, 70% of buildings will be at their end of life within 10 years, generating block obsolescence and a significant impact on Land training outcomes;¹⁴
- To avoid waste, assets need regular and thorough maintenance or timely regeneration. Devonport Naval Base is in such poor condition overall that the unscheduled (reactive) maintenance spend is three times higher than at other camps and bases. This is forecast to double every five years, with more than 75% of asset groups requiring regeneration before 2050.¹⁵
- 70% of horizontal infrastructure is at 'end of life' or maximum capacity, risking failure, non-compliance with regulatory standards, pollution, or are unable to support future development.

Continuing to fund Estate regeneration predominantly from accumulated depreciation reserves results in chronic under-investment.

11. The last footprint review – *First Principles Review of the Estate Footprint* – was undertaken in 2019. The government agreed in 2022 that the NZDF will maintain a substantial presence in its current locations including existing training areas at: Whangaparaoa, Devonport, Papakura, Whenuapai, Waiouru, Linton, Ōhakea, Trentham, Woodbourne, Burnham, West Melton and Tekapo.

12. For example, Watts Peninsula (Wellington) including Shelly Bay and Fort Dorset, Hopu Hopu (near Ngāruawāhia), Te Rapa (Hamilton), Hobsonville (Auckland), part of Wigram (Christchurch) and housing on the North Shore.

13. Remaining useful life is '...the time remaining until an asset ceases to provide the required service level or economic usefulness'. (Defence Force Instruction 91, Part 2).

14. DEI National Asset Database, October 2024.

15. Future Naval Base Programme Business Case, 2024.

The total value of Estate assets (buildings, infrastructure and land) on 30 June 2024 was \$4.8 billion,¹⁶ with full replacement value¹⁷ around three times that, even if training areas and bases could be replaced¹⁸ with the same utility. Regeneration capital funding is predominantly funded from depreciation reserves, with limited additional funding injections from agreed business cases.

The indicative capital and operating expenditure required to achieve a fully regenerated and more resilient Estate by 2040 (Investment Profile 4) is estimated at \$9.0 billion capital expenditure and \$6.4 billion operating (total indicative nominal amount of \$15.4 billion). This means that:

- Annual capital baseline funding from depreciation reserves (assuming \$120 million annually), creates a capital funding shortfall of about \$7.2 billion to 2040.
- The percentage of assets beyond their useful life (i.e. <0 years) increases from 14% in 2024 to 42% by 2040. By then, about 82% of assets will have a remaining life of less than 20 years.
- Lack of funds for multiple large-scale programmes results in less efficient project level investment.

A modernised and functional Estate that meets NZDF needs is vital to achieving current and future expectations of NZDF readiness, more frequent deployments in difficult and potentially dangerous conditions, and combat capability.

Risks and dependencies

A **Gateway Review** of an early draft DEPP in September 2024 allocated an Amber/Red level of confidence based on two main 'blockers' to successful implementation:

- Funding uncertainty: The DEPP requires new capital funding over and above annual depreciation (currently around \$120 million p.a.), and uncertainty of this is constraining DEI ability to deliver the programme.
- Annual funding: The annual budget process prevents execution of a multi-year delivery programme.

The Gateway Review report recommendations were agreed by the sponsor, for implementation through an Action Plan. An Assurance of Action Plan Gateway Review in May 2025 allocated a revised Amber/Green level of confidence,¹⁹ noting the need for continued focus in the following areas:

- Ensuring effective governance and decision-making to enable agile and timely re-prioritisation as content changes and the programme evolves.
- Continue maturing of the memorandum of understanding arrangements supporting coordination between Ministry of Defence, Capability branch and Defence Estate and infrastructure in decision-making and issues resolution.

16. NZDF Annual Report 2024 pages 171 and 176. Off-base land is valued at fair value using market-based evidence on its highest and best use, with reference to comparable land values. Off-base non-specialised buildings (for example, residential properties) have been valued on a market comparison approach having regard to market transactions for similar properties. Adjustments are made to reflect the asset's condition.

17. November 2024 NZDF National Asset Dataset.

18. 'The field training capability of Waiouru cannot be replicated anywhere else in New Zealand': Waiouru Infrastructure Master Plan 1.0 Introduction.

19. Amber/Green means that 'Successful delivery appears probable, however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery'.

- Accelerated development of asset management information to support prioritisation decisions.

Risk Profile Assessments are completed for programmes rather than for the entire portfolio. For example, Risk Profile Assessments are complete for the Homes for Families, Ōhakea Infrastructure, and Accommodation Messing and Dining Modernisation Programmes.

Dependencies (refer section 1.14) include:

- Seeking sufficient funds through annual budget processes.
- Engagement with biennial DCP reviews.
- The capacity of enabling functions and external suppliers to deliver the investment.

Summary: The Economic Case

The Strategic Case (section 1.3) established that changing circumstances since the Defence Estate Regeneration Portfolio Business Case (DERP) 2019 approval have exacerbated the already significant estate funding and performance gaps. These changes include the amount of regeneration funds allocated compared to that anticipated; cost increases; and more asset failures and degradation despite the investment received. The Economic Case defines the investment required to regenerate the Estate to meet current and anticipated needs to 2040. As with previous Plans, it aligns with Treasury Better Business Case guidance and has three main drivers:

- Analysis of different portfolio level design choices (including scope, different funding profiles and timing);
- Delivering value for money; and
- Direct support to NZDF objectives.

The previous 2019 DERP adopted:

- A new 'Full regeneration' funding envelope (Investment Profile 4) to support new capability, provide a sustainable level of regeneration, and deliver strategic intent.²⁰
- A 'portfolio of programmes' structure.

This 2025 Plan generally confirms the DERP 2019 approach, but incorporates changing priorities, new circumstances and market conditions. These include new policy intentions, and need for combat capability, enhanced training, and partnerships. Some programmes are new or developing, e.g. the Modernised Army Training Capability, while others are deleted and indicative costings updated. This 2025 Plan tests different investment profiles and the extent of regeneration each achieves. It continues to advocate for 'DCP 2025' investment as the most affordable, structured and effective approach.

The four investment profiles tested are set out in Table 1 and include the current projected Estate funding envelope (Depreciation Investment Profile 1), and the Approved DCP 2025 indicative funding envelope (Investment Profile 3).

20. DERP 2019 Economic case 3.1 Overview.

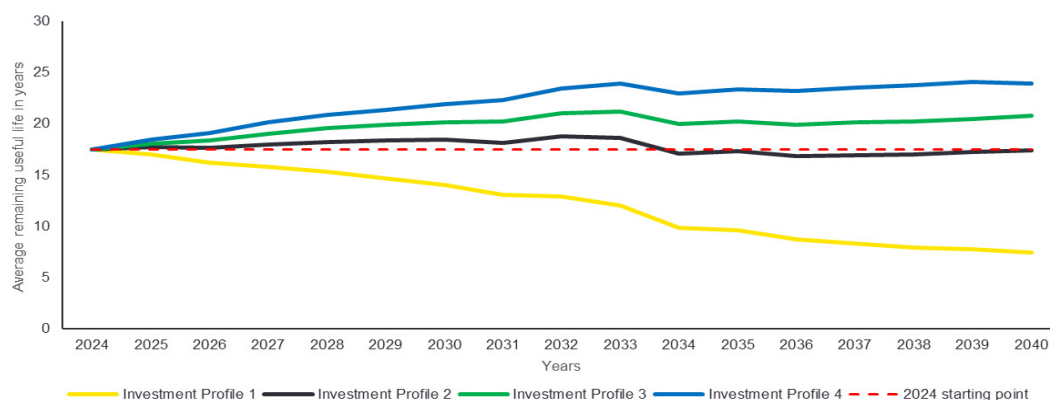
Table 1: Total Investment (CAPEX and OPEX) for the Period 2025–2040 for Investment Profiles 1–4

	Nominal (\$ millions)	Real (\$ millions)
Investment Profile 1 – Depreciation funded, limited capital injection	7,426	6,293
Investment Profile 2 – Baseline	10,203	8,580
Investment Profile 3 – Estate investments supporting DCP 2025	12,553	10,552
Investment Profile 4 – Full Regeneration	15,423	12,963

The 'Full regeneration' Investment Profile 4 requires \$15,423 million to 2040 to fully regenerate the Estate to meet Defence requirements and reverse the effects of historic underinvestment. This is more than the DCP 2025 can allocate.

Figure 1 shows the impact on average remaining asset life to 2040 for each investment profile. Profiles 1 and 2 continue overall asset degradation, measured by remaining useful life, to varying degrees by 2040. Only Investment Profiles 3 and 4 improve average remaining useful asset lives over the current state.

Figure 1: Average Remaining Useful Life of Infrastructure in the NZDF Estate in 2040 under each Investment Profile



Investment Profile 1 – Depreciation funded, limited capital injection

- Will not halt or reverse: asset degradation, declining service level, risks to outputs, or resolve the backlog of underinvestment impacts, because the rate of regeneration remains much less than the rate of asset degradation.
- Infrastructure Estate will fail faster despite this investment. Compromises to NZDF outputs will continue.
- More assets will be decommissioned over compliance concerns, risks to personnel and the environment, and inability to support operational requirements.

Investment Profile 2 – Baseline

- Current regeneration systems and processes remain.
- A funding uplift is anticipated from FY29, subject to budget decisions, but will accelerate high priority investments.
- This Profile will meet the 'steady state' definition of Estate regeneration, as assets are generally replaced at the speed at which they degrade. However, Profile 2 will not fully address the significant regeneration backlog, nor will it support all enhanced expectations of the Estate.
- Profile 2 enables the Estate to 'stand still'.

Investment Profile 3 – Estate investments supporting Defence Capability Plan 2025

- The funding envelope remains generally as for Profile 1 in the short-term (FY26–FY29) with additional funds to accelerate high priority investments including Homes for Families.
- Some short-term risks to assets and consequently to operational outputs will continue, but over time this is a meaningful funding uplift to meet portfolio aspiration.
- The regeneration backlog will be addressed in a way that does not compromise site operations and market capacity.
- Estate investment priorities in the near term to 2028/29 (not in priority order) are:
 - Compliance, resolving health, safety and security concerns, and maintaining asset usefulness as far as practicable, especially of critical assets:
 - Defence Estate Regeneration/Rolling Replacement Programme/ Horizontal Infrastructure workstream
 - Ōhakea Infrastructure Programme.
 - Maintenance Programme.
- Planning for future development at locations essential to training, deploying and sustaining military operations:
 - Future Naval Base (Devonport) infrastructure design stage.
 - Modernised Army Training Capability infrastructure design stage, Waiouru.
- Facilities that support a modern and diverse NZDF:
 - Accommodation Messing and Dining Modernisation Programme.
 - Defence Housing Programme ('Homes for Families').
- Other Estate investment to deliver the DCP 2025.

The expected outputs, costs, benefits and risks of Investment Profile 3 are outlined in the DCP 2025 and in the Economic Case. It still puts at some risk the effective operation of camps and bases in the short term, with asset degradation and further closures likely. Longer term, with increased annual capital and operating and capability-related investment, it is a significant investment in Estate regeneration.

Investment Profile 4 ('Full Regeneration')

This Profile meets current and future needs and actively addresses historic underinvestment. It supports enhanced expectations of the Estate anticipated by Defence Strategy and Foundations and expressed in the DCP 2025.

A balanced, 'integrated' approach to investment prioritisation would continue from the DERP 2019, where '...the Defence Force maintains all major camps and bases ... [and] Investment is focused on supporting military outputs and capability in the most cost-effective way'.²¹ Programmes and projects will be prioritised using established processes and governance arrangements. In the shorter term, priorities would be much the same as for Profile 3, but with faster benefits delivery.

The notable differences between Investment Profiles 3 and 4 are the overall funding envelope and timing. Profile 4 aligns with the preferred Dimensions of Choice, meets Critical Success Factors, supports the Investment Objectives²² and is confirmed by the Economic Case. However, it is not affordable within the indicative DCP 2025 funding envelope.

Additional operating costs will, however, result from delayed capital projects. Operating funds are needed to keep assets operational as far as they can be as they approach, or in many more cases pass, their end of useful lives but are retained as there is no alternative. Failure to maintain assets results in accelerated degradation and more urgent replacement.²³

Summary: The Commercial Case

The Commercial Case outlines the goods and services needed to deliver Investment Profile 3 (Approved DCP 2025) and the best commercial approach to generate value for money and economic efficiency.

The 2019 Treasury 'B' Investor Confidence Rating established the NZDF capital delivery and procurement capability at that time. Since 2019, DEI has increased its portfolio, programme, and project management (P3M) capability, and continues to improve its asset management systems and processes. The current operating model can be scaled to deliver multiple complex infrastructure projects: In May 2025 "*The [Gateway] Review Team ... expressed confidence that DEI has a pipeline of projects ready to procure and deliver and has the capability to execute these within the required timeframes.*"

The DEI Alliance external partners can also scale resources to meet budgets, priorities and investment pipelines. For example, in year two of the Alliance agreement the largest number of capital funded estate projects progressed through design gates, but in year five professional services budgets were reduced by 75%. The NZDF manages procurement, the market approach, resources and the contract model to project characteristics.

Significant DEPP 2025 projects are already 'investment-ready', with a pipeline of completed business cases and designs. In March 2025, there were 19 investment-ready Estate projects with a capital value of \$493 million.²⁴ These are detailed in Appendix S. These include location-specific investments (e.g. at Devonport Naval Base, Air Base

21. DERP 2019-35 Economic Case summary, page 6

22. The Dimensions of Choice, Critical Success Factors and Investment Objectives are aligned with the Treasury BBC Framework and methodology. As per the Economic Case, the Critical Success Factors are the Treasury Critical Success Factors used in the 2019 Plan which were developed through a series of workshops with Defence representatives. The Investment Objectives are also taken from the 2019 Plan but updated to reflect current NZDF priorities. The Dimensions of Choice are derived from the Investment Objectives as per Treasury guidance.

23. Barracks at Papakura Military Camp failed in 2024. If they had been maintained properly, they would have had another 15 years of useful life. In the last 10 years, less than \$670,000 of maintenance was allocated to the Papakura Barracks, whereas industry norms suggest \$5.6 million should have been spent.

24. Alliance Project List (excludes MoD, CLP and Capability Branch Projects).

Ōhakea, and Burnham Military Camp), and asset classes (e.g. Horizontal Infrastructure or Accommodation Messing and Dining Modernisation). Completed business cases in FY24/25 include:

- Programme Business Cases: Accommodation Messing and Dining Modernisation, Ohakea Infrastructure Programme, Homes for Families, Future Naval Base, and Horizontal Infrastructure.
- Detailed Business Cases: Accommodation Messing and Dining Modernisation Linton, Ōhakea Infrastructure Programme and Homes for Families.

Single Stage Business Cases (i.e. projects using depreciation reserve funds): Devonport Naval Fuel Installation Control System and Devonport Wahi Tiri (secure communications facility at Devonport Naval Base).

NZDF capital delivery and procurement is by specialised functions in conjunction with external partners in a professional services Alliance. Established processes and systems, procurement assurance and appropriate risk allocation apply, but flex to match the scale of investment.

Procurement initiatives being progressed to enable investment include:

- A standard approach to market, and more regular engagement with suppliers for better visibility of the short-medium term investment pipeline.
- Considering suppliers with local experience and resources, and strong performance frameworks for efficient procurement and delivery.
- Identifying opportunities for bundled procurement, including alternative funding and financing arrangements. This includes Design, Build, Finance, and Maintain models delivered as a Public Private Partnerships. In principle this is preferred for replacement barracks and a combined mess at Linton Military Camp [CBC-24-MIN-0068 refers].
- Continuing opportunities to lease rather than own assets, although this will require significant operating costs funded from baseline.

NZDF market engagement in mid-2024 indicated strong industry interest in delivering estate regeneration projects and programmes, and a willingness to consider alternative finance models.

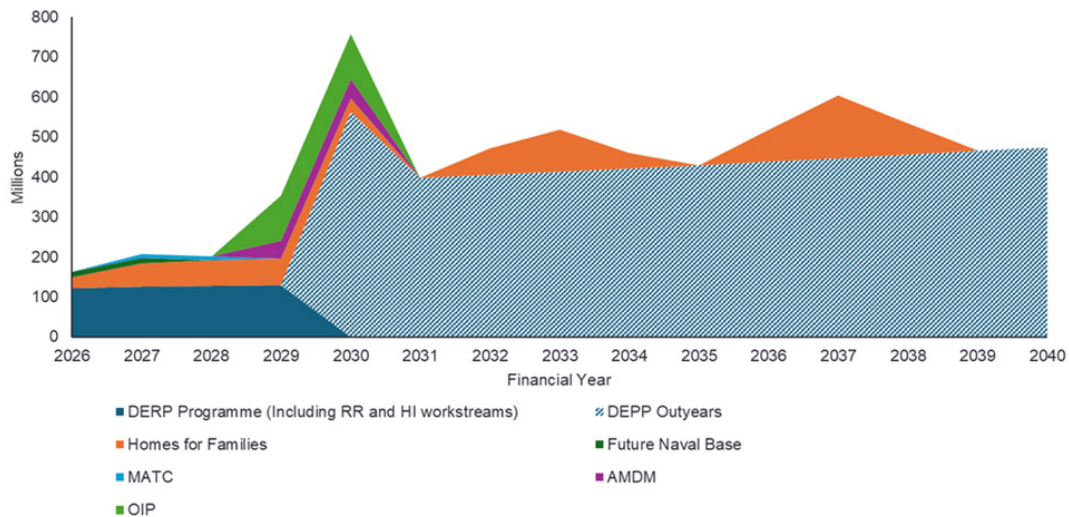
In May–June 2024, DEI and Defence Commercial Services engaged construction and related industry suppliers about the intended shorter-term Estate investment scope, location and timeline, subject to budget bids (further details are in Appendix M). While this Plan is to 2040, the feedback received indicates short-medium term market willingness and ability to deliver NZDF projects, specifically:

- Proved strong supplier interest in working with the NZDF to deliver the DEPP 2025.
- Confirmed some continued market challenges – including supply chain disruptions, long lead times for some materials, and some labour shortages.
- Indicated increasing market capacity and competitive tension.
- Confirmed that the market seeks risk allocation to the party best able to manage it; early engagement; and a clear and committed investment pipeline to enable effective participation and planning.

Summary: The Financial Case

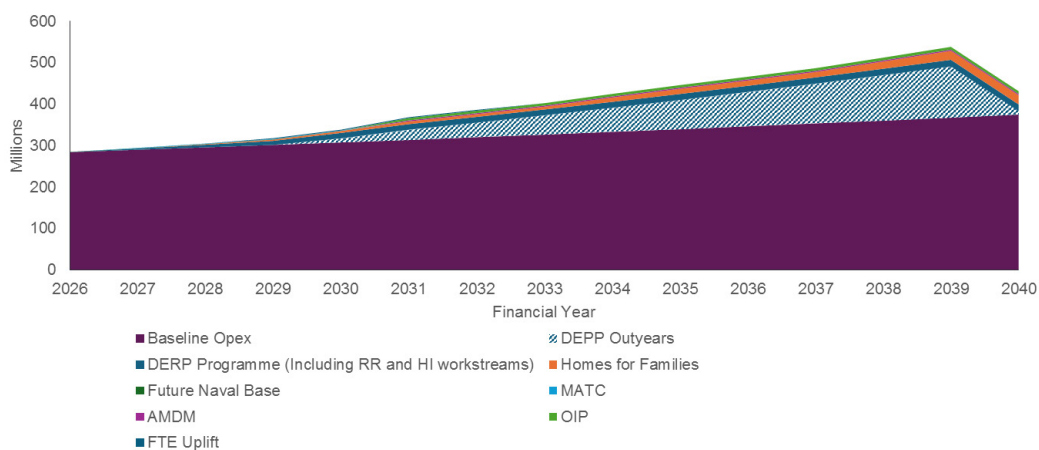
The financial case presents an overview of the cost required to deliver the DEPP 2025 and aligns with the DCP 2025 indicative funding profile. This has an estimated capital investment of \$6.6 billion over the period FY26 to FY40:

Figure 2: Capital Expenditure (nominal)



The operating expenditure is estimated at \$6.0 billion from FY26 to FY40 and includes soft (e.g. land and environment) and hard (e.g. buildings and structures) asset management and maintenance, utility charges, personnel costs, leases and rates:

Figure 3: Operating Expenditure (nominal)



The affordable option has a nominal whole of life cost of \$12.6 billion from FY26 to FY40.

A multi programme, multi-tranche investment pipeline has been established for stakeholder visibility, industry resource planning, and to optimise investment approval and delivery.

The DEPP 2025/ DCP 2025 prioritises the following investments over the next 4 years, including those currently in planning, delivery or seeking funding approval.²⁵

Table 2: Indicated Capital Funding and Timeline for Initial Investment to 2029

Indicated budget year	Description	Indicated capital investment (real)
All	Defence Estate Regeneration Programme and Horizontal and Rolling Replacement workstreams.	\$120 million p.a.
2025, 2026, 2027, 2028	Homes for Families – new build and leased homes.	\$53 million (2025) \$60 million (2026) \$60 million (2027) \$60 million (2028)
2025	Future Naval Base Tranche 1a Design.	\$25 million
2026	The Modernised Army Training Capability Programme (Waiohuru) Tranche 1 Design	\$20 million
2028	Accommodation Messing and Dining Modernisation, Linton	\$85 million (initial programme establishment and procurement only in B26)
2028	Ōhakea Infrastructure Programme: Remaining tranches to rectify longstanding problems with supporting infrastructure [DEV-23-MIN-0001 refers].	\$205 million
2025, 2026, 2027, 2028	Infrastructure components of other capability investments signalled in the DCP 2025	To be confirmed via business cases

Summary: The Management Case

The Management Case is an overview of the Estate portfolio, programme and project management (P3M)²⁶ approach. It describes the use of P3M principles including risk management, change management, quality assurance, and benefits reporting and realisation.

The NZDF has a dedicated Estate management function with the necessary systems and structures including a P3M approach to Estate investment. This was implemented in direct response to Investor Confidence Rating feedback in 2019. Continued process improvements will deliver material benefit.

The DEI Alliance is a dedicated professional function supporting estate investment planning, project delivery, asset management and performance monitoring. DEI collaborates with other NZDF functions and suppliers to deliver multiple complex capital investments. The Commercial Case described how the operating model can scale, respond to budgets, delivery timeframes and changing needs for expertise.

The DEI P3M approach is led by its Portfolio Management Office, which was established in response to 2019 Investor Confidence Rating feedback that P3M requirements were deficient. The Portfolio Management Office function and maturity is consistent

25. Budget 25 confirmed the above funding for Homes for Families and Future Naval Base Programme.

26. P3M is a portfolio, programme and project maturity framework.

with practices in other major asset-led organisations and was established to support project delivery. It focuses on capital planning through the Capital Delivery Plan, financial management, programme controls and best-practice delivery through an established Capital Project Delivery Framework.

Organisation initiatives ensure efficiency gains within available resources and funds. For example, a rapid scan of opportunities to realise planning and design efficiencies was completed in 2023, and updated in March 2024, to support improved investment planning and delivery processes, investor confidence and value for money. This highlighted improvement opportunities, including more effective financial delegations. It also demonstrated the continuing maturity of systems and processes for Estate investment.

Giving full effect to Cabinet Office Curricular (23) 9: *Investment Management and Asset Performance in Departments and Other Entities* requires better integration of assets and organisation strategy, asset information, tools, and systems to capture the current and projected state of assets for planning and decision-making. A recent asset maturity assessment against ISO55001 shows progress and where investment will accelerate improvement, including:

- Regular updates of the Strategic Asset Management Plan, Asset Management Plans and Infrastructure Master Plans.
- Accurate and timely asset condition assessments and analysis to support planning, supporting fact-based decision-making.
- Improved asset management collection and sharing (e.g. the condition assessment of most underground infrastructure is from 2011, updated in 2016 and added to since then through various projects). Investments are proposed in the Management Case to progress asset management maturity, subject to funding.

