

MINISTER OF DEFENCE

New Zealand Defence Force Homes for Families Programme Tranche 1 Part 3: Approval to Deliver

October 2026

This paper seeks approval for the New Zealand Defence Force to enter into commercial contracts to deliver at least 63 new houses under the Homes for Families Programme.

The pack comprises the following documents:

- June 2026 Cabinet Economic Policy Committee Minute of Decision: *New Zealand Defence Force Homes for Families Programme Tranche 1 Part 3: Approval to Deliver* [ECO-26-MIN-0104]; and
- The associated Cabinet Paper: *New Zealand Defence Force Homes for Families Programme – Tranche 1, Part 3 – Approval to Deliver*.

This pack has been released on the New Zealand Defence Force website, available at: www.nzdf.mil.nz/nzdf/search-our-libraries/documents/?document-type=Official+information&sort=relevance.

Information has been withheld in accordance with:

- section 9(2)(f)(iv) of the OIA: *to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials; and*
- Section 9(2)(j) of the OIA: *to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).*

In addition, Appendix 2 (*Homes for Families Tranche 1 Part 3 - Approval to Deliver*) has been withheld in full in accordance with sections 9(2)(f)(iv) and 9(2)(j) of the OIA. The public interest is met with a summary of the key information that formed the basis of Cabinet's decision to invest this funding being provided by the Cabinet paper.



Cabinet Economic Policy Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

New Zealand Defence Force Homes for Families Programme Tranche 1 Part 3: Approval to Deliver

Portfolio Defence

On 17 June 2026, the Cabinet Economic Policy Committee:

Background

1 **noted** that in June 2023, the previous government agreed that the Defence Force commence Tranche 1 of the Housing Programme [GOV-23-MIN-0014];

2 **noted** that in Budget 2025, Cabinet:

2.1 agreed to provide funding to construct and modernise approximately 60 fit-for-purpose houses and to enable the leaseback of 50 planned houses in Waiohuru;

2.2 agreed to establish tagged operating and capital contingencies within Vote Defence Force of up to the following amounts to provide for Defence Capability Plan – Homes for Families (Part 3):

	\$M – increase (decrease)				
Defence Capability Plan – Homes for Families (Part 3)	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Operating contingency	-	-	s.9(2)(j)		
Capital contingency	-	-			
Total	-	-			

2.3 agreed that the drawdown of the above contingencies is subject to Cabinet's approval of an Implementation Business Case (now Approval to Deliver); and

2.4 agreed that the expiry date for the above tagged contingencies be 31 March 2027;

[CAB-25-MIN-0126.19]

- 3 **noted** that the tagged operating contingency was re-phased during the October Baseline Update in 2025 following previous adjustments, and that the remaining balances and indicative phasing of the tagged operating and capital contingencies are:

	\$M – increase (decrease)				
Defence Capability Plan – Homes for Families (Part 3)	2026/27	2027/28	2028/29	2029/30	2030/31 & outyears
Operating contingency	s.9(2)(j)				
Capital contingency					
Total					

Approval to Deliver

- 4 **approved** the Homes for Families Tranche 1 Part 3 Approval to Deliver, attached under ECO-26-SUB-0104, with the preferred respondent for Penny Homes to construct new houses at Linton, Ohakea/Bulls, and Trentham, and Consortium Construction to construct new houses at Burnham;
- 5 **agreed** that, as the further work described in paragraph 2.3 above has been satisfactorily completed, Defence Capability Plan – Homes for Families (Part 3) can now proceed;
- 6 **approved** the following changes to appropriations to provide for the decision in paragraph 5 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$M – increase (decrease)				
Vote Defence Force Minister of Defence	2026/27	2027/28	2028/29	2029/30	2030/31 & outyears
Multi-Category Expenses and Capital Expenditure: Defence Force Capabilities Prepared for Joint Operations and Other Tasks Multi-Category Appropriation (MCA) <i>Departmental Output Expenses:</i> Army Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown) Air Force Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	s.9(2)(j)	s.9(2)(f)(iv)			
Total Multi-Category Expenses and Capital Expenditure: Defence Force Capabilities Prepared for Joint Operations and Other Tasks (MCA)					
New Zealand Defence Force – Capital Injection					
Total Operating					
Total Capital					

- 7 **agreed** that the changes to appropriations and departmental capital injections for 2026/27 above be included in the 2026/27 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

- 8 **agreed** that the expenses incurred under paragraph 6 above be charged against the Defence Capability Plan – Homes for Families (Part 3) tagged operating contingency described in paragraph 2 above;
- 9 **agreed** that the capital injection incurred under paragraph 6 above be charged against the Defence Capability Plan – Homes for Families (Part 3) tagged capital contingency described in paragraph 2 above;
- 10 **noted** that the adjustments in paragraphs 3, 8, and 9 above have fully exhausted the tagged contingencies in paragraph 2, which are now closed;
- 11 **authorised** the Chief of Defence Force to commit and approve expenditure of public money up to the amount of s.9(2)(j) capital costs and associated operating costs for this investment.

Rachel Clarke
Committee Secretary

Present:

Hon David Seymour
Hon Chris Bishop (Chair)
Hon Shane Jones
Hon Erica Stanford
Hon Todd McClay
Hon Nicole McKee
Hon Penny Simmonds
Hon Andrew Hoggard
Hon Nicola Grigg
Hon Mark Patterson
Hon James Meager
Hon Scott Simpson
Hon Cameron Brewer

Officials present from:

Officials Committee for ECO

New Zealand Defence Force Homes for Families Programme – Tranche 1, Part 3 – Approval to Deliver

Proposal

1. This paper seeks Cabinet approval for the New Zealand Defence Force (NZDF) to enter into a commercial contract with Penny Homes and Construction Consortium to deliver at least 63 new houses under the Homes for Families (HFF) Programme.

Relation to Government priorities

2. Delivering safe, compliant, and fit for purpose housing for Service personnel and their families directly supports the retention of key personnel and maintenance of Defence Outputs.

Executive summary

3. The NZDF provides housing for families to support operational readiness, workforce mobility, and retain skilled personnel who are required to relocate at the direction of Defence. Service family housing mitigates the impacts of frequent postings, variable housing markets, and deployment pressures, consistent with other defence forces and it underpins the sustained effectiveness of the NZDF. The HFF Programme was approved by Cabinet in 2023¹ to address the condition and suitability of NZDF's aged housing stock.
4. The NZDF seeks approval to draw down the tagged operating and capital contingencies established in Budget 2025 for the construction of a minimum of 63 new homes.² The Approval to Deliver (ATD) sets out the detail at Appendix 2.
5. The NZDF ran a competitive Request for Proposals to construct new houses at Linton, Ohakea / Bulls, Trentham, and Burnham under a standard design/build contract. Two contractors have been selected for the 63 houses as set out in Table 1.

Table 1: Preferred respondents and number of houses by location

Location	Preferred respondents	No. of houses
Linton	Penny Homes	20
Ohakea / Bulls	Penny Homes	14
Trentham	Penny Homes	23
Burnham	Consortium Construction	6
Total number of houses		63

6. The average cost per house, including construction works and allowances, GST and contingencies, is s.9(2)(j). Benchmarking undertaken for this investment confirms that the construction costs represent value for money. Two-bedroom houses will have an average cost of s.9(2)(j) per square metre and three-bedroom

¹ GOV-23-MIN-0014

² CAB-25-MIN-0126.19

houses s.9(2)(j) per square metre. This compares favourably with industry rates and construction data published by Kāinga Ora.

7. Subject to approval of the ATD, the NZDF will enter into construction contracts with the preferred respondents and commit the relevant Budget 2025 contingencies, reporting back to me on any material changes to costs or scope.

Background

8. The HFF Programme was established following Cabinet's approval of the Defence Housing Programme Business Case (PBC) and associated Detailed Business Cases (DBC's) for all camps and bases in June 2023.³ These approvals confirmed the need for sustained investment to replace or modernise ageing Defence housing, much of which no longer meets modern living standards or supports the NZDF's operational, readiness, or retention requirements. The programme has been delivered in tranches as follows:
 - 8.1. Tranche 1 Part 1: Capital injection of \$75 million (and associated operating uplifts) was provided in Budget 2023. This funding supported 13 houses which have been built at Linton and Ohakea / Bulls. It has also allowed NZDF to enter into a sale and leaseback arrangement for the construction of 50 new houses at Waiohuru, which will be transferred to Ngāti Rangī as part of a Treaty redress settlement.
 - 8.2. Tranche 1 Part 2: In 2024, the NZDF committed s.9(2)(j) capital from accumulated depreciation reserves for programme costs and to deliver 14 new homes and associated civil works at Burnham, which are complete.
 - 8.3. Tranche 1 Part 3: Budget 2025 provided s.9(2)(j) to progress the Programme. Cabinet invited the NZDF to seek ATD once procurement was complete and preferred respondents had been identified.⁴

Project overview

9. The scope of this investment includes design, civil works, and construction at four locations (Linton, Ohakea / Bulls, Trentham, and Burnham). The new houses will be built on NZDF-owned land within existing Defence housing precincts, consistent with established master planning, siting, and long-term development strategies. As with earlier phases, the project also includes improvements to local infrastructure, service connections, and landscaping to create safe and well-integrated precincts.
10. NZDF housing is designed to meet the functional needs of military households, which differ from standard residential provision. NZDF homes are built to higher durability and fit-out standards to accommodate frequent tenant turnover and ensure safe, resilient housing suitable for long-term Defence use and reduced whole-of-life maintenance requirements.
11. Layouts of the proposed housing are contained in Appendix 1.
12. Despite the specific requirements for housing, the NZDF has undertaken benchmarking to confirm that the proposed investment offers value for money. The benchmarking results are summarised in Table 2. The benchmarking provides a like-for-like comparison of square-metre rates for residential builds (including garaging), inclusive of construction, and exclusive of preliminary and general, design, site costs, margin, GST, civil works and any land valuation. Due to

³ GOV-23-MIN-0014

⁴ CAB-25-MIN-0126.19

variations in the data available across agencies, the analysis uses indicative smaller and larger house types based on national average sizes and prices.

Table 2: Benchmarking

Benchmarking ⁵	2-bedroom floor area average	2-bedroom cost per m ²	3-bedroom floor area average	3-bedroom cost per m ²
HFF preferred suppliers ⁶	131 m ²	s.9(2)(j)	175 m ²	s.9(2)(j)
Median data from all respondents	124 m ²		181 m ²	
Kāinga Ora 2025/26 Q1	\$3,290 (available data not categorised by typology)			
Industry Building Standards QV Data ⁷	110 m ²	\$2,546	175 m ²	\$2,921

13. The benchmarking results (in Table 2) show that this investment is aligned with average construction rates across the residential sectors. When garage areas are accounted for, NZDF housing is comparable in size to general market housing.
14. Project costs are summarised in Table 3 below.

Table 3: Summary of capital costs

Capital costs	\$M
Contractor costs	s.9(2)(j)
Other project costs	
Contingencies	
GST	
Subtotal project costs (this investment)	
Budget 2025 Cabinet approved programme management and design costs	3.899
Total costs funded from Budget 2025	s.9(2)(j)

Procurement and supplier selection

15. The NZDF undertook an open market procurement process to select suitable building contractors at each of the four locations. Eight compliant proposals were evaluated against the NZDF's technical, commercial, and delivery requirements. Penny Homes was identified as the preferred respondent for Linton, Ohakea / Bulls, and Trentham, while Consortium Construction was selected for Burnham.
16. Both firms demonstrated the capability and capacity required to build the planned housing at these sites. Penny Homes and Consortium Construction consistently performed well against non-price criteria, including methodology, resourcing, subcontractor management, and their approaches to quality, health and safety.

⁵ Benchmarking includes vertical construction costs. Design, margins, allowances, GST, and civil works are excluded to allow a like for like comparison.

⁶ Penny Homes and Consortium Construction. HFF Houses include garages in the Gross Floor Area. Two-bedroom houses have single garage sized at approximately 28m² and three-bedroom houses have garages size at approximately 44m².

⁷ Quotable Value (QV) Data February 2026. QV provides valuations for public and private residential properties. Building size data, irrespective of the bedroom numbers, has been averaged into smaller and larger categories to align with NZDF housing typologies. All sizes are exclusive of garaging.

17. Independent cost analysis confirmed that the respondents' pricing is competitive and within expected market ranges, reducing commercial risk and giving confidence that the project can be delivered within the capital envelope. s.9(2)(j)

Economic benefit to New Zealand

18. Both respondents are New Zealand owned, with all spend expected to remain in New Zealand. Regionally based contractors and subcontractor networks will provide direct economic benefit to Manawatu, Wellington, and Canterbury regions.

s.9(2)(j)

19. s.9(2)(j)

20. This approach s.9(2)(j)

remaining consistent with Government Procurement Rules, NZDF policy, and the HFF commercial framework.

21. s.9(2)(j)

The NZDF will run a competitive procurement to identify the preferred tenderers for the sites in Tranche 1 Part 4 s.9(2)(j)

Assurance and probity

22. The procurement process was supported throughout by Defence Commercial Services, which provided probity oversight to ensure compliance with NZDF policy. All evaluation panel members completed conflict of interest and confidentiality declarations, and no actual, potential, or perceived conflicts were identified. The Significant Procurement Plan and Tender Evaluation Report were revised and approved by NZDF procurement assurance boards. Independent financial due-diligence on the preferred respondents was carried out by Ernst and Young (EY). Both contractors received a low overall risk rating, due to balance sheet strength and profitable operations.

Value for money

23. The procurement outcome delivers strong value for money (Table 2). Tender price evaluations confirmed that returned pricing is transparent, sustainable, and reflects current market conditions, reducing the likelihood of cost escalation during delivery. The consolidation of work across multiple locations, particularly through the continued engagement of Penny Homes where appropriate, also provides opportunities for economies of scale and efficient design and mobilisation.

Delivery

24. If approved by Cabinet, the NZDF intends to enter into contracts with Penny Homes and Consortium Construction in July 2026. The contracts will follow the

New Zealand Standard NZS 3916:2013 Conditions of Contract with NZDF Special Conditions. Initial works are scheduled to commence in late 2026, with construction completed by mid-2027. Project management functions and controls are outlined in the attached ATD.

Risks

25. The key risks include unforeseen site conditions such as contamination or ground capacity issues, delays in securing local authority approvals, supply chain pressures within the residential construction market, and potential labour constraints across regions. These types of risk categories are typical and managed through established NZDF systems and processes.
26. Commercial risks are moderated through fixed-price contracting s.9(2)(j) but residual exposure remains if market conditions shift or if subcontractor availability tightens during peak delivery periods. This includes impacts on costs of materials and labour resulting from the fuel crisis.
27. Fuels related risks will be managed through commercial, contractual and delivery controls including current negotiations with preferred respondents, allowing for fuel related cost movements within contingency and reviewing construction methods to reduce fuel-intensive activities. Project and programme contingencies support effective management of these risks and maintain budget and programme.

Targeted Investment Review

28. A Targeted Investment Review (TIR) of the HFF Programme took place in March 2026, with a particular focus on the implementation of this investment. The programme received an overall green rating, indicating successful delivery to time, cost, and quality appears highly likely. There are no major outstanding issues that at this stage appear to threaten project delivery.

Financial implications

Capital requirements – HFF Part 3 (Budget 2025)

29. Capital funding for HFF Part 3 was established through Budget 2025. This included a capital injection of \$3.899 million and tagged capital contingency of s.9(2)(j) .⁸
30. The capital funding required to deliver this project is summarised in Table 4. This is based on the negotiated contract prices, with the addition of other construction related project costs, allowances, and contingencies.

Table 3: Capital requirements: funded from a mix of Cabinet approved Budget 2025 Vote Defence Force appropriations and the Defence Capability Plan – Homes for Families (Part 3) tagged capital contingency

Capital costs \$M	FY2025/26	FY2026/27	FY2027/28	Total
Cabinet approved Capital injection (Vote Defence Force)	2.970	0.929	-	3.899
Tagged capital contingency (rephased) - to be drawn down through this ATD request.	s.9(2)(j)			
Total				

⁸ CAB-25-MIN-0126.19

Operating costs – HFF Part 3 (Budget 2025)

31. A tagged operating contingency of s.9(2)(j) (from FY26-FY29) was established through Budget 2025⁹ to support the s.9(2)(j) remaining capital requirements for this investment. Operating costs (outlined in Table 5) are made up of direct operating costs, maintenance, repairs, and GST. This is estimated at s.9(2)(j) per annum at steady state from FY2037/38, to be funded from a mix of NZDF baselines and Budget 2025 operating uplifts.

Table 5: Operating requirements: funded from *Defence Capability Plan – Homes for Families (Part 3)* tagged operating contingency.

Tagged operating contingency \$M	FY2025/26	FY2026/27	FY2027/28	FY2028/29 & outyears
Tagged operating contingency	-	s.9(2)(j)		
Less drawdown from tagged operating contingency to support Tranche 1 Phase 1 Waiohuru Leases	-			
Remaining tagged operating contingency, to be drawn down through this ATD request.	-			

32. The estimated depreciation expense arising from this investment is s.9(2)(j) per annum at steady state from FY2028/29, based on a useful life of 50 years. Capital charge is s.9(2)(j) per annum at steady state from FY2028/29, based on the 5% Treasury prescribed rate.
33. The total operating cost for the project is s.9(2)(j) per annum at steady state from FY2037/38 onwards. This is summarised in Table 6.

Table 6: Operating expense

Operating expense \$M	FY2025/26	FY2026/27	FY2027/28	FY2028/29	Steady state FY2037/38 & outyears
Direct operating costs	s.9(2)(j)				
Maintenance cost					
Depreciation					
Capital charge					
Total operating cost					
Less approved operating costs ¹⁰					
Amount to be drawn down from the tagged operating contingency (this request)					

Next steps

34. If Cabinet Approves to Deliver this investment, the NZDF will:
- 34.1. finalise negotiations and enter construction contracts with the preferred respondents;

⁹ CAB-25-MIN-0126.19

¹⁰ This includes Cabinet approved Budget 2025 operating uplifts allocated to Vote Defence Force appropriations and costs managed within NZDF baselines.

- 34.2. draw down and commit the remaining tagged capital and operating contingencies established for this project through Budget 2025; and
- 34.3. report back to me if there are material changes to the project costs and scope.

Other Implications

- 35. There are no cost of living, human rights, legislative, regulatory, gender, or disability implications resulting from this investment. This investment does not require a Regulatory Impact Statement or Climate Implications of Policy Assessment.

Use of external resources

- 36. In 2019, NZDF identified the need for a professional service alliance to provide the capacity and skill to plan, manage and develop NZDF estate and infrastructure.¹¹ This now exists between the NZDF, Beca, EY, and GHD. Alliance partners provided technical expertise for business case development and procurement, including engineering, cost estimation, financial modelling and business case writing.

Consultation

- 37. The following agencies were consulted on this paper: Ministry of Defence, The Treasury, New Zealand Government Procurement, New Zealand Infrastructure Commission, National Infrastructure Funding and Finance, and the Public Service Commission. The Department of the Prime Minister and Cabinet was informed.

Communications

- 38. No publicity or communications associated with the paper are planned.

Proactive release

- 39. This paper will be proactively released within 30 business days of Cabinet's decision, subject to any appropriate redactions.

Recommendations

- 40. The Minister of Defence recommends that the Committee:

Previous decisions

- 1. **note** that on 9 June 2023 Cabinet agreed that the Defence Force commence Tranche 1 of the Housing Programme;¹²
- 2. **note** that through Budget 2025 Cabinet:¹³
 - 2.1. **agreed** to provide funding to construct and modernise approximately 60 fit for purpose houses and to enable the leaseback of 50 planned houses in Waiohuru;
 - 2.2. **agreed** to establish tagged operating and capital contingencies associated with Vote Defence Force portfolio of up to the following amounts to provide for NZDF Defence Capability Plan – Homes for Families (Part 3):

¹¹ CAB-19-MIN-0171.01

¹² CAB-23-MIN-0230

¹³ CAB-25-MIN-0126.19

	\$M – increase (decrease)				
<i>Defence Capability Plan – Homes for Families (Part 3)</i>	2024/25	2025/26	2026/27	2027/28	2028/29 & Outyears
Operating contingency	-	-	s.9(2)(j)		
Capital contingency	-	-			
Total	-	-			

- 2.3. **agreed** that the drawdown of these contingencies is subject to Cabinet's approval of an Implementation Business Case (now Approval to Deliver); and
- 2.4. **agreed** that the expiry date for the above tagged operating and capital contingencies be 31 March 2027.
3. **note** the tagged operating contingency was re-phased during the October Baseline Update (OBU) in 2025 following previous adjustments.¹⁴ The remaining balances and indicative phasing of the tagged operating and capital contingencies are:

	\$M – increase (decrease)				
<i>Defence Capability Plan – Homes for Families (Part 3)</i>	2026/27	2027/28	2028/29	2029/30	2030/31 & outyears
Operating contingency	s.9(2)(j)				
Capital contingency					
Total					

Homes for Families Tranche 1 Part 3 Approval to Deliver

4. **approve** the Homes for Families Tranche 1 Part 3 Approval to Deliver with the preferred respondent for Penny Homes to construct new houses at Linton, Ohakea / Bulls, and Trentham, and Consortium Construction to construct new houses at Burnham;
5. **agree** that, as the further work described in recommendation 2 above (to seek Approval to Deliver from Cabinet) has been satisfactorily completed, *Defence Capability Plan – Homes for Families (Part 3)* can now proceed;
6. **approve** the following changes to appropriations to provide for the decision in recommendation 5 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$M – increase (decrease)				
<i>Vote Defence Force Minister of Defence</i>	2026/27	2027/28	2028/29	2029/30	2030/31 & outyears
Multi-Category Expenses and Capital Expenditure:					
Defence Force Capabilities Prepared for Joint Operations and Other Tasks Multi-Category Appropriation (MCA)					
Departmental Output Expenses:					

¹⁴ Agreed in s.9(2)(j)

Army Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)	s.9(2)(j)	s.9(2)(f)(iv)
Air Force Capabilities Prepared for Joint Operations and Other Tasks (funded by revenue Crown)		
Total Multi-Category Expenses and Capital Expenditure: Defence Force Capabilities Prepared for Joint Operations and Other Tasks (MCA)		
New Zealand Defence Force – Capital Injection		
Total Operating		
Total Capital		

7. **agree** that the proposed changes to appropriations and departmental capital injections for 2026/27 above be included in the 2026/27 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
8. **agree** that the expenses incurred under recommendation 6 above be charged against the New Zealand Defence Force Defence Capability Plan – Homes for Families (Part 3) tagged operating contingency described in recommendation 2 above;
9. **agree** that the capital injection incurred under recommendation 6 above be charged against the New Zealand Defence Force Defence Capability Plan – Homes for Families (Part 3) tagged capital contingency described in recommendation 2 above;
10. **note** that adjustments in recommendations 8, 9, and 3 have fully exhausted the tagged contingencies in recommendation 2, which are now closed; and
11. **authorise** the Chief of Defence Force to commit and approve expenditure of public money up to the amount of s.9(2)(j) capital costs and associated operating costs for this investment.

Authorised for lodgement

Hon Chris Penk
Minister of Defence

Appendices

1. Typical floor layouts and design of the proposed housing
2. Homes for Families Tranche 1 Part 3 – Approval to Deliver

Annex A: HFF T1P3 ATD Floor Plan and Design Examples



Figure 1: Three Bedroom Concept Floor Plan for T1P1 GFA 174m2



Figure 2: New HFF house in Ohakea



Figure 3: New HFF Kitchen Example



Figure 4: Two Bedroom Concept Floor Plan from T1P1 GFA 128m2