

## HON ANDREW LITTLE, MINISTER OF DEFENCE

### **New Zealand Defence Force: Accommodation Messing and Dining Modernisation Programme: Programme Business Case**

May 2023

This paper requests approval of the New Zealand Defence Force Accommodation Messing and Dining Modernisation Programme Business Case.

The pack comprises the following documents:

- March 2023 Cabinet Government Administration and Expenditure Review Committee Minute of Decision *New Zealand Defence Force: Accommodation Messing and Dining Modernisation Programme: Programme Business Case* [GOV-23-MIN-0005]; and
- The associated Cabinet Paper *New Zealand Defence Force – Accommodation Messing and Dining Modernisation Programme – Programme Business Case*.

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](http://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;*
- section 9(2)(g)(i) of the OIA: *to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty;* and
- section 9(2)(j) of the OIA: *to enable a Minister of the Crown or any department or organisation holding the information to carry out, without prejudice or disadvantage, negotiations.*

The business case has been withheld in full in accordance with sections 9(2)(b)(ii), 9(2)(f)(iv) and 9(2)(j). 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 Government Administration and Expenditure Review 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: Accommodation Messing and Dining Modernisation Programme: Programme Business Case

**Portfolio**                      **Defence**

On 30 March 2023, the Cabinet Government Administration and Expenditure Review Committee:

- 1        **noted** that the New Zealand Defence Force (NZDF) is proposing the *Accommodation, Messing and Dining Modernisation (AMDM) Programme* (the programme) as a strategic approach to modernisation of barracks and messes, as a sub-programme of the Defence Estate Regeneration Plan approved by Cabinet on 15 April 2019 [CAB-19-MIN-0171.01];
- 2        **noted** that the programme will support the Minister of Defence's priorities of 'People' and 'Infrastructure' and will help support key objectives of government priorities;
- 3        **noted** that the current NZDF barracks and messes are in a deteriorated condition, are not functionally fit-for-purpose, present health and safety risks to personnel to whom the NZDF owes a duty of care, and do not support isolation and quarantine requirements for NZDF personnel;
- 4        **noted** that most barracks are legacy infrastructure from a male-only Defence Force, have shared bathrooms, and have known issues that affect personal safety and privacy, which are also a barrier to diversity and inclusion;
- 5        **noted** that the NZDF has adopted new standard designs as policy for new barracks and messes that specifically address issues and risks with existing buildings, and provide a template for a safer, fit for purpose living environment that supports a modern and diverse Defence Force, and they can be configured to meet isolation and quarantine requirements for NZDF personnel;
- 6        **noted** that piecemeal replacement or renewal of individual buildings over many decades would not deliver the necessary transformational change in the living environment, and would be the least cost-effective way to modernise these facilities;
- 7        **noted** the *AMDM Programme Business Case* as set out in Appendix E attached to the paper under GOV-23-SUB-0005;
- 8        **noted** that the *AMDM Programme Business Case* proposes investment in whole camps and bases in five tranches out to 2047, starting with a pilot, as this provides efficiency of delivery and the highest benefit-cost ratio at the least risk;

- 9 **noted** that the estimated capital investment for the whole AMDM programme is modelled at s.9(2)(j) (nominal including inflation and 27 percent risk contingency) out to 2047 if delivered as all new build facilities across nine military camps and bases, with estimated operating costs of s.9(2)(j) to 2047;
- 10 **noted** that future new funding requirements for capital and operating expenditure will be refined and clarified through the development of individual Detailed Business Cases for each tranche;
- 11 **noted** that delivery of the pilot in tranche 1, and subsequent tranches of the programme, will be subject to the necessary capital and operating funding being made available at future Budgets;
- 12 **noted** that the *AMDM Programme Business Case* proposes to start with a pilot Detailed Business Case for Linton Camp in the Manawatū where options will be tested in detail and will re-inform the programme, and that all tranches of the AMDM programme will be subject to individual Detailed Business Cases where options will be tested and estimated costs refined;
- 13 **noted** that the pilot Detailed Business Case will explore a range of options, including addressing affordability through sub-tranches or adaptation of existing buildings, providing for flexibility of the scale and timing of investment, and this will re-inform the programme;
- 14 **noted** that the forecast capital investment for the initial Linton pilot project if delivered as an all new build solution is estimated at s.9(2)(j) (nominal including inflation and 27 percent risk contingency), with estimated operating costs of s.9(2)(j) to 2047;
- 15 **endorsed** the AMDM Programme Business Case proposal;
- 16 **invited** the Minister of Defence to present a Detailed Business Case for the Linton Military Camp pilot project to the Cabinet Government Administration and Expenditure Review Committee by December 2023;
- 17 **agreed** that, given the scale of investment and nature of the assets at Linton Military Camp, bundled procurement options that include ongoing service delivery, such as Design Build Maintain and Public Private Partnership, will be evaluated in the pilot Detailed Business Case as part of a full range of commercial options;
- 18 **noted** that the costs and timing of payments for the Linton pilot could vary significantly if delivered through a Public Private Partnership in comparison to other commercial options.

Vivien Meek  
Committee Secretary

**Present:**

Hon Grant Robertson (Chair)  
Hon Jan Tinetti  
Hon Andrew Little  
Hon Kieran McAnulty  
Hon Meka Whaitiri  
Hon Dr Duncan Webb

**Officials present from:**

Office of the Prime Minister  
Officials Committee for GOV

Office of the Minister of Defence

Cabinet Government and Administration Expenditure Review Committee

## **NEW ZEALAND DEFENCE FORCE – ACCOMMODATION MESSING AND DINING MODERNISATION PROGRAMME – PROGRAMME BUSINESS CASE**

### **Proposal**

- 1 This paper requests approval of the New Zealand Defence Force (NZDF) Accommodation Messing and Dining Modernisation (AMDM) Programme Business Case (PBC) (Appendix E). The AMDM Programme is a sub-programme of the Cabinet-approved Defence Estate Regeneration Programme Plan 2019 [CAB-19-MIN-0171.01 refers]. This paper sets out the plan to modernise barracks and messes on NZDF camps and bases to provide a safer, fit-for-purpose living environment for personnel, starting with a pilot project.

### **Relation to Government Priorities**

- 2 This programme aligns with my Defence priorities of 'People' and ensuring that 'our people are safe, well-trained and effective'.<sup>1</sup> It also aligns with my 'Infrastructure' priority aimed at 'looking after people and generating military effects'. Prioritising housing, accommodation and messing projects is a key pillar of this priority. The living environment provided to personnel in the form of barracks and messes (accommodation, messing and dining facilities) is a critical and central component of ensuring that the operational level of capability of individuals and the Defence Force is maintained. A rolling refresh of Defence accommodation and facilities will create an environment where personnel health, safety and wellbeing can be actively supported and which provides flexibility to support locational operational outputs such as a surge of personnel to support national interests.
- 3 The programme will help support key objectives of the Government's priorities [CAB-20-Min-0525 refers]:
  - 3.1 Objective 1: Keeping New Zealanders Safe from COVID 19: construction of new barracks presents the opportunity to provide accommodation and living facilities that ensure that NZDF personnel are well placed to respond when tasked by the Government including the ability to isolate and quarantine personnel if required to protect the wider force.
  - 3.2 Objective 2: Accelerating the recovery: The programme presents an opportunity for economic stimulus through a long-term pipeline of reinvestment in critical infrastructure. The sites are located throughout New Zealand and include several regional locations.
  - 3.3 Objective 3: Laying the Foundations for the Future: The programme aligns with the Government's policy to reshape the economy to be more productive, sustainable and equitable. Improved living environments will

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<sup>1</sup> [Ministerial-Priorities-for Defence-2021 refers]

address safety and privacy issues in existing barracks that disproportionately affect women. This supports the Labour 2020 Manifesto in relation to gender equality and diversity, and to create more inclusive work environments. It supports NZDF strategy to increase the number of women in the Regular Force, increase gender diversity, and address associated retention barriers; all of which support an equitable economy.

- 3.3.1 It will reduce operational carbon emissions by moving away from fossil fuel-powered boilers to energy efficient grid-connected heating. Modelling indicates 28,260 tonnes of emissions savings over 25 years at the pilot site alone.
- 3.3.2 The Government has noted that key to achieving these objectives will be our commitment to honour Te Tiriti o Waitangi. Opportunities to partner with Iwi and Hapū, commercially or otherwise, will be actively sought in the programme.

## Executive Summary

- 4 The AMDM programme presents a strategic approach to reinvestment in barracks (on-base living quarters) and messes (dining and social facilities) on all nine NZDF camps and bases, starting with a pilot. It will enable a transformational change in the living environment of personnel, from the existing deteriorated and outdated barracks, to buildings that are functionally fit-for-purpose, environmentally sustainable, and support a modern and diverse Defence Force. It outlines that 7,100 existing barrack beds will be replaced with 6,300 barrack beds (design changes will support more efficient utilisation) and 21 messes will be consolidated into 10 modern combined messes, over a 25-year programme.
- 5 The PBC clearly sets out the case for change. The existing buildings are in a deteriorated condition. Forty-five per cent of existing barracks and messes are forecast to deteriorate to a condition rating of 'poor' by 2035. The barracks are not functionally fit-for-purpose, and present health and safety risks to personnel to whom the NZDF owes a duty of care. Most barracks are legacy infrastructure from a male-only Defence Force, have shared bathrooms, and have issues with their design and layout that affect the personal safety and privacy of personnel. These issues disproportionately affect women, and are a barrier to diversity and inclusion in the NZDF. Designs for new facilities follow best practice to address these issues, improve the living environment for all personnel, and can be configured to support isolation and quarantine requirements for NZDF.
- 6 This paper seeks approval of the PBC, which proposes a programme of five tranches, starting with an 1120 bed pilot at Linton Military Camp (Linton) in the Manawatū. The PBC demonstrates clear economic benefits to modernising barracks and messes in tranches of whole camps and bases, rather than gradual piecemeal replacement of individual buildings. This maximises efficiency of construction and land use, and widens the range of staging options and procurement options that can be considered.

- 7 Following approval of the PBC proposal, a Detailed Business Case (DBC) will be completed for the pilot, and submitted for Cabinet approval in s.9(2)(g)(i). Linton has been selected for the pilot because it has certainty of continued purpose, its scale is sufficient to approach the market for a wide range of procurement methods including Public Private Partnership, and its lower site development complexity presents less risk.
- 8 The pilot DBC will evaluate a range of options in detail, including adaptation of existing buildings where feasible, and options to stage delivery into sub-tranches. This approach provides flexibility over the scale, timing, and affordability of investment, and the DBC will re-inform the programme.
- 9 Delivery of the pilot and the subsequent tranches of the programme will be subject to the necessary funding being made available at future Budgets. A new-build solution at Linton is estimated to require capital investment of s.9(2)(j) and all five tranches on an indicative timeframe out to 2047 estimated at s.9(2)(j) if predominantly new-build.<sup>2</sup>

## Background

- 10 In 2016, the NZDF initiated a significant investment programme, the 'Defence Estate Regeneration Programme Plan 2016-2030' (DERP), to address critical under-investment and resulting deterioration in the Estate. A reduction in, or a lack of, continued Estate investment limits the Estate's ability to support the NZDF's operational performance and capability. It also risks creating an increasingly unsafe, non-compliant and unsatisfactory work and living environment, increases inefficiencies and avoidable costs, while also increasing risks to reputation, recruitment and retention, and critically, operational readiness.
- 11 Barracks and messes have been identified as an asset class requiring consideration as a programme. AMDM is a sub-programme in the Defence Estate Regeneration Programme Business Case 2019-2035 which was approved by Cabinet on 15 April 2019 [CAB-19-MIN-0171.01 refers]. The AMDM Programme supports the Government's direction for the NZDF to maintain operational readiness, through supporting the physical and mental well-being, health and safety of service personnel. It recognises that personnel are a fundamental component of any military capability, and the importance of barracks and messes in enabling service personnel to perform as required.
- 12 Barracks provide temporary and longer term accommodation for single persons on camps and bases, and messes provide the associated dining and social spaces. Defence housing, by comparison, provides long term accommodation for families and couples, and is not included in the scope of the AMDM Programme. The NZDF provides approximately 7,100 beds across 159 buildings, 21 kitchens serving 22 messes, 14 cafés and retail outlets and 28 social lounges across nine camps and bases in New Zealand.

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<sup>2</sup> Note that these costs, consistent with all costs referred to in this paper unless otherwise stated, are nominal and include inflation and a 27 per cent risk contingency. Nominal in this context includes the effect of expected inflation on costs (as opposed to real values which would have excluded it).

- 13 Barracks and messes are essential infrastructure that enable the training and sustainment of the force in support of operations. Military personnel need to deploy as part of a team on operations (domestic or offshore), often at short notice and for extended periods, and they routinely travel to attend training courses and exercises to ensure their readiness for operational deployments.
- 14 Personnel are often required to take postings between different camps and bases in order to maintain unit capabilities and for professional development. This creates a highly mobile workforce which is directly supported by barrack accommodation and messes at each camp and base.
- 15 Camps and bases are used as a base for domestic operations and disaster response, and are a strategic asset that provide a whole-of-government response facility such as how Burnham Camp was used following the 2011 Christchurch Earthquake and the Christchurch Mosque attacks. Barracks and messes enable a surge of military personnel and other agencies to locate and operate from these locations.
- 16 A large proportion of barracks and messes were built in the period immediately after World War II. Since then, occasional replacements have been delivered in an ad hoc manner, creating inconsistent design, building materials, condition and functionality. Ageing assets and infrastructure result in accelerated degradation and an increasingly reactive maintenance burden. As a result, the costs of maintaining NZDF facilities are becoming unsustainable and represent sunk investment through escalating costs to repair inefficient, unfit-for-purpose facilities. Approximately 350 barrack beds are currently closed or about to be decommissioned for health and safety reasons, and temporary closure of rooms for emergency repairs is a frequent occurrence. By 2035, 45 per cent of barracks and messes are forecast to deteriorate to a condition rating of 'poor'.<sup>3</sup>

### **Requirement for Modernisation of Barracks and Messes**

- 17 The current standard of facilities is failing to support a healthy quality of life and an environment conducive to learning and development. This impacts the physical and mental well-being of personnel and does not provide for an operationally effective and diverse workforce.
- 18 Personnel have consistently raised issues that most barrack rooms have insufficient space for storage of their required equipment, personal effects and the study that is required as part of training and ongoing development. Outdated facilities have poor thermal insulation and energy efficiency, and insufficient sound insulation between rooms disturbs sleep.
- 19 Planned and reactive maintenance on existing barracks and messes continues. Small improvements in functionality can be achieved through upgrade projects, however most of the necessary functional improvements require building

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<sup>3</sup> The New Zealand Defence Force Strategic Asset Management Plan defines a condition rating of 'poor' as "the asset is in poor condition and should be considered for renewal with an estimated percentage of life consumed to be between 95% and 98%".

replacement or major alterations as they relate to room size and building configuration.

### Personal Safety and Privacy

- 20 The NZDF Operation Respect Action Plan and the Ministry of Defence Operation Respect Review 2020 (MoD Review) identify features of existing barracks that are contributing factors to harmful sexual behaviour. s.9(2)(f)(iv)
- [REDACTED]
- Fundamental building configuration and site layout issues that have been identified cannot be addressed through the Planned Maintenance Programme.
- 21 The building designs and site planning in the AMDM Programme are designed to create a safer living environment, informed by best practice CPTED principles, and support positive social interaction and collaboration.

### Diversity and Inclusion

- 22 The NZDF is committed to increasing the number of women in the Regular Force by 2025. In 2020, the NZDF formally adopted the United Nations Women's Empowerment Principles. The principles and associated outcomes form the framework for the NZDF's Wāhine Toa programme that is about increasing the NZDF's gender diversity, including addressing retention barriers.
- 23 Personal safety issues affect women disproportionately. Most barracks in the NZDF estate were designed and built for a male-only Regular Force, and most have shared toilets and showers that create safety and privacy issues. The MoD Review identifies that "We heard from women who had delayed showering until the early hours of the morning to increase their chance of privacy and reduce the risk of becoming the target of inappropriate behaviour".
- 24 The AMDM design standard for all single living rooms has self-contained bathrooms, which is consistent with single living barracks standards in the British and Australian Defence Forces. This feature and design around the CPTED principles support an integrated and inclusive Defence Force with diversity of genders and cultures.

### Isolation and Quarantine Facilities

- 25 Existing barracks, with shared bathrooms and other spaces, do not support isolation and quarantine requirements for NZDF personnel such as have been required during the COVID-19 pandemic. This proved to be a high risk factor for force availability. The proposed new barrack rooms have self-contained bathrooms, and can be specified to fulfil technical requirements of isolation

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<sup>4</sup> The National Guidelines for CPTED (2005), prepared by the Ministry of Justice, explain that CPTED: "is a crime prevention philosophy based on proper design and effective use of the built environment leading to a reduction in the incidence and fear of crime, as well as an improvement in the quality of life."



facilities if required. Additional cost implications, if any, would be established in the pilot DBC.

## Reference Designs

- 26 Standard design templates for barracks and messes, referred to as Reference Designs (refer Appendix B and C), were developed to meet the functional requirements defined in the PBC and through extensive consultation with stakeholders in the Army, Navy and Air Force. The Reference Designs have been adopted as policy by the NZDF. These form the basis of the PBC, and are already the standard design for delivery of any individual projects outside the AMDM programme.
- 27 The barrack room designs provide adequate storage, living and sleeping space, and study space. They provide for personal privacy by moving away from shared ablutions. The layout principles of a barrack block are designed to support positive social interaction and provide the ability to cook in shared common rooms. A consistent design for all single living barrack rooms will enable greater utilisation efficiency resulting in a reduction in the total bed numbers required to meet demand, compared to the existing differentiation in room sizes between ranks. The Reference Designs incorporating self-contained rooms also support more flexible allocation of blocks of rooms, resulting in greater efficiency and future adaptability.
- 28 The Reference Design for messes consolidates all functions into a single footprint, allowing all ranks to share a combined dining space, while retaining rank-specific social spaces traditional in military culture. Design of social spaces will foster social interaction and move away from alcohol-focused layouts. Support of a wider range of social and cultural activity is included. A Whanau room is a new feature of the mess standards, as are parenting rooms and facilities that better support family events and activities.

## Options Analysis and Preferred Way Forward

- 29 The PBC evaluated eight options that explore a range of staging scenarios and levels of intervention:
  - 32.1 the Base Case models the cost of major refurbishments of existing buildings when they deteriorate to a minimum condition level, with no significant change in design;
  - 32.2 the Condition Driven Modernisation (CDM) Option models the replacement of individual existing buildings when they deteriorate to a minimum condition level, to the new Reference Design standard; and
  - 32.3 six Programme Options where all barracks and messes are replaced to the new Reference Design standard in a series of tranches of whole camps or bases with a range of timing scenarios.<sup>5</sup>

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<sup>5</sup> A small proportion of existing barracks are retained and refurbished at selected sites in all options, and some barracks are delivered as dormitories where required for specific training purposes.

- 30 Under the six Programme Options; 7,100 existing beds are replaced by 6,300 new beds across the nine camps and bases (an additional 230 specialist mounting/mobilisation beds are also provided at the Tekapo and Ardmore Training Areas). A consistent design for all single living barrack rooms will enable greater utilisation efficiency resulting in a reduction in the total bed numbers required to meet demand. Each tranche will include consolidation of existing messes into one new build.
- 31 All six Programme Options demonstrate clear economic benefits to undertaking a programme of tranches of whole camps and bases, rather than gradual piecemeal replacement of individual buildings (as per the CDM option). Protracted replacement of individual buildings over many decades will fail to deliver the required transformational change in the living conditions of personnel. Inconsistencies in accommodation would persist at camps and bases, along with the associated management and utilisation inefficiencies, and the substantial sunk costs of continuing to maintain aging unfit-for-purpose buildings. Some of the benefits of the proposed new living environment and improvements in safety relate to re-planning the layout of the accommodation precincts; these would be fundamentally compromised in the CDM scenario.
- 32 Planning the modernisation of all barracks and messes at a camp or base in one tranche maximises efficiency of delivery and use of land, and widens the range of staging options and procurement options that can be considered in each tranche.
- 33 Of the six Programme Options considered, the PBC proposes to model the delivery of the programme in five tranches out to 2047, starting with a pilot tranche at Linton to be delivered by 2030. This option delivers maximum benefit at the least risk.
- 34 The PBC proposes to proceed on this basis, starting with a DBC for the pilot. This lower risk pilot approach enables testing of options in detail at Linton that will re-inform the programme, to ensure benefits are fully realised while reducing risks around cost and delivery timeframes. Because of the overall duration of the programme it is important to be able to maintain flexibility and agility for procurement and delivery approaches. Each of the five tranches including the pilot will require a separate DBC and Cabinet approval, and delivery would be subject to necessary funding being available.

## Implementation

- 35 Following approval of the PBC, a DBC will be completed for the pilot, and submitted for Cabinet approval in s.9(2)(g)(i) Linton has been selected for the pilot because it has certainty of continued purpose, its scale is sufficient to approach the market for a wide range of procurement methods including Public Private Partnership, and its lower site development complexity presents less risk.
- 36 The pilot DBC will evaluate a range of options in detail, including adaptation of existing buildings where feasible, modular building and offsite manufacturing, and options to stage delivery into sub-tranches. This approach provides

flexibility over the scale, timing, and affordability of investment, and the DBC will re-inform the programme.

- 37 Potential commercial models are being assessed for project delivery and whole-of-life service delivery. Given the scale of investment and nature of the assets, a range of procurement models, including those that include long term service delivery, such as Design Build Maintain and Public Private Partnership, will be considered through each DBC in line with Cabinet Office Circular CO 19 (6).
- 38 An indicative timetable for the implementation of the AMDM Programme is summarised in Appendix A. The timing and sequence of the tranches allows continued operation of camps and bases through the duration of the programme. The size, sequence and timing of the tranches will be re-informed by the pilot project, and will be periodically reviewed in accordance with NZDF priorities and interdependencies. The population demand for barracks for each camp and base will be re-examined within the DBCs for each programme tranche.
- 39 The Planned Maintenance Programme continues for all buildings until they are replaced or renewed. The NZDF is improving safety in existing barracks where existing issues can be addressed through maintenance or simple alterations. Any critical individual building replacements outside the AMDM programme tranches will be built to the new standard designs.

### Financial Implications

- 40 The funding proposed by the AMDM Programme has been modelled over a 25-year period to show the estimated capital investment and total operating expenditure cost associated with the PBC proposal. The PBC also highlights the proposed funding out to 2030 that will encompass the initial pilot tranche at Linton.
- 41 The total nominal programme costs out to 2030 are s.9(2)(j) capital investment, of which the total capital investment for the Linton pilot is s.9(2)(j), the remaining s.9(2)(j) is for programme support and project management costs over the period. The total estimated operating cost over the 25-year period of s.9(2)(j) is within the current NZDF operating baseline however further work will be carried out as part of subsequent DBCs to confirm that operating funding remains sufficient and sustainable.
- 42 The costs and timing of payments for the Linton pilot could vary significantly if delivered through a Public Private Partnership compared to other commercial options, this will be assessed in the DBC.
- 43 Based on the all new build proposed in the PBC, the total estimated cost of the whole programme out to 2047 is s.9(2)(j). Total operating expenditure is estimated at s.9(2)(j)<sup>6</sup> which is less than the currently modelled baseline expenditure of s.9(2)(j). These costs will be clarified during DBC

<sup>6</sup> Operating costs include non-lifecycle planned and unplanned maintenance, utilities, and hospitality services (provided mainly through third party contracts).

development including any operating funding uplifts.

<i>\$millions nominal</i>	Full AMDM Programme FY23-FY47
Capital Investment	s.9(2)(j)
Operating expenditure	
<b>Total expenditure to 2047</b>	

- 44 Total expenditure of s.9(2)(j) when expressed as a discounted Net Present Cost (NPC) in real terms, which excludes inflation and the 27 per cent capital cost risk adjustment is s.9(2)(j)

### Capital Investment and Funding

- 45 A build-up of the capital investment figure is detailed below. Please note that this includes s.9(2)(j) in risk adjustment (at 27 per cent of total capital cost).

<i>\$millions nominal</i>	Capital Costs FY23-FY47
Barracks	s.9(2)(j)
Messes	
Infrastructure services (in-ground services, landscaping, roading and carparks)	
Ground contamination	
FF&E (barracks furnishings and equipment) and ICT	
Programme Support and Personnel costs (capitalised)	
Risk adjustment (27%)	
<b>Total capital investment</b>	

- 46 The NZDF plans to seek approval and funding commitment from Cabinet as DBCs and Project Implementation Business Cases are developed for each tranche. Delivery of the pilot and the subsequent tranches of the programme will be subject to the necessary funding being made available at future Budgets.
- 47 Inflation has been calculated at 7 per cent for 18 months before it reverts to 4.3 per cent p.a. as per Treasury standard, on cost estimation completed in the PBC in FY22. Analysis of inflation in the construction market in FY22 from a range of industry and government sources estimates inflation of 5-7 per cent in this year, and expectations are this will not be persistent in the long term. The pilot DBC, to be completed in FY23, will update cost estimates based on the latest industry information and re-assess predicted inflation over its delivery timeframe.
- 48 Benchmarking of the capital costs (Appendix D) with comparable building types shows that the cost of AMDM barracks is significantly less, at s.9(2)(j) per single living barrack room, than industry benchmarks for hotels and retirement apartments that are s.9(2)(j) per room or more (figures exclude inflation and

risk, and site infrastructure). This is due to an optimised 24m<sup>2</sup> single living barrack room size, where the comparators' rooms are 57m<sup>2</sup> or more.

### Legislative Implications

49 There are no legislative implications for AMDM Programme approval.

### Impact Analysis

#### Regulatory Impact Statement

50 There are no legislative implications for AMDM Programme approval so no Regulatory Impact Statement is required.

#### Climate Implications of Policy Assessment

51 The threshold of reductions for a Climate Implications of Policy Assessment is not reached, so an assessment is not included. The programme will nonetheless deliver substantial reductions in operational carbon emissions by discontinuing the use of fossil fuel-powered boilers for space and water heating in favour of energy efficient grid-connected heating. Modelling indicates 87% emissions savings at the pilot site (28,260 tonnes of emissions savings over 25 years), which would be multiplied approximately by a factor of six across the Estate. On an annual operational basis, this reduction is equivalent to the emissions from 2,515 typical NZ homes. The designs propose Greenstar Homestar 7 standards for insulation and energy efficiency.

### Population Implications

52 The NZDF employs approximately 9,600 military personnel, 2,700 reserves and 3,100 civilian staff. Many of these live on NZDF camps and bases while they work and train. Other government agencies and some overseas defence forces also use NZDF facilities. Modernised barracks and messes will help support well-being and assist the NZDF to meet the needs of a diverse, modern workforce. The design of inclusive facilities supports diversity in the people that the NZDF recruits and retains.

Population group	How the proposal may affect this group
Māori	Seventeen per cent of NZDF Regular Force personnel identify as Māori, and 20 per cent of Army (the pilot site in the Manawatū is an Army Camp). This proposal supports the health, safety and wellbeing of Māori who stay on camps and bases. Development of designs for the living and social environment will use Te Aranga Design principles, to enable participation and partnership within the design process and to reflect Te Ao Māori and mātauranga Māori. Opportunities to partner with Iwi and Hapū, commercially or otherwise, will be actively sought at the sites of development across the programme. The programme scope includes construction, hospitality and maintenance contracts, where procurement opportunities for Māori businesses will be explored.
Women	The proposed facilities are designed to support the health, safety and wellbeing of women in a way that current facilities do not. This supports respect for and inclusion of women in the NZDF, and the

	recruitment and retention of women in alignment with NZDF strategy and Chief of Defence Force's stated priorities. Currently women make up 18.5 per cent of Regular Force personnel, and the NZDF is seeking to increase this to 25-30 per cent by 2025.
LGBTTIQ+	The NZDF received the Rainbow Tick accreditation in 2019 and is recognised as one of the most inclusive military forces for LGBTTIQ+ personnel in the world. Moving away from shared ablutions to self-contained rooms supports gender diversity.
Disabled people	Barracks and messes and surrounding spaces will be designed to be accessible by all users, including civilians, government partners, and injured and wounded military personnel.

## Human Rights

53 There are no implications for the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

## Consultation

54 The following agencies were consulted on this paper: Manatū Kaupapa Waonga Ministry of Defence, Te Tai Ōhanga The Treasury, Te Waihanga New Zealand Infrastructure Commission, Hīkina Whakatutuki Ministry of Business, Innovation and Employment, the Department of the Prime Minister and Cabinet, and Te Kawa Mataaho Public Service Commission.

## Communications

55 The communications plan will focus on engaging the construction market to inform the development of commercial options for the Linton pilot. Once this paper is approved, the NZDF will undertake formal market engagement to determine interest in the project. This will include consideration of a range of commercial models including bundled procurement options, such as Public-Private Partnership, which will inform the Commercial Case for the pilot DBC.

## Proactive Release

56 Whether I will release the Cabinet paper proactively in whole or in part, or delay the release beyond 30 business days and the rationale behind this is yet to be confirmed.

## Recommendations

The Minister of Defence recommends that the Committee:

- 1 **note** that the New Zealand Defence Force (NZDF) is proposing the Accommodation, Messing and Dining Modernisation (AMDM) Programme as a strategic approach to modernisation of barracks and messes, as a sub-programme of the Defence Estate Regeneration Plan approved by Cabinet on 15 April 2019 [CAB-19-MIN-0171.01 refers];
- 2 **note** that the programme will support my priorities of 'People' and 'Infrastructure' and will help support key objectives of Government priorities;

- 3 **note** the current NZDF barracks and messes are in a deteriorated condition, are not functionally fit-for-purpose, present health and safety risks to personnel to whom the NZDF owes a duty of care, and do not support isolation and quarantine requirements for NZDF personnel;
- 4 **note** that most barracks are legacy infrastructure from a male-only Defence Force, have shared bathrooms, and have known issues that affect personal safety and privacy, which are also a barrier to diversity and inclusion;
- 5 **note** that the NZDF has adopted new standard designs as policy for new barracks and messes that specifically address issues and risks with existing buildings, and provide a template for a safer, fit for purpose living environment that supports a modern and diverse Defence Force, and they can be configured to meet isolation and quarantine requirements for NZDF personnel;
- 6 **note** that piecemeal replacement or renewal of individual buildings over many decades would not deliver the necessary transformational change in the living environment, and would be the least cost-effective way to modernise these facilities;
- 7 **note** the AMDM Programme Business Case as set out in Appendix E;
- 8 **note** that the AMDM Programme Business Case proposes investment in whole camps and bases in five tranches out to 2047, starting with a pilot, as this provides efficiency of delivery and the highest benefit-cost ratio at the least risk;
- 9 **note** that the estimated capital investment for the whole AMDM programme is modelled at s.9(2)(j) (nominal including inflation and 27% risk contingency) out to 2047 if delivered as all new build facilities across nine military camps and bases, with estimated operating costs of s.9(2)(j) to 2047;
- 10 **note** that future new funding requirements for capital and operating expenditure will be refined and clarified through the development of individual Detailed Business Cases for each tranche;
- 11 **note** that delivery of the pilot in tranche 1, and subsequent tranches of the programme, will be subject to the necessary capital and operating funding being made available at future Budgets;
- 12 **note** that the AMDM Programme Business Case proposes to start with a pilot Detailed Business Case for Linton Camp in the Manawatū where options will be tested in detail and will re-inform the programme, and that all tranches of the AMDM programme will be subject to individual Detailed Business Cases where options will be tested and estimated costs refined;
- 13 **note** that the pilot Detailed Business Case will explore a range of options, including addressing affordability through sub-tranches or adaptation of existing buildings, providing for flexibility of the scale and timing of investment, and this will re-inform the programme;

- 14 **note** that the forecast capital investment for the initial Linton pilot project if delivered as an all new build solution is estimated at s.9(2)(j) (nominal including inflation and 27 per cent risk contingency), with estimated operating costs of s.9(2)(j) to 2047;
- 15 **endorse** the AMDM Programme Business Case proposal;
- 16 **invite** the Minister of Defence to present a Detailed Business Case for the Linton Military Camp pilot project by December 2023; and
- 17 **agree** that, given the scale of investment and nature of the assets at Linton Military Camp, bundled procurement options that include ongoing service delivery, such as Design Build Maintain and Public Private Partnership, will be evaluated in the pilot Detailed Business Case as part of a full range of commercial options.
- 18 **note** that the costs and timing of payments for the Linton pilot could vary significantly if delivered through a Public Private Partnership in comparison to other commercial options.

Authorised for lodgement

Hon Andrew Little  
Minister of Defence

**Appendices:**

- A. Indicative timetable for implementation of the AMDM Programme
- B. Reference Design – Barrack Bedroom Appendix B withheld under s.9(2)(j).
- C. Reference Design – Consolidated Mess functional layout Appendix C withheld under s.9(2)(j).
- D. Benchmarking of cost estimates – per bedroom Appendix D withheld under s.9(2)(j).



## Appendix A: Indicative Timetable for Implementation of the AMDM Programme

Phase	Tranche (beds)	Decision Point	Date	Approving Authority
AMDM PBC		PBC approval	s.9(2)(g)(i)	Cabinet
Pilot project	Linton (1121)	DBC approval	s.9(2)(g)(i)	Cabinet
		Implementation business case approval	s.9(2)(g)(i)	Minister of Defence or Cabinet (tbc)
		Contract execution, post-procurement	s.9(2)(g)(i)	Minister of Defence
		Service commencement, post-construction and testing	s.9(2)(g)(i)	NZDF
Tranche 2	Ohakea (470) Burnham (1180)	DBC approval	s.9(2)(g)(i)	Cabinet
		Implementation business case approval	s.9(2)(g)(i)	Minister of Defence
		Contract execution, post-procurement	s.9(2)(g)(i)	Minister of Defence
		Service commencement, post-construction and testing	s.9(2)(g)(i)	NZDF
Tranche 3	Devonport (808) Trentham (670)	Project business case approval	s.9(2)(g)(i)	Cabinet
		Implementation business case approval	s.9(2)(g)(i)	Minister of Defence
		Contract execution, post-procurement	s.9(2)(g)(i)	Minister of Defence
		Service commencement, post-construction and testing	s.9(2)(g)(i)	NZDF
Tranche 4	Papakura (274) Whenuapai (280)	Project business case approval	s.9(2)(g)(i)	Cabinet
		Implementation business case approval	s.9(2)(g)(i)	Minister of Defence
		Contract execution, post-procurement	s.9(2)(g)(i)	Minister of Defence
		Service commencement, post-construction and testing	s.9(2)(g)(i)	NZDF
Tranche 5	Waiouru (1101) Woodbourne (580)	Project business case approval	s.9(2)(g)(i)	Cabinet
		Implementation business case approval	s.9(2)(g)(i)	Minister of Defence
		Contract execution, post-procurement	s.9(2)(g)(i)	Minister of Defence
		Service commencement, post-construction and testing	s.9(2)(g)(i)	NZDF