

Advancing Prefabricated and Modular Construction

FEDERATION FUNDING AGREEMENT – AFFORDABLE HOUSING, COMMUNITY SERVICES AND OTHER

Table 1: Formalities and operation of schedule

Parties	Commonwealth [Australian Capital Territory New South Wales Northern Territory Queensland South Australia Tasmania Victoria Western Australia]
Duration	This Schedule is expected to expire on 30 June 2028, or upon completion of the initiative including Commonwealth acceptance of final reporting and milestones.
Purpose	Objectives Through partnership and joint investment established in this Schedule, the Parties are advancing prefabricated and modular construction to produce more homes more quickly, to improve the supply of housing in each jurisdiction. The long-term aim is to accelerate housing construction speed and boost productivity through standardisation and offsite manufacturing via the adoption and development of a publicly available kit of parts system. The kit of parts system, comprised of standardised components and building products, will support housing supply and innovation in the residential construction sector. The publicly available library of specifications will enable any Australian manufacturer to produce compatible parts. This FFA schedule will fund activities that further develop and encourage uptake of the system, unlocking economies of scale and allowing the wider industry to adopt its use. Participating jurisdictions will have access to Building 4.0's information, support and expertise, to establish a shared approach and uptake of the kit of parts system.

	Outcomes This Schedule will facilitate the development and adoption of a publicly available kit of parts system to improve innovation and productivity within residential construction supply chains. Delivery of the activities will support Commonwealth and State objectives through: 1. Using the nationalised kit of parts system to improve innovation and productivity within the residential construction industry, to build more homes more quickly. 2. Exploring and building on opportunities that will aggregate demand for the kit of parts system across multiple jurisdictions to create a national pipeline of modern methods of construction (MMC) innovation and housing. 3. Creating a pipeline of suppliers and manufacturers who can invest in producing parts compatible with the kit of parts system. Outputs The output of the program is for each of the Parties to work with Building 4.0 to further develop the nationalised kit of parts system and encourage its uptake. The developed system should be suited to the differing climate and geography conditions of all participating jurisdictions.
Estimated financial contributions	The Commonwealth will provide a total financial contribution to the States and Territories of \$39.3 million in respect of this Schedule. The Commonwealth funding will be allocated on the following basis: 1. Funding allocated on an adjusted per-capita basis with minimum funding for small jurisdictions of \$1.0 million in total, and with funding allocations to be agreed by 21 August 2026. 2. 60% of the Commonwealth funding to States and Territories will subsequently need to be allocated to Building 4.0. This allocation will apply to each milestone individually. The Commonwealth may make any funding not agreed by 21 August 2026 available to all States, with no set allocation or guarantee of funding, and subject to agreement between Parties of suitable activities.
Additional terms	Commencement 1. This Schedule will take effect from the date it is signed by the Commonwealth and one State. 2. The Schedule will take effect for States that sign after commencement from the date they sign. 3. All agreements made by 21 August 2026 will be made under the same terms and funding arrangement. Agreements made after this date may be subject to different arrangements that impose

additional obligations on jurisdictions as specified in any relevant appendix.

Activity appendices

4. The activity appendices to this Schedule will be agreed between the Commonwealth and each State, and revised as necessary, and will detail:
 - a. The overall funding provisioned for a State, including the minimum required amount to be passed through to Building 4.0.
 - b. Data and reporting requirements.
 - c. Draft and final workplans, as these are endorsed.

Activities and data

5. Activities should show clear linkage to supporting the outcomes of this Schedule and can include, but are not limited to:
 - a. the use of the kit of parts system in the construction of housing, including activities that use components from the system
 - b. a demonstration activity using the kit of parts system, intended for public, manufacturer and/or builder engagement
 - c. engagement with manufacturers to support the production of components for the kit of parts system
 - d. work to integrate the kit of parts into private housing construction
 - e. work to integrate the kit of parts into other housing construction productivity measures such as government-developed pattern books.
6. Data on related activities funded through this agreement should be shared with the Commonwealth. For instance:
 - a. part/s of dwelling using kit of parts (e.g. façade, bathroom module, modular services)
 - b. number of dwellings in which kit of parts was used
 - c. estimated time savings from use of kit of parts
 - d. type of dwelling constructed (apartment, duplex, townhouse, and detached)
 - e. number of businesses committing to manufacture or use components of the kit of parts
 - f. number of housing patterns into which the kit of parts was incorporated
 - g. number of development applications and/or completions of pattern-book dwellings using the kit of parts

7. The Commonwealth may make data on the program publicly available. If a State considers that some data should not be made public, this information and the reason for confidentiality or privacy should be provided with the data.
8. A State's total funding amount should be taken into account when considering the suitability and scale of workplan activities.

Roles

9. In addition to Clause 19 of the Federation Funding Agreement – Affordable Housing, Community Services and Other (Housing FFA), the Commonwealth will:
 - a. Be responsible for final decisions on whether workplan activities will be funded; noting that the Commonwealth expects only in exceptional circumstances to object to activities agreed between States and Building 4.0.
 - b. Have oversight of the delivery of outputs and monitor outcomes including adoption of the kit of parts system.
 - c. Where applicable to the initiatives in this Schedule, in accordance with the *Federal Safety Commissioner Act 2022*, ensure that financial contributions to a building activity or activities are only made where a builder or builders accredited under the Australian Government Building and Construction WHS Accreditation Scheme is contracted.¹
10. In addition to Clause 20 of the Housing FFA, States will work with Building 4.0 to:
 - a. Provide to the Commonwealth a workplan setting out the scope of each proposed activity and total cost.
 - b. Oversee all aspects of delivering on outputs set out in the draft and final workplans.
 - c. Ensure consistency with relevant Commonwealth and State legislation and the National Housing Accord, Closing the Gap agreement and the Australian Skills Guarantee.
 - d. Report data on the delivery of outputs and outcomes to the Commonwealth to enable post-completion evaluation and benefits realisation analyses.

Funding recognition

11. In addition to the requirements set out in Clause 21 of the Housing FFA and Term 17c, States and the Commonwealth agree to:
 - a. Recognise funding contribution to activities in all publications, promotional and advertising materials, including

¹ For information on this requirement, please see <https://www.finance.gov.au/government/procurement/clausebank/work-health-and-safety-accreditation-scheme>. Information on how builders can become accredited under the Scheme is available at <https://www.fsc.gov.au/>.

activity signage, social media, public announcements and activities in relation to a kit of parts system activity.

- b. Provide reasonable opportunity for a Commonwealth representative to attend any events.
- c. Provide the Commonwealth with access to marketing collateral obtained or developed for use in the development of promotional material including but not limited to activity data, footage and images.

Performance indicators

- 12. The objectives and outcomes of this Schedule will be achieved through the delivery of the activities set out in the reports provided to the Commonwealth, with delivery details as specifics in these plans.
- 13. The Commonwealth, in consultation with the States and Building 4.0, may conduct evaluation activities with regards to the program.

Financial arrangements

- 14. The Commonwealth will make \$39.3 million in funding available.
- 15. Details of the funding amounts and milestone payment timings will be set out in the appendices when agreements are signed with each State.
- 16. Funding will be provided in line with agreed milestones outlined in Table 3: Performance requirements, reporting and payment summary; the appendices to this Schedule.
- 17. Funding will be provided after the Commonwealth accepts State completion of the milestone requirements.
- 18. States will be responsible for monitoring and keeping the Commonwealth informed of anticipated potential changes in scope, cost and delivery timelines for agreed activities.
- 19. Material reductions in proposed outputs may reduce funding available for an activity.

Restrictions for funding

- 20. All funded construction of demonstration units will need to include a plan for subsequent reuse of the demonstration unit or its components for a habitable dwelling where this is legally and logistically feasible. Excluding prototypes, all other funded construction and component manufacture must be for construction of habitable dwelling units.
- 21. Funding, for habitable construction activities, will only extend to buildings that are compliant with the National Construction Code

adopted by the jurisdiction and in force at the time of construction. Non-habitable prototypes are excluded from this requirement.

Variations

22. The Parties recognise that variations to activities set out in the appendices may be required from time to time as activities and activities are further developed and refined, or in response to circumstances that may affect the scope, cost, respective funding contributions, ability to achieve the outcomes of this Schedule, and/or delivery timelines of activities.

Definitions

23. For the purpose of this Schedule, its Tables, its Appendices and any supporting documents:
- a. 'Construction commencement' means:
 - i. From the ABS definition: A building is commenced when the first physical building activity has been performed on site in the form of materials fixed in place and/or labour expended (this includes site preparation but excludes delivery of building materials, the drawing of plans and specifications and the construction of non-building infrastructures, such as roads).
 - ii. In addition, for the purposes of this Schedule, construction commencement includes the first offsite manufacture of components for a specific dwelling or activity.
 - b. 'Demonstration unit' means a dwelling unit (such as an apartment) constructed for the purpose of education and awareness-raising among consumers, businesses or others.
 - c. 'Workplan' refers to the agreements between Building 4.0 and each participating State covering the activities for inclusion of the kit of parts system.
 - d. 'Government-funded housing program' means the construction of dwellings that is directly funded by a state or territory government and is intended to meet housing needs for vulnerable community members, including social housing and community housing receiving government funding.
 - e. 'Kit of parts system' means a suite of building products (e.g., bathrooms, kitchens, balconies, etc.) conforming to pre-defined, publicly available design and performance requirements, typically manufactured offsite and assembled onsite. In this document, the terms 'kit of parts system', 'kit of parts' and 'the system' refer specifically and uniquely to the

publicly available kit of parts system developed by Building 4.0.

- f. 'Activity appendix' means an agreement between the Commonwealth and a State set out as an appendix to this Schedule that specifies the financial contributions, agreed outputs and milestones for payment; noting that such appendices will be broadly aligned with the milestones in Table 3.
- g. 'Activity' means habitable housing construction created (in whole or in part) using the kit of parts system or a non-construction or non-habitable activity that supports the development and uptake of the kit of parts system for habitable housing construction.
- h. 'Publicly available', in the context of the kit of parts system: see 'kit of parts system'.
- i. 'Senior Official' means a Commonwealth or State official authorised by their respective government to make agreements relating to the content of workplans and approval of milestones.
 - i. The Commonwealth Senior Official will be the Director General – Housing at the Department of the Treasury, or the official fulfilling this or an equivalent role in the event of changes to Commonwealth housing responsibilities, or their delegate.

Delegations

- 24. Relevant Ministers may delegate the assessment of performance against milestones and the authorisation of related activity payments to Senior Officials.

Appendix 1: Breakdown of all payments

<i>Jurisdiction</i>	Payment 1	S/T Payment 1	B4.0 Payment 1	Payment 2	S/T Payment 2	B4.0 Payment 2	2026-27 total
NSW	1,201,607.35	480,642.94	720,964.41	3,321,293.40	1,328,517.36	1,992,776.04	4,522,900.75
VIC	993,734.35	397,493.74	596,240.61	2,746,723.67	1,098,689.47	1,648,034.20	3,740,458.02
QLD	796,001.49	318,400.60	477,600.89	2,200,181.71	880,072.68	1,320,109.03	2,996,183.20
WA	425,886.15	170,354.46	255,531.69	1,177,167.29	470,866.92	706,300.37	1,603,053.44
SA	263,643.81	105,457.52	158,186.29	728,722.61	291,489.04	437,233.57	992,366.42
TAS	101,401.46	40,560.58	60,840.88	280,277.93	112,111.17	168,166.76	381,679.39
ACT	101,401.46	40,560.58	60,840.88	280,277.93	112,111.17	168,166.76	381,679.39
NT	101,401.46	40,560.58	60,840.88	280,277.93	112,111.17	168,166.76	381,679.39
National	3,985,077.53	1,594,031.00	2,391,046.53	11,014,922.47	4,405,968.98	6,608,953.49	15,000,000.00

<i>Jurisdiction</i>	Payment 3	S/T Payment 3	B4.0 Payment 3	Payment 4	S/T Payment 4	B4.0 Payment 4	2027-28 total	GRAND TOTAL
NSW	6,399,000.00	2,559,600.00	3,839,400.00	928,099.25	371,239.70	556,859.55	7,327,099.25	11,850,000.00
VIC	5,292,000.00	2,116,800.00	3,175,200.00	767,541.98	307,016.79	460,525.19	6,059,541.98	9,800,000.00
QLD	4,239,000.00	1,695,600.00	2,543,400.00	614,816.80	245,926.72	368,890.08	4,853,816.80	7,850,000.00
WA	2,268,000.00	907,200.00	1,360,800.00	328,946.56	131,578.62	197,367.94	2,596,946.56	4,200,000.00
SA	1,404,000.00	561,600.00	842,400.00	203,633.58	81,453.43	122,180.15	1,607,633.58	2,600,000.00
TAS	540,000.00	216,000.00	324,000.00	78,320.61	31,328.24	46,992.37	618,320.61	1,000,000.00
ACT	540,000.00	216,000.00	324,000.00	78,320.61	31,328.24	46,992.37	618,320.61	1,000,000.00
NT	540,000.00	216,000.00	324,000.00	78,320.61	31,328.24	46,992.37	618,320.61	1,000,000.00
National	21,222,000.00	8,488,800.00	12,733,200.00	3,078,000.00	1,231,199.98	1,846,800.02	24,300,000.00	39,300,000.00

Table 2: Financial contributions to the state

(\$)	[Year 1]	[Year 2]	[Year 3]	[Year 4]	[Year 5]	Total
Estimated total budget	15,000,000.00	24,300,000.00	-	-	-	39,300,000.00
Less estimated National Partnership Payments	0	0	0	0	0	000.00
- New South Wales	4,522,900.75	7,327,099.25	-	-	-	11,850,000.00
- Victoria	3,740,458.02	6,059,541.98	-	-	-	9,800,000.00
- Queensland	2,996,183.20	4,853,816.80	-	- -	- -	7,850,000.00
- Western Australia	1,603,053.44	2,596,946.56	-	-	-	4,200,000.00
- South Australia	992,366.42	1,607,633.58	-	-	-	2,600,000.00
- Tasmania	381,679.39	618,320.61	- -	- -	- -	1,000,000.00
- Australian Capital Territory	381,679.39	618,320.61	-	-	-	1,000,000.00
- Northern Territory	381,679.39	618,320.61	- -	- -	- -	1,000,000.00
Balance of non-Commonwealth contributions	0	0	- -	- -	- -	0

Table 3: Performance requirements, reporting and payment summary

Output	Performance milestones for participating jurisdictions	Report due (indicative ²)	Payment
To develop in partnership with Building 4.0 a national and publicly available kit of parts system solution suited to differing climate and geography conditions of their jurisdiction.	Commonwealth acceptance of the: - Shared summary workplan as developed in conjunction with Building 4.0. - Shared executed agreement between State and Building 4.0 including funding breakdown of 40:60 ratio between State and Building 4.0, services to be provided, roles, responsibilities and shared objectives. - Nomination of jurisdiction liaison officer(s) on behalf of each participating jurisdiction. - Development of a one-page proposal outlining the use of the State's 40% funding share and how the State will meet the outcomes of the agreement. The Commonwealth may provide a template for use to meet milestone reporting requirements.	21/08/2026	Payment 1 – Refer to Appendix 1
	Commonwealth acceptance of a report that includes: - A copy of the draft workplan produced with Building 4.0 outlining: - One or more of the following: - A list of activities that could utilise the kit of parts system to allow for Building 4.0 to work with jurisdictions to design and develop to the specific housing typology requirements (climate, geology, planning, etc.). - Proposed activities engaging manufacturers and builders in the production of the kit of parts system. - Proposed activities to incorporate the kit of parts system into other programs supporting housing construction productivity, such as government-developed pattern books. - A copy of how the jurisdiction intends to work to meet these agreements objectives, including through - Engagement approach with representatives of shortlisted activities. - Engagement approach with supply chain, and where relevant survey or	30/10/2026	Payment 2 – Refer to Appendix 1

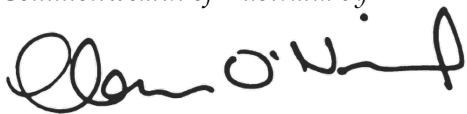
² Milestone reporting dates will be confirmed in each State's individual plan, to be placed in the Appendices upon agreement.

	– mapping processes. – Should include indicative activity funding and timeframes, where available. • Evidence of the jurisdiction supporting the exchange of learnings and data with other jurisdictions, including through participation in a Commonwealth and Building 4.0-led information exchange forum. The Commonwealth may provide a template for use to meet milestone reporting requirements.		
	Commonwealth acceptance of a report that includes: • A copy of the final workplan developed with Building 4.0 for activities encouraging the uptake and adoption of the kit of parts system within the jurisdiction outlining: – Descriptions of each activity – Potential housing supply impact increase – Activity funding – Delivery approach and milestones – Operational details – Delivery partners, where relevant – Opportunities to integrate kit of parts into broader work. • Evidence of iterative and timely feedback between the jurisdiction and Building 4.0 on kit of parts system solutions – including for specific housing typology requirements (climate, geology, planning, etc.). • Evidence of the development of activities utilising or encouraging the uptake of the kit of parts system being underway (e.g., provision of draft documentation for non-construction activities, or construction planning and approvals commenced) or advance planning work undertaken (e.g., consultation plans, procurement plans, requests for quotes issued, contracts established). • Evidence of the jurisdiction supporting the exchange of learnings and data with other jurisdictions, including through participation in a Commonwealth and Building 4.0-led information exchange forum. The Commonwealth may provide a template for use to meet milestone reporting requirements.	31/07/2027	Payment 3 – Refer to Appendix 1
	Commonwealth acceptance of a final report that includes: • A progress report against the program objectives on how the funds have been used and the outcomes that have been delivered.	30/04/2028	Payment 4 – Refer to Appendix 1

	• Evidence that the activities are significantly commenced, sufficiently under development, or close to completion. • Evidence that the jurisdiction supported the showcasing of the kit of parts system, such as through events or prototypes. • Evidence that the jurisdiction supported the exchange of learnings and data with other jurisdictions, including through participation in a Commonwealth and Building 4.0-led information exchange forum. The Commonwealth may provide a template for use to meet milestone reporting requirements.		
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The Parties have confirmed their commitment to this schedule as follows:

Signed for and on behalf of the
Commonwealth of Australia by



The Honourable Clare O'Neil MP

Minister for Housing

6 / 08 / 2026

Signed for and on behalf of the
State of New South Wales by

Signed for and on behalf of the
State of Victoria by

The Honourable Rose Jackson MLC

Minister for Housing

/ /

Signed for and on behalf of the
State of Queensland by

The Honourable Nick Staikos MP

Minister for Housing, Building and Precincts

/ /

Signed for and on behalf of the
State of Western Australia by



The Honourable Sam O'Connor MP

Minister for Housing and Public Works

/ /

Signed for and on behalf of the
State of South Australia by

The Honourable Rita Saffioti MLA

Treasurer

4 / 9 / 2026

Signed for and on behalf of the
State of Tasmania by

The Honourable Nick Champion MP

Minister for Housing and Urban Development

/ /

Signed for and on behalf of the Northern
Territory by

The Honourable Kerry Vincent MLC

Minister for Housing and Planning

/ /

Signed for and on behalf of the Australian
Capital Territory by

The Honourable Bill Yan MLA

Treasurer

/ /

The Honourable Chris Steel MLA

Treasurer

/ /