

22 Cancellation of a social housing PPP procurement

- 22.1** This report sets out the circumstances which led to the Department of Housing, Local Government and Heritage (Department of Housing) cancelling a social housing public private partnership at pre-contract stage, resulting in a settlement payment of €4 million to the preferred bidder.

The public private partnership model

- 22.2** A public private partnership (PPP) is an arrangement between a public authority and a private partner designed to procure and deliver public infrastructure assets and/or services under long-term contracts. The asset is funded and constructed by the private partner, following which it is made available for use and is paid for by the public authority and/or by users (through user charges) over an extended period — typically 25 years. The private partner is responsible for maintenance during the contract term, at the end of which the asset transfers into public ownership.
- 22.3** Guidelines from the Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation (Department of Public Expenditure) on the use of PPPs require comprehensive and dynamic evaluation to confirm that a PPP project is likely to provide value for money (VFM) to the State.
- 22.4** Development of a PPP project is a lengthy and complex process for both the public and private partners, requiring specialist technical, legal, procurement and financial knowledge and expertise, as well as understanding of the public service to be delivered. The National Development Finance Agency (NDFA) is a division of the National Treasury Management Agency tasked with assisting government departments and other public bodies engaged in developing PPP proposals.
- 22.5** Risk is an inherent aspect of any large project. In PPP projects, considerable effort has to be invested by the approving authority (and the authority's advisors) to identify who should manage which project risks.¹ The aim is to allocate the risks between the public and private partners based on who is best placed to manage them. The risk allocation strongly influences the price a potential private partner will propose. The private partner may seek a premium in the amount charged if too much risk is allocated to them.
- 22.6** A sequence of four formal tests of the VFM of a proposed PPP are performed by the NDFA over the course of the development of the project
- a preliminary appraisal of the case for undertaking the development, and of doing so through a PPP procurement process or through traditional procurement
 - the preparation of a comprehensive public sector benchmark (PSB), which represents the full estimated costs of procuring the project using traditional public sector procurement methods

¹ For the purpose of PPPs, the approving authority refers to the specific government department, local authority or state agency that holds ultimate responsibility for the PPP project.

- comparison of the projected cost of the highest-rated PPP tender proposal to the PSB, to decide if a 'preferred bidder' should be nominated, and whether negotiations with that preferred bidder should commence
- updating the PPP-versus-PSB comparison with any changes that may occur during the preferred bidder negotiation stage in order to confirm that the final proposal represents VFM and that a contract should be awarded to the preferred bidder.

22.7 In Ireland, PPPs have been developed and delivered in a range of public service areas, including in education, transport, health, tourism and the courts service.²

Social housing PPP programme

22.8 In 2014, the Government announced its plan for a social housing PPP programme as part of its *Social Housing Strategy 2020*. The strategy envisaged the delivery of up to 1,500 social housing units across three initial 'bundles' of sites — referred to as Bundles 1, 2 and 3 — each of which represented a separate PPP project. The sites in each bundle were in local authority ownership, across several local authorities. The Department of Housing was the approving authority for the overall programme and was to provide the public funding for the programme from a subhead of Vote 34 Housing, Local Government and Heritage. One of the local authorities with an interest in a bundle was appointed the lead local authority for each bundle.

22.9 The social housing PPP programme utilises what is termed an 'availability-based' PPP model, in which a private sector consortium designs, builds, finances, maintains and operates the social housing units in return for a monthly unitary charge payment. This payment commences upon completion of the units and runs for 25 years from the completion of construction on each site. It incorporates all construction, maintenance and lifecycle costs for 25 years under the contract, including

- initial construction cost of the units
- maintenance costs
- operating costs
- lifecycle costs
- tenancy management
- financing costs, and
- service provision, which includes building and asset management, void management, tenant helpdesk services, etc.

22.10 The monthly unitary payments comprise two elements: a fixed-cost element linked to the initial construction and development costs and a variable (inflation-indexed) element linked to the recurrent maintenance, management and operational costs.

² See *Report on the Accounts of the Public Services 2025*, chapter 1, Exchequer financial outturn for 2025. The aggregate liability for payments under PPPs at 31 December 2025 is approximately €6.59 billion.

Bundles 1 and 2

- 22.11** Bundle 1 was completed by June 2021 and provided 534 units across six sites in the Greater Dublin Area. Two of the sites are located in Dublin City, with one each in South Dublin, Kildare, Wicklow and Louth. Dublin City Council was engaged as the lead local authority for the delivery of Bundle 1.
- 22.12** The construction capital cost included in the financial proposal for Bundle 1 amounted to €119 million (excluding VAT) or approximately €222,000 (excluding VAT) on average for each of the 534 units. Over the lifetime of the PPP — 2021 to 2046 — the expected total State expenditure on the contract is €342 million (including VAT).³ This equates to approximately €640,000 (including VAT) on average for each of the 534 units.
- 22.13** Bundle 2 was completed in December 2021 and provided 465 units across eight sites. Three of the sites are located in the Cork County local authority area, with one site each in Galway City, Waterford, Clare, Kildare and Roscommon. Cork County Council was engaged as the lead local authority for Bundle 2.
- 22.14** The construction capital cost included in the financial proposal for Bundle 2 amounted to €129 million (excluding VAT) or approximately €277,000 (excluding VAT) on average for each of the 465 units. Over the lifetime of the PPP — 2021 to 2046 — the expected total expenditure on the project is €289 million (including VAT).³ This equates to approximately €622,000 (including VAT) on average for each of the 465 units.

Tendering and evaluation for Bundle 3

- 22.15** The Department of Housing commenced the tendering process for Bundle 3 in December 2022. This was planned to deliver 486 units at six sites (see Figure 22.1). The target completion date of the units was Q3 2027.

Figure 22.1 Proposed composition of social housing PPP Bundle 3

Local authority	Site	Units
Dublin City Council	Ready Mix Site, East Wall, Dublin 3	68
Dublin City Council	Shangan Road, Ballymun, Dublin 9	93 ^a
Dublin City Council	Collins Avenue, Dublin 9	83
Kildare County Council	Ardew, Athy	73
Sligo County Council	Rathellen, Finisklin	63
Wicklow County Council	Burgage More, Blessington	106
Total		486

Source: Department of Housing, Local Government and Heritage

Note: a Specialist senior citizen units.

³ Estimate as at 31 December 2025. The estimate assumes inflation to end of contract will average 2% per year.

- 22.16** Pre-qualification submissions were received from four candidates and, following evaluation, three tenderers were shortlisted. Final tenders from each of the three were submitted in June 2024. These were all significantly higher than the cost of the previous bundles with the proposed construction capital cost per unit being in the range €428,000 to €505,000 per unit (excluding VAT). The total expected cost of the project over its lifetime was estimated to be €1.28 million per unit including VAT.
- 22.17** The Accounting Officer stated that the PPP Bundle 3 procurement competition was run in line with Department of Public Expenditure guidance for PPPs and costs were evaluated in terms of VFM at every stage against a PSB. The third VFM test was carried out at tender evaluation stage and was completed on 23 September 2024. The Accounting Officer also stated that as the proposal of the best-value tenderer was estimated to be lower than the PSB, it was considered that the VFM test was passed allowing for progression to the next stage i.e. preferred bidder nomination.
- 22.18** There was no obligation on the Department of Housing to nominate the preferred bidder. Notwithstanding the substantially greater proposed unit cost, the Department appointed a preferred bidder on 8 October 2024 and commenced a negotiation process.
- 22.19** A working group with representation from the Department of Housing, Dublin City Council, the NDFA, the Housing Agency and the Local Government Management Agency was established in January 2025 to review the causes of the increase in delivery costs.
- 22.20** A cost review was completed in February 2025 by the Department of Housing comparing Bundle 3 to Bundle 2. The review concluded that there was a significant increase in the unit cost of Bundle 3 compared to Bundle 2 and that much of this increase was not explained by inflation. The increase in unit cost above inflation was attributed to differences in the site conditions, typology and specifications and the proposed developers' margin.
- 22.21** A report of the working group in March 2025 noted that there had been significant construction cost inflation and interest rate increases since 2019 and that differences in scope and specification had contributed to a doubling of delivery costs for the project when compared to Bundles 1 and 2. The working group further noted that Bundle 3 had passed the first three VFM tests.
- 22.22** In June 2025, the Department of Housing made the decision not to proceed with the Bundle 3 PPP on the basis that it considered the overall costs for the project to be too high. The tender process provided for an option to withdraw from the procurement process at any stage prior to the execution of a binding project agreement.
- 22.23** The Department has now decided that Bundle 3 will be six individual projects, delivered through traditional procurement processes and funded directly from the Exchequer through the Social Housing Capital Investment Programme. Approximate capital construction cost per unit is now estimated as being €494,000 (excluding VAT) and estimated delivery is now Q4 2028/Q1 2029, approximately 18 months after the original planned delivery date.

Settlement of legal proceedings

- 22.24** The preferred bidder appointed for Bundle 3 commenced judicial review proceedings in July 2025 to challenge the Department of Housing's decision to withdraw.
- 22.25** The Department of Housing, following legal advice, entered mediation with the preferred bidder. The preferred bidder had submitted a claim for the cost of work done and for loss of opportunity to pursue alternative projects during the preferred tendering stage.
- 22.26** The parties reached a settlement of €4 million which was paid in October 2025. The Department of Housing considered this amount to be broadly in line with the cost of the work completed by the preferred bidder during the tender stage, including utility connections, diversion preparations, advancement of planning conditions, tree felling, site clearance and design drawings.
- 22.27** The Accounting Officer stated that the work completed will be of benefit to the State and will save on some costs which would otherwise arise through the local authority direct-build route now underway. Design documentation produced by the preferred bidder was provided to the relevant local authorities informing and supporting the local authority direct-build tendering process. The value of the site works and utility preparations is also expected to provide a cost saving to the local authorities progressing the direct-build projects.
- 22.28** The Accounting Officer also noted that the settlement avoided potentially costly legal proceedings as well as the possibility of an injunction preventing development of the sites until legal proceedings had ended.

Conclusions

- 22.29** Because of the complexity of public private partnership (PPP) projects, both the public and private partners incur significant costs at the procurement, design, planning and contract negotiation stages. Guidelines for the development of PPPs are designed to ensure that the value for money (VFM) of proposals is considered in a dynamic way throughout the process, taking account of the latest information and providing the opportunity for the process to stop if good value is unlikely to be achieved.
- 22.30** The proposed capital cost per unit for Bundle 3 was more than double the estimated capital cost of Bundle 1 and nearly 70% above that of Bundle 2. This high cost was evident when the tenders were received but the PPP tender proposal was assessed as having passed the PSB test. The preferred bidder was appointed based on the results of the test, but further investigation of the proposed costs gave rise to value for money concerns. These resulted in the Department of Housing's decision to cancel the Bundle 3 PPP, with an expected cost of €1.28 million per unit over the 25-year lifetime of the project, and to proceed with the construction using the traditional procurement model.
- 22.31** While potentially avoidable settlement costs arose from the decision to cancel the PPP process, this appears to have been the preferred outcome rather than proceeding with what might have been a poor value for money PPP project.