



Construction Employers Federation submission to the consultation on the draft Northern Ireland Executive Budget 2025/26, March 2025

Introduction

The Construction Employers Federation (CEF) is the sole certified representative body for the second largest industry in Northern Ireland, the construction industry. We represent approx. 70% of construction in NI and around 800 businesses of all sizes employing over 30,000 staff directly and 65,000 in the wider supply chain.

Comments on the draft Executive Budget 25/26

We welcome the publication of the Executive's draft Budget for 2025/26 and are clear that, beyond the end of the public consultation on 13th March, its urgent finalisation is paramount as this will give all Government Clients the certainty they need to plan out their investment pipeline over the coming 12 months.

However, the Executive must again take this opportunity to reflect on how far its budget can deal with the social, economic and environmental challenges that face us. While year-on-year increases in the draft allocations for the Departments of Infrastructure, Communities, Health and Education are to be welcomed, a lot of this is accounted for through already ringfenced 'Earmarked Allocations' such as the A5, Strule Shared Education Campus and the Children's Hospital.

Each of these projects stand on their individual merit and the industry fully backs their delivery, however, the draft allocation to the Department for Infrastructure once again makes it impossible for the Department, and wider Executive, to allocate NI Water's full need of £549m of capital investment in the coming year and, critically, to make that allocation at the start of the financial year.

While the Infrastructure Minister and NI Water innovatively used an additional £19.5m in last October's Monitoring Round to unlock the stalled connection of some 2,300 newbuild properties to our water and wastewater network, the draft Budget would mean that over the course of the originally agreed proposals for PC21 (crucially, not the amended plans of the Utility Regulator's Mid-Term Review in 2024) NI Water's capital budget would be underfunded by at least £800m against identified need. That will continue to have a devastating impact on our ability to build new homes, enable

businesses to grow through investment in facilities such as factories and meet our undoubted environmental challenge. This is a subject we will return to below.

It is to be noted that, outside of the Department for Infrastructure, the remaining Executive Departments have put very little detail into the public domain on what their proposed allocation would enable them to take forward and not take forward. This, as in many years before, makes full scrutiny on the draft Budget effectively impossible and is, once again, something that we would ask to be rectified in the draft multi-year Budget consultation to come.

On the matter of the RRI contribution, it is welcome to see the Executive proposing to use the full revised limit of £225 million in the coming financial year. This, given the significant infrastructure challenges that face us, is the most obvious additional tool to be used and the intent is therefore promising.

It is however crucial that the Executive maintains a watching brief on this as the financial year passes. Recent years have seen the previous £200 million limit being proposed to be used to its fullest extent – only for this not to actually happen. With the power to use the £225 million completely within the Executive's control, it is critical that it does so.

Finally, it remains of concern that, at the point our submission is being made, we still have no agreed Investment Strategy and Ministers have only recently agreed the Programme for Government.

To have agreed a draft Budget in December 2024 in the absence of your strategic policy drivers – agreed subsequently in March 2025 - stands out as unique within these islands.

As we approach the last two years of this mandate, it is therefore to be questioned how much progress can now tangibly be made on some of the critical challenges that face us such as the newbuild housing crisis that we are in.

The challenge of the continued underfunding of NI Water

As we move into 2025/26 and the multi-year Budget period beyond to 2030, it remains vital that the Executive prioritises rectifying the decades of underfunding of our water and wastewater system for the reasons we have already detailed.

While PC21 has seen a welcome step-up in NI Water's annual capex to a consistent level of nearly £350m per annum, it remains the case that that falls some £300m per annum short of the original PC21 plan as detailed below.

	PC21 original plan	Final allocation	Difference against original PC21 plan		PC21 as amended by UR 2024 MTR	2024 MTR shortfall against original PC21 plan
2021/22	£221m	£221m	£0		£221m	£0
2022/23	£291m	£291m	£0		£291m	£0
2023/24	£370m	£337m	-£33m		£337m	-£33m
2024/25	£590m	£349m	-£241m		£484m	-£106m
2025/26	£637m	TBD - £321m baseline with NIW ask of £405m	-£316m (worst case) -£232m (best case)		£549m	-£88m
2026/27	£640m	TBD - £321m baseline	-£319m		£460m	-£180m
Total	£2.75bn	TBD - £1.84bn baseline	TBD – -£909m (worst case) -£825m (best case)		£2.34bn	-£407m

A significant complication to this, as a result of the Utility Regulator’s Mid-Term Review of PC21 during 2024, is that in the context of the actual and forecast underfunding of NI Water across the entirety of PC21 and therefore the undeliverability of its key outputs - the Living with Water Programme and at least 21 Wastewater Treatment plant upgrades - the amount of capex required by NI Water in this Price Control has fallen by at least £400m.

This revised requirement, however, is not the full picture as it details a scenario which has already proven to be undeliverable – in 2024/25 the UR’s MTR set the NI Water requirement at £484m with NI Water receiving £349m – a shortfall of £135m.

Therefore, when we seek to balance the £2.75bn need identified at the outset of PC21, factor in the revisions of the UR’s MTR, the dropping of the Living with Water Programme and at least 21 Wastewater Treatment plant upgrades plus the amount of capex the Department for Infrastructure has actually been able (and is forecast to) give NI Water across the full six-year plan, then NI Water were correct when they asserted at the Committee for Infrastructure on 19th February that they would be underfunded by at least £800m against the original PC21 plan.

It is this level of underfunding – at least £800m across PC21 – that the Executive must focus its mind on as it reflects the amount of work planned for PC21 which will now fall into PC28 as well as the work that was already planned for 2028-2033/34.

Taken cumulatively, according to figures from NI Water, this would mean:

- £800m shortfall in PC15 (£900m received, £1.7bn planned)
- At least £800m in PC21 (£1.84bn baseline, £2.75bn planned)
- Forecast £2.03bn shortfall in PC28 (£1.93bn baseline based on £321m per annum for six years, £3.96bn planned)

This again reinforces the point that, while the full funding of NI Water from Block Grant capex remains the preferred option, it is neither practicable nor sustainable for this to happen in the context of the level of funding that is actually available to the Executive.

Comments on the ‘Executive Earmarked Allocations’ in the draft Budget

We have had long-standing concerns as to how the various Executive ‘Flagship’ schemes of the last decade have been treated in budgetary terms.

While not questioning the need for their delivery, we have often felt that the allocations made against schemes at the start of a number of financial years have been wholly unrealistic due to, as would have been clearly understandable at the time, the likelihood of the progression of the projects to the extent of the budget that had been ringfenced.

Given this, and in our best appraisal of the current status of those projects today vis-à-vis the amount of money that Executive has agreed to ‘earmark’, this draft Budget appears significantly more realistic in its approach and that, given the constrained capex budget available, is to be welcomed.

This is particularly the case for the Strule Shared Education Campus and the new Children’s Hospital, and we look forward to seeing these projects advance through their construction phases over the coming years.

We would however express a note of caution with respect to the allocation against the A5. As our submission is being made ahead of the legal case commencing on 18th March 2025, it is not yet clear what the outcome of the case will be. As we have repeatedly said, while the project stands on its clear merits and must be delivered, it is vital that the Executive moves to speedily reallocate the 2025/26 funds for the A5 to where the investment can garner the most significant return – the capital programme of NI Water – if the scheme is any further delayed by the courts.

Budget planning for 26/27 and beyond

As we move towards the UK Government's Comprehensive Spending Review and the opportunity this will present the Executive to agree a four-year multi-year capital budget for the first time in over a decade, we believe now is the moment to properly address the decades of underfunding of our water and wastewater network through an independent review of NI Water's governance and funding model, as recommended by the NI Audit Office in 2024, ensuring that this issue stops being the inhibitor to economic growth and accelerant of environmental decline that it currently is.

Short of the commissioning of such a review by the Department for Infrastructure and wider Executive, we and colleagues in the business and housing community will shortly be bringing forward our own proposals on potential solutions and look forward to engaging with the Executive on this in due course.

The medium to long-term challenge of the availability of capital funds to the Executive is reinforced by the detail on the ISNI available to date. As detailed in the PfG, the new ISNI will include a proposal to spend £26bn of capital funding on our infrastructure over the coming 10 years. However, when that figure is considered in real terms, that is this year's capital budget - at £2.1bn, the same in cash terms as some 17 years ago in 2007/08 - plus RRI borrowing and a modest inflationary uplift each year in our capex Block Grant multiplied by ten. That is not a strategic infrastructure plan but, rather, a spending plan.

At the bare minimum, therefore, it is crucial that the Executive moves to consult on a draft multi-year Budget as soon as is practicable after the publication of the CSR in June. We believe this consultation must commence in the autumn with agreement of a multi-year Budget no later than the end of 2026. This will then afford Government Clients the opportunity to put in place long-term pipelines of work that seek to maximise the economic, social and environmental return for the amount of capital available – but the Executive can not and must not overlook the limitations on its spending power that we have clearly laid out and the need for these issues to be properly addressed.