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Dear Committee Clerk

In the wake of the publication by the Department of Finance of the Draft Budget 2026-2029/30 earlier this week, please find attached an initial Construction Employers Federation response to its contents.

This covers a number of key areas:

- Our concerns at a lack of NI Executive agreement
- How the Executive can address confidence within the construction sector
- The positives of a multi-year budget
- The remaining challenges and opportunities
- The link between the proposed regional rates increases and an Infrastructure Levy
- RRI allocation and the funding shortfall for NI Water and newbuild social housing
- Comments on Earmarked Funding allocations
- The continued lack of an Investment Strategy

We would be happy to discuss the detail of this further with the Committee, or address any points of interest/clarification.

Best wishes
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Construction Employers Federation initial response to the Department of Finance's consultation on the Draft Budget 2026-2029/30, January 2026

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.

This initial response to the consultation has been prepared ahead of the commencement of scrutiny into the proposals by MLAs and in advance of further documents being published by the Department before the end of January. We will provide further commentary once these have been made available.

The lack of Executive agreement

While the publication of the Draft Budget 2026-2029/30 is to be welcomed, it comes with the immediate caveat of a lack of NI Executive agreement at what it contains. This therefore makes scrutiny of the document challenging as a number of Ministers and Executive parties have already indicated that they do not support what has been proposed.

As we have said before, it is crucial that Ministers take decisions based on the best long-term interests of Northern Ireland and therefore enable delivery of the Executive's Programme for Government. For our part, this means the agreement of a four-year multi-year budget for capital spending. While no-one is questioning the challenges associated with the level of finance available to the Executive, it is nonetheless critical that Ministers use the opportunity to set a four-year programme to its full effect. Anything short of this would be seen as a significant failure on the part of all Executive parties.

Addressing confidence within the construction sector

The need for the NI Executive to provide budget certainty is made even more stark as our recent [Construction Survey](#) reflects a waning confidence within the sector as a result of stagnating profit margins and returning inflationary concerns in a way not seen

since the end of 2023. When coupled with our housebuilding and environmental crises which are a result of the decades of underinvestment in our water and wastewater systems, contractors, civil engineers and homebuilders look out on a local horizon which is filled with significant roadblocks to growth.

The positives of a multi-year budget

If Executive agreement is achieved, the benefits of a multi-year capital budget are clear.

A four-year plan can give assurance to the deliverability of public sector pipelines, including the Earmarked Funding allocations when all pre-construction hurdles have been cleared, to the end of the decade and enable Government Clients and contracting firms to plan against this in a way that we have not seen for over fifteen years.

It may also lead to some increased efficiency in the delivery of capital projects due to the enhanced certainty of a four-year spending profile for Government Clients.

The remaining challenges and opportunities

Any such agreement does not, however, negate the urgent need for the Executive to seriously consider additional revenue raising for the explicit purpose of growing their capital budget. While the baseline capital available to the NI Executive is to increase from £2.2bn this year to £2.5-£2.6bn for each of the next four financial years, and there will be further discussions on a new fiscal framework which could modestly increase those allocations further, it is implausible that the NI Executive could meet the recurrent capital needs of all the Government Clients within such a financial envelope.

Worked example: The Department for Infrastructure's proposed capital allocation in 2026/27.

Funding proposed: £941.5m

Minus the Earmarked Funding of £336.5m: £605m

Minus the remaining NI Water requirement of £285m: £320m

Minus a baseline allocation to the roads maintenance budget of £120m: £200m

So, with £200m left there has been no substantive allocation to Translink, which in 2025/26 received a wholly insufficient £235m, nor DfI Rivers which in the current year received £15m, nor active travel, nor have we taken account of any other contractual commitments that DfI will have.

However, this should not mean that the Executive does not seek to do something about it with the powers that they already have.

As we reflect again on the biggest infrastructure challenge that faces us – the decades of underinvestment in our water and wastewater system - we again call on Ministers to act on the [CEF joint position paper with the NI Chamber of Commerce and NI Federation of Housing Associations](#) from last summer which proposed a potential way forward which includes the introduction of a low-cost Infrastructure Levy, along with other measures. Our proposal, which is progressive in nature, protects those most vulnerable in our society while also charting a sustainable path towards dealing with an issue which is now the principal inhibitor to economic growth and accelerant of environmental decline that we face.

The link between the proposed regional rates increases and an Infrastructure Levy

What makes such a Levy even more deliverable is that the Draft Budget 2026-2029/30 provides for an annual increase in regional rates – cumulatively £250m across the first three years of the period – which would likely go beyond the income required for the annual Infrastructure Levy and concurrent borrowing repayment model that we have proposed.

At the time of our report in June 2025, we forecast that NI Water would face a funding shortfall of £1.7bn in PC28. This would have equated to a borrowing repayment of £86.1m per year which would be funded over the long-term from our proposed Infrastructure Levy. When averaged across an individual household rates bill, this would have equated to roughly £100 additional per year.

As we move closer to NI Water’s detailed submission to the Utility Regulator ahead of PC28, and taking into consideration the figures produced in the Draft Budget as well as the Department for Infrastructure’s baseline allocation to NI Water of £321m per annum, we now forecast that shortfall to be £1.29bn. A shortfall of £400m less than previously forecast would likely result in a significant reduction to both the borrowing repayment model and the average cost per household that we had previously identified. We have already commenced work to establish exactly what those new figures would be and will make that available once completed.

That notwithstanding, we are confident that if the Executive ringfenced an element of this additional proposed rates income per annum for an Infrastructure Levy, and that such a Levy remained in place permanently, then we believe that based on the long-term borrowing proposal for capital investment that we have made that NI Water’s next Price Control and those beyond would be fully deliverable.

Crucially, our proposals would not alter the existing governance status of NI Water as it would retain at least £400m per annum of public subvention thus ensuring its public ownership and, vitally, they would also enable the sustainable, long-term level of investment needed to begin to address the housing and environmental crises that confront us.

When we consider the Infrastructure Minister’s three-pronged approach, we believe that an affordable, progressive Levy as we have outlined would complement the enabling of voluntary developer contributions, which we are supportive of, and the SuDS proposals which are being progressed in collaboration with the sector.

However, what is clear is that if the Executive were to sign off on the rates increases proposed in the Draft Budget then they would also be saying that our proposed Infrastructure Levy is affordable and that, by choosing not to implement it, it is no longer a question of the funding not being available but rather a political choice to not assign the requisite funding that they themselves are proposing to raise.

RRI allocation and the funding shortfall for NI Water and newbuild social housing

Taking the step of introducing an Infrastructure Levy is even more critical as we consider in more detail the funding gaps in the years’ ahead.

While the early earmarking of RRI funding for NI Water and new build social housing is an important step, the £433m for water and wastewater infrastructure specifically falls some £1.36bn short of the indicative funding required by NI Water over the same four-year period.

Year	NI Water indicative requirement	NI Exec RRI & capex allocation	Shortfall
2026/27 (PC21)	£390m	£105m	-£285m
2027/28 (PC21)	£400m	£105m	-£295m
2028/29 (PC28)	£460m	£110m	-£350m
2029/30 (PC28)	£540m	£113.7m	-£426.3m
Total	£1.79bn	£433.7m	-£1.36bn

It is of course the case that more funding will be allocated by DfI to close that gap - but, as we have consistently said and in the context of the other earmarked allocations being made, it is implausible that the NI Executive could meet the recurrent capital needs of NI Water within the capital funding envelope detailed in the document.

This becomes even more pressing as we move further into the PC28 period. While 2028/29 and 2029/30 will see the preparatory and design costs of major infrastructure upgrades, the delivery of a number of critical projects which would have significant

economic and environmental benefits will take place in the period 2030-2033. While this goes beyond the current multi-year budget period, it must be highlighted that only with a proper long-term funding plan can we begin to address the infrastructure deficit that we face.

PC28 plan	NI Water indicative requirement	Dfl baseline allocation inc RRI borrowing	Shortfall
2028/29	£460m	£321m	-£139m
2029/30	£540m	£321m	-£219m
2030/31	£600m	£321m	-£279m
2031/32	£640m	£321m	-£319m
2032/33	£660m	£321m	-£339m
Total	£2.9bn	£1.61bn	-£1.29bn

Taken cumulatively, this would mean:

- £800m shortfall in PC15 (£900m received, £1.7bn planned)
- £800m-£900m shortfall in PC21 (£1.84bn baseline, £2.75bn planned)
- Forecast £1.29bn shortfall in PC28 (£1.61bn baseline based on £321m per annum for five years, £2.9bn planned)

It must also be noted that PC28 is a five-year price control as opposed to the six-year price controls that have gone before - therefore somewhat masking the extent of the financial shortfall that is again, short of implementing an Infrastructure Levy, almost certain to happen.

Notwithstanding the agreement of a four-year multi-year budget, the projected shortfalls that are identified will also further dent industry confidence if such a Levy is not introduced. This is particularly relevant as the coming autumn will see the procurement process commence for NI Water's delivery partners for PC28. If contractors cannot be convinced between now and the autumn that PC28 is any more realistic than those PC's that have gone before then the consequences for our newbuild housing and environmental crises will be catastrophic.

On the RRI allocation for newbuild social housing and, in the context of recent announcements by the Communities Minister with respect to changes in the funding model that underpins development, it is clear to us that while the initial allocation is welcome, it falls far short of what will be required to deliver the number of houses needed to address our inexcusable social housing waiting list. We do not doubt that the Department for Communities will provide additional funding but, given what has been published by DoF so far, we have no detail to provide additional comment on.

Earmarked Funding allocations

Across the Earmarked Funding allocations identified in the Draft Budget there are crucially important investments proposed that have our full support and will deliver undoubted social, economic and environmental benefits.

Outside of those projects that are already contractual commitments – such as the Strule Shared Education Campus – we do however retain our view that should further delays in construction commencement occur, then speedy decisions must be taken via Monitoring Rounds to reallocate funding to achieve the most economic benefit from any monies available.

Given the condition of the estate, it is also welcome to see the remaining RRI monies being allocated to refurbishment of the schools' estate. This, however, is tempered by the lack of funding allocated to newbuild and retrofit SEN provision as has been identified by the Education Minister. While that may come through additional allocations from the Department of Education itself, we, again, cannot provide substantive comment based on what information is currently available.

As we look to take forward a significant retrofit of our housing stock – both public and private – in order to both deliver on our climate change targets and the needed electrification of the running of our homes, it is also a surprise that the Draft Budget does not appear to identify funding streams in this regard. Again, this may come through individual Department's proposals but, without such detail, we cannot provide any further comment.

A final area missing from the section on Earmarked Funding is that of the commencement in delivering the All-Island Strategic Rail Review. With the publication of the Rail Project Prioritisation Strategy by DfI and Ireland's Department of Transport last month, it would have been anticipated that funding would begin to flow towards a number of projects identified in the Strategy as we move towards the end of the decade. These projects included:

- Line speed improvements and electrification on the Belfast Line;
- Capacity/frequency enhancements and line speed improvements on the Belfast-Derry/Londonderry line and;
- Line reinstatement on the Lisburn-Antrim line.

While none of these were scheduled to complete during the period to 2030, the Strategy identified that they would move to commencement at the very least.

Again, it is perfectly plausible that such allocations may come directly from DfI, but without such detail being currently available we are left asking questions.

Continued lack of an Investment Strategy

It remains a peculiarity that, as a Draft Budget is produced, we still lack an agreed Executive Investment Strategy as a means to strategically identify how the monies in the Draft Budget should be spent.

While we have long known that the Investment Strategy will identify some £26bn of investment over a ten-year period (albeit that that is the 2026/27 Executive capital budget times ten which, as we have detailed, is in no way sufficient to meet our society's infrastructure needs) it remains the case that industry confidence does suffer the longer it goes on without the strategy being agreed and published.

Therefore, we would again call on the Investment Strategy to be agreed and published immediately.