

## Introduction

The Chartered Institute of Building is the world's largest and most influential professional body for construction management and leadership across the built environment. We have a Royal Charter to promote the science and practice of building and construction for the benefit of society, and we've been doing that since 1834.

Our members work worldwide, and across the island of Ireland in the development, conservation and improvement of the built environment. We accredit university degrees, educational courses and training in universities and colleges in Ireland.

Our professional and vocational qualifications are a mark of the highest levels of competence and professionalism, providing assurance to clients and other professionals procuring built assets. The CIOB also has a dedicated policy and research function, whose expertise we have drawn on in the preparation of this response.

Our response focusses on the chapters of the Draft Programme deemed most relevant to the Institute's expertise.

### **1 Do you agree with the principle that a pathway for developer contributions should be introduced in Northern Ireland? (Please tick only one answer)**

Neither agree nor disagree

### **2 Referring to Section 4 of the consultation report, which option do you think would be the best pathway? (Please tick only one answer)**

Other - please specify in box below

- The consultation talks about waste water infrastructure being in a long term state of structural under investment
- It also acknowledges that developer contributions will not be sufficient to bridge the gap
- We would therefore like to use this consultation as the occasion to suggest a more structural reform in order to address the structural under investment in wastewater infrastructure.

There is increasing awareness across Northern Ireland's political spectrum that urgent action is needed to resolve the ongoing housing and infrastructure crisis. According to a recent Chartered Institute for Housing report, "the number of new homes built in 2023–24 was 5,418 – the lowest in a decade, falling short of even conservative estimates of need." In addition, the report notes there is a dearth of affordable housing with over 47,000 households on the social housing waiting list, which in turn has exacerbated homelessness.

Indeed, water shortages remain a barrier to transforming the built environment in Northern Ireland, with its outdated sewage system preventing new building across 23 towns. Hence, to achieve structural reform in housing requires structural reform to infrastructure. This means that strategic planning across entire functional economic areas must be the starting point for these plans including water, transportation and housing. Compared to other parts of the UK with more complex governance arrangements, Northern Ireland is well placed to undertake strategic

planning with the Northern Ireland Housing Executive working in conjunction with the Housing Council, containing representatives from each of the 11 districts of Northern Ireland.

Such a strategic plan must not only look at new housing and water infrastructure but also how best to develop new transport infrastructure enabling the jobs of the future. This leaves the issue of how a large-scale project of reforming Northern Ireland's wastewater infrastructure might be funded and financed – which in recent years has been the major barrier to achieving housebuilding at scale. This is the key point raised in this consultation, which will not be adequately addressed by developer contributions.

The situation regarding infrastructure provision and planning in England and Wales has been transformed as a result of the Levelling Up and Regeneration Act (LURA) 2023. In LURA 2023, amendments were made to the Land Compensation Act 1961, whereby the Secretary of State can issue a direction for a development corporation to ignore prospective planning permission for land compensation purposes, and hence acquire land at values close to use value. This makes many large-scale infrastructure projects financially viable, and crucially was the most important funding mechanism that enabled the delivery of the national infrastructure required for the post-war new towns – as well as the pre-war garden cities. The waste water infrastructure funding situation in Northern Ireland is at a point where this land-based, strategic approach to funding should be considered.

In Northern Ireland, the land compensation legislative framework is governed by The Land Compensation (Northern Ireland) Order 1982, section 13. Hence, if Northern Ireland wished to use land value capture to make large-scale waste water projects financially viable, it will need to be amended. The Assembly now has the opportunity to change its land compensation laws in order to deliver the structural shortfall in wastewater infrastructure. By amending the 1982 Act, Northern Ireland could be brought in-line with European norms and help fund a wave of new waste water infrastructure and housing.

Land is the biggest cost in any housing development. If developers are to be able to dedicate more resource to infrastructure, policy intervention needs to happen earlier in the development process to mitigate the high cost of land, thereby freeing up capital to fund necessary infrastructure.

At the moment housing and infrastructure policy is almost exclusively focussed on providing financial intervention at the late stages of the development process. Typically, to make the cost prices of housing lower, or in this case to fund water infrastructure on sites that are already purchased and in some cases built out.

From a funding and viability perspective the core structural problem is the inflated land market. Residential land prices in Northern Ireland are even more volatile than house prices. They inflated faster than house prices during the economic boom 'of the early 2000s, and crashed harder in the period after. Since 2012, land price inflation has again outpaced that of house prices. In order to make housing projects of all types and tenures viable, the Assembly should be concentrating its efforts on dampening the inflated the land market. If land were available at a more reasonable rate, this would make housing project across the board viable, while also freeing up finance to dedicate to waste water infrastructure This is the kind of structural reform wastewater funding needs.

## **Option 1: Voluntary Development Contributions for Wastewater Infrastructure**

### **3 If voluntary developer contributions are introduced how should these be made? (please tick only one answer)**

Other

Please specify:

To address the structural under investment in waste water provision that the document outlines, Northern Ireland must now fully explore the potential of locational value creation and sharing instruments to fund strategic infrastructure, particularly strategic waste water projects. This should be part of a broader commitment to complement state expenditure with alternative sources of financing and more innovative and tailored funding mechanisms.

Major investment in waste water infrastructure needs to be fully integrated with land-use planning to support increased housing provision, enhanced affordability and more sustainable urban and rural development.

Applying the Lessons of International Experience to Northern Ireland is necessary to support the increased provision of waste water infrastructure. International practice shows that there is increased interest in adopting an ambitious approach in which locational value creation and sharing mechanisms are used. Based on the international review, this suggests a number of strands of alternative funding and financing.

A second strand is to consider a broader range of waste water infrastructure funding and financing mechanisms. In addition to development levies as outlined in the consultation document, the range of possible locational value mechanisms include: property tax in the vicinity of transport amenities; site value tax; tax increment financing; direct public or joint development, sale or lease of land; auctioning of development rights or air rights, and leasing of commercial space. For example, the Development Rights Auction Model being explored in London could have benefits for waste water provision in Northern Ireland, and its potential should be examined.

A third strand is the use of blended funding and financing packages. These are tailored to different types of infrastructure assets and projects. Indeed, locational value mechanisms seem to be most effective when they are part of a 'blended' capital structure. That can include fare-box revenue, state expenditure and other sources of institutional investment.

In short, using a combination of locational value mechanisms serves to both enhance revenue-raising capacity and reduce risk. In addition, international experience highlights the importance of the expertise, time and skills required to design and secure alternative sources of funding and finance.

One of the key insights from emerging international practice is the need to move away from using public land to maximise short-term state revenue. A longer-term developmental perspective can generate a more stable and sustainable flow of revenue for investment in public infrastructure, including waste water. But it can also contribute to the achievement of other national policy goals concerning housing supply, affordability and access.

For example, transport for London's property development programme uses locational value creation and sharing to support both investment in transport infrastructure and increased supply of affordable housing.

**If voluntary developer contributions are introduced, do you agree that there should be a reimbursement scheme? (Please tick only one answer)**

Neither agree nor disagree

Please explain:

The administrative burden of this would be significant, as would the cost of rolling out such a scheme. This therefore needs to be costed up before a definitive answer can be given.

### **Option 2: Compulsory Developer Wastewater Contribution Levy**

**What are your views on how a compulsory levy should be introduced?**

**You might want to tell us about what factors you think should be taken into consideration in designing the levy process, such as whether there should be an exemption or reduction scheme introduced, how the amount of the levy might be calculated, what that amount should be and how you think it should operate:**

See previous answers. To drive the systemic reform outlined above, and to address the urgent crisis of housing supply and affordability, the Assembly should now adopt an ambitious national programme of specific, understandable and socially accepted flagship waste water infrastructure projects for providing affordable housing and quality urban and rural development. Optimal execution of specific projects is the best route to comprehensive reform and will help identify which locational value mechanisms are needed.

Delivery of these flagship projects will reveal the need for connections across policy areas and co-operation between agencies in order to resolve practical challenges. It will indicate how existing policy initiatives can be combined with the institutional assets, authority and resources of relevant stakeholders. A project-based approach can also facilitate stronger articulation of the key social, economic and environmental objectives of the project in question. In short, when prototypical wastewater projects are rolled out successfully, buy in from the construction sector and its stakeholders will follow.

Within major waste water infrastructure projects there is a meshing of ends (urban development, affordable housing and transport investment) and means (financing, funding and active land management). Once this is accepted, the key challenge is to create institutional entities and mechanisms that can deliver progress on the ground, identify blockages and unforeseen difficulties, engage relevant actors in resolving them and, where necessary, invoke high-level government authority to decide or revise. Northern Ireland, with its reformed local government structure, is well placed to do so from a governance perspective.

Such projects could change policy discourse on active land management and locational value mechanisms away from an abstract debate about the merits of a range of instruments, towards a focus on what package of measures is most appropriate to the context and content of a particular project. In other words, the doing of these projects will be a catalyst for the policy

innovation and systemic change that is required to achieve Northern Ireland's waste water requirements.