

Developer Contributions for Wastewater Infrastructure

Consultation Response

27.06.25

Pivotal welcomes the opportunity to respond to the Department for Infrastructure's consultation on [Developer Contributions](#) for wastewater infrastructure. Pivotal is the independent public policy think tank for Northern Ireland (www.pivotalpolicy.org)

This consultation comes at a vital moment for the future of water infrastructure. New approaches and clear priorities are urgently needed. Developer Contributions in isolation will be insufficient to make the system financially sustainable, but we hope this consultation can play a role in confronting a crisis that endangers housing, environmental and economic objectives central to the NI Executive's Programme for Government.

Multiple recent authoritative reports, including from the [NI Audit Office](#) and the [NI Fiscal Council](#), have underlined the urgency of the problem. Currently the funding model for wastewater is failing to support the delivery of the robust infrastructure required to support the environment, economic development and housing supply. The blockage on housing and business developments across Northern Ireland highlights the cost of inaction, with one estimate ([by the CEF](#)) that 19,000 developments have been unable to proceed due to insufficient wastewater capacity. Without significant and urgent action, this situation is only going to get worse.

Pivotal's own research and engagement with stakeholders in the housing sector has repeatedly highlighted the importance of increasing the supply of affordable housing. This is vital not only to the fundamental [housing requirements](#) of the population, and to economic development for blocked business and commercial developments, but also to questions of [community integration](#) related to housing.

Our core concern with regards to this consultation is the lack of detail on key questions. How will the potential levies be calculated? Will, for example, they be at a flat or variable rate? What will be the precise costs for developers? How will potential revenue be allocated and spent? How will this allocation reflect both the Executive's emphasis on regional balance with the imperative to direct new capacity to areas of greatest demand? Key stakeholders in the housing sector are concerned about the potential impact of the levy on businesses, and about unintended consequences for housing supply in less prosperous areas. For these concerns to be addressed, they need detailed answers to these questions.

As the consultation itself acknowledges, “neither option”, voluntary or compulsory, “for introducing developer contributions will result in the level of funding that is required to address the historical underfunding of wastewater infrastructure investment in Northern Ireland.” Therefore, although Pivotal accepts the potential benefits of developer contributions as one component part of a broader solution, we call for the Department, supported by the wider Executive, to be bolder and to offer a pathway to sustainable revenue and investment to secure this vital infrastructure. With significant further funding for the Department’s subsidy of NI Water highly unlikely, policymakers will eventually have to confront the need to raise additional revenue, in an equitable manner, through either higher rates or charges for water.

As with all our work, Pivotal offers this consultation response as an independent public policy think tank, aiming to offer suggestions that lead to improved governance and better outcomes for people day-to-day.

1. Do you agree with the principle that a pathway for developer contributions should be introduced in Northern Ireland?

Neither agree nor disagree

Pivotal neither agrees nor disagrees with the principle in question. There is an urgent need to reform wastewater funding, with the [NI Fiscal Council](#) recently noting that the problem is fundamentally a budgetary one. Therefore, we are encouraged that the question of funding is ongoing within the Department for Infrastructure. However, we recommend the Department provides much more detail on the proposals.

With regards to the voluntary contribution, we suggest a wider conversation is had about the impacts it could have on regional balance, the availability of affordable housing, and more detail on fairness, equality, equity and ‘future-proofing’.

Many questions arise about the compulsory levy, including whether it would be a flat or variable rate, how much the charge would be, how it would be collected, and how it would be distributed. The principle set out in the [consultation document](#) of improvements made “based on need and impact” is a sound one, but both developers and the public require more clarity.

Furthermore, as the Minister herself made clear, “the introduction of developer contributions would not alone present the funding needed” to solve the problems of our wastewater infrastructure. In light of this, Pivotal recommends that the Department considers all potential options, including mutualisation, increased borrowing powers, a public corporation model, and the introduction of household water charges and/or rates increases. These alternatives would likely provide for a governance model supporting a more reliable stream of funding, even if politically unpopular. The Minister, with the support of the Executive should nonetheless give these due consideration and not shy away from taking difficult decisions if necessary.

2. Referring to Section 4 of the consultation report which option do you think would be the best pathway?

Both Option 1 and Option 2

As noted above, and indeed as recognised by the Minister, developer contributions will not provide sufficient funding to solve the issues with wastewater infrastructure. It is with this in mind that Pivotal recommends looking at all options for raising additional revenue, including through the existing rates mechanism or introducing household water charges.

However, with the models proposed in this consultation, Pivotal supports a hybrid model of both Options 1 and 2. As set out by the Department, this would offer short-term relief through the voluntary contributions, while also allowing time to establish the compulsory charge on developers. It may also balance out the shortcomings of each.

The voluntary contribution alone runs the risk of creating two-tier housing, where expensive houses in desirable areas are connected over affordable housing in the places that need it most, as developers seek to recoup the increased costs imposed by the developer contributions. The compulsory levy, on its own, risks disincentivising housebuilding or putting an “unfair burden” on developers. A hybrid model provides a relatively steady (if limited) income through the compulsory charge, plus a top-up as needed through the voluntary contributions. Nonetheless, however, both options, whether together or separately, will likely lead to increased house prices as the increased costs are passed on to consumers.

We would again stress the importance of a clear, coherent plan to tackle wastewater infrastructure. The Department should work to ensure that the public and developers are informed and closely involved in further consultation and co-design.

3. If voluntary developer contributions are introduced, how should these be made?

Both an upfront payment and a bond

If the Department introduces voluntary developer contributions, Pivotal would be in favour of there being an option to pay through both an upfront payment and a bond. The upfront payment allows for work to begin relatively quickly, something which is key to meeting the Executive's housebuilding targets as set out in the [Housing Supply Strategy](#) and [Programme for Government](#). With the number of households experiencing housing stress rising to [36,891](#), providing accessible and affordable housing at pace is an important action which can be unlocked by more sustainable wastewater funding. The addition of the bond mechanism for payment allows for greater flexibility for developers and also opens opportunities for a wider variety of developments to be built.

4. If voluntary developer contributions are introduced, do you agree that there should be a reimbursement scheme?

Agree

Stakeholders from within the construction sector we have engaged with highlight the importance of an efficient and fair reimbursement scheme, and we are in broad agreement with their concerns. Without such a scheme there is a significant risk that developers will delay work in the hope that neighbouring projects start first and carry more of the financial burden from Developer Contributions. In this case, as the consultation document states, "they would have been subsidised by the first developer." With the additional burdens Developer Contributions will place on the sector, there is a need to provide security and incentives to build, and to 'go first', through reimbursements.

Again, the specific detail regarding the level and staging of reimbursement payments from future developments will be of vital importance.

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

As previously stated, Pivotal recognises that compulsory levies could play a role in combination with voluntary contributions (Options 1 and 2) in creating a revenue stream that facilitates more developments. However, the advisability of compulsory levies is entirely dependent on the costings of the levy, the payment protocols, and the allocation of the revenue.

A compulsory levy could, in theory, add a degree of security and predictability to a new revenue stream, and could balance out the strengths and weaknesses of a voluntary contribution model. It also has the potential to be more equitable, but again this depends on whether the levy will be flat or variable, and how this calculation will be made.

The calculation of any potential levy would need to be formulated after close consultation with the construction sector, including providing clarity about the proposed costs. Such consultation needs to carefully consider concerns expressed by some about the possible impact of such levies on house affordability and the costs for developers. Many stakeholders in the sector fear that compulsory levies could, unintentionally, further hamper developments in areas with smaller margins for developers and could put some construction businesses under threat. These concerns may prove to be unfounded, but they should not be dismissed without further engagement with those businesses – after precise costed proposals emerge.

Pivotal supports the position that any potential revenue from levies should be ringfenced for wastewater. There are concerns that additional revenue may result in pressure on the Department to reduce its subsidy to the wastewater system and spend elsewhere. Such a scenario risks leaving a continuing revenue shortfall – detailed once more in June 2025 by the NI Fiscal Council.

A key remaining question is where the proceeds from a Compulsory Levy will be spent. There could emerge a tension between spending where the most demand for developments is, and the need for an equitable geographical spread of resource, not least to support the PfG's regional balance agenda. In the consultation the allocation of revenue is framed towards "need and impact", but more detail and analysis is required as to the trade-offs between these in a complex housing market. Other jurisdictions have levies that are tied to local government areas. The centralised structures of NI means an innovative model will be required here.

Developer Contributions which blend voluntary and compulsory contributions will – however well designed – be insufficient to substantially reduce the revenue shortfall impacting the wastewater system, without a broader mix of other additional revenue. Such additional revenue has to come from the Executive, ratepayers, or water users. Again, these options should be given due consideration.

Pivotal believes there is a danger that Developer Contributions, and the Water, Flooding and Sustainable Drainage Bill that make up the two 'new' elements of the Minister's three-pronged approach, however well designed and intentioned, could incorrectly be viewed as sufficient to tackle the wider structural and budgetary problems with NI Water. If such a scheme is to be successful it needs to be part of a broader range of innovative

solutions, which can only start by confronting the shortfalls and challenges that Developer Contributions alone cannot address.

6. Do you have any comments to make on any of the impact assessments that accompany this consultation?

Pivotal notes the rural impact assessment and accepts that the status quo is negatively impacting rural areas - both environmentally through the increasing use of septic tanks and due to the restrictions on housebuilding in rural areas. While we agree that increasing housebuilding through a successful Developer Contribution scheme could positively impact rural areas, we note the danger that a Voluntary Contribution scheme could result in investment and wastewater capacity being re-directed towards more prosperous areas and could provide a disincentive to invest in other lower density rural areas.

In terms of the wider equality implications of the proposal, we note the serious concern that as any levy will, in all likelihood, be passed on through increased costs to the house buyer, the levy will have a disproportionate impact on younger generations of first time buyers. Older residents will be benefitting from a levy/tax that did not impact the cost of their property. This is a further reason why much needed further investment in the wastewater through general taxation and rates/charges has more potential to be equitable. However, we understand that without significant changes to the status-quo it is younger generations who will be disproportionately blocked from housing. As the impact assessments assert, the right to sanitation is the fundamental purpose of the wastewater system, which could in the future be endangered if sufficient investment is not found.