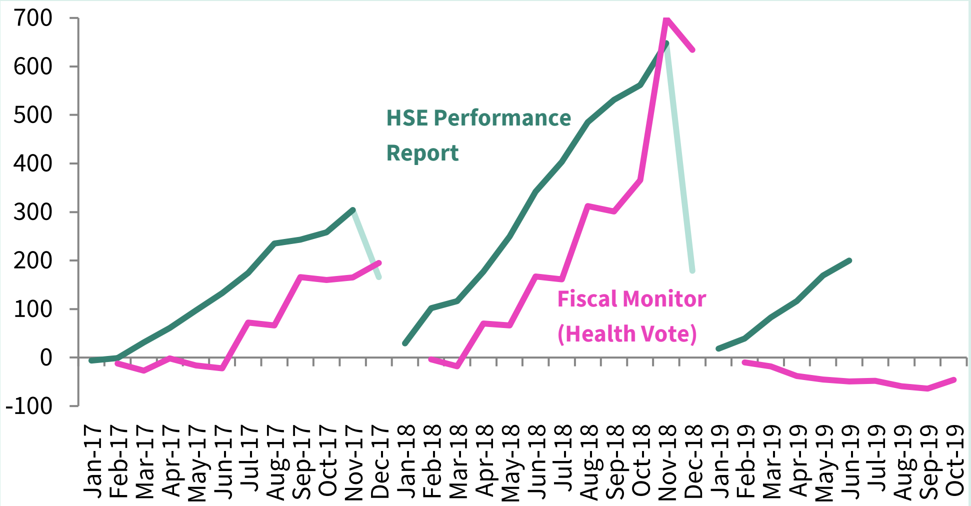
Figure K.1: Health overruns/underruns differ by report

€ million (outturn minus profile), net current expenditure



Sources: Fiscal Monitors 2017–2019; HSE Performance Reports (Finance section) 2017–2019.
Note: January Fiscal Monitors do not include a comparison of Vote outturns to profiles. In December 2017/2018, the overrun reported in the HSE Performance Report fell. This is likely due to revisions in the monthly forecasts throughout the year but particularly at year's end. In contrast, the Fiscal Monitor profiles are not revised within the year.

Box L: What are Approved Housing Bodies?

Approved Housing Bodies are non-profit entities that provide affordable rented housing. We explored these in more detail in Box F of the *June 2018 Fiscal Assessment Report*, but this box gives a quick recap of some of the key elements.

In 2017, the CSO conducted a review of the classification of the largest Approved Housing Bodies in Ireland. It concluded that these bodies should be classified as part of the local government sector and, hence, part of the wider general government sector. This means that spending and revenues associated with the bodies were to be recognised as part of government activity. The rationale for why bodies become recognised as part of general government follows three key principles related to (1) the extent of government or local authority control, (2) the degree of autonomy in decision making and other aspects of institutional independence from government, and (3) the degree to which its services or goods are "non-market" — that is to say the extent to which prices charged for these are "economically significant" according to set criteria (CSO, 2018c).

The classification of Approved Housing Bodies into general government added about €0.6 billion to government investment spending in 2018. On the revenue side, "sales of goods and services" saw relatively more modest increases of just under €0.1 billion. The reclassification of these bodies into general government had a relatively small impact on general government debt (increasing it by around €0.1 billion). This reflected the fact that much of the Approved Housing Bodies' debt had already been included in general government statistics as it was obtained via the Housing Finance Agency, which is already included in the general government sector.

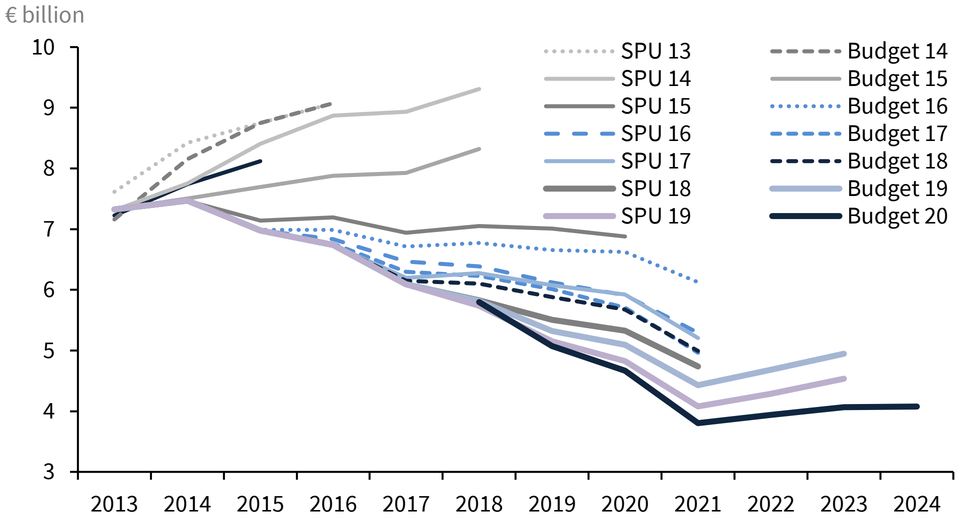
Investment spending by Approved Housing Bodies had been expected to rise as part of *Rebuilding Ireland*, the Government's housing plan, as the bodies acquired or developed newly built housing. Approved Housing Bodies are expected to "deliver approximately one third of the targets for the remaining years of *Rebuilding Ireland*".[68] There is limited data on the previous levels of aggregate activity of these bodies, and hence it is difficult to assess if they are likely to increase activity as rapidly as is reflected in *Budget 2020* forecasts.

Interest expenditure

Interest costs on government debt have declined in recent years, and this is forecast to continue until 2021. Figure 3.12 shows the reduction in forecast and actual interest costs due to: (1) low global interest rates; (2) agreed reductions in interest rates on official borrowing; (3) expansionary monetary policy by the ECB, including the Public Sector Purchase Programme; and (4) the early repayment of IMF loans and other debt restructuring. Figure 3.12 also shows that interest costs have been consistently lower than forecast for a number of years.

Budget 2020 has seen a further downward revision to expected interest payments over 2019–2023. Interest costs are forecast to rise somewhat after 2021, due to a forecasted rising average interest rate and a rising level of debt (in nominal terms). The average interest rate is forecast to rise because the bonds due to be refinanced in 2022 have very low rates; hence they are expected to be refinanced at higher rates.[69]

Figure 3.12: Revisions to national debt cash interest payments



Sources: Department of Finance.

[68] Response from the Minister of State at the Department of Housing, Planning and Local Government. The full debate is available here: https://www.oireachtas.ie/en/debates/question/2019-02-20/25/

[69] Given that forecasts of interest costs have fallen since SPU, it appears a no-deal Brexit is not assumed to have a significant impact on Irish interest costs or the risk premium.