

# **APPENDIX M**

## **STATEMENT OF SENSITIVITY OF BUDGET ESTIMATES**



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This statement of sensitivity is made pursuant to sub-section 11(1)(c) of the *Financial Management Act 1996*.

### Sensitivity of Budget Estimates

The following sensitivity analysis has been applied to economic parameters used in the formulation of the revised forward estimates.

Territory revenues are sensitive to changes in economic conditions, both in the ACT and nationally – for example, through Goods and Services Tax (GST) revenues.

Territory expenses are less sensitive to economic conditions. However, over time changes in demographic variables may affect the demand for government services. In response, policy decisions may be taken to vary expenditure levels to accommodate the change in demand.

### Sensitivity of Economic Assumptions

#### *Consumer Price Index*

A change in the Consumer Price Index (CPI) will affect the forecast for revenues; CPI changes have not been factored into the sensitivity analysis for conveyance as there is not a direct relationship between it and property turnover or property price.

CPI increases generate cost increases for agencies. If the CPI were to increase by 1 percentage point more than the forecast in each year (e.g. from 2.5 to 3.5 per cent) of the budget period, forecast revenue would increase by the amounts shown in Table M.1.

**Table M.1**  
**Impact of a 1 Percentage Point Increase in CPI on General Government Sector Revenues and Expenses**

	2015-16	2016-17	2017-18	2018-19
	\$'000	\$'000	\$'000	\$'000
Taxation revenue	45	92	142	195
Sales of goods and services, Commonwealth Government grants <sup>1</sup> and other revenue	0	10,128	20,028	29,855
Expenses	0	19,837	41,334	63,655

**Note:**

1. Refers to Specific Purpose Payments only.

## Wage Price Index

Various fees are indexed to the Wage Price Index (WPI) in future years. If WPI increased by 1 percentage point more than the forecast in each year of the budget period, forecast revenue would increase by the amounts shown in Table M.2.

**Table M.2**  
**Impact of a 1 Percentage Point Increase in WPI on GGS Revenue**

	2015-16	2016-17	2017-18	2018-19
	\$'000	\$'000	\$'000	\$'000
Taxation revenue	447	965	1,531	2,149
Sales of goods and services, and other revenue	0	4,788	11,196	17,202

## Interest

Interest on cash investment portfolios held by the Territory Banking Account (TBA) and the Superannuation Provision Account (SPA) are affected by interest rate variations. The impact of a 1 percentage point variation in the amounts forecast in the Budget estimates for interest revenue is shown in Table M.3.

**Table M.3**  
**Impact of a 1 Percentage Point (+/-) Interest Rate Change on Interest Revenue**

	2015-16	2016-17	2017-18	2018-19
	\$'000	\$'000	\$'000	\$'000
TBA	15,959	9,844	9,471	10,186
SPA	2,055	2,190	2,335	2,491

The impact of a 1 percentage point variation in the assumptions used to calculate the interest costs on the Territory's variable rate borrowing exposures is shown in Table M.4.

**Table M.4**  
**Impact of a 1 Percentage Point (+/-) Interest/CPI Rate Change on Borrowing Costs**

	2015-16	2016-17	2017-18	2018-19
	\$'000	\$'000	\$'000	\$'000
TBA – Total Borrowings	8,056	10,101	11,153	10,568

## Currency

The estimated impact on international asset valuations from a 1 per cent variation in the Australian Dollar against all unhedged international currency holdings, with everything else constant, is shown in Table M.5.

**Table M.5**  
**Impact from a 1 Per Cent (+/-) Movement of the Australian Dollar on Valuations**

	2015-16	2016-17	2017-18	2018-19
	\$'000	\$'000	\$'000	\$'000
SPA	5,504	5,915	6,359	6,835

## Equity Valuation

Table M.6 outlines the impact to the SPA equity portfolio valuation from a 1 per cent variation in equity security valuations.

**Table M.6**  
**Impact of a 1 Per Cent (+/-) Change in Equity Valuations**

	2015-16	2016-17	2017-18	2018-19
	\$'000	\$'000	\$'000	\$'000
SPA	16,894	18,176	19,555	21,039

## Superannuation Liabilities

Table M.7 outlines the impact to the CSS/PSS defined benefit superannuation liability from a 1 per cent increase in the discount rate from the budgeted discount rate of 6 per cent.

**Table M.7**  
**Impact of a 1 Per Cent Increase in the Liability Discount Rate**

	2015-16	2016-17	2017-18	2018-19
	\$'000	\$'000	\$'000	\$'000
SPA	-831,000	-862,000	-890,000	-917,000

Table M.8 outlines the impact to the CSS/PSS defined benefit superannuation liability from a 1 per cent decrease in the discount rate from the budgeted discount rate of 6 per cent.

**Table M.8**  
**Impact of a 1 Per Cent Decrease in the Liability Discount Rate**

	2015-16	2016-17	2017-18	2018-19
	\$'000	\$'000	\$'000	\$'000
SPA	1,058,000	1,093,000	1,125,000	1,153,000

Table M.9 outlines the impact on CSS/PSS defined benefit superannuation expense from a 1 per cent increase in the discount rate from the budgeted discount rate of 6 per cent.

## Superannuation Expenses

**Table M.9**  
**Impact of a 1 Per Cent Increase in the Discount Rate on Superannuation Expense**

	2015-16	2016-17	2017-18	2018-19
	\$'000	\$'000	\$'000	\$'000
SPA	-31,000	-29,000	-27,000	-25,000

Table M.10 outlines the impact on CSS/PSS defined benefit superannuation expense from a 1 per cent decrease in the discount rate from the budgeted discount rate of 6 per cent.

**Table M.10**  
**Impact of a 1 Per Cent Decrease in the Discount Rate on Superannuation Expense**

	2015-16	2016-17	2017-18	2018-19
	\$'000	\$'000	\$'000	\$'000
SPA	35,000	32,000	29,000	26,000

