

1985-86

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

Loans Bill 1986

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister  
Representing the Minister for Finance,  
the Hon Chris Hurford, MP)

## OUTLINE

### Loans Bill 1986

The purpose of the Bill is to make provision for the financing of the prospective Budget deficit in 1986-87 and subsequent years together with the associated prospective deficits in the Consolidated Revenue Fund.

Legally, payments from the Consolidated Revenue Fund cannot exceed moneys available to that Fund. In order to meet any prospective deficit in the Consolidated Revenue Fund it is customary to seek legislative authority to charge defence and other Consolidated Revenue Fund expenditure to, or reimburse the Consolidated Revenue Fund from, the Loan Fund.

The Bill provides authority to charge to the Loan Fund - out of borrowings also authorised by the Bill for the purpose - defence expenditures which would otherwise be met from the Consolidated Revenue Fund, and to reimburse the Consolidated Revenue Fund from the Loan Fund in respect of certain non-defence expenditures.

The Bill does not authorise expenditures in excess of those which have already been appropriated by the Parliament under Supply, Appropriation or other Acts. It does not in any way impinge upon the Parliament's prerogative to appropriate public moneys but simply provides a mechanism for financing expenditures previously approved and appropriated by the Parliament.

This is a normal procedure for financing prospective deficits in the Consolidated Revenue Fund and has been used by successive governments over many years. The Bill is drafted as standing rather than annual legislation, to obviate the need each year for what is, in effect, a machinery financing measure.

Financial Impact

Nil

## NOTES ON CLAUSES

### CLAUSE 1 - SHORT TITLE

Loans Bill 1986

### CLAUSE 2 - COMMENCEMENT

The provisions of the Bill will come into effect on the day on which it receives the Royal Assent. This will enable expenditures of the Department of Defence incurred after that date to be financed by borrowings authorised by this Bill.

### CLAUSE 3 - INTERPRETATION

To facilitate the standing nature of the Bill and provide authority for the necessary financing measures for 1986-87 and subsequent financial years this Clause defines:

- . "defence service" in relation to a financial year as a service specified under the heading "Department of Defence" in a relevant appropriation Act for the financial year.
- . "financial year" as the year ending on 30 June 1987 or a later year ending on 30 June; and
- . "relevant appropriation Act" in relation to a financial year, as the Supply Act No 1 or Appropriation Acts (Nos 1 and 3).

PART II - BORROWING AND EXPENDING OF MONEY FOR DEFENCE PURPOSES

CLAUSE 4 - AUTHORITY TO BORROW

This clause authorises the Treasurer to borrow through the issue of Treasury Bills or other Australian Government securities.

As this will be a borrowing for defence purposes, it is not within the jurisdiction of the Australian Loan Council.

The effective limit on the amount to be borrowed and expended from the Loan Fund for defence purposes will be the amount appropriated for such purposes under relevant appropriation Acts enacted for the financial year, less amounts expended under such Acts prior to the enactment of this Bill.

Borrowings under this clause may be made by the issue of securities to the public or to the Reserve Bank or by the investment of Trust Fund balances in such securities. The choice of the particular instrument is largely a question of monetary policy and will be determined in the light of the situation at the time.

CLAUSE 5 - APPLICATION OF MONEYS BORROWED UNDER SECTION 4

The proceeds of the borrowing are to be used for defence purposes, namely, to finance expenditures of the Department of Defence as specified in the relevant appropriation Act in a financial year.

Inclusion of a provision enabling the use of proceeds of the borrowing to defray expenses of borrowing is customary in Loan Acts

PART III - SUPPLEMENTATION OF THE CONSOLIDATED REVENUE FUND

CLAUSE 6 - AUTHORITY TO BORROW

This clause authorises the Treasurer to borrow moneys up to the amount necessary to overcome a shortfall in receipts of the Consolidated Revenue Fund to meet expenditures previously authorised by the Parliament, together with the costs of borrowing. The borrowings will be made through the issue of Treasury Bills or other Commonwealth securities and must be within the limit of the borrowing authority approved by the Loan Council.

The borrowings proposed in the clause may be made by the issue of securities to the public or to the Reserve Bank or by the investment of Trust Fund balances in such securities.

The authority is designed to enable the supplementation of the Consolidated Revenue Fund by the amount necessary to meet any remaining shortfall in that Fund after other authority has been utilised.

CLAUSE 7 - APPLICATION OF MONEYS BORROWED UNDER SECTION 5

The proceeds of any borrowings under clause 5 are to be used only for the purpose of supplementing the Consolidated Revenue Fund - thus ensuring that the moneys are available to meet only those expenditures which have been otherwise appropriated by Parliament - and to meet the expenses of the borrowings.

CLAUSE 8 - APPROPRIATION

Provides that the Loan Fund be appropriated for the purposes of this Act.

CLAUSE 9 - LIMITATION OF EXPENDITURE

SUB-CLAUSE (1)

Provides that total expenditure under this Act and relevant appropriation Acts in a financial year can not exceed the total amount specified by the relevant appropriation Acts for that financial year.

SUB-CLAUSE (2)

Adds the qualification that sub-clause (1) does not limit the power of the Minister for Finance to make available additional moneys for defence purposes from moneys appropriated under the "Advance to the Minister for Finance" in the relevant appropriation Acts.