

1987

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

LOANS BILL 1987

EXPLANATORY MEMORANDUM

(Circulated by authority of the

Minister for Finance,

Senator the Hon Peter Walsh)



## OUTLINE

### Loans Bill 1987

The purpose of the Bill is to make provision for the financing of the prospective Budget deficit in 1987-88 together with the associated prospective deficit 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.

In addition, and for the first time, the Bill provides for continuity of that authority by the inclusion of a supply clause. In the past, borrowing authority under the annual Loan Act ceased to be available on 30 June until the next Loan Act was passed; usually by urgent passage in the Budget Sittings. Borrowing authority during the Supply period will be limited to the amount included in the Supply Act (No 1) 1988-89 for Defence purposes; that Act having been passed by the Parliament prior to the end of the 1987-88 financial year.

Apart from a comparatively small amount attributable to the expenses of raising loans under the authority of this legislation, 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. In addition the Bill is drafted to enable the Government to borrow during the Supply period, to obviate the need for urgent passage each year of what is, in effect, a machinery financing measure.

#### Financial Impact

No financial implications flow from this legislation, other than a comparatively small amount attributable to the expenses of raising loans under the authority of this legislation.



## NOTES ON CLAUSES

### PART I - PRELIMINARY

#### CLAUSE 1 - SHORT TITLE

Loans Bill 1987

#### 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 provide authority for the necessary financing measures for 1987-88 and the 1988-89 Supply period this Clause defines:

- . "current financial year" as the year ending on 30 June 1988;
- . "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;
- . "next financial year" as the year ending on 30 June 1989;
- . "relevant appropriation Act" in relation to the current financial year, as the Supply Act No 1 or Appropriation Acts (Nos 1 and 3) and in relation to the next financial year, as the Supply Act No 1; and
- . "supply period" in relation to the next financial year as the period from 1 July 1988 to the commencement of the Appropriation Act (No 1) 1988-89.

### 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 Australian Government securities.

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

For the current financial year, 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.

During the Supply period in the next financial year, 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 the Supply Act (No 1) 1988-89.

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 MONEY 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 Act

#### 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 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 during 1987-88 by the amount necessary to meet any remaining shortfall in that Fund after other authority has been utilised.

#### CLAUSE 7 - APPLICATION OF MONEY BORROWED UNDER SUB-SECTION 6(1)

The proceeds of any borrowings under clause 6(1) 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-CLAUSES (1) AND (2)

Provides that total expenditure for a defence service authorised under this Act and relevant appropriation Acts shall not exceed the amounts authorised by the relevant appropriation Acts for the relevant financial year.

**SUB-CLAUSE (3)**

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.

