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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

LOAN BILL 1994

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Finance,
the Honourable Kim C. Beazley, MP)

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OUTLINE

Loan Bill 1994

The purpose of the Bill is to make provision for the financing of a prospective deficit in the Consolidated Revenue Fund in 1994-95.

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 for certain non-defence expenditures.

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 Appropriation, or other Acts. It does not in any way impinge on 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.

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 1 - PRELIMINARY

CLAUSE 1 - SHORT TITLE

Loan Act 1994

CLAUSE 2 - COMMENCEMENT

The provisions of the Bill will come into effect on the first of July 1994 or on the day on which it receives the Royal Assent whichever is later. This will enable expenditures of the Department of Defence incurred after that date to be financed by borrowings authorised by this Bill.

CLAUSE 3 - DEFINITIONS.

To provide authority for the necessary financing measures for 1994-95 this Sub Clause 3(1) defines:

"current financial year" as the year ending on 30 June 1995;

"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 1994-95;

"relevant appropriation Act" as Appropriation Act (No. 1) 1994-95, or any Act which appropriates the Consolidated Revenue Fund and is stated to have effect subject to the Loan Bill 1994.

Consequent upon the decision to include the Department of Veterans' Affairs within the Defence Portfolio, Sub Clause 3(2) explicitly excludes an appropriation for a service specified under the heading Department of Veterans' Affairs in an Appropriation Act being taken as a defence service.

PART 2 - 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.

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 any 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 is largely a question of monetary policy and to be determined in the light of the circumstances pertaining at the relevant time.

CLAUSE 5 - APPLICATION OF MONEY BORROWED UNDER CLAUSE 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 the current 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 3 - 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. Any such borrowings would be made through the issue of Commonwealth securities. Borrowing under this clause must be within the limit of the borrowing authority approved by the Loan Council.

Any borrowings proposed under this clause may be made through 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 1994-95 by the amount, if any, necessary to meet the remaining shortfall in that Fund after other authority has been utilised.

CLAUSE 7 - APPLICATION OF MONEY BORROWED UNDER CLAUSE 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.

PART 4 - MISCELLANEOUS

CLAUSE 8 - APPROPRIATION

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

CLAUSE 9 - LIMITATION OF EXPENDITURE

SUB-CLAUSE (1)

Provides that total expenditure for a defence service authorised under this Act and relevant appropriation Acts is not to exceed the amounts authorised by the relevant appropriation Acts for the 1994-95 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.

SUB-CLAUSE (3)

Provides that, except for the expenses of borrowing, this Act does not authorise expenditure after the end of the 1994-95 financial year.