LOANS BILL 1986

Date introduced: 19 August 1986
House: House of Representatives
Presented by: Hon. Chris Hurford, M.P., Minister Representing the Minister for Finance

DIGEST OF BILL

Purpose

To provide for the financing of the prospective Budget deficit in 1986-87 and in subsequent years and the associated prospective deficits in the Consolidated Revenue Fund (CRF).

Background

The Commonwealth Public Account, which is the main bank account of the Commonwealth, is comprised of the CRF, the Trust Fund and the Loan Fund. The CRF is the main working fund of the Commonwealth and is financed by taxation, fees and other current revenue. The Loan Fund is financed through borrowings, while in the Trust Fund are moneys held by the Commonwealth in a trustee capacity, recoveries from certain operations of trust accounts and interest payments on the investment of unused trust fund balances.

Moneys of the CRF are appropriated by annual appropriation Acts and special and/or standing appropriations under specific Acts. Standing appropriations generally refer to an open-ended appropriation of the CRF while special appropriations usually refer to a specified amount which can be specified for a number of years. [For information about the Appropriation Bills, refer to Bills Digest No. 86/105].

Because payments from the CRF cannot exceed the amount in it, the normal method of limiting payments from the CRF is to charge the Loan Fund some of the expenditure
normally met from the CRF. Legislation, in the form of an annual Loan Act, has been the vehicle through which successive governments have been able to charge defence expenditures to the Loan Fund and to reimburse the CRF from the Loan Fund in respect of certain non-defence expenditures. The Loan Act also authorises the borrowing of moneys to finance those expenditures from the Loan Fund. Borrowings for defence purposes do not require the approval of the Australian Loan Council. However, the legal limit for borrowings for non-defence purposes is determined by the level of borrowing authority approved by the Loan Council.

The authority to raise loan funds is currently renewed annually with the passage of a Loan Act. In 1985, the Government sought authority in the Loans Bill 1985 to borrow for that and subsequent years. That Bill was amended in the Senate to remove the authority to borrow for subsequent years. This Bill also seeks authority to borrow for subsequent years.

Outline

The 1986-87 Budget deficit is estimated to be $3.5 billion which gives rise to a deficit in the CRF of about $5.1 billion. Existing standing authorities enable some $2.5 billion of expenditure to be charged to the Loan Fund. This Bill seeks authority to borrow moneys for the shortfall of $2.6 billion.

Main Provisions

'Financial year' is defined to include the year ending 30 June 1987 and subsequent years ending on 30 June (clause 3).

Clause 4 will authorise the Treasurer to issue Treasury Bonds to borrow money in the 1986-87 and subsequent financial years for defence purposes. The limit on the amount that may be borrowed will be equal to the amount appropriated for defence purposes plus borrowing costs. Funds raised may only be spent on defence services and borrowing costs (clause 5).

Clause 6 authorises the Treasurer to borrow moneys to supplement the CRF by the amount necessary to meet the remaining deficit in the CRF together with the costs of borrowing, after other borrowing authority has been utilised. The borrowings are to 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. By clause 7, moneys borrowed under clause 6 are to be used only to supplement the CRF and to meet the expenses of borrowing.

Clause 9 provides that the total expenditure under this Bill and under the Appropriation Acts in a prescribed year for the services of the Department of Defence will not exceed the specified amounts. However, by sub-clause 9(2), there is no limit on the power of the Minister for Finance to make additional moneys available for defence purposes under the "Advance to the Minister for Finance" in the Appropriation Acts.

For further information, if required, contact the Economics and Commerce Group.