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Loans Bill 1987

Date Introduced: 15 September 1987
House: House of Representatives
Presented by: The Hon. John Dawkins, M.P., Minister Representing the Minister for Finance

Digest of Bill

Purpose

To provide for the financing of the prospective deficit in the 1987-88 Budget and during the 1988 supply period, and the associated deficit in the Consolidated Revenue fund (CRF).

Background

The Commonwealth Public Account, which is the main bank account of the Commonwealth, consists of the CRF, the Loan Fund and the Trust Fund. The CRF is the main working account of the Commonwealth and is financed by taxation, fees and other current revenue. The Loan Fund is financed through borrowings, while the Trust Fund contains moneys held on trust and interest on unused trust funds.

Funds in the CRF are appropriated by annual Appropriation Acts and special and standing appropriations under specific Acts. Standing appropriations generally refer to open-ended appropriations while special appropriations usually refer to a specified amount.

As payments from the CRF cannot exceed the balance of the Fund, it is normal for some expenditure to be charged to the Loan Fund. Annual legislation, in the form of a Loans Act, has been used as the vehicle to charge defence expenditure to the Loan Fund and to reimburse the CRF from the Loan Fund for certain non-defence expenditure. The Loan Act also authorises borrowings to finance expenditure from the Loan Fund.

While the authority to borrow is currently renewed annually, in the 1985 and 1986 Loan Bills the Government sought authority to borrow for subsequent years. Those Bills were amended in the Senate to remove the authority to borrow for subsequent years. This Bill seeks authority to borrow for the 1988 supply period in addition to the 1987-88 financial year.

While the estimated Budget deficit for 1987-88 is $27 million, the estimated deficit in the CRF for the same period is $2.4 billion. The difference is largely due to the rollover of previous debt that will become due during the financial year. Existing standing authorities will enable $1.2 billion of expenditure to be charged to the Loan Fund in 1987-88 and this Bill seeks authority to borrow the remaining $1.2 billion.
Main provisions

Financial year is defined to be the year ending 30 June 1988 and supply period is defined to be the period commencing on 1 July 1988 and ending on the commencement of a 1988 appropriation Act (clause 3).

Clause 4 will authorise the Treasurer to borrow funds, by the issue of bonds or Treasury Bills, for defence services during the financial year and the supply period. The total amount borrowed is not to exceed the amount authorised in the Appropriation Acts for defence services and borrowing costs. Funds raised are only to be spent on defence services and borrowing costs (clause 5).

Clause 6 will authorise the Treasurer to borrow, during the financial year, funds to supplement the CRF. The amount borrowed is not to exceed the deficit in the CRF and borrowing costs and it is to be raised by the issue of bonds or Treasury Bills. Funds so borrowed are only to be used to make payments to the CRF and to meet borrowing costs (clause 7).

Total expenditure on defence services under this Bill and the Appropriation Acts is not to exceed the amount authorised under the Appropriation Acts. However, this will not limit the power of the Minister for Finance to make additional money available for defence purposes under the ‘Advance to the Minister for Finance’ in the Appropriation Acts (clause 9).

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

30 September 1987

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This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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