Date introduced: 11 September 1985
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 1985-86 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. 85/164].

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.

Outline

The current Bill departs from previous practices by providing for a standing, rather than an annual, mechanism for financing budget deficits.

The 1985-86 Budget deficit is estimated to be $4.9 billion which gives rise to a deficit in the CRF of about $6 billion. Existing standing authorities enable some $2.2 billion of expenditure to be charged to the Loan Fund. This Bill seeks authority to borrow moneys for the shortfall of $3.8 billion.

Main Provisions

This Bill will come into operation on the date of Royal Assent (clause 2).

"Prescribed year" is defined in clause 3 to mean the financial year ending on 30 June 1986 or a later financial year, and so accommodates the standing nature of the Bill.

Clause 4 authorises the Treasurer to borrow moneys in accordance with the provisions of the Commonwealth Inscribed Stock Act 1911 or an Act authorising the issue of Treasury Bills. The limit on the amount to be borrowed and spent from the Loan Fund for defence purposes will be the amount appropriated for such purposes under Appropriation Acts for the prescribed year less amounts spent under such Acts prior to the enactment of this Bill, plus borrowing expenses. Clause 5 provides that moneys borrowed under clause 4 must be used to finance expenditures by the Department of Defence as specified in the Supply Act No. 1 or Appropriation Acts (Nos. 1 and 3) in a prescribed year. Furthermore, moneys borrowed are also to be used to defray borrowing expenses.
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.

19 September 1985

Bills Digest Service

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