Short Digest of Bill

Purpose

To appropriate specified amounts to each State by way of general purpose capital assistance grants and to authorize loans to the States and the Northern Territory for public housing, these loans being nominated by the States as part of their approved Loan Council borrowing program.

Background

At the June 1970 Premiers' Conference it was agreed that a portion of the State Governments' Loan Council program would be provided in the form of interest-free, non-repayable grants in lieu of what would otherwise have been interest-bearing borrowings by the States. Such grants have been paid to the States each year since 1970-71 under various States Grants (Capital Assistance) Acts.

Since 1975-76 the portion of the States' total Loan Council program provided in the form of capital grants has been one-third. The grants are designed to assist the States to finance capital works from which debt charges are not normally recovered such as schools, police buildings and so forth. However, no conditions apply to the uses to which a State may commit such funds.

At the June 1982 Loan Council meeting it was agreed that, subject to certain conditions, the States could nominate any portion of their Loan Council approved borrowing program to be earmarked for public housing. Such borrowings would be provided to the States by the Commonwealth on the same, very concessional terms as borrowings arranged under the Commonwealth-State Housing Agreement as set out in the Housing Assistance Act 1981. Identical provisions applied to the Northern Territory.
At the June-July 1983 meeting of the Loan Council, it was decided to continue these arrangements for 1983-84, with provision for advance payments to be made during the first six months of 1984-85. A condition of such assistance is that the States and the Northern Territory shall meet the matching requirements set out in the Housing Assistance Act 1981. The funds borrowed under the provisions of this Bill will be repayable over 53 years and bear a fixed 4.5 per cent per annum rate of interest.

The Loan Council approved a State Governments' new money program for 1983-84 totalling $1,469 million, an increase of $96 million over 1982-83 (excluding for comparative purposes the $65 million grant given in 1982-83 for welfare housing). This Bill therefore seeks authorisation for the payment of capital grants equal to one-third of this amount, or $489,667,000. The theoretical limit of State borrowings which might be used for public housing is $979,333,000 although, in practice, only a fraction of this amount is likely to be nominated by the States for this purpose. In 1982-83, for example, State nominations under this arrangement totalled $145.9 million.

Main Provisions

Payments of capital grants of up to $489,667,000 are authorised by clause 4, with the specific entitlement of each State set out in column 2 of the Schedule to the Bill. From these amounts are subtracted any advance payments made by virtue of section 4 of the States (Works and Housing) Assistance Act 1982.

Clause 5 and column 3 of the Schedule specify the maximum amounts which may be paid to the States in the first six months of 1984-85, pending the passage of similar legislation in that year. These amounts are exactly half of the total grants payable in 1982-83.

The public housing loan assistance to the States is authorised by clause 6. The loans are to be on the terms and conditions of loans made pursuant to the Housing Assistance Act 1981. Clause 7 requires the provision of matching funds by the States as a condition of receiving this additional assistance for public housing.

Clause 9 authorises the provision of advance loan assistance for public housing during the first six months of 1984-85. This clause recognises the possibility that the arrangements set out in clause 6 of this Bill may be continued in 1984-85. The maximum amount of any advance assistance is shown in column 5 of the Schedule to the Bill.
and would be provided on such terms and conditions as the Treasurer considered appropriate at that time.

Loans to the Northern Territory for public housing are provided for by clause 10, to a maximum of $86,042,000, on conditions analogous to those applying to the States. Clause 13 permits the Treasurer to make advance payments to the Northern Territory in the first six months of 1984-85.

Since loan raisings cannot be accurately estimated in advance, clause 14 provides that payments may be made out of either the Loan Fund or the Consolidated Revenue Fund (CRF). If payments are made from CRF, the Treasurer may reimburse that fund at some future time by transferring funds from the Loan Fund when loan proceeds become available (sub-clause 17(1)) and the amounts transferred will be offset against CRF expenditure rather than shown as CRF receipts (sub-clause 17(2)).

The Treasurer's authority to borrow the amounts required under this Bill is provided in clause 15 and the effect of clause 16 is to limit the use of funds borrowed under clause 15 to the meeting of borrowing expenses, the making of payments to the States and the Northern Territory in accordance with this Bill and the reimbursement of the CRF for any payments from that fund under sub-clause 17(1). Clause 18 provides the necessary appropriations.

For further information, if required, contact:

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