

1981

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

Housing Assistance Bill 1981

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Housing and Construction,
the Hon. D.T. McVeigh, M.P.)

OUTLINE

Explanatory Memorandum
Housing Assistance Bill 1981

The purpose of this Bill is to authorise the execution of agreements between the Commonwealth and the States (including the Northern Territory) relating to the provision of financial assistance for welfare housing. The form of agreement is Schedule 1 to the Bill.

The period of operation of existing agreements authorised by the Housing Assistance Act 1978 expires on 30 June 1981.

This Bill seeks to extend the existing form of arrangements by implementing the Government's decision to guarantee the States and the Northern Territory a base level of funding of \$1000 million for welfare housing for the five years from July 1981. Total funding will be determined in the Budget context annually.

Clause 8 appropriates \$200 m. each year from the Consolidated Revenue Fund for the purposes of making earmarked grants of \$54 m. and loans of \$146 m. in each year to which the Act is to apply. Provision is also made for grants and loans to be made from any additional funds appropriated.

The method of allocating financial assistance between the States contained in clause 9 of the Bill differs from the historical basis employed under the existing arrangements. Financial assistance appropriated for the purposes referred to in paragraph 6(1)(a) is to be allocated on the basis of the respective needs of the States as determined by the Minister. Financial assistance appropriated for any other purpose referred to in the Bill is to be allocated

- (1) in the first year - in the proportions set out in Schedule 2;
- (2) in any subsequent year - in the proportions determined by the Minister so as to progressively achieve, if the arrangements were to apply for ten years, an equal per capita allocation amongst the States in the year commencing 1 July 1990; and
- (3) however, for the \$146 m. in loans appropriated by this Act, each State is guaranteed a minimum allocation of \$7.3 m. in each year of the Agreement.

Under clause 10, the allocation of financial assistance to a State during a year except assistance for the purposes referred to in paragraph 6(1)(a), is limited to the amount of matching expenditure by that State. The matching requirement is part of the existing arrangements and the Bill seeks to formalise this requirement.

Explanations of each clause of the Bill and of the Agreement are appended.

EXPLANATION

Clause 1 - Short title

Provides for the short title of the Act.

Clause 2 - Commencement

Provides for commencement on the day the Act receives Royal Assent.

Clause 3 - Interpretation

Defines certain terms used in subsequent clauses of the Bill.

Clause 4 - Execution of agreements authorised

Authorises the execution of an agreement including variations to that agreement.

Clause 5 - Variation of agreement to be laid before each House

Requires that a variation to an agreement be tabled in each House of Parliament.

Clause 6 - Grants for rental housing and other purposes

Empowers the Minister to authorise grants, on the terms and conditions specified in the agreement, to a State for the purpose of:

- (1)(a) providing rental housing for a class of persons specified or declared by the Minister to be in need of assistance (earmarked grants), or
- (1)(b) for any housing purpose whether it be for rental or home purchase that the State determines to be appropriate and is permitted under the agreement.

Clause 7 - Loans

Empowers the Minister to authorise loans, on the terms and conditions specified in the agreement, to a State for any purpose related to housing whether it be for rental or home purchase which is permitted by the agreement.

Clause 8 - Appropriation

Appropriates the Consolidated Revenue Fund for the purposes of making grants of \$54 million under paragraph 6(1)(a) and loans of \$146 million in each year of the Act.

Clause 9 - Allocation of grants and loans between States

Describes the method by which grants and loans are to be allocated between the States in any year of the Act.

- (1) Grants of \$54 m. appropriated by this Act and any other additional earmarked grants are to be allocated on a needs basis as determined by the Minister.
- (2) Grants other than earmarked grants appropriated by an Act other than this Act are to be allocated on the basis provided in sub-section 9(4).
- (3) Loans of \$146 m. appropriated by this Act are to be allocated in the proportions set out in Schedule 2 for the first year of the Act, and for subsequent years in the proportions determined by the Minister ensuring that no State is allocated less than \$7.3 m.

- (4) Loans appropriated by an Act other than this Act are allocated in the same manner as (3) above but without a minimum guarantee of \$7.3 m. for each State.
- (5) Except for the first year of the Act, the appropriate proportions for the purposes of (2), (3) and (4) above are to be determined by the Minister with a view to phasing in an equal per capita basis of allocation over nine years commencing in 1982-83.

Clause 10 - Unmatched moneys

Requires that any State's allocation (other than grants under paragraph 6(1)(a)) calculated in accordance with clause 9 should not exceed proposed matching expenditure by that State. Where a State's allocation exceeds its proposed matching expenditure, the excess may be allocated to other States.

Clause 11 - Advances on account of moneys expected to become payable under sections 6 and 7

Enables the making of loans and grants prior to the execution of an agreement and for the repayment of such advances if an agreement is not entered into before 1 January 1982.

Clause 12 - Authority to borrow

Authorises the Treasurer to borrow for the purpose of reimbursing the Consolidated Revenue Fund.

Clause 13 - Application of moneys borrowed

Contains the customary provision relating to the application of borrowed moneys.

Clause 14 - Reimbursement of Consolidated Revenue Fund from Loan Fund

Enables the reimbursement of the Consolidated Revenue Fund after payments have been made out of that Fund for the purposes of this Act.

Clause 15 - Annual report by Minister

Requires annual report to be tabled in Parliament each year.

SCHEDULE 1 TO BILL

(1981 Housing Agreement)

Recitals

These refer to earlier agreements and set out the principles that are to apply to this agreement.

PART 1 - OPERATION OF AGREEMENT

Clauses 1 and 2

Provide for commencement of the agreement.

PART II - PARTIES

Clause 3

Stipulates parties to the agreement.

Clause 4

Provides for the word "State" or the expression "the States" used in this agreement to have the same meaning as similar words used in existing Housing Agreements.

PART III - INTERPRETATION

Clauses 5, 6 and 7

Define terms used throughout the agreement.

PART IV - OBJECTIVE OF AGREEMENT

Clause 8

Defines the objective of the agreement which is to provide financial assistance for housing to the States and the Northern Territory.

PART V - FINANCIAL ASSISTANCE

Clause 9

Requires the Commonwealth to provide financial assistance for housing purposes by way of loans and grants during the five years of this agreement.

Clause 10

Requires the Commonwealth to provide base assistance of \$200 m. per year of which \$54 m. is by way of grants earmarked for the provision of rental housing for disadvantaged persons in accordance with Part XI, and \$146 m. is by way of loans for rental housing and home purchase assistance.

Clause 11

Makes provision for the Commonwealth to provide financial assistance additional to the base financial assistance.

Clause 12

Contains further definitions of terms used in the agreement

- (a) "base financial assistance" refers to the \$200 million provided under clause 10
- (b) "additional financial assistance" refers to additional assistance provided under clause 11
- (c) "earmarked grants" is any assistance identified for rental housing to disadvantaged categories of persons in accordance with Part XI
- (d) "untied assistance" is assistance other than earmarked grants.

Clause 13

Requires that financial assistance be allocated in accordance with the Act and is conditional on the State matching untied assistance from its own resources in accordance with Part VI.

PART VI - STATE MATCHING FUNDS

Clause 14

Requires the State to submit each year matching proposals for the Minister's agreement and identifies sources of State funds considered eligible as matching funds.

Clause 15

Provides for matching funds, other than those referred to in paragraphs 14(3)(a) and (b) which are to be spent on welfare housing programs to which the agreement applies, to be spent on welfare housing programs of the State.

Clause 16

Requires each State to submit annually a statement of expenditure of matching funds.

PART VII - FINANCIAL ASSISTANCE ARRANGEMENTS

Clause 17

Provides for consultation between the Minister and the State Ministers concerning the level of financial assistance to be provided.

Clause 18

Makes provision for financial assistance to be paid during a year by equal monthly instalments.

Clause 19

Provides the State with complete discretion in determining the apportionment of untied assistance (loans and grants) between rental housing and home purchase assistance.

PART VIII - INTEREST AND REPAYMENTS OF LOAN ASSISTANCE

Clause 20

Imposes an interest charge at the rate of $4\frac{1}{2}$ per cent per annum on loans to the States.

Clause 21

Requires loans to the States to be repaid, with interest, over 53 years.

Clause 22

Provides for procedures for the repayment of loans to be agreed between the Minister for Finance and the Treasurer of the State.

PART IX - HOME PURCHASE ASSISTANCE

Clause 23

Provides for the continuation of the Home Purchase Assistance Account established in each State under the 1978 Housing Agreement for the purposes of this agreement.

Clause 24

Identifies sources of funds to be credited to the Account.

Clause 25

Identifies the purposes for which moneys in the Account may be applied, including the making of loans to approved lending authorities (agencies) and providing interest subsidies to home purchasers.

Clause 26

Requires the State to charge interest on loans to agencies at a commencing rate of not less than 5 per cent per annum and increasing by $\frac{1}{2}$ per cent each year until a rate of 1 per cent below the Commonwealth Savings Bank rate for housing loans is achieved.

Clause 27

Enables the State to establish eligibility criteria for home purchase assistance loans.

Clause 28

Enables the State to adopt flexible lending practices for persons receiving home purchase assistance.

Clause 29

Requires the State to submit annually a statement of expenditure covering the operations of the Account.

PART X - RENTAL HOUSING ASSISTANCE

Clause 30

Identifies sources of funds available to a State for its rental housing assistance program.

Clause 31

Identifies the purposes for which rental housing assistance funds may be applied. These include the construction or acquisition of housing, urban renewal, leasing of housing, rental subsidy for eligible persons renting private housing, research, and allocation of funds to non-State Government bodies for the provision of rental housing.

Clause 32

Enables the State to establish eligibility criteria for rental housing assistance.

Clause 33

Requires the State to apply a policy of progressively moving rents, over the term of the agreement, to charging market rent.

Clause 34

Provides for the granting of rental rebates to tenants unable to afford the rent fixed for the dwelling.

Clause 35

Requires the State to report any surplus arising from rental housing operations.

Clause 36

Establishes the conditions relating to the sale of rental dwellings which are to be on the basis of a cash transaction and at market value or replacement cost.

Clause 37

Requires the State to provide annually a financial statement covering rental housing operations.

PART XI - EARMARKED GRANTS

Clause 38

Requires the Minister to identify grants as being for rental housing assistance to disadvantaged persons including pensioners as defined, Aboriginals in need of rental housing assistance, and other classes of persons declared by the Minister after consultation with State Minister to be in need of such assistance.

Clause 39

Enables the sale of rental dwellings provided with earmarked grants.

Clause 40

Requires the State to furnish annually a financial statement covering expenditure of earmarked grants.

PART XII - SUPERSESSION OF PREVIOUS HOUSING ARRANGEMENTS

Clause 41

Stipulates that the provisions of this agreement supersede the provisions of the existing Housing Agreements in relation to rental housing and home purchase assistance.

PART XIII - OBSERVANCE OF AGREEMENT

Clause 42

Requires the Commonwealth and each of the States to secure the performance of their obligations under this agreement.

Clause 43

Provides for the State to determine agencies that will administer programs on its behalf.

Clause 44

Requires a State to repay any amount which the Minister considers has not been applied in accordance with the agreement.

Clause 45

Enables the Minister to request repayment of any moneys not matched by a State in accordance with the requirements of the agreement.

PART XIV - SUPPLY OF INFORMATION

Clause 46

Requires State Ministers to provide the Minister, on request, information relevant to the operation of this agreement.

PART XV - VARIATION OF AGREEMENT

Clause 47

Enables the variation of Parts VII, IX, X, or XI. Any variation is to be tabled in Parliament.

PART XVI - REPRESENTATION AND COMMUNICATIONS

Clauses 48 to 50

These are formal clauses relating to notices and representations.

SCHEDULE TO AGREEMENT

Lists existing Housing Agreements.

SCHEDULE 2 TO BILL

Represents the percentage share of each State for the purpose of allocating financial assistance under paragraphs 9(3)(b)(i) and 9(4)(a) of the Act. The percentages are equivalent to each State's share of loans in 1980-81.

