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PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

LOCAL GOVERNMENT (FINANCIAL ASSISTANCE) AMENDMENT BILL 1989

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Immigration,
Local Government and Ethnic Affairs,
Senator the Hon Robert Ray)

LOCAL GOVERNMENT (FINANCIAL ASSISTANCE) AMENDMENT BILL 1988

GENERAL OUTLINE

The purpose of this Bill is to amend the Local Government (Financial Assistance) Act 1986.

2 The amendments are designed to insert a new 'base figure', for the purposes of the Act, for the financial year 1989/90. This is necessary because the formula determining the amount to be paid, at present in the Act is no longer appropriate because of changes agreed at the Premiers' Conference regarding general purpose payments to the States.

FINANCIAL IMPACT STATEMENT

3 The amendments will commit the Commonwealth for a specific grant of \$671 million (adjusted if necessary) for general purpose financial assistance for local government in 1989/90.

ABBREVIATIONS

4 The following abbreviations are used in this Explanatory Memorandum.

Act: Local Government (Financial Assistance) Act 1986
Bill: Local Government (Financial Assistance) Amendment Bill
 1989.

NOTES ON INDIVIDUAL CLAUSES

Clause 1: Short Title

Clause 2: Commencement

1 These amendments shall come into operation on the day they receive Royal Assent.

Clause 3: Interpretation

2 This clause inserts the new 'base figure' of \$671 million for the financial year 1989/90. The clause then, by necessity amends the Act to reflect the fact that the amounts to be provided in subsequent years are to be calculated from the adjusted base figure.

3 The clause also inserts a number of new definitions which are necessary to determine the adjusted base figure for the 1989/90 financial year. These are the definitions of 'calculation quarter' which is each quarter for the financial year of 1989/90; 'index estimate' which is the total sum of the index numbers of each calculation quarter; and 'index number' which merely repeats the existing subsection 6(8) of the Act.

Clause 4: Determination of estimated factor

4 Because of the new 'base figure', there is no need to determine an estimated factor for the year commencing July 1989, but rather for the year commencing July 1990 (and each subsequent year) instead.

Clause 5: Determination of final factor

5 As with clause 4, there is no need to determine a final factor for the financial year 1989/90, but rather for the financial year 1990 instead. In addition, as the 'index number' is now included in the interpretation section, subsection 6(8) is no longer necessary.

Clause 6: State entitlements for Local Government purposes

6 As no estimate of the factor under section 5 of the Act is to be made in respect of the financial year 1989/90, there is no need for subsection 7(10) to refer to the publication of a notice under section 5 of the Act in respect of the financial year 1989-90. The 1989/90 financial year is therefore excluded from subsection 7(10).

7 Section 7 of the Act is also amended by adding a new sub-clause, 10B, which provides that a State is entitled to the first quarterly payment for the financial year 1989/90 on or after the 15 August 1989. This is consistent with an earlier undertaking by the Government as to when payments will be made in 1989/90. In addition subsection 7(11) is amended to allow the new section 7A to take precedence.

Clause 7: Adjustment of amounts to which States are entitled
for 1989 financial year

8 This clause inserts into the Act a new section 7A which creates an adjustment factor for the 1989/90 financial year (similar in intent to the determination of the final factor in the current subsection 6(4) of the Act). The new section 7A also includes provisions similar to the current section 8 allowing for the recalculation of the original base figure and for adjustment of payments made to the States.

9 The scheme is as follows:

Once the index number is published by the Statistician in April/May 1990, the Treasurer will calculate the adjustment factor. The formula is set out in subsection 7A(2). The adjustment factor will be multiplied by the original base figure (\$671 million) to achieve the adjusted base figure. This adjusted figure will then be used to re-calculate the amount the States are actually entitled to under subsection 7(4).

When the amount is recalculated under subsection 7(4), section 7A provides the mechanism for either paying to the States any additional amount to which the States are entitled as a result of the recalculation or recovering from the States any over payment (ie the amount originally calculated by subsection 7(4) less the recalculated amount).

Clause 8: Allocation amongst local governing bodies

10 This clause includes the new section 7A in section 10 of the Act to provide that the local governing bodies must have certain characteristics before the payments under the Act can be made. It also provides that the principles applicable to a State in section 9 extend to the new section 7A.