

1985-86

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA  
HOUSE OF REPRESENTATIVES

STATES (WORKS AND HOUSING) ASSISTANCE BILL 1985

EXPLANATORY MEMORANDUM

(Circulated by Authority of the Treasurer,  
the Hon P.J. Keating MP)

## STATES (WORKS AND HOUSING) ASSISTANCE BILL 1985

## GENERAL OUTLINE AND MAIN PURPOSE OF BILL

The main purpose of the Bill is to obtain the approval of Parliament, in accordance with the arrangements agreed at the 30 May, 1985 Loan Council meeting, for:

- the payment in 1985-86 of interest free capital grants to the States of \$558,000,000 as part of the 1985-86 State Governments' Loan Council programs; and
- the payment in 1985-86, 1986-87 and 1987-88 of amounts States may nominate from their Loan Council programs (and the Northern Territory from its equivalent general purpose capital advances) as being for the purpose of public housing and payable under the concessional loan terms and conditions of the Commonwealth-State Housing Agreement.

## CAPITAL GRANTS

Grants for States' works have been made since 1970-71 in accordance with arrangements originally agreed at the

June 1970 Premiers' Conference as part of revenue assistance arrangements whereby the Commonwealth Government provides a portion of the State Governments' Loan Council programs as interest free non-repayable capital grants in lieu of loan raisings. The purpose of the capital grants is to relieve the States of debt charges they would otherwise have to pay and thus free funds for other purposes. From 1975-76 to 1984-85, capital grants each year amounted to one-third of each State Government's Loan Council program. However, at the May 1985 Loan Council meeting it was agreed that, for 1985-86 only, the capital grant would be increased by seven per cent over the amount provided in 1984-85, with a corresponding reduction in the loan portion of the program.

Accordingly, the Bill provides for grants amounting to \$558,000,000, equal to approximately 35.7 per cent of the approved Loan Council programs for the States in 1985-86, with the remainder (64.3 per cent) representing the loan portion of the programs. The Bill also authorises the payment of advances of capital grants in the first six months of 1986-87 pending passage of similar legislation in that year.

#### LOANS FOR PUBLIC HOUSING

The object of providing concessional loans for public housing of amounts nominated for that purpose by the States and the

Northern Territory is to provide an incentive for the States and the Northern Territory to increase the amounts they direct to public housing. To be eligible to nominate amounts, a State or the Northern Territory must first be able to meet its matching requirements under the Housing Assistance Act 1984.

In general, the Bill limits the amount that each State and the Northern Territory may nominate in each year over the period 1985-86 to 1987-88 to no more than 30 per cent of the loan portion of their Loan Council programs. As a transitional arrangement, both South Australia and Western Australia, which had each nominated the whole of the loan portion of their programs in 1984-85, are permitted to do so again in 1985-86. The Bill provides for this limit to fall to 60 per cent and 30 per cent of the loan portion of their Loan Council programs in 1986-87 and 1987-88, respectively.

The Bill seeks general legislative authority to make payments of amounts nominated and approved in each of the three years. Overall funds to be provided to the States and the Northern Territory under the Loan Council program were determined for 1985-86 at the 30 May, 1985 Loan Council meeting and will be determined at the relevant meetings of Loan Council for 1986-87 and 1987-88. This Bill provides for amounts nominated for public housing by the States and the Northern Territory to be made available under the

concessional terms and conditions of the Commonwealth-State Housing Agreement. The Bill authorises the payment of advances in the first six months of 1986-87 and 1987-88 of amounts nominated in respect of each of those years and, if similar arrangements are to continue in 1988-89, of advances in the first six months of that year.

The amount of the grants and the concessional loans for public housing are included in the borrowing program approved by the Loan Council for the Commonwealth Government and the Bill provides the necessary borrowing and appropriating authority.

## NOTES ON CLAUSES

## Clause 1 - SHORT TITLE

Self explanatory

## Clause 2 - COMMENCEMENT

Self explanatory

## Clause 3 - INTERPRETATION

Self explanatory

Clause 4 - GRANTS TO THE STATES DURING 1985-86 IN RESPECT OF  
CAPITAL EXPENDITURE

Sub-clause (1) in conjunction with the second column of the first Schedule to the Bill, sets out the amount payable to each State during 1985-86 as its share of the total grants of \$558,000,000 in that year. The grants are expressed as being 'in connection with expenditure of a capital nature' but there are no conditions imposed on the manner in which States may apply them.

The capital grants are distributed among the States in the same proportion as the total State Governments' Loan Council program approved at the 30 May, 1985 Loan Council meeting.

Sub-clause (1) also provides that any amounts paid in 1985-86 under the authority of section 5 of the States (Works and Housing) Assistance Act 1984 (which provided for advance payments in the first six months of 1985-86) shall have the effect of reducing the amounts payable under this Bill. The purpose of this provision is to ensure that the total capital grant paid to each State in 1985-86 is not greater than the amount payable to it as set out in the second column of the first Schedule to the Bill.

Sub-clause (2) authorises the Treasurer to approve the amounts and timing of payments making up a State's entitlements for 1985-86. This is the normal practice with respect to these and other general purpose payments to the States. In practice the grants are normally paid in equal weekly instalments.

**CLAUSE 5 - ADVANCE PAYMENTS TO THE STATES FOR 1986-87 WITH RESPECT TO CAPITAL EXPENDITURE**

This clause authorises the Treasurer to make payments to the States of capital grants during the first six months of 1986-87 pending the enactment of corresponding legislation for that year.

Column 3 of Schedule 1 to the Bill sets out the maximum payments to be made to each State under Clause 5 in 1986-87, equal in each case to one-half of the grant paid in 1985-86.

#### CLAUSE 6 - LOANS TO STATES FOR PUBLIC HOUSING

Sub-clause (1) provides for general legislative authority to make payments to the States of whatever amount, not exceeding the prescribed amounts defined in sub-clause (5), they may nominate from within their Loan Council borrowing programs in a year as being for public housing purposes in that year.

Sub-clause (2) provides for the nominated amounts to be paid under the concessional loan terms and conditions of the Commonwealth-State Housing Agreement, with the exception being that they do not have to be matched from States' own resources. These terms and conditions allow for loans to bear interest at the rate of 4.5 per cent per annum and to be repaid over 53 years.

Sub-clause (3) authorises the Treasurer to approve the amounts and timing of payments making up a State's entitlement for 1985-86. This is a similar authority to that in sub-clause 4(2) regarding the payment of capital grants.



Sub-clause (4) provides for the rounding off of the prescribed amounts in 1986-87 and 1987-88 to the nearest whole thousand dollars.

Sub-clause (5), read in conjunction with Schedule 2 to the Bill, defines the prescribed amounts which are the maximum amounts that each State may nominate as loans for public housing in each year. Its effect is that States other than Western Australia and South Australia may nominate up to 30 per cent of the loan portion of their Loan Council programs in each year. Western Australia and South Australia are each permitted in 1985-86 to nominate the full amount of the loan portion of their programs and in 1986-87, 60 per cent. In 1987-88 they will also be limited to nominating up to 30 per cent of the loan portion of their programs. The special arrangements applying to Western Australia and South Australia were agreed by Loan Council as a transitional measure because those States had each nominated the whole of the loan portion of their programs in 1984-85, whereas the other States had each nominated less than 30 per cent.

CLAUSE 7 - LOAN NOT TO BE MADE TO STATE IN CERTAIN  
CIRCUMSTANCES

This clause requires that, before a State becomes eligible to receive a concessional loan in any year under clause 6, the Treasurer must be satisfied that the State will be able to

meet its matching requirement for that year under the Housing Assistance Act 1984. The clause ensures that the States use funds from their own resources to meet the matching requirements.

**CLAUSE 8 - VARIATION OF CONDITIONS RELATING TO LOANS TO STATES**

Sub-clause (1) provides the Treasurer with the discretion to reduce or remove the concessional interest and repayment terms attached to all or part of the loan to a State if he receives advice from the Minister for Housing and Construction that the State, in a year, has not met the matching requirement under the Housing Assistance Act 1984 as required by clause 7.

Sub-clause (2) provides the Treasurer with the same discretion as under sub-clause (1) if he receives advice from the Minister for Housing and Construction that a State, in a year, has not been able to expend or commit the whole or a part of the loan made for the purpose of public housing under clause 6.

**CLAUSE 9 - ADVANCE PAYMENT TO STATE IN RESPECT OF PUBLIC HOUSING**

This clause has been included to allow for advance payments to be made to the States up to 31 December, 1986 and 1987

respectively before formal nominations of amounts have been received and/or approved and for advance payments up to 31 December 1988, if arrangements similar to those provided for in clause 6 of this Bill are to be continued in 1988-89.

Sub-clause (1) authorises the Treasurer to make loans to a State of an amount during the first six months of 1986-87, 1987-88 or 1988-89 up to an amount equal to one-half of the amount which the State was permitted to nominate in the previous year.

Sub-clause (2) authorises the Treasurer to approve the amounts and timing of advance payments in the same way as for payments made under Clause 6 of this Bill.

#### CLAUSE 10 - LOANS TO THE NORTHERN TERRITORY FOR PUBLIC HOUSING

This clause provides for arrangements for the Northern Territory analogous to those for the States under clause 6. It provides that the Northern Territory may nominate up to 30 per cent of the loan portion of the general purpose capital assistance provided to it by the Commonwealth in each year.

#### CLAUSE 11 - LOAN NOT TO BE MADE TO THE NORTHERN TERRITORY IN CERTAIN CIRCUMSTANCES

This clause provides for arrangements for the Northern Territory analogous to those for the States under clause 7.

**CLAUSE 12 - VARIATION OF CONDITIONS RELATING TO LOAN TO NORTHERN TERRITORY**

This clause provides for arrangements for the Northern Territory analogous to those for the States under clause 8.

**CLAUSE 13 - ADVANCE PAYMENTS TO NORTHERN TERRITORY IN RESPECT OF PUBLIC HOUSING**

This clause provides for arrangements for the Northern Territory analogous to those for the States under clause 9.

**CLAUSE 14 - PAYMENTS TO BE MADE OUT OF CONSOLIDATED REVENUE FUND OR FROM LOAN FUND**

The effect of this clause is to allow payments under the Bill to be made either from the Consolidated Revenue Fund or the Loan Fund.

**CLAUSE 15 - AUTHORITY TO BORROW**

This clause authorises the Treasurer to borrow an amount not exceeding the amounts payable to the States and the Northern Territory under this Bill less any amount that may have been

paid to the States or Northern Territory under sections 5 and 19 of the State (Works and Housing) Assistance Act 1984, and the expenses of borrowing.

#### CLAUSE 16 - APPLICATION OF MONEYS BORROWED

The effect of this clause is to limit the use of any funds borrowed under clause 15 to the meeting of borrowing expenses, the making of capital grants to the States, and public housing loans to the States and the Northern Territory as provided for in the Bill, and the reimbursement of the Consolidated Revenue Fund for any payments made from the Loan Fund under this legislation (see sub-clause 17(1)).

#### CLAUSE 17 - REIMBURSEMENT OF CONSOLIDATED REVENUE FUND FROM LOAN FUND

Sub-clause (1) authorises the Minister for Finance to reimburse the Consolidated Revenue Fund for payments of the grants made from it if and when loan proceeds become available.

Sub-clause (2) provides authority to enable amounts paid from the Loan Fund to the Consolidated Revenue Fund in accordance with sub-clause (1) to be shown, in the statements of receipts and expenditure of the Consolidated Revenue Fund (prepared under section 50 of the Audit Act 1901),

as deductions from expenditure from that Fund rather than receipts of that Fund. This practice is designed to ensure consistency between the Department of Finance central ledger accounts and various other statements on the financial transactions of the Commonwealth Government.

CLAUSE 18 - APPROPRIATION

This clause appropriates the Consolidated Revenue Fund and the Loan Fund for payments to be made under the Act.



