

1988

The Parliament of the Commonwealth of Australia
House of Representatives

States (Works and Housing) Assistance Bill 1988

Explanatory Memorandum

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

STATES (WORKS AND HOUSING) ASSISTANCE BILL 1988

General Outline and Main Purpose

The main purpose of the Bill is to obtain the approval of Parliament, in accordance with the arrangements agreed at the 12 May 1988 Meeting of the Australian Loan Council, for the payment in 1988-89 of:

- interest free capital grants to the States (including the Northern Territory) of \$310,504,000; and
 - amounts the States may nominate, up to the same maximum amount of \$310,504,000, as being for the purpose of public housing which are provided as loans on the concessional terms and conditions set out in the Commonwealth-State Housing Agreement.
2. The amounts payable under this Bill represent the total amount of the State Governments' Loan Council programs agreed to by Loan Council for 1988-89 and the related general purpose capital assistance to the Northern Territory. If the States nominate less than the maximum amount available as loans for public housing, the residual will be borrowed by the Commonwealth on behalf of the States under the Financial Agreement Act 1928 or in the case of the Northern Territory provided as Commonwealth loans at market rates of interest.

Capital Grants

3. 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 general 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. Similar arrangements have applied to the Northern Territory since it became self-governing in July 1978. 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. The States are not obliged to spend the grants on capital works or for any other specific purpose.

4. As agreed by Loan Council, the Bill provides that for 1988-89 one half of the total amount of the State Governments' Loan Council program and general purpose capital assistance to the Northern Territory is to be provided as capital grants. The Bill also authorises the payment of advances of capital grants in the first six months of 1989-90 pending passage of similar legislation in that year.

Loans for Public Housing

5. The object of providing concessional loans for public housing of amounts nominated for that purpose by the States is to provide an incentive for the States to increase the amounts they direct to public housing. Such concessional loans have been provided since 1982-83. To be eligible to nominate amounts, a State must first be able to meet its matching requirements under the Housing Assistance Act 1984. States are also obliged to spend the loans for public housing purposes.

6. As agreed by Loan Council, the Bill provides that for 1988-89 States may nominate as loans for public housing up to one half of the amounts of the State Governments' Loan Council program and general purpose capital assistance to the Northern Territory. The Bill also authorises the payment of advances of loans for public housing in the first six months of 1989-90 pending the passage of similar legislation in that year.

Financial Impact Statement

7. This Bill provides for the payment of up to \$621,008,000 as grants and loans to the States in 1988-89 and up to one half that amount as advance payments of grants and loans in 1989-90, to be offset against amounts provided for in legislation in respect of that year.

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 1988-89 IN RESPECT OF CAPITAL EXPENDITURE

8. Sub-clause (1), in conjunction with the second column of the Schedule to the Bill, authorises the Treasurer to make payments to each State during 1988-89 of its share of the total grants of \$310,504,000 payable 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 (see also Clause 6).

9. Sub-clause (2) provides that any amounts paid in 1988-89 to the States (excluding the Northern Territory) under the authority of section 5D of the States (Works and Housing) Assistance Act 1985 (which provide for advance payments in the first six months of 1988-89) 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 1988-89 is not greater than the amount payable to it as set out in the second column of the schedule to the Bill.

10. Sub-clause (3) makes a similar provision in relation to the Northern Territory. Capital grants to the Northern Territory have formerly been provided in Appropriation Acts. This sub-clause provides that any amounts paid as advance payments of capital grants to the Northern Territory under the Supply Act (No 2) 1988 (which are subsequently subsumed in the amounts provided in Appropriation Bill (No 2) 1988) shall also have the effect of reducing the amounts payable under this Bill.

Clause 5 - ADVANCE PAYMENTS TO STATES FOR 1989-90 IN RESPECT OF CAPITAL EXPENDITURE

11. This Clause authorises the Treasurer to make payments to the States of capital grants during the first six months of 1989-90 pending the enactment of corresponding legislation for that year.

12. Column 3 of the Schedule to the Bill sets out the maximum payments to be made to each State under Clause 5 in 1989-90, equal in each case to one half of the grant payable in 1988-89.

Clause 6 - STATES NOT BOUND TO APPLY PAYMENTS TOWARDS CAPITAL EXPENDITURE

13. This Clause clarifies the intention of the Bill that no conditions are imposed on the States with respect of the expenditure of capital grants, including that they are not necessarily required to be applied to capital expenditures.

Clause 7 - LOANS TO STATES FOR PUBLIC HOUSING

14. Sub-clause (1) provides for the Treasurer to authorise the making of payments to the States of amounts which they may nominate from the loan component of their State Governments' Loan Council programs (or in the case of the Northern Territory the loan component of general purpose capital assistance) as being for expenditure in 1988-89 for public housing purposes.

15. Sub-clause (2) provides for the nominated amounts to be paid under the concessional loan terms and conditions of the Commonwealth State Housing Agreement (an agreement entered into under the Housing Assistance Act 1984), with the exception that they do not have to be matched by expenditure from the State's own resources. These terms and conditions provide for loans to be made at an interest rate of 4.5 per cent per annum, to be repaid over 53 years in equal annual instalments of principal and interest.

16. Sub-clause (3) authorises the Treasurer to approve the amounts and timing of payments of loans to be made to a State under sub-clause (1).

Clause 8 - LOAN NOT TO BE MADE TO STATE IN CERTAIN CIRCUMSTANCES, ETC

17. This Clause requires that, before a State becomes eligible to receive a concessional loan for 1988-89 under Clause 7, the Treasurer must be satisfied that the State will meet its matching requirement for that year under the Housing Assistance Act 1984. This Clause ensures that the States use funds from their own resources to meet the matching requirements.

Clause 9 - VARIATION OF CONDITIONS RELATING TO LOAN TO STATE

18. 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 Community Services and Health that the State has not met the matching requirement for 1988-89 under the Housing Assistance Act 1984 as required by Clause 8.

19. Sub-clause (2) provides the Treasurer with the same discretion as under sub-clause (1) if he receives advice from the Minister for Community Services and Health that a State has not been able, in 1988-89, to expend or commit the whole or a part of the loan made for the purpose of public housing under Clause 7.

Clause 10 - ADVANCE PAYMENTS TO STATE IN RESPECT OF PUBLIC HOUSING

20. Sub-clause (1) authorises the Treasurer to make advance payments to the States for public housing purposes during the first six months of 1989-90 pending the enactment of corresponding legislation for that year.

21. Column 3 of the Schedule to the Bill sets out the maximum payments to be made to each State under sub-clause (1) in 1989-90, equal in each case to one half of the maximum loan which may be made in 1988-89.

22. Sub-clause (2) authorises the Treasurer to determine the terms and conditions to apply to the advance payments, which would generally be the terms and conditions expected to apply to loans made under the corresponding legislation for 1989-90.

Clause 11 - STATEMENT BY STATE IN RESPECT OF PUBLIC HOUSING

23. This Clause provides that each State will provide, by 30 November 1989, to the Minister for Community Services and Health, a statement in a form approved by the Minister and certified as to its correctness by a person appointed by the relevant State Minister, about the expenditure of the loan for public housing to be made under sub-clause 7(1). It is intended that this statement should provide details of the proposed expenditure of the loan to verify that it is to be expended for public housing purposes.

Clause 12 - PAYMENTS TO BE MADE OUT OF CONSOLIDATED REVENUE FUND OR LOAN FUND

24. 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 13 - AUTHORITY TO BORROW

25. This Clause authorises the Treasurer to borrow an amount not exceeding the amounts payable to the States under this Bill plus the expenses of borrowing, less any amount borrowed for the making of payments to the States under the corresponding section of the States (Works and Housing) Assistance Act 1985 for the purpose of making advance payments to the States for 1988-89.

Clause 14 - APPLICATION OF MONEY BORROWED

26. The effect of this Clause is to limit the use of any funds borrowed under Clause 13 to the meeting of borrowing expenses, the making of payments to the States as provided for in this Bill, and the reimbursement of the Consolidated Revenue Fund for any payments made from the Loan Fund under this Bill (see sub-clause 15(1)).

Clause 15 - REIMBURSEMENT OF CONSOLIDATED REVENUE FUND FROM
LOAN FUND

27. Sub-clause (1) authorises the Minister for Finance to reimburse the Consolidated Revenue Fund for payments made under the Bill, or under the advances provisions of the States (Works and Housing) Assistance Act 1985, from the Loan Fund if and when proceeds become available.

28. 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 financial statements prepared for submission to the Auditor-General under the Audit Act 1901 as deductions from expenditure of 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 16 - APPROPRIATION

29. This Clause appropriates the Consolidated Revenue Fund and the Loan Fund for payments to be made under the Bill.

Clause 17 - DELEGATION BY TREASURER

30. This Clause allows the Treasurer to delegate to an officer of the Department of the Treasury his power to determine the times and amounts of payments to be made under this Bill and the terms and conditions of advance payments for public housing in 1989-90. This will facilitate the timely making of payments in accordance with arrangements agreed with the States. In general the payments provided for in this Bill are made to the States in equal weekly instalments.