



**BILLE CHISTE NA nIASACHTAÍ ÁITIÚLA (LEASÚ), 1987**  
**LOCAL LOANS FUND (AMENDMENT) BILL, 1987**

**EXPLANATORY MEMORANDUM**

1. The purpose of the Bill is to empower the Minister for Finance to write-off amounts outstanding on loans advanced from the Local Loans Fund (LLF) in order to simplify the system for financing capital programmes operated by local authorities.

2. The LLF, which is funded from the Exchequer, is a channel for the provision of loan capital to local authorities, mainly loans for the construction of houses, mortgages for house purchase and sanitary services programmes. In the past the LLF also financed some capital programmes of health authorities and vocational education committees.

3. Owing to the expansion in programmes and the consequent increase in the burden of repayments it has become necessary over the years to provide a loan charges subsidy in many cases to enable the local authorities to meet their repayments. The result is that, to a great extent, advances from the Fund are loans in name only. For example the loan charges for local authority house construction are fully subsidised (100 per cent. since 1977) and the rate of standard subsidy for sanitary services programmes ranges from 40 per cent. to 60 per cent. In so far as any residue of loan charges on subsidised services remains as a local authority liability the authorities can draw on the rate support grant to meet that residual charge. In effect the Exchequer meets the entire cost of repayments to the LLF in respect of subsidised services but the present system involves a series of circular payments and extra administration costs.

4. In order to eliminate the circuit and reduce the cost of administration it has been decided to alter the system by substituting capital grants for subsidised loans in the future. This change of itself will have no effect on the amount of funds available from the Exchequer each year for local capital programmes. Neither will it involve any extra cost on the Exchequer. Obviously where a grant replaces a subsidised loan with a 100 per cent. loan charges subsidy the cash position remains the same. Where a grant replaces a loan which was *partially* subsidised the rate support grant will be adjusted to reflect the reduced debt burden on local authorities under the new situation. Unsubsidised loans for house purchase will continue to be provided through the LLF.

5. In consequence of the change it will be necessary to waive repayment of the amounts outstanding on existing subsidised loans. This does not result in any loss of public funds because under the present system a major proportion of those repayments are subsidised by the Exchequer in any event and, in so far as local authorities are now being released from the repayment of the balance, the rate support grant will be reduced by a corresponding amount.



6. Section 1 provides that the Minister for Finance may waive the repayment of any unpaid balance (including interest) on a loan advanced from the LLF.

Section 2 provides that a statement of such waivers shall be laid before each House of the Oireachtas from time to time.

Section 3 provides for consequential amendments in two other Acts which have sections dealing with the writing off of sums outstanding on loans from LLF.

*An Roinn Airgeadais,  
Meán Fómhair, 1987.*

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