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| FRD 20A |  |  | Accounting for State Motor Vehicle Lease Arrangements prior 1 February 2004 (November 2005) |
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| Purpose |  | 1.1 | To document the decision that the Master Lease Agreement with the Commonwealth Bank of Australia (CBA) should be classified as a finance lease in the financial reports of the Department of Treasury and Finance (DTF) and the State of Victoria, and that the arrangements made between DTF and other public sector agencies before 1 February 2004 constitute operating leases. |
| Application |  | 2.1 | Applies to all entities defined as either a public body or a department under section 3 of the *Financial Management Act* 1994 (FMA). |
| Operative date |  | 3.1 | * **Reporting periods commencing 1 July 2005.** * **This FRD will apply to all motor vehicle lease arrangements entered into before 1 February 2004 until the expiry or termination of those arrangements.** * **FRD 20 Accounting for State Motor Vehicle Lease Arrangements prior 1 February 2004 is withdrawn effective 1 July 2005.** |
| Requirements |  | 4.1 | DTF is to classify the CBA Master Lease Agreement for Motor Vehicles as a finance lease, with financial transactions recognised and disclosed in the financial report in compliance with the AASB 117 requirements for finance leases. |
|  |  | 4.2 | Sub leases under this agreement entered into before 1 February 2004 between DTF and other public sector agencies are to be recognised and disclosed by DTF as operating leases in compliance with AASB 117. |
|  |  | 4.3 | All public sector agencies other than DTF are to classify the CBA Master Lease Agreement for Motor Vehicles as an operating lease, with financial transactions recognised and disclosed in their financial reports in compliance with the AASB 117 requirements for operating leases. |
| Definitions |  | 5.1 | Public sector agencies – any public body as defined in section 3 of the FMA or any Government Department. |
| Guidance |  | 6.1 | For all public sector agencies other than DTF, refer to *Commitments* note in the most recent Model Financial Report for Victorian Government Departments for guidance on disclosure.  Refer to FRD 26 *Accounting for State Motor Vehicle Lease Arrangements on or after 1 February 2004* for lease arrangements entered **on or after** 1 February 2004. |
| Relevant pronouncements |  | 7.1 | AASB 117 *Leases* (July 2004). |
| Background |  | 8.1 | On 3 July 1997, the State of Victoria sold the majority of its motor vehicle fleet and entered into a Master Lease Agreement with CBA to enable public sector agencies to lease and replace vehicles under a short-term operating lease for each vehicle.  In October 2003, Cabinet endorsed the termination and wind-down over time of the existing CBA motor vehicle lease facility, and its replacement by a new internally managed VicFleet Lease Facility. Motor vehicle leasing arrangements entered into before 1 February 2004 continued to operate under the CBA motor vehicle lease facility.  Existing motor vehicle leasing arrangements entered before 1 February 2004 will continue to operate until the expiry or termination of those arrangements. |