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| FRD 26B |  |  | Accounting for VicFleet motor vehicle lease arrangements on or after 1 February 2004 (May 2017) |
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| Purpose |  | 1.1 | To document the decision that the motor vehicle leasing arrangements made between VicFleet and public sector agencies under the VicFleet Lease Facility on or after 1 February 2004 constitute finance 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 2016.  This FRD will apply to all motor vehicle lease arrangements under the VicFleet Lease Facility entered into on or after 1 July 2016.  FRD 26A *Accounting for VicFleet motor vehicle lease arrangements on or after 1 February 2004* is withdrawn effective 1 July 2016. |
| Requirements |  | 4.1 | Arrangements between VicFleet and public sector agencies under the VicFleet Lease Facility are to be recognised and disclosed by both VicFleet and public sector agencies as finance leases in compliance with the AASB 117 *Leases* requirements for finance leases.  VicFleet must comply with the finance lease recognition and disclosure requirements of a lessor in accordance with AASB 117.  Public sector agencies must comply with the finance lease recognition and disclosure requirements of lessees in accordance with AASB 117. |
| Definitions |  | 5.1 | **Public sector agencies** is any public body as defined in section 3 of the FMA or any Government Department. |
| Guidance |  | 6.1 | Refer to ‘Implementing the Recommended TCV Facility Arrangements and subsequent Accounting for Leases’. |
|  |  | 6.2 | Refer to Financial Reporting Operations Framework (FROF) 2.4 *Accounting for motor vehicle leasing*. |
| Relevant pronouncements |  | 7.1 | AASB 117 *Leases* (July 2004). |
| Background |  | 8.1 | In October 2003, Cabinet endorsed the termination and wind-down over time of the existing motor vehicle lease facility with the Commonwealth Bank of Australia, and its replacement by a new internally managed VicFleet Lease Facility. Under the new arrangements, public sector agencies would be directly responsible for all the risks and benefits of operating their motor vehicles. VicFleet as the operational arm of DTF will act as the lessor. |
|  |  | 8.2 | This FRD was first issued in November 2005. It was revised in:   * May 2017 to update references to the Financial Reporting Operations Framework (FROF) which replaced the Budget and Financial Management Guidances (BFMGs) from 1 July 2016. |