

MINISTER FOR AGRICULTURE AND FOOD — PORTFOLIOS —
2014–15 ANNUAL REPORT ON STATE FINANCES — LEASES

5595. Mr W.J. Johnston to the minister representing the Minister for Agriculture and Food:

I refer to Note 3: Summary of Significant Accounting Policies, and specifically to sub-note (r) Leases on page 81 of the Annual Report of State Finances 2014–15, and I ask:

- (a) for each agency in the Minister’s portfolio, please detail each finance lease that has been entered into since 8 September 2008 and currently in force for each agency;
- (b) for each such lease, please specify the specific infrastructure or property, plant or equipment that has been financed by such a lease, what value was assigned to that infrastructure or property, plant or equipment at the time the lease was created, and what is the current value of that infrastructure or property, plant or equipment;
- (c) for each such lease, who is the counter party for each lease, and on what date did each lease come into force, and when is it expected that the lease will expire;
- (d) what was the original value of each such lease, and what is the current value of each lease;
- (e) for the specific infrastructure or property, plant or equipment financed by each such lease, what is the expected value of the item at the expiration of the lease;
- (f) for each such lease, is there an obligation to make a “balloon” or similar payment at the expiration of the lease, and if so, what is the value of any such payment, and when is it due to be made; and
- (g) what is the “interest rate implicit in the lease” for each such lease?

Mr J.M. Francis replied:

In relation to the definition of ‘finance lease’ – the following appears in the Annual Report on State Finances (ARSF) (p. 174 of the 2014–15 ARSF):

“Finance lease – Lease agreements that transfer substantially all the risks and benefits relating to ownership of an asset from the lessor (legal owner) to the lessee (party using the asset). For example, public sector agencies often lease buildings and vehicles, and record such leased assets on the balance sheets. All related costs and the total remaining lease liability is also recorded in the financial statements. Depending on the nature of the arrangement, Public Private Partnerships may be recognised as finance lease arrangements. Finance leases are treated as government debt on the State’s balance sheet.”

This definition is based on Australian Accounting Standard AASB 117: Leases. The first sentence encapsulates the meaning of the term which is unambiguous.

However, whether a particular lease is or isn’t a finance lease is a call made by the agency CFO based on accounting standards, perhaps in consultation with the auditor and/or in receipt of professional accounting advice if there are complex definitional matters that help interpretation. However, if an agency has declared an item as a ‘finance lease’ in its books, then it will fit the definition in the first sentence above.

The Department of Agriculture and Food advises:

- (a) DAFWA has entered into one financial lease on 8/3/2016 for a 24 month period for vehicle registration IQBO321 (Toyota Landcruiser). Lease expiry is 15/3/2018.
- (b) Vehicle: 2010 Toyota Landcruiser 80 series (4.5 litre turbo diesel), Cab Chassis. Value at the time the lease was created \$43,423.44. Current value of the vehicle is \$58,240 (red book value).
- (c) The lease came into force between State Fleet with SG Fleet as the contract manager on the 15/3/2016 and will expire on 15/3/2018.
- (d) The original and current value of the lease is \$43,423.44.
- (e) Expected value of the vehicle at lease end \$53,000.
- (f) The financial lease that was entered into had no balloon type payments at the end of the lease.
- (g) There is no interest rate implicit in the lease.

The Department of Transport advises:

- (a) Nil.

(b)–(g) Not applicable.

Main Roads Western Australia advises:

(a) Nil.

(b)–(g) Not applicable.

The Public Transport Authority advises:

(a) Nil.

(b)–(g) Not applicable.

The Southern Ports Authority advises:

(a) Nil.

(b)–(g) Not applicable.

The Kimberley Ports Authority advises:

(a) Nil.

(b)–(g) Not applicable.

The Pilbara Ports Authority advises:

(a) Nil.

(b)–(g) Not applicable.

The Fremantle Ports Authority and the Mid-West Ports Authority advises:

[See tabled paper no 4752.]