

Senate Finance and Public Administration Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Finance and Administration Portfolio

Department of Finance and Administration

Additional Estimates Hearings 2002-2003 – 11 February 2003

Question: F12

Outcome 1 - Sustainable Government Finances, Output 1.1.2 - Financial Reporting

Topic: Operating lease commitments

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Senator Conroy asked:

I am wondering, Minister, whether you can explain the rationale behind operating lease commitments increasing by \$4.7 billion or 270 per cent between 1996 and 2002?

Answer:

Operating lease commitments do not represent a single year's expense, rather they are an obligation or undertaking to make payments to other entities that exist at the end of the reporting period and have not been recognised as liabilities in the Statement of Financial Position. Such commitments commonly extend over more than one accounting period.

The increase in operating lease commitments is largely accounted for through the use of operating leases for IT services and the provision of office accommodation. Such lease arrangements have correspondingly reduced the demand for capital expenditure that would otherwise have been required.