



Asset Depreciation Policy

Policy Type:	Policy		
Approved By:	Council	Decision No:	2013/2041, 2015/0681, 2017/2172, 0232/2019, 1053/2021
Approval Date:	25 November 2013	Last Reapproval Date:	26 July 2021
Review Date:	July 2023	Internal Reference No.:	
Department:	Business Excellence	Division:	Financial Services
Function:	7 – Financial Management	Responsible Officer:	Manager Financial Services

A – PREAMBLE

1. The Accounting Standard AASB 116 – Property, Plant & Equipment prescribes the accounting treatment for property, plant and equipment so that users of the financial report can discern information about an entities investment in its property plant and equipment and the changes in such investment. One of the principal issues in accounting for property, plant and equipment is how a recognised asset is to be depreciated, taking into consideration its cost /fair value, it’s remaining useful life, any residual value at the conclusion of its useful life and the depreciation method by which the consumption of the assets economic benefits are consumed. This can have significant implications for the operating result of the Council.

B - SCOPE

1. This policy directs those Council officers who are charged with accounting for Councils assets and related purposes.

C – POLICY PURPOSE/OBJECTIVES

1. This policy specifies what depreciation method, is to be applied to Councils assets.

D - DEFINITIONS

1. *Property, plant and equipment* – Tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one accounting period.
2. *Recognition* – The cost of an item of property, plant & equipment shall be recognised as an asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably.
3. *Fair Value* – The price that would be received to sell an asset in an orderly transaction between market participants at the measurement date”¹.

¹ AASB 0013 Fair Value Measurement; paragraph 9

4. *Cost* - The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.
5. *Depreciation* – The systematic allocation of the depreciable amount of an asset over its useful life
6. *Depreciable Amount* – The cost / fair value of an asset, or other amount substituted for cost / fair value, less its residual value.
7. *Residual Value* – The amount that the Council would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
8. *Useful Life* – The period over which an asset is expected to be available for use by the Council; or the number of production or similar units expected to be obtained from the asset.

E - POLICY STATEMENT

1. AASB 116 Property, Plant and Equipment, states that the depreciation method used by an organisation to depreciate an item of Property, plant and equipment shall reflect the pattern in which the assets future economic benefits are expected to be consumed.
As such, Council has elected to use the straight line depreciation methodology for all its assets on the basis that the economic benefits provided by the assets (the service provided), are generally used in a consistent manner throughout the useful life of the asset. This methodology results in a constant depreciation charge over the useful life of the asset, provided that the asset's useful life or residual values do not change.
2. Estimates for useful lives, asset measurements, conditions and residuals used to calculate depreciation charges are based on information derived from the prior knowledge and experience of asset managers and the audit and inspection of assets conducted by both officers of Council and appropriately experienced external parties.
3. Councils applied depreciation methods and estimates for asset useful lives and residual values are reviewed on an annual basis to ensure their continued relevance and appropriateness in accordance with Australian Accounting Standards.

F - LEGISLATION

1. Local Government Act 1999
2. Local Government (Financial Management) Regulations 2011.

G - REFERENCES

1. AASB 13 – Fair Value Measurement
2. AASB 116 – Property, Plant & Equipment
3. AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors
4. UIG 1030 – Depreciation of Long Lived Physical Assets

H - ASSOCIATED POLICIES

Document Control

Document ID	Asset Depreciation Policy
Prepared by	Matthew Coldwell
Version	5
Document Status	Endorsed
Issue Date	