



# Depreciation Policy

Policy Reference Number	53CP
Responsible Department	Corporate Services
Related Policies	Budget Preparation Policy, Budget Review Policy, Internal Control Policy
Related Procedures	Asset Capitalisation
Date of Adoption	7 September 2010
Revised	

## 1. Purpose

The objective of this policy is to set out the methodology used by Council in determining and calculating depreciation for the purposes of meeting its financial reporting requirements. Financial reporting in the context of this Policy includes but is not restricted to the preparation and presentation of the [Annual Financial Statements](#), the [Annual Budget, budget reviews](#) and the [LTFP \(Long Term Financial Plan\)](#).

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## 2. Power to Make the Policy

Section 127 of the Local Government Act 1999 requires Council to prepare a set of financial statements for each financial year, while section 13 of the Local Government (Financial Management) Regulations 2011 prescribes Councils to prepare their financial statements in accordance with the requirements of the Model Financial Statements.

The [Statement of Comprehensive Income](#), which comprises part of the suite of prescribed financial statements, requires disclosure of the annual depreciation expense each financial year. Accumulated depreciation associated with these assets is to be recorded within the Balance Sheet.

AASB 116 *Property, Plant and Equipment* of the Australian Accounting Standards, sets out the accounting treatment Council is to follow in regards to calculating and reporting depreciation.

## 3. Strategic Plan Link

This Policy has the following link to Council's Strategic Plan [2010-2020](#):

### Goal 2 – Leadership

A Council providing strong leadership and [excellent service delivery](#).

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## 4. Principles

The Depreciation Policy has been established to ensure that:

- Asset values, and therefore depreciation, are recorded in accordance with the Australian Accounting Standards.
- Users have an increased level of confidence in the asset related financial information provided by Council.

## 5. Definitions

The following definitions are based on those provided in AASB 116 *Property, Plant and Equipment*.

**Carrying amount** – the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

**Depreciable amount** – the cost of an asset, or other amount substituted for cost, less its residual value.

**Depreciation** – the systematic allocation of the depreciable amount of an asset over its useful life.

**Residual value** – the estimated amount that an entity 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.

**Useful life** – the period over which an asset is expected to be available for use by an entity or the number of production or similar units expected to be obtained from the asset by the entity.

## 6. Policy

### 6.1 Depreciation Method

6.1.1 Each component of an asset held in Council's asset register, excluding land, will be depreciated separately to reflect the differing useful lives relating to each component of a depreciable asset. Any residual parts not comprising a specific component of a depreciable asset will also be depreciated.

6.1.2 The method of depreciation applied to each asset shall be reviewed at the end of each financial year and adjusted where necessary to reflect the most recent assessment of the asset's useful life.

6.1.3 Council uses straight line depreciation for all assets, as it is expected that the service (economic benefit) provided by the asset will be consumed in a uniform manner throughout its useful life. Under the straight line method the allocation of the depreciation expense is consistent over the useful life of the asset, provided the asset's [fair value](#), residual value or useful life does not alter.

6.1.4 The useful lives for the various asset classes are set out in Appendix 1, and are based on the best information relating to Council at the time of reviewing this policy.

### 6.2 Depreciable Amount

6.2.1 The depreciable amount of an asset will be allocated over its useful life in accordance with the depreciation method.

6.2.2 To assist in determining the depreciable amount, the residual value of an asset shall be reviewed at the end of each financial year. Where the residual value requires change, an adjustment shall be reflected in the asset's depreciable amount.

6.2.3 Where the residual value is equal to or greater than the asset's carrying amount, no further depreciation will be charged.

### 6.3 Period of Depreciation

6.3.1 The calculation of depreciation will commence where the asset is capable of being used for its intended purpose.

6.3.2 The calculation of depreciation will stop where an asset is held for sale or is fully depreciated.

### 6.4 Revaluations and Accumulated Depreciation

6.4.1 Where an asset is revalued, the gross amount of accumulated depreciation is restated in proportion to the gross carrying amount of the asset such that its carrying amount equals its revalued amount.

6.4.2 Revaluations shall be undertaken with sufficient regularity [in an attempt](#) to ensure that the carrying amount of the asset does not differ materially from its fair value at reporting date.

### 6.5 Impairment

6.5.1 Assets subject to depreciation will be reviewed for impairment annually and where events or circumstances occur that indicate that their carrying amount may not be recoverable.

6.5.2 The tests applied to determine whether an asset is impaired and the subsequent accounting treatment will be undertaken in accordance with AASB 136 *Impairment of Assets*.

6.5.3 Where the recoverable amount of the asset is less than its carrying amount, the carrying amount shall be reduced to its recoverable amount (an impairment loss). This impairment loss shall be recognised immediately in Council's [Statement of Comprehensive Income](#), unless the asset is carried at a revalued amount.

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6.5.4 Where the impairment loss relates to a revalued asset, the impairment is firstly offset against its revaluation reserve balance. Any remaining impairment loss shall be recognised immediately in Council's [Statement of Comprehensive Income](#).

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6.5.5 After recognising the impairment loss, the depreciation charge shall be adjusted by taking into account the revised carrying amount, residual value and remaining useful life.

### 6.6 Reversal of an Impairment Loss

6.6.1 At subsequent reporting dates, any impairment losses previously recognised shall be assessed to determine if they still exist or have decreased.

6.6.2 Where the reversal of an impairment loss is required, the reversal shall be recognised immediately in Council's [Statement of Comprehensive Income](#), unless the asset is carried at a revalued amount.

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6.6.3 Where the reversal of an impairment loss relates to a revalued asset, the portion of the impairment previously recognised in Council's [Statement of Comprehensive Income](#) shall be reversed. The remaining impairment loss reversal shall be added to the asset's revaluation reserve balance.

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6.6.4 After recognising the reversal of the impairment loss, the depreciation charge shall be adjusted by taking into account the revised carrying amount, residual value and remaining useful life.

## 7. Review & Evaluation

This Policy will be reviewed annually. The Chief Executive Officer will report to Council on the outcome of the review and make recommendations for amendment, alteration or a substitution of a new Policy if considered necessary.

## 8. Availability of the Policy

This Policy will be available for inspection at Council's principal office during ordinary business hours and at Council's website [www.campbelltown.sa.gov.au](http://www.campbelltown.sa.gov.au). Copies will also be provided to interested members of the community upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.

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Appendix 1: Useful lives by Asset Class

Asset Class	Useful Life
<b>Buildings</b>	
Superstructure	40 to 60 years
Roof	40 to 60 years
Fire	20 to 40 years
Mechanical	25 years
Floor	15 to 40 years
Transportation Services	<u>40 years</u>
<b>Infrastructure</b>	
Road Pavement	<u>45</u> to <u>80</u> years
Road <u>Surface</u>	<u>10</u> to 50 years
Kerb & Gutter	40 to <u>80</u> years
Footpaths	<u>10</u> to <u>40</u> years
Closed Drainage	100 years
<u>Open Channel</u>	<u>30</u> to 100 years
Bridges	<u>50</u> to <u>80</u> years
Library Stock	2 to <u>15</u> years
Plant & Equipment	<u>2</u> to <u>30</u> years
Furniture & Fittings	5 to <u>20</u> years
<b>Other Assets</b>	
<u>Irrigation</u>	<u>40</u> years
<u>Fences</u>	<u>25</u> to <u>40</u> years
Playground <u>Equipment</u>	<u>25</u> years
Playing Courts	<u>25</u> years
Lighting	<u>40</u> years
<u>Shade</u> Structures	<u>40</u> years

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Bridges-Timber	25 years
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Other	7 to 50 years
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