

## Appendix B

### Depreciation Calculations: Data Quality Issues and Improvement Actions

Element	Description	Quality Issues	Improvement Actions
<b>Quantity</b>	Number of assets (usually expressed in terms of a 'unit', e.g. m <sup>2</sup> )	<ul style="list-style-type: none"> <li>- Not all assets included in asset register</li> <li>- Asset registers include assets that do not exist / no longer possessed by Council</li> <li>- Asset registers include assets that do not belong to Council</li> </ul>	<ul style="list-style-type: none"> <li>- Review asset registers</li> <li>- Asset data capture</li> <li>- Have and follow procedures for asset recognition</li> <li>- Have and follow procedures for asset disposal</li> </ul>
<b>Unit Cost</b>	Cost of individual asset (\$/unit)	<ul style="list-style-type: none"> <li>- Unit rates vary from year to year (<i>e.g. price of oil affects price of asphalt</i>)</li> <li>- Construction methods vary by asset (<i>not all assets of the same type were created equal</i>)</li> <li>- Improvements in asset technology (<i>reducing or increasing unit costs</i>)</li> <li>- 'Greenfield' valuation vs. 'brownfield' renewal (<i>issue between the cost of renewal in a valuation vs. real life costs</i>)</li> </ul>	<ul style="list-style-type: none"> <li>- Review unit rates each year</li> <li>- Have sufficient number of unit rates to cover various asset replacement scenarios</li> <li>- Adjust unit rates to ensure that asset renewal costs reflect modern equivalent assets (or the type of asset that will be replaced, e.g. bluestone lanes)</li> <li>- Note that valuations are based on 'greenfield' costs and do not include allowances for working in 'live' environments.</li> </ul>
<b>Useful Life</b>	How long the asset will remain in service (in years)	<ul style="list-style-type: none"> <li>- Asset lives can be inaccurate as many assets have not 'lived' a full life (<i>e.g. Council has concrete drainage pipes which were constructed in 1901 which are still in good condition</i>)</li> <li>- Asset lives are based on estimated average levels of use (<i>actual use varies from asset to asset</i>)</li> </ul>	<ul style="list-style-type: none"> <li>- Review asset lives each year</li> <li>- Undertake condition inspections on regular basis to monitor performance and measure life estimates.</li> <li>- Measure asset usage (to better estimate consumption)</li> <li>- Undertake maintenance to achieve design life</li> <li>- Split asset types and assign different lives where significant differences in use exist</li> <li>- Improve understanding of asset failure modes</li> </ul>