



GUIDELINES FOR FINANCIAL APPRAISAL

This Circular advises Government agencies (including State Owned Corporations) that they must comply with the updated *Financial Appraisal Guidelines* (TPP 07-4) released in July 2007. These *Guidelines* have been updated to reflect the Government's asset management and procurement policy requirements, identify situations requiring routine financial appraisal submission to Treasury and provide improved guidance for calculating discount rates.

Summary:

The *Guidelines for Financial Appraisals* (TPP 07-4) were issued recently by NSW Treasury in July 2007. These *Guidelines* provide a consistent approach to the financial assessment of potential projects across all public sector organisations drawing on best practice methods in the private sector. This document supersedes the previous *Guidelines for Financial Appraisal* (TPP97-4) but does not contain any significant technical amendments from the 1997 version. The 2007 *Guidelines* were developed in consultation with relevant agencies.

The Financial Appraisal Guidelines apply to capital projects undertaken by Government businesses¹ and all General Government agency projects which involve a financing decision. These Guidelines apply to State Owned Corporations through a specific reference in their Statement of Corporate Intent.

Financial appraisals should be undertaken as part of an agency's normal management practice and are required to support the business case for all relevant projects valued at over \$1 million. Preliminary financial appraisals must be completed during proposed option evaluation and updated at the project definition stage as an integral business case component.

The *Guidelines for Financial Appraisal* are designed to be read in conjunction with the *NSW Government Guidelines for Economic Appraisal, Working with Government – Guidelines for Privately Financed Projects, Total Asset Management Policy* and *NSW Government Procurement Policy*. Government businesses must also be guided by the policies and guidelines of the *Commercial Policy Framework*.

Agencies are advised to familiarise themselves with the Guidelines, which become effective on this Circular's date of issue.

John Pierce
Secretary

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¹ Public Trading Enterprises, Public Financial Enterprises and non-Budget dependant General Government agencies to which the *Commercial Policy Framework* applies.