

Financial Distribution Policy for Government Businesses

This circular advises Government businesses under the Commercial Policy Framework (including State Owned Corporations) of the release of the revised *Financial Distribution Policy* (TPP 14-04) which is to apply to financial distributions payable in 2013–14 and thereafter.

Summary:

The *Financial Distribution Policy for Government Businesses* outlines the NSW Government's expectation for the payment of dividends. A key purpose of the policy is to ensure that the NSW Government receives an appropriate return on its equity investment in its portfolio of Government businesses in the form of dividend payments or capital repayments.

A revised *Financial Distribution Policy for Government Businesses* TPP14-04 has been released. It supersedes and withdraws the previous version TPP09-6. This policy will apply to financial distributions payable in respect of the 2013–14 financial years and financial years thereafter.

The revised Financial Distributions Policy adopts many of the existing aspects of the policy, however, makes the following variations to its application:

- the SCI or SBI is taken to establish the dividend policy to apply for the year (and forecast years) and sets a target dividend for each business
- the present obligation to pay a dividend is established in May of each financial year through a process of formal recommendation and acceptance of a dividend, where:
 - the board recommends a dividend to shareholders and states the basis for the recommendation
 - Shareholder ministers may either accept or vary the recommendation

The policy has been updated to clarify the mechanics of negotiating dividends between the shareholding Ministers and the board and/or management, with NSW Treasury acting as the shareholding Minister's advisor during this process. It also defines Distributable NPAT as a basis for determining the profit available for distributions and the constraints to the payment of dividends.

The principles and practices of the policy will apply to commercial business units of general government agencies, which were previously excluded from coverage of the policy.

This circular withdraws and supersedes Treasury Circular NSWTC 09-11 *Financial Distribution Policy* and NSWTC 10-16 *Accounting for Dividends*.

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