



OFFICE OF THE HEAD OF DEPARTMENT

Our Ref: 11/6/13/6
Enquiries: Mr F. Cassimjee
Date: 07 July 2016

**TO: MAYORS
MUNICIPAL MANAGERS
CHIEF FINANCIAL OFFICERS
KWAZULU NATAL MUNICIPALITIES**

PROVINCIAL TREASURY CIRCULAR TC/RM 1 OF 2016/17

UNIFORM FINANCIAL RATIOS AND NORMS

Purpose

The purpose of this Circular is to appraise municipalities on the implementation of National Treasury MFMA Circular No. 71 – Uniform Financial Ratios and Norms issued in January 2014 (the Circular).

Background

National Treasury issued MFMA Circular No. 71 – Uniform Financial Ratios and Norms in January 2014, the purpose of which was “to provide a set of uniform key financial ratios and norms suitable and applicable to municipalities and municipal entities. Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities.”

“The Circular creates a uniform categorisation of ratios, standardising formulas and inputs, providing guidance on norms and interpretation of the financial ratio analysis, as applicable to Municipalities and Municipal Entities.” As part of the implementation of the Circular, National Treasury indicated that “the ratios and norms provided in this Circular and elaborated in the annexures are to be understood in an aspirational context and utilised as soon as possible to enable municipal councils to commence with the process of introducing measures to address areas needing attention. Municipalities and Municipal Entities should take advantage of the transition period, covering the medium term, to allow for progressive improvements of their own status against the ratios and norms.”

The transitional period for the implementation of the Circular has now lapsed.

Implementation

Municipalities are required to commence immediately with the population of the attached Template for Calculation of Uniform Financial Ratios and Norms 2013/14 Restated (the ratio template) utilising the 2014/15 audited annual financial statements.

The ratio template contains worksheets for the following financial years,

- a) 2013/14 (Restated) – This should be populated using the restated 2013/14 figures from the 2014/15 audited annual financial statements;
- b) 2014/15 (Audited) – This should be populated using the 2014/15 figures from the 2014/15 audited annual financial statements; and
- c) 2015/16 – 2019/20 (Projections).

As a matter of priority, municipalities need to complete the 2013/14 and 2014/2015 financial years worksheets. The worksheets for 2015/16 to 2019/20 at this stage do not require completion.

The ratio template for the municipality should be named as follows; Municipality Code_Ratios_2016 (eg. KZN211_Ratios_2016).

Conclusion

Upon completion of the ratio template for 2013/14 and 2014/15, municipalities are to submit the completed ratio template to National Treasury at mfma@treasury.gov.za and copy the KwaZulu-Natal Provincial Treasury at mfma@kzntreasury.gov.za.

Yours faithfully



M.L.S. MAGAGULA

HEAD OF DEPARTMENT: PROVINCIAL TREASURY

cc J Hattingh, National Treasury

TV Pillay, National Treasury

V Maharaj, Business Executive (Auditor General)