



treasury

Department
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HEAD OF DEPARTMENT

Our Ref: 11/6/13/6
Enquiries: Mr F. Cassimjee
Date: 10 April 2018

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

PROVINCIAL TREASURY CIRCULAR PT/MF 11 OF 2017/18

UNIFORM FINANCIAL RATIOS AND NORMS

Purpose

The purpose of this Circular is to appraise municipalities on the process to follow upon completion and submission of their 2016/17 Uniform Financial Ratios and Norms template (the ratio template) to National and the Provincial Treasury.

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.

Implementation

Municipalities and their related entities were required to complete the 2016/17 ratio template using their 2016/17 Audited Annual Financial Statements, and submit it to the MFMA help desk (MFMA@treasury.gov.za) and copied to the Provincial Treasury by no later than 30 January 2018. To date, not all municipalities and their related municipal entities have complied in this regard.

Upon completion of the ratio template for 2016/17 and 2015/16 (restated), municipalities and their related entities are to:

1. Submit the completed ratio template to the MFMA help desk (MFMA@treasury.gov.za) and copied to the Provincial Treasury at mfma@kzntreasury.gov.za;
2. Table their 2016/17 financial ratios results with interpretation and explanations to the Council's Finance Committee, your MPAC and the next Council meeting to inform Councillors of the results;
3. The Council take resolutions to implement measures to address gaps and weaknesses. Corrective measures are to be announced in the next MTREF (2018/19) budget; and
4. Submit copies of the applicable council resolutions to the Provincial Treasury at mfma@kzntreasury.gov.za.

Conclusion

Municipalities and their related entities who have not completed and submitted their 2016/17 ratio template are requested to comply by **19 April 2018**. The Table below shows the names of the municipalities and their related entities according to our records in the province who had at the date of issuing of this Circular not submitted their 2016/17 ratios template to the Provincial Treasury.

Municipalities and municipal entities with outstanding 2016/17 ratio templates submissions:

No.	Municipalities	No.	Municipalities	No.	Municipalities entities
1	uMdoni LM	8	uMvozi LM	1	Sisonke Economic Development Agency (DC43)
2	Ugu DM	9	Newcastle LM	2	Ugu South Coast Development Agency (DC43)
3	Mpoofana LM	10	eDumbe LM	3	Uthukela Water (Pty) Ltd (KZN252)
4	iMpendle LM	11	AbaQulusi LM	4	uThungulu fresh produce market (DC28)
5	Mkhambahini LM	12	Nongoma LM	5	Umhloosini Development Agency (DC27)
6	iNkosi Langatibalele LM	13	Ulundi LM	6	Ugu South Coast Tourism (DC21)
7	uMsinga LM	14	uMkhanyakude DM		

Source: KZN Provincial Treasury

Your cooperation in ensuring that all processes required by your municipality in this regard are complied with will be greatly appreciated.

Yours faithfully



Mr L.S. MAGAGULA

HEAD OF DEPARTMENT: PROVINCIAL TREASURY

cc J Hattingsh, National Treasury

TV Pillay, National Treasury

N Mhlongo, Business Executive (Auditor-General)

Administrator (where applicable)