



HEAD OF DEPARTMENT

Our Ref: 11/6/13/6
Enquiries: Mr F. Cassimjee
Date: 26 November 2018

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

PROVINCIAL TREASURY CIRCULAR PT/MF 07 OF 2018/19

UNIFORM FINANCIAL RATIOS AND NORMS

Purpose

The purpose of this Circular is to appraise municipalities on the process to follow for the completion and submission of their 2017/18 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 and way forward

Municipalities and their related entities are required to complete the attached 2017/18 ratio template using their 2017/18 Audited Annual Financial Statements which is expected to be finalised shortly by the office of the Auditor - General, submit the completed template to the MFMA help desk and copy the Provincial Treasury by no later than **31 January 2019**.

Municipalities and their related entities must only use the attached 2017/18 financial ratio template and must complete both the 2016/17 (restated figures) and the 2017/18 tabs. Failure to do so will result in both the National and Provincial Treasuries rejecting the submission which will be deemed as a non-submission and non-compliance on the part of the municipality. Non-compliant municipalities will be required to resubmit a corrected ratio template.


Upon completion of the ratio template for 2017/18 and 2016/17 (restated), municipalities are to:

1. Submit the completed ratio template to the MFMA help desk (mfma@treasury.gov.za) and copy the Provincial Treasury at mfma@kzntreasury.gov.za;
2. Table the 2017/18 financial ratios results with interpretation and explanations to the Council's Finance Committee, Municipal Public Accounts Committee (MPAC) and at the next Council meeting to inform Councillors of the results;
3. The Council is to take resolutions to implement measures to address gaps and weaknesses identified. Corrective measures are to be announced in the next Medium Term Revenue and Expenditure Framework (2019/20) budget; and
4. Submit copies of the Council resolutions to the Provincial Treasury at mfma@kzntreasury.gov.za.

Conclusion

Municipalities are encouraged to adopt a proactive approach to ensure that they meet the due date of **31 January 2019** for the submission of their 2017/18 ratio template and ensure that their entities comply accordingly in this regard. Your cooperation in ensuring that all processes are complied with will be greatly appreciated.

Yours faithfully



Mr L.S. MAGAGULA

HEAD OF DEPARTMENT: PROVINCIAL TREASURY

cc Mayor

J Hattingh, National Treasury

TV Pillay, National Treasury

N Mhlongo, Business Executive (Auditor-General)

Administrator (where applicable)