



## HEAD OF DEPARTMENT

Reference: 11/6/13/6  
Enquiries: Mr. F. Cassimjee  
Date: 18 December 2019

**TO: MUNICIPAL MANAGERS  
CHIEF FINANCIAL OFFICERS  
KWAZULU-NATAL (KZN) MUNICIPALITIES**

### **PROVINCIAL TREASURY CIRCULAR PT/MF 07 OF 2019/20**

#### **UNIFORM FINANCIAL RATIOS AND NORMS**

##### **1. PURPOSE**

The purpose of this Circular is to appraise municipalities on the process to be followed for the completion and submission of their 2018/19 Uniform Financial Ratios and Norms template (the ratio template) to the National and Provincial Treasuries.

##### **2. 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.

MFMA Circular No. 71 further states the following: *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. 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.*

##### **3. IMPLEMENTATION**

Municipalities and their related entities are required to complete the attached 2018/19 ratio template using their 2018/19 audited Annual Financial Statements (AFS) and submit the completed template to the designated KZN Provincial Treasury Budget Analyst and the MFMA help desk (mfma@treasury.gov.za) by no later than **13 January 2020**.

Municipalities and their related entities must only use the attached 2018/19 financial ratio template and must complete both the 2017/18 (restated figures) and the 2018/19 tabs. Failure to do so will result in the KZN Provincial Treasury rejecting the submission which will be deemed as 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 2018/19 and 2017/18 (restated figures), municipalities should:

1. Submit the completed ratio template to the designated KZN Provincial Treasury Budget Analyst and the MFMA help desk (mfma@treasury.gov.za);
2. Table the 2018/19 financial ratio 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. Implement measures to address gaps and weaknesses identified. Corrective measures are to be included in the next Medium Term Revenue and Expenditure Framework (2020/21) budget; and
4. Submit copies of the Council resolutions to the designated KZN Provincial Treasury Budget Analyst.

#### 4. CONCLUSION

Municipalities are encouraged to adopt a proactive approach to ensure that they meet the due date of **13 January 2020** for the submission of their 2018/19 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



*for* **Mr. L. S. Magagula**  
**Head of Department**  
**KZN Provincial Treasury**

**CC Mayor**

**Mr. J. Hattingh – National Treasury**

**Mr. T.V. Pillay - National Treasury**

**Ms. N. Mhlongo - Business Executive, Auditor-General - KZN**