



Municipal Budget Circular for the 2015/16 MTREF

This circular provides further guidance to municipalities and municipal entities for the preparation of their 2015/16 Budgets and Medium Term Revenue and Expenditure Framework (MTREF) relating to the likelihood of further increases to the bulk price of electricity.

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1. Budgeting for bulk electricity price increases

In terms of section 42(4) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA), the executive authority for an organ of state responsible for the provision of water, electricity or other bulk services to a municipality is required to table the amendments to its pricing structure in Parliament by 15 March annually for any increases to take effect from 1 July of that year, unless the Minister of Finance approves otherwise. In the previous MFMA Budget Circular (i.e. Annexure C dated 17 April 2015) No.75, it was indicated that the Minister of Finance has extended the 15 March deadline to 15 May 2015.

The Minister of Public Enterprises has tabled in Parliament the 14.24 per cent for bulk electricity tariff increase (which translates into an average municipal percentage increase of **12.20 per cent**) which was approved by NERSA for implementation by municipalities from 1 July 2015.

Municipalities are therefore advised to budget for their bulk electricity tariffs in line with the percentage increase tabled by the Minister of Public Enterprises (**12.20 per cent**) for their 2015/16 annual budget.

National Treasury is aware that NERSA has issued a media statement on 13 May 2015 which outlined the timelines for processing Eskom's application for selective re-opener of the MYPD3 application (for Open-Cycle Gas Turbine utilisation and the Short-Term Power Purchase Programme) and the implementation of environmental levy increase.

Any decision that NERSA makes after 15 May 2015 will need to be deferred to the 2016/17 municipal financial year.

For any further advice or guidance on compiling your budget, please contact the budget analyst in your provincial treasury or National Treasury responsible for assisting your municipality.

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