

EMTHANJENI MUNICIPALITY



DRAFT AUGMENTATION POLICY

2021/2022 MTREF

INDEX

1.	BACKGROUND.....	3
2.	INTERPRETATION.....	3
3.	OBJECTIVES OF THE POLICY.....	5
4.	APPLICATION OF THIS POLICY.....	5
5.	CATERGORIES OF SERVICES.....	5
5.1	Bulk Services.....	5
5.2	Internal Services.....	6
6.	CALCULATION & PAYMENT OF FEES.....	7
7.	THE FORMULAE-CALCULATION OF ELECTRICAL	
8.	AUGMENTATION CONTRIBUTION LEVY.....	8
9.	THE FORMULAE-CALCULATION OF CIVIL AND	
10.	SOLID WASTE AUGMENTATION CONTRIBUTION FEE	10
11.	CONNECTION COST AND OTHER RELATED COSTS....	11
12.	APPROVALS/DOCUMENTATION REQUIREMENTS TO	
13.	ENTER SERVICE AGREEMENT.....	11
14.	CLEARANCE CERTIFICATE.....	12
15.	DISPOSAL OF PROPERTY.....	12
16.	EXCEPTIONS.....	12
16.1	Provision of Infrastructure by Owner.....	12
16.2	Provision of Bulk Services as per IMP.....	13
17.	AUGMENTATION TARIFF APPLICABLE.....	13
18.	DEVELOPMENT OUTSIDE SPACIAL DEVELOPMENT	
19.	FRAMEWORK/RURAL AREAS.....	14
20.	DENSIFICATION OF ERVEN AND DEVELOPMENT....	14
21.	SUBDIVISION OF ERVEN.....	14
22.	REZONING OF ERVEN.....	14
23.	REBATE OR DISCOUNT.....	14
24.	PAYMENT OF RATES.....	15

AUGMENTATION POLICY

1. BACKGROUND

- 1.1 The Emthanjeni Municipality (“the Municipality”) is entitled in terms of the Constitution of the Republic of South Africa 2006 to implement rates and taxes.
- 1.2 In terms of section 4 of the Municipal Systems Act 32 of 2000, the Council of the Municipality has the right to finance the affairs of the Municipality by charging fees for services and imposing surcharges on property *inter alia* by levies on property.
- 1.3 The Municipality has evaluated and assessed the increase in demand on infrastructure and the quantity of its services which are supplied to new developments within its Mandate Area;
- 1.4 As a result of such demand and increase in services, the Municipality has decided to levy augmentation fees on new developments;

2. INTERPRETATION

- 2.1 In this Policy unless the context otherwise indicates:-

		Meaning:
2.1.1	Augmentation Fees	Augmentation fees are in the amounts calculated by virtue of the cost for the provision and/ or upgrading (present and future) of bulk infrastructure to accommodate new development and the cost thereof to the Council.
2.1.2	Closed or Private Development	Instances where the Council will only provide a bulk water and electricity meter and sewer connection to the land/ erf of the development and render bulk services. The Council will not take over, or maintain any internal services within a closed or private development.
2.1.3	Consulting Engineer	A Professional Engineer or Company registered with the Engineering Council of South Africa (ECSA), who assumes responsibility for the design and technical soundness of the infrastructure to be provided to developments.
2.1.4	Effective Date	Date of signature of the Service Agreement by both parties.
2.1.5	Financial Year of Municipality	01 July - 30 June

2.1.6	Mandate Area	Jurisdictional area of Emthanjeni Municipality as amended from time to time
2.1.7	Municipality	The Emthanjeni Municipality established in terms of the Municipal Structures Act 32 of 2000, as amended, exercising its legislative and executive authority through its municipal council; or Its successor in title; Any other structure with delegated power, in terms of section 59 of the Municipal Structures Act.
2.1.8	Multi-use property	A property where there is a combination of different categories of property on the same registered property.
2.1.9	Owner	The developer or person in whose name the property is registered; A Trustee – if property is owned by a Trust; A Lessee – if the property is owned by the Municipality and is leased to the Lessee; A Buyer – if the property has been sold by the Municipality, and the Buyer has been given possession of the property, pending registration of the property into the Buyer's name.
2.1.10	Policy	Means this Policy, all the annexures attached hereto and any future amendments
2.1.11	Property	Any development being a sectional title scheme, share block company, single residential, group housing, commercial property, small townships, minor developments or closed and private developments
2.1.12	Service Agreement	An agreement entered into between the Council and the owner/developer of the land/erf being developed, for the provision of services to the property and to regulate matters pertaining to the development.

3. **OBJECTIVES OF THE POLICY**

- 3.1 Implementation of measures by the Municipality to recover the costs incurred for the provision of Bulk Infrastructure and Services to new developments.

- 3.2 Alleviation of any extra financial burden by Private Developments/Township establishments on existing residents and consumers.
- 3.3 Fair treatment of all developers and new residents, by eliminating the subsidising of such new developments by existing residents.
- 3.4 Detail the criteria which the Municipality shall apply to levy additional augmentation fees for the provision of bulk infrastructure capacity to accommodate new developments.

4. **APPLICATION OF THIS POLICY**

- 4.1 This Policy shall be applicable to the following categories of property:-
 - 4.1.1 Sectional title units;
 - 4.1.2 Share block schemes;
 - 4.1.3 Business, commercial and industrial properties;
 - 4.1.4 Single residential units;
 - 4.1.5 New township establishments;
 - 4.1.6 Minor subdivisions and applications for an increased supply.
 - 4.1.7 Closed or Private Developments.

a) Such a closed development will be fenced off and a Body Corporate/Home Owners Association will be established to maintain all internal services.

b) The Council will not take over, or maintain any internal services within a closed development.

5. **CATERGORIES OF SERVICES**

5.1 **Bulk Services**

All road, street, water, storm water, sewerage, solid waste sites and electricity infrastructure, whereto the internal services can be connected for the provision of such services to the development or new township.

5.1.1 **Water**

The provision of a bulk water infrastructure to a group of consumers or new developments. This includes reservoir storage, water pump stations and rising mains, main feeder lines and the identification, obtaining and development of water sources.

5.1.2 Electricity

The provision, maintenance and upgrading of main intake substations, switchgear, overhead or underground main feeder lines and transformers up to the border of such closed developments.

5.1.3 Sewerage

The provision of capacity, maintenance and upgrading of sewerage treatment plants, bulk gravity sewers, sewerage pump stations and rising mains.

5.1.4 Roads and Storm water

The provision, maintenance and upgrading of Access Main Roads to accommodate traffic impact by means of a traffic impact assessment (T.I.A) and the provision of adequate storm water infrastructure to accommodate and retain run-off and storm water drainage.

5.1.5 Refuse Removal/Solid Waste Site.

The provision, maintenance, upgrading and rehabilitation of refuse / waste landfill sites.

5.2 Internal Services

All water, roads, electricity and sewerage networks and associated installations and accessories including storm water drainage systems and road infrastructure within the boundaries of the Development/Township and connecting points for the particular services in/or near the boundaries of the Development/Township including any connections where such connection points are situated outside the boundaries of the Development/Township, boundary services as well as elements of a system which have, in consequence of topographical features or other reasons, to be located outside the boundaries of the township but which provide solely for the needs of the proposed Development/Township, which definition in particular shall include water reservoirs/towers and sewerage pumping stations and treatment works. The internal services for new Township Developments shall be provided by the Developer but shall become the property of the Municipality. For closed or Private Developments the internal services of the property shall be managed by the Home Owners Association or the Body Corporate of the property.

5.2.1 Services other than Bulk Services

5.2.1.1 Water

The provision, maintenance and upgrading of the water reticulation in the development to provide sufficient water pressure to all erven, including the provision of a connection point.

5.2.1.2 Electricity

The provision, maintenance and upgrading of the electrical reticulation, including transformers, cables and kiosks.

5.2.1.3 Roads and Storm water

The provision, maintenance and upgrading of roads, kerbing, street names, traffic signs, road markings and storm water drainage with inlet structures.

5.2.1.4 Refuse Removal

The provision of refuse removal services such as refuse compactors and municipal transportation of refuse collected.

6. **CALCULATION AND PAYMENT OF AUGMENTATION FEES**

6.1 Augmentation fees shall be charges as a once-off fee on all new Developments/Township establishments from the Effective Date.

6.2 Augmentation fees shall be levied in Rand and shall be calculated according to the Municipality's cost structure for the provision and/or upgrading of bulk services to a development.

6.3 Where a developer has applied for development in phases, augmentation contribution fees shall be calculated on cost structures and in accordance with Council's Policy applicable when such deferred development phase commences. Where it is not practical to phase bulk infrastructure (eg. reservoir capacity etc), the full augmentation contribution shall be payable or provided as determined by Council or their representative.

6.4 If a property is utilised as a multiple-use property, then the augmentation rates will be apportioned accordingly.

6.5 In the event of the Augmentation Levy being calculated incorrectly due to the owner providing Council with false information, the owner will be liable to pay interest (*insert rate of interest*) on any outstanding amount due to Council.

7. **THE FORMULA USED FOR THE CALCULATION OF THE ELECTRICAL AUGMENTATION CONTRIBUTION LEVY**

- 7.1 The Augmentation Contribution Levy is a Developer or Consumer's contribution towards the present or future upgrading of the Primary Network (main substations on MV network) to cater for the notified load requirements.
- 7.2 In calculating the levy, the aim is to establish an equivalent average charge per Equivalent Residential Unit (ERU).
- 7.3 The average cost per ERU is determined by pricing a model of the Primary Network, which is as close as possible to the actual network, and then dividing it by the ERU's it can supply.
- 7.4 The total charge to the Development will be the calculated number of ERU's of the Development multiplied by the Charge/ERU.
- 7.5 An ERU is considered to be a Residential Consumer with a 45 Amp single phase supply at 230 Volts nominal.
- 7.6 The Factors/Formulae used to calculate the number of ERU's are contained in the following table:

EM	DESCRIPTION	NO OF ERU's
1.0	<u>Domestic Erf/Consumer: (30 to 60A)</u>	
1.1	<u>New Developments:</u>	1
1.2	BDMD = 45A (10,35kVA) single phase	Amps required ÷45
1.3	BDMD > or < 45A single phase but limit to 60A	3
1.4	BDMD = 45A three phase	Amps per phase
1.5	BDMD > or < 45A three phase but limit to 60A	required ÷ 45x3
2.0	<u>Existing Consumer:</u> Upgrade from tariff circuit breaker ≤ 60A single phase to ≤ 60A three phase	2
2.1	<u>Commercial Erf/Consumer: (30 to 100A)</u>	
2.2	<u>New Developments:</u>	1x 0,5 (Nf) = 0,5
2.3	BDMD = 45A single phase	Amps required ÷ 45
2.4	BDMD > or < 45A but limit to 60A single phase	x 0,5 (Nf)
2.5	BDMD = 45A three phase	3x0,5 (Nf) =1,5
2.6	BDMD > or < 45A but limit to 100A three phase	Amps/phase required ÷45x3x0,5 (Nf)
	<u>Existing Consumers:</u>	[Amps per phase required ÷ 45x3x0,5 (Nf)]-0,5

3.0	Upgrade from tariff circuit breaker \leq 60A single phase to \geq 30A but \leq 100A three phase	[Amp per phase required \div 45x3x0,5 (Nf) - [Present amps \div 45x3x0,5 (NF)]]
3.1	Upgrade from tariff circuit breaker \geq 30 A three phase to \leq 100 A three phase	
3.2	<u>Bulk Supply Erf/ Consumers (> 60kVA)</u> New Developments: <u>Existing Consumers:</u> Increase Notified Demand	(Notified Demand in kVA x Nf) \div (10,35 X Df) [(New Notified Demand in KVA – Notified Demand in Agreement) x Nf] \div (10,35xDf)

BDMD - Before Diversity Maximum Demand (usually at supply meter)

ADMD -After Diversity Maximum Demand (BDMD xDf)

45 -ERU amps (10,35KVA)

3 -No of Phases

0,5 - Average Network Factor for commercial consumers

Nf The symbol “Nf” signifies the Network Factor and is used in the formulae for Commercial and Bulk Supply consumers where such consumers peak demand do and may not coincide with peak demand on the core network.

For Commercial consumers this was taken as an average of 0.5. No value is given for the Network Factor (Nf) for Bulk Supply Consumers, where such consumers do coincide with peak demand, as substantial variations occur in this category, depending on the type of load required. The limits will, however, be between 0,5 for say a commercial/industrial type of development with 50% of its peak load coinciding with the core network peak, and 1 (one) for say a domestic development where 100% of its peak load coincides with the core network’s peak. The value for a particular development can, however, be anywhere between these limits and will be determined by the Head of the Electrical Department or his appointed Consulting Engineer.

Df Diversity Factor between BDMD and ADMD determined by Head of the Electrical Department or his appointed Consulting Engineer. The Df

depends on the quantity and type of individual loads connected to the Bulk Supply Point. The following Df's are given as a guide:

For Domestic Developments

- ≤ 60 kVA Notified Demand = 1Df
- >60 kVA Notified Demand but ≤ 80 kVA=0,75Df
- >80 kVA Notified Demand but ≤ 100 kVA = 0,58 Df
- >100 kVA Notified Demand but ≤ 200 kVA=0,38 Df
- >200 kVA Notified Demand = 0,3 Df

For Commercial Developments

Use same Df's as Domestic but for "Notified Demand"
In formula use Demand after taking Nf into account,
i.e. Actual Notified Demand x Nf. For most commercial
developments this will be Actual Notified Demand x 0,5

- 7.7 The Charge/ERU is contained in the Schedule of Electricity Tariffs published annually by the Municipality for each financial year starting 1 July and ending 30 June.

8. THE FORMULAE USED FOR THE CALCULATION OF THE CIVIL AND SOLID WASTE AUGMENTATION CONTRIBUTION LEVY.

- 8.1 In calculation the augmentation contribution levy, the aim is to establish the number of Equivalent Erf (ee) per development.
- 8.2 The augmentation contribution levy per Equivalent Erf (ee) is based on the assumed demand of an average sized residential site using 1000 lt of water per day.
- 8.3 All usage types in a development will therefore be converted to Equivalent Erven (ee) using the water demand/requirement for each type of usage within a development.
- 8.4 The "Guidelines for Human Settlement, Planning and Design" and generally referred to as, " The Red Book" as amended; will be used to determine the water demand/usage for each type of development.
- 8.5 The total augmentation contribution levy to the Development will be the calculated using the number of Equivalent Erven (ee's) for the entire

development multiplied by the augmentation levy charge per service per Equivalent Erf.

9. **CONNECTION COST AND OTHER RELATED COSTS**

9.1 The connection cost and deposits for services is the actual cost calculated by the Municipal Engineer with the tariff of calculation as stipulated in the annual budget document. This cost is a separate once-off connection cost to be paid by the owner only, which includes metering apparatus and a deposit over and above the augmentation levy.

9.2 The owner shall also be liable for a once-off administrative fee which shall cover the following costs:-

9.2.1 Legal fees;

9.2.2 Advertisement fees;

9.2.3 Service Level Agreement;

9.2.4 Disbursements

10. **APPROVALS / DOCUMENTATION REQUIREMENTS TO ENTER INTO THE SERVICE AGREEMENT**

Before embarking on construction, the Owner is required to enter into a Services Agreement with the Municipality and the following documentation is required prior to concluding the agreement.

These documents will form part of the service agreement (as annexures):

- Approval from Department of Agriculture in terms of Act 70 Of 1970 (where applicable);
- Environment Assessment Report (EIA) / Scoping report;
- Approval from Department Environmental Affairs (record of decision);
- Traffic Impact Assessment Report;
- Approval from Provincial Roads Department;
- Approval from Council / Council Resolution (rezoning, sub-division);
- Developers details and whether development to take place in phases;
- Engineering Feasibility report;
- Engineering drawings and detailed design report of all services (civil and electrical);
- Layout plan indicating the stormwater flood lines in respect of new township establishments in terms of Water Act (Act 54 of 1956) and National Water Act (Act 36 of 1998);
- Letter of appointment for consulting engineers or any other professional person involved with the development;

- Site development plan as approved by Council. A plan will only be approved if the Service Level Agreement has been signed and the Augmentation Levy has been paid;
- Layout map indicating zoning scheme with approved erf numbers and street names;
- Heritage Council's approval where applicable;
- Constitution of Body Corporate / Home Owners Association.
- Building plans for improvement on properties

11. **CLEARANCE CERTIFICATE**

- 11.1 The Developer will only be furnished with a clearance certificate for transfer of the property, upon proof of payment of all Augmentation Fees to the Council's Engineer and Finance Department.
- 11.2 No erf shall be transferred until the Developer has paid all Augmentation Contributions and fully complied with all the conditions of the service level agreement.
- 11.3 The Municipality may give the necessary rates clearance required to pass transfer of individual erven to purchasers prior to completion of the services, in phased developments of new township establishments only; on condition the Developer provides the Municipality with a bank guarantee acceptable to the Municipality to cover the installation of such incomplete services.

11.4 Before Building Plans for improvements on properties be approved, all outstanding municipal rates and taxes, municipal services balances must be settled. Proof of payment must accompany the building plan application.

12. **DISPOSAL OF PROPERTY**

In the event of the owner disposing of the property, it shall be the responsibility of the owner to inform the Municipality in writing of such change in ownership, failing which the owner will still be held liable for payment of the Augmentation Levy Fees.

13. **EXPECTATIONS**

13.1 **Provision of Infrastructure by the owner**

The Municipality's Council Engineer may request an owner/developer to provide bulk infrastructure, in accordance with the Municipality's requirements; in *lieu* of payment of Augmentation Contribution fees of a particular service, subject to such an arrangements being agreed to in writing and included in the Services Agreement.

In the case of Augmentation Contributions made through contributed bulk infrastructure, ownership will transfer to the Municipality only once the new infrastructure has been completed and commissioned and all the required inspections, testing and certificates have been completed and issued to the requirements of the Municipality.

The owner must ensure that the appointment letter of its Consulting Engineers make provision for professional indemnity in a situation where a defect/breakage is experienced.

13.2 Provision of Bulk Services as per Infrastructure Master Plan

The Council may also buy into or share cost of the new bulk infrastructure as per the Master Plan, subject to its financial ability to do so.

If the other developers cannot share the cost at that moment in time, those developers will then pay the full Augmentation Levy applicable to that specific bulk service for the applicable financial year in which their development works get under way.

- 13.3 New township establishments that are Government funded initiatives will be excluded from this Policy, as the provision for bulk infrastructure is usually funded through / funded with Government Grants, where applicable. However, such projects cannot commence before the Council Engineer has certified the availability of sufficient bulk infrastructure.

14. **AUGMENTATION TARIFF APPLICABLE**

- 14.1 Contributions which are payable to the Municipality are subject to annual adjustments by the Municipality and the adjusted rates will apply from the implementation date as decided by the Municipality.
- 14.2 Contributions are subject to VAT and are further subject to the provisions and rates contained in the Value Added Tax Act, 1991 (Act No 89 of 1991) as amended.
- 14.3 The Augmentation Tariff for all bulk services will be applicable for the financial year in which the services agreement is signed.
- 14.4 In the event of a development having different development phases over multiple financial years, the calculation of the Augmentation Fees payable will be escalated with CPIX for each year.
- 14.5 On concluding of a Service Level Agreement, Augmentation Fees will be valid until 30 June (End of Council's Financial Year) of the year in which the agreement was signed, and are thereafter subject to an annual escalation in

accordance with the CPIX (as supplied by STATS SA on 30 of June each year).

15. **DEVELOPMENT OUTSIDE SPACIAL DEVELOPMENT
FRAMEWORK/RURAL AREAS**

In such an event, the Council is not obliged to render services. Such developments must provide their own services and pay augmentation fees to Council only in respect of those Municipal services they intend to utilise.

(For example: licensed solid waste site and the waste water treatment plants).

16. **DENSIFICATION OF ERVEN AND DEVELOPMENT**

- 16.1 No differentiation will be made between the densification of developments such as flats and group housing, or single residential erven where established erven are consolidated and again subdivided to suite the above scenario of development. The full Augmentation Fees, equivalent to a single erf, are applicable irrespective of the size of flats and group housing on each of the units so to be developed.
- 16.2 If the Municipality has to incur an extra expense due to the owner requiring extra capacity for the property, then the owner will be liable for a payment of maintenance fees as a result of the Municipality having to keep such extra capacity.
- 16.3 The development of the piece of land for which such extra capacity is being held, shall be completed within a reasonable amount of time, as determined by the Municipality.

17. REVIEW PROCESS

The Augmentation Policy will be reviewed on an annual basis to ensure that it complies with the strategic objectives of the Municipality, as stipulated in the Integrated Development Plan and other applicable legislation.

18. IMPLEMENTATION

This policy came into effect from 01 July 2021.