

Frequently Asked Questions (FAQ)

1. What is a Special Rating Area (SRA)?

A Special Rating Area (SRA) refers to a clearly defined geographical area, in which property owners contribute additional rates to enhance and supplement municipal services, such as safety in public areas, cleansing services and crime prevention.

2. What is the purpose of the Special Rating Area?

According to the Overstrand Municipality Special Rating Area Policy, the special rating area model is based on international best practice. It is aimed at preventing the degeneration of towns and the consequential urban decay, and facilitating their upliftment, economic growth and sustainable development.

3. What is the regulatory framework governing SRAs?

SRAs are governed by the SA Constitution; Section 22 of the Municipal Property Rates Act (MPRA); the Municipal Finance Management Act (MFMA); the Companies Act (Non-Profit Company -NPC); and the Overstrand Municipality Special Rating Area By-Law of 2016; and the Overstrand Municipality Special Rating Area Policy of 2019.

4. Why establish a SRA?

According to the SA Constitution (Sections 152 & 153), the objective of a local authority is to provide all its residents with certain basic services such as water, electricity, sanitation and refuse removal, etc. to an equitable standard. For communities who wish to enjoy municipal services of a higher level, an SRA provides them with the option of paying for these additional services, which should be affordable and sustainable.

5. Is my property in the Hermanus SRA area?

The boundaries of the HSRA are from 17th Avenue in the East up to Swartdam Road in the West, with Still Street as the southern border and Fernkloof Nature Reserve as the northern border. Suburbs included in this area are Westcliff, Westdene, Industria, Northcliff, the Central Business District, Eastcliff, Hermanus Heights, Fernkloof, Kwaiwater and Voelklip.

6. What type of supplementary services are provided in the HSRA?

Supplementary Crime Prevention and Public Safety Plan

- Patrol officers on foot in the CBD area and vehicle patrols throughout the area. The vehicle patrols will be on a 24-hour basis, 7 days a week.
- Foot patrol officers will be used primarily in the CBD, Hoy's Koppie and on the Cliff Path which stretches from the New Harbour to Grotto Beach.
- Vehicle patrols will be throughout all the suburbs included in the HSRA area.
- All activities will be monitored through GPS tracking from the control centre.
- The HSRA NPC will have access to a minimum of 19 monitoring CCTV cameras (in the instance of a municipal decision, to transfer existing Hermanus Public Protection (HPP) assets to the HSRA).

Supplementary Cleansing Plan

- Decrease waste and grime in the area through a sustainable cleansing programme;
- Provide additional street sweeping, waste picking and additional refuse collection in all the public areas of the HSRA; and
- Promote waste minimization by providing supplementary municipal services in the area including but not limited to more waste bins and waste recycling opportunities, strictly in alignment with official municipal policies in this regard.
- The HSRA will also support the Overstrand Municipality with an effective litter collection service on the Cliff Path and Hoy's Koppie.

7. Does the formation of the SRA mean that the Overstrand Municipality can reduce the level of quality of its services?

No. The municipality is obligated to sustain existing service levels and to provide basic services as per the Constitution.

8. What are the benefits for the SRA members?

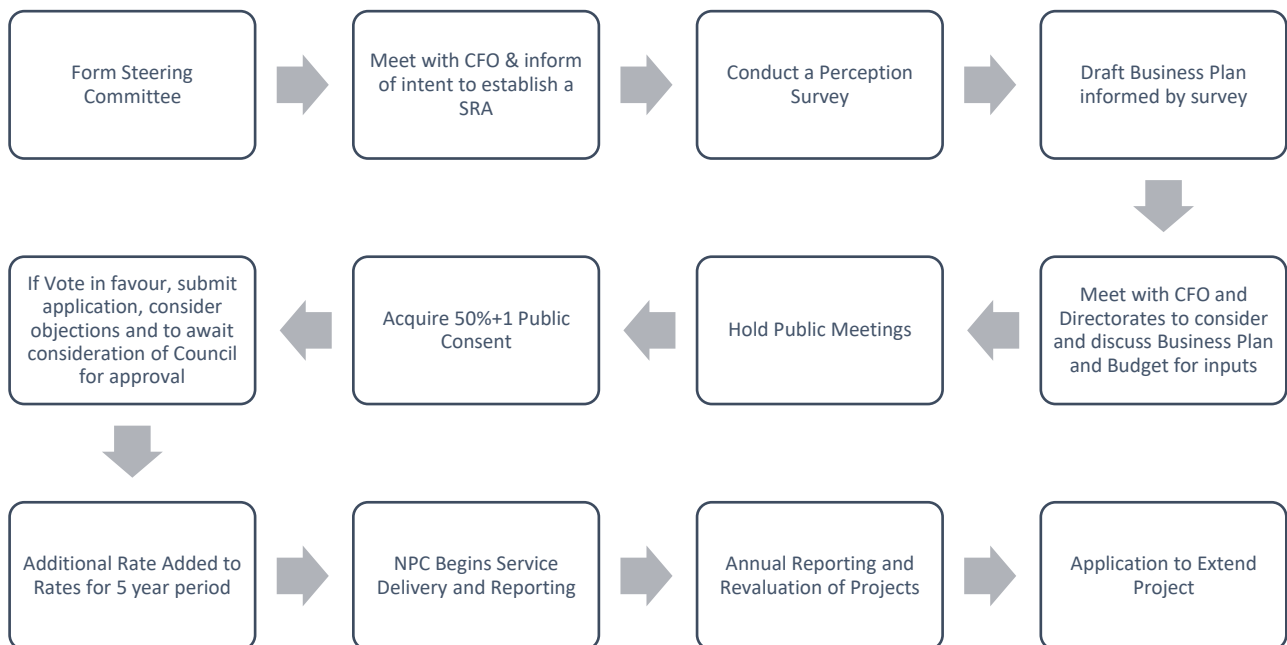
- A safe, clean and healthy environment will contribute indirectly towards an increase in the value of properties.
- The community as a whole will share the benefits of a safe, healthy and clean environment for living, working and relaxing.

- Monitoring and reporting any signs of degeneration and decay in public areas quickly and effectively.
- All rateable property owners will equitably share the cost of HSRA operations by contributing the same number of cents in the rand value of their properties.
- Visitors will feel safe in Hermanus and will therefore be more inclined to invest in the town and its environment.
- OM Traffic and Law Enforcement Departments will be supported.
- Law enforcement will be able to respond and apprehend law breakers more quickly and more effectively since camera film footage will be available as evidence in a court of law.

9. Are there other SRAs?

Yes, SRAs have been and are being established in many areas around South Africa. The Jonkershoek SRA and Techno Park SRA in Stellenbosch are already operational. Hermanus, Onrus and Vermont and Kleinmond are the first three areas in the Overstrand to apply to establish SRAs.

10. How is the SRA established?



An SRA is always initiated by the community, and not by the Municipality.

The SRA Steering Committee then compile a five-year business plan (including the motivation report, the implementation plan and a budget) indicating how the improvements are to be achieved, and present this to the community at a public meeting.

Support may only be obtained after the public meeting and on the consent form provided by the Overstrand Municipality.

Any property owner that wants to object to the establishment of a special rating area or to the provisions of the business plan can do so by indicating it on the consent form. The objector will be required to submit an objection letter once an application for the establishment of a special rating area is submitted to Council.

A majority, 50% (fifty percent) plus 1, of owners of rateable property within the boundary of the special rating area approve the formation of the special rating area.

Once this has been obtained, the steering committee has to submit an application to the Overstrand Municipality. The application is then advertised in the media and property owners are also notified to allow them at least 30 days to render any comments or objections. The Overstrand Municipality then considers the application with the objections at a full sitting of Council.

The application must be advertised in terms of the By-law and also set a date for a second public meeting.

After the Overstrand Municipality has approved the application, a NPC is set up and a board is elected. The NPC has to register for VAT, open a bank account and be registered as a vendor with the Overstrand Municipality, etc. This must all be in place before the Overstrand Municipality makes any payment to the SRA.

11. Who manages the SRA?

The SRA will be managed as a Non-profit Company (NPC), controlled by its members and the board they elected. The HSRA will be operated by a management team appointed by the board. Property owners must sign up for NPC membership to allow them to participate in the SRA's affairs. The Overstrand Municipality is not involved in their day-to-day operations but exercises financial oversight and legal compliance.

12. How is an SRA funded?

An SRA is funded from the additional rates paid by property owners within the boundary of the SRA. It does not receive any grants or subsidies from the Overstrand Municipality but does have the powers to raise additional income.

13. What will I have to pay?

Funding of HSRA will be provided from a Special Rating Area rate charged by OM and applied to the owners of valid rateable properties on the OM property database. As of October 2019, there are approximately 5501 rateable properties in the HSRA.

The additional monthly rate payment for HSRA will be determined by the property's Municipal valuation and will amount to 0.00061 cents in the Rand per annum. The table below gives an indication of how much property owners would be required to pay according to the proposed HSRA budget.

This would generate an income of approximately R8,302,000 for HSRA NPC in 2020/2021.

Municipal Valuation	Estimated Monthly Special Rate					
	Residential		Business		Vacant	
	From	To	From	To	From	To
Less than R50 000	Less than R0		Less than R3.56	R3.56	Less than R2.03	R2.03
R50 001 – R100 000	R0.08	R2.03	R3.56	R5.08	No properties in this range	
R100 001 – R300 000	R2.03	R10.17	R5.08	R15.25	R6.10	R14.74
R300 001 – R600 000	R10.17	R22.37	R15.25	R32.18	R14.74	R33.55
R600 001 – R1 000 000	R22.37	R38.63	R32.18	R50.82	R33.55	R50.83
R1 000 001 – R1 500 000	R38.63	R58.97	R50.83	R76.25	R50.83	R76.25
R1 500 001 – R3 000 000	R58.97	R119.97	R76.25	R152.50	R76.25	R152.50

R3 000 001 – R6 000 000	R119.97	R241.97	R152.50	R304.96	R152.50	R305.00
R6 000 001 – R12 000 000	R241.97	R446.12	R304.96	R605.68	R305.00	R559.17
R12 000 001 – R35 000 000	R446.12	R1379.62	R605.68	R1768.45	R559.17	R1779.17
Estimated Income per month						
R691, 829.88	R538 491.97		R128 485.74		R24 852.17	

14. How are the SRA additional rates calculated?

The SRA management confirms the properties within the boundaries of the SRA, which is then linked by the Overstrand Municipality to the municipal valuations according to the most recent general valuation roll.

The SRA management annually prepares an overall budget for the year. This is based on the specific needs of the area as set out in the approved Business Plan. Individual contributions are then calculated by dividing up the budget total according to the municipal valuations of each property, proportional to the total valuation of the SRA.

The SRA Policy allows for a differentiation in tariffs for the different types of properties – be it residential, business or vacant property.

This tariff is then expressed as a cents in the Rand and is applicable over a financial year, which starts on 1 July.

The SRA budget and proposed tariff have to be approved by the Overstrand Municipality and advertised for comments and objections as part of the Overstrand Municipality's budget process prior to implementation on 1 July.

15. How can I calculate my monthly rate?

The rates have been calculated by the Overstrand Municipality based on municipal property valuations and include the discounts that residential erfs receive. You will note that vacant and business properties will pay more. The reason the commercial and vacant property rate is higher is that they do not benefit

from the exemption on the first R15 000, a further reduction of R35 000 for improvements and an additional reduction of 20 percent, these reductions are applicable only to residential properties.

To calculate the estimated cost, if the property is a commercial property apply the factor of 0.00061 per cent to the municipal valuation (as shown on the rates bill), to determine the annual amount payable. If the property is a residential property apply the factor of 0.00048 per cent to the municipal value (as shown on the rates bill) to determine the annual amount payable. Divide by 12 to give you the approximate monthly rate.

16. Why does residential property pay less?

The rates have been calculated by the Overstrand Municipality based on municipal property valuations and include the discounts that residential erfs receive. Residential properties benefit from the exemption on the first R15 000, a further reduction of R35 000 for building improvements and an additional reduction of 20 percent.

17. Is VAT included?

In terms of VAT legislation rates charged by a municipality are subject to VAT but at a zero percentage; thus the special rate as calculated above will not be increased by VAT. The SRA, once established, will be registered for VAT. It will therefore incur output VAT on amounts received from the municipality and will claim input VAT on expenses. However the amount of input VAT to offset output VAT will be dependent on whether suppliers to the SRA are VAT registered and the level of salaries paid. If a supplier is not VAT registered there would be no offsetting input VAT.

18. Is the payment of the additional rates mandatory for all properties within the SRA?

Yes. Once the Overstrand Municipality has approved an SRA, the participation of all property owners liable to pay the SRA additional rates, within the boundaries of the SRA, is mandatory. However, there are exceptions in terms of relief.

19. How does the SRA set its budget?

The SRA sets its own budget according to input from its members as per the approved five-year Business Plan. The Overstrand Municipality does not get involved in this process. The proposed budget may not

deviate materially from the approved business plan. The Overstrand Municipality evaluates the proposed budget for affordability and sustainability.

20. Can my SRA additional rates be spent anywhere in the Overstrand Municipality?

No. In terms of the by-law your levy will be paid by OM to Hermanus Special Rating Area (HSRA) Non-Profit Company (NPC) and will be used exclusively for projects undertaken by HSRA on behalf of the HSRA community as stipulated in the approved budget.

21. Can the HSRA rate increase without the consent of property owners?

No. The income for the proposed HSRA is based on the five-year budget in the HSRA business plan. This can only be reviewed by property owners themselves at a general meeting.

22. How can I be sure that funds are not misspent?

OM will source funding through its account system and transfer the funds to the HSRA Company. The board of the company will exercise control over these funds and will ensure that funds are spent according to the approved budget and implementation plan as set out in the business plan of HSRA. The company will be subjected to annual financial audits, and financial statements and budgets will be presented for approval at annual general meetings of the company.

23. Do members have a say in an SRA?

Absolutely! Every property owner within the SRA should apply in writing to the SRA Board for membership of the NPC. Only then are they able to participate in SRA affairs.

24. Will I still have to pay a security firm for armed response?

Personal security remains the responsibility of every home owner. Protection of property such as linked alarm systems, burglar proofing, security gates, insurance and other measures, remain the responsibility of property owners. HSRA is not a substitute for these functions. The role of HSRA would be to monitor public spaces and render supplementary services, thus helping to ensure a safe, healthy and clean environment.