FREQUENTLY ASKED QUESTIONS

Q: What is an SRA?
A: A Special Rating Area (SRA) refers to a clearly defined geographical area, in which property owners contribute additional rates to fund supplementary services for that specific area as per the approved Business Plan.

Q: What is the regulatory framework governing SRAs?
A: SRAs are governed by Section 22 of the Municipal Property Rates Act (MPRA), the Municipal Finance Management Act (MFMA), the Companies Act (Non Profit Company - NPC), the SA Constitution and the Overstrand Municipality Special Rating Area By-law & Policy.

Q: Why establish an SRA?
A: 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. – up 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 an additional rate for these supplementary services, which should be affordable and sustainable.

Q: What types of supplementary services are provided in a SRA?
A: Typically, these would be services dealing with Urban Management issues like supplementary monitoring of public areas, cleansing services, maintenance of infrastructure, upgrading of the environment, and social services, etc. All services will be in line with municipal services and the IDP.

Q: Does the formation of an SRA mean that the municipality can reduce the level and quality of its services?
A: No. The municipality is obligated to sustain existing service levels and to provide basic services as per the Constitution. Each SRA will engage with the various service departments regarding the level of services to be provided by the municipality. This enables the SRA to decide on the supplementary services required.

Q: Can my SRA additional rates be spent anywhere in the municipality?
A: No, it is ring-fenced to be ploughed back exclusively into the SRA.

Q: What are the benefits for SRA members?
A: By pooling their resources in an SRA, individual property owners can enjoy the collective benefits of a well-managed area, a shared sense of communal pride, a safe environment and social responsibility, and access to joint initiatives such as waste recycling, energy-efficiency programs, etc. In the end, these all translate into a tangible boost in property values and capital investments. All services will be in line with municipal services and the IDP.

Q: How does one establish an SRA?

A: An SRA is always initiated by a community, and not by The Municipality. It usually starts with ‘champions’ within a community who feel the necessity to improve the environment within a defined area. They 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. Thereafter property owners are lobbied for their support where a majority (50% +1) has to give written consent to the formation of a SRA.

Once this has been obtained, the steering group has to submit an application to The Municipality. The application is then advertised in the media and property owners are also notified to allow them at least 60 days to render any comments or objections. The Municipality then considers the application with the objections at a full sitting of Council.

After The 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. This must all be in place before The Municipality makes any payment to the SRA.

Q: Who manages the SRA?

A: An SRA is a NPC managed by a board elected by its members, and operated by a management team appointed by the board. The Municipality is not involved in their day-to-day operations, but merely exercises financial oversight and legal compliance.

Q: Who monitors the finances?

A: An SRA is governed by the Companies Act (71 of 2008) and manages its own finances and appoints its own auditors. The audited financial statements form part of The Municipality’s consolidated accounts, which are reviewed by the Auditor-General. In addition, monthly financial reports are submitted to The Municipality to monitor and to ensure that expenditure is incurred according to the budget. All SRAs have to submit the Chairman`s report and AFS to the municipality.

Q: How is an SRA funded?

A: 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 municipality, but does have the powers to raise additional income in a legal way, which income can be spent in the OVSRA area as per approved Business Plan and budget only.

Q: How are the SRA additional rates calculated?

A: The SRA management confirms the properties within the boundaries of the SRA, which is then linked by the 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, commercial or industrial. This tariff is then expressed as a Rand 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 municipality, and advertised for comments and objections as part of the municipality's budget process prior to implementation on 1 July.

Q: How are the SRA additional rates collected?
A: The municipality collects the additional rates on behalf of the SRA. It does not go to the municipality, although they share an invoice to save on collection costs. The additional rate appears as a separate item (improvement district) on the monthly municipal account of each property owner liable to pay the SRA additional rates within the SRA.

Q: What happens to the difference between the actual billing and the pay over?
A: The municipality pays the SRA a monthly amount equivalent to one-twelfth of its approved budget less 3% as a provision for bad debts. The provision for bad debts is kept in a ring-fenced account for the SRA. At the end of the financial year the municipality reconciles the billing with the SRA budget pay overs and any under or over billing is offset against the accumulated bad debt account. This account is subsequently compared with the arrears as at the end of the financial year. When the latter is less than the accumulated bad debts, 75% of the difference is paid to the SRA as per the Finance Agreement concluded between the municipality and the SRA.

Q: Is the payment of the additional rates mandatory for all properties within the SRA?
A: Yes. Once the 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.

Q: Who can be exempted from paying the SRA additional rates?
A: The following categories of owners / properties will be 100% exempted as per the SRA Policy:

- All beneficiaries in terms of municipal rebates & indigent subsidies according to municipal policy.
- Council owned properties used predominantly for official municipal business
- Other properties who qualify for rates relief/exemption as per The Municipality's Rates Policy

Q: Are there different types of SRAs?
A: No, but an SRA can consist of industrial, commercial and residential components, or a combination of all three.

Q: How does the SRA set its budget?
A: The SRA sets its own budget according to input from its members as per the approved five-year Business Plan. The municipality does not get involved in this process. Each year, the SRA board has to submit a detailed budget to the

municipality by 15 January. The proposed budget may not deviate materially from the approved business plan. If there is a material deviation, an application in terms of the SRA By-Law is required. The municipality evaluates the proposed budget for affordability and sustainability.

Q: What if the valuation base changes within a financial year?

A: The valuation base is a snapshot at a point in time (end February) and is used to calculate the additional rate (Rand-in-the-rand) for the following financial year. However, municipal valuations can change within a financial year due to interim valuations, Valuation Court rulings, sub-divisions, rezoning or other technical adjustments. Should the valuation base decrease or increase substantially, the municipality must inform the SRA in order to recalculate the SRA's additional rate.

Q: How does the municipality resolve additional rates arrears?

A: Defaulters are subject to the municipality's credit control and debt collection policies. As such, they can have their water and electricity services suspended or their clearance certificates withheld.

Q: Do members have a say in an SRA?

A: Absolutely! Every property owner within the SRA can participate in SRA affairs.

Q: What if I rent from an owner who lives overseas?

A: Please assist in getting his contact detail in order for us to make contact with him/her.

Q: I live in a security complex. Why must I, in addition, pay for something the body corporate already has taken care of?

A: Everyone living in this area is faced with the same problem when using public amenities.

Q: What happens should I sell my property?

A: The tax–add remains as it is linked to the property.

Q: Will an empty plot also attract the additional tax?

A: Yes. All properties in Ward 13 will attract the tax–add.

Q: What if I do not support the project but 50% plus 1 does. Do I have an option to be excluded?

A: No. In terms of the legislation the minority will have to accept the majority vote.

Q: Must both areas be included?

A: The design makes provision for Onrus and Vermont to be included. It is one ward and shares access routes. Therefore it does not make sense to handle them separately.