

Mossel Bay Municipality: A Critical Analysis of Rate Increases, Constitutional Obligations, and the Clean Audit Paradox

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Research Basis: Deep Research — Mossel Bay Municipality Budget Analysis (2014/15–2024/25)

Sources: South African Constitution, National Treasury MFMA Circulars, Mossel Bay Municipality Approved Annual Budgets, AGSA Audit Terminology, Stats SA CPI Data, IDP Forum Documents

Executive Summary

This report critically examines four interconnected issues arising from the Mossel Bay Municipality's celebrated "decade of clean audits" and its receipt of a Prestigious Governance Award at the Local Government Indaba 2025. The analysis reveals a profound paradox: while the municipality has maintained financially unqualified audit opinions for ten consecutive years, its tariff and property rates increases have **systematically exceeded** both the South African Consumer Price Index (CPI) and the National Treasury's recommended 6% upper limit guideline — in most years by a significant margin. The municipality's own budget documents openly acknowledge this non-compliance with the National Treasury guideline. This raises a fundamental question: **what does a "clean audit" actually measure, and what does it leave unexamined?**

Part 1: What the Constitution Says About Affordable Rates for Communities

1.1 The Bill of Rights — Sections 26 and 27

The Constitution of the Republic of South Africa, 1996, enshrines the following socio-economic rights that are directly relevant to municipal tariff and rates affordability:

Section 26(1): "Everyone has the right to have access to adequate housing."

Section 27(1)(b): "Everyone has the right to have access to sufficient food and water."

Section 27(2) further obliges the state to "take reasonable legislative and other measures, within its available resources, to achieve the **progressive realisation** of each of these rights." This progressive realisation obligation means that municipalities, as organs of state, must not take retrogressive measures — including unaffordable tariff increases — that undermine access to basic services.

1.2 Section 152 — Objects of Local Government

Section 152 of the Constitution sets out the foundational objects of local government:

- (a) to provide democratic and accountable government for local communities;*
- (b) to ensure the provision of services to communities **in a sustainable manner**;*
- (c) to promote **social and economic development**;*
- (d) to promote a safe and healthy environment; and*
- (e) to encourage the involvement of communities and community organisations in the matters of local government.*

Section 152(2) requires that "a municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1)." The emphasis on **sustainable** service provision and **social and economic development** implies that tariff increases must not be so excessive as to render services unaffordable to ordinary residents.

1.3 Section 153 — Developmental Duties

*Section 153(a): "A municipality must structure and manage its administration and budgeting and planning processes to give priority to the **basic needs of the community**, and to promote the **social and economic development** of the community."*

This provision directly obligates municipalities to prioritise community needs in budgeting — which includes ensuring that rates and tariffs remain within the reach of ordinary households.

1.4 Section 229 — Municipal Fiscal Powers and Limitations

Section 229(2)(a) of the Constitution provides that the power of a municipality to impose rates on property and surcharges on fees for services:

*"may not be exercised in a way that **materially and unreasonably prejudices** national economic policies, economic activities across municipal boundaries, or the national mobility of goods, services, capital or labour."*

This constitutional constraint, read alongside the National Treasury's tariff guidelines, establishes a clear framework within which municipal tariff increases must operate.

1.5 The Municipal Systems Act and MPRA Framework

The Municipal Systems Act 32 of 2000 (Section 74) requires municipalities to set tariffs that are:

- **Equitable** and affordable to all, including the poor;

- **Cost-reflective** of the actual cost of providing the service;
- **Transparent** and communicated to the public; and
- Not structured in a way that **cross-subsidises** services in an inequitable manner.

The Municipal Property Rates Act 6 of 2004 (MPRA) further requires that property rates be reasonable, that the rates policy consider the impact on the poor, and that indigent households receive appropriate relief.

The constitutional and legislative framework is unambiguous: municipalities are constitutionally obligated to ensure that rates and tariffs are affordable, equitable, and do not undermine the socio-economic rights of communities.

Part 2: Mossel Bay Municipality Rate Increases — 2014/15 to 2024/25

2.1 Annual Tariff Increases (Confirmed from Budget Documents)

The following table presents the confirmed tariff increases for Mossel Bay Municipality over the ten-year period, sourced directly from the municipality's approved annual budget documents, IDP Forum presentations, and tariff schedules:

Financial Year	Property Rates	Electricity	Refuse Removal	Sewerage	CPI Inflation	NT 6% Guideline
2014/15	8.0%	8.0%	8.0%	8.0%	6.14%	6.0%
2015/16	8.0%	8.0%	8.0%	8.0%	4.62%	6.0%
2016/17	8.0%	8.0%	8.0%	8.0%	6.34%	6.0%
2017/18	8.0%	8.0%	8.0%	8.0%	5.27%	6.0%
2018/19	7.5%	6.22%	5.0%	6.5%	4.62%	6.0%
2019/20	15.0%	13.07%	15.0%	1.0%	4.13%	6.0%
2020/21	7.5%	6.22%	5.0%	6.5%	3.22%	6.0%

Financial Year	Property Rates	Electricity	Refuse Removal	Sewerage	CPI Inflation	NT 6% Guideline
2021/22	5.5%	14.59%	5.5%	5.5%	4.62%	6.0%
2022/23	9.0%	7.0%	8.0%	4.0%	7.04%	6.0%
2023/24	11.0%	14.89%	5.0%	6.0%	6.08%	6.0%
2024/25	13.0%	14.4%	9.0%	6.0%	4.36%	6.0%
Average	9.14%	9.85%	7.86%	6.5%	5.13%	6.0%

Sources: Mossel Bay Municipality Approved Annual Budgets 2018/19–2024/25; IDP Representative Forum May 2021; Budget 2022/23 Media Release; Tariff Schedule 2022/23; Stats SA CPI data; National Treasury MFMA Circulars 93–126.

Note on 2019/20: The 15% property rates increase in 2019/20 triggered significant public resistance, with residents' associations calling for boycotts of property taxes. The municipality justified this increase partly through a new General Valuation Roll implementation.

Note on 2022/23: While the property rates tariff rate (cents per rand of property value) was reduced by 15.7% due to the implementation of a new General Valuation Roll (which significantly increased property values), the municipality simultaneously proposed a 9% increase in the rates tariff percentage. The net effect on individual ratepayers varied significantly depending on the revaluation of their specific property.

2.2 Municipality's Own Admission of Non-Compliance

The Mossel Bay Municipality's approved budget documents for 2023/24 and 2024/25 contain the following remarkable admission:

"The Municipality was not able to keep the tariff increases within the upper limit of 6 per cent provided by the National Treasury."

This statement appears verbatim in multiple budget years, confirming that the municipality was fully aware of the National Treasury guideline and consciously chose to exceed it, citing cost pressures including:

- Eskom bulk electricity purchase increases (12.72%–18.7% per year);
- Employee-related costs comprising approximately 25% of the operational budget;
- Debt impairment and depreciation charges; and

- The loss of electricity revenue due to load shedding.

The municipality's 2025/26 Annexure B (public participation responses) further reveals that the FF Plus (Freedom Front Plus) Mossel Bay Office formally objected, stating:

*"The increase in property rates (13%), basically electricity and water (10%), Sewerage (9%) and Refuse Removal (7%) is **extremely high (3 times current inflation)** and makes Mossel Bay even more unaffordable for the middle class taxpayer... The total municipal bill will increase by R300 to R400 per month with the increases."*

Part 3: Comparison with Inflation and the National Treasury 6% Guideline

3.1 The National Treasury 6% Guideline — Its Legal and Policy Basis

The National Treasury issues annual Municipal Budget Circulars under the Municipal Finance Management Act 56 of 2003 (MFMA). These circulars provide binding guidance on municipal budgeting. MFMA Circular No. 126 (December 2023) states:

*"National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the **affordability to poorer households** and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the 4 to 6 per cent target band; therefore, **municipalities are required to justify all increases in excess of the projected inflation target for 2024/25** in their budget narratives and pay careful attention to the differential incidence of tariff increases across all consumer groups."*

The 6% figure represents the **upper bound of the South African Reserve Bank's inflation target range** (3%–6%), and the National Treasury has consistently used this as a benchmark for "affordable" municipal tariff increases. Any increase above this level must be explicitly justified in the budget narrative.

3.2 Cumulative Impact Analysis

The following analysis demonstrates the compounding effect of Mossel Bay's tariff increases over the decade:

Indicator	Cumulative Increase (2014/15–2024/25)
Property Rates	+160.8%

Indicator	Cumulative Increase (2014/15–2024/25)
Electricity	+179.7%
Refuse Removal	+124.9%
Sewerage	+92.1%
CPI Inflation (actual)	+73.3%
NT 6% Guideline (compounded)	+89.8%

Key findings from this analysis:

- 1 **Property rates have increased by 160.8% cumulatively** — more than **double** the cumulative CPI inflation of 73.3% and **79% above** the NT 6% guideline cumulative benchmark of 89.8%.
- 2 **Electricity tariffs have increased by 179.7% cumulatively** — more than **2.4 times** the cumulative CPI inflation rate.
- 3 **In 10 out of 11 years**, property rates increases exceeded the National Treasury 6% guideline. The sole exception was 2021/22 (5.5%), which coincided with the COVID-19 economic recovery period.
- 4 **The average annual property rates increase of 9.14%** is **52% higher** than the NT 6% guideline and **78% higher** than the average CPI inflation rate of 5.13%.
- 5 **A household that paid R1,000 per month in property rates in 2013/14** would be paying approximately **R2,608 per month in 2024/25** based on cumulative property rates increases — compared to only **R1,733** if increases had tracked CPI inflation, and **R1,898** if increases had been capped at 6% annually.

3.3 The Affordability Crisis

The FF Plus Mossel Bay submission to the 2025/26 budget process captured the community impact succinctly:

"The residents who bear the municipal coffers (more than 60% are pensioners) can no longer afford it and action must be taken now before we destroy Mossel Bay."

The Dana Bay Taxpayers Association similarly objected, describing the rate of borrowing and tariff increases as "unsustainable" and causing "an unacceptable burden on the Taxpayers of Dana Bay." Their submission noted that letters to the Provincial Treasury regarding compliance had been "never presented or dealt with" at Council meetings — a matter described as being "viewed in a serious light."

Part 4: How Can the Auditor-General Issue a Clean Audit?

4.1 What a Clean Audit Actually Measures

The Auditor-General of South Africa (AGSA) defines a **clean audit outcome** as follows:

*"The financial statements are free from material misstatements (in other words, a financially unqualified audit opinion) and there are no material findings on reporting on performance objectives or **non-compliance with legislation.**"*

—AGSA Audit Terminology, official definition

A clean audit is composed of three distinct audit components:

Audit Component	What It Examines
Financial Statements	Whether the financial statements are free from material misstatements — i.e., whether the numbers are accurate and properly classified
Predetermined Objectives	Whether the municipality reported accurately on its own performance targets (as set by itself in its IDP)
Compliance with Legislation	Whether there are material instances of non-compliance with legislation applicable to financial matters and financial management

4.2 What a Clean Audit Does NOT Examine

This is the critical point that the Governance Award narrative obscures. A clean audit **does not assess**:

- 6 **Whether tariff increases are affordable to communities** — The AGSA does not audit whether rates and tariffs comply with the National Treasury's 6% guideline or whether they are constitutionally affordable. The municipality can increase rates by 15% and still receive a clean audit, provided the financial statements accurately reflect this revenue.
- 7 **Whether services are actually being delivered** — The AGSA has explicitly stated: "A clean audit does not amount to service delivery." The audit of predetermined objectives only checks whether the municipality reported accurately against targets it set for itself — not whether those targets were ambitious enough or whether residents actually received adequate services.
- 8 **Whether the municipality is fulfilling its constitutional mandate** — Section 152 and 153 obligations (sustainable services, priority to basic needs, social and economic development) are not subject to the AGSA's financial audit.
- 9 **Value for money or efficiency** — The AGSA does not audit whether the municipality is spending money efficiently or whether residents are receiving value for the rates and tariffs they pay.

- 10 **The affordability impact on households** — There is no audit assessment of whether cumulative tariff increases are pushing households into financial distress or causing non-payment of municipal accounts.

4.3 The Structural Limitation: Self-Set Targets

The AGSA's audit of "predetermined objectives" is particularly limited in its ability to detect governance failures. The municipality sets its own performance targets in its Integrated Development Plan (IDP). If a municipality sets low or easily achievable targets, it can report 100% achievement and receive a clean audit on predetermined objectives — even if actual service delivery is poor.

As the Good Governance Africa (GGA) research institute noted in September 2024:

*"Clean audits are a **necessary but insufficient condition** for achieving governance performance... those finances also have to be geared towards achieving the entity's mandate."*

4.4 The Paradox: Clean Audit + Unaffordable Tariffs

The paradox of Mossel Bay Municipality is therefore not a contradiction — it is a **structural feature** of the South African audit framework:

- **The municipality can accurately record** that it collected R13% more in property rates revenue in 2024/25 than in 2023/24 — and this is financially correct.
- **The municipality can accurately report** against its own IDP targets — which do not include a target of "keep tariff increases below CPI inflation."
- **The municipality can demonstrate** compliance with the MFMA's financial management requirements — even though it openly admits it could not comply with the National Treasury's 6% tariff guideline.

The result is a municipality that is **financially well-managed in accounting terms** while simultaneously:

- Charging property rates that have grown at 160.8% cumulatively over a decade (vs 73.3% CPI);
- Receiving formal written objections from political parties and ratepayers' associations about unaffordability;
- Admitting in its own budget documents that it cannot comply with the National Treasury affordability guideline; and
- Being celebrated with a prestigious governance award.

4.5 The Auditor-General's Own Acknowledgement

The AGSA's 2022-23 MFMA General Report acknowledged the limitations of clean audits in relation to service delivery:

*"At those municipalities that have not managed to move out of the disclaimed space, the lack of transparency, accountability and institutional integrity not only leads to **non-delivery of services**, but also harms the people these municipalities are intended to serve."*

Implicitly, this framing acknowledges that even municipalities with clean audits may not be delivering adequate services or protecting community affordability — the audit simply does not measure these dimensions.

Part 5: Synthesis and Critical Assessment

5.1 The Governance Award in Context

The Local Government Indaba 2025 award, presented on behalf of the Minister of COGTA, recognised Mossel Bay Municipality for "consistent achievement in maintaining clean audits and adopting fully funded budgets for 10 years or more." This recognition is technically accurate within the narrow definition of what a clean audit measures.

However, the award narrative — describing Mossel Bay as "one of the best-managed municipalities in the country" — conflates **financial accounting accuracy** with **substantive governance quality**. The evidence presented in this report suggests a more nuanced picture:

Criterion	Assessment
Financial statement accuracy	Excellent — clean audit for 10+ years
Budget funding (no deficit)	Excellent — fully funded budgets
Tariff affordability to communities	Poor — consistently exceeds NT 6% guideline
Constitutional obligation (Section 152/153)	Questionable — prioritising financial sustainability over community affordability
National Treasury guideline compliance	Non-compliant — openly admitted in budget documents
Community affordability impact	Concerning — formal objections from ratepayers, FF Plus, and civic associations
Transparency	Partial — budget documents acknowledge NT guideline breach, but award narrative does not

5.2 The Fundamental Question

The central question this analysis raises is not whether Mossel Bay Municipality is corrupt or financially mismanaged in the conventional sense — it demonstrably is not. The question is whether the current South African audit and governance framework adequately captures what "good governance" means for ordinary residents.

A municipality can be:

- **Financially clean** (accurate books, no irregular expenditure);
- **Fully funded** (no deficit budgets); and
- **Award-winning** in governance terms —

while simultaneously:

- Increasing property rates by **13% in a year when inflation is 4.36%**;
- Compounding tariff increases to **160% over a decade** against 73% CPI inflation;
- Receiving formal written objections from residents describing the increases as "3 times current inflation" and "unaffordable"; and
- Openly admitting in budget documents that it cannot comply with the National Treasury's affordability guideline.

This is not a paradox of corruption — it is a paradox of **definition**. The clean audit framework, as currently constituted, does not measure whether a municipality is fulfilling its constitutional mandate to provide affordable, sustainable services that promote the social and economic development of its community.

5.3 Recommendations

Based on this analysis, the following recommendations are advanced:

- 11 **The AGSA should expand its audit mandate** to include an assessment of whether tariff increases comply with National Treasury guidelines and whether they are constitutionally affordable — not merely whether the financial statements accurately record the increases.
- 12 **The Local Government Indaba award criteria** should be revised to include affordability metrics alongside financial management metrics, to avoid the perverse incentive of rewarding municipalities that balance their books on the backs of ratepayers.
- 13 **National Treasury should enforce** rather than merely recommend the 6% guideline, requiring municipalities that exceed it to obtain explicit Provincial Treasury approval with a detailed affordability impact assessment.
- 14 **The Constitutional Court** has not yet definitively ruled on whether systematically unaffordable municipal tariff increases constitute a violation of the Section 27 right to access water or the Section 26 right to adequate housing — this remains a live constitutional question.
- 15 **Community participation** in the budget process must be genuinely meaningful. The Dana Bay Taxpayers Association's submission that letters to the Provincial Treasury "were never presented or dealt with" at Council meetings represents a potential violation of the Municipal Systems Act's public participation requirements.

Conclusion

Mossel Bay Municipality's ten consecutive clean audits represent a genuine achievement in financial management and accountability. The municipality's books are accurate, its budgets are funded, and its financial statements are free from material misstatements. For these achievements, recognition is warranted.

However, the conflation of **financial accounting accuracy** with **substantive governance quality** — as embodied in the Prestigious Governance Award — obscures a troubling pattern of tariff increases that have systematically outpaced inflation, exceeded National Treasury guidelines, and generated formal community objections about affordability. Over ten years, property rates have increased by 160.8% cumulatively, compared to 73.3% CPI inflation — a gap of 87.5 percentage points that represents a significant and growing burden on Mossel Bay's residents, the majority of whom are reportedly pensioners.

The Auditor-General's clean audit does not — and by design cannot — address this dimension of governance. The audit measures financial accuracy, not constitutional compliance with the obligation to provide affordable, sustainable services. Until the governance framework is expanded to capture these dimensions, the clean audit will remain an incomplete — and potentially misleading — measure of how well a municipality is actually serving its community.

References and Sources

- 16 Constitution of the Republic of South Africa, 1996 — Sections 26, 27, 152, 153, 229
- 17 Municipal Systems Act 32 of 2000 — Section 74 (Tariff Policy)
- 18 Municipal Property Rates Act 6 of 2004 (MPRA)
- 19 Municipal Finance Management Act 56 of 2003 (MFMA)
- 20 National Treasury MFMA Circular No. 126 (December 2023) — Municipal Budget Circular for the 2024/25 MTREF
- 21 Mossel Bay Municipality Approved Annual Budget 2018/19 (Final)
- 22 Mossel Bay Municipality Approved Annual Budget 2020/21 (Final)
- 23 Mossel Bay Municipality IDP Representative Forum Presentation, 20 May 2021 (Garden Route District Municipality)
- 24 Mossel Bay Municipality Budget 2022/23 — Media Release (GroupEditors)
- 25 Mossel Bay Municipality Tariff Schedule 2022/23 (Official Tariff Document)
- 26 Mossel Bay Municipality Approved Annual Budget 2023/24
- 27 Mossel Bay Municipality Approved Annual Budget 2024/25
- 28 Mossel Bay Municipality Annexure B — Public Participation Responses 2025/26 Draft Budget
- 29 Auditor-General South Africa (AGSA) — Audit Terminology (Official Website)

- 30 Good Governance Africa — "Governance is not only about clean audits," Dr Ross Harvey, September 2024
- 31 Stats SA — Consumer Price Index Historical Data (2014–2024)
- 32 COGTA — Local Government Indaba 2025 Awards Ceremony Programme
- 33 Mossel Bay Municipality Facebook Post — "A Decade of Accountability" (February 2026)