INCA
Portfolio Managers

HESSEQUA MUNICIPALITY

Long-Term Financial Plan – ***Update 2026***

Prepared by
INCA Portfolio Managers
December 2025

Report Overview – Introduction and Background

The Hessequa Municipality appointed INCA Portfolio Managers in 2020 to develop a Long-Term Financial Plan. The deliverable of that assignment was a report entitled *Hessequa; Long-Term Financial Plan: 2019/20 – 2028/29*; July 2020. The initial report was updated in 2021-2025. This 2026 update, done in terms of a new contract with Hessequa Municipality, aims to update the LTFP based on the latest available information and report on the findings.

The objective of a Long-Term Financial Plan is to recommend strategies and policies that will maximise the probability of the municipality's financial sustainability into the future. This is achieved by forecasting future cash flows and affordable capital expenditure based on the municipality's historic performance and the environment in which it operates.

A summary of the demographic-, economic- and household infrastructure perspective was updated with the latest available information as published by S&P Global Market Intelligence. The historic financial analysis was updated with the information captured in the municipality's unaudited financial statements of 30 June 2025. IPM's Long-Term Financial Model (latest and updated version) was populated and run with this latest information, and the outcome thereof is reflected in this report. In particular, the model was calibrated against the municipality's unaudited financial statements as well as the Adjustment Budget for the 3 years from 2025/2026 to 2027/2028.

ABBREVIATIONS USED

AFS	Annual Financial Statements
CAPEX	Capital Expenditure
CRR	Capital Replacement Reserve
CPI	Consumer Price Index
FY	Financial Year
FYE	Financial Year Ended
GVA	Gross Value Added
IP	Investment Property
IPM	INCA Portfolio Managers
LM	Local Municipality
LTFM	Long-Term Financial Model
LTFP	Long-Term Financial Plan
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
MRRI	Municipal Revenue Risk Indicator
MTREF	Medium Term Revenue and Expenditure Framework
NERSA	National Energy Regulator of South Africa
NT	National Treasury
OPEX	Operational Expenditure
PPE	Property, Plant and Equipment
R '000	Rand x 1 000
SA	South Africa
S&P	S&P Global Market Intelligence ReX v2540

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Executive Summary

Key Findings and Conclusions drawn from the 2026 LTFP Update

Highlights from the FY2024/25 Financial Results

- The liquidity ratio improved during FY2024/25 to 3.58:1 from 2.71:1 in the prior year, the driving factor for this was the unspent conditional grants liability of R3.6 million from R74.8 million included in the prior year.

- The collection rate increased during the year to 98.2% from 96.6% in the prior year. This is positive to note.

- The debtors age analysis revealed that debtors older than 90 days remained the largest pool of debtors, constituting 59.8% of gross consumer debtors as at FYE2024/25 followed by current debtors which accounted for 34.9% of gross consumer debtors. These aged debtors have been fully provided for through the provision for bad debts.

- Financial performance improved during FY2024/25, with the operating surplus improving to R79.6 million, up from R68.9 million in the prior year. Cash generated by operations (excluding capital grants) decreased to R46.9 million, down from R135.2 million in the prior year.

- Electricity services remained the main revenue stream for the municipality, contributing 30.7% to revenue in FY2024/25. This is followed by property rates (18.2%) and equitable share (8%). Staff costs remained the predominant expenditure item, accounting for 26% of expenditure in FY2024/25. This was followed by electricity bulk purchases (20%). Contracted services accounted for 8% of expenditure in FY2024/25.

- No borrowing was undertaken during FY2024/25. This resulted in a decline in the gearing ratio to 15.9% as at FYE2024/25. The debt service to total expense ratio reduced marginally to 5.2%, down from 6% in the prior year. This indicates scope to borrow over the MTREF period, the extent of borrowing must, however, be carefully monitored.

- Hessequa utilised its healthy liquidity reserves to supplement increased grant funding to accelerate capital investment during FY2024/25. The capital outlay of R236.6 million in FY2024/25 represents a peak for the review period.

- The municipality posted cash surpluses over the minimum liquidity requirements in excess of R150 million throughout the review period (R349.8 million in FY2024/25).

Long-Term Financial Plan Update

Hessequa LM has budgeted for a deterioration of financial performance – this is contrary to the historic performance in which operating surpluses were posted throughout the review period. As such, we are of the view that the Adjustment Operating Budget will likely be outperformed. An MTREF Case was developed utilising the unadjusted figures from the Adjustment Operating and Capital Budgets, whilst maintaining other metrics such as the collection rate, days payable etc. at their respective FY2024/25 levels. This is done to assess the long-term forecasts of the LTFM should the Adjustment Budget be implemented and the status quo be maintained. The outcome of the MTREF Case, while sustainable, reflects a deterioration of financial performance and liquidity. This was driven by the conservative Operating Budget, as well as the extent of leverage expected to be undertaken. The overleveraged debt profile would begin to erode the liquidity position over the long-term. The assumptions made in arriving at the Base Case were cultivated to address the underlying issues responsible for the undesirable outcome in the MTREF Case. The key assumptions made in arriving at the Base Case are listed below:

1. A collection rate of 98% is assumed to be maintained throughout the planning period. The collection rate for fines was set at 16.87%, in line with the budgeted figure.
2. The Adjustment Capital Budget was maintained over the MTREF period, while capital expenditure of R135 million was assumed in FY2028/29. Assumed annual growth beyond FY2028/29 is 6% p.a. The Adjustment Budget borrowing programme was maintained over the MTREF period, with borrowings of R35 million assumed in FY2028/29. Assumed annual growth beyond FY2027/28 is 4% p.a. The borrowing in this scenario consists of 10-year amortising loans at an interest rate of 8% above forecast CPI.
3. Repairs and maintenance expenditure was maintained at 8.0% of PPE & IP throughout the planning period.
4. Electricity and water distribution losses were maintained at 9.64% and 18.00% respectively.
5. Creditors days were reduced to 30 days from 72 days over the planning period.
6. Tariff increases were included as put forward in the Adjustment Budget Document.

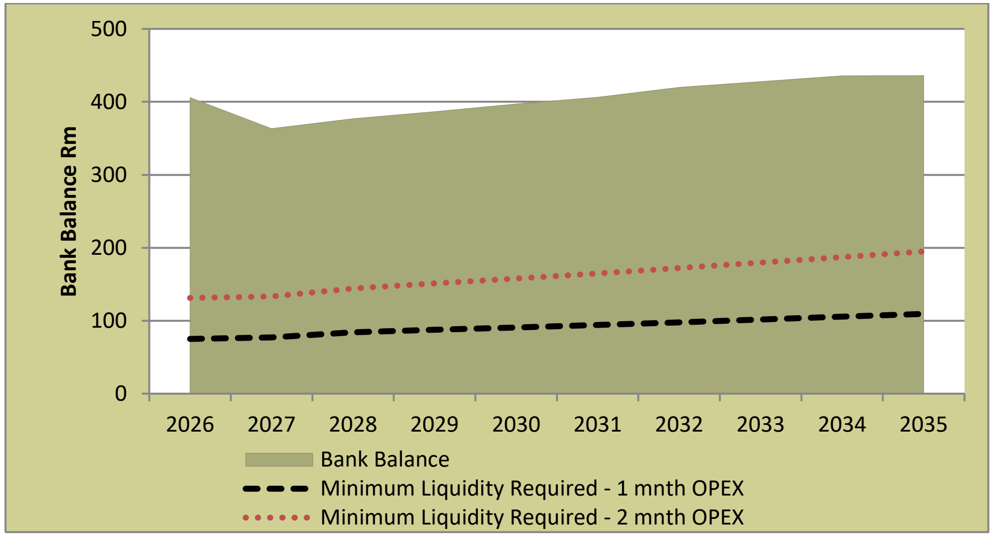
The Base Case presents a sustainable outcome that is characterised by an affordable acceleration of capital investment underpinned by a sustainable debt profile. These adjustments will result in a sustainable liquidity position and healthy bank balance. A conservative approach was taken in developing the Base Case, with no adjustments made to operating revenue or expenditure, despite the conservative operating budget. Should the operating budget be outperformed as expected, so too will the Base Case forecast. The Base Case assumptions double up as recommendations for the municipality to follow in order to promote long-term sustainability.

LONG-TERM FINANCIAL MODEL OUTCOMES

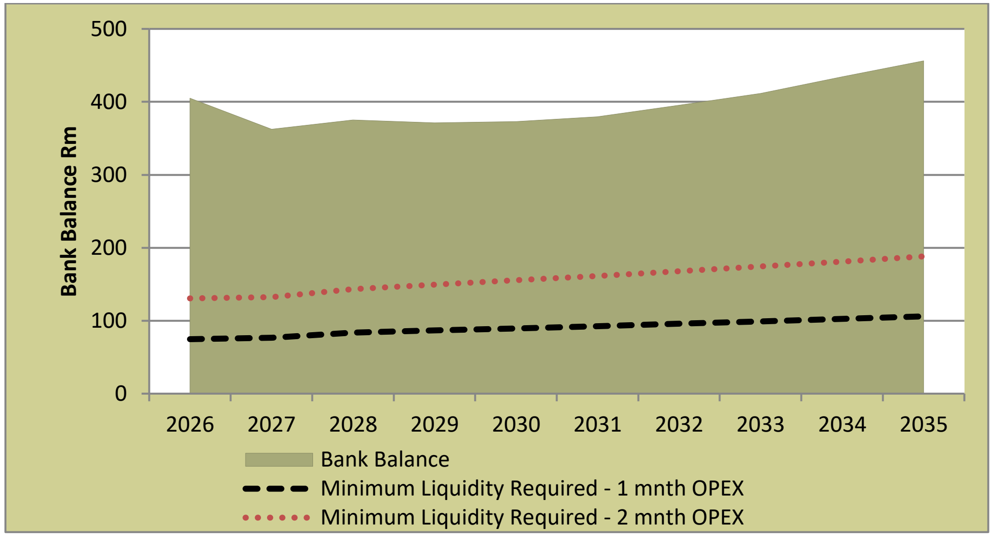
Based on these assumptions, key outcomes for the 10-year planning period are as follows:

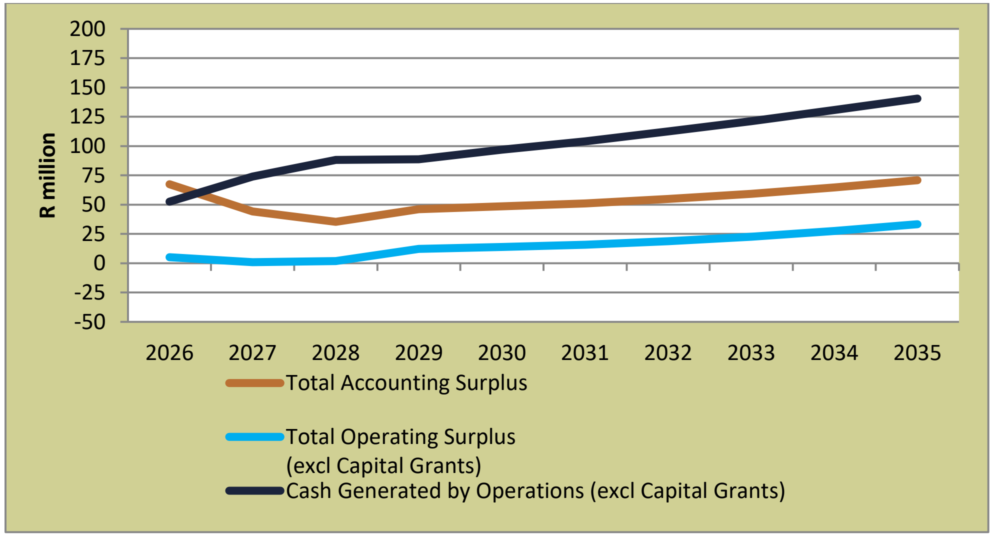
Outcome	MTREF Case	Base Case
Average annual % increase in Revenue	3,4%	3,4%
Average annual % increase in Expenditure	6,0%	5,6%
Accounting Surplus accumulated during Planning Period (Rm)	R 542	R 742
Operating Surplus accumulated during Planning Period (Rm)	**R 152**	**R 352**
Cash generated by Operations during Planning Period (Rm)	**R 1 009**	**R 1 135**
Average annual increase in Gross Consumer Debtors	8,6%	8,6%
Capital investment programme during Planning Period (Rm)	**R 1 733**	**R 1 620**
External Loan Financing during Planning Period (Rm)	**R 715**	**R 416**
Cash and Cash Equivalents at the end of the Planning Period (Rm)	**R 436**	**R 460**
No of Months Cash Cover at the end of the Planning Period (Rm)	**5,1**	**5,6**
Liquidity Ratio at the end of the Planning Period	**2,3 : 1**	**4,1 : 1**
Gearing at the end of the Planning Period	**34,7%**	**17,7%**
Debt Service to Total Expense Ratio at the end of the Planning Period	**10,4%**	**6,3%**

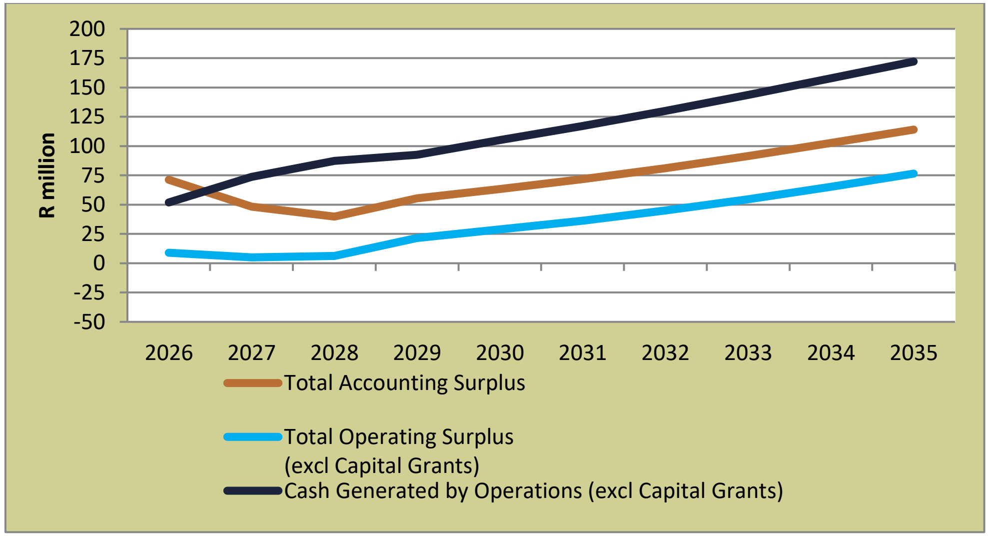
MTREF CASE SCENARIO



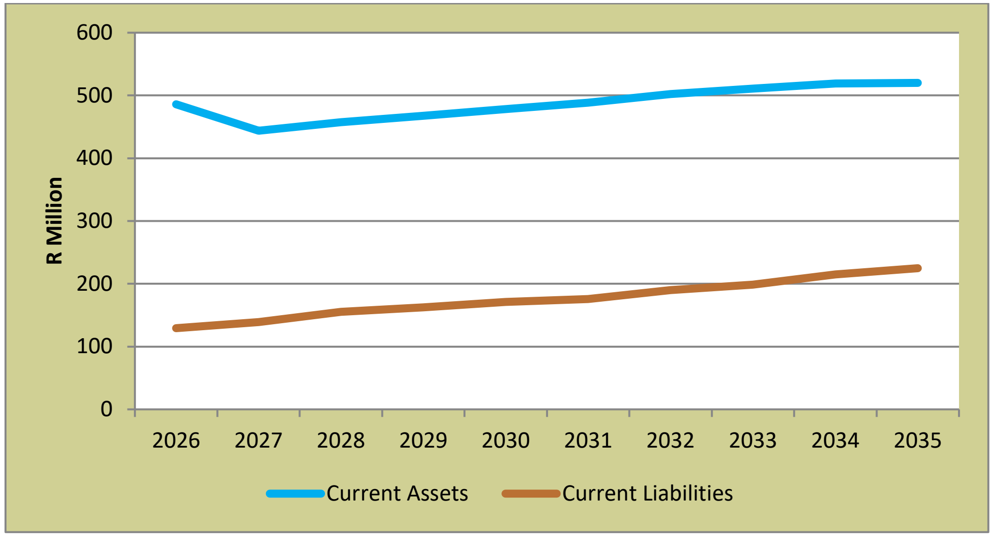
BASE CASE SCENARIO



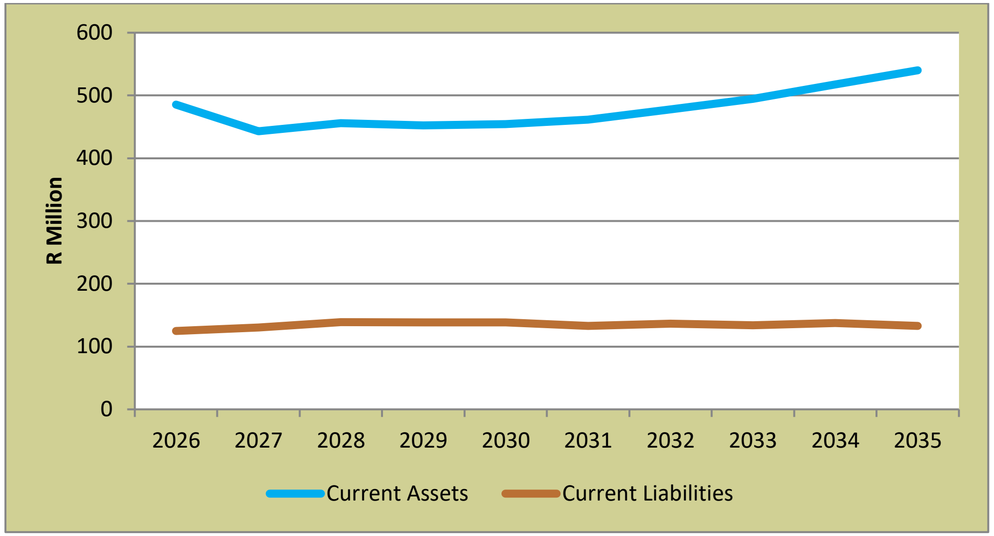


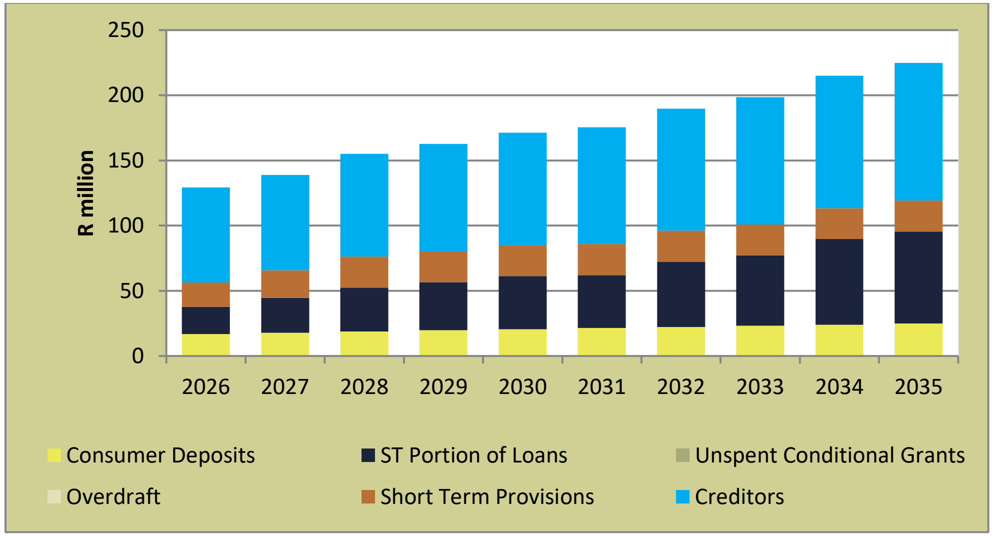


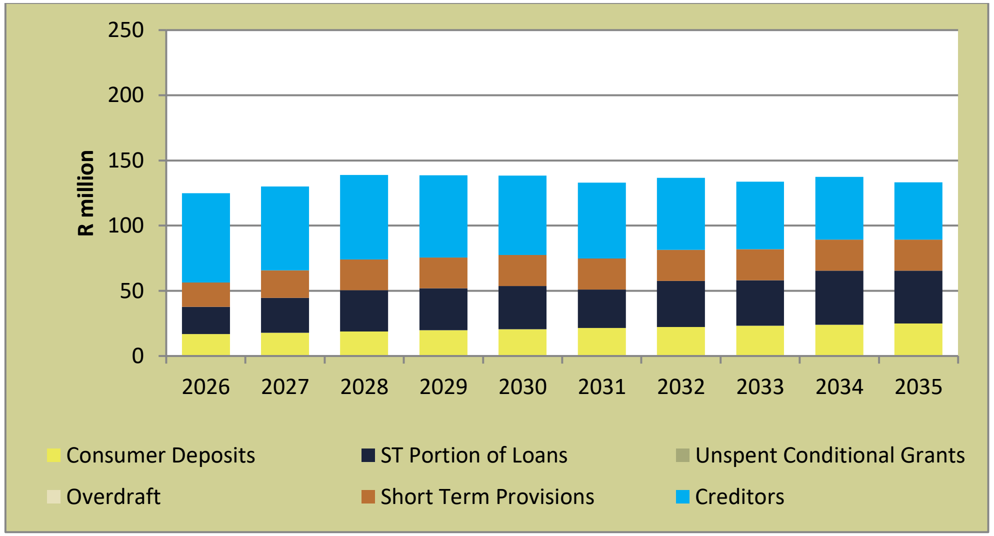
MTREF CASE SCENARIO



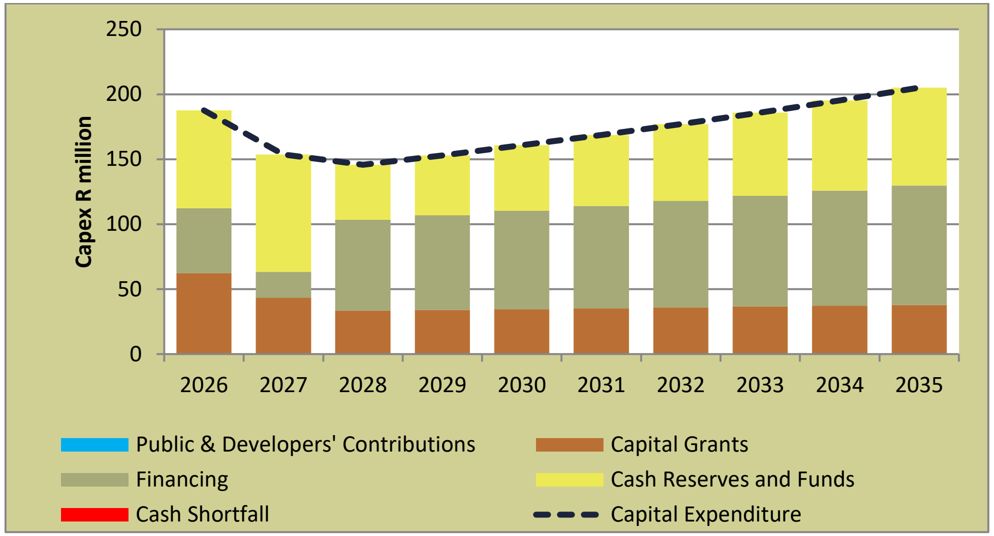
BASE CASE SCENARIO



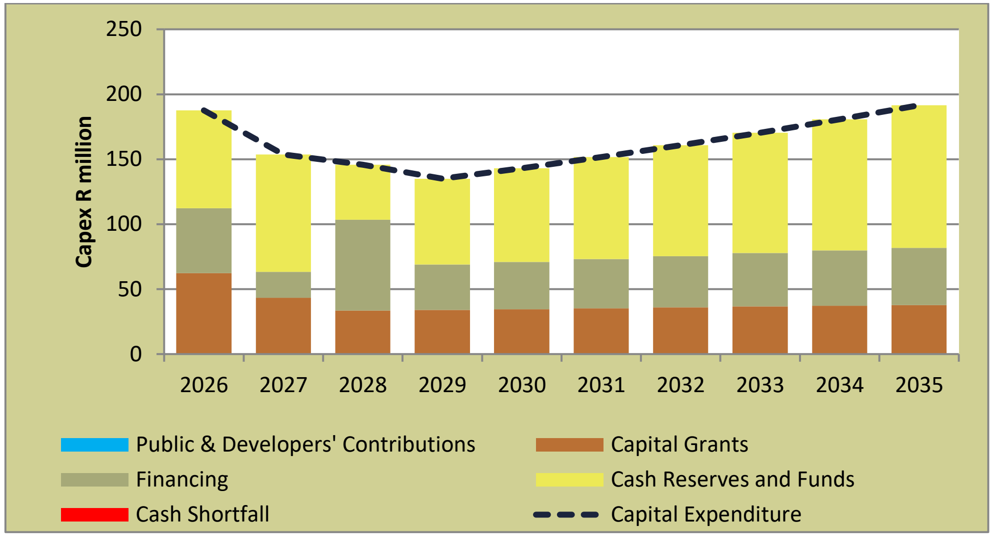


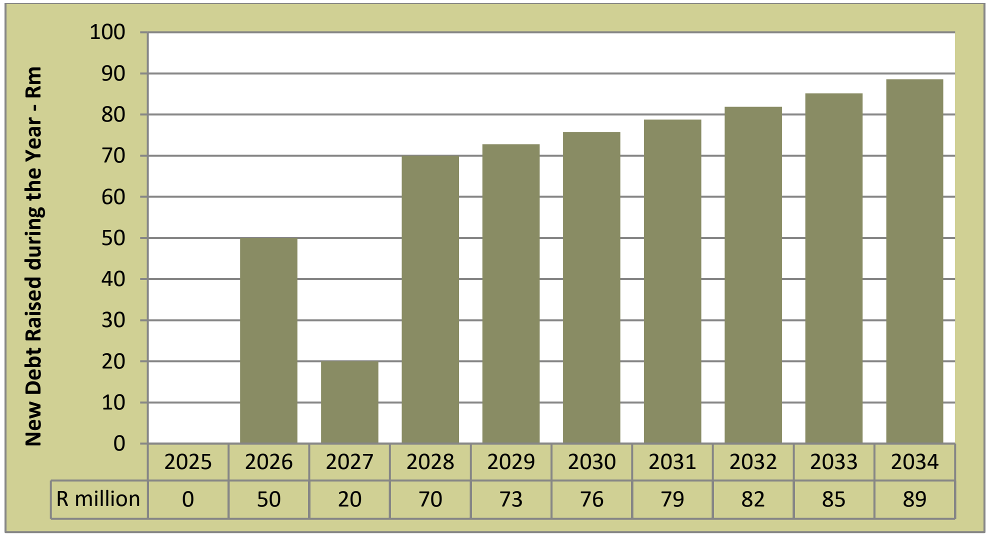


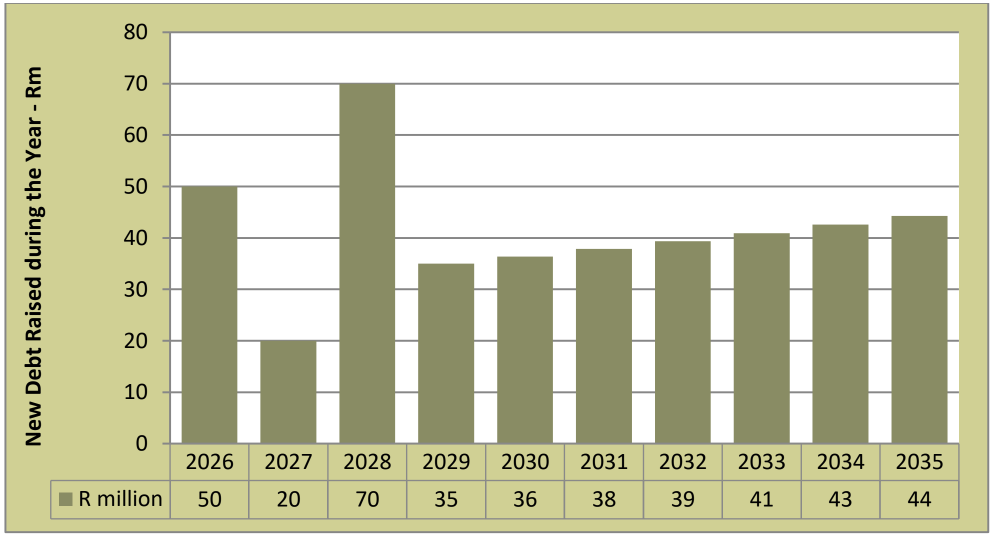
MTREF Case Scenario



Base Case Scenario







Capex Affordability & Funding Mix

Base Case 10-Year Capital Funding Mix

Source	Rm	%
Public & Developers' Contributions	0	0 %
Capital Grants	391	24 %
Financing	416	26 %
Cash Reserves and Funds	813	50 %
Cash Shortfall	0	0 %
Capital Expenditure	**1 620**	**100 %**

Base Case Distribution of Future Capital Funding (R'm)

R'm	Total	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public & Developers' Contributions	**0**	0	0	0	0	0	0	0	0	0	0
Capital Grants	**391**	62	43	33	34	35	35	36	37	37	38
Financing	**416**	50	20	70	35	36	38	39	41	43	44
Cash Reserves and Funds	**813**	75	90	42	66	72	79	85	93	101	110
Cash Shortfall	**0**	0	0	0	0	0	0	0	0	0	0
Capital Expenditure	**1 620**	**188**	**154**	**146**	**135**	**143**	**152**	**161**	**170**	**181**	**192**

Key Takeaways

- The affordable capital envelope for the 10-year planning period was calculated at **R1 620 million.**
- This is primarily funded through own cash utilisation (50%), with affordable borrowings (26%) included to supplement capital grant funding (24%).
- The healthy liquidity position is leveraged to accelerate capital investment in an affordable and sustainable manner.

RECOMMENDATIONS

Based on the results of the Long-Term Financial Model, ***it is recommended that*** Hessequa:

1. Maintain an optimised funding mix that strikes a balance between the utilisation of external borrowings and own cash as a supplement to capital grant funding. The municipality must be wary of not overleveraging the debt profile. The Base Case borrowing programme provides an indication as to the municipality's affordable debt absorption capacity.

2. Maintain a balanced approach for the long-term capital investment programme which prioritises investments that contribute to economic growth and revenue generation and prioritise timeous investment in bulk infrastructure.

3. Formalise a capital investment prioritisation and tracking system to optimise management's capital investment decisions and mitigate the risk of underspending on capital projects. The affordable envelope presented in this report reflects the available capacity for affordable capital investment. This should inform the capital prioritisation programme, the outcome of the which should be run through the LTFM.

4. Prevent a deterioration of the collection rate through the implementation of measures such as strict credit control, debt collection procedures, etc. The Base Case collection rate of 98% must be achieved and maintained. The importance of meeting the Base Case collection rate cannot be understated. Failure to do may necessitate a reduction the affordable envelope for capital investment, or may require cuts in operation expenses.

5. Institutionalise the utilisation of a sophisticated tariff model to ensure that tariffs reflect the true cost of delivering the service, on an organisation-wide approach (also taking into account property rates and organisational overheads).

6. Update the long-term financial plan at least annually with the most recent information to remain a relevant and valuable strategic tool that serves as input to the annual budgeting process. Institutionalisation of the long-term financial model to support strategic financial decision-making in the municipality will provide immense benefits to the municipality.

7. Finally, Hessequa has maintained a healthy financial position throughout the review period due to a sustained period of sound operational and financial management. The municipality must be commended for this. Following the recommendations included in this LTFP Update will assist the municipality in maintaining the healthy financial position over the long-term.

DEMOGRAPHIC, ECONOMIC AND HOUSEHOLD INFRASTRUCTURE

- Despite being the largest municipality in the district in terms of geographical size, Hessequa LM has the second lowest total population, growing at a 5-year average rate of 1.2% p.a. A majority (57%) of the population fall within the ages of 24-64 years.

- The municipality has the second lowest household formation in the district at 13%, which assisted them in maintaining a high infrastructure index above 0.90 over the review period. Hessequa achieved an index of 0.93 in 2023, outperforming the district (0.90); provincial (0.89) and national (0.77) indices.

- Refuse removal remain the lagging service, with a backlog of 16.2%. Approximately 95.2% of the population has access to above RDP level infrastructure.

- Hessequa LM has the highest per household income in the district of R 282 314. The municipality is expected to generate sufficient income from its population.

- The official unemployment rate declined to 8.58% in 2024 (10.6% in 2023), making it the lowest in the district. Finance (22%) and trade (21%) remained the predominant providers of employment in Hessequa in 2024.

- The economy has exhibited sluggish growth over the review period, with an annual average of 0.4% over the last 5 years. This is exceeded by the annual average population growth rate of 1.2% over the same period.

- The economy is diversified, as indicated by the tress index of 37.27. The four main sectors are: Community Services (21.4%), Trade (16.9%), Finance (16.1%) and agriculture (16.4 which contributed a combined total of 70.9% towards total GVA in 2024.

- Tourism spends contributed approximately 13.83% towards the total economic output of Hessequa in 2023. The tourism sector was negatively impacted by the Covid-19 pandemic. Tourism spends increased from R407.501 million in 2020 to R515.696 million in 2024. This indicates that the tourism sector has fully recovered post-pandemic.

1 **Planning Process**

2 Updated Perspectives (Demographic, Economic, Household Infrastructure)

3 Updated Historic Financial Assessment

4 Long-Term Financial Model Outcomes

5 Future Revenues

6 Affordable Future Capital Investment

7 Scenario Analysis

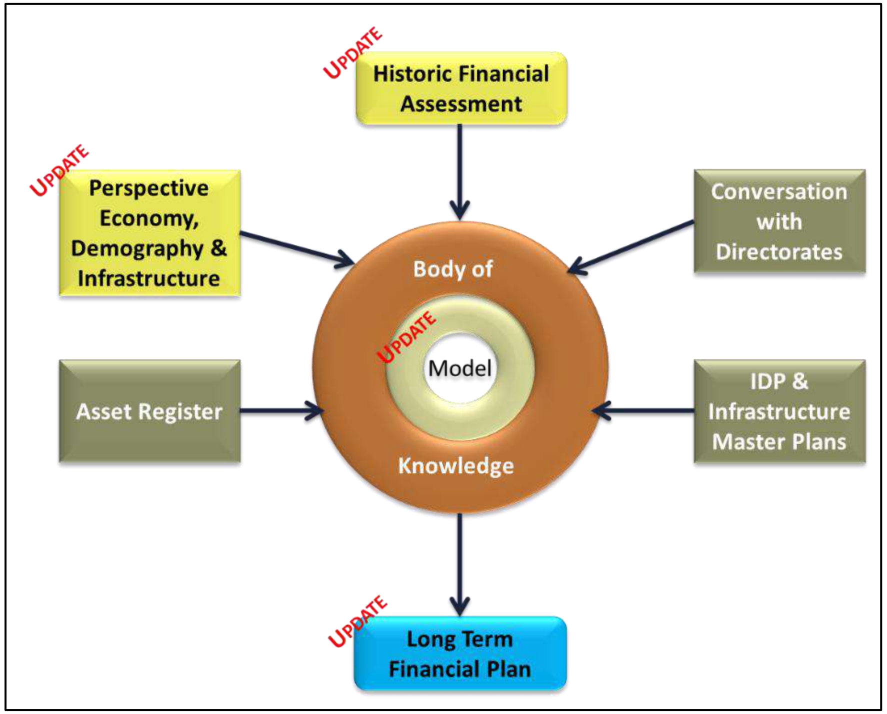
8 Ratio Analysis

9 Conclusions

PLANNING PROCESS

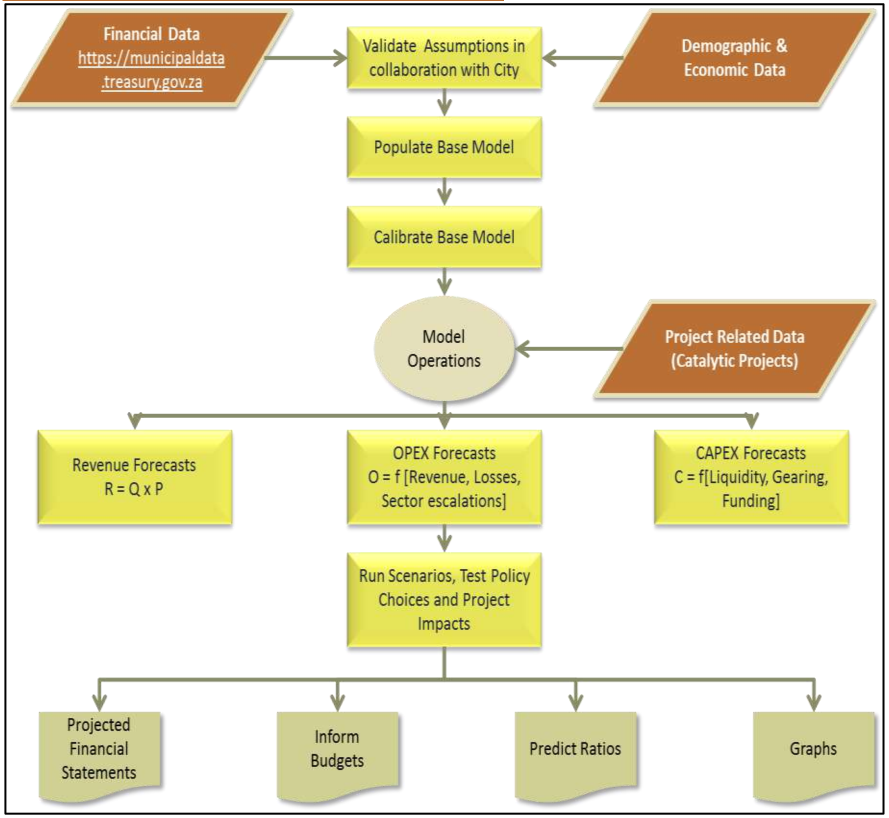
The diagram below illustrates the steps in the process that were followed in drafting the LTFP and the steps taken during this 2026 "LTFP Update":

FIGURE 1: PLANNING PROCESS



The long-term financial model was populated with the latest information of Hessequa and used to make a base case financial forecast of the future financial performance, financial position, and cash flow of the municipality. The diagram below illustrates the outline of the model.

FIGURE 2: FINANCIAL MODEL FRAMEWORK



The model methodology remains the same and the capital budget as presented in the MTREF was utilised and forecasts of an affordable future capex were made.

1 Planning Process

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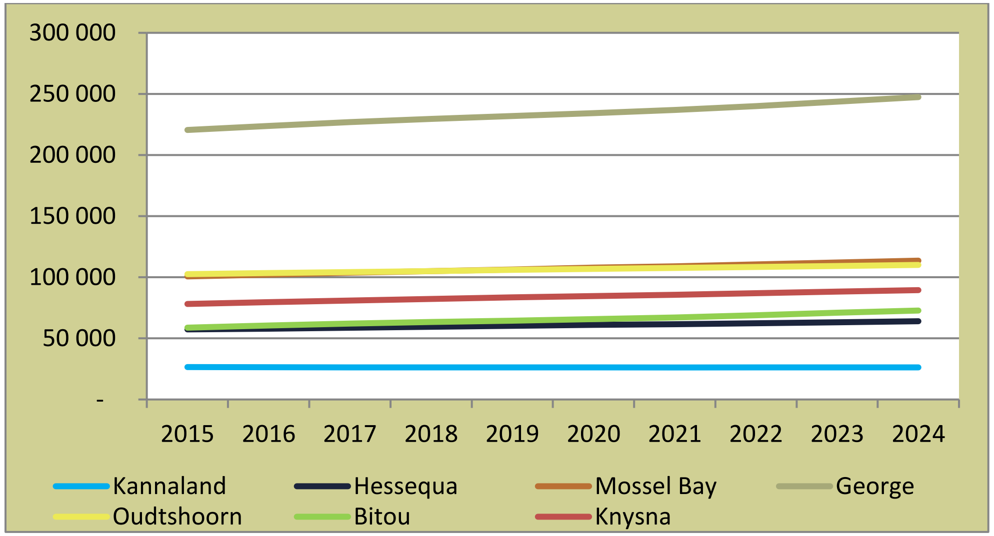
UPDATED PERSPECTIVES (DEMOGRAPHIC, ECONOMIC, HOUSEHOLD INFRASTRUCTURE)

DEMOGRAPHY

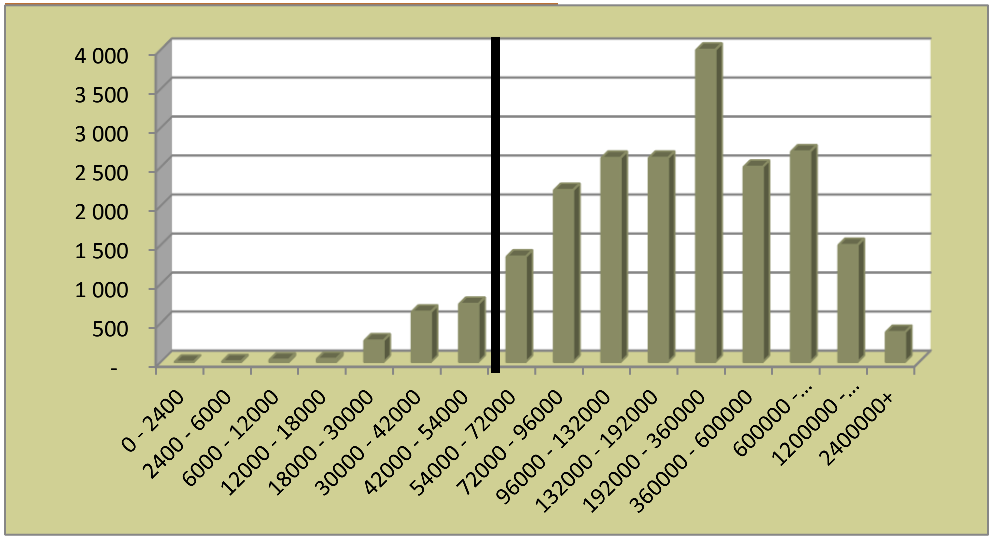
Hessequa LM has a total population of 64 009 people in 2024, contributing 9% towards the Garden Route District's total population. Despite being the largest municipality in the district in terms of geographical size, the municipality has the second smallest population, growing at a 5-year average rate of 1.2% p.a., falling below the district (1.44%), provincial (1.39%) and national (1.35%) population growth rates. Resultantly, the municipality has a low population density of approximately 11 people per km^2. Hessequa LM is thus expected to cope with the growing demand for services.

GRAPH 1: TOTAL POPULATION



The Western Cape Province experienced increasing population growth rates in recent years, averaging 1.4% p.a. over the past 5 years and only exceeded by the Gauteng Province (1.9%). This is an indication of the influx of people who sought for better living conditions as well as working/academic opportunities in the province. The Garden Route District is one of the Western Cape areas that is popular for high service delivery and thus falls part of the popular destinations for "semigrants". Hessequa LM, as one of the municipalities in the district, may experience higher population growth rates should the "semigration" trend continue, although the municipality is experiencing relatively low population growth relative to other municipalities in the district.

GRAPH 2: HOUSEHOLD INCOME DISTRIBUTION

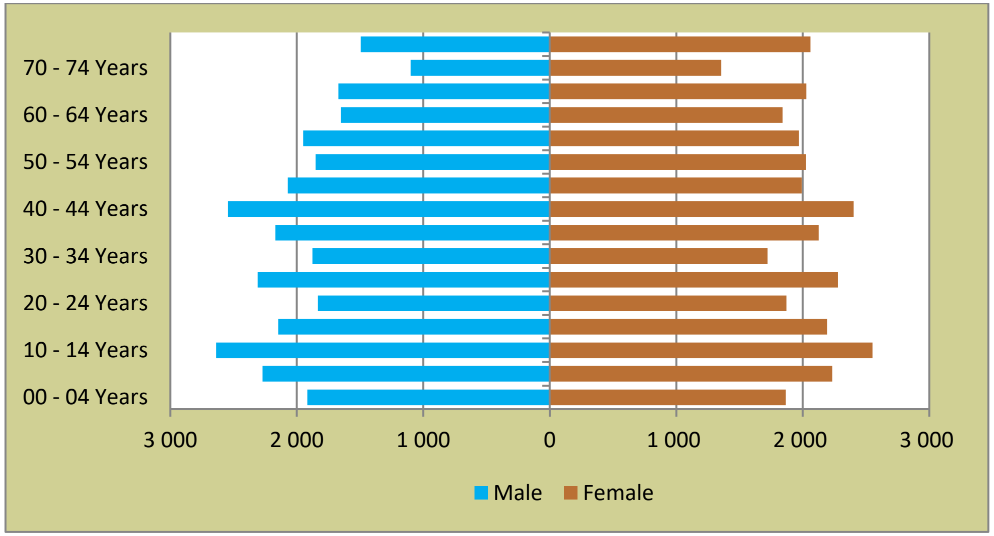


GRAPH 2 above illustrates a comparison of the household income distribution of Hessequa LM. Approximately 100.05% of the households in the municipality earn an income above the Equitable share bracket of R54 000 p.a. This is relatively higher than that of the Garden Route District (97.23%). Theoretically, households earning less than R54 000 p.a. are indicative of the number of indigent households in the municipal area and reflect those who qualify for and/or are largely reliant on government grants as a source of income. Approximately 8.57% of the population is considered indigent and reliant on the municipality for free services. This is well below the Garden Route District figure of 9.6%.

The provision of RDP level of basic services to these households is theoretically covered by the equitable share and this should compensate the municipality for providing free basic services. Hessequa LM has the has the highest income per household and per capita in the Garden Route District at approximately R282 314 p.a. and R 225 256 p.a., respectively.

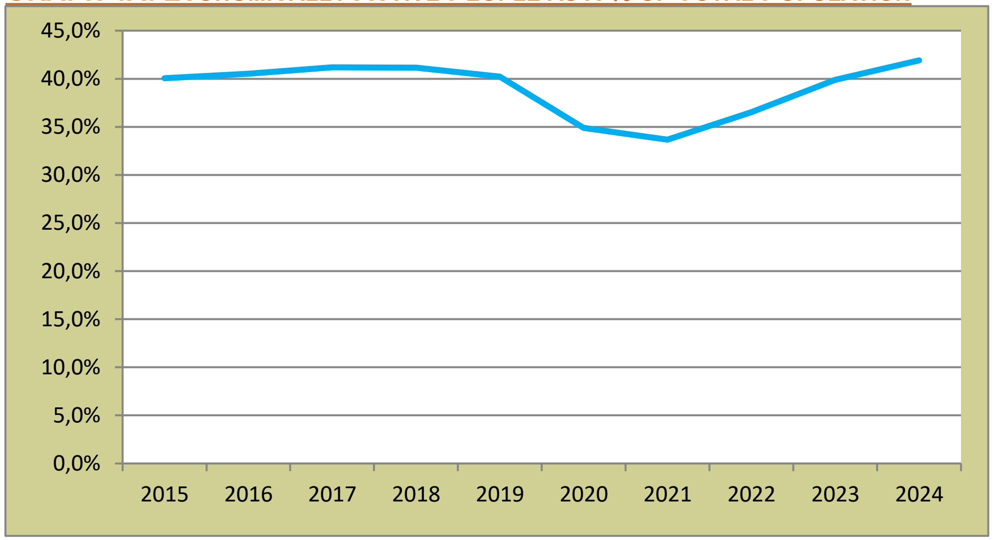
Although these indicators reflect high household affordability for services, the extent to which households can be levied is limited by several factors and should thus be closely monitored. The municipality must be cognisant of the fact that a decline in household income coupled with increases in municipal service costs, will hinder the municipality's future revenue prospects.

GRAPH 3: AGE PROFILE



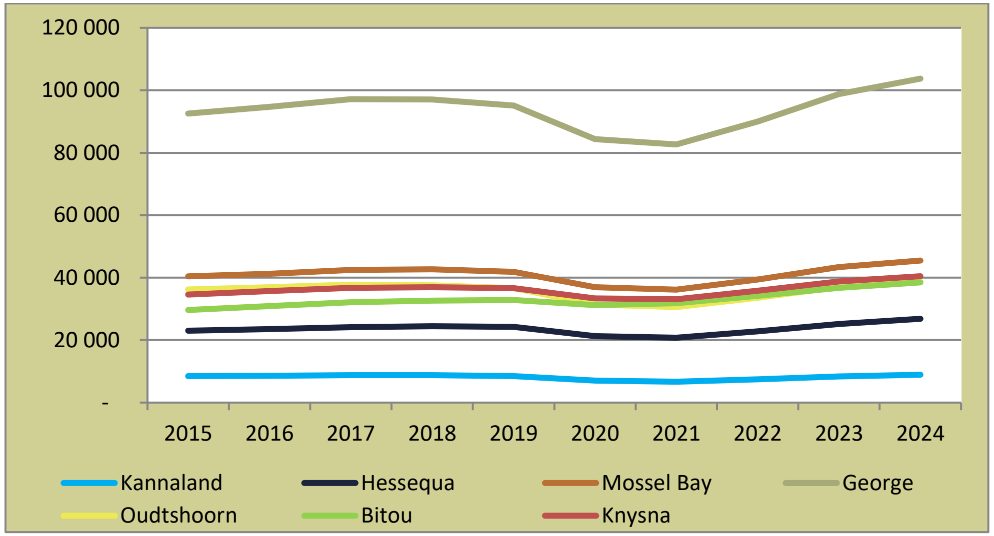
GRAPH 3 illustrates the age profile of Hessequa LM's population. A majority of the municipality's population (57%) falls between the ages of 20 and 64, which can be considered to be of working age. However, only 41.9% of those are considered to be economically active. This indicates that approximately 15% of the working age group may be discouraged and/or not taken active steps in finding employment. A considerable 28% of the total population falls below the age of 24 years. The largest age cohort is between the ages of 10 and 14 years old. A relatively low number of people between the ages of 20 and 24 years may indicate that school leavers are pulled away from the municipality in search of further education or job opportunities. Hessequa LM has the highest proportion of people older than 65 in the district. This would suggest that Hessequa is seen as a popular retirement destination.

GRAPH 4A: ECONOMICALLY ACTIVE PEOPLE AS A % OF TOTAL POPULATION

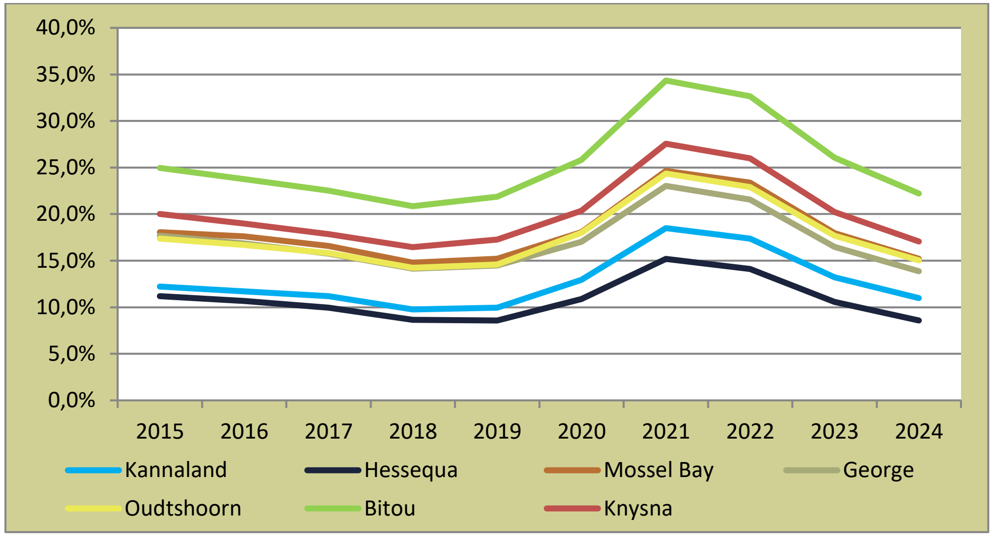


The total number of economically active people considers those who are employed; and people of working age who have been actively seeking employment. The number of economically active people followed an annual declining trend between 2019 and 2021, from 40.2% to 33.7%. Year-on-year growth has since been observed, with this figure rising to 41.9% in 2024.

GRAPH 4B: ECONOMICALLY ACTIVE POPULATION



GRAPH 5: OFFICIAL UNEMPLOYMENT RATE



GRAPH 4B above depicts the trend in the number of economically active people in each of the municipalities within the Garden Route District over the past 10 years. Hessequa has the second lowest proportion of economically active people. This indicates that fewer people are likely to seek employment in Kannaland LM and Hessequa LM than they would in George LM for example, which has the highest proportion of economically active people.

Hessequa LM has the lowest unemployment rate in the district, at 8.58% in 2024, well below the national unemployment rate of 32.6%. The municipality experienced increasing unemployment rates between 2019 and 2021, 15.2% to 14.1% respectfully. This is influenced by the job losses suffered during the Covid-19 pandemic. The unemployment rate has since moderately recovered from 14.1% in 2022 to 8.58% in 2024. A majority of the employment opportunities are created by the Finance (22%), Trade (21%), Community services (19%), and Manufacturing (15%) sectors.

It must be stated that the official unemployment rate employs a narrow definition whereby discouraged workers and those not actively seeking employment are excluded. As such, it is reasonable to assume that should a broader, more realistic definition be utilised, the actual rate would in fact be considerably higher.

Economy

Hessequa's total economic output (GVA) amounted to R5.62 billion (current prices) in 2024. This constitutes 8% of the Garden Route District GVA of R81.13 billion (current prices). Hessequa's economy was severely impacted by the pandemic, with an economic contraction of 4.8% observed in 2020. The GVA growth rate of 4.4% in 2021 was merely a recovery following the contraction suffered during the prior year. The 5-year average GVA growth rate pre-pandemic is approximately 0.9% p.a. The municipality's GVA contracted by -0.5% in 2024, from the growth rate of 0.2% experienced in 2023. The average GVA growth for the 5-year period 2020-2024 stands at 0.4%. The average population growth rate over the same period stands at 1.2% p.a. This indicates that the population is growing at a relatively faster rate than the economy, which effectively results in an impoverishment of the local population.

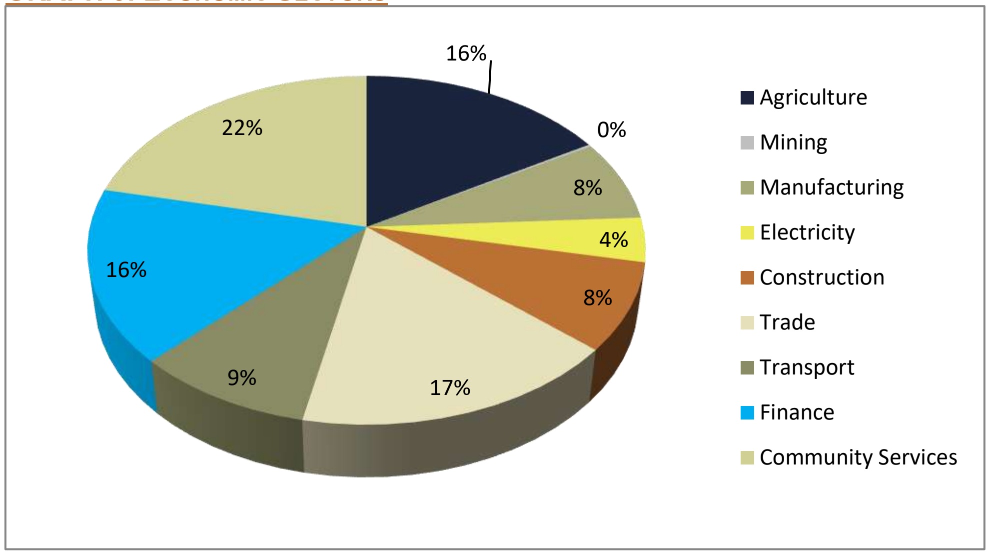
Hessequa's local economy is well diversified as evidenced by the Tress Index of 37.27. This has increased from 36.25 in 2023 but remains the lowest in the district. The Tress Index is a measure of economic diversification, the higher the degree of economic diversification, the lower the degree of economic risk in the event of adverse economic conditions due to the impact being spread over a greater number of sectors. Typical of a developing economy, Hessequa's economy is mainly driven by the tertiary sector. The main sectors being the Finance (22%), Trade (21%); Community Services (19%) and Manufacturing (15%) sectors which contributed a combined total of 77% towards the total economic output of Hessequa in 2024.

The community services sector exhibited the most significant proportional growth over the review period, increasing its proportional contribution by 2.0% between 2015 and 2024, followed by the transport sector which increased its proportional contribution by 1.6% over the same period. The construction sector suffered a contraction of 4.1% over the review period.

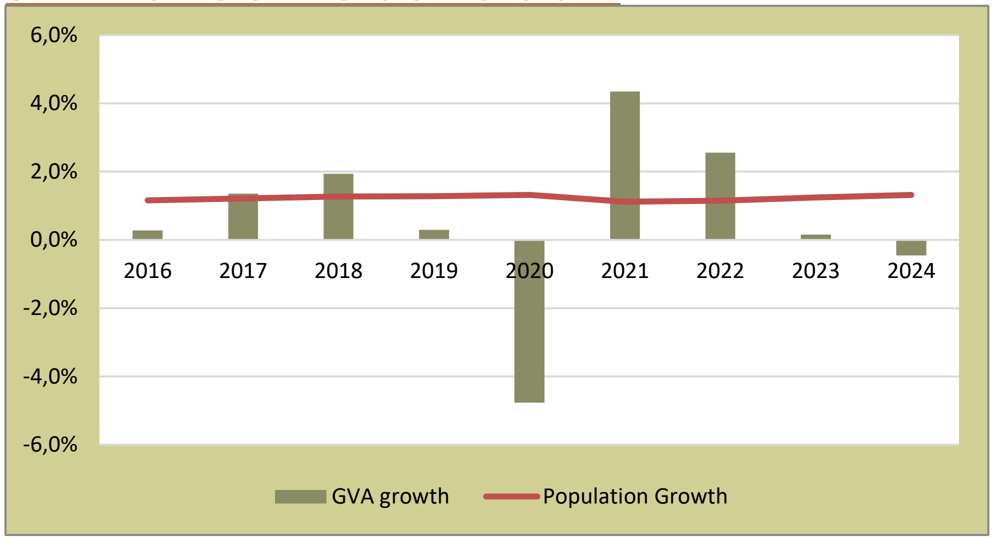
Table 1: Proportional Growth of Economic Sectors

Subsector	2015	2024
Agriculture	15,4%	16,4%
Mining	0,3%	0,2%
Manufacturing	7,4%	7,5%
Electricity	4,3%	4,1%
Construction	12,3%	8,1%
Trade	17,7%	16,9%
Transport	7,6%	9,2%
Finance	15,7%	16,1%
Community Services	19,5%	21,4%

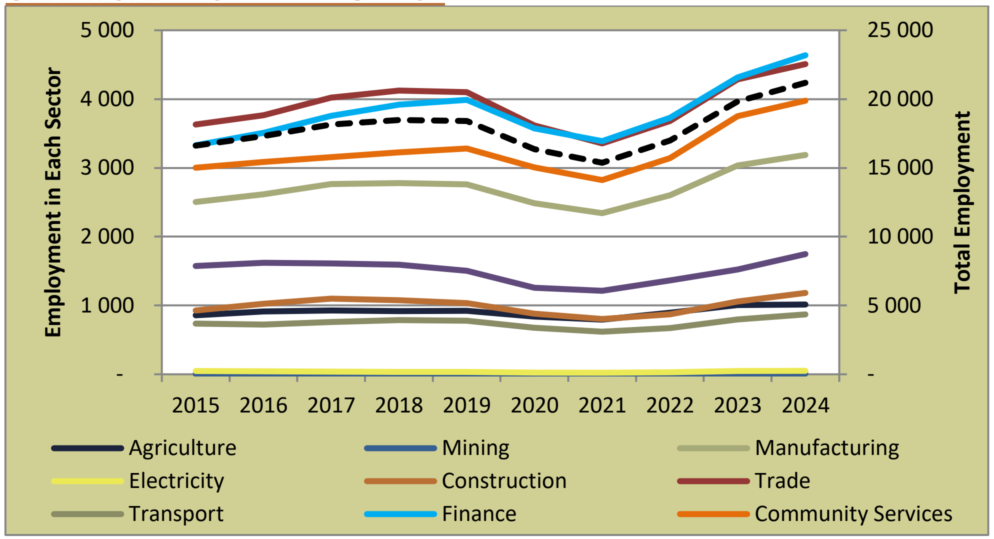
Graph 6: Economic Sectors



GRAPH 7: GVA GROWTH VS POPULATION GROWTH



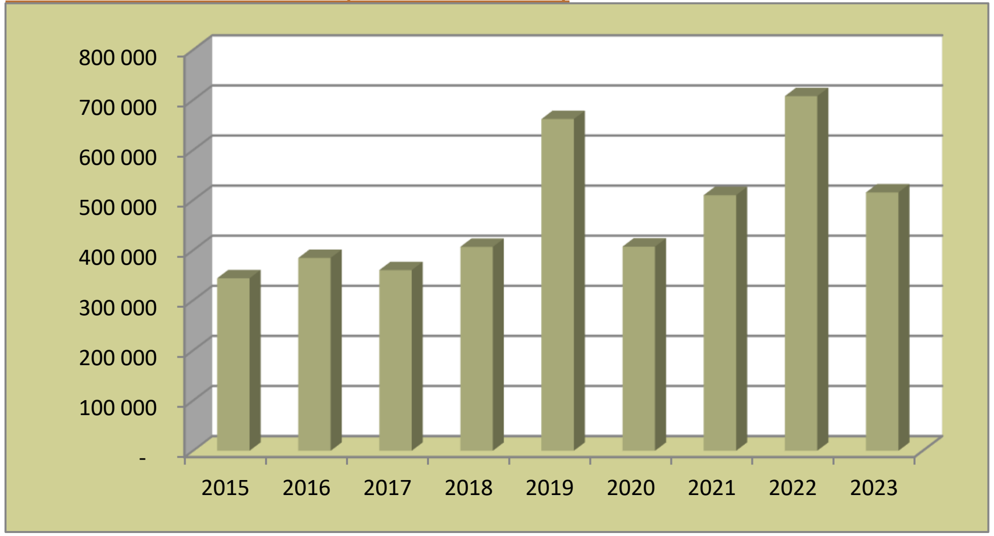
GRAPH 8: EMPLOYMENT BY SECTOR



GRAPH 7 above illustrates a comparison between growth of the economy and population over the review period. It is indicated that population growth has exceeded GVA growth over the review period, with exceptions for 2017, 2018, 2021 and 2022. While GVA growth exceeded population growth in 2021 and 2022, these years were mainly a recovery from the 4.8% economic contraction suffered in 2020. The municipality must continue to invest in productive assets that aim to create an environment for economic growth. The municipality is encouraged to utilise its current position of financial strength to increase capital investment, with priority given to capital projects that aim to stimulate the economy.

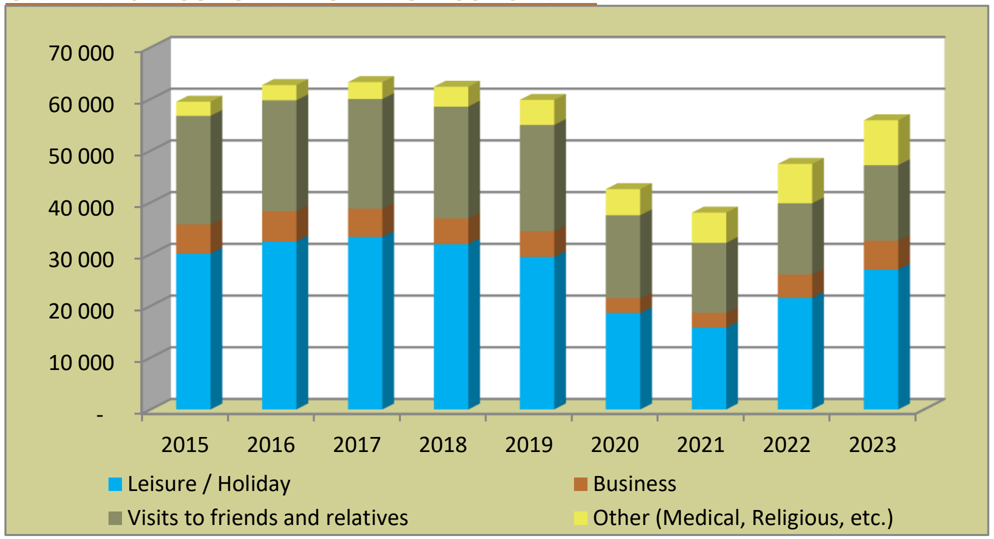
The number of employment opportunities increased by 6.4% or an absolute total of 1 618 in 2024, bringing the total number of formal jobs in Hessequa to 26 829. The Finance and Trade sectors are the predominant providers of employment in Hessequa in 2024, each accounting for 22% and 21% of total jobs. This is followed by Community Services (19%) and Manufacturing (15%).

GRAPH 9: TOURISM SPEND (CURRENT PRICES)



Tourism spend contributed approximately 13.83% towards the total economic output of Hessequa in 2023. The tourism sector was negatively impacted by the Covid-19 pandemic due to the travel restrictions enforced during the period. This is evident in the reduction of tourism spend of 38% in 2020. Tourism spend declined during 2023, falling below pre-pandemic levels. Tourism remains an important role player in the municipality's economy, and it is thus in the municipality's interest to ensure that Hessequa remains an attractive tourist destination. This can be facilitated by the municipality through ensuring adequate service delivery remains the norm, whilst undertaking actions that aim to create an enabling environment for those in the tourism sector to thrive.

GRAPH 10: TOURISM TRIPS BY PURPOSE OF TRIP



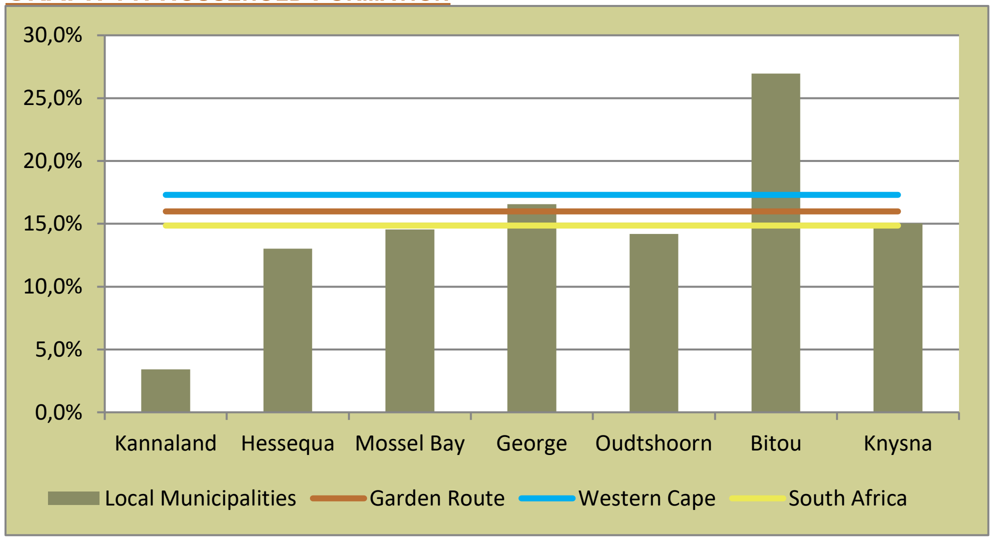
GRAPH 10 depicts the number of trips within the tourism sector in the municipality for 2023 and purpose thereof. The total number of trips significantly reduced by 36% during from 59 854 in 2019 to 38 049 in 2021. The number of trips has since improved to 55 907 in 2023. However, this remains below the average pre-pandemic total of trips of 61 556 p.a. Trips for leisure/holiday purposes remained the predominant purpose of trips into Hessequa. This confirms that Hessequa is a popular tourist destination. Leisure/holiday visits accounted for 48% of trips in 2023. This is followed by trips to visit friends and family that accounted for 26% of trips in 2023.

Household Infrastructure

Hessequa LM's household formation between 2015 and 2024 stands at 13%. This translates to a total increase of 2 287 households in absolute terms, over the 10-year period. This household formation rate is the second lowest within the Garden Route District, surpassing only Kannaland, which experienced a household formation rate of only 3.4% over the previous 10 years.

The increase in the population and the number of households in a municipality will place added pressure on the municipality to meet the additional demand for municipal services. Hessequa is expected to be well-positioned to do so due to its low population and household formation rates.

GRAPH 11: HOUSEHOLD FORMATION



Hessequa has maintained a high infrastructure index of 0.93 since 2020. The municipality's infrastructure index remained above 0.91 since 2015. The infrastructure index exceeds that of the district (0.90), provincial (0.89) and national (0.77) indices. It must be stated that the infrastructure index provides an indication as to the level of access to municipal services in a municipality and is not an indication as to the quality and security with which these services are provided.

GRAPH 12: INFRASTRUCTURE INDEX

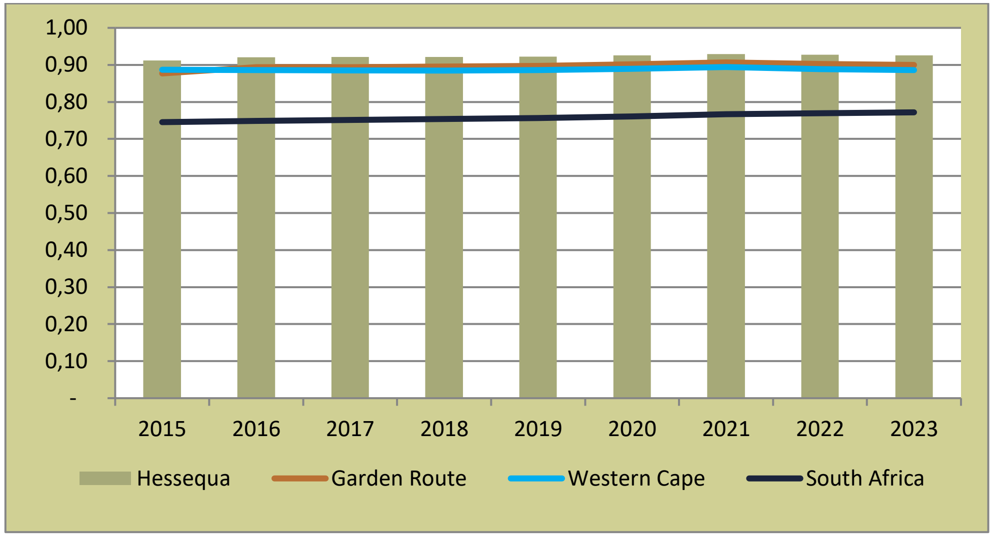


TABLE 2 below compares the level of backlogs of sanitation, water, electricity and refuse removal services of Hessequa with that of the district. Hessequa must be commended for reducing the level of backlogs in all infrastructure service categories over the review period. It is further noted that the municipality has outperformed the district in the provision of municipal services in each service category except the refuse removal services.

The refuse removal backlog in Hessequa is high at 16.2%. It is crucial for Hessequa to continue to ensure that adequate repairs and maintenance is undertaken on critical infrastructure, as well as that capital investment is utilised to assist in the municipality's backlog eradication efforts. Analysis of the level of service provided by the municipality reveals that 95.2% of households receive a level of service above the RDP level, exceeded by the Garden Route District figure of 96.4%.

TABLE 2: HOUSEHOLD INFRASTRUCTURE PROVISION

Infrastructure	Garden Route		Hessequa	
Above RDP Level				
Sanitation	210 816	97,4%	19 619	98,9%
Water	214 446	99,1%	19 661	99,1%
Electricity	210 719	97,4%	19 638	99,0%
Refuse Removal	199 012	91,9%	16 617	83,8%
Below RDP or None				
Sanitation	5 625	2,6%	222	1,1%
Water	1 994	0,9%	181	0,9%
Electricity	5 722	2,6%	203	1,0%
Refuse Removal	17 429	8,1%	3 224	16,2%
Total Number of Households	**216 441**	**100,0%**	**19 842**	**100,0%**

1 Planning Process

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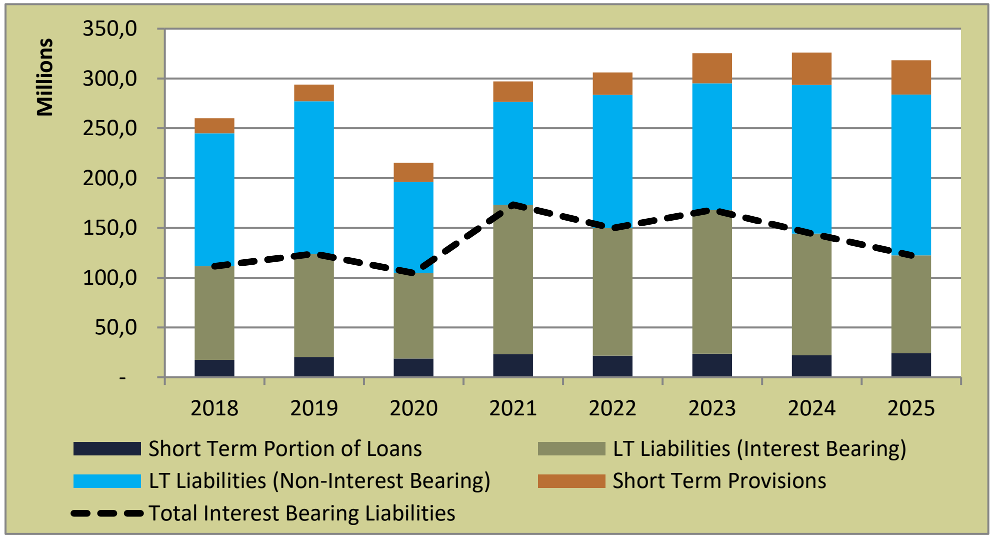
UPDATED HISTORIC FINANCIAL ASSESSMENT

FINANCIAL POSITION

GRAPH 13: LONG-TERM LIABILITIES: INTEREST BEARING VS NON-INTEREST BEARING

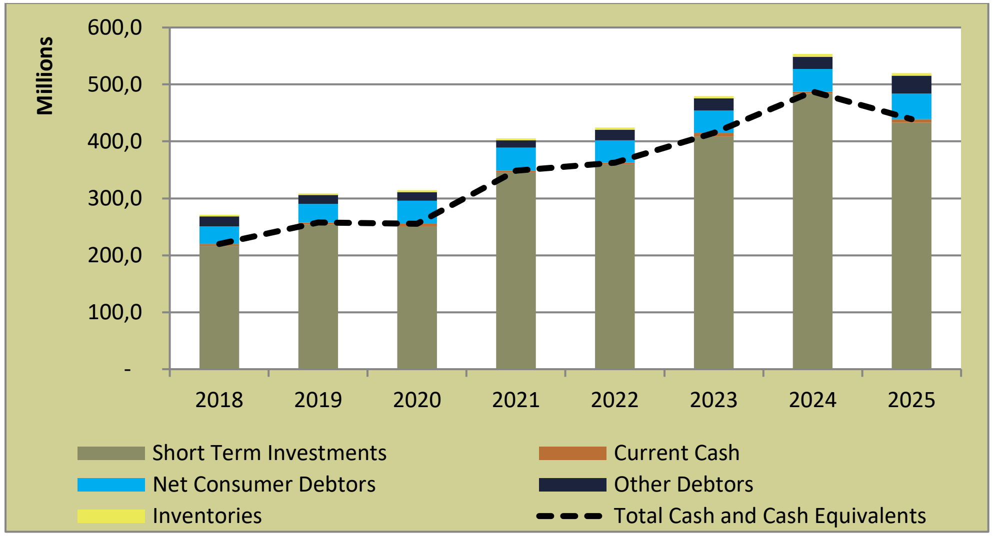


The consistent trend of growth observed in Hessequa's net fixed assets position continued during FY2024/25, with net fixed assets increasing by 16.9% to R1.45 billion as at FYE2024/25. The accumulated surplus followed suit, with growth of 18.3% observed during the year. This was driven by the maintenance of sound financial performance and a continued ability to generate surpluses.

Total interest-bearing liabilities declined during the year, owing to no additional borrowings being undertaken. A reduction of 15.2% was noted, with total interest-bearing liabilities amounting to R122.5 million as at FYE2024/25. Non-interest-bearing liabilities on the other hand, increased by 8.28% to R161.4 million during the year. This is a product of increases in the provision for the decommissioning, restoration and similar liabilities related to landfill sites. This provision increased by R7.77 million during the year to total R95.71 million. The Slangrivier (R7.3 million), Gouritsmond (R9.9 million) & Witsand (R8.0 million) landfill sites are all due for rehabilitation within the next 5 years. The extent of the provision at this point in time would suggest that the municipality is well prepared for the expected economic outflow associated with the rehabilitation of these landfill sites. While adequate time remains to provide for the rehabilitation of the other landfill sites with longer remaining useful lives, the municipality must continue to prudently manage this provision.

The lack of borrowing undertaken during the year resulted in a deleveraging of the debt profile. This is evidenced by the reduced gearing ratio of 15.9%, down from 19.9% at the prior year end. The debt service to total expense ratio decreased marginally to 5.2%, down from 6.0% at the prior year end. The municipality remains in an adequately leveraged position. Scrutiny of the 2025/26 Adjustment Budget indicates that borrowings are expected to be undertaken throughout the MTREF period. The municipality will likely be able to undertake this additional leverage whilst remaining within IPM's maximum recommended limits of 30% for gearing and 7% for the debt service to total expense ratio. This likelihood is increased as interest rates are expected to be cut consistently over the next few years, should inflationary pressures remain under control. Over the longer term, however, should these borrowings be undertaken as planned, a cautious approach may be required beyond the MTREF period. This will be explored later in the report.

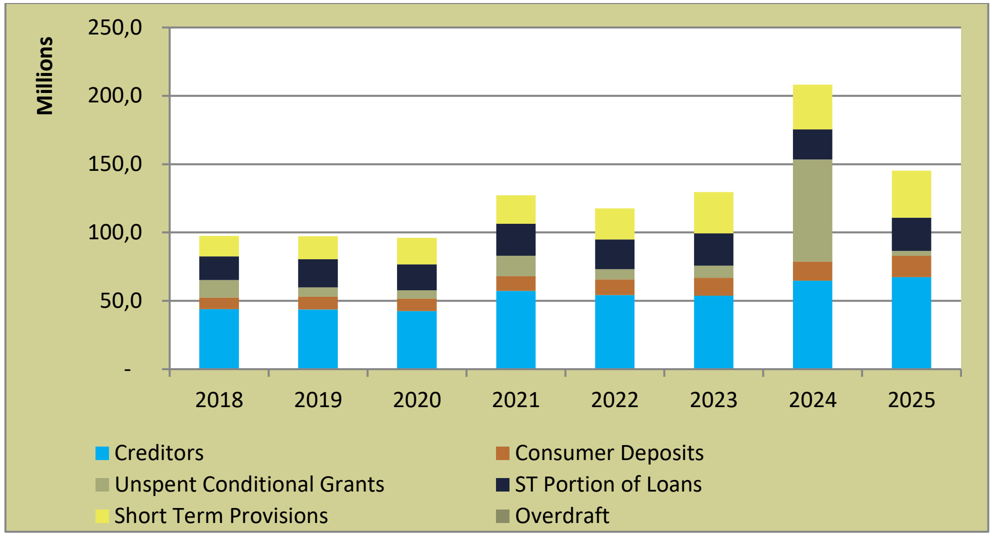
GRAPH 14: CURRENT ASSETS



Current assets have grown consistently over the review period. They did, however, decrease by 7.7% during FY2024/25. The main driver of this decrease was cash and cash equivalents, which decreased by R48.6 million during the year to total R439.0 million as at FYE2024/25.

Current liabilities decreased by a comparatively higher 30.2% during the year to total R145.3 million. The municipality had a total of R3.6 million in unspent conditional grants during the year, a marked reduction from R74.8 million at the prior year end. There was an increase in payables from exchange transactions of R2.5 million during the year, with this balance increasing to R67.3 million as at FYE2024/25. This highlights the municipality's ongoing commitment to employing sound working capital management practices.

GRAPH 15: CURRENT LIABILITIES



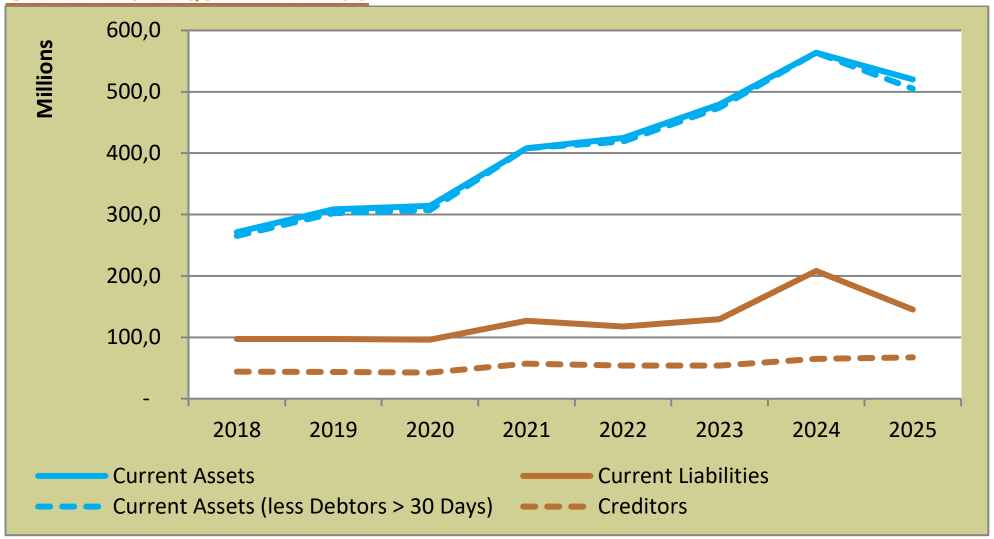
The combined movement in current assets and current liabilities resulted in an improvement in liquidity ratio to 3.58:1, up from 2.71:1 in the prior year. The prior year's liquidity ratio was negatively impacted by the presence of substantial unspent conditional grants. Upon the removal of the impact of this, the liquidity ratio stood at 3.33 at FYE2023/24. Thus, the municipality has clearly strengthened the liquidity ratio during FY2024/25.

Should debtors older than 30 days be excluded from the calculation (i.e., the quick ratio), the ratio reduces to only 3.48:1. A low liquidity ratio (<1:1) would indicate the municipality's inability to pay its current or short-term obligations and a deterioration of the liquidity ratio should therefore be avoided.

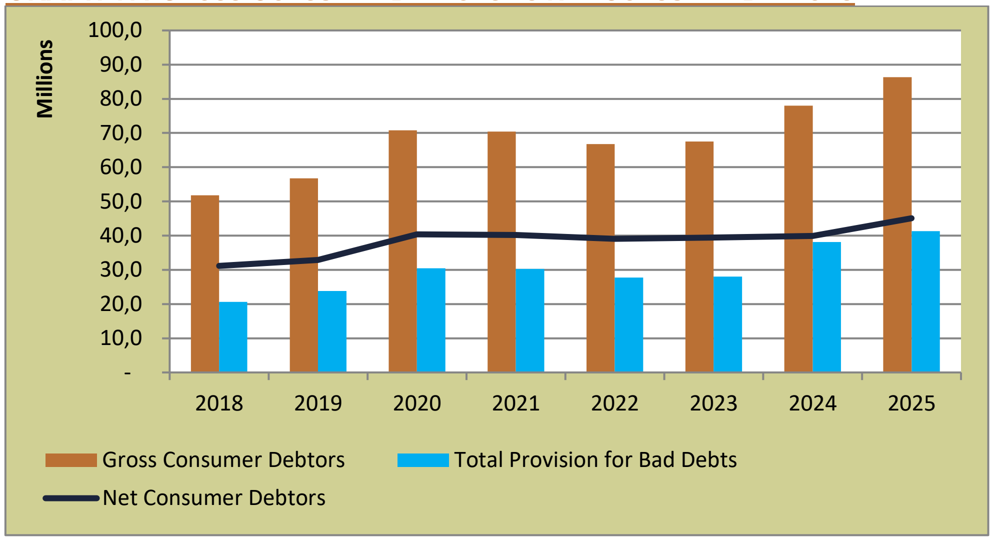
TABLE 3: LIQUIDITY RATIOS

	2018	2019	2020	2021	2022	2023	2024	2025
Current Assets: Current Liabilities	2,78	3,17	3,27	3,21	3,61	3,70	2,71	3,58
Current Assets (less Debtors > 30 Days): Current Liabilities	2,72	3,11	3,20	3,21	3,56	3,66	2,71	3,48

GRAPH 16: Liquidity Ratios



GRAPH 17: Gross Consumer Debtors vs Net Consumer Debtors



Gross consumer debtors increased by approximately R8.38 million (10.8%) during the year to total R86.4 million. The provision for bad debts increased by R3.18 million (8.4%) during the year. The increase in the provision for bad debts resulted in a marginal increase of R5.20 million in net consumer debtors during the year.

The collection rate increased to 98.2% from 96.6% in the prior year. Our calculation methodology mirrors that of Circular 71. The municipality has maintained a healthy collection rate throughout the review period, thus maintaining its ability to generate cash from operations and underpinning the sound financial position. This is positive to note.

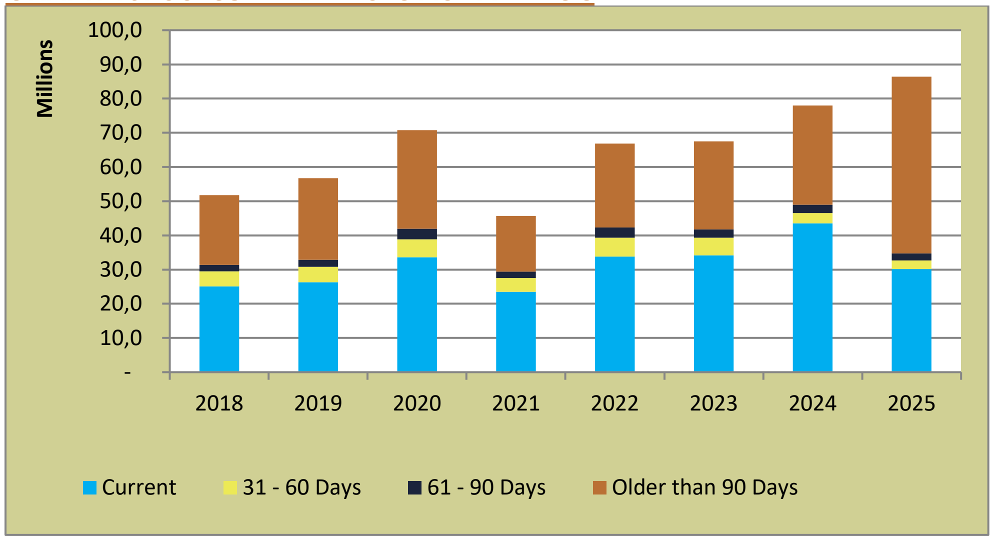
Electricity debtors remained the largest pool of debtors, accounting for 52.9% of consumer debtors in FY2024/25. This is followed by water debtors (18.2%), rates debtors (17.3%), refuse removal debtors (6.3%) & sanitation debtors (5.3%).

Scrutiny of the debtors age analysis reveals that the majority of debtors are older than 90 days (59.8%), followed by current debtors sitting at 34.9%. Aged debtors pose the highest risk of non-payment. It is positive to note that this risk has been mitigated through the provision for bad debts, which equates to 80% of debtors older than 90 days. This indicates that this risk has largely been provided for.

TABLE 4: DEBTORS RATIOS

	2019	2020	2021	2022	2023	2024	2025
Increase in Billed Income p.a. (R'm)	27,2	25,9	18,6	54,6	(5,7)	44,5	55,7
% Increase in Billed Income p.a.	9%	8%	5%	15%	-1%	11%	12%
Gross Consumer Debtors Growth	9,6%	24,8%	-0,5%	-5,2%	1,0%	15,6%	10,8%
Payment Ratio/Collection Rate (%)	96,5%	95,9%	98,5%	99,5%	98,6%	96,6%	98,2%
Net Debtors' Days	38	43	41	34	35	32	32

GRAPH 18: CONSUMER DEBTORS AGE ANALYSIS



Financial Performance

GRAPH 19: Analysis of Surplus

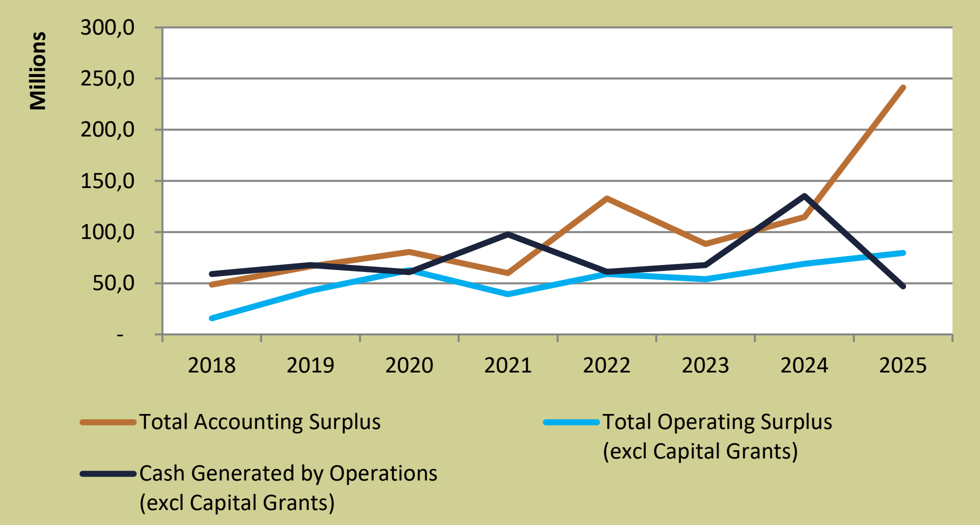
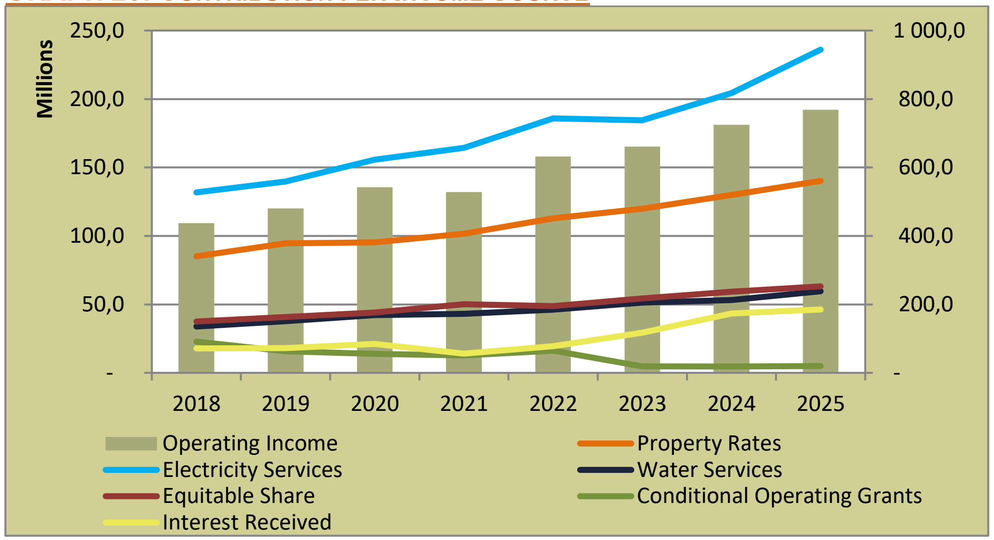


TABLE 5: Analysis of Surplus

	2018	2019	2020	2021	2022	2023	2024	2025
Total Accounting Surplus	48,6	66,4	80,5	59,8	132,8	88,5	114,7	241,3
Total Operating Surplus (excl Capital Grants)	15,8	42,7	62,8	39,3	58,9	54,1	68,9	79,6
Cash Generated by Operations (excl Capital Grants)	59,1	67,8	60,9	97,9	61,2	67,8	135,2	46,9

Total income increased during the year by 20.9% to R930.8 million. Total operating expenditure increased by a comparatively lower 5.2% to R689.5 million during FY2024/25. These movements resulted in an improvement in financial performance during the year. This is evidenced by increases in both the accounting and operating surpluses of R241.3 million and R79.6 million respectively. Operating surpluses (excluding capital grants) provide a more valuable perspective on the financial performance of a municipality. It is positive to note that Hessequa has posted operating surpluses throughout the review period. Cash generated by operations (excluding capital grants) fluctuated over the review period, decreasing from R135.2 million in FY2023/24 to R46.9 million in the current year. This marks a low for the review period.

GRAPH 20: Contribution per Income Source

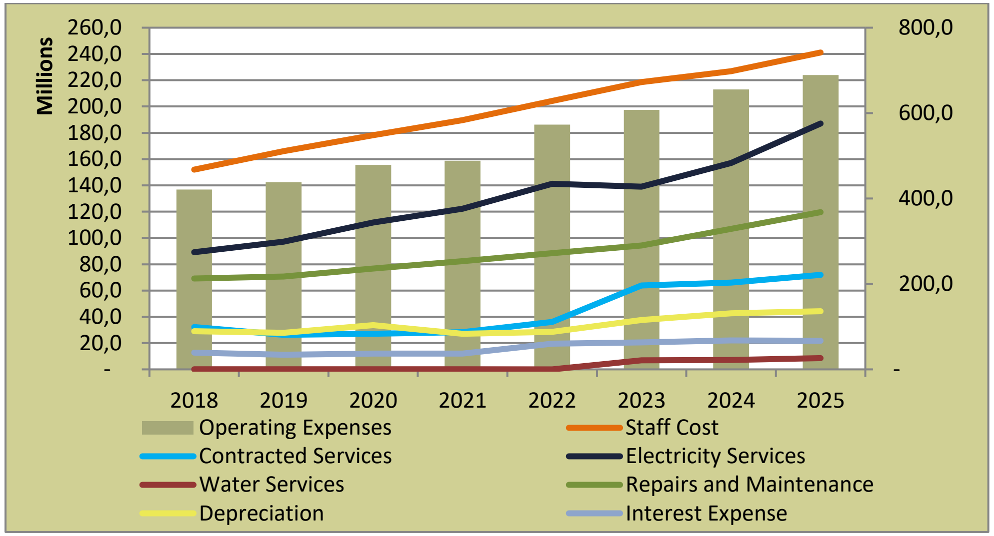


Electricity revenue remained the main contributor towards revenue in FY2024/25, increasing to R236.0 million from R204.3 million in the prior year. Electricity services increased its contribution to revenue during the year, up to 31% from 28% in the prior year. This was followed by property rates (18%), equitable share (8%) and water services (8%).

Total grants received during the year increased to R229.7 million during FY2024/25. This increased the total grants to total revenue ratio to 25%, up from 14% in the prior year. This increase was driven by a total transfer to revenue of R135.9 million of the Municipal Energy Resilience Grant during the year.

While the impact of the energy crisis has waned with less load shedding, the possibility of load shedding returning should remain on the radar. With electricity revenue being the municipality's main source of revenue, this may provide a revenue risk to the municipality. It is positive to note that the municipality has begun implementing plans to mitigate this risk through the solar plant project. This will provide immense benefits to the municipality and its communities, whilst providing a safeguard against the impact of unstable energy supply.

GRAPH 21: CONTRIBUTION PER EXPENDITURE ITEM



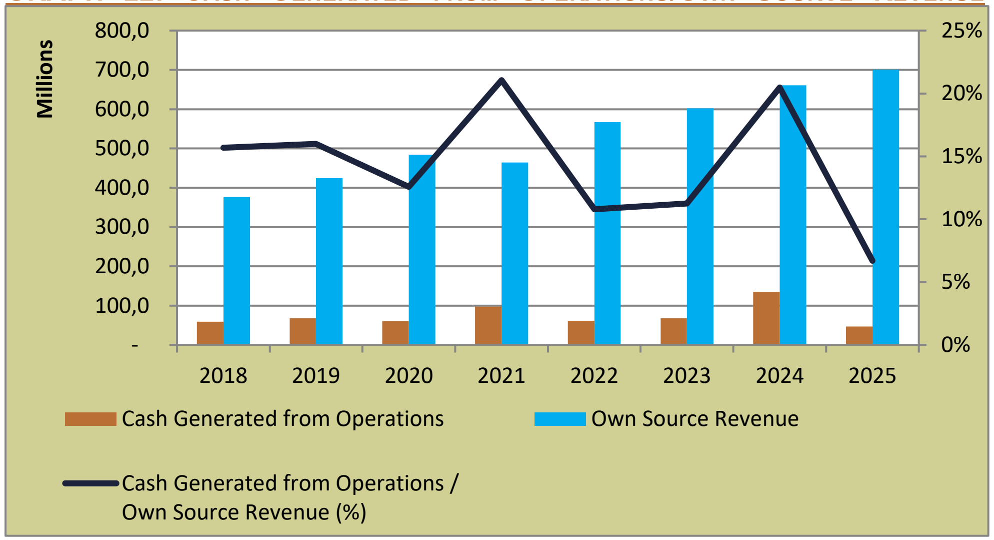
The increase in operating expenditure was driven by increases in electricity bulk purchases, staff costs and repairs and maintenance expenditure. Electricity bulk purchases increased by 16%. Staff costs remained the predominant expenditure item, accounting for 26% of operating expenditure in FY2024/25. This is followed by electricity bulk purchases (20%), repairs and maintenance (13%) and contracted services (8%).

The increase in expenditure on contracted services was predominantly driven by an increase in outsourced maintenance of computer software. Despite the increase, the contribution of contracted services to operating expenditure remained at 8%. This exceeds the NT norm range of 2%-5%. While this is high, it must be considered in conjunction with staff costs. This is due to contracted services essentially being an alternative to staff costs, meaning that this must be included in the analysis of the municipality's employee related expenditure profile. As such, the contribution of staff costs (26%) and contracted services (8%) amounts to 34% of operating expenditure. This is near the upper limit of according to NT's norm range of 25%-40%. While this remains affordable at present, this expenditure must be closely monitored, and any excessive increases avoided if possible.

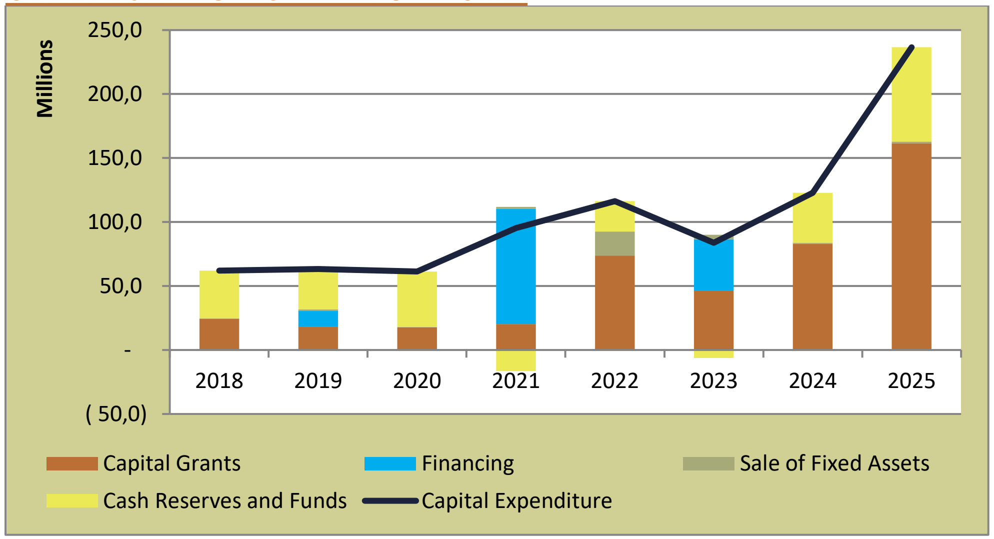
Repairs and maintenance expenditure totalled R119.6 million in FY2024/25, a peak for the review period. This translates to 8.2% of PPE & IP, down from 8.6% in the prior year. This is in line with NT's recommendation of 8% of PPE & IP. The electricity distribution losses increased in the current year to 9.64% from 7.52% but remains within the NT norm range. Water losses increased to 21.02% from 14.18% in the prior year but also remain within NT's recommended limits. The extent of the increase poses concern and thus the reason for the increase must be identified and addressed in order to avoid this increasing further in future.

Cash Flow

GRAPH 22: Cash Generated from Operations/Own Source Revenue



GRAPH 23: Annual Capital Funding Mix



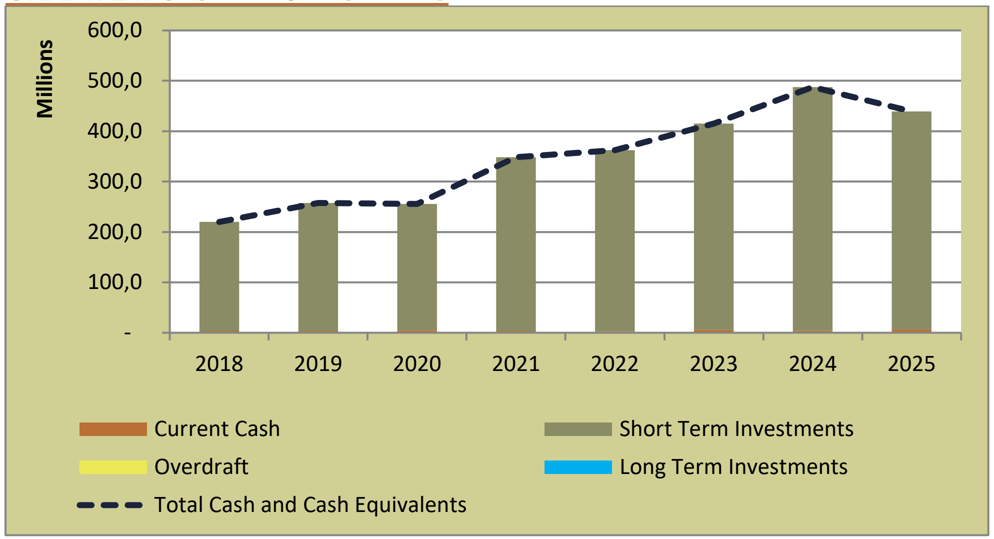
The total capital outlay over the review period amounted to R803.6 million, at an annual average of R100.5 million. Capital expenditure during FY2024/25 amounted to R236.6 million. This was primarily funded through capital grants followed by cash reserves. No borrowings were undertaken in FY2024/25. Over the review period, capital grants and own cash accounted for a combined 80% of the capital funding, with borrowings accounting for 17% and the sale of fixed assets the remaining 3%.

Loans were undertaken in 3 of the 8 years under review, for a total of R142.6 million since FY2018/19. The lack of borrowing in the current year resulted in the gearing ratio reducing to 15.9%, down from 19.9% in the prior year. The debt service to total expense ratio remained stable, decreasing to 5.2%, down from 6.0% in the prior year. IPM recommends upper limits of 30% for gearing and 7% for debt service to total expense for Hessequa. Against these limits, the debt profile is deemed affordable. The municipality has budgeted for additional borrowings throughout the MTREF period. The affordability of this will be assessed later in this report. While the current debt profile is affordable at present, an overly aggressive borrowing programme may result in an excessively leveraged debt profile. Should the recommended upper limits of the debt indicators be breached, the returns from the borrowing programme will begin to be diminished and the liquidity position begin to deteriorate.

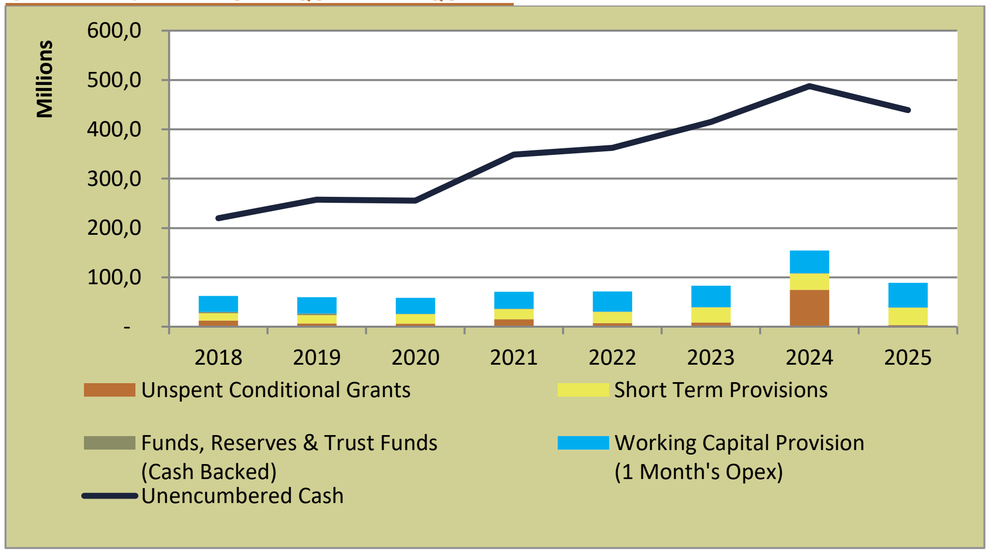
Due to the liquidity constraints of many municipalities, it is not a common recommendation that capital funding be accelerated through own cash reserves. This, however, is not the case in Hessequa. A sustained period of sound and disciplined financial management and religious implementation of the recommendations of the LTFP and subsequent updates, has left Hessequa in a healthy financial position. This unlocks the ability to accelerate capital investment through a balanced approach of affordable, sustainable borrowings as well as through own cash reserves that have steadily been built up over time.

Hessequa must be commended for maintaining healthy liquidity levels throughout the review period. Cash and cash equivalents have grown steadily throughout the review period, reaching a peak of R487.5 million as at FYE2023/24. This is a product of strong financial performance, the maintenance of healthy collection rates as well as a disciplined approach to the financial management of the municipality. This must continue. The liquidity position leaves the municipality well placed to absorb any potential financial shocks that may arise due to a volatile external environment. This is a key indicator of long-term financial sustainability and resilience.

GRAPH 24: CASH AND INVESTMENTS



GRAPH 25: MINIMUM LIQUIDITY REQUIRED



As per TABLE 6 below, the municipality is required to maintain sufficient cash reserves to cover the minimum liquidity requirements that include, unspent conditional grants, short-term provisions, funds, reserves and trust funds, as well as the working capital provision of one month's operating expenditure.

Hessequa's unencumbered cash and cash equivalents of R439.0 million at the current year end exceeded the minimum liquidity requirement of R89.1 million, resulting in a cash surplus of R349.8 million. Hessequa has posted cash surpluses in excess of R150 million throughout the review period. The ability to consistently post cash surpluses above the minimum liquidity requirements is a strong indicator of long-term sustainability and resilience, for which the municipality must be commended. The cash coverage ratio increased to 4.9:1 in the current year but remains healthy and sustainable.

TABLE 6: MINIMUM LIQUIDITY REQUIREMENTS

	2018	2019	2020	2021	2022	2023	2024	2025
Unspent Conditional Grants	12,7	6,9	6,0	15,1	7,5	8,9	74,8	3,6
Short Term Provisions	14,9	16,8	19,5	20,7	22,6	30,1	32,7	34,5
Funds, Reserves & Trust Funds (Cash Backed)	2,3	2,7	0,5	0,5	0,5	0,5	0,5	0,5
Total	**29,9**	**26,4**	**26,0**	**36,4**	**30,7**	**39,5**	**108,1**	**38,7**
Unencumbered Cash	219,9	257,5	255,6	348,7	362,7	414,9	487,5	439,0
Cash Coverage Ratio (excl Working Capital)	7,4	9,8	9,8	9,6	11,8	10,5	4,5	11,3
Working Capital Provision (1 Month's Opex)	32,7	33,2	32,7	34,2	40,6	43,4	46,2	50,4
Cash Coverage Ratio (incl Working Capital)	3,5	4,3	4,4	4,9	5,1	5,0	3,2	4,9
Minimum Liquidity Required	62,6	59,6	58,7	70,6	71,3	82,9	154,3	89,1
Cash Surplus/(Shortfall)	**157,3**	**197,9**	**196,9**	**278,0**	**291,4**	**332,0**	**333,2**	**349,8**

IPM Shadow Credit Score

Hessequa was assessed for an IPM shadow credit score to provide information to management and to council as to the current risk rating that the municipality may receive from external lenders, which will determine the municipality's cost of funding. Any improvements to the shadow credit rating over time will result in more affordable lending rates.

Based on the FY2024/25 performance of Hessequa, the IPM credit model reflects a score of **7.7** which is comparable to an **A+** on a national ratings scale. This credit score is relatively high compared to other municipalities and is considered to be of **Investment Grade** - which means that Hessequa should be successful in accessing external borrowing at competitive rates.

The results obtained from the assessment, per module, are presented below:

TABLE 7: IPM CREDIT MODEL OUTCOMES

Modules	2025 (5)
Financial	4,2
Institutional	4,5
Socio-Economic	2,7
Infrastructure	3,4
Environmental	3,8

The municipality performed exceptionally well in the infrastructure module of the credit model. Supply of household infrastructure services remains a key strength of the municipality. This is also linked to the municipality's ability to be cognisant of its environmental impact. The low degree of distribution losses contributed to the strong performance in this module.

The assessment indicates that the socio-economic module remains the main impediment to Hessequa achieving an even higher credit score. This is mainly linked to sluggish economic growth within the municipal area. The municipality must continue to invest in productive assets with the aim of stimulating the economy in order to improve this score over time.

The high score achieved in the financial module is driven by the maintenance of a high collection rate, a healthy liquidity position as well as sound financial performance.

The high score achieved under the institutional capacity module was driven by strong governance and prudent financial management. The municipality must maintain the clean audit report received from the Auditor General.

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Long-Term Financial Model Outcomes

MTREF Case Scenario

An MTREF Case was developed utilising the unadjusted figures from the Adjustment Budget 2025/26-2027/28, along with the FY2024/25 pre-audits as the base year. The purpose of this scenario is to reflect the LTFM outcomes prior to making any adjustments to the current MTREF. Hessequa has been reasonably conservative in compiling the operating budget, with a notable deterioration in financial performance budgeted. This is evidenced by an operating surplus of just R1.4 million expected in FY2025/26, while operating deficits of R3.4 million & R0.4 million expected in the outer years of the MTREF period. This is in stark contrast to the historic performance where operating surpluses were posted in each of the 8 years under review (FY2024/25: R79.6 million). With this in mind, we are of the view that the probability of Hessequa outperforming the operating budget is high.

In arriving at the MTREF Case, no adjustments were made to the Adjustment operating and capital budgets. A collection rate of 98% for service charges was assumed throughout the planning period with the fines collection rate set at 16.87%, in line with the Adjustment Budget. Interest on new debt was assumed at 8% above forecast CPI to bring forecast interest rates in line with the budgeted level of 11.50%. Furthermore, items such as the level of repairs and maintenance expenditure, creditors days etc. were maintained at their respective FY2024/25 levels. Assumed growth beyond the MTREF period (FY2027/28) is 5% and 4% p.a. for capital investment and borrowings respectively.

The outcomes of this scenario reflect a deterioration in financial performance compared to the historic performance. This is heavily impacted by the conservative operating budget. Minor operating surpluses are expected over the MTREF period, which are expected to improve for the remainder of the planning period. It must be reiterated that the operating budget is likely to be outperformed and as a result, so too the Base Case forecast.

A positive forecast for cash generated by operations is presented, underpinned by the maintenance of the collection rate at 98%. This underpins the healthy forecast cash position, which is expected to see the minimum liquidity requirement of 2-months opex met with ease over the planning period. Of minor concern is the forecast growth in creditors over the planning period.

The capital budget reflects a balanced funding mix comprised of healthy borrowings and own cash reserves as a supplement to capital grant funding. Capital grant funding is expected to reduce over the MTREF period, requiring an increase in borrowings or own cash utilisation to maintain recent levels of capital investment. The initial outcomes of the MTREF Case suggest that the budgeted capital programme can be implemented as put forward. The 4% annual growth factor in borrowings, however, is expected to result in the breaching of the debt indicators over the long-term. It would thus be recommended that beyond the MTREF period the levels of borrowing are brought back to sustainable levels. This will be addressed in the Base Case.

The liquidity ratio is forecast to reach 2.3:1 at the end of the planning period. This represents a notable deterioration from the current and historic levels of liquidity. This deterioration is driven by the overleveraged long-term debt profile and consistent growth in creditors. While the cash position is forecast to remain healthy with the minimum liquidity requirements of 2-months opex expected to be met throughout the planning period, the growth in current liabilities pursuant to excessive debt and growth in creditors provides concern. These issues will be addressed in the Base Case assumptions.

Strengths:

- Strong ability to generate cash from operations.
- Sufficient expenditure on repairs and maintenance.
- Healthy cash position forecast.

Weaknesses:

- Reduced financial performance.
- Forecast growth in creditors.
- Overleveraged long-term debt profile.
- Reduced liquidity position.

BASE CASE SCENARIO

To develop a realistic Base Case model, the figures from the Adjustment Budget 2025/26–2027/28 were utilised. For FY2024/25, the pre-audited figures were utilised. Hessequa has maintained high collection rates throughout the review period (FY2024/25: 98%). This, coupled with sound financial performance, has allowed the municipality to sustain healthy levels of liquidity. This has unlocked an affordable acceleration of capital investment in recent years utilising external funding as well as own cash reserves. As discussed above, the Adjustment Operating Budget is reasonably conservative, with a decline in financial performance expected. Given the historic levels and recent improving trend, this is unlikely to transpire. Key to the modelling of future financial sustainability is the use of realistic assumptions, of which the following are the key assumptions:

1. A collection rate of 98% is assumed to be maintained throughout the planning period. The collection rate for fines was set at 16.87%, in line with the budgeted figure.
2. The Adjustment Capital Budget was maintained over the MTREF period, while capital expenditure of R135 million was assumed in FY2028/29. Assumed annual growth beyond FY2028/29 is 6% p.a. The Adjustment Budget borrowing programme was maintained over the MTREF period, with borrowings of R35 million assumed in FY2028/29. Assumed annual growth beyond FY2027/28 is 4% p.a. The borrowing in this scenario consists of 10-year amortising loans at an interest rate of 8% above forecast CPI.
3. Repairs and maintenance expenditure was maintained at 8.0% of PPE & IP throughout the planning period.
4. Electricity and water distribution losses were maintained at 9.64% and 18.00% respectively.
5. Creditors days were reduced to 30 days from 72 days over the planning period.
6. Tariff increases were included as put forward in the Adjustment Budget Document.

Financial performance over the MTREF period is forecast to mirror that of the MTREF Case, with minor operating surpluses expected. This is again impacted by the conservative operating budget. Beyond the MTREF period, a more notable growth trajectory is expected compared to the MTREF Case. This is evidenced by the accumulated operating surplus of R348 million in the Base Case, an improvement on the MTREF Case figure of R142 million. The difference is predominantly driven by the reduced debt service charges owing to a reduced borrowing programme in the Base Case. It must be emphasised that there is a high probability that the operating budget will be outperformed and likewise the Base Case forecast for financial performance. IPM has elected to maintain the budgeted financial performance as presented rather than model an operating expenditure cut as done previously. This is to employ a more conservative approach.

The historically healthy ability to generate cash from operations is expected to continue, with a total of R1.13 billion expected over the planning period (excl. capital grants). This is an improvement on the MTREF Case figure of R1.06 billion. Cash generation is healthy in both cases due to the maintenance of the collection rate of 98%. Avoiding a material deterioration of the collection rate must be the absolute priority for the municipality.

The Base Case capital investment programme reflects a reduction in comparison to the MTREF Case. In both cases, the Adjustment Capital Budget and funding mix has been maintained over the MTREF period. This is to reflect continuity from previous updates as now reflected in the capital budget. Capital investment in FY2028/29 has been revised downwards to R135 million in the Base Case, with a growth factor of 6% p.a. for the remainder of the planning period deemed sustainable. This is the key difference from the MTREF Case, which reflected capital investment of R153 million in FY2028/29, with a 5% p.a. growth factor assumed for the remainder of the planning period. A similar strategy has been followed with respect to the borrowing programme. The Base Case incorporates the budgeted borrowing programme over the MTREF period, before reducing borrowing to R35 million in FY2028/29, with annual growth of 4% assumed thereafter. This is a reduction from the R72 million modelled in the MTREF Case, with an equivalent growth factor of 4% p.a. assumed thereafter. The downward revisions were included to prioritise long-term liquidity preservation and to ensure an affordable debt profile is maintained.

Hessequa has displayed sound and disciplined financial management over the review period, resulting in the maintenance of a healthy liquidity position throughout. Guided by the LTFP, maintaining liquidity has been a key consideration in the municipality's financial decision-making process. The Base Case aims to assist the municipality in ensuring that this remains the case. The liquidity ratio is forecast to decline over the MTREF period, largely due to a reduction in cash and cash equivalents in FY2026/27. This reduction is driven by notable own cash utilisation to fund capital investment (R90 million). The forecast reduction notwithstanding, the liquidity ratio is expected to remain healthy at 3.3:1. Improvements are expected thereafter, with consistent growth in cash and cash equivalents for the remainder of the planning period underpinning a liquidity ratio of 4.1:1 as at FYE2034/35. This is coupled with a cash coverage ratio (incl. working capital) that is forecast to exceed 4:1 throughout the planning period, further highlighting the strength of the forecast liquidity position. This is driven by the healthy collection rate as well as a forecast reduction in creditors, owing to the reduction of creditors days to NT's 30-day norm. This is a key departure from the MTREF Case in which creditors were expected to grow over the planning period. The Base Case outcome is more reflective of the municipality's historic and current practices.

Cash and cash equivalents are forecast to exhibit consistent growth over the planning period, the forecast decline over the MTREF period notwithstanding. While these levels represent a reduction from the FYE2024/25 figure of R439.0 million, this is not concerning given the healthy liquidity buffer that is expected to be maintained. Hessequa's disciplined financial management has unlocked significant own cash utilisation for capital investment that does not threaten the liquidity position. This must, however, be carefully managed to ensure that this remains the case. Supplementing capital grant funding with responsible borrowings will provide an aid to the municipality's cash flow management through allowing the own cash portion of the funding mix to be managed. Additional considerations include the funding of liquidity and capital replacement reserves. The municipality has demonstrated commitment to maintaining adequate reserves, which has not only unlocked notable accelerations of capital investment through own cash reserves but also created a healthy liquidity buffer. This leaves Hessequa well positioned to deal with any potential financial shocks that may arise from external events such as the energy crisis or Covid-19. The Base Case aims to ensure that this strategy is maintained.

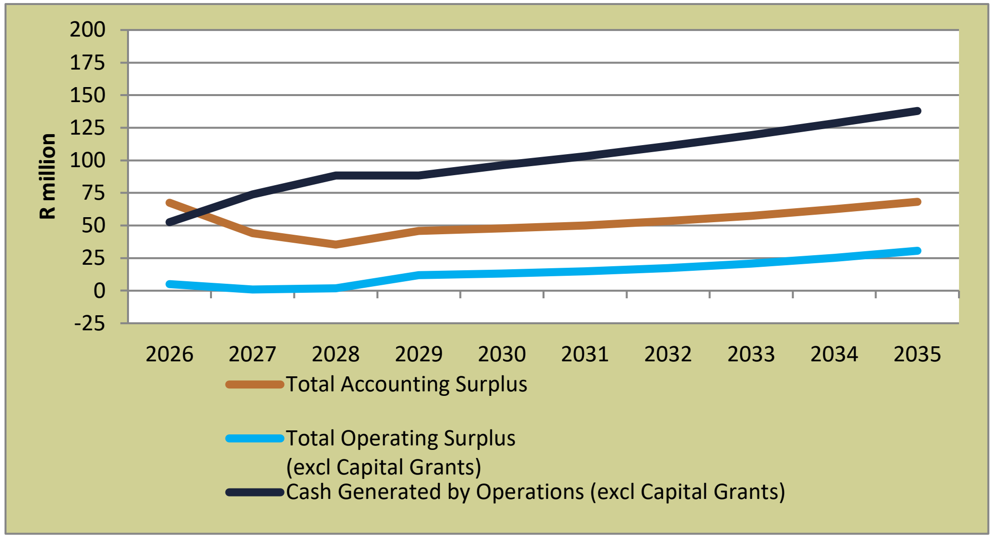
Strengths:

- Strong ability to generate cash from operations.
- Healthy financial performance.
- Sufficient expenditure on repairs and maintenance.
- Healthy cash and cash equivalents providing liquidity buffer.
- Optimised funding mix.
- Reduction of creditors over long-term.
- Improved liquidity position.
- Sustainable debt profile.

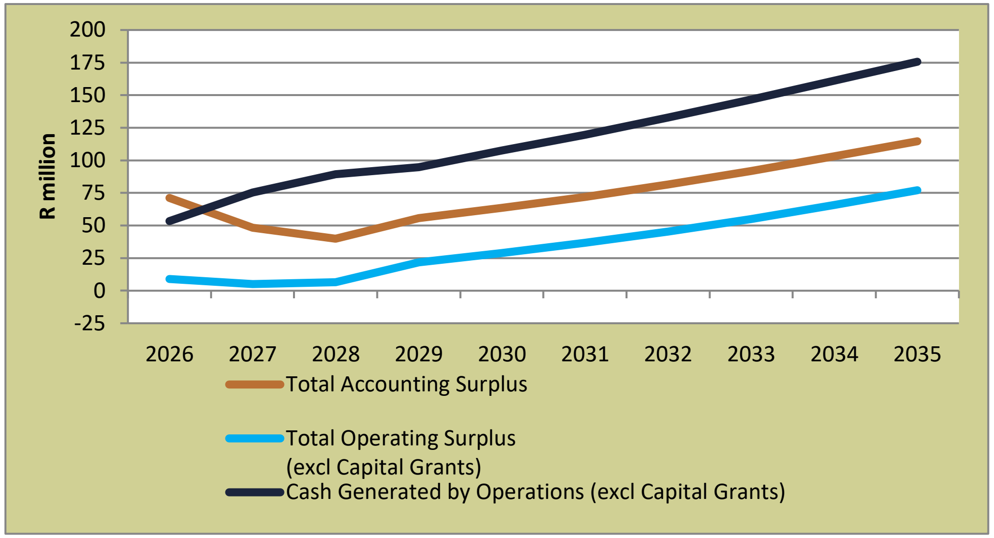
TABLE 8: MTREF VS BASE CASE OUTCOMES

Outcome	MTREF Case	Base Case
Average annual % increase in Revenue	3,4%	3,4%
Average annual % increase in Expenditure	6,0%	5,6%
Accounting Surplus accumulated during Planning Period (Rm)	R 542	R 742
Operating Surplus accumulated during Planning Period (Rm)	**R 152**	**R 352**
Cash generated by Operations during Planning Period (Rm)	**R 1 009**	**R 1 135**
Average annual increase in Gross Consumer Debtors	8,6%	8,6%
Capital investment programme during Planning Period (Rm)	**R 1 733**	**R 1 620**
External Loan Financing during Planning Period (Rm)	**R 715**	**R 416**
Cash and Cash Equivalents at the end of the Planning Period (Rm)	**R 436**	**R 460**
No of Months Cash Cover at the end of the Planning Period (Rm)	**5,1**	**5,6**
Liquidity Ratio at the end of the Planning Period	**2,3 : 1**	**4,1 : 1**
Gearing at the end of the Planning Period	**34,7%**	**17,7%**
Debt Service to Total Expense Ratio at the end of the Planning Period	**10,4%**	**6,3%**

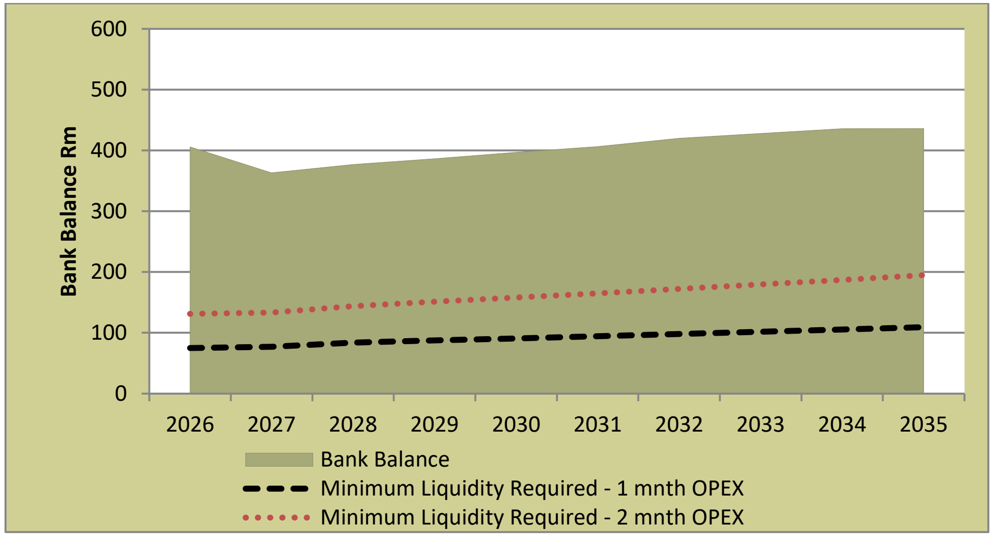
GRAPH 26: MTREF CASE SCENARIO: ANALYSIS OF SURPLUS



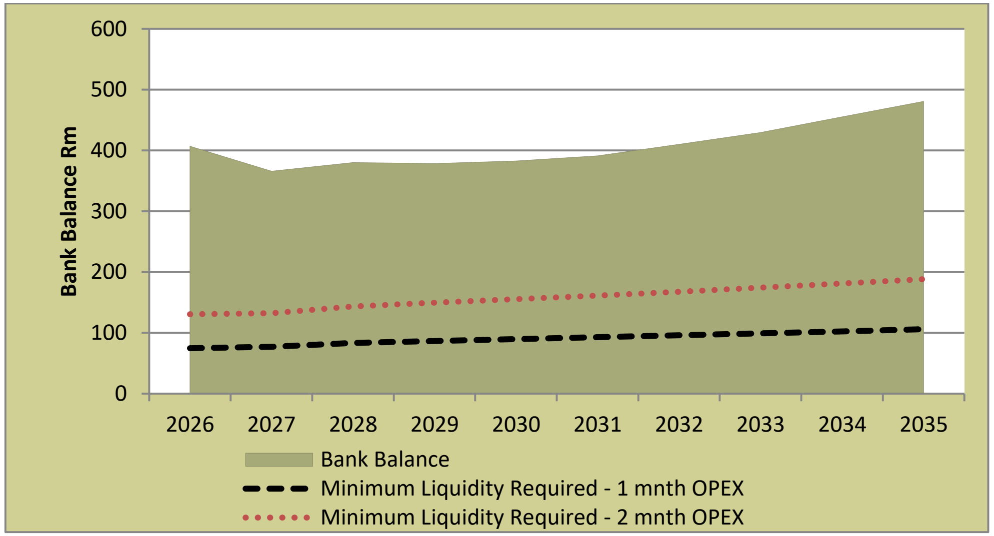
GRAPH 28: BASE CASE SCENARIO: ANALYSIS OF SURPLUS



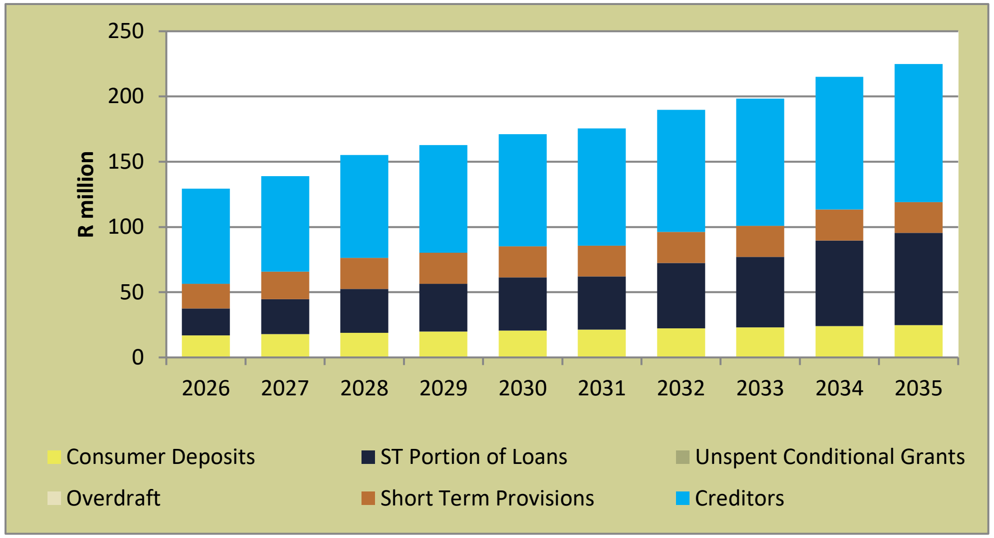
GRAPH 27: MTREF CASE SCENARIO: BANK BALANCE VS MINIMUM LIQUIDITY



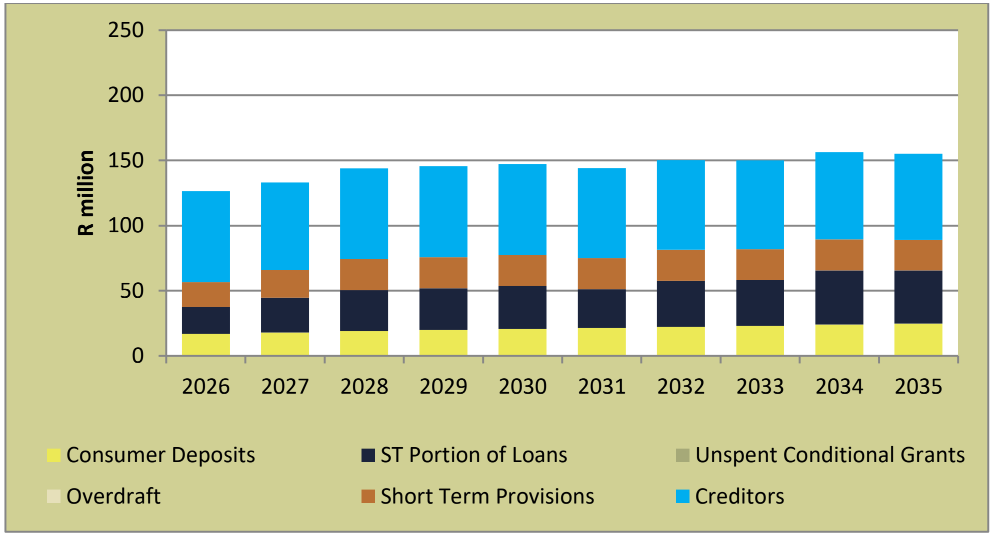
GRAPH 29: BASE CASE SCENARIO: BANK BALANCE VS MINIMUM LIQUIDITY



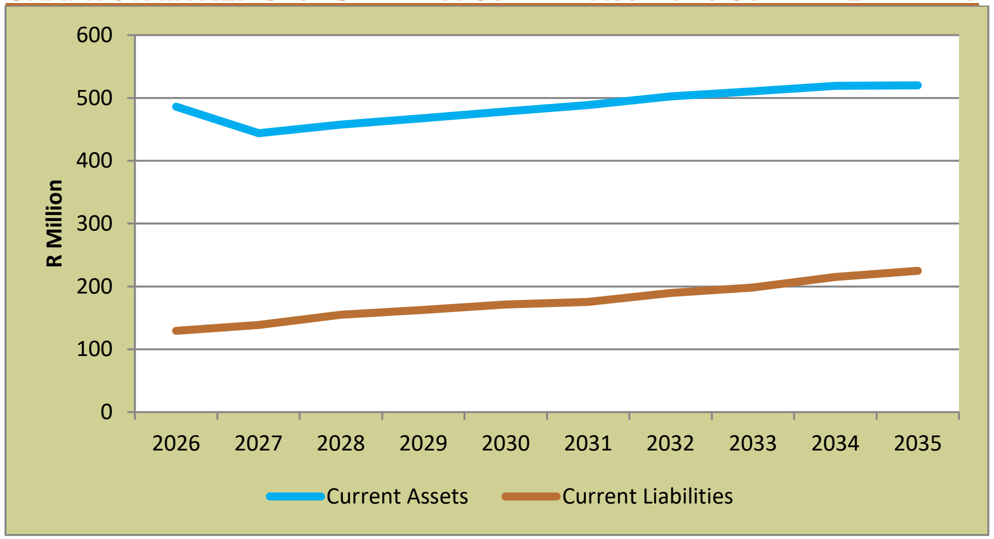
GRAPH 30: MTREF CASE SCENARIO: CURRENT LIABILITIES



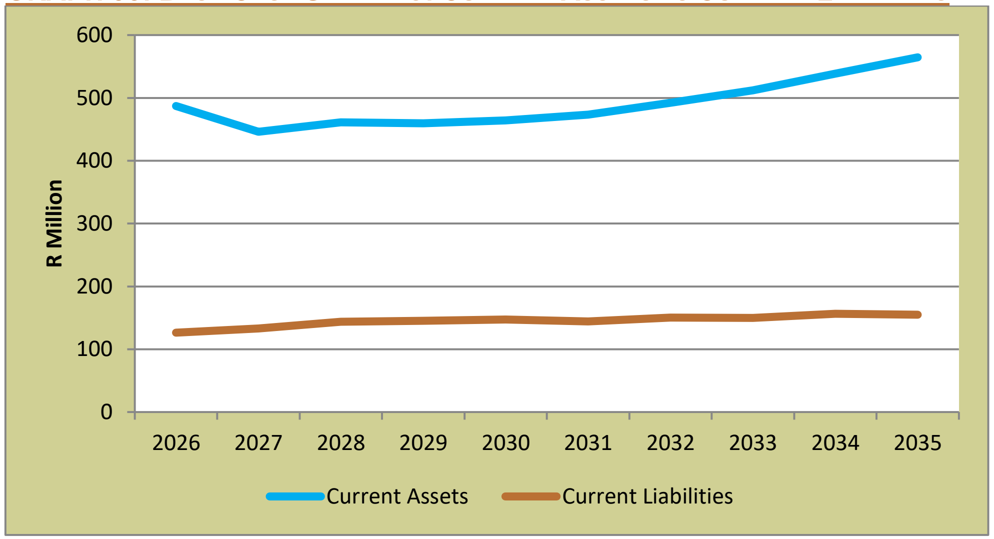
GRAPH 32: BASE CASE SCENARIO: CURRENT LIABILITIES



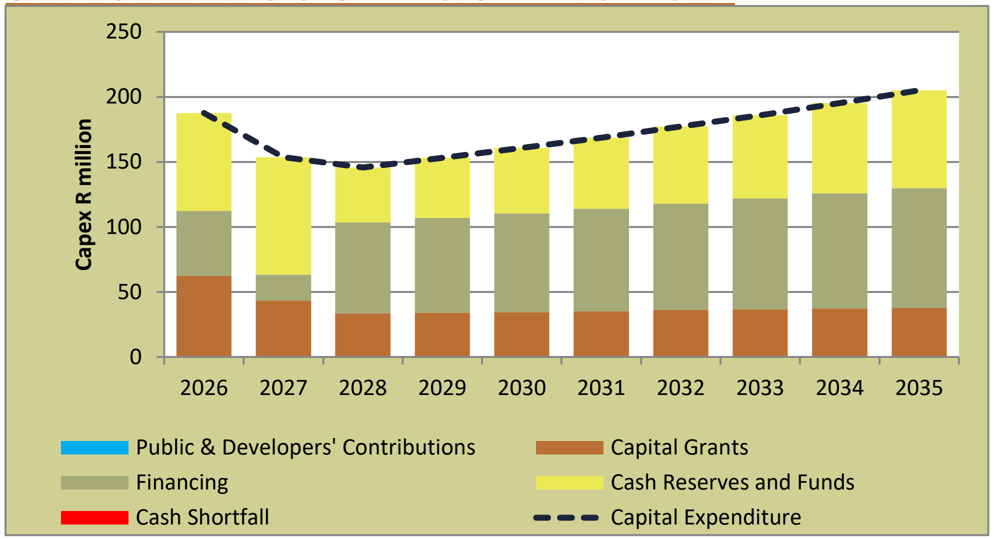
GRAPH 31: MTREF CASE SCENARIO: CURRENT ASSETS VS CURRENT LIABILITIES



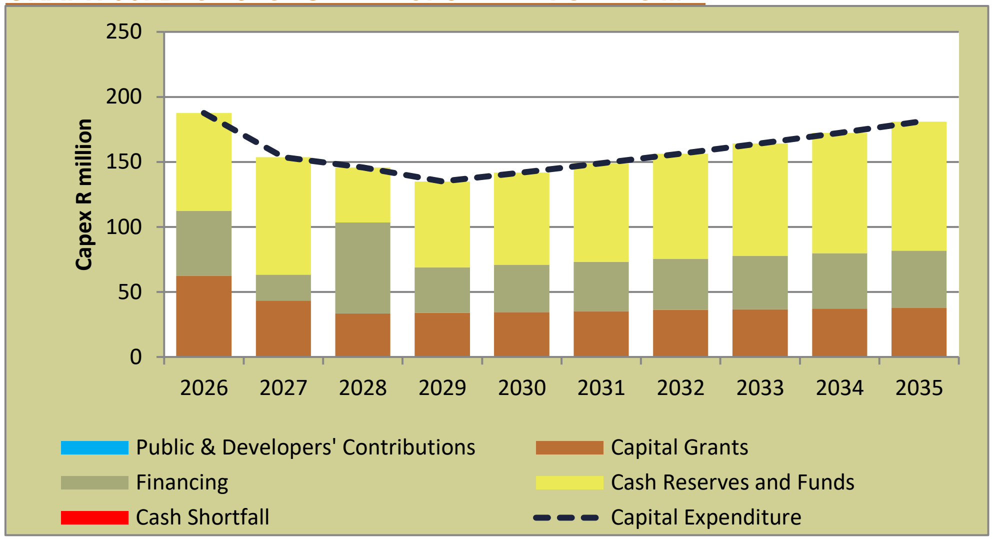
GRAPH 33: BASE CASE SCENARIO: CURRENT ASSETS VS CURRENT LIABILITIES



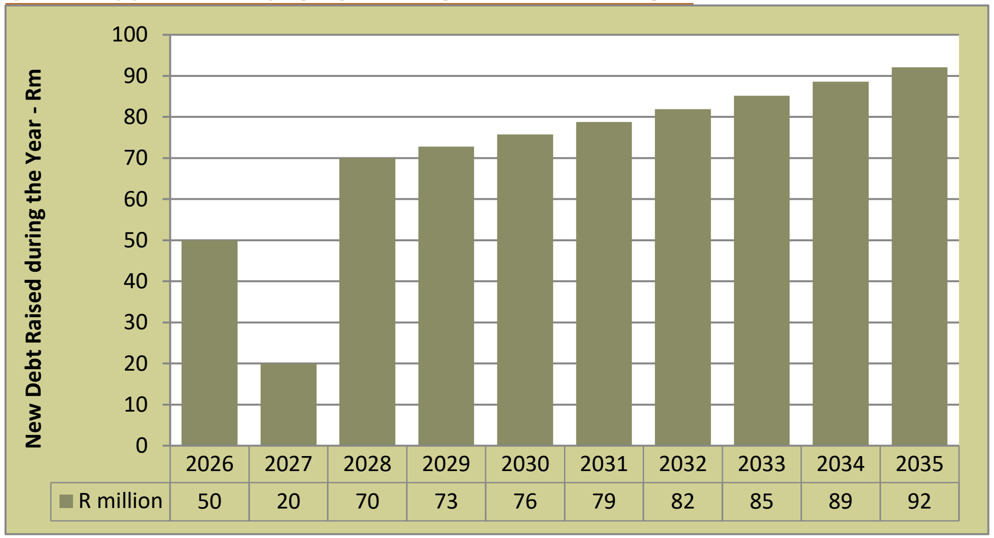
GRAPH 34: MTREF CASE SCENARIO: CAPITAL FUNDING MIX



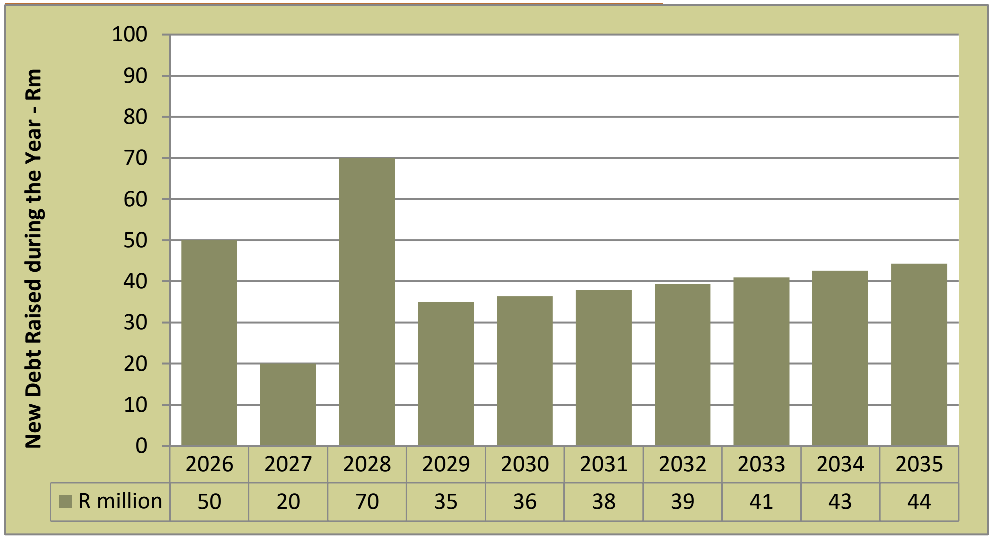
GRAPH 36: BASE CASE SCENARIO: CAPITAL FUNDING MIX



GRAPH 35: MTREF CASE SCENARIO: NEW DEBT RAISED



GRAPH 37: BASE CASE SCENARIO: NEW DEBT RAISED



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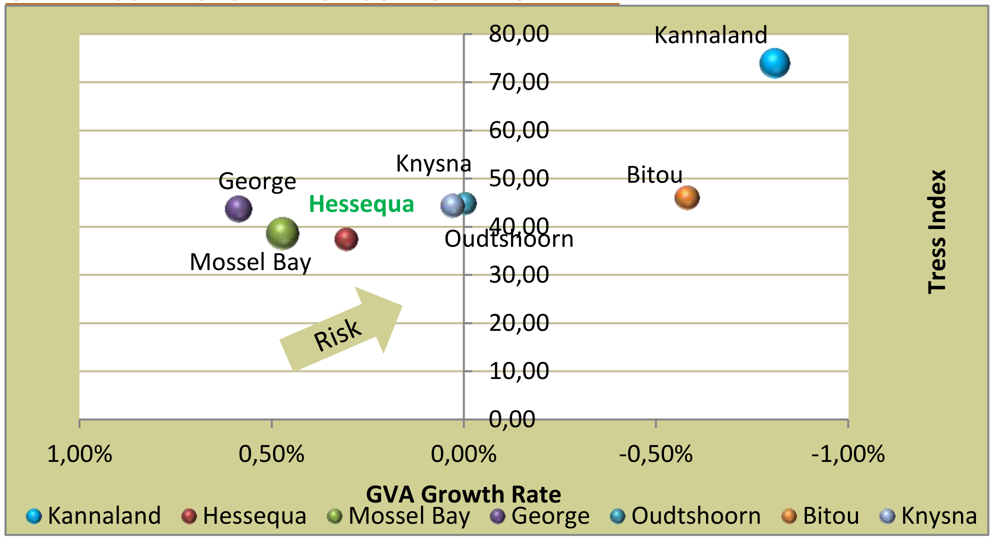
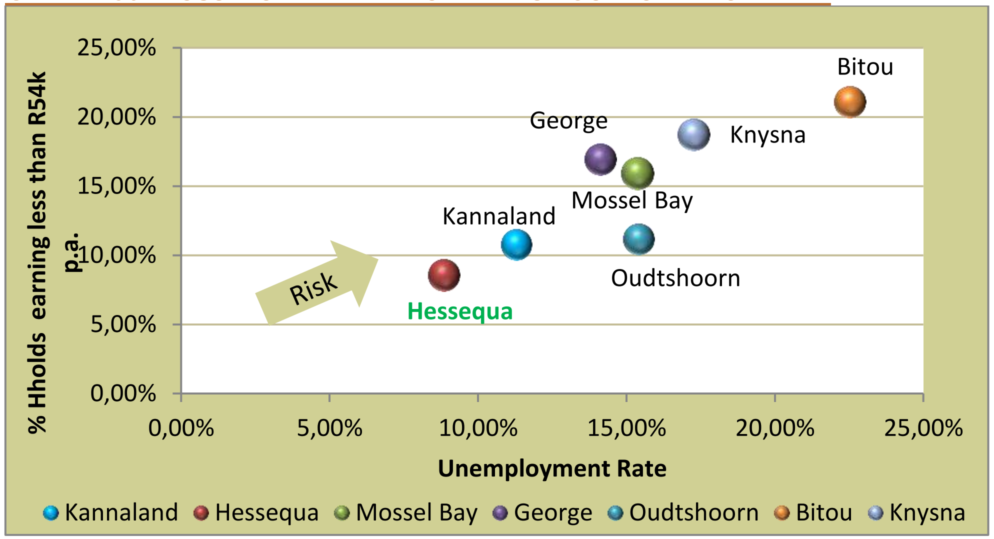
Future Revenues

Municipal Revenue Risk Indicator (MRRI) = "Medium"

GRAPH 38: ECONOMIC RISK COMPONENT OF MRRI



GRAPH 39: HOUSEHOLD ABILITY TO PAY RISK COMPONENT OF MRRI



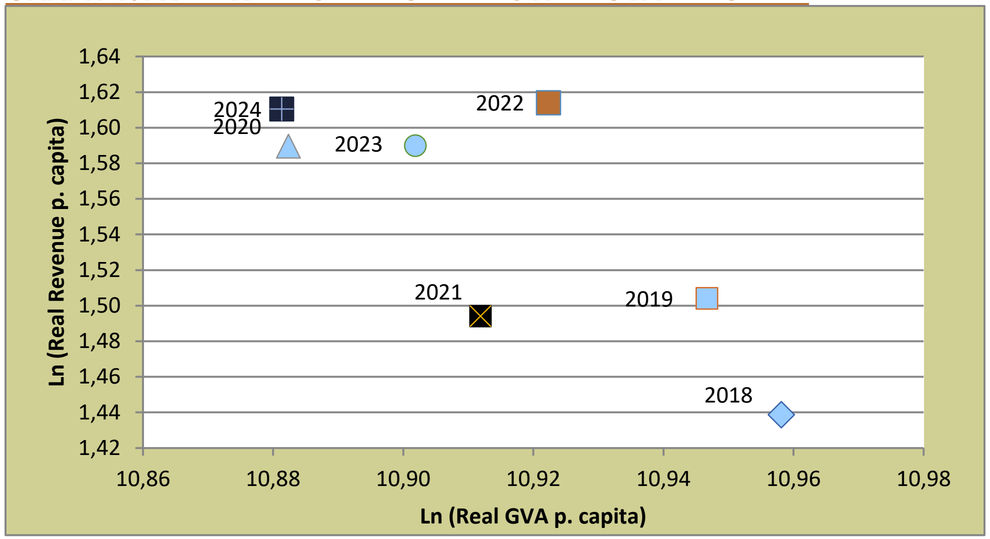
The Municipal Revenue Risk Indicator (MRRI) measures the risk of the municipality's ability to generate its own revenues. This is a function of the economy (size of the economy as measured by GVA per capita, GVA growth rate and Tress Index); and the household ability to pay (measured by percentage of households with income below R54 000 p.a., unemployment rate and human development index).

Hessequa has exhibited sluggish economic growth in recent years, as evidenced by the 5-year annual average GVA growth of 0.36%. This is well exceeded by the annual average population growth rate of 1.23% over the same period. This indicates a need for investment in productive, revenue generating assets as a means to stimulate economic growth and thus growth of the municipality's revenue base. GVA per capita of R53 493 p.a. in 2024, as well as the reasonably high degree of diversification of Hessequa's economy, all contribute to the "**High**" rating on the economic risk component of the MRRI. This is predominantly driven by sluggish economic growth.

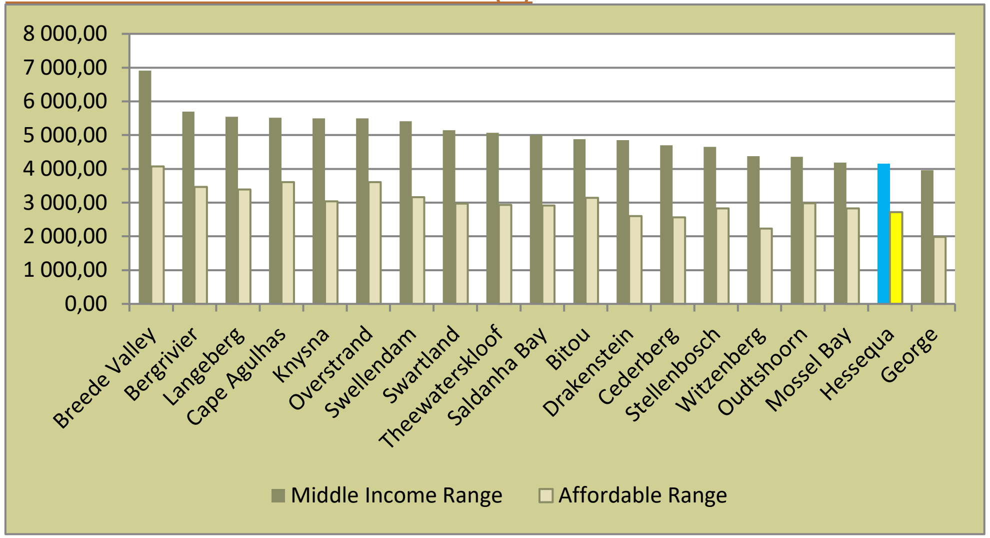
The percentage of indigent households reliant on support of 8.57%, the official unemployment rate of 8.84% and the human development index of 0.74 resulted in a **"Low"** rating on the household ability to pay risk component of MRRI. The driving force behind this rating is the high rate of unemployment. Hessequa is on the low end of risk in relation to some of the other municipalities in the district.

As a result, Hessequa has a "**Medium**" risk rating on the MRRI indicator scale - i.e., there is a medium to high risk that the municipality will not be able to generate the forecast cash revenue expected in future.

GRAPH 40: REAL REVENUE PER CAPITA VS REAL GVA PER CAPITA



GRAPH 41: AVERAGE HOUSEHOLD BILL (R)



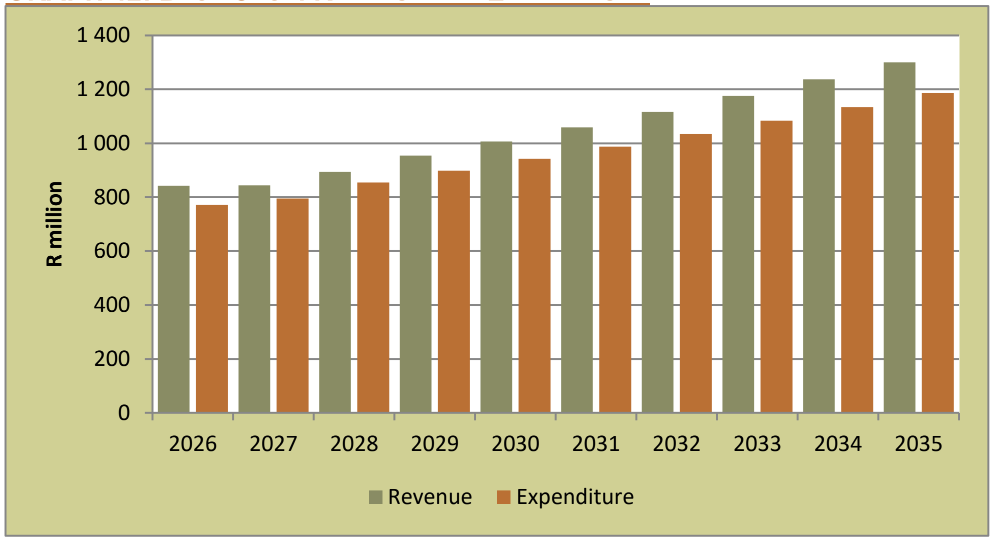
Real municipal revenue (excluding capital transfers) per capita increased between 2018 & 2020. A notable decline was then observed during 2021 partly influenced by the fallout of Covid-19. A full recovery was observed during 2022, with fluctuations seen in the subsequent years. Real GVA per capita saw a net decline over the review period. The most significant decline took place in 2020 due to the lack of economic activity pursuant to Covid-19. A recovery was noted in 2021 & 2022 before further declines were observed during 2023 & 2024.

It is the municipality's responsibility to ensure that it does its part in facilitating an economic growth environment. This will assist in alleviating pressure on households to service their municipal bill, thus providing additional security to the municipality's future revenue prospects. A prolonged period of sluggish economic growth will place further strain on the municipality's revenue base as households struggle to service their municipal bill.

A comparison of the average household bill for the middle income and affordable income range of a selected number of municipalities in the Western Cape province (extracted from Budget Table: SA14) based on the 2025/26 tariffs, reveals that Hessequa LM features near the bottom of the range. Considering the level of service provided by Hessequa LM and the size of the municipality, the current household bill is reasonable, if not relatively low, compared to other municipalities. The scope of the tariff increases is, however, limited by household's ability to pay for services.

Municipal Revenues

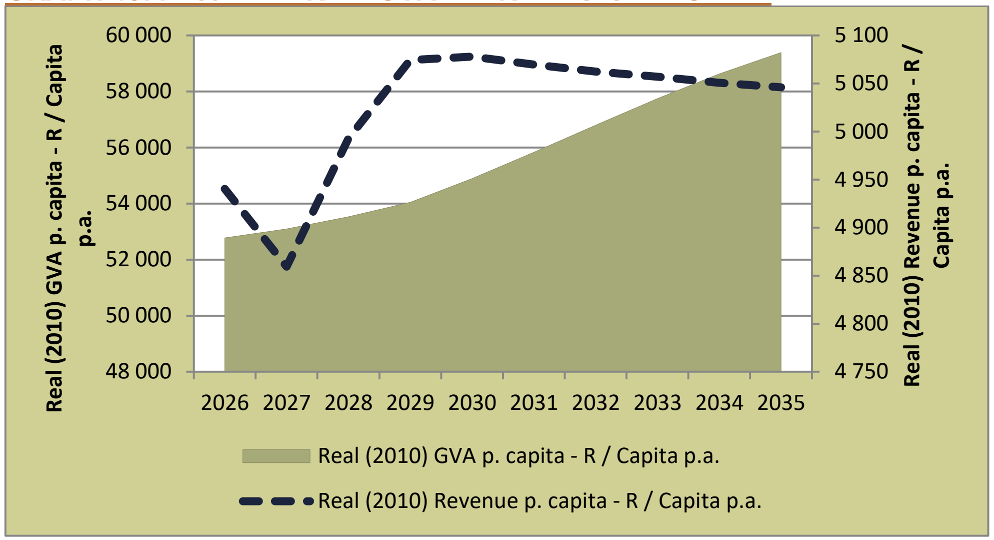
GRAPH 42: BASE CASE: REVENUE AND EXPENDITURE



The Base Case estimates that, over the planning period, future nominal revenue (including capital grants) will grow at an average rate of 3.4% p.a. This growth in revenue includes: (i) tariff increases, (ii) increased sales and (iii) additional revenue sources. Future nominal expenditure is estimated to grow at a higher rate of 5.6% over the same period. The margin between income and expenditure growth projections are impacted by a notable reduction in capital grants in FY2025/26, which distorts these figures. If operating expenditure, exclusive of capital grants, is considered, the average annual increase in revenue is projected at 5.1%.

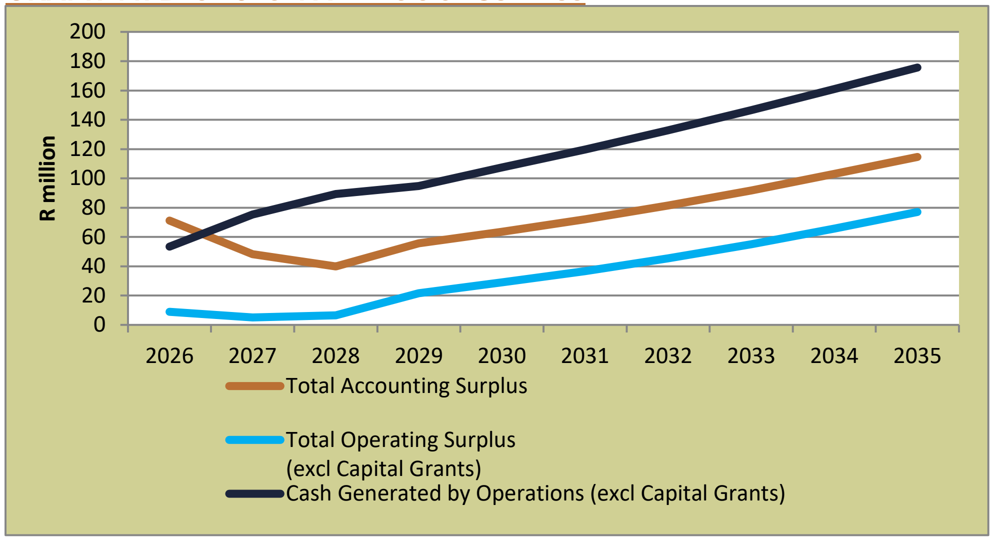
Our analysis of the Adjustment Operating Budget for FY2025/26 revealed that the municipality was reasonably conservative in its estimates for financial performance, with a notable deterioration in financial performance in relation to the historic performance expected. We expect that the budgeted financial performance will be outperformed. In the interest of employing a more conservative approach, we have elected not to adjust operating revenues or expenditures in our Base Case assumptions, as done in the previous LTFP Update. As such, if the budget is outperformed as expected, one can expect the Base Case outcome to be outperformed as well.

GRAPH 43: PROJECTED REAL GVA AND REVENUES PER CAPITA



Real GVA per capita is forecast to increase consistently over the planning period. A total increase of 12.7% from R52 708 in 2025 to R59 390 in 2035 is forecast. Real revenue per capita is forecast to exhibit a marginal net decline of 1.9% over the planning period, from R5 136 in 2025 to R5 041 in 2035. A key factor in this is the expected reduction in capital grants which impacts revenue in a negative manner. Growth of the local economy is crucial to the municipality as it has a direct impact on the municipality's ability to generate revenue (MRRI). Growth of the local economy will result in an expansion of the municipality's revenue base, which will enable growth and an acceleration of the capital investment programme. This is particularly necessary to keep up with the growing population and associated increased demand for municipal services. Hessequa has done well to maintain a high level of service delivery despite the elevated population growth rates observed in recent years.

GRAPH 44: BASE CASE: ANALYSIS OF SURPLUS



The maintenance of the Base Case collection rate of 98% is a key factor underpinning the strong ability to generate cash from operations. A total of R1 132 million in cash is forecast to be generated by operations over the planning period. This is positive to note and further underpins the healthy liquidity position. The liquidity position is set to be sufficient to enable productive infrastructure investment, new debt to be undertaken as well as to reduce outstanding creditors over the planning period. This underpins the sustainable outcome presented in the Base Case.

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Affordable Future Capital Investment

Capex Affordability and Funding

The total affordable capital envelope for the 10-year period FY2024/25-FY2033/34 was calculated at R1 620 million. This figure was arrived at by finding the optimal levels of external financing and own cash utilisation to supplement capital grant funding.

TABLE 9: CAPEX AFFORDABILITY

Total 10-year CAPEX **Affordability:**	=	R 1 620 million

MTREF Capital Funding Mix

Hessequa's Adjustment Budget FY2025/26 to FY2027/28 expects a capital budget amounting to R487 million, funded as follows:

TABLE 10: MTREF CASE 3-YEAR MTREF FUNDING MIX R'M

R'm	Total	2025/26	2026/27	2027/28
Public & Developers Contributions	**0**	0	0	0
Capital Grants	**138**	62	43	33
Financing	**140**	50	20	70
Cash Reserves and Funds	**209**	77	90	42
Total	**487**	**189**	**153**	**145**

Hessequa's historic capital funding mix was dominated by capital grants, which accounted for 53% of total funding over the review period. Borrowing was undertaken in 3 of the 8 years under review at an annual average of R17.8 million. This accounted for approximately 17% of total funding. Finally, cash reserves and funds accounted for 27% with the remaining 3% funded through the sale of fixed assets. A notable acceleration of the utilisation of own cash to fund capital investment was observed in FY2024/25. This is consistent with the recommendations provided in the previous LTFP Update.

10-Year Capital Funding Mix

The capital funding mix for the 10-year planning period is forecast to be as follows:

TABLE 11: BASE CASE 10-YEAR CAPITAL FUNDING MIX

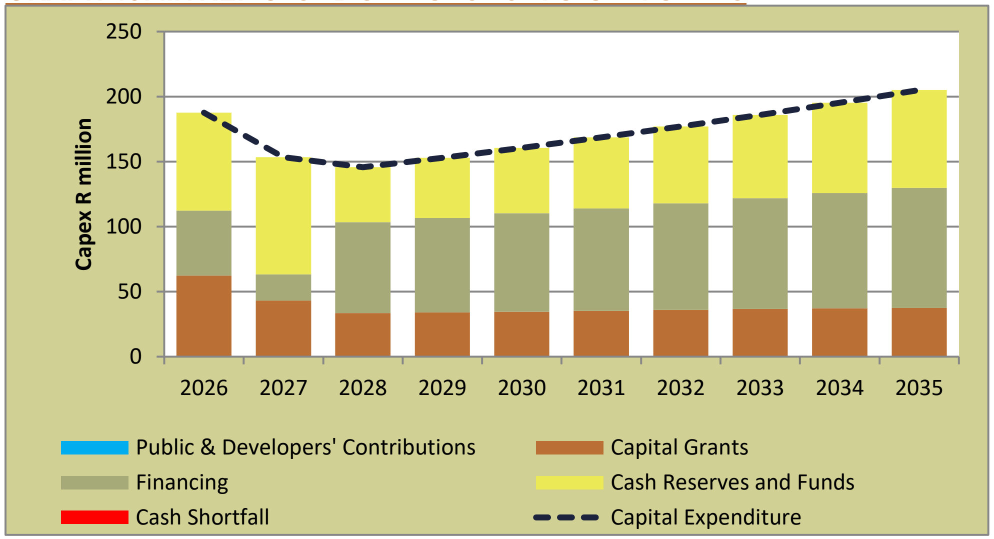
Source	Rm	%
Public & Developers' Contributions	0	0 %
Capital Grants	391	24 %
Financing	416	26 %
Cash Reserves and Funds	813	50 %
Cash Shortfall	0	0 %
Capital Expenditure	**1 620**	**100 %**

The Adjustment Capital Budget aims to continue the accelerated capital investment programme, albeit at reduced levels from FY2024/25. While the Adjustment Capital Budget is forecast to remain affordable, the degree of leverage over the long-term is forecast to be excessive. This contributes to the reduced liquidity position observed in the MTREF Case compared to the Base Case. To mitigate this, borrowings were reduced in FY2028/29 with a conservative growth factor of 4% p.a. selected for the remainder of the planning period. The proposed amendments have been incorporated into the Base Case capital funding mix. These amendments aim to ensure capital investment remains sufficient to meet infrastructure demand whilst ensuring that long-term sustainability is also prioritised.

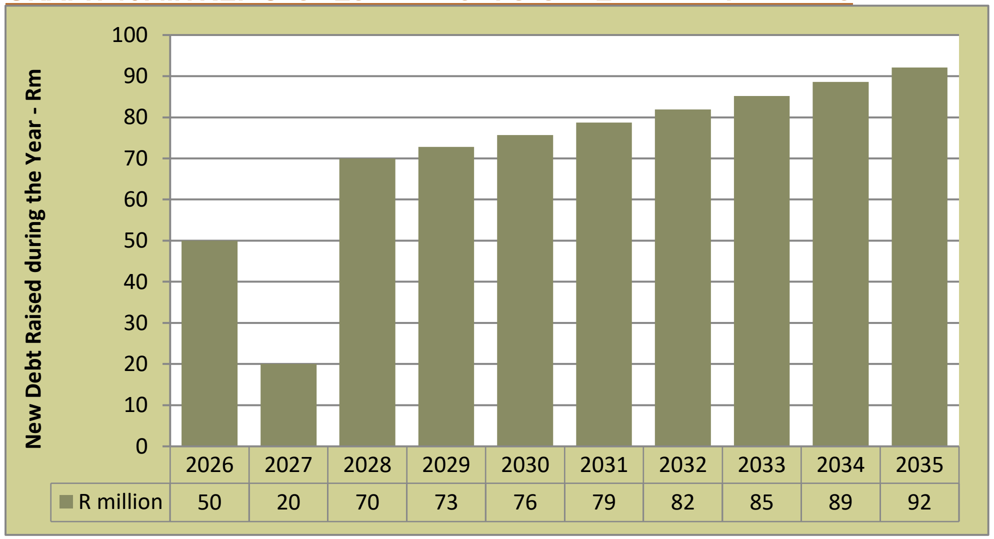
The 10-year affordable capital envelope is largely in line with the previous LTFP Update (May 2025). This is primarily due to a forecast reduction in capital grant funding over the planning period. A reduction of R52 million in capital grant funding over the planning period is forecast, compared to the previous update. This plays a role in the reduced total affordable envelope. The own cash portion of the funding mix has largely been maintained from previously recommended levels, while borrowings have marginally increased.

The MTREF Case's funding mix and annual borrowings are presented in the graphs below:

GRAPH 45: MTREF CASE DISTRIBUTION OF FUTURE FUNDING

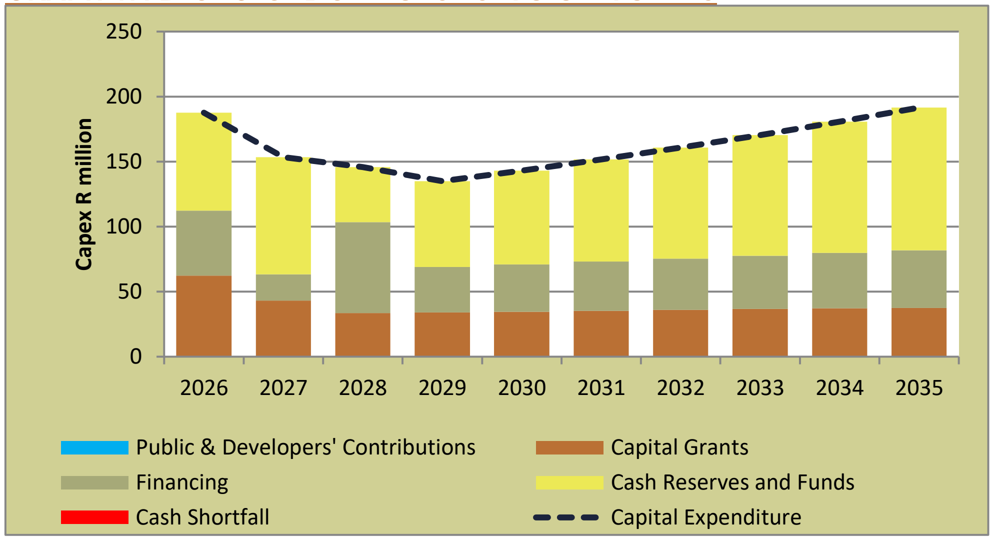


GRAPH 46: MTREF CASE ESTIMATE OF FUTURE EXTERNAL FINANCING



The Base Case's funding mix and annual borrowings are presented in the graphs below:

GRAPH 47: BASE CASE DISTRIBUTION OF FUTURE FUNDING



GRAPH 48: BASE CASE ESTIMATE OF FUTURE EXTERNAL FINANCING

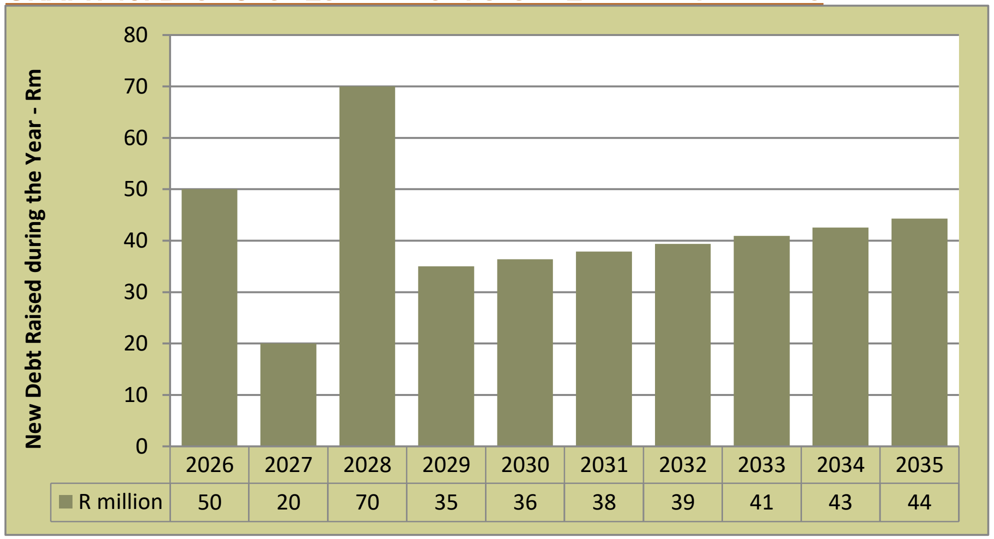


TABLE 12: MTREF CASE DISTRIBUTION OF FUTURE CAPITAL FUNDING (R'M)

R'm	Total	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public & Developers' Contributions	0	0	0	0	0	0	0	0	0	0	0
Capital Grants	391	62	43	33	34	35	35	36	37	37	38
Financing	715	50	20	70	73	76	79	82	85	89	92
Cash Reserves and Funds	627	75	90	42	46	50	55	59	64	69	75
Cash Shortfall	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure	**1 733**	**188**	**154**	**146**	**153**	**161**	**169**	**177**	**186**	**195**	**205**

TABLE 13: BASE CASE DISTRIBUTION OF FUTURE CAPITAL FUNDING (R'M)

R'm	Total	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public & Developers' Contributions	0	0	0	0	0	0	0	0	0	0	0
Capital Grants	391	62	43	33	34	35	35	36	37	37	38
Financing	416	50	20	70	35	36	38	39	41	43	44
Cash Reserves and Funds	813	75	90	42	66	72	79	85	93	101	110
Cash Shortfall	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure	**1 620**	**188**	**154**	**146**	**135**	**143**	**152**	**161**	**170**	**181**	**192**

LIQUIDITY AND CAPITAL REPLACEMENT RESERVE

The minimum liquidity levels cater for unspent conditional grants, cash-backed reserves, short-term provisions and 1-month's working capital (operating expenditure). The municipality is forecast to maintain sufficient cash and cash equivalents to meet the minimum liquidity requirements with ease throughout the planning period. This is underpinned primarily by the maintenance of a high collection rate, but also through employing an optimised capital funding mix. The inclusion of consistent, affordable borrowings underpins the municipality's cash flow management through reducing reliance on own cash reserves to fund capital investment. This funding strategy will allow the municipality to continue building its cash reserves, whilst maintaining affordability of the long-term capital programme. The reasonably aggressive growth capex growth factor of 6% p.a. beyond the MTREF period is expected to remain sustainable. This is evidenced by the continual improvement of the liquidity position.

GEARING

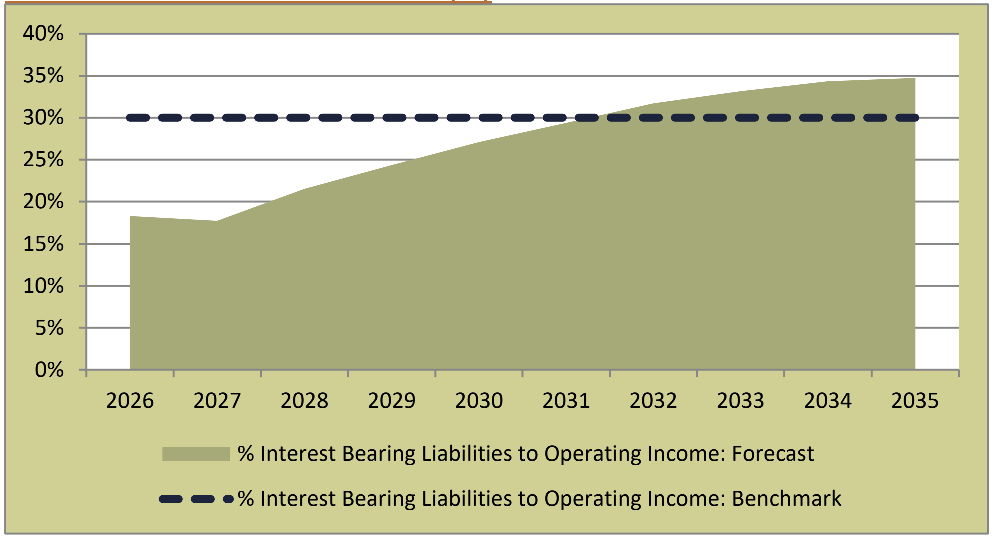
The MTREF & Base Case borrowing programmes over the MTREF period are in line with the Adjustment Budget, with reductions in capital investment and borrowing in FY2027/28 in the Base Case.

The MTREF Case assumes growth in borrowing of 4% p.a. from FY2027/28 onwards. An average loan tenor of 10-years is assumed. With the Adjustment Budget borrowing programme included unadjusted, a total borrowing programme of R715 million over the planning period is assumed. As illustrated in GRAPHS 49 & 50 below, the debt indicators are forecast to exceed their respective maximum limits. This is indicative of an overleveraged debt profile. This will begin to erode the municipality's liquidity position over the long-term.

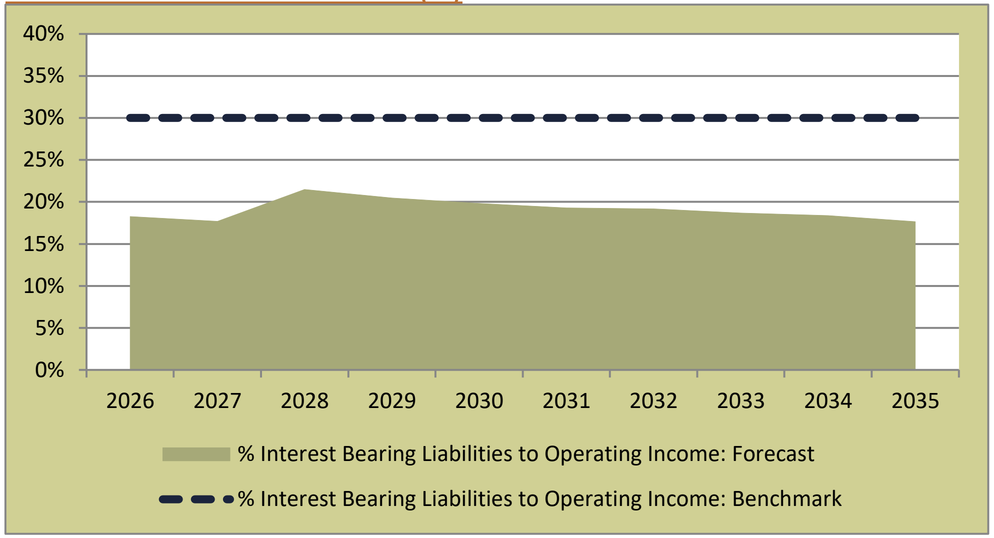
In order to mitigate the impact of the overleveraging of the debt profile in the MTREF Case, borrowing was reduced to R35 million in FY2028/29 in the Base Case. The 4% p.a. growth factor and 10-year loan tenor are maintained. The reduction in borrowings in the Base Case results in increased own cash utilisation over the planning period. This is deemed affordable as discussed earlier in this report. The forecast levels of debt are affordable, as evidenced in GRAPHS 51 & 52 below. The debt indicators are forecast to remain within their respective maximum limits throughout the planning period. This, along with the healthy forecast liquidity position, is indicative of the sustainability of the Base Case capital funding mix. It is important that borrowings are undertaken in a responsible manner. Overcommitting to long-term loans can provide risk, which Hessequa is currently well-positioned to manage. However, should a downturn in financial performance or revenue collection occur for whatever reason, an overleveraged debt profile may then compound the negative impact of these events. As such, it is imperative that a disciplined approach is taken when crafting an optimal funding strategy. The debt indicators provide a guideline as to the affordable limits for Hessequa.

The graphs below illustrate the affordability of the Base Case debt profile in comparison to the MTREF Case.

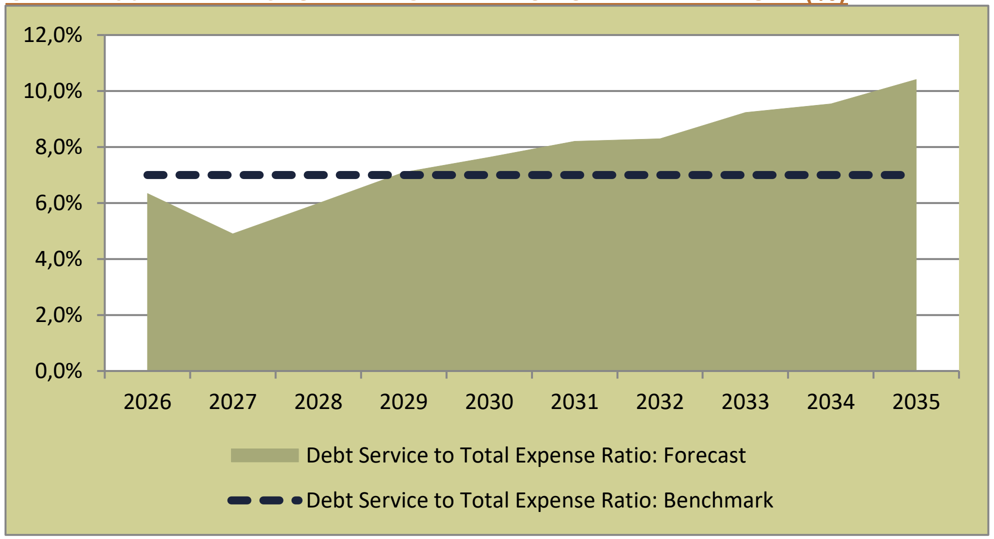
GRAPH 49: MTREF CASE GEARING (%)



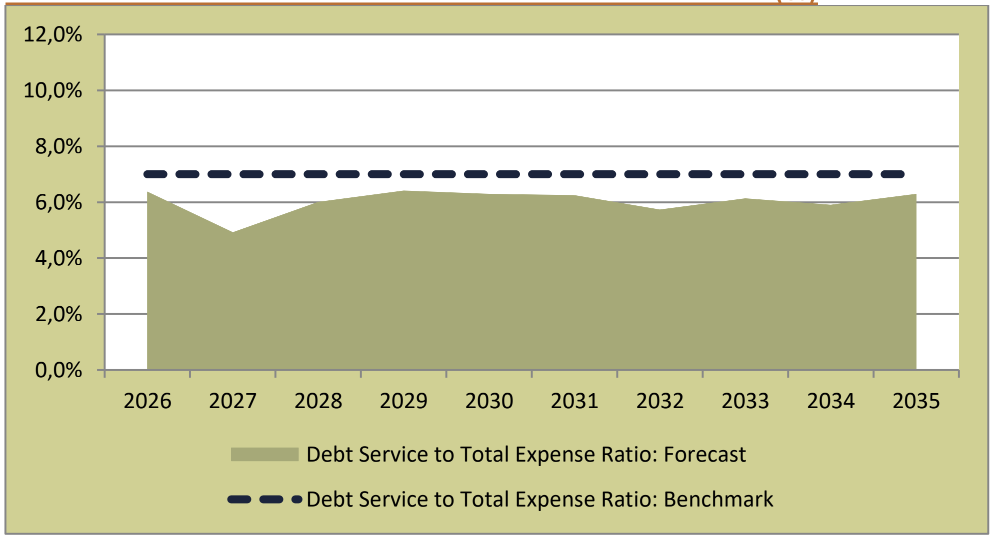
GRAPH 51: BASE CASE GEARING (%)



GRAPH 50: MTREF CASE DEBT SERVICE TO TOTAL EXPENDITURE (%)



GRAPH 52: BASE CASE DEBT SERVICE TO TOTAL EXPENDITURE (%)



Scenarios Analysis

1. **To assess the long-term financial impact of maintaining a lower collection rate of 96% throughout the planning period:**

   1.1. A scenario indicating the impact of lower a collection rate of 96% being maintained throughout the planning period. The Base Case assumes a collection rate of 98%. All other input variables are assumed to be consistent with the Base Case.

2. **To assess the long-term financial impact of employing an intermittent borrowing strategy:**

   2.1. A scenario indicating the impact of the municipality employing an intermittent borrowing strategy which entails undertaking borrowings every second year over the planning period. All other input variables are assumed to be consistent with the Base Case.

SCENARIO 1: REDUCED COLLECTION RATE

While we have entered into an interest rate cutting cycle with a lower inflationary environment, the cost of living remains extremely high. This is unlikely to change over the short to medium term, with geopolitical instability creating uncertainty around future inflationary expectations. These factors may impact the municipality through more consumers being unable to service their municipal bills. This renders the possibility of a reduction in the collection rate feasible. Further to this, it was raised that certain proposed policy changes may result in a deterioration of the collection rate. This scenario aims to assess the impact of this on the municipality's long-term financial sustainability. In doing so, this scenario models a reduced collection rate of 96% throughout the planning period.

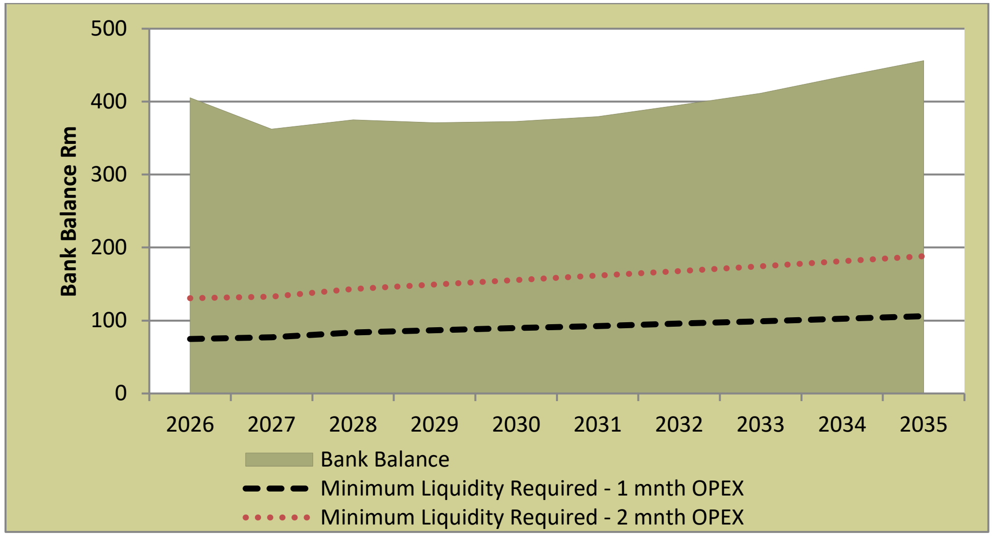
A notable reduction in financial performance and cash generation is expected over the planning period. This is driven by an increased need for debt impairment, thus negatively impacting the municipality's bottom line. This is expected to result in a deterioration of the municipality's cash and liquidity position, evidenced by the declining trend in current assets in the graph below. Sufficient cash to meet 2-months operating expenditure is expected to be maintained throughout the planning period. However, YoY declines in cash are expected.

TABLE 14: SCENARIO 1: REDUCED COLLECTION RATE

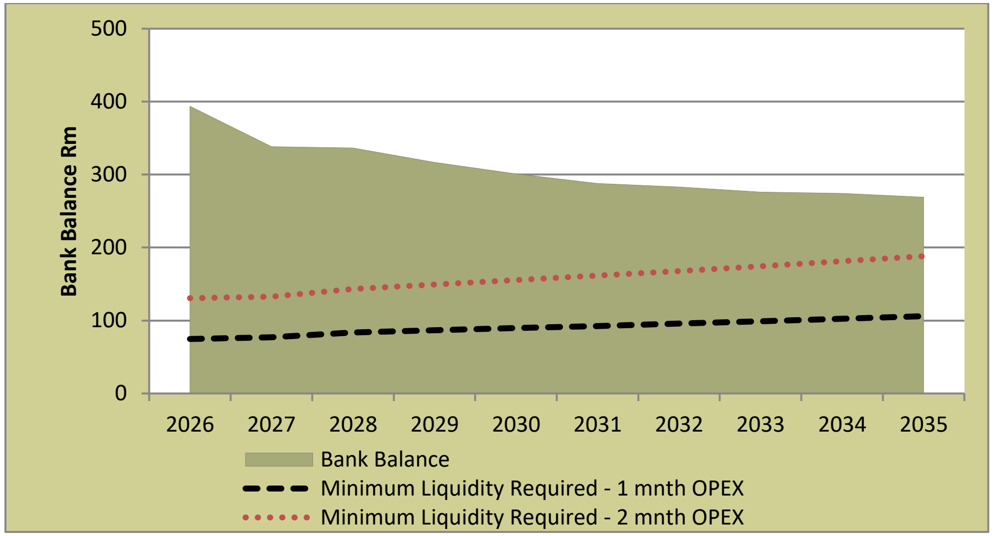
Outcome	Base Case	Collection Rate 96%
Average annual % increase in Revenue	3,4%	3,3%
Average annual % increase in Expenditure	5,6%	5,7%
Accounting Surplus accumulated during Planning Period (Rm)	R 742	R 555
Operating Surplus accumulated during Planning Period (Rm)	**R 352**	**R 165**
Cash generated by Operations during Planning Period (Rm)	**R 1 135**	**R 948**
Average annual increase in Gross Consumer Debtors	8,6%	14,7%
Capital investment programme during Planning Period (Rm)	R 1 620	R 1 620
External Loan Financing during Planning Period (Rm)	R 416	R 416
Cash and Cash Equivalents at the end of the Planning Period (Rm)	**R 460**	**R 273**
No of Months Cash Cover at the end of the Planning Period (Rm)	**5,6**	**3,4**
Liquidity Ratio at the end of the Planning Period	**4,1 : 1**	**2,7 : 1**
Gearing at the end of the Planning Period	**17,7%**	**17,8%**
Debt Service to Total Expense Ratio at the end of the Planning Period	**6,3%**	**6,2%**

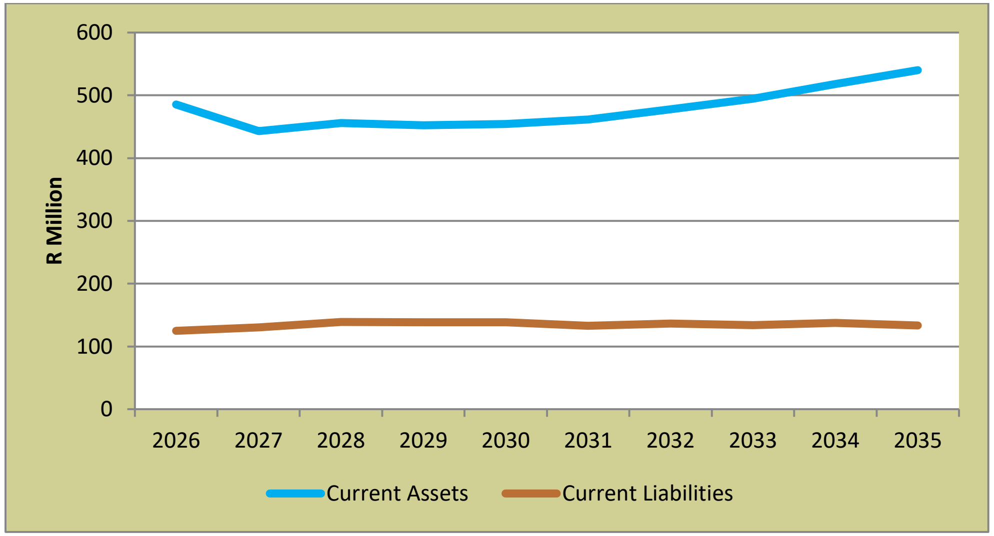
Scenario 1: Reduced Collection Rate

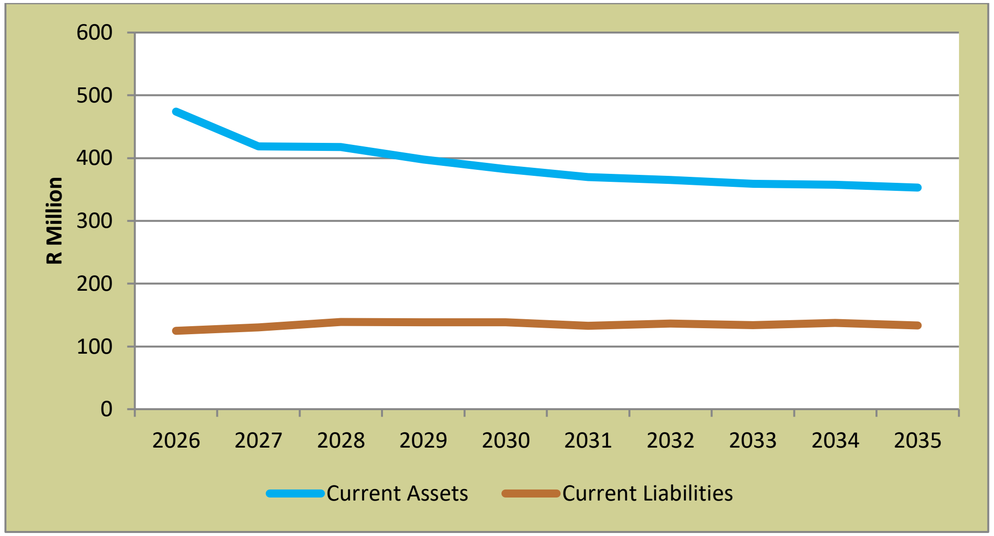
Base Case Scenario



Reduce Collection Rate to 96%







Scenario 2: Intermittent Borrowings

This scenario follows on from a scenario included in the previous LTFP Update following a request from the municipality. This scenario entails assessing the implications of a funding strategy whereby borrowings are undertaken in every second year over the planning period. The Base Case level of capital investment has been maintained.

Budgeted borrowings of R20 million in FY2026/27 have been removed, whilst FY2025/26 (R50 million) and FY2027/28 (R70 million) have been left unadjusted. Borrowings of R50 million have been included in FY2029/30, FY2031/32 & FY2033/34. This results in a total borrowing programme of R270 million over the planning period, a reduction from the R416 million in borrowings included in the Base Case. This is expected to result in an improvement in financial performance and cash generation compared to the Base Case, owing to reduced debt service charges. This is not expected to translate into an improved cash position relative to the Base Case, due to increased own cash utilisation for capital investment required in order to maintain the Base Case capital programme. Nonetheless, the forecast cash and liquidity positions in this scenario remain sustainable.

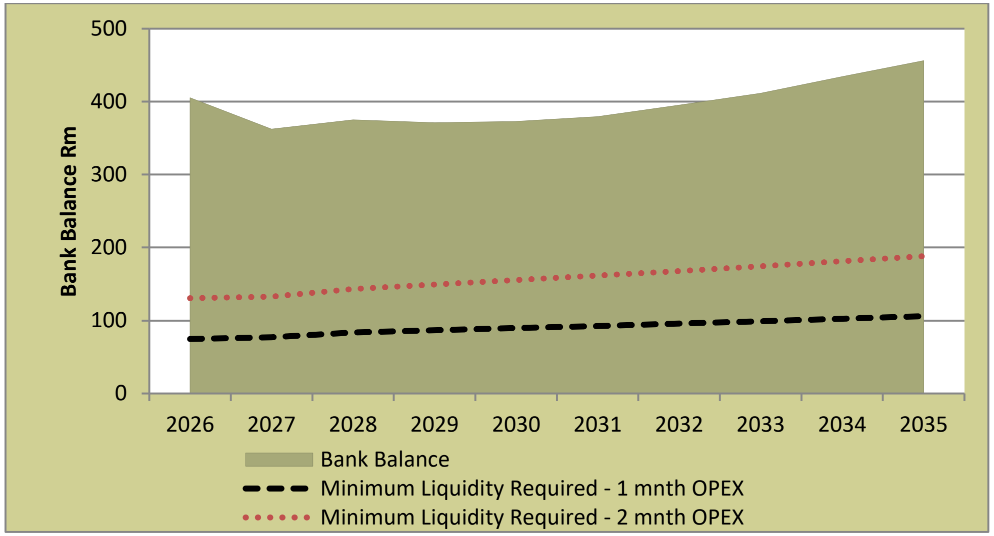
The municipality is expected to be able to maintain sufficient cash to meet 2-months opex throughout the planning period, highlighting the sustainability of the proposed borrowing programme. One consideration would be the jagged nature of the forecast bank balance, as depicted in the graph below. The annual borrowings under the Base Case allow consistent growth in cash and cash equivalents to be realised over the planning period. This indicates that consistent borrowings aid cash flow management. Nonetheless, it is clear that the intermittent borrowing programme will remain sustainable over the long-term and presents a reduced risk profile in terms of the amount of debt undertaken.

Table 15: Scenario 2: Intermittent Borrowings

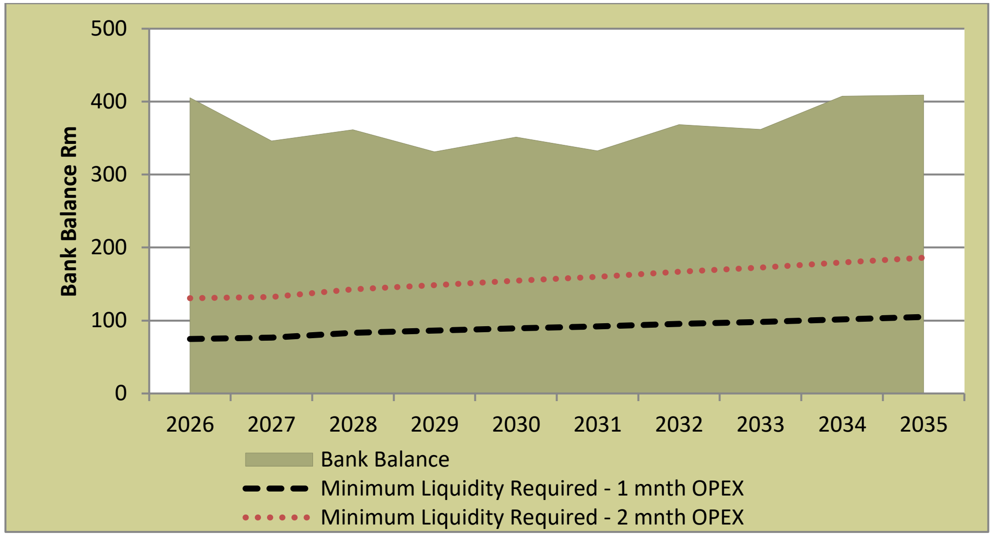
Outcome	Base Case	Intermittent Borrowings
Average annual % increase in Revenue	3,4%	3,4%
Average annual % increase in Expenditure	5,6%	5,5%
Accounting Surplus accumulated during Planning Period (Rm)	R 742	R 790
Operating Surplus accumulated during Planning Period (Rm)	**R 352**	**R 401**
Cash generated by Operations during Planning Period (Rm)	**R 1 135**	**R 1 184**
Average annual increase in Gross Consumer Debtors	8,6%	8,6%
Capital investment programme during Planning Period (Rm)	R 1 620	R 1 620
External Loan Financing during Planning Period (Rm)	**R 416**	**R 270**
Cash and Cash Equivalents at the end of the Planning Period (Rm)	**R 460**	**R 413**
No of Months Cash Cover at the end of the Planning Period (Rm)	**5,6**	**5,1**
Liquidity Ratio at the end of the Planning Period	**4,1 : 1**	**4,1 : 1**
Gearing at the end of the Planning Period	**17,7%**	**10,1%**
Debt Service to Total Expense Ratio at the end of the Planning Period	**6,3%**	**4,1%**

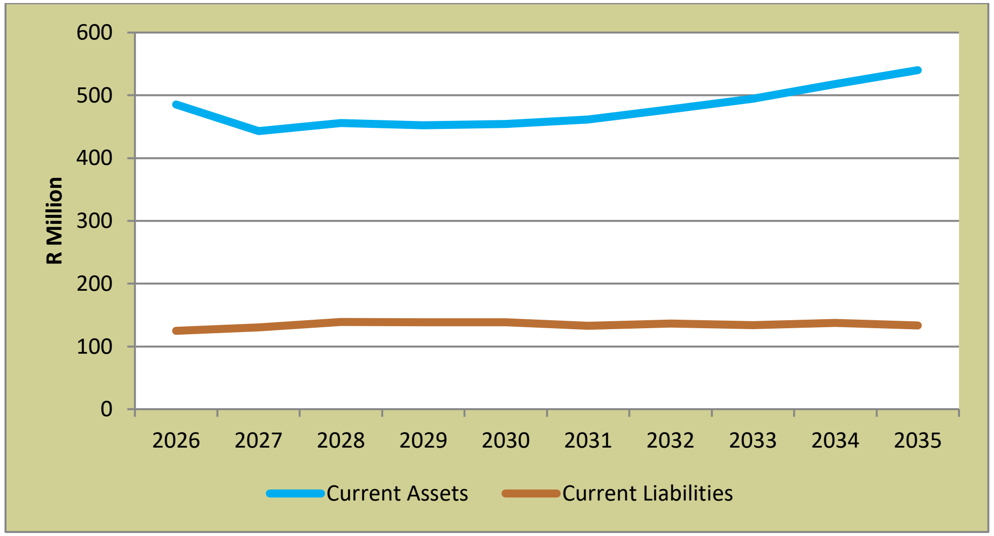
Scenario 2: Intermittent Borrowings

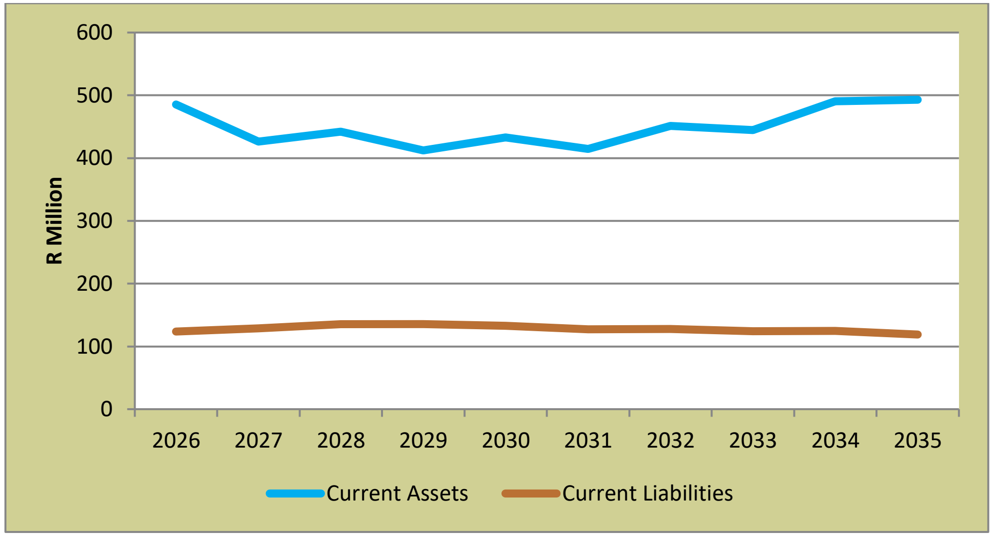
Base Case Scenario



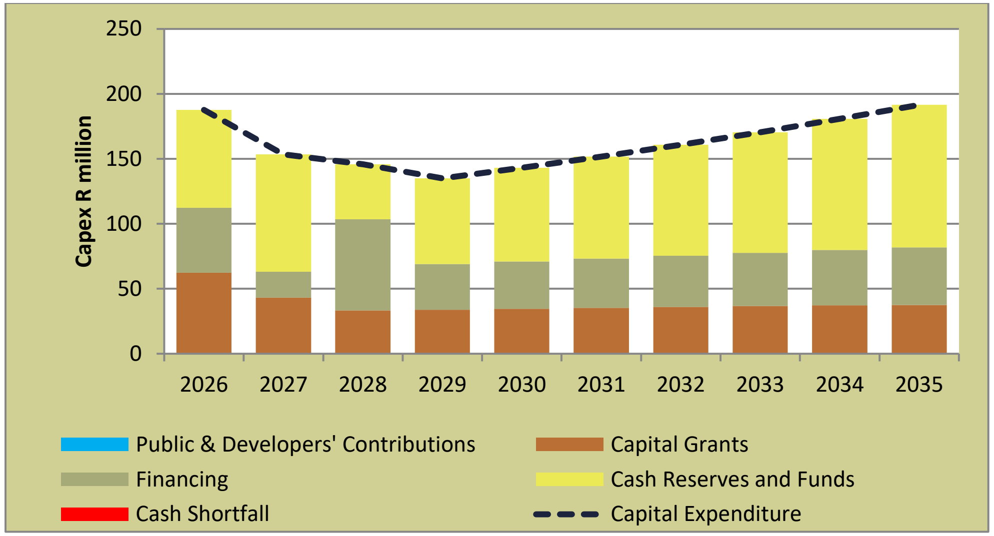
Intermittent Borrowings Scenario

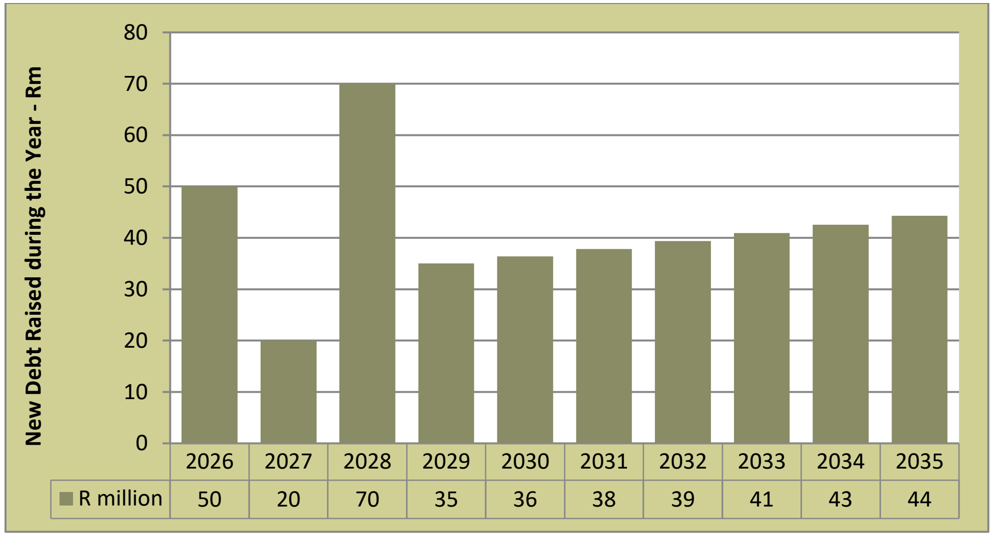




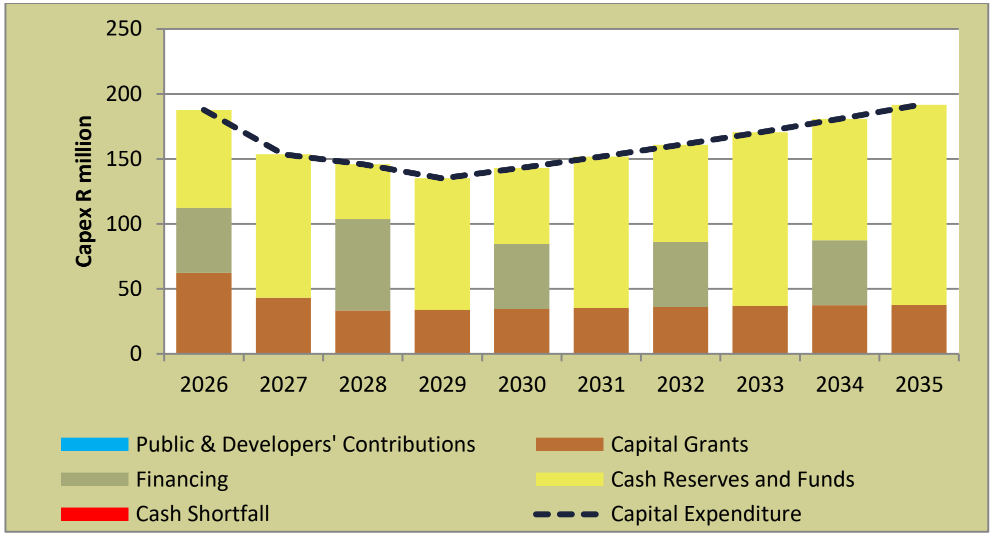


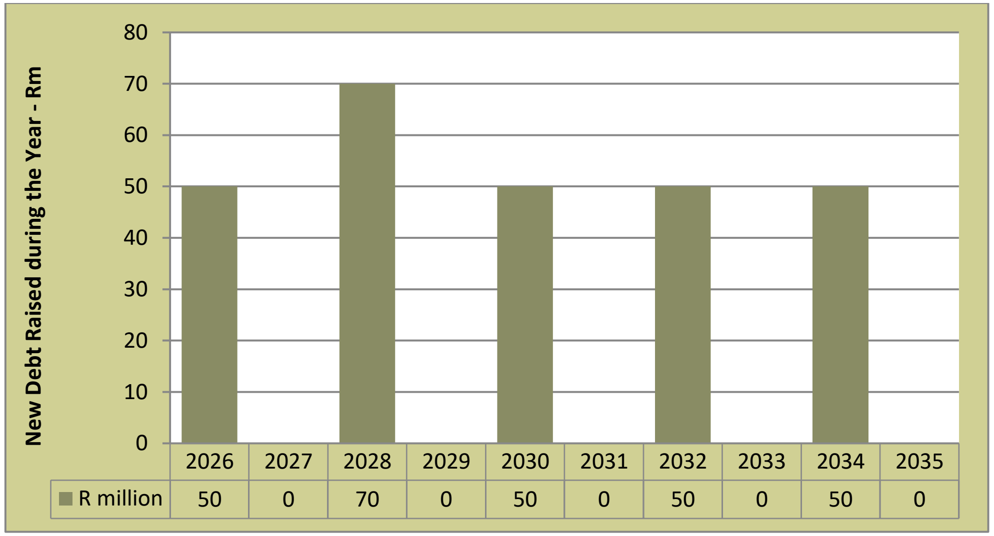
Base Case Scenario



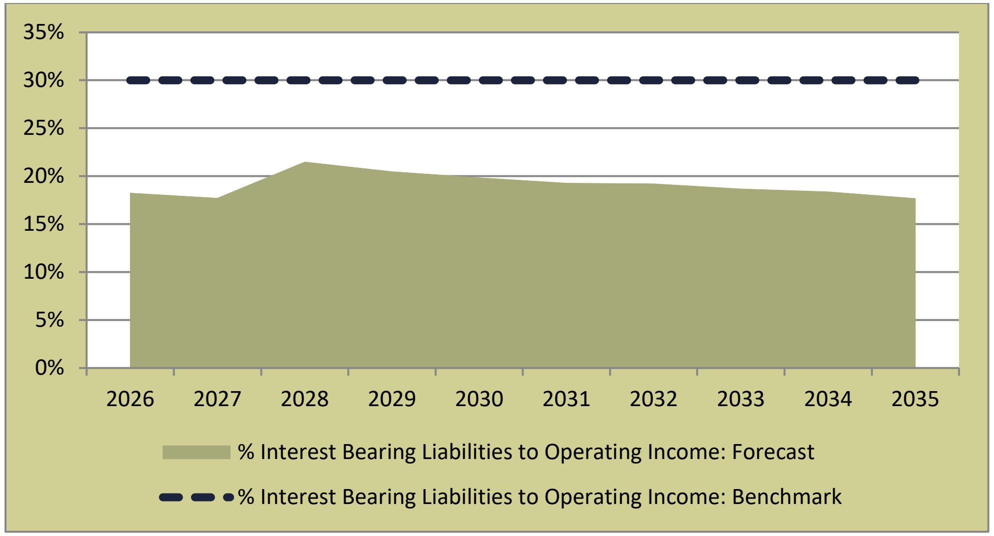


Intermittent Borrowings Scenario

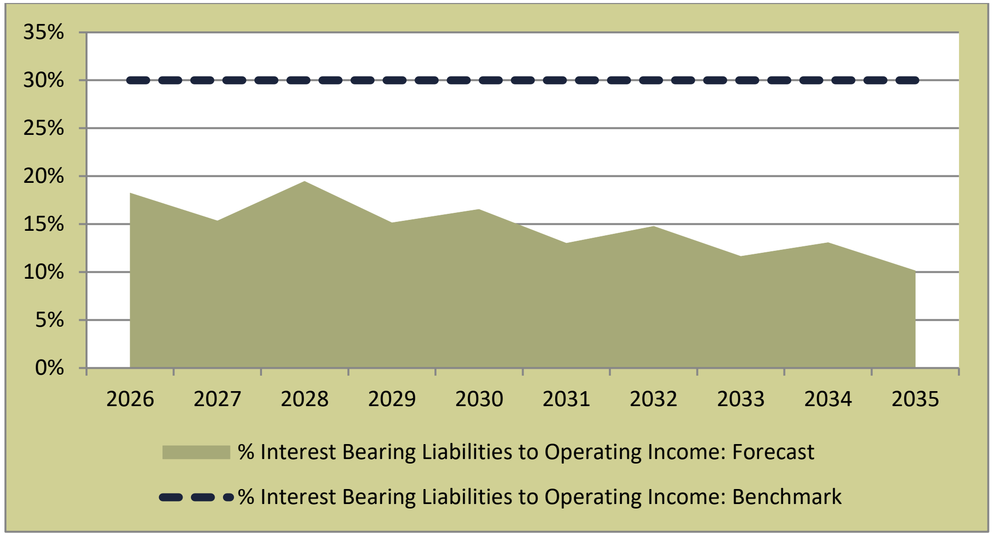


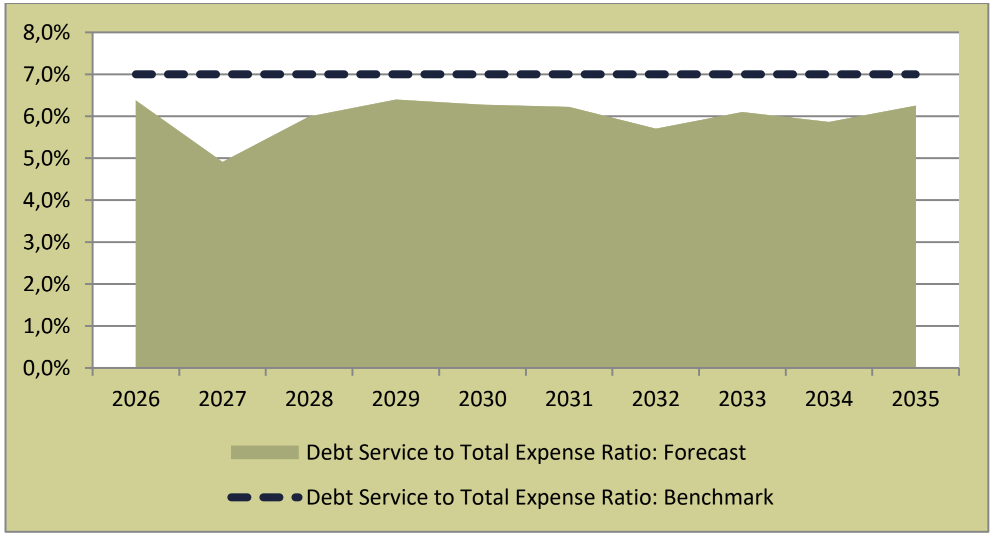


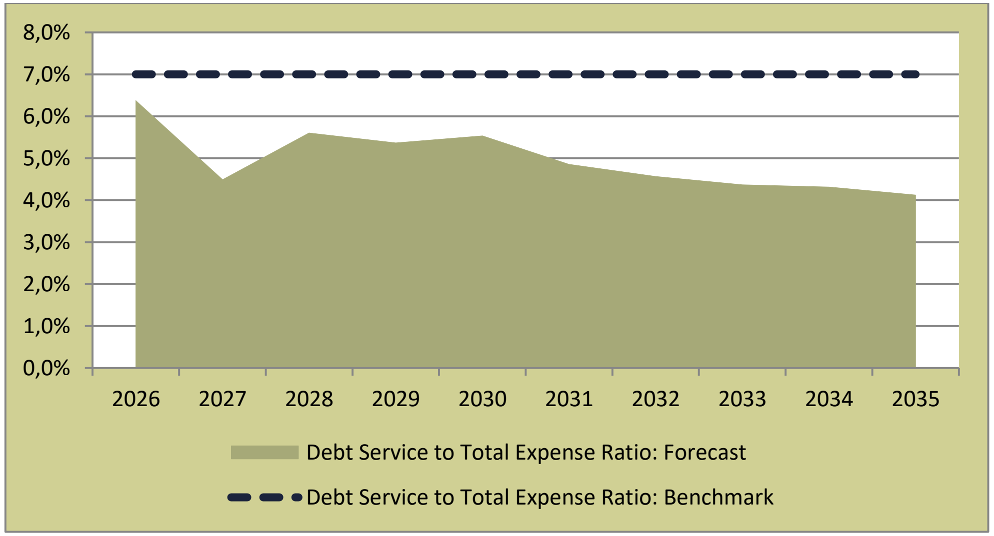
BASE CASE SCENARIO



INTERMITTENT BORROWINGS SCENARIO







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FORECAST RATIOS

The Base Case forecast ratios are presented below. Although the model is not programmed to measure the ratios as required by National Treasury in all instances, it does provide comfort that the municipality is sustainable in future – on condition that it operates within the assumed benchmarks set in the financial plan.

		N.T. NORM	2026	2028	2030	2032	2034	2035	COMMENTS
FINANCIAL POSITION									
ASSET MANAGEMENT									
R29	Capital Expenditure / Total Expenditure	10% - 20%	19,6%	14,6%	13,2%	13,5%	13,7%	13,9%	CAPEX as a % of Total Expenditure will remain within the recommended range throughout the planning period.
R27	Repairs and Maintenance as % of PPE and Investment Property	8%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	Repairs and maintenance as a percentage of PPE and IP will be maintained at 8.0% throughout the planning period.
DEBTORS MANAGEMENT									
R4	Gross Consumer Debtors Growth		9,9%	9,4%	8,7%	8,1%	7,5%	7,3%	The Collection Rate is maintained at 98% throughout the planning period.
R5	Payment Ratio / Collection Rate	95%	98,2%	98,2%	98,2%	98,2%	98,2%	98,2%	
LIQUIDITY MANAGEMENT									
R49	Cash Coverage Ratio (excl Working Capital)		21,6 : 1	15,8 : 1	15,7 : 1	16,6 : 1	18,3 : 1	19,2 : 1	The bank balance will meet the minimum liquidity requirement throughout the forecast period. The liquidity position will rise to 4.1:1 by the end of the planning period.
R50	Cash Coverage Ratio (incl Working Capital)		5,5 : 1	4,4 : 1	4,1 : 1	4,1 : 1	4,2 : 1	4,3 : 1	
R51	Cash Surplus / Shortfall on Minimum Liquidity Requirements		R 331,2 m	R 290,7 m	R 282,6 m	R 298,6 m	R 330,9 m	R 349,1 m	
R1	Liquidity Ratio (Current Assets: Current Liabilities)	1:1.5 - 1:2.1	3,9 : 1	3,3 : 1	3,3 : 1	3,5 : 1	3,8 : 1	4,1 : 1	
LIABILITY MANAGEMENT									
R45	Debt Service as % of Total Operating Expenditure	6% - 8%	6,4%	6,0%	6,3%	5,7%	5,9%	6,2%	The external financing programme is forecast to remain within the recommended benchmarks, whilst taking advantage of scope to sufficiently leverage the debt profile.
R6	Total Debt (Borrowings) / Operating Revenue	45%	18,2%	21,5%	19,8%	19,2%	18,4%	17,7%	
R7	Repayment Capacity Ratio		1,50	1,92	1,71	1,51	1,35	1,26	
R46	Debt Service Cover Ratio (Cash Generated by Operations / Debt Service)		2,3 : 1	2,4 : 1	2,4 : 1	2,8 : 1	2,9 : 1	2,8 : 1	

		N.T. NORM	2026	2028	2030	2032	2034	2035	COMMENTS
SUSTAINABILITY									
	Net Financial Liabilities Ratio	< 60%	-8,1%	6,2%	9,2%	10,5%	10,2%	9,6%	Net Financial Liabilities are below the benchmark, but the Operating Surplus Ratio remains below the recommended lower benchmark for the majority of the planning period. Asset Sustainability is not calculated but entered as an assumption in the model. The municipality must ensure that a greater proportion of CAPEX is spent on asset replacement should it be required.
	Operating Surplus Ratio	0% - 10%	1,1%	0,7%	3,0%	4,2%	5,4%	6,1%	
	Asset Sustainability Ratio	> 90%	15,6%	30,6%	30,6%	31,2%	32,1%	32,6%	
FINANCIAL PERFORMANCE									
EFFICIENCY									
R42	Net Operating Surplus / Total Operating Revenue	>= 0%	1,1%	0,7%	3,0%	4,2%	5,4%	6,1%	The net operating surplus improves to 6.1% by 2035, an indication that the municipality should endeavour to improve profitability by managing expenditure and improving surplus margins on electricity services and maintaining the high-water surplus margin.
R43	Electricity Surplus / Total Electricity Revenue		19,8%	19,7%	21,4%	21,4%	21,4%	21,4%	
R44	Water Surplus / Total Water Revenue		85,8%	86,1%	86,1%	86,0%	85,8%	85,8%	
REVENUE MANAGEMENT									
R8	Increase in Billed Income p.a. (R'm)		R 16,2 m	R 39,5 m	R 31,9 m	R 33,7 m	R 36,4 m	R 37,4 m	Billed Revenue and Operating Revenue Growth is, for the most part, marginally above forecast CPI over the planning period. Cash generated from operations is expected improve throughout the planning period.
R9	% Increase in Billed Income p.a.	CPI	3,2%	7,0%	5,0%	4,8%	4,7%	4,6%	
R12	Operating Revenue Growth %	CPI	1,4%	7,5%	5,5%	5,4%	5,4%	5,3%	
R47	Cash Generated by Operations / Own Revenue		16,2%	15,4%	15,9%	17,1%	18,1%	18,5%	
R48	Cash Generated by Operations / Total Operating Revenue		14,6%	14,0%	14,4%	15,4%	16,3%	16,6%	

		N.T. NORM	2026	2028	2030	2032	2034	2035	COMMENTS
EXPENDITURE MANAGEMENT									
	Creditors Payment Period	30	73	63	54	44	35	30	Creditors' payment period is higher than the NT benchmark but remains at acceptable levels.
R30	Contribution per Expenditure Item: Staff Cost (Salaries, Wages and Allowances)	25% - 40%	28,2%	30,0%	30,4%	30,5%	30,7%	30,8%	Staff costs as a percentage of total expenditure is forecast to remain within the recommended benchmark throughout the planning period. Contracted services to total expenditure, however, is forecast to exceed the recommended benchmark.
	Contribution per expenditure item: Contracted Services	2% - 5%	8,3%	7,6%	7,8%	7,9%	7,9%	7,9%	
GRANT DEPENDENCY									
R10	Total Grants / Total Revenue		16,4%	12,5%	12,4%	12,6%	12,8%	12,8%	The municipality can generate funds from its own sources and is not overly reliant on grants. This is positive to note, as the tightening of the national fiscus will result in a declining reliance on transfers from other spheres of government.
R11	Own Source Revenue to Total Operating Revenue		90,3%	90,9%	90,7%	90,3%	89,9%	89,8%	
	Capital Grants to Total Capital Expenditure		33,2%	22,9%	24,2%	22,4%	20,6%	19,6%	

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Outcome of the Independent Financial Assessment

Hessequa's financial performance improved during FY2024/25, with the operating surplus (excluding capital grants) increasing from R68.9 million to R79.6 million. Cash to the value of R46.9 million was generated by operations (excluding capital grants) during FY2024/25 (R134.4 million in FY2023/24). This was despite an increase in the collection rate to 98.2%, down from 96.6% in the prior year. Electricity services remained the predominant revenue generator for Hessequa, accounting for 31% of revenue in FY2024/25. This was followed by property rates (18%) and equitable share (8%). Hessequa has managed to post operating surpluses and generate cash from operations throughout the review period, indicative of sustained healthy financial performance and the maintenance of high collection rates.

Staff costs accounted for 26% of operating expenditure during FY2024/25, down from the 31% contribution in the prior year. This is followed by electricity bulk purchases (20%) and repairs and maintenance expenditure (13%). Contracted services constituted 8% of operating expenditure during FY2024/25, high relative to the NT norm range of 2-5%. The combined contribution of staff costs and contracted services came in at 34%, thus placing Hessequa's employee related expenditure profile near the maximum norm of 40%, as prescribed by NT. Repairs and maintenance expenditure came in at 8.2% of PPE & IP.

The accelerated capital investment programme observed in recent years continued in FY2024/25, with the capital outlay of R236.6 million a peak for the review period. This was driven by the renewable energy project. The total capital outlay over the 8-year review period totalled R803.6 million, for an annual average of R100.5 million.

Hessequa has borrowed intermittently over the review period, with borrowings undertaken in 3/8 years under review. No borrowing was undertaken during FY2024/25. This resulted in a reduced gearing ratio of 15.9%, down from 19.9% in the prior year. The debt service to total expense ratio reduced marginally to 5.2%, down from 6.0% in the prior year. This suggests that scope exists to access borrowings in future, as is expected in the Adjustment Capital Budget. The level of debt undertaken must be carefully monitored to avoid an overleveraging of the debt profile.

The liquidity ratio improved during the year, up to 3.58:1 from 2.71:1 at the prior year end. It was indicated in the previous update that the presence of notable unspent conditional grants presented a fictitiously negative picture for the municipality's liquidity in FY2023/24. When the impact of this is removed, the liquidity ratio stood at 3.33:1. This highlights the notable improvement in liquidity during the year. The municipality has maintained healthy liquidity throughout the review period. This has been underpinned by sustained sound operational and financial management, for which the municipality must be commended. Further evidence of this lies in the consistent posting of cash surpluses above the minimum liquidity requirements over the review period.

Strengths

- Healthy collection rate of 98%.
- Healthy liquidity ratio of 3.58:1.
- Strong financial performance.
- Ability to generate cash from operations.
- Balanced funding mix over review period.

Weaknesses

- Excessive expenditure on contracted services.
- Employee related expenditure profile approaching upper limits.

Outcome of the Future Forecasts

Base Case Scenario

The assumptions made in the Base Case were focused on maintaining liquidity whilst also ensuring that the long-term debt profile remains sustainable. The Base Case debt profile remains sustainable, whilst enabling a healthy capital investment programme to aid productive infrastructure investment.

Financial Performance

- Projected operating surpluses throughout the planning period.
- Healthy cash generation as a result of this and the maintenance of a high collection rate.
- Liquidity expected to improve and facilitate the implementation of the capital programme that is underpinned by a sustainable long-term debt profile.
- The MTREF Case was forecast to result in a deterioration of liquidity, primarily due to an overleveraged debt profile. This has been adjusted in arriving at the Base Case.

Key Adjustments in the Base Case

- Downward adjustment of borrowings beyond the MTREF period to ensure that the long-term debt profile remains sustainable.
- Prudent assessment of expenditure trends to ensure realistic and achievable budgeting.

Key Assumptions

- **Collection rate** maintained at 98% throughout the planning period.
- **Tariff increases** incorporated as per the Budget Document.
- **Creditors' payment period** reduced from 77 days to 30 days over 10 years to manage rising creditor balances.
- **Repairs and maintenance** expenditure maintained at 8.0% of PPE & IP.
- **Electricity and water distribution losses** maintained at the following respective levels:
    - Electricity: 9.64%
    - Water: 18.00%.
- **Capital Investment Programme**
  Adjustments made to align with affordability and sustainability:
    - FY2028/29: R135 million
    - Growth beyond MTREF: Assumed 6% per annum.
- **Borrowing Programme**
  Adjustments made to align with affordability and sustainability:
    - Borrowing in FY2028/29: R35 million
    - Growth beyond FY2028/29: Assumed 4% p.a.
    - Average loan tenor: Assumed 10 years
    - Interest rates: Assumed 8% above forecast CPI

Outcome of the Base Case

- More sustainable financial outlook.
- Affordable capital investment and borrowing programmes.
- Improved financial performance and liquidity position.

Further Scenario Testing

- Additional scenarios assessed the impact of varying key assumptions while keeping other variables constant.

Scenarios Analysis

Reduced Collection Rate

96% Collection Rate:

- Reduced financial performance and cash generation.
- Liquidity forecast to deteriorate to 2.7:1 by the end of the planning period.
- Cash and cash equivalents projected to fall to R273 million.

Key takeaway:

- Maintaining and improving the collection rate is crucial for financial stability.
- The municipality must aim to meet the Base Case collection rate of 98% and maintain it at this level for the foreseeable future.

Intermittent Borrowings

Borrowings undertaken in every second year of planning period:

- Liquidity ratio remains on par with Base Case at 4.1:1.
- Cash balance remains stable but is reduced from the Base Case.

Key takeaway:

- Annual borrowings provide cash flow management benefits.
- Reduced borrowings provides lower risk profile and increases reliance on own cash reserves to meet Base Case capital programme.

Conclusion

Conservative Forecast Financial Performance: The Adjustment Budget presented a conservative outlook. The Base Case has maintained the conservative outlook over the short-term, with the long-term forecast reflecting more realistic figures. Should the budget be outperformed as expected, the short-term forecast in the Base Case will be outperformed as well.

Financial Stability: Through maintaining stability in financial performance, maintaining a healthy collection rate and continuing prudent management of the municipality's capital investment and borrowing programmes, Hessequa will maintain the sustainable financial position over the long-term. This will provide a basis for further growth and development to be fostered.

Financial Sustainability and Resilience: The report serves as a roadmap for fostering financial sustainability and resilience. The municipality must apply the recommendations to strengthen its financial position while navigating economic challenges and potential financial shocks.

Investment and Growth: Sustained prudent financial management will enable greater investment in infrastructure and economic development, with the proposed investment in renewable energy an example of this.

Key Priorities: Hessequa should adopt the Base Case with a strong focus on maintaining the collection rate and carefully managing the undertaking of new debt. Achieving these goals will secure the municipality's long-term financial sustainability and resilience.

ANNEXURE 1: PROJECTED FINANCIAL STATEMENTS

Municipal Financial Model - Hessequa Local Municipality
Statement of Financial Position

Model year	0	1	2	3	4	5	6	7	8	9	10
Financial year (30 June)	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**
R thousands											
Non-current assets:	1 461 242	1 584 521	1 692 757	1 789 155	1 864 293	1 944 354	2 029 821	2 121 196	2 219 003	2 323 783	2 436 102
Property, plant and equipment	1 328 823	1 470 528	1 572 449	1 662 152	1 737 278	1 817 324	1 902 775	1 994 134	2 091 922	2 196 683	2 308 983
Intangible assets	179	174	185	196	208	223	239	256	274	293	312
Investment properties	123 789	105 082	111 387	118 070	118 070	118 070	118 070	118 070	118 070	118 070	118 070
Investments	–	–	–	–	–	–	–	–	–	–	–
Long-term receivables	–	–	–	–	–	–	–	–	–	–	–
Other non-current assets	8 452	8 736	8 736	8 736	8 736	8 736	8 736	8 736	8 736	8 736	8 736
Current assets:	520 034	485 662	443 395	456 610	453 270	455 816	462 848	479 618	496 788	520 611	543 421
Inventories	4 775	5 267	5 395	5 607	5 979	6 376	6 803	7 265	7 755	8 270	8 803
Trade and other receivables	76 302	75 050	75 050	75 050	75 050	75 050	75 050	75 050	75 050	75 050	75 050
Cash & Short term investments	438 957	405 344	362 950	375 952	372 241	374 390	380 995	397 303	413 982	437 290	459 568
TOTAL ASSETS	**1 981 276**	**2 070 182**	**2 136 153**	**2 245 765**	**2 317 563**	**2 400 169**	**2 492 669**	**2 600 814**	**2 715 791**	**2 844 394**	**2 979 523**
Municipal Funds:	1 576 333	1 647 783	1 696 278	1 736 342	1 792 119	1 855 819	1 927 875	2 009 413	2 101 213	2 204 197	2 318 732
Housing development fund & Other Cash Backed Reserves	543	–	–	–	–	–	–	–	–	–	–
Reserves (Not Cash Backed)	62 982	110 639	128 009	145 707	145 707	145 707	145 707	145 707	145 707	145 707	145 707
Accumulated surplus	1 512 808	1 537 144	1 568 268	1 590 635	1 646 413	1 710 113	1 782 168	1 863 707	1 955 507	2 058 490	2 173 026
Non-current liabilities:	259 658	297 610	309 799	370 543	386 838	405 996	431 801	454 782	480 912	502 800	527 681
Long-term liabilities (Interest Bearing)	98 254	121 656	114 908	153 392	156 347	159 588	167 796	171 750	177 740	178 751	182 462
Long-term trade payables: Eskom	–	–	–	–	–	–	–	–	–	–	–
Non-current provisions	161 403	175 954	194 890	217 151	230 491	246 407	264 005	283 032	303 172	324 049	345 219
Current liabilities:	145 286	124 789	130 076	138 880	138 605	138 355	132 993	136 619	133 666	137 398	133 111
Consumer deposits	15 600	16 908	17 843	18 840	19 788	20 613	21 421	22 252	23 100	23 971	24 881
Provisions	34 519	18 787	21 191	23 747	23 747	23 747	23 747	23 747	23 747	23 747	23 747
Trade payables	67 316	68 414	64 295	64 777	63 026	60 836	58 176	55 204	51 863	48 108	43 908
Current portion of long-term trade payables: Eskom	–	–	–	–	–	–	–	–	–	–	–
Unspent conditional grants	3 643	–	–	–	–	–	–	–	–	–	–
Bank overdraft	–	–	–	–	–	–	–	–	–	–	–
Current portion of interest bearing liabilities	24 207	20 680	26 747	31 516	32 045	33 159	29 648	35 416	34 955	41 572	40 575
TOTAL MUNICIPAL FUNDS AND LIABILTIES	**1 981 276**	**2 070 182**	**2 136 153**	**2 245 765**	**2 317 563**	**2 400 169**	**2 492 669**	**2 600 814**	**2 715 791**	**2 844 394**	**2 979 523**

Municipal Financial Model - Hessequa Local Municipality
Statement of Financial Performance

Model year	0	1	2	3	4	5	6	7	8	9	10
Financial year (30 June)	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**
R thousands											
Revenue											
Property rates	140 197	137 807	149 366	161 950	175 556	188 495	202 601	217 845	234 173	251 502	269 718
Service Charges	365 374	383 740	409 872	436 475	462 040	480 660	498 052	516 089	534 519	553 138	571 799
Service charges - electricity	236 044	255 309	272 958	290 485	306 607	316 909	325 910	335 111	344 329	353 428	362 324
Service charges - water	59 596	58 318	62 154	66 266	70 618	74 811	78 928	83 313	87 944	92 791	97 818
Service charges - waste water management	31 842	32 515	34 668	36 968	39 326	41 237	43 216	45 278	47 399	49 563	51 756
Service charges - waste management	37 892	37 598	40 092	42 756	45 488	47 703	49 997	52 387	54 847	57 356	59 901
Service charges - other	–	–	–	–	–	–	–	–	–	–	–
Rental from fixed assets	4 431	4 622	4 980	5 306	5 742	6 126	6 532	6 962	7 415	7 889	8 381
Interest	46 305	19 981	19 632	18 425	19 747	20 004	20 375	20 799	21 559	22 130	22 821
Interest earned from receivables	4 277	3 930	4 257	4 512	3 775	4 033	4 264	4 478	4 668	4 829	4 957
Dividends	–	–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits	44 899	60 606	64 242	68 096	73 701	78 627	83 833	89 360	95 175	101 250	107 570
Licences and permits	2 345	2 552	2 700	2 862	3 104	3 350	3 624	3 923	4 242	4 578	4 924
Agency services	3 213	3 716	3 932	4 168	4 511	4 812	5 131	5 469	5 825	6 197	6 584
Transfer and subsidies - Operational	68 053	75 755	74 727	77 894	84 115	90 586	97 470	104 816	112 590	120 764	129 318
Other revenue	88 734	77 322	58 649	72 400	78 359	83 596	89 131	95 008	101 190	107 649	114 369
Gains on disposal of Assets	1 258	10 000	8 000	8 500	9 611	10 958	12 558	14 421	16 551	18 937	21 552
Total revenue before Capital Grants	769 086	780 030	800 357	860 587	920 261	971 248	1 023 571	1 079 170	1 137 906	1 198 862	1 261 994
Transfers and subsidies - capital (monetary allocations)	161 688	62 341	43 224	33 440	33 950	34 584	35 318	36 080	36 767	37 287	37 560
Public & developers contributions	–	–	0	–	–	–	–	–	–	–	–
Total Revenue after Capital Grants	930 774	842 371	843 582	894 027	954 210	1 005 832	1 058 890	1 115 250	1 174 674	1 236 149	1 299 553
Operating expenditure											
Employee related costs	231 995	260 970	275 042	289 491	303 681	318 914	335 171	352 420	370 613	389 684	409 551
Remuneration of councillors	9 128	9 690	10 174	10 683	11 084	11 513	11 967	12 441	12 929	13 426	13 926
Debt impairment	40 013	60 704	64 229	68 287	73 725	78 453	83 417	88 683	94 219	99 996	105 997
Depreciation and amortisation	44 248	45 923	51 579	56 009	59 874	63 054	66 235	69 429	72 646	75 899	79 200
Interest	21 681	19 027	18 392	24 454	25 962	27 085	28 241	29 288	30 655	31 488	32 492
Bulk purchases - electricity	187 077	204 858	219 060	233 125	240 944	249 039	256 113	263 343	270 587	277 737	284 728
Inventory Consumed	41 107	38 548	40 515	42 363	45 501	49 069	53 005	57 348	62 049	67 039	72 228
Contracted services	71 920	79 857	64 219	75 977	80 884	85 037	89 385	93 956	98 729	103 690	108 829
Transfers and subsidies	2 613	2 502	2 884	2 906	3 078	3 253	3 435	3 627	3 826	4 031	4 242
Other expenditure	38 615	48 843	48 994	50 667	53 700	56 715	59 866	63 177	66 621	70 175	73 825
Losses on disposal of Assets	1 065	–	–	–	–	–	–	–	–	–	–
Total Expenditure	689 463	770 921	795 087	853 963	898 433	942 131	986 835	1 033 712	1 082 874	1 133 165	1 185 018
Suplus/ (Shortfall) for the year	**241 310**	**71 450**	**48 494**	**40 064**	**55 777**	**63 700**	**72 055**	**81 539**	**91 800**	**102 983**	**114 535**

Municipal Financial Model - Hessequa Local Municipality
Cash Flow Statement

Model year	0	1	2	3	4	5	6	7	8	9	10
Financial year (30 June)	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**
R thousands											
Cash flows from Operating Activities											
Suplus/Deficit for the year *including* Capital Grants	241 310	71 450	48 494	40 064	55 777	63 700	72 055	81 539	91 800	102 983	114 535
Suplus/Deficit for the year *excluding* Capital Grants & Contributions		9 109	5 270	6 624	21 828	29 117	36 737	45 458	55 032	65 696	76 976
Capital Grants & Contributions		62 341	43 224	33 440	33 950	34 584	35 318	36 080	36 767	37 287	37 560
Adjustments for non-cash items:											
Depreciation, amortisation and impairment loss	44 248	45 923	51 579	56 009	59 874	63 054	66 235	69 429	72 646	75 899	79 200
Revaluation on investment property (gain) / loss	–	–	–	–	–	–	–	–	–	–	–
Increase / (Release from) current provisions & non-interest bearing liabilities	–	(15 732)	2 404	2 556	–	–	–	–	–	–	–
Increase / (Release from) other non-current provisions & non-interest bearing liabilities	–	14 551	18 936	22 261	13 340	15 916	17 598	19 026	20 141	20 877	21 170
(Increase) / Release from non-current interest bearing assets	–	–	–	–	–	–	–	–	–	–	–
Capitalised interest	–	–	–	–	–	–	–	–	–	–	–
Eskom Debt Relief (synthetic grant)	–	–	–	–	–	–	–	–	–	–	–
Operating surplus before working capital changes:	285 558	116 192	121 413	120 890	128 991	142 670	155 888	169 993	184 587	199 759	214 906
Change in W/C Investment	–	(1 785)	(4 247)	270	(2 123)	(2 587)	(3 087)	(3 433)	(3 832)	(4 270)	(4 733)
(Increase)/decrease in inventories	–	(492)	(128)	(212)	(372)	(397)	(427)	(461)	(491)	(515)	(533)
(Increase)/decrease accounts receivable	–	1 252	–	–	–	–	0	–	(0)	–	(0)
Increase/(decrease) in trade payables	–	1 098	(4 120)	482	(1 751)	(2 190)	(2 660)	(2 972)	(3 342)	(3 755)	(4 200)
Increase/(decrease) in unspent grants	–	(3 643)	–	–	–	–	–	–	–	–	–
Net cash flow from Operating activities	285 558	114 407	117 165	121 160	126 869	140 083	152 801	166 560	180 754	195 489	210 173
Cash flows from Investing Activities											
Capital expenditure	–	(187 623)	(153 510)	(145 723)	(135 012)	(143 114)	(151 702)	(160 804)	(170 453)	(180 679)	(191 519)
Decrease/(Increase) in non-current receivables	–	(284)	(0)	0	–	–	–	–	–	–	–
(Additions) / Disposals of investment property	–	18 707	(6 305)	(6 683)	–	–	–	–	–	–	–
Net cash flow from Investing activities	–	(169 201)	(159 815)	(152 406)	(135 012)	(143 114)	(151 702)	(160 804)	(170 453)	(180 679)	(191 519)
Cash flows from Financing Activities											
New loans raised	–	50 000	20 000	70 000	35 000	36 400	37 856	39 370	40 945	42 583	44 286
Loans repaid	–	(30 126)	(20 680)	(26 747)	(31 516)	(32 045)	(33 159)	(29 648)	(35 416)	(34 955)	(41 572)
(Decrease) / Increase in consumer deposits	–	1 308	935	996	948	825	809	831	848	871	909
Net cash flow from Financing activities	–	21 182	256	44 249	4 432	5 180	5 506	10 553	6 377	8 498	3 624
Change in Cash	285 558	(33 613)	(42 394)	13 002	(3 712)	2 149	6 605	16 309	16 679	23 308	22 278
Cash/(Overdraft), Beginning		438 957	405 344	362 950	375 952	372 241	374 390	380 995	397 303	413 982	437 290
Cash/(Overdraft), Ending	**438 957**	**405 344**	**362 950**	**375 952**	**372 241**	**374 390**	**380 995**	**397 303**	**413 982**	**437 290**	**459 568**

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