

Section 78 Municipal Systems Act Feasibility Study: Swellendam Caravan Park

PHASE 1

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Feasibility Study: Swellendam Caravan Park – Phase 1

Feasibility assessment of service delivery mechanisms for the management and operation of the Swellendam Caravan Park (Section 78, Local Government: Municipal Systems Act, 32 of 2000)

1. Executive summary

This section 78 feasibility study assesses alternative service delivery mechanisms for the management, operation and possible refurbishment/upgrading of the Swellendam Caravan Park. In line with the Local Government: Municipal Systems Act, 32 of 2000 (the "Systems Act"), the Municipality must assess the most appropriate mechanism to ensure that the service is *accessible, affordable, sustainable and of acceptable quality*, while promoting efficient, economical and effective use of resources. As the feasibility study will include the selling of the Caravan Park, a competitive bid process will have to be followed to provide the information for a comprehensive feasibility study in phase 2.

2. Purpose, scope and methodology

Purpose. The purpose of this report is to comply with section 78 of the Systems Act by investigating whether the management and operation of the Swellendam Caravan Park should be provided through an internal mechanism (by the Municipality) or to sell the property. This report will constitute phase 1 of the feasibility study, allowing the Municipality to collect information for a full feasibility study.

3. Legislative and policy framework

The Municipality's obligation to ensure sustainable municipal services arises from the Constitution of the Republic of South Africa, 1996 (sections 152 and 153) and is operationalised through the Systems Act. Section 78 of the Systems Act requires a municipality, when reviewing or deciding on a service delivery mechanism, to assess:

- the municipality's capacity and potential capacity to provide the service (including human resources, expertise, and organisational arrangements);

- the direct and indirect costs and benefits associated with each option;
- the likely impact on service users, the local community and municipal staff;
- the municipality's development priorities and objectives (including local economic development and tourism goals);
- risks, including financial, operational, legal, environmental and reputational risks; and
- any other matters prescribed (including the need for public participation and transparent decision-making).

Other relevant legislation and guidance that may apply (to be confirmed for this project) includes: the Municipal Finance Management Act, 56 of 2003 (MFMA) (including section 120 where a PPP is contemplated), the Municipal Asset Transfer Regulations (where disposal/long-term lease is considered), the Preferential Procurement Policy Framework Act (PPPFA) and procurement regulations, the National Environmental Management Act (NEMA) (and any site-specific authorisations), occupational health and safety requirements, and applicable by-laws, zoning and land-use approvals.

4. Description of the Swellendam Caravan Park service

4.1 Asset and service overview

The Swellendam Caravan Park goes back as far as 1960. There are currently 20 chalets which host a maximum of 4 persons per unit. The Caravan Park has 100 camping sites for caravans & tent and 2 ablution facilities. The site can be seen on Addendum A.

The Caravan Park is in the middle of residential developments and noise, and traffic is always a challenge.

The park consists of 20 chalets of which 10 is upgraded and rented out at a higher tariff. 9 is not upgraded and 1 is out of current circulation due to needed repairs.

The park also has 2 blocks of ablution facilities for caravaners and campers and 40 electrified standing/camping spots. Standing spots have common braai facilities in various stages of disrepair. No other entertainment facilities are available.

The following tariff systems is currently in place.

Tent/Caravan stands	R350.00 with VAT (4 Persons per night)
Long term	R4 830.00 per month
Electricity	R80.00 per day

Chalets (upgraded) R960.00 per night (4 persons)

Chalets (non-upgraded) R790.00 per night (4 persons)

Various discounts exist for groups and the elderly.

Income 2023/2024

R 1 978 137.00

Income 2022/2023

R850 000.00

Expenditure 2023/2024

R1 465 298.00

Expenditure 2022/2023

R1 437 947.00

Income 2024/25

R1 181 226.47

Expenditure 2024/25

R12 77 575.45

This expenditure excludes the role parks play in terms of care of the grounds.

Observations

Site

The site is surrounded by residential development which make it ideal for further residential development. The facility does not get the necessary financial input to keep up the facility to what it is supposed to be, neither are the facility managed to its full potential.

Further development and extensions to the Caravan Park inter-alia play parks, more chalets, swimming pool might create further complaints by the residential neighbours.

4.2 Current service delivery arrangement and performance

The caravan park is currently managed by the Municipality. The caravan park is situated on erf 5144 Swellendam and comprises 2.36 hectare. In total there is 20 chalets with four4 single beds each, totalling 80 beds. One of the chalets however is not operable as it has a sunken floor. Nine of the chalets have been upgraded. Each chalet has a braai area.

There are two ablution facilities. The smaller ablution facility has two toilets, two hand was basins and two showers for men. For Woman it has two toilets, one bath, one shower and two wash basins. The bigger ablution facility has three toilets, three hand wash basins and two showers for men, three toilets, three hand was basins and two showers for women.

The total camping site area has 100 sites of which 65 are serviced with power supply points. The camping area only has 34 braai areas of which 15 is in disrepair.

There is an office and reception area at the Caravan Park. The vehicle garage is used to store damaged assets and Thusong equipment. The entrance roof must be rethatched.

There is a home for the Caravan Supervisor at the Caravan Park. This home requires interior and exterior painting, whilst the roof is leaking. The wooden floors in the home needs to be replaced.

The caravan park bookings vary during the year depending on activities happening within the municipal area. In the 2024/25 financial year May and June has been the busiest seasons, with September, October and November showing the lowest bookings.

The income derived for 1 July 2024 to 30 June 2025 was R917 226.47.

It should be noted that with the Overberg Windfarm project there is an increase in demand for occupation.

The Swellendam Caravan Park has one Supervisor: Resorts, one snr Clerk/Cashier and three general assistants. The organogram is attached as Addendum B. The maintenance teams are excluded as they perform ad hoc functions with no time assignment. The same goes for the Parks maintenance team responsible for the cutting of the grass in the Caravan Park.

The financial income and expenditure are attached as Addendum C.

4.3 Service objectives and desired outcomes

In order to ensure financial sustainability and to prevent a financial burden on the Municipality, the Municipality need to determine if the Caravan Park is financially viable as it is managed by the Municipality at present; what will be needed to upgrade the Caravan park in Swellendam; if privatisation can be considered or if it would financially beneficial to sell the land as is to a developer.

If the Municipality or a private entity manages the caravan park it must ensure the following:

- Provide a safe, well-maintained and customer-oriented caravan park offering.
- Support local tourism and economic development objectives, including increased visitor nights and local spend.
- Ensure affordability and accessibility, while moving toward financial sustainability over the medium term.
- Protect and maintain municipal assets through appropriate lifecycle management and capital planning.

- Ensure regulatory compliance (health, safety, environmental, land use and municipal by-laws).
- Ensure the biggest financial benefit for the community, weighed against the social need of the community to have access to camping sites and chalets.

Should the Municipality sell the land for private development, there will no longer be a municipal caravan park. Camping options are, however, available in the nearby area, such as at Buffeljags and Kambati.

5. Service delivery mechanism options (Section 76/78)

In terms of section 76 of the Systems Act, a municipality may provide a municipal service through (a) an **internal mechanism** (departmental delivery, internal business unit or other internal arrangement) or (b) an **external mechanism** (another organ of state, a community-based organisation, a service provider, or any legally competent person/entity). For the Swellendam Caravan Park, the following options are considered for comparative feasibility:

5.1 Option A: Internal mechanism (status quo / improved municipal management)

Under this option, the Municipality retains full operational responsibility, staffing and risk for the caravan park, with improvements implemented through strengthened SOPs, targeted maintenance plans, booking/payment tools, marketing, and tighter performance management. Capital upgrades (if required) would be funded through municipal budgets and/or grants where applicable.

As per the background significant maintenance and upgrades are needed in the Swellendam Caravan Park to enable the Municipality to offer a competitive facility that provides in the needs of campers and holiday goers.

Should the caravan park be sold to a private entity to manage as a caravan park, they will be responsible for the whole operation. The sale will have to be done via a competitive bid process, with the average of two official valuations as the reserve price.

It should be noted that the Municipality will then be entitled to the utilities income (which are currently an expenditure) and a rates income. There are no environmental or occupational risk to this option for the Municipality. The Human Resource component will have to be offered alternative employment within the Municipal organogram.

If the Municipality offer the area to a private developer for high income development or holiday homes, the property will have to be alienated via a

competitive bid process at the average of two official valuations. The Municipality will derive the income of the sale of property and again get the income from utilities and property tax. There are no financial or environmental, health risk to the Municipality in terms of this option. The Municipality will have to set development timelines for this option.

In both the privatisation option and the outright sale of the property, the view of organised labour will have to be solicited via the Local Labour Forum.

6. Feasibility assessment

The Municipality can only undertake a full financial feasibility assessment once competitive bid processes for the privatisation of the facilities as a going concern or a straight selling of the property for future high-income development has been followed.

This feasibility assessment will thus have to be a phased process where the privatisation option and the outright sale of the land for high income development, will have to be tested via a competitive bid process, and then be shared with the community to determine ultimate feasibility of retaining operations as is or choosing one of the external alienation options.

6.2 Institutional and human resource feasibility

Swellendam Caravan Park is managed by the Manager: Parks that has additional functions; the Resorts Supervisor; the cashier and three general workers. The organogram is attached as Annexure B.

Building maintenance is undertaken by the Maintenance Team of the Municipality as part of their general operations, whilst the Parks team responsible for cutting of grass undertakes the grass cutting function of the Swellendam Caravan Park.

Should the Municipality wish to privatise the Swellendam Caravan Park the input of organised labour must be secured.

6.3 Financial feasibility and affordability

Swellendam Municipality's income and expenditure for the Swellendam caravan park is attached as Addendum C. A full financial feasibility study can only be undertaken once information on privatisation options is available (in other words after a competitive bid process).

6.4 Legal, regulatory and procurement feasibility

Within the feasibility study all legal and regulatory procurement and alienation processes must be followed, together with land use and environmental planning legislation.

6.5 Risk assessment and mitigation

The following key risks will be considered once the information on possible privatisation options is available. The risks will include the following:

Table : Key risks and mitigation (high level)

Risk	Potential impact	Primary mitigation	Party best placed to manage
Demand/occupancy volatility	Revenue shortfall; inability to fund maintenance	Realistic demand modelling; marketing plan; diversified offerings; flexible staffing	Operator (if external) / Municipality (if internal)
Asset deterioration and capex backlog	Service quality decline; safety and compliance failures	Condition assessment; funded maintenance plan; clear lifecycle obligations and monitoring	Municipality and/or operator depending on contract
Contract performance failure	Service disruption; reputational damage	Robust KPIs; penalties/incentives; step-in rights; regular reporting and audits	Municipality (oversight) and operator (delivery)
Regulatory non-compliance	Fines; closure; liability	Compliance plan; inspections; OHS and environmental management system	Operator (day-to-day) with municipal monitoring
Affordability and equity concerns	Tariffs exclude users; public opposition	Tariff policy; transparent tariff-setting; targeted concessions (if applicable)	Municipality

7. Consultation, public participation and decision-making process

Section 78 requires that the Municipality follow a transparent process, including appropriate stakeholder engagement, before deciding on an internal or

external mechanism. As a minimum, the process for the Swellendam Caravan Park should include:

1. Internal assessment and compilation of baseline performance, asset condition and financial information.
2. Identification of feasible mechanisms and a preferred option supported by this feasibility study.
3. Consultation with affected municipal staff and organised labour (where applicable).
4. Public participation appropriate to the scale of the decision (e.g., notice of intention, availability of the report for comment, public meeting(s), and written submissions).
5. Consideration of submissions, refinement of the preferred mechanism, and Council decision.
6. If an external mechanism is approved: procurement planning, bid process, contract finalisation, and mobilisation/transition management.

Conclusion

The report is to initialise the first phase of the feasibility study for Swellendam Municipality in terms of the Caravan Park in Swellendam, situated on erf 5144. The feasibility study is to determine the following three options:

- (i) Continued service delivery by the Municipality through current structures.
- (ii) Outright sale of property to continue as a Caravan Park and tourist facility; or
- (iii) Outright sale of property to develop as a high-income development.

In order to continue with phase two of the feasibility study, the Municipal Manager will be tasked to test the market for options (ii) and (iii) through a competitive bid process. It should be noted that though the caravan park is managed by the Municipality, it is not seen as an essential core function of the Municipality.