

ADOPTION OF MFMA CIRCULAR 131 - FUNDS TRANSFERRED BY MUNICIPALITIES TO ORGANISATIONS AND BODIES OUTSIDE THE GOVERNMENT DIRECTOR ECONOMIC, SOCIAL & INTEGRATED DEVELOPMENT SERVICES

1. Purpose

The purpose of this report is to request the Langeberg Council to adopt the MFMA Circular 131, issued by the National Treasury on 31 March 2025. This Circular provides guidelines on the transfer of funds by municipalities to organisations and bodies outside the government, specifically non-governmental organisations (NGOs) and non-profit organisations (NPOs).

2. Background

Section 67 of the Municipal Finance Management Act (MFMA) No. 56 of 2003 outlines the process municipalities must follow before transferring funds to NGOs and NPOs. The MFMA Circular 131 aims to ensure that these transfers are conducted transparently, accountably, and in compliance with legal and financial standards.

The Circular emphasizes that municipalities must not use Section 67 as a mechanism to bypass official procurement processes. Instead, it provides a framework for municipalities to support projects and programmes of NGOs and NPOs that align with municipal priorities and service delivery mandates.

3. Key Provisions of MFMA Circular 131

- **Eligibility and Application Process:** The Circular outlines the eligibility criteria for potential recipients and the application process for transfer funding.
- **Reporting and Accountability:** Recipients of transfer funding must adhere to strict reporting requirements to ensure funds are used appropriately.
- **Budgeting Requirements:** Municipalities must include details of proposed allocations to NGOs in their annual budgets, subject to public participation and council approval.
- **Exemptions for NGOs Serving the Poor/Indigent:** Specific exemptions are provided for NGOs serving the poor, subject to certain conditions and certifications by the accounting officer.

Attachments:

- MFMA Circular 131 - Funds Transferred by Municipalities to Organisations and Bodies Outside the Government (31 March 2025)

.4. Comments:

The adoption of this Circular will ensure that the municipality's financial resources are used effectively, efficiently, and in alignment with legal requirements.

Director: Community Services

Conclusion on the circular makes the following statement – Contemplated council item should explain the circular & impact on municipal operations and policies – I therefore recommend a workshop be held with all councillors to explain the content.

Due to steps provided in figure 1: A typical steps in section 76 transfer cycle process .Municipalities should start the process in July ending June of the financial year ,therefore no allocation can be made for 2025/26 financial year project applied for by NGOs.

Payments to NGOs providing local tourism promotion/facilities for the care and burial of animal service **for which the municipality are responsible for** has to follow procurement process , therefore no allocation until procurement process completed as required for 2025/26 financial year,

Director: Finance

In support of the report and also recommend a session with all the Councillors to explain the content of MFMA Circular 131.

Director: Corporate Services

The recommendation in the report is supported.

Director: Engineering

Support the adoption of the circular as well as a session to explain the circular to all Councillors.

Municipal Manager

The recommendation to Council is supported and the need for an information session / workshop for Councillors is supported

5. Recommendation

1. It is recommended that the Langeberg Council adopt the MFMA Circular 131 to enhance the governance and accountability of fund transfers to NGOs and NPOs.
2. The Council note the detailed explanation of the Circular and its impact on the municipality's operations and policies.
3. The Circular shall be communicated to all relevant officials within the municipality, including the disciplinary board and the audit committee.

This item served before the Executive Mayoral Committee on 23 April 2025

Hierdie item het voor die Uitvoerende Burgemeesterskomitee gedien op 23 April 2025

Aanbeveling / Recommendation

1. That the Langeberg Council adopt the MFMA Circular 131 to enhance the governance and accountability of fund transfers to NGOs and NPOs.
2. That Council note the detailed explanation of the Circular and its impact on the municipality's operations and policies.
3. That the Circular be communicated to all relevant officials within the municipality, including the disciplinary board and the audit committee.

This item served before an Ordinary Meeting of Council on 29 April 2025

Hierdie item het gedien voor 'n Gewone Vergadering van die Raad op 29 April 2025

Eenparig Besluit / Unanimously Resolved

1. That the MFMA Circular 131 be adopted to enhance the governance and accountability of fund transfers to NGOs and NPOs.
2. That the detailed explanation of the Circular and its impact on the municipality's operations and policies be noted and that a workshop be held with the councillors to explain the circular.
3. That the Circular be communicated to all relevant officials within the municipality, including the disciplinary board and the audit committee.