

# COMMISSION ON REVENUE ALLOCATION



## **From Local Authorities to Counties: *The Financial Transition***

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**Commission on Revenue Allocation**

**Presentation to ICPAK Seminar on Counties and  
Local Authorities**

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## Introduction

- Transition to devolved government structure with 47 County Governments will create a new LA structure
- The current 175 local authorities will be rolled into cities, municipalities and towns within the 47 County governments
- Revenues should depend on the services that units deliver

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# **Outline of Presentation**

- **Status of LA**
- **Revenues and Accounting Aspects**
- **New Governance Structure**
- **Transition Roadmap**
- **Challenges**

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### Status of Local Authorities

Type of LA	No
City Councils	003
Municipal Councils	043
County Councils	067
Town Councils	062
<b>Total</b>	<b>175</b>

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# Powers & Responsibilities of LA

- Delivery of services
- Revenue generation to finance expenditures - this enhances:
  - Local autonomy
  - Responsibility and accountability
  - Stability and predictability of revenues
- Borrowing
- Owning assets
- Receive transfers from Central Government

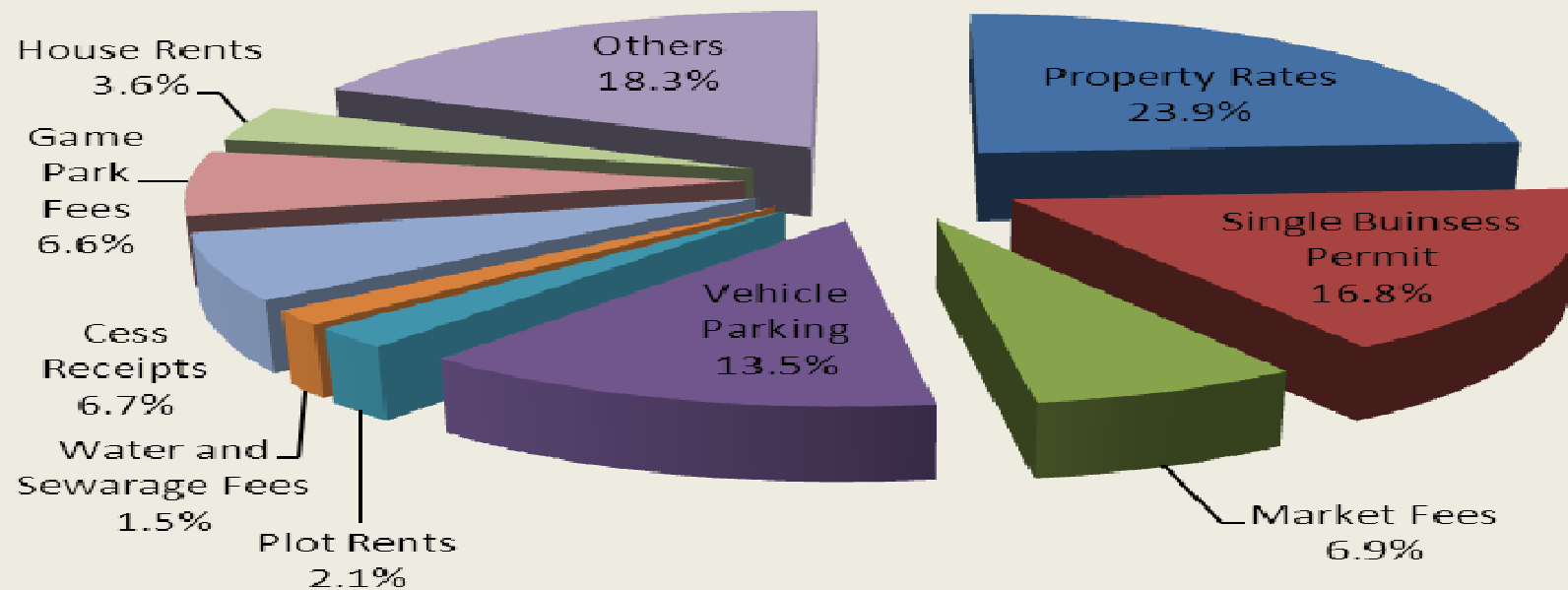
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### Legal Framework

- LG Act, Cap 265,
- Rating Act Cap 267,
- LATF Act, No. 8 of 1998
  
- Constitution of Kenya 2010; Article 209, etc.
- Cities and Urban Areas Act, 2011
- PFM Bill 2012

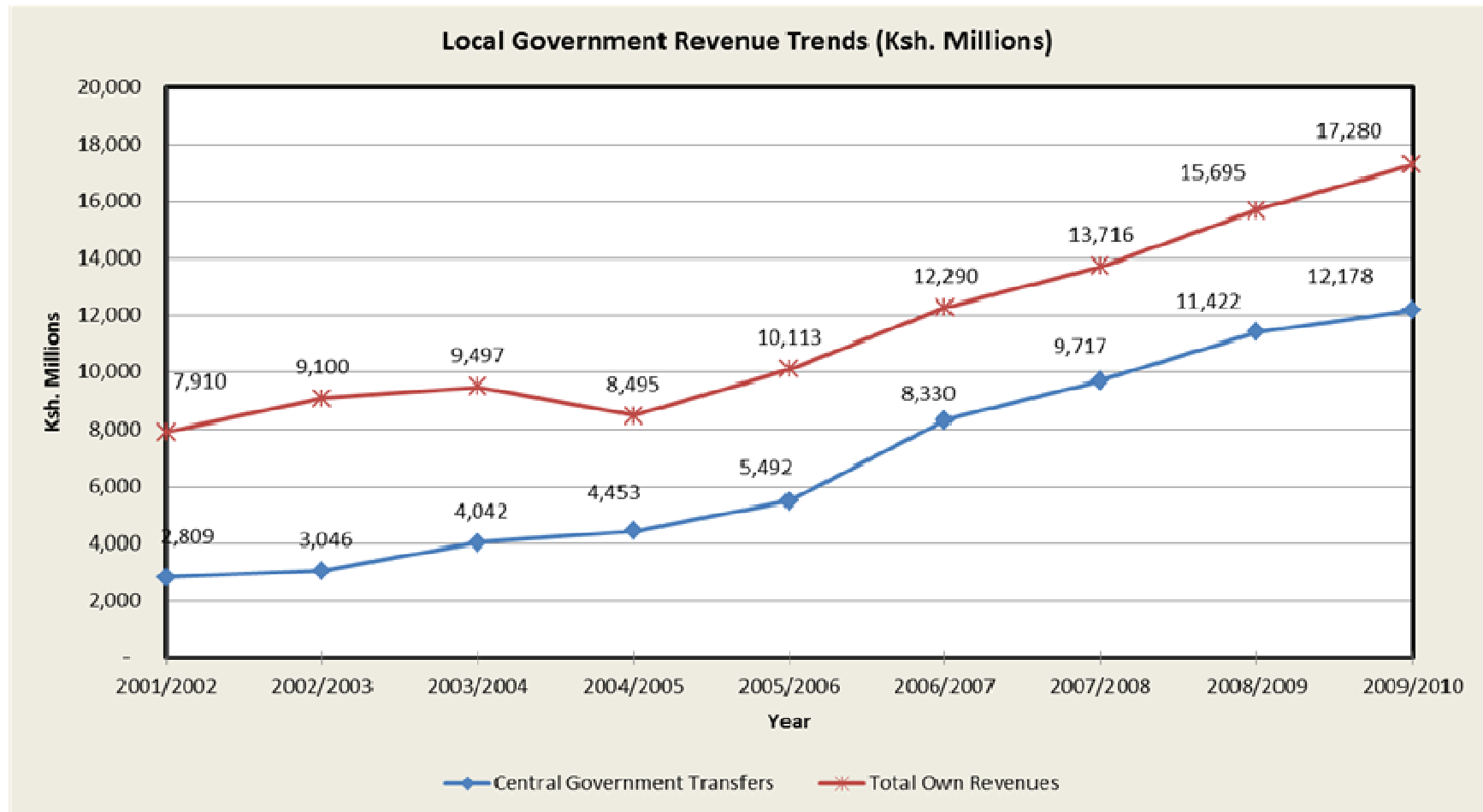
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## Own Revenue Generation by LA 2009/2010 (Based on LATF annual report)



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## Total LATF, RML & LA own revenue trends





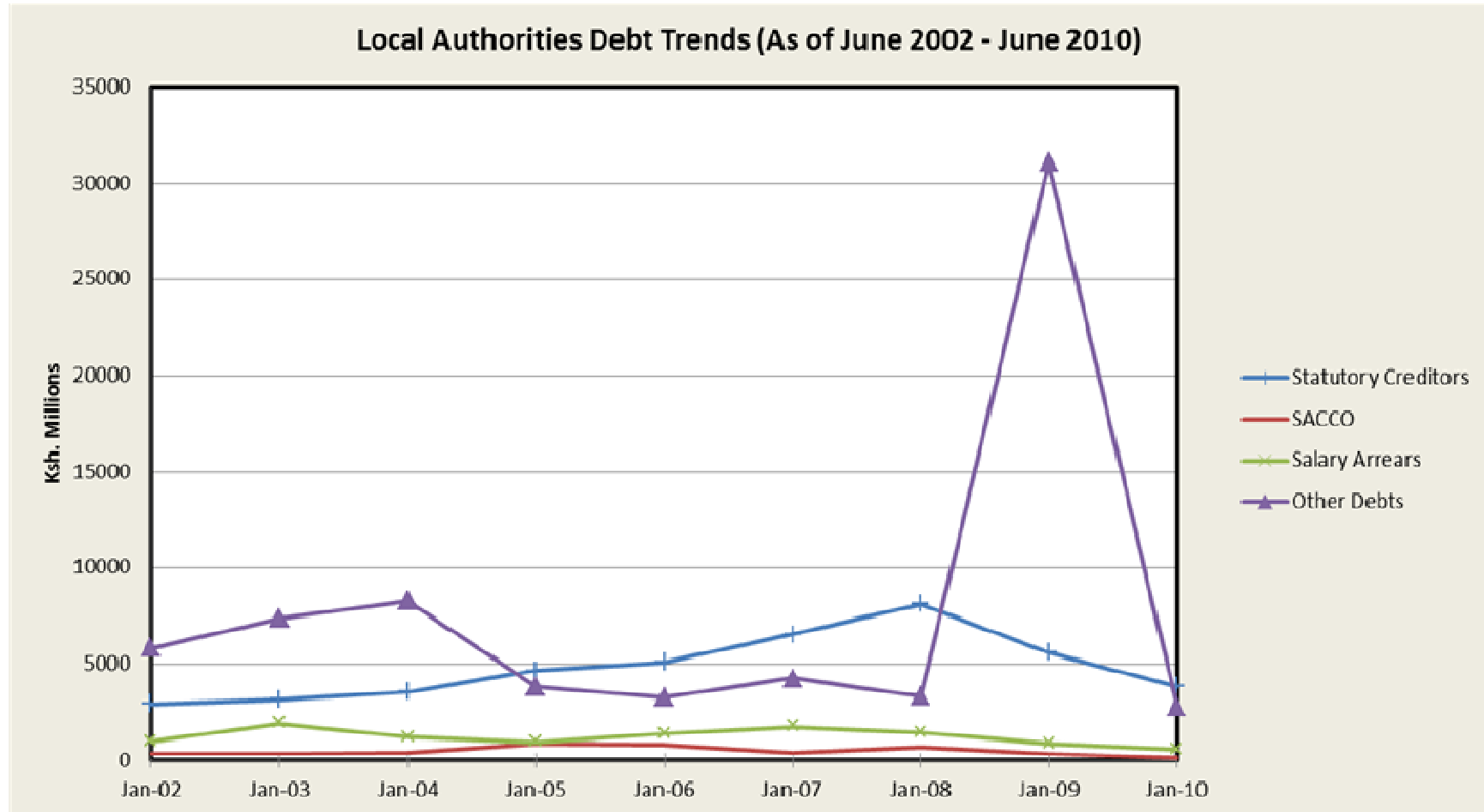
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### LATF

- Established under the LATF Act, No. 8 of 1998
- Equivalent of 5% of total national income tax revenues
- Based on systematic devolution of services
- Managed by the LATF advisory Committee

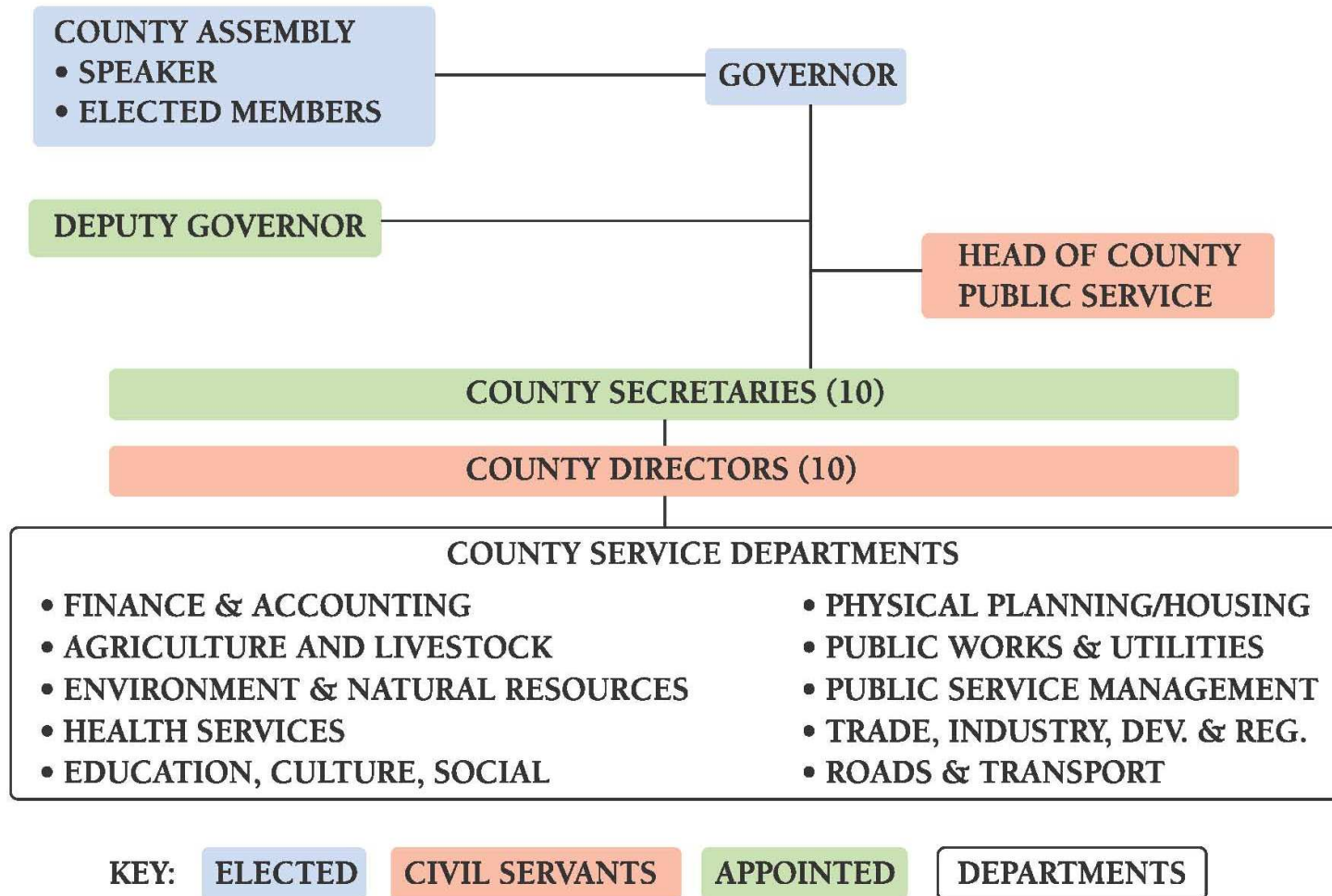
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## LA Debt Trends



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### PROPOSED STRUCTURE OF COUNTY GOVERNMENTS



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### The new structure

- There will be **classification and establishment** of cities, municipalities and towns (Urban Areas and Cities Act, 2011)
- **Cities Status** (at least 500k people, **capacity to generate revenue**, effective and efficient delivery of services, infrastructural facilities, etc.)
- **Municipal Status** (at least 200k people, **capacity to generate revenue**, effective and efficient delivery of services, infrastructural facilities, etc.)
- **Town Status** (at least 10k people, effective and efficient delivery of services, capacity for expansion, etc.)

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### Structure Comparison

Current structure	New structure
City Councils	City
Municipal Councils	Municipal
County Councils	Town
Town Councils	-
Town Clerk	Manger

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### Designation and Duties

- Designation by County Government
- Functional Accountability to County Government
- Efficient and effective delivery of services
- Run by an appointed Board of up to 11 members
- As delegated by County Government- collect rates, taxes, levies, duties, fees, etc.
- Facilitate and regulate public transport

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### Funds

- Monies allocated by a county assembly
- Monies that may accrue in the course of exercise of its powers- taxes, levies, etc.
- Grants and donations
- Investment income
- Borrowing

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### Challenges

- Article 209 (3) vests powers to impose tax on County Government, but these can be delegated to LAs- Will LAs retain all taxes they collect?
- Development of structures for election of County Management Board- Who will be responsible for the elections?
- How will locally generated revenues be shared between the County Government and LAs?



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### Challenges Cont'd

- Timeline & framework for assessment and classification of existing cities, municipalities and towns
- Transition of LA staff to County Gvt- what will their fate be?
- Need for a legal framework/policy on County Government revenue generation
- Safeguard of **assets** in the transition period

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### Concluding Comments

- There is need for a legal framework for revenue generation by county governments
- Revenue and expenditure relationship between Las and County Governments must be defined.
- Need for timely roll out of IFMIS
- As much as possible, the Transition to Devolved Government Authority should safeguard assets in the transition period.

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# **THANK YOU**