



**THE REPUBLIC OF KENYA**

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## **THE LOCAL AUTHORITIES TRANSFER FUND ACT**

CHAPTER 272A

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**CHAPTER 272A**

**LOCAL AUTHORITIES TRANSFER FUND ACT**

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## CHAPTER 272A

### LOCAL AUTHORITIES TRANSFER FUND ACT

*[Date of assent: 31st December, 1998.]*

*[Date of commencement: 10th June, 1999.]*

**An Act of Parliament to provide for the establishment of a Local Authorities Transfer Fund, to provide for the sources, purposes and the administration of the Fund and for matters incidental thereto**

*[Act No. 8 of 1998, Act No. 4 of 1999, Act No. 9 of 2000.]*

#### 1. Short title

This Act may be cited as the Local Authorities Transfer Fund Act.

#### 2. Interpretation

In this Act, unless the context otherwise requires—

"Advisory Committee" means the Advisory Committee appointed under section 8;

"financial year" means the period of twelve months ending on the 30th June in each year;

"Fund" means the Local Authorities Transfer Fund established under section 3;

"local authority" has the meaning assigned to it in section 2 of the Local Government Act (Repealed);

"Cabinet Secretary" means the Cabinet Secretary for the time being responsible for matters relating to Finance;

"officer administering the Fund" means the accounting officer of the Ministry for the time being responsible for matters relating to local authorities or an officer deputed in writing for that purpose pursuant to the provisions of section 3.

#### 3. Establishment of Fund

There is established a Fund to be known as the Local Authorities Transfer Fund which shall be administered by the accounting officer of the Ministry for the time being responsible for matters relating to local authorities, or an officer of the rank of Deputy Secretary or above deputed by the Permanent Secretary to the Treasury in writing.

#### 4. Object and purpose of the Fund

The object and purpose of the Fund shall be to facilitate the disbursement of the funds specified under section 5 to local authorities to supplement the financing of the services and facilities they are required to provide under the Local Government Act (Repealed).

#### 5. Sources of the Fund

(1) The initial capital of the Fund shall be two percent of all tax collected under the Income Tax Act (Cap. 470) during the 1999/2000 financial year.

(2) There shall be paid into the Fund in subsequent financial years, five percent of all tax collected under the Income Tax Act (Cap. 470) in the year or such other

proportion of the said tax as the Cabinet Secretary may, with the approval of the National Assembly, from time to time, specify.

(3) The treasury shall open a special account for the Fund into which all Funds payable into the fund pursuant to this section shall be credited.

[Act No. 4 of 1999, s. 106.]

## **6. Payments out of the Fund**

(1) There shall be paid out of the Fund to local authorities, such amounts and in such manner as the Cabinet Secretary, on the advice of the Committee, may specify.

(2) The cost of administering the Fund shall not be charged to the Fund but shall form a charge against the respective vote of the Ministry for the time being responsible for matters relating to local authorities.

(3) Notwithstanding subsection (2), one half per centum (0.5%) of the contributions received by the Fund may be used for the following operational expenditure—

- (a) dissemination of relevant information to local authorities;
- (b) monitoring of compliance by local authorities with Fund disbursement conditions; and
- (c) reporting by the Administrator on Fund activities.

[Act No. 9 of 2000, s. 126.]

## **7. Surplus funds**

(1) All receipts, savings and accruals of the Fund and the balance of the Fund at the close of each financial year shall not be paid into the Consolidated Fund but shall be retained for the purpose for which the Fund is established and any deficiency realised in any year shall, subject to the approval of the Treasury, be offset against the realised surplus.

(2) Any balance in the fund shall be held in Treasury securities except that portion of the balance the officer administering the funds considers necessary for meeting the disbursement requirements of the Fund, which shall be held on deposit in such banks as the Treasury shall, from time to time, approve.

[Act No. 4 of 1999, s. 107.]

## **8. Advisory Committee**

There shall be an Advisory Committee to advise the Cabinet Secretary generally on the operations of the Fund which shall consist of—

- (a) a chairman, not being a public officer, appointed by the Cabinet Secretary;
- (b) the officer administering the Fund;
- (c) the Director of Fiscal and Monetary Affairs in the Ministry of Finance or his representative;
- (d) the Director of Budgetary Supplies in the Ministry of Finance, or his representative;
- (e) the Accountant-General of the Ministry of Finance or his representative;
- (f) three persons appointed by the Permanent Secretary in the Ministry for the time being responsible for local authorities;

- (g) three persons, not being public officers, appointed by the Cabinet Secretary, in consultation with the Cabinet Secretary for the time being responsible for local authorities, by virtue of their knowledge or experience in matters relating to the development, financial or legal affairs of local authorities.

## **9. Powers and functions of the officer administering the Fund**

The officer administering the Fund shall—

- (a) supervise and control the administration of the Fund;
- (b) cause to be kept all proper books of accounts and other records relating to the Fund and to the various facilities and services financed from the Fund; and
- (c) prepare, sign and transmit to the Controller and Auditor-General, in respect of each financial year and within four months after the end thereof, a statement of accounts relating to the Fund specifying the income to the Fund and showing the expenditure incurred out of the Fund, in such detail and with such additional information as he may deem proper and sufficient for the purpose of examination and audit by the Controller and Auditor-General in accordance with section 18 (2) of the Exchequer and Audit Act (Cap. 412) and every statement of account shall include details of the balance between the assets and the liabilities of the Fund and reflect the true and fair financial status of the Fund as at the end of the financial year concerned.

## **10. Regulations**

The Cabinet Secretary may, in consultation with the Cabinet Secretary for the time being responsible for matters relating to local authorities, make regulations generally for the better carrying out of the provisions of this Act and in particular but without prejudice to the generality of the foregoing, such regulations may provide for—

- (a) the criteria for the disbursement of monies from the Fund to the various local authorities;
  - (b) the procedure for appointment of the members of the Advisory Committee to be appointed under paragraphs (f) and (g) of section 8;
  - (c) the meetings and procedure of the Advisory Committee.
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