

THE NYANDARUA COUNTY URBAN AREAS FINANCING BILL, 2025.

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NYANDARUA COUNTY URBAN AREAS FINANCING BILL, 2025

A Bill for-

AN ACT of the County Assembly to provide for the financing of cities and urban areas by the county; to give effect to sections 172 and 173 of the Public Finance Management Act (Cap 412A) and section 43 of the Urban Areas and Cities Act (Cap 449); to provide for the delegation of functions and revenue raising powers, retention and use of retained revenues and for connected purposes.

Enacted by the County Assembly of Nyandarua County as follows -

PART I - PRELIMINARY

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| <i>Short title.</i> | 1. This Act may be cited as the <i>Nyandarua County Urban Areas Financing Act, 2025</i> . |
| <i>Interpretation.</i> | 2. In this Act, unless the context otherwise requires- |
| <i>Cap 412A</i> | “Accounting Officer” means the City or Municipal Manager designated as an accounting officer under section 148 of the Public Finance Management Act, 2012; |
| | “Appropriations-in-Aid” has the meaning assigned to it under the Public Finance Management Act, 2012; |
| <i>Cap 449</i> | “Board” means the governing body of a city or municipality established under the Urban Areas and Cities Act, 2011; |
| <i>Cap 449</i> | “Charter” means a charter granted under the Urban Areas and Cities Act, 2011 for the establishment of a city or urban area; |
| <i>Cap 449</i> | “City and urban area” mean a city, municipality, town or market established under the Urban Areas and Cities Act, 2011. |
| | “Committee” means the Transition Implementation Committee established under section 6; |
| | “County” means the Nyandarua County; |
| | “County Government” means the County Government of Nyandarua; |
| | “Manager” means the City or Municipal Manager appointed under the Urban Areas and Cities Act, 2011; |
| | “Market Administrator” means an officer designated by the County Executive Committee Member responsible for urban development to administer a market established under this Act; |

“Town Administrator” means an officer appointed under section 14 of the County Governments Act, 2012 to administer a town established under the Urban Areas and Cities Act, 2011.

“Urban Area” means a city, municipality, town or a market centre established under the Urban Areas and Cities Act, 2011.

3. The objects of this Act are to—

Objects of the Act

- a) provide for financing of urban areas in the county;
- b) provide a framework for delegation and transfer of functions, the attendant resources, assets and revenue raising powers to urban areas;
- c) provide for retention and use of revenues raised by urban areas as Appropriation in Aid;
- d) establish objective criteria for county government allocations to urban areas;
- e) strengthen accountability and transparency in the financial management of urban areas; and
- f) promote efficiency, citizen participation and equitable service delivery.

4. This Act applies to all municipalities, towns and markets established within the county.

Application of the Act

PART II - REORGANIZATION AND COORDINATION

<i>Reorganization of county government</i>	5. (1) Upon the establishment of an urban area by charter, the Governor shall cause the county government to reorganise its functions and administration to harmonise them with those of the urban area. (2) The reorganization under subsection (1) shall— a) be completed before the commencement of the next financial year following the establishment of an urban area; b) include the cessation of county departments performing functions transferred to the urban area; c) provide for the transfer or redeployment of staff, assets and liabilities; and d) provide for the realignment of budget ceilings in line with b and c above. so that funds for transferred functions are no longer included in the budgets of the departments from which the functions are transferred. (3) The re-organisation provided for in this section shall only apply to the specified urban area.
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<i>Transition Implementation Committee</i>	6. (1) The Governor shall, after the establishment of an urban area, establish a Transition Implementation Committee to oversee the transfer and realignment of functions, staff, assets, liabilities and resources. (2) The Committee shall consist of— a) the County Secretary, who shall be the chairperson; b) the County Attorney or designate; c) the Chief Officer responsible for finance; d) the Chief Officers responsible for the departments whose functions are being transferred; e) the Chief Officer responsible for urban development; and f) the Manager or Administrator of the urban area g) Director responsible for urban planning as the Secretary and <i>ex-officio</i> member; (3) The Committee may co-opt any person(s) that it may need necessary. (4) The functions of the Committee shall be to— a) facilitate the transfer of staff, assets and liabilities; b) prepare and submit a report to the County Executive Committee for adoption; and c) ensure continuity of service delivery during the transition period. (5) The County Secretary shall forward the report on the transition to the County Assembly within Thirty days after adoption. (6) The term of office of the Committee established under this section shall lapse upon the submission of the transition report to the county assembly.
<i>Coordination with county departments</i>	7. (1) For purposes of effective service delivery, the Governor shall establish inter-departmental coordination mechanisms between cities and urban areas and county departments. (2) A Board Committee may co-opt officers from other departments or agencies for purposes of coordination. (3) The County Treasury shall set financial targets and budget ceilings for the urban areas that capture all transferred functions to avoid duplication, while service departments shall set service delivery standards to guide the urban areas. (4) The Governor and County Executive Committee Members shall convene joint meetings with the chairpersons of boards of cities and urban areas at least twice in every financial year to review coordination.

<i>Transition of functions</i>	d) regulation and management of outdoor advertising and billboards; e) regulation, maintenance and management of urban markets, social halls and abattoirs; f) development control and building plan approvals within the urban area; g) regulation and provision of recreational parks, playgrounds and cultural facilities within urban areas; and h) regulation of street trading and hawking within the urban area. (2) County departments responsible for the services under subsection (1) shall cooperate with urban managers and may second staff, equipment or resources for service delivery. 11. (1) Within thirty days of the establishment of an urban area, the Governor shall, in accordance with the charter and with respect to the city or urban area established, issue an Executive Order specifying— (a) the list of functions exclusively delegated; (b) functions partially delegated and mechanisms for coordination; and (c) functions retained by the county. (2) The Order shall be prepared in consultation with the Board of the city or urban area, the County Treasury and affected departments (3) A Transition Implementation Committee established under section 6 shall oversee the transfer of functions, staff and budgets and shall ensure that the transition is completed within six months.
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PART IV - TRANSFER AND DELEGATION OF REVENUE RAISING POWERS

<i>Principles of revenue delegation</i>	12. (1) The delegation and transfer of revenue raising powers to urban areas shall be guided by the principles of— (a) linkage of revenue to the functions performed by the urban area; (b) equity and predictability of revenue sharing within the county; (c) avoidance of duplication and double taxation between urban and county governments; and (d) retention of revenue by urban areas to incentivise service delivery and accountability.
<i>Revenues of cities and urban areas.</i>	13. (1) An urban area may, subject to this Act, the Urban Areas and Cities Act, 2011, the Public Finance Management Act, 2012, and any other applicable law, raise revenue from sources delegated or transferred to it by the county government.

	(2) Revenues of urban areas shall consist of revenues exclusively delegated, being— a) single business permits for enterprises operating within the city or urban area; b) outdoor advertising and billboard fees; c) building plan approval fees; d) market entrance fees, stall rents and abattoir charges; e) parking fees, bus park charges, and enclosed parking charges; f) liquor licensing fees; g) hire charges for public utilities and social halls; h) charges for fire and rescue services; and i) revenue from recreational facilities, public parks, and playgrounds within the urban boundary; and j) housing rental income from city or urban area estates.
<i>Shared or partially delegated revenues</i>	14. The following revenue sources shall be partially delegated to urban areas – (a) land and property rates, where the county shall retain oversight of valuation rolls but collection within urban areas shall be carried out by the urban authority; (b) housing rental income from municipal estates, subject to county housing policy oversight; (c) sewerage fees in respect of services provided within the cities and urban area, while county water companies may continue to collect fees for bulk supply and waste water treatment; and (d) cess and fees relating to the movement of goods where collected at entry points within cities and urban areas, subject to county-wide regulation
<i>County-retained revenues</i>	15. The following revenues shall remain the responsibility of the county government and shall not be delegated to urban areas— (a) county-wide land and agricultural produce cess collected in rural markets and border points; (b) royalties and natural resource charges levied across county jurisdictions; (c) revenues from county referral hospitals, vocational training centres and county-owned enterprises serving the whole county; (d) fees from county forests, wetlands and other natural resources located outside urban areas.
<i>Retention and use of revenue</i>	16. (1) Urban areas shall retain one hundred per cent of all revenues collected from exclusively urban functions and revenues listed in section 13. (2) For shared or partially delegated revenues under section 14, the County Treasury shall by regulation determine the percentage to be retained by the urban area, which shall not be less than fifty per cent.

<i>Revenue collection and accountability</i>	(3) All revenues retained shall be treated as Appropriation-in-Aid and applied strictly to the financing of delegated city or urban area services. 17. (1) The Municipal Manager or Administrator shall be the designated revenue collector and Accounting Officer for all revenues retained by the urban area. (2) Each urban area shall maintain bank accounts in its name into which retained revenues shall be deposited. (3) The signatories to the bank account shall be the - Manager/administrator - the Head of Finance, and - head of administration (4) the Manager/administrator and one officer being mandatory signatories (5) All retained revenues shall be accounted for and audited in accordance with the Public Finance Management Act.
<i>Linkage with allocation formula.</i>	18. (1) The County Treasury shall, for purposes of computing allocations under section 19 and the Schedule, use data from revenues collected by each city and urban area under this Part. (2) The own-source revenue effort and proportional contribution ratios applied in the Schedule shall be derived from the revenue collection reports prepared under section 17 and audited in accordance with the Public Finance Management Act, 2012.

PART V - ALLOCATION OF COUNTY FUNDS

<i>Allocation criteria</i>	19. (1) In allocating funds to cities and urban areas, the County Treasury shall apply objective criteria reflecting - - population, including both day and night populations; - proportional contribution to county revenue; - own-source revenue effort by the city or urban area; - regional balance within the county; - relative poverty levels; - functions of the city or urban area compared to rural areas; - development needs as outlined in spatial and integrated development plans; - county vision and mission on urban development; - salaries and service costs of transferred functions; - equipment requirements;
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<i>Budgeting for cities and urban areas.</i>	(k) coverage area; and (l) special initiatives likely to spur development. (2) The allocation of funds to cities and urban areas shall be made in accordance with section 173 of the Public Finance Management Act and the formula set out in the Second Schedule. (3) The County Treasury may, with the approval of the County Assembly and subject to paragraph 4 of the Schedule, vary the weights and measurement parameters by regulation. (4) The County Treasury shall publish the data and indices applied under the Schedule together with the annual budget estimates. 20. (1) The county budgeting process shall make provision for the financing of each urban area, and the County Treasury shall ensure that the annual estimates submitted to the County Assembly include distinct budget lines for every city, municipality, town or market established under this Act. (2) The revenues and expenditure statements of every urban area shall form part of the budget of the department responsible for urban development in the county and shall be consolidated and reported in accordance with the Public Finance Management Act. (3) In determining the annual allocation of funds to an urban area under section 19, the County Treasury shall take into account the resources raised as a result of revenues collected by that urban area, in addition to the other criteria set out in that section.
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PART VI - ACCOUNTABILITY AND OVERSIGHT

<i>Accounting officers</i>	21. (1) The County Executive Committee Member responsible for finance shall designate the Manager of a city or municipality as the Accounting Officer of that city or municipality within fourteen days of appointment. (2) In the case of a town or market, the County Executive Committee Member responsible for finance may designate the Town Administrator or Market Administrator, as the case may be, as the Accounting Officer, or assign the function to the Chief Officer responsible for urban development
<i>Financial reporting</i>	22. (1) The Accounting Officer of an urban area shall prepare annual accounts and reports in accordance with the Public Finance Management Act, 2012. (2) The Accounting Officer of an urban area may, with the approval of the County Executive Committee Member responsible for

	finance, delegate to the Director responsible for urban development the authority to be an AIE holder for the purposes of this section. (3) The Chief Officer responsible for urban development may, with the approval of the County Executive Committee Member responsible for finance, delegate to a Town Administrator or Market Administrator the authority to be an AIE holder for the purposes of this section. (4) The reports shall be submitted to the County Treasury, the Auditor-General, the Controller of Budget and laid before the County Assembly.
<i>Audits</i>	23. The accounts of each urban area shall be audited in accordance with the Public Audit Act and the Public Finance Management Act.
<i>Citizen participation</i>	24. The Board/Committee of every urban area shall institutionalise mechanisms for public participation in budget preparation, planning, and oversight in accordance with the Urban Areas and Cities Act and the County Governments Act.
<i>Reporting lines</i>	25. (1) A Manager designated as an Accounting Officer under section 21 shall report directly to the County Executive Committee Member responsible for finance and shall be subject to oversight by the Board of the city or municipality. (2) A Town Administrator or Market Administrator designated as an Accounting Officer under section 21 shall report to the Chief Officer responsible for urban development and shall be subject to oversight by the relevant committee of the county government or such supervisory mechanism as the Governor may prescribe.
<i>Penalties</i>	26. A person who misuses or misappropriates funds of a city or urban area or otherwise fails to comply with the financial management provisions of this Act or the Public Finance Management Act, commits an offence and shall be liable, on conviction, to the penalties prescribed under that Act or any other written law.

PART VII - MISCELLANEOUS PROVISIONS

<i>Regulations.</i>	27. (1) The County Executive Committee Member responsible for Urban Development, in consultation with the County Executive Committee Member responsible for Finance, may make regulations for the better carrying into effect of this Act. (2) Without prejudice to the generality of subsection (1), the regulations may provide for— (a) revenue collection, retention and reporting by urban areas;
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<i>Transitional provisions.</i>	(b) the application, adjustment and publication of the allocation formula set out in the Schedule; (c) the integration of city and urban area budgets into the county budget process; (d) the transfer and performance of delegated functions; (e) the setting and enforcement of service delivery standards for delegated functions; (f) mechanisms for citizen participation in budgeting, planning and oversight of cities and urban areas; (g) financial management, accountability and audit requirements specific to urban areas; and (h) transitional arrangements including harmonisation of charters, and transfer of staff, assets, liabilities and budgets. 28. (1) All charters establishing urban areas shall be harmonized with this Act within twelve months of its commencement. (2) During the transition period, all functions, staff, assets, liabilities and revenues identified under this Act shall be progressively transferred to cities and urban areas in accordance with their charters and Executive Orders issued by the Governor. (3) The Transition Implementation Committee established under section 6 shall oversee the transfer and submit a final transition report to the Governor and the County Assembly within six months of its establishment.
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SCHEDULE (Section 14 & 20)

Table 1: Functions and Corresponding Revenue Sources Delegated to Urban Areas

<u>Delegated Function</u>	<u>Corresponding Revenue Sources</u>
Solid waste management	Refuse collection charges; Environmental and conservancy fees
Street lighting, traffic control & signage	Outdoor advertising fees; Traffic/parking fees
Parking management (bus parks, taxi ranks, enclosed parking)	Parking fees; Bus Park charges
Urban markets and abattoirs	Market entrance fees; Stall rents; Abattoir charges; Slaughterhouse fees
Development control, land use planning and building plan approvals	Building plan approval fees; Development application charges
Liquor licensing	Liquor license fees
Recreational parks, playgrounds and cultural facilities	Fees from parks; Hire of recreational facilities; Event permits
Fire-fighting and rescue services	Fire service fees

Social halls and community facilities
Street trading and hawking regulation

Hire charges for halls and public utilities
Hawker license fees; Daily trading levies

SECOND SCHEDULE (Sections 19 and 20)

Formula for Allocation of County Funds to Cities and Urban Areas

1. The annual allocation to a city or urban area i shall be computed as follows:

$$FA_i = EQ_i + (TB * WFi) + G_i$$

$$\text{Where; } WFi = (\alpha PIFI + \beta ORE_i + \gamma PCRI + \delta RBI_i + \varepsilon POVi + \zeta DNI_i + \eta FLI_i + \theta DNN_i + \kappa SCD_i + \lambda EQPi + \mu COVi) + SI_i + G_i$$

2. Definition of terms

In this Schedule –

FA_i means the annual allocation to city or urban area i ;

EQ means the equitable baseline allocation per city or urban area, being a fixed shilling amount set in the annual County Fiscal Strategy Paper, to guarantee minimum financing;

TB means the total budget envelope set aside for financing cities and urban areas in the financial year;

PIFi (Population Impact Factor) means the normalized population share of i , blending day and night population, with weights w_{dwd} and w_{nwn} respectively (default 0.4 and 0.6);

ORE_i (Own-Resource Effort) means the normalized per capita own-source revenue effort of i , measured against the county average;

PCRI (Proportional Contribution Ratio) means the share of total county own-source revenue contributed by i ;

RBI_i (Regional Balance Index) means the normalized inverse of historical per capita allocations over the preceding three years, to favour underserved areas;

POVi (Poverty/Need Index) means the normalized share based on headcount poverty or multi-dimensional poverty index;

DNI (Density & Demand Index) means the normalized factor reflecting service demand intensity, including built-up density, traffic or informal settlement coverage;

FLI_i (Functions Load Index) means the normalized share of the costed functions actually delegated to i under its charter and Executive Order;

DNN_i (Development Needs Index) means the normalized share of priority backlogs and projects for i derived from approved spatial and integrated development plans;

SCDi (Service Cost Differential) means the normalized index of unit input costs for i (e.g. waste collection, road maintenance, energy costs);

EQPi (Equipment and Capital Requirement Index) means the normalized index of confirmed equipment and capital replacement needs for i ;

COVi (Coverage/Area Factor) means the normalized built-up or service coverage area of i ;

SI_i (Special Initiatives) means a ring-fenced amount for time-bound projects for i , approved by the County Assembly;

G_i means earmarked conditional grants or donor transfers directly attributed to i ;

$\alpha, \dots, \mu$ are weights set by the County Treasury such that their sum equals one, and no weight is negative.

3. Rules of application

- (a) The County Treasury shall publish the data series and normalized indices used in computing allocations, together with the annual budget estimates.

(b) Default starting weights are -

- i. Population Impact Factor (α) 0.25
- ii. Own-Resource Effort (β) 0.10
- iii. Proportional Contribution (γ) 0.10
- iv. Regional Balance Index (δ) 0.10
- v. Poverty/Need (ε) 0.10
- vi. Density & Demand (ζ) 0.05
- vii. Functions Load (η) 0.10
- viii. Development Needs (θ) 0.10
- ix. Service Cost Differential (κ) 0.04
- x. Equipment & Capital (λ) 0.04
- xi. Coverage/Area (μ) 0.02

(Sum = 1.00)

(c) No city or urban area shall receive less than the equitable baseline (EQ).

(d) The combined contribution of ORE_i and PCR_i shall not exceed 0.30 of the weighted bracket.

(e) The combined contribution of POV_i and RBI_i shall not be less than 0.20 of the weighted bracket.

(f) Year-on-year allocations shall not decrease by more than 10% nor increase by more than 30%, excluding special initiatives and grants.

4. County variation

a) A county may, by regulation and with County Assembly approval, vary the weights in subparagraph 3(2), provided that—

- i. no single weight exceeds 0.35; and
- ii. not more than two weights exceed 0.20 in the same year.

b) Reasons for variation shall be set out in the County Fiscal Strategy Paper.

5. Smoothing and transition

a) Where a new city or urban area is established, allocations shall be phased in over two financial years.

b) The County Treasury may apply a smoothing factor blending prior-year and current formula results to maintain stability.

6. Review

The County Treasury shall review the operation of this Schedule at least once every three years and may propose amendments through regulations after public participation in the affected cities and urban areas.

MEMORANDUM OF OBJECTS AND REASONS

1. Statement of the Objects of the Bill

The principal object of this Bill is to provide a comprehensive legal and institutional framework for the financing of cities and urban areas and cities within the county. The Bill seeks to give effect to Articles 184, 186 and 190 of the Constitution, and to implement the functions of county governments as set out in Part 2 of the Fourth Schedule to the Constitution, particularly those relating to county transport, trade licensing, planning and development, and public works. It also seeks to give effect to sections 172 and 173 of the Public Finance Management Act, 2012 and section 43 of the Urban Areas and Cities Act, 2011 which require county governments to legislate on the retention and use of revenues raised in cities and urban areas and on criteria for the allocation of county funds to such areas.

The Bill aims to ensure sustainable financing of cities and urban areas, avoid duplication of functions between county departments and municipalities, enhance efficiency in service delivery, and strengthen accountability. It further seeks to provide clarity on reporting lines, institutional coordination, and the role of urban managers as accounting officers.

2. Summary of the Structure and Key Provisions

The Bill is divided into seven parts and a Schedule:

Part I contains preliminary provisions, including the short title, interpretation, and objects of the Act.

Part II provides for the reorganisation of county departments upon establishment of an urban area, the establishment of a transition implementation committee, and coordination mechanisms with sub-county administrators, county departments, and national agencies.

Part III provides for the delegation and transfer of functions to cities and urban areas, distinguishing between functions that are exclusively urban, functions that are partially delegated, and functions that remain county-wide.

Part IV provides for the delegation and transfer of revenue raising powers, distinguishing between revenues that are exclusive to cities and urban areas, shared revenues, and county-retained revenues. It provides for the retention of one hundred per cent of exclusive revenues and at least fifty per cent of shared revenues by cities and urban areas as Appropriation-in-Aid.

Part V establishes criteria for the allocation of county funds to cities and urban areas, including population, proportional revenue contribution, poverty levels, spatial plans, and county development priorities.

Part VI provides for accountability and oversight, including the designation of managers as accounting officers, financial reporting, auditing, citizen participation, and penalties for misuse of funds.

Part VII provides for regulations, transitional provisions and harmonisation of charters. The Schedule provides a tabulated summary of delegated, shared, and county-retained functions and their corresponding revenue sources.

3. Statement on the Delegation of Legislative Powers

The Bill delegates power to the County Executive Committee Member responsible for finance to make regulations for the better carrying into effect of the provisions of the Act. This delegation is necessary to provide for detailed guidelines on financial and administrative matters which may require updating from time to time.

4. Statement on the Limitation of Fundamental Rights and Freedoms

The Bill does not contain provisions that limit any of the rights and freedoms guaranteed under the Constitution.

Dated the 20th day of Friday 2026

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County Executive Committee Member
Urban Development/Finance and Economic Planning
County Government of Nyandarua