

**AN ANALYSIS OF THE EFFECT OF GOVERNMENT FINANCIAL
DISBURSEMENT ON THE SERVICE DELIVERY OF MUNICIPAL
COUNCILS IN KENYA: A CASE OF MUNICIPAL COUNCILS IN RIFT
VALLEY PROVINCE, KENYA.**

**SAMMY THUO KANG'EA
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**A RESEARCH PROJECT REPORT SUBMITTED TO THE FACULTY OF
COMMERCE IN PARTIAL FULFILLMENT FOR REQUIREMENT OF THE
AWARD OF MASTER OF BUSSINESS ADMINSTRATION OF
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EGERTON UNIVERSITY

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DECLARATION

I Sammy Thuo Kang'ea do declare that this research proposal is my original work and has not been presented before for a degree or diploma in any University.



S.T KANG'EA



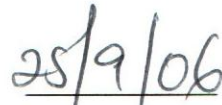
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RECOMMENDATION

This research project has been submitted for presentation with our approval as University Supervisors.

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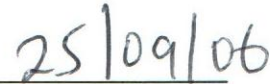
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DEDICATION

This report is dedicated to my wife Nancy for her patience during the time I was studying. The report is especially dedicated to my children Maurice, Anthony, Edwin, Dorothy, Humphrey and Mary for their encouragement and support they gave in words and in kind without which it would not have been the same.

ABSTRACT

Local authorities are the main service delivery channels that the Central Government uses to channel the resources obtained from taxpayers back to benefit the citizens by offering different types of the required services. In order to achieve this noble objective, the Central Government has mandated local authorities to levy taxes within their area of jurisdiction to meet their budget demand. To improve the level of funds available for these purposes, the Central Government has introduced the sharing of the funds collected by it in the form of taxes to local authorities by way of Local Authority Transfer funds (LATF) and the Road Maintenance Levy Funds (RMLF). To assist local authorities collect licenses, the Central Government has standardized the licensing procedure by issuing guidelines on application of Single Business Permit (SBP) by the local authorities. The main purpose of the study is to find out the effect of government financial disbursement on the service delivery in the municipal councils compared to the period when such funds were not available at all. In order to achieve the purpose of the study the researcher has selected municipal councils as the population of the study. Due to the limitation of time and other resources, the research will be confined to eight municipal councils within the administrative boundary of the Rift Valley Province. These include: -Nakuru, Eldoret, Kericho, Kitale, Kabarnet, Nyahururu, Nanyuki, and Naivasha. The data for this study will be collected using structured questionnaire, which will be administered to 17 respondents in each of the eight selected municipalities.

The data collected will be arranged in matrix of variables and will be analyzed using descriptive statistics to achieve the objectives of the study. The findings of the study can be adapted to other Municipal, Town and Country councils because the structure of local authorities is principally the same. ✓

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ACRONYMS/ABBREVIATIONS

H.R	Human Resources
W.B	World Bank
T.Q.M	Total Quality Management
O.D.A	Overseas development Agency
KLGRP	Kenya Local Government Reform Programme
LGLA	Local Government Loans Authority
ALGAK	Association of Local Government Authorities of Kenya
ALGE	Association of Local Government employers
KLGWU	Kenya Local Government Workers Union
MoLG	Ministry of Local Government
TC	Town Clerk
MT	Municipal Treasurer
LASDAP	Local Authorities Services Delivery Action Plan
DLAI	Department of Local Authority Inspectorate
LAIFOMS	Local Authorities Integrated Financial Operations Management Systems
PLGO	Provincial Local Government Officer
DLGO	District Local Government Officer
LA	Local Authority
LGA	Local Government Act
CIOR	Contribution in lieu of rates
RML	Road Maintenance Levy
LASC	Local Authorities Service Charge
SBP	Single Business Permit
LATF	Local Authority Transfer Fund

CHAPTER 1: INTRODUCTION

1.1 Background to the study

The Colonial Government introduced the Local Government system in Kenya at the beginning of 20th century. The system started with Nairobi and Mombasa being established as Townships in 1903, managed by Township Committees. The Township status was given to other urban centers over time

In 1922 the District Advisory Councils as part of the Local Government System in areas habited by African, were created. The Local Government system during the Colonial period had within it two systems: one for the Europeans; and the other for Africans. The Local Native Councils were created in 1924, which were an adjunct of the Colonial System of Provincial and district administration. The District Commissioners were the Chairmen and Chief Executives of these Councils. In 1928, the Municipalities Ordinance was created to upgrade Local Government System and eventually Nairobi and Mombasa were formally elevated to Municipal status.

In 1946, Locational Councils were introduced as part of the Local Government System. These formed the second tier of the Local Authorities below Local Native Councils. The locational Chiefs chaired them. In 1950 the Districts Ordinance replaced the 1924 Native Authority Ordinance, which enabled members of the Councils to be elected. This improved the status of these Councils and their powers.

The responsibilities of the local authorities were defined in 1957, and a year later in 1958, Councils within the African Reserves were allowed to have non-official Officers as Chairmen, but still the non-officials were nominated by the Provincial Commissioners. Within 1950s and early 1960s Divisional Councils were introduced which were made up of representatives of administrative divisions.

The location councils deliberated on issues which were later ratified by the African District Councils. When Kenya attained independence in 1963 the Government decided to unify the Local Authorities System in the country and this saw the creation of Ministry of Local Government. The Local Government Ordinance was replaced with Local Government regulations of 1963. The new system provided for two types of local authorities, namely municipal councils and county councils. These replaced the African District Councils created in 1950s. These regulations also provided for the creation of urban councils, area councils and local Councils. The urban councils replaced the townships and urban district councils, while area councils replaced rural district councils. In some cases the African district councils became the area councils. The local councils replaced the location councils.

The main Sources of revenue during the period prior to 1974 for municipal and county councils were Graduated Personal Tax and the Poll Tax. In addition to these some local authorities levied rates (property tax) as a source of income.

The District Commissioners and other Central Government Officers continued to be members of the councils. They were incorporated as members of these councils as a control mechanism over local authorities.

The local authorities and Central Government linkages existed through these officers and through the power vested in the Minister of Local Government who had enormous powers over local authorities. These powers are enshrined in the now Local Government Act cap. 265 as revised in 1986.

The local authorities are not entrenched in the constitution and as many as 30 other Acts are used to govern local authorities and whenever the Local Government Act is in the conflict with any other Act, the other Act supersedes the Local Government Act.

From the above historical development of Local Government, it can be seen that local authorities are heavily controlled by the Central Government and neither can claim to be autonomous. The approval of revenue generation has to be done by the Minister of Local Government while senior officers are hired and fired by the Public Service Commission. The election of the members of the council is done every five years along with that of members of parliament. The members so elected then elect their mayors in case of municipal councils and chairmen in case of county councils and town councils. The mayors and the chairmen so elected are ceremonial and chair the main council called to ratify the decisions of committees on various functions.

The Finance, Staff and General Purpose Committee is the backbone of the council finances. All fees and charges have to be approved by this committee before the full Council ratifies them, and once the approval of the Minister of Local Government is granted, the Council can start collecting the tax from the residents. The Municipal Treasurer is the chief collector, the paymaster and the financial advisor of the council, and has to attend in person or be represented at all meetings where financial matters are to be discussed. His duties are clearly spelt out in the third schedule of the Local Government Act. Though this has been done and included in the Act, the treasurer of local authorities, having been appointed by the Public Service Commission, is usually a person under siege. This is because all the activities of a local authority revolve around funds which he controls.

Each year the local authorities are required to prepare a budget which covers the period 1st July to 30th June. Any expenditure that has not been provided for in the budget is not allowed by the Budget Guidelines issued each year by the Ministry of Local Authorities. Situations arise when the chief finance officer is required by councilors to meet such expenditures. Whenever there is disagreement chief officers are required by the Local Government Act to record their objection and such a decision would not be implemented before approval by the Minister of Local Government is received. This has been the source of conflict and any time there is disagreement the councilors would ensure that they exert pressure on the minister to remove the officer recording such objection.

The local authorities in Kenya started well immediately after independence, and were able to collect and provide services as required by the inhabitants. In 1969 the Government withdrew major service functions as well as general grants revenue to local authorities. The effect of this decision was that the local authorities could not meet their financial obligations and it was for this reason that in the 1998/1999 budgets the government introduced the Local Authorities Transfer Fund “to supplement the financing of the services and facilities they are required to provide under the Local Government Act.”(LATF Act, Article 4}. At this time the local authorities were almost coming to a stand still unable to provide the basic services. They had accumulated debts on supplies, salaries were had not been paid for months, statutory deductions were not being remitted, and loans from such institutions like National Housing Corporation and Local Government Loans Authority (not active any more) were not being paid. National Housing Corporation has of late taken the councils that have defaulted on loan repayment to court in an effort to have the houses built using loans from the Corporation revert to it so that they can collect rents from the tenants.

This has further resulted in shrinkage of local authority’s revenue base. The Ministry of Local Government’s objective is to have viable institutions that provide efficient services, have good governance, and promote political and economic development within their area of jurisdiction (Ministry of Local Government’s Mission statement). The Ministry needs to address itself to the challenges facing local authorities if they have to be engines of economic growth and development, by providing infrastructure and other services necessary.

To promote investments in their area of jurisdiction, they will need to be autonomous. They should be de-linked from the entire directions of the Central Government and be empowered to implement other useful bylaws, which do not deter investors.

The Main Sources of Revenue for Local Authorities are: -

Local Authority Transfer Funds: Funds disbursed to local authorities by the Central Government. The funds are allocated based on the population residing in the area of jurisdiction as per the latest census. The funds are intended to supplement the local authorities' revenue base so that they can reduce the level of indebtedness, and to improve service delivery

Business Permits: The local authorities issue business permits to those conducting business within their jurisdiction. The business permits cost to a trader depends on the level adopted by the local authority as listed in the guidelines approved by ministry Local Government.

Rates: Local authorities levy rates from the owner of properties within its area. The amounts levied will depend on what the local authority has resolved. The resolution has to be approved by the minister in charge of local authorities.

Each local authority will have to assess its needs, and the amounts in excess of income from other sources is levied from this source. The amount will then be shared among property owner depending on value attached to the property.

These amounts will then be entered in the valuation roll, which will be opened for inspection by ratepayers who will have a right to object at a court set for the purpose. Each rating authority is required to carry out this exercise every five years but due to the cost involved many local authorities continue using outdated rolls which may not give such local authority the needed amount, resulting in shortfall.

Fees and charges. Fees refer to one-time amount collected for a service e.g. car park; dog fee etc, while charges refer to charges imposed depending on the usage e.g. space occupied.

Rents: members of public who occupy houses owned by local authority and solely meant for rental pay these amounts to local authority.

Loans: Local authorities are allowed to borrow from commercial banks and other approved institutions. Before entering into such commitment the local authority is required to get loan sanction from the minister in charge of local authorities. This becomes necessary when collection of revenue is delayed and the authority has to meet its obligations

The main expenditure items for local authorities are: -

Salaries: Local authority employees whether Chief Officers or the low cadre are paid from the revenue generated from services provided. The Kenya Local Government Workers Union negotiates salary increases for its members and ensures that their interest is well catered for.

In most local authorities this expenditure is in excess of 60% of total revenue which means that local authority will only have less than 20% of its revenue to cover the cost to service delivery after the maintenance of the infrastructure.

Running Expenses: For local authority to run smoothly it requires to have vehicles and infrastructure These will incur running costs for example fuel, stationeries, maintenance, establishment costs, and administrative costs

Debt Payment: This is money that the local authorities pay to service loan from commercial banks and other lending institutions.

Revenue contribution to capital outlay: Funds set aside by local authorities to enable them finance the capital outlays and other long-term capital outlays, necessary for the provision of services.

Rift Valley province is geographically the largest province in Kenya with population of 6,987,036 people and occupying an area of 182,539 square kilometers in which there are 1,494,981 households. Administratively, the province has a total of 18 Districts. There are a total of 44 local authorities of which there are 12 municipal Councils, 18 country councils and 14 town councils. A mayor who is elected by the councilors heads the municipalities while chairmen in respective county and town councils are the civic heads. The town clerks are the chief executives in charge of the running of the municipalities.

1.2 Problem Statement

The Government of Kenya created the Ministry of Local Government and charged it with the duty of empowering the local authorities to provide services, good governance and to promote political, social and economic development within each local authority area of jurisdiction. The Ministry is charged with the responsibility of ensuring effective operations of all local authorities. To achieve this, the Ministry of Finance in 1998/1999 financial year introduced a financial disbursement plan through the Local Authorities Transfer Fund Act to supplement the financing of services in the local authorities. No study has been carried out to establish the changes in service delivery since the introduction of LATF. The main purpose of this study therefore is to find out the effect that the introduction of LATF has had on service delivery in the local authorities.

1.3 Objectives of the Study

The main objective of this study was to establish the effect that the introduction of LATF has had on service delivery in the local authorities. The Specific Objectives of the Study were:

1. To identify the nature of financial disbursement procedure of the local authorities since the introduction of the Local Authority Transfer Funds.
2. To assess the major financial management practice that the local authorities apply in the process of service delivery since introduction of the Local Authority Transfer Fund.
3. To identify the change in service delivery by the local authorities since the introduction of the Local Authority Transfer Fund.

1.4 Hypotheses of the study

The following null hypotheses were tested in this study.

H₀₁ The introduction of the Local Authority Transfer Fund has not significantly improved the nature of financial disbursement procedure of the Local authorities.

H₀₂ The introduction of the Local Authority Transfer Fund has not significantly improved the financial management practice in the local authorities.

H₀₃ The introduction of the Local Authority Transfer Fund has not significantly improved service delivery in the local authorities.

1.5 Importance of the Study

The information obtained from this study will be of great significance to the Central government in evaluating the financial disbursement policy to local authorities. The local authorities will also benefit from the information, as they will be able to make better financial decisions, which will have an impact on service delivery. The general public will also benefit from the research especially as they will be knowledgeable on the changing level of the services that should be delivered to them by the local authorities. The findings have brought out and evaluated the financial, and managerial problems faced by the local authorities, which will assist the government in formulating policies, that will improve financial management skills and the service delivery levels in local authorities.

1.6 Scopes and Justification of the Study

The study is limited to Municipal Councils within Rift Valley province as a representation of what take place in other local authorities in the Kenya.

There is a need to establish whether the government funds channeled through the local authorities with an aim of service delivery improvement have actually attained its intended purpose.

1.7 Limitation of the study

Due to sparse distribution of the local authorities, time within which the project was to be completed and the cost that would have been involved if the study could have covered all the local authorities in Kenya, the study has covered only selected municipal councils as a representation facet of Local Government.

1.8 Definition of terms

Local Authority Transfer Funds: These are funds arising from taxes levied by the Central Government, being transferred to local authorities to supplement the financing of the service delivery.

Local Authority: An arm of Central Government created by an act of Parliament to provide services to the citizens within their area of jurisdiction.

Citizens: Are the people who live within the boundaries of the local authorities

Constituents: Are the people who elected the civic leaders in the local authorities and who in return expect to get improved services.

Capital outlays: Those assets owned by local authorities that have ready market if the local authority wanted to sell them.

Other Long-term Capital Outlays: Those assets that will not have ready market if the local authority wanted to sell them.

Contribution in lieu of rates: Amounts due from Central Government for rates on properties and forestland within a local authority

CHAPTER 2: LITERATURE REVIEW

2.1 History of the local authorities

Most local authorities developed out of colonial rule earlier in this century for the purpose of setting control and to educating the indigenous people in the practice of the colonial power. The local authorities throughout the world have been undergoing reforms to be able to provide the needed services to the local inhabitants of the areas under their jurisdiction. In 1977, the National Assembly passed the Local Government Act, Chapter 265 of the Laws of Kenya. This legislation defines the basic structure, powers, and responsibilities of different types of local authorities. It also established strict control by the Ministry of Local Government. There are four types of local authority allowed under the Local Government Act namely: - municipal councils, the town councils, the country councils and the urban councils (Smoke 1994). The Ministry of Local Government describes local authorities as public administration that addresses local problems. Local authorities operate through committees formed for each function undertaken by local authorities. The councilors who are elected every five years are decision makers (councilors handbook 2002) while the Chief Officers manage the departments and are therefore the implementers of the decisions taken. They are employees of the Public Service Commission.

The Central Government monitors the activities of local authorities using the process of budgetary approval which has to be discussed by the provincial and district budget committees under the chairmanship of the provincial and district

local government officers who ensure that the budgets of each local authority are prepared as per the Ministry's guidelines (1995, Budget Guidelines).

2.2 The Local Authority Fiscal System in Kenya.

Local authorities are a fairly diverse group in terms of their sources of revenue and expenditures. Although, the local authorities have undergone tremendous reforms through acts of parliament, the problems facing them do not seem to go. The abolition of Graduated Personal Tax which was the backbone of revenue in municipalities in 1974, which was followed by removal of all forms of grants including those that were aimed at improving primary schools education, completely put the local authorities in disarray. The major sources of revenue in the local authorities now include: -

2.2.1 Road Maintenance Levy (RML). The Road Maintenance Levy Fund Act made the provision of sharing revenue raised from consumption of the petroleum products between the Ministry of Roads and Public Works and the Ministry of Local Government with effects from 1997/1998 financial year in the ratio of 1:4, which is expected to change to 1:1 ratio. The funds are expected to strengthen the roads capacity of the local authorities. (Civil Service Reforms, 2000).

2.2.2 Local Authorities Transfer Funds (LATF). In an effort to boost the financial bases of local authorities, the Ministry of Finance has developed a system for effective intergovernmental revenue transfer between Central and

Local Government, through the Local Authorities Transfer Fund. Local Authorities Transfer Fund Act was passed by parliament in November 1998. The necessary regulations were prepared in September 1999, and criteria for allocations led to the implementation of the 2% the income Tax for Local Authorities. LATF is a policy instrument to provide both funds and incentives to local authorities to improve local service delivery.

This arrangement saw the abolition of Local Authorities Service Charge (LASC), which was a form of tax levied on employees and the business community within the jurisdiction of a local authority.

2.2.3 Single Business Permit (SBP). The Single Business Permit replaced the complex and cumbersome Local Business Licensing System and enhanced revenue for local authorities. The SBP allows the Local Authorities to decide on the appropriate fees schedule to levy on different business permit. The SBP has increased the local authority responsibility and accountability in dealing with the business community. SBP establishes a business registry and a systematic package for financial management tools to local authorities. The Ministry of Local Government monitors and assists in the technical implementation of SBP (Civil Service Reforms 2000).

2.2.4 Rates. This is levied from property owners and come in many forms, from agricultural to developed plots in major towns.

2.4 Revenue Collection

Smoke (1994) observes that the local authorities face a lot of problems in their consolidated efforts to collect revenue. He identifies the following as typical problems in revenue collection: -

2.4.1 Lack of collection and enforcement personnel: - Many local authorities do not have adequate personnel to help them collect their revenue. The worst hit sections include market-related activities, unpaid land rates collection and license fees collection.

2.4.2 Rent-seeking behavior: - There is acute lack of enforcement and managerial control in rent collection. The collecting officers fail to issue the receipts leading to lack of accountability, where receipts are issued there is no control over receipt books in circulation, which results to losses of the funds.

2.4.3 Lack of legal enforcement authority: - Most local authorities do not have by-laws that would help in enforcing collection. The worst hit area is land-rate collections and penalty enforcement. Most of the LAs have not updated the Valuation Roll for many years and are therefore not collecting all rates due as the law does not allow collection from those not in the Valuation Roll.

2.4.4 Local political pressures: -Politics is a major hurdle to revenue collection. Councilors who may want to be re-elected may force the local authorities to offer services such as water, sewage and garbage collections without payment just to be seen as popular by their electorates. This makes LAs loose the much-needed revenue.

2.4.5 Delinquency of Government of Kenya and parastatals: - These two delinquent groups owe local authorities a lot of money in terms of contribution in lieu of rates, land rates, water bills and other services offered.

2.5 Local Authorities Fiscal Reforms

The Ministry of Local Government through KLGRP has developed various reforms to streamline the fiscal operations and management with an aim to improve the service delivery to the people. Smoke (1994) observes the following reforms: -

2.5.1 Service Provision Reforms: - The Ministry of Local Government develops explicit guidelines on the specific services that need to be carried out by the local authorities. These services include: - Sewage systems, provision water, solid waste management, local roads and street lights, housing, markets among others.

2.5.2 Extension of authorities to use existing sources of income: - Apart from other external sources of funding explained elsewhere in this proposal, the local authorities also collect rates from their area of jurisdiction. This revenue when added to the external revenue is meant to improve the quality of service delivery in the Local Authorities.

2.5.3 Intra-Council Relationships: - The political operations of the elected councilors and the chief officers of a local authority have to be harmonized so that both the elected councilors and the officers would work towards a common goal of effective service delivery.

2.6 Service Delivery

The main responsibilities of the municipalities according to the Local Government Act chapter 265 include the following: -

2.6.1 The maintenance of the municipal roads, street lighting, bridges, public gardens/squares and the general organization of the public transport to different estates within the municipality.

2.6.2 Environmental protection: Planting of trees to protect the environment, municipal environment planning and monitoring, garbage management and secure disposals.

2.6.3 Water and sewage systems: Supply of clean water to the people, monitoring the billing systems and disposal of sewage system.

2.6.4 Education system: - Provision of schools within the area under which municipality covers. The systems include kindergarten, primary and secondary education.

2.6.5 Health care system: - Building of hospitals, clinics and other health facilities. Public health includes provision pre-natal services; family planning services combating spread of contagious diseases and inspections on public facilities to ensure they meet the set standards.

2.6.6 Building and civil constructions: Provision of houses at affordable costs, and directions and policies in the general construction within the municipality.

2.6.7 Recreation and sports: Provision of social recreation centers like social halls, gardens, parks and stadiums among others.

2.6.8 Communal cemeteries and crematories: Provisions of different classes of cemeteries and crematories for disposing the dead within the municipality.

2.6.9 Trade facilities: - Different classes of markets, shops and other trade facilities. Provision of trade permits to the traders within the municipalities

2.7 Local Authorities Performance Measurement

Boyne (1997), observes that local authorities should use performance measurement to equate the financial provisions and service delivery, which would lead to better decision-making by providing the management with information for improved management and control functions which are the indicators for performance measurement for both individual and organization. This would lead to enhanced responsibility on the part of managers for purposely-directed service delivery improvement.

2.8 Missing link in local funding and financial policies on Service delivery

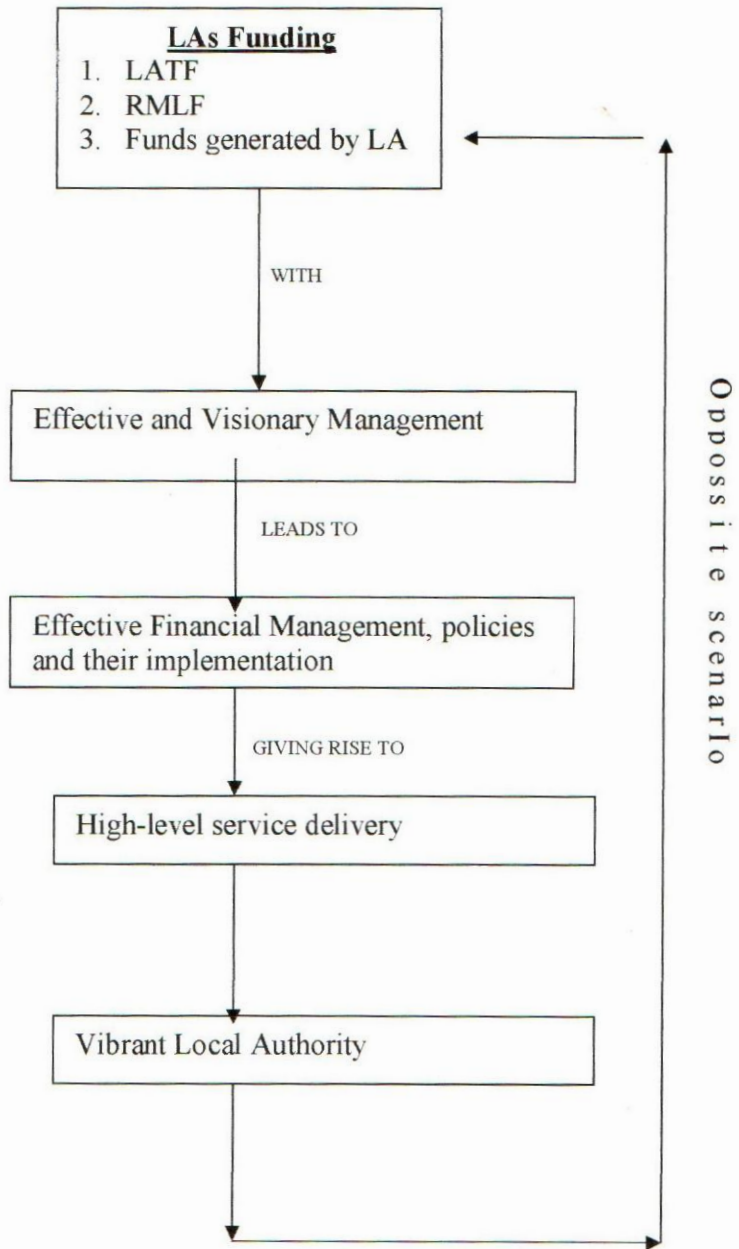
The available literature on local authorities explores historical aspects of local authorities, the functional operations of local authorities, Performance measurement, expenditure level, and problems facing local Authorities among others. No comparative study has been done in Kenya to show the effects of Local Authority Transfer Funds on service delivery. This study seeks to fill this gap in this area and so add up to the existing knowledge in local authorities' management.

Odero (2006) observes that Kenya needs a decentralized government that can adapt public services to local needs and uphold local people's liberties and freedom through facilitative political education and participatory decision making evolved through appropriate leadership.

2.9 The conceptual Framework

The conceptual framework below shows the effects of the considered variables and their output. The grouping of the considered variables includes: - Sources of funding to local authorities, the nature of management, financial policies and service delivery. The assumption was that these variables must be coordinated and interrelated to give out a particular output. Effective funding in the local authorities with effective and visionary management approach and strict financial management policies are likely to bring improved service delivery which would lead to vibrant local authorities as shown diagrammatically by figure 1 below. The figure combines the variables to give the output in terms of service delivery. The loop shows the reverse, which indicates ineffective funding in the local authorities. With ineffective and non-visionary management approach and poor financial management policies, are likely to bring poor service delivery which would lead to poor performing local authorities

FIG. 1: CONCEPTUAL FRAMEWORK



Source: Own (For the reverse scenario, see the explanation above)

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

A cross-sectional survey was selected for this study because it was cheap to undertake compared to longitudinal survey and the results from the sample can be inferred to the larger population. The chance differences between the samples may bias the results (Ary *et al.*, 1979). In addition, some extraneous factors could have manifested in the observed change other than the independent variable concerned. In this study the researcher dealt with these weaknesses of the cross-sectional survey by selecting a sample through randomization and using a relatively large sample size of the municipalities in the selected province.

3.2 Target Population

Administratively, Rift Valley province is one of the largest provinces in Kenya with seventeen administrative districts. There are total of 44 local authorities among which there are twelve municipal councils. The study covered the following eight municipal councils: - Nakuru, Naivasha, Kericho, Eldoret, Kitale, Kabarnet, Nyahururu and Nanyuki

This was because the other four municipal councils are relatively small compared to those selected and not well organized. Therefore their organization structure may not have been useful for the study. All local authorities selected for the study, service their budget obligation in the provision of the services with the

finance generated from the local sources, and the funds disbursed by the Central Government through the LATF.

3.3 Sampling Design

Out of the eight provinces, the researcher selected Rift Valley for the purpose of this study. In this study, a total of 140 respondents formed the sample all from selected municipalities sampled. In order to achieve the sample size (140 respondents), the researcher stratified the sample size into the following strata: - The departmental heads and the chairmen of the departments made up a sample size of 80 respondents This strata gave information relating to financial disbursement procedures and financial management practice at the local authorities. The second stratum was the business community in each municipal council, composed of 60 respondents. This stratum helped to collect data related to service delivery. The selection of the business communities was unbiased because these are already organized group and are the immediate beneficiaries of the services offered by the municipalities. This stratum helped to give information relating to their perception of service delivery. A table of random numbers was used to get the required sample size of 140 from both the employees and the business community to ensure that bias was not introduced in the selection. To achieve representative sample, the following formula was applied to calculate the sample size of both the council employees as well as the business community: - $n_1 = \frac{x_1}{p_1} * s_1$. Where n_1 =the sample size, x_1 is the population per stratum, p_1 is the total population and s_1 is the expected total

sample size. All the sample size per strata was added to form the total sample size of that stratum. The equal allocation of a sample was used to guard against under or over-representation of the municipalities. Simple random sampling technique was used to randomly select the 140 participating respondents from each stratum to form a study sample. This size was considered adequate as per the recommendations of Kathuri and Pals (1993) that 100 subjects are ideal for a survey research. Stratified sampling enabled the researcher to determine to what extent each stratum in the population was represented in the sample. The randomization within each municipal population ensured a more representative sample whose results can be inferred to a larger population (Ary *et al.*, 1999). The major advantage of stratified random sampling was that it guaranteed representation of the defined groups in the population. Stratified sampling technique with equal allocation was used to guard against under or over-representation of the respondents from each municipality. It also guarded against wild samples and ensured that no sub-population was omitted from the sample. (Tables 1 and 2 on page 21 help to explain)

Table 1: Sample size of the municipal council employees

Municipal Council	Population	Derivative	Sample size
Nakuru	16	$n1 = \frac{16}{120} * 80$	11
Eldoret	16	$n1 = \frac{16}{120} * 80$	11
Kericho	16	$n1 = \frac{16}{120} * 80$	11
Kitale	16	$n1 = \frac{16}{120} * 80$	11
Kabarnet	16	$n1 = \frac{16}{120} * 80$	11
Naivasha	16	$n1 = \frac{16}{120} * 80$	11
Nyahururu	12	$n1 = \frac{12}{120} * 80$	8
Nanyuki	12	$n1 = \frac{12}{120} * 80$	8
Total	120		80

Table 2: Sample size of the municipal council business community.

Municipal Council	Population	Derivative	Sample size
Nakuru	105	$n1 = \frac{105}{735} * 60$	9
Eldoret	89	$n1 = \frac{89}{735} * 60$	7
Kericho	102	$n1 = \frac{102}{735} * 60$	8
Kitale	89	$n1 = \frac{89}{735} * 60$	7
Kabarnet	87	$n1 = \frac{87}{735} * 60$	7
Naivasha	90	$n1 = \frac{90}{735} * 60$	7
Nyahururu	95	$n1 = \frac{95}{735} * 60$	8
Nanyuki	78	$n1 = \frac{78}{735} * 60$	6
Total	735		60

3.4 Instrumentation

A structured questionnaire was used to collect data from the respondents from each of the selected municipalities. The questionnaire was developed to capture the information on the levels of respondents' skills and knowledge of the financial sources and management in service delivery. It also collected details related to policies, operations and best practice strategies in the provision of the required services. The questionnaire was pre-tested with 5 municipal respondents' and five community respondents in Mavoko Municipality. The pre-testing site is 160 km away from the study area and was done to avoid any possible influence on trial respondents before the actual study.

3.5 Data collection

The collection of information from the respondents was through questionnaire as per each municipal council to ensure consistency in each category of respondents. The researcher personally administered the questionnaire in each selected municipality. The researcher then explained to the respondent the purpose of the study before administering the questionnaire. The questionnaire was given to a specific target to represent each respondent. This ensured a follow up in case of any correction.

3.6 Data analysis

The data was summarized and classified in terms of the variable of the objectives of the study. This enhanced further analysis and processing. The responses to the

various items were coded then keyed in a matrix for this purpose. The data was entered, edited and cleaned to ensure correct entry of the response. Both descriptive (frequencies, means, standard deviations and graphical illustrations) and inferential statistics was used for the analysis. Uma (2003) observes that once the data are ready for analysis, the researcher is also ready to test the hypothesis developed for the study. ✓

The hypotheses were therefore tested using descriptive statistics to establish existence of any significant differences in employees' knowledge of source of finance and skills in its management based on the respective independent variables

Table 3: Hypotheses test

Hypothesis	Variable	Statistical test
H ₀₁ The introduction of the Local Authority Transfer Funds has not significantly improved the nature of financial disbursement procedure of the Local authorities.	Financial Disbursement Procedures	Descriptive statistics
H ₀₂ The introduction of the Local Authority Transfer Funds has not changed the financial management practice in the local authorities.	Financial management practice	Descriptive statistics
H ₀₃ The introduction of the Local Authority Transfer Funds has not improved service delivery in the local authorities..	Service delivery	Descriptive statistics

The variables considered in the hypotheses test in the above table are not dependent on any other. This is because the test chosen for this study is descriptive in nature, which does not require independent and dependent variables.

CHAPTER 4: DATA ANALYSIS, PRESENTATION OF FINDINGS

4.1 Introduction

This chapter covers the general findings of the research, hypothesis tests results, interpretations and discussions on the effects of Government Financial Disbursement on Service Delivery of municipal councils in Kenya. A part from information relating to the objectives of this study, the researcher established some basic bio-data of the respondents, which were of value in the understanding of the respondents' personal information. The tables below show the general findings on such personal information. Generally, there are more men than women both as employees in the municipal councils and business communities. There are 80% of men compared to 20% of women employed in the municipalities. This definitely indicates a serious gender imbalance in municipal employment scenario. On the other hand there are 32.1% women in the business community compared to 67.9% men doing business.(See Table 4). This finding about gender shows the general gender imbalance found in most organizations in Kenya.

Table 4: Gender disparity among Council employees and Business Community

Variable	Male (%)	Female (%)	Total (%)
Gender - Employees	80	20.0	100
Gender – Business Community	67.9	32.1	100

Age group and Education level

Majority of council employees (45.5%) are within the age group between 31-40 years whereas the majority of business community (37.2%) is within the age group of 21-30 years. This information indicates that the councils no longer

employ young professionals despite the fact that more universities and colleges are training young people in various disciplines required in the running of the local authorities. The business community is made up of young members of the community this may be attributed to the fact that employment is not available to them, which drives young professionals to small Micro enterprises. This is quite encouraging in job creation and general economic growth within the country.

Table 5: Age group among the council employees

Respondents	21-30 yrs (%)	31-40 yrs (%)	41-50 yrs (%)	Total (%)
Employees	27.3	45.5	27.2	100.0
Business Community	37.2	42.3	20.5	100.0

Generally both the council employees and business community have attained college education. This shows that council employees are equipped with the right knowledge required in the management of the councils.

Table 6: Education level

Level	Secondary (%)	College (%)	University (%)	Total (%)
Employees	16.4	50.9	32.7	100.0
Business Community	25.6	56.5	17.9	100.0

Hypothesis1: The Introduction of Local Authority Transfer Funds has not significantly improved the nature of financial disbursement procedure of the Local Authorities.

Table 7: Nature of financial disbursement procedure

Financial disbursement variable	N	Min.	Max.	Mean	Std. Dev.
Finances adequate	55.0	1.0	4.0	2.3	1.0
Financial transfer very fast	55.0	1.0	5.0	2.4	1.2
Finance come on time	55.0	1.0	5.0	2.3	1.0
Finances disbursed per budget	55.0	1.0	5.0	3.5	0.9
No unnecessary bureaucracy	55.0	1.0	4.0	2.4	1.3
Finances accessible	55.0	1.0	5.0	2.6	1.3
Finances directed to intended use	55.0	1.0	5.0	2.9	1.2
Finances consistently increased yearly	55.0	1.0	5.0	3.1	1.0
Municipality recommends the increase	55.0	1.0	5.0	2.5	1.5
Debts decreased due to finances	55.0	1.0	5.0	3.6	1.0
Citizens aware of LATF	55.0	1.0	5.0	3.2	1.3
Employees educated on LATF	55.0	1.0	5.0	2.7	1.4
LATF policies are available	55.0	1.0	5.0	3.9	1.0
LATF policy elaborate and sensitive to municipal needs	55.0	1.0	5.0	3.7	1.0
LATF policy available and updated	55.0	1.0	5.0	3.3	0.9
LATF policy easily implementable	55.0	1.0	4.0	2.2	1.2
LATF policy available for public scrutiny	55.0	1.0	5.0	2.9	1.4
LAFT policy improved Revenue	55.0	1.0	5.0	3.6	1.0
LATF based on motivation and Morale	55.0	1.0	5.0	2.9	1.2
LAFT strong focus on debt recovery	55.0	1.0	5.0	3.9	0.5
LAFT based on work ethics	55.0	1.0	5.0	3.0	1.2
LAFT advocates for good Customers relation	55.0	1.0	5.0	3.7	1.0
LAFT covers entire municipal operations &management	55.0	1.0	5.0	2.9	1.3
Average				3.0	1.1

The table above can be interpreted as follows: The variable considered deals with the nature of financial disbursement trends. The total number of respondents is 55. The minimum and maximum is based on Likert scaling designed in the questionnaire. According to the scaling, 1 = Strongly Disagree, 2=Disagree, 3= Neither agree nor disagree, 4=Agree, 5=Strongly agree. The mean and the standard deviation of each variable are provided in the table. The mean of each variable gave an indication towards the likert scale (Strongly Disagree, Disagree,

Neither Agree Nor Disagree, Agree and Strongly Agree). The average mean of the variables is 3.0, which is interpreted according to likert scale as Neither Agree Nor Disagree.

The null hypothesis therefore is confirmed. The respondents in this research have neither experienced effects of the Local Authority transfer Fund in the actual funds transfer and even in the financial management.

The Central Government through the Ministry of Local Government needs to create more awareness on LATF among the local authority employees. There is still need to design proper implementation strategies, which are workable and home grown. The local authority employees need to be involved in the design of such implementation strategies.

The local authority employees still felt that the funds introduced were not adequate (76.4%) for the enormous services they were to provide to the communities living within the local authorities.

The disbursement of the finances also unnecessarily took too long (69.1%). 69.1% of the respondents had reservations or still felt that there were unnecessary bureaucracies in getting the approved finances. All these would delay payment of creditors, salaries and the general running of the local authorities. The Council workers felt that the finances were not easily accessible leading to delayed service delivery (58.2%). According to the content of LATF policy, the finances disbursed by the local authorities must be directed to the intended purpose.

The council employees either had reservation or felt dissatisfied on the actual application of the finances on the intended purpose (58.2%). The employees of the local authorities through their respective committees should move recommendation for the annual increase of the finances to the local authorities. 60% of the respondents expressed dissatisfaction with their involvement in the financial increment. (See table 8 below)

Table 8: The adequacy disbursement procedures (%)

Financial Disbursement variables	SD	D	NAD	A	SA	Total
Finances adequate	16.4	60.0	3.6	20.0	0	100.0
Financial disbursement period	21.8	47.2	7.3	16.4	7.3	100.0
Bureaucracies of getting finances	38.2	16.4	14.5	30.9	0	100.0
Accessibility of finances	29.1	29.1	1.8	36.4	3.6	100.0
Finances directed to intended use	18.2	23.6	16.4	38.2	3.6	100.
Finances increased from recommendations	34.5	25.5	12.7	12.7	14.6	100.0

Hypothesis 2: The introduction of Local Authority Transfer Fund has not significantly improved the financial management practice in the Local Authorities

Table 9: Financial management policy variable

Financial management policy variable	N	Min.	Max.	Mean	Std. Dev.
Availability of financial management policy	55.0	2.0	5.0	3.8	0.8
Enough copies of the policy	55.0	1.0	5.0	2.8	1.3
Policy updated	55.0	1.0	5.0	3.2	1.3
Policy covers entire municipal management	55.0	1.0	5.0	3.6	1.0
Policy addresses sources of revenue	55.0	2.0	5.0	3.8	0.8
Policy addresses debt control strategies	55.0	1.0	5.0	3.0	1.2
Policy addresses internal audit controls	55.0	2.0	5.0	3.5	0.8
Policy addresses credit controls	55.0	1.0	5.0	3.4	1.1
Policy addresses ethics and governance	55.0	1.0	5.0	3.4	1.0
Policy addresses training on financial capacity building	55.0	1.0	4.0	3.3	0.8
Policy addresses the use of IT in financial management	55.0	1.0	4.0	3.1	0.9
Policy addresses budgeting and implementation	55.0	1.0	5.0	3.6	1.0
Policy addresses investment strategies	55.0	1.0	5.0	3.1	1.0
Policy addresses accounting best practice	55.0	2.0	5.0	3.4	1.0
Policy addresses auditing best practice	55.0	2.0	5.0	3.3	0.9
Policy addresses expansion strategies	55.0	1.0	5.0	3.1	1.0
Policy addresses customers relations	55.0	1.0	5.0	3.3	0.9
Policy has direct link with LAFT model	55.0	2.0	5.0	3.6	0.8
Financial committee instituted	55.0	2.0	5.0	4.1	0.7
The policy carries all duties in section 91 of the act	55.0	2.0	5.0	3.7	0.9
Policy articulates the LA borrowing procedures	55.0	1.0	5.0	3.6	0.9
Policy spells the 6 tools of financial control	55.0	1.0	5.0	3.4	1.0
Policy addresses procurement best practice	55.0	2.0	5.0	3.5	0.8
Policy addresses revenue collection and expenditure controls	55.0	1.0	5.0	3.5	1.1
Average				3.4	1.0

The variable considered deals with the nature financial management practice.

The total number of respondents is 55. The minimum and maximum is based on

Likert scaling designed in the questionnaire. According to the scaling,

1 = Strongly Disagree, 2=Disagree, 3= Neither agree nor disagree, 4=Agree, 5=Strongly agree. The mean and the standard deviation of each variable is provided in the table.

The mean of each variable gave an indication towards the liker scale (Strongly Disagree, Disagree, Neither Agree Nor Disagree, Agree and Strongly Agree). The average mean of the variables is 3.4 which is interpreted according to likert scale as Neither Agree Nor Disagree.

The null hypothesis is confirmed. The respondents in this study did not realize a significant change in the financial management at the local authorities since the introduction of LATF. This finding can be discussed into details by considering the frequencies of the variables used in this study. 12.7% of the respondents agree that there is some financial policy, 59.9% of the respondents confirmed that there no enough copies of the financial management policy for the purpose of reference. (See table 10 below)

Table 10: Financial Management Policy

Financial Management Policy variables	SD	D	NAD	A	SA	Total
Availability Financial Management policy	12.7	10.9	63.6	12.7	0	100.0
Enough copies of the policy	12.7	47.2	0	29.1	10.9	100.0
Investment content	3.6	25.5	40.0	20.0	10.9	100.0
Accounting best practice	29.1	10.9	50.9	9.1	0	100.0
Auditing best practice	0	21.8	30.9	38.2	9.1	100.

The availability of enough copies of the policy is very crucial internalization of the financial practice by the finance officers at the municipality.

Concerning the actual investment of the finances, 29.1% of the respondents confirmed dissatisfaction with the use of the finances for investment while 50.9% could not agree or disagree with the statement. It is important to note that investment of the LATF finances is the core mission of the management team of all the local authorities and as such the impact of this activity should be very clear in the minds of the employees. (See table 10 above). Accounting and audit practice of any finances is very crucial in any organization, especially an organization offering basic human need services like the local authorities. According to the study, whereas 9.1% of the respondents agreed that the financial management policy addresses the local authority accounting best practice, 21.8% disagreed that the policy addressed the auditing best practice and had reservations on the how the policy addressed the auditing best practice. (See table 10 above)

Hypothesis 3: The introduction of Local Authority Transfer Fund has not significantly improved service delivery in the local authorities.

Table 11: Service Delivery variables

Service Delivery variables	N	Min.	Max.	Mean	Std. Dev.	Skewness
Excellent roads	78.0	1.0	5.0	2.1	1.2	0.9
Excellent market	78.0	1.0	5.0	2.2	1.0	1.1
Excellent housing	78.0	1.0	4.0	2.1	0.9	0.6
Excellent car parks	78.0	1.0	4.0	2.1	1.1	0.6
Excellent garbage collection system	78.0	1.0	5.0	2.2	1.3	0.7
Excellent Sewerage system	78.0	1.0	5.0	2.4	1.2	0.7
Excellent water system	78.0	1.0	5.0	2.3	1.2	0.5
Excellent environ. management system	78.0	1.0	5.0	2.3	1.0	0.5
Excellent education management	78.0	1.0	5.0	2.1	1.0	0.6
Excellent public toilets	78.0	1.0	5.0	1.9	1.1	1.6
Excellent sign posts	78.0	1.0	5.0	1.6	0.9	1.6
Excellent payment of creditors	78.0	1.0	5.0	2.7	0.9	0.1
Well maintained the aged home	78.0	1.0	4.0	1.9	0.9	0.2
Excellent town planning	78.0	1.0	5.0	2.2	1.0	0.4
Faster issuance of business permit	78.0	1.0	5.0	2.6	1.2	0.4
Excellent valuation role	78.0	1.0	5.0	2.5	1.1	-0.1
Faster response by fire fighters	78.0	1.0	5.0	1.7	0.9	1.2
Excellent social services	78.0	1.0	4.0	2.0	0.8	0.9
Excellent street lights	78.0	1.0	4.0	1.6	0.8	1.1
The streets are clean ad well maintained	78.0	1.0	5.0	1.8	0.9	1.3
Organization of street traders are excellent	78.0	1.0	4.0	1.7	0.8	0.8
Excellent law reinforcement	78.0	1.0	4.0	2.1	0.9	0.6
Well organized pre-primary education	78.0	1.0	4.0	2.0	0.9	0.8
Well maintained slaughter houses	78.0	1.0	4.0	2.0	1.1	0.4
Excellent and well maintained bus park	78.0	1.0	5.0	2.3	1.2	0.5
Well maintained mortuary	78.0	1.0	5.0	2.3	1.1	0.4
Well maintained cemetery	78.0	1.0	5.0	2.2	1.1	0.6
Excellent disposal of dead animals	78.0	1.0	5.0	2.1	1.0	0.8
Excellent revenue receipting system	78.0	1.0	4.0	2.1	1.1	0.5
Excellent public parks	78.0	1.0	4.0	2.0	1.0	0.5
Excellent public infrastructure	78.0	1.0	3.0	2.0	0.8	0.0
Excellent student bursary system	78.0	1.0	5.0	2.1	1.1	0.6
Well organized charismas for aged	78.0	1.0	4.0	1.9	1.1	0.8
Well computed demand notes	78.0	1.0	5.0	2.0	1.0	0.9
Perfect grading of earth roads	78.0	1.0	5.0	2.0	1.1	0.8
Average				2.1	1.0	0.7

The above variables were used to test the nature of service delivery in the local authorities. The first column indicates the total number of respondents from the business communities in the local authorities under the study. The second and third columns indicate minimum and maximum based on Likert scaling designed in the questionnaire. According to the scaling, 1 = Strongly Disagree, 2=Disagree, 3= Neither agree nor disagree, 4=Agree, 5=Strongly agree. The mean and the standard deviation of each variable are also provided in the table. The mean of each variable gave an indication towards the likert scale (Strongly Disagree, Disagree, Neither Agree Nor Disagree, Agree and Strongly Agree). The average mean of the variables is 2.1, which is interpreted according to likert scale as Disagree. The skewness of the average distribution is 0.7, which is tending towards Strongly Disagree.

The hypothesis is therefore confirmed, the introduction of LATF has not improved the expected service delivery in the local authorities. According to the findings of this study, 74.6% disagreed on excellence of the road conditions in their local authorities. In terms of the municipal housing, 73.1% confirmed poor condition of housing in their respective local authorities. (See table 12 below)

Table 12: Excellent infrastructure

Infrastructure variables	SD	D	NAD	A	SA	Total
Excellent roads	41.0	34.6	3.8	19.2	1.4	100.0
Excellent housing	29.5	43.6	19.2	7.7	0	100.0

Local Authorities Hygiene

The communities living within the local authorities expect the local Authorities to keep the municipalities in a hygienic and habitable way. 68% of the respondents confirmed dissatisfaction on the garbage collection systems in the local authorities. 69.2% of the respondents expressed dissatisfaction on the sewage management system in the local authorities. 60.3% expressed dissatisfaction on the municipal environmental management while 70.3%, of the respondents expressed dissatisfaction with water system, 74.6% of the respondents expressed dissatisfaction the local authority's toilets system. All these issues can lead to disease and death to the communities living in the local authorities. (Table 13)

Table 13: Excellent municipal hygiene

Municipal hygiene variables	SD	D	NAD	A	SA	Total
Excellent garbage collection	43.6	24.4	7.7	20.5	3.8	100.0
Excellent sewage management system	25.6	43.6	5.2	19.2	6.4	100.0
Excellent water system	30.8	29.5	20.5	16.7	2.6	100.0
Excellent environmental management	24.4	35.9	26.9	10.3	2.6	100.0
Excellent public toilets	44.9	39.7	5.1	5.1	5.1	100.

Town planning and business empowerment

The immediate benefits the Business Community gets out of properly managed local authorities are the proper town planning and business empowerment. In this study, 68% of the business community respondents expressed dissatisfaction with the way the local authorities run the car parks. The local authorities also get their supplies from the business community. 83.4% of the respondents either have reservation or are dissatisfied with how the local authorities pay them as creditors.

62.9% are dissatisfied with the general planning of the town and municipal councils. 53.8% of the respondents were dissatisfied with the issuance of business permit. They expressed concern that the permit issuance took too long. 82.2% of the respondents were dissatisfied with the organization of the street traders. (Table 14)

Table 14: Town planning and business empowerment

Town planning variables	SD	D	NAD	A	SA	Total
Well maintained car park	43.6	24.4	14.1	17.9	0	100.0
Excellent town planning	24.4	38.5	28.2	7.7	1.3	100.0
Excellent payment of creditors	10.3	29.5	43.6	14.1	2.5	100.0
Fast issuance of business permit	19.2	34.6	21.8	16.7	7.7	100.0
Well organized street traders	47.4	34.6	15.4	2.6	0	100.

Community Social Services

The local authorities are also charged with responsibilities of providing efficient social services to the people living in the town and municipal councils. Concerning how the education systems of the local authorities are run, 69.3% were either dissatisfied with s on how the entire education systems were run. 83.3% were dissatisfied with how the social services provision was carried out. 88.5% of the respondents had either reservation or dissatisfied with how the local authorities run the pre-primary education as a social service. 68% of the respondents were dissatisfied with the maintenance of the cemeteries. Public parks are priorities in the municipal ant town planning. These are place reserved for public gatherings and personal relaxations. 66.7% were dissatisfied with how these public parks were run. (See table 15)

Table 15: Community social services

Community social service variables	SD	D	NAD	A	SA	Total
Education systems	32.1	37.2	23.1	6.4	1.2	100.0
The running of social services	25.6	57.7	9.0	7.7	0	100.0
Organization of pre-primary education	29.5	48.7	10.3	11.5	0	100.0
Maintenance of cemeteries	35.9	32.1	14.1	16.7	1.3	100.0
Public parks maintenance	43.6	23.1	26.9	6.4	0	100.

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

It is the role of the Kenya Government to offer essential services to all its citizens. For those living in urban areas, the town or municipal councils through Local Authority

Transfer Fund (LATF) offer such services. The main objective of the study was to establish the effect of Local Authority Transfer Fund (LATF) on service delivery in the municipalities in Kenya.

The study has come up with a number of very important findings, which should be taken up by the government for increased service delivery in the Local Authorities. First, the study established that the nature of Financial Disbursement Procedure has not significantly improved since the introduction of LATF. The availability of finances at the Local Authorities is still far much below the overwhelming service delivery demands. There are still very many unnecessary bureaucracies and red tapes in getting access to the finances. This definitely delays service delivery.

Secondly, it was within the good will of Local Authority Transfer Fund (LATF) that the finances should be properly managed. The study has established that the improvement in the financial management is not significant. This definitely would lead to financial leakages and mismanagement.

Some of the key findings related to financial management include the following: the financial management policy document is available but either not updated or the number of copies available are not enough; the policy does not adequately stipulate the issue of financial ethics and governance; there is poor permeation of Information Technology as a control tool in financial management; the policy stipulates budgetary control although it does not have a close implementation monitoring procedure and the policy has not established best practice in accounting and auditing. Thirdly, service delivery has not improved at all in spite of the introduction of LATF. The business communities living within the municipal councils disagreed on the level of improved service delivery at the municipal councils. The roads status is still poor, municipal houses are in a pathetic state and depleted, the municipal sewerage systems are still poor, the public toilets are still poor, municipal creditors still complain of lack of payment on time, the towns do not have adequate sign posts and road signs, Bus parks and terminals are still disorganized and always in chaos, the mortuaries are in pathetic conditions with cooling systems not working giving rise to rotting bodies and cases rodents breeding in the morgue among many other services.

5.2 Conclusion

The level of service delivery in the municipal councils is still below the expected standard in spite of the introduction of Local Authority Transfer Fund (LATF).

The financial management practice at the local authorities, which is actually a very strategic rider in service delivery, is still below the expected standard.

The trend of the financial disbursement to the municipal councils is still inconsistent with service delivery expectations. Conclusively, because of these two important factors, that is, inadequate financial management practice and inadequate financial disbursement trend to the municipal councils, the expected sound service delivery to the community living within the municipal councils is still far from far from being achieved.

5.3 Recommendations

From the findings and conclusion of this study, the following recommendations are very crucial for the purposes of improved service delivery in the local authorities. With new complex trend in urbanization brought about by industrialization, employment and global business opportunities, there is a lot of pressure on the few infrastructure and essential services in the municipal councils.. The government therefore needs to re-evaluate the spirit of the establishment of Local Authority Transfer Fund (LATF), its core mission, its vision, its objectives and functional procedures. There is also an urgent need to abridge the wide gap between the Central Government and the local authorities through the ministry of Local Government, which acts as an intermediary and supervisor of the employment of Local Authority Transfer Fund (LATF). This will help in the close monitoring of the implementation of the Local Authority Transfer Fund (LATF). The Ministry Local Government needs to put in place training mechanism to create awareness to the municipal employees as well as the residents of each local authority and their role in the implementation of LATF through LASDAP meetings appear to have been ignored by those managing local

authorities in an effort to access the funds without introducing resistance from the beneficiaries.

There must be a deliberate improvement in the proper management of the finances once they are transferred to the municipal councils. The ministry of Local Government must repackage a financial management best practice concept and implement it in municipal councils through capacity building. Some of the crucial issues to be included in the best practice is automation of all the finances through a central computer server in the ministry of local government, the employees must be retrained on the modern concepts of financial management. The practice must give priority to service delivery and customer relations for image recovery. The practice must involve all the stakeholders in the municipal governance, lastly, the policy must observe procurement guidelines to ensure that the residents get value of their money at all times. Situation where members of the council become suppliers of goods and services should be discouraged, as this is not in line with good corporate governance, as conflict of interest will definitely arise.

5.4 Recommendation for further research

The following related areas can be researched on to add up to what this study has established: - A comparative research covering the East African countries or other countries (should be carried out) to establish the effect of financial transfer on service delivery. This will help understand how other countries are managing the funding of local authority service delivery.

Secondly, a research should be conducted on revenue collection enhancement in local authorities as a supplement to LATF. Thirdly, a research should be done on Public Relations improvement in municipal councils. There is also a need to research on Governance and Ethics in the management of local authorities.

WORK PLAN

ACTIVITY	Nov	Dec	Jan	Feb	Marc	April	May	June	Jul
1. Proposal writing									
2. Presentation of proposal to the board of examiners									
3. Pre-testing of questionnaire at Mavoko Municipal Council									
4. Carrying out field survey at the selected Municipalities									
5. Data processing and analysis									
6. Project write-up									
7. Submission of the project to graduate school for defense									

PROPOSED BUDGET

Activity	Item	Unit cost	
Totals.			
Preparation of the proposal	2 reams of printing papers	@ 400	800
	Typing (Kshs 20/page)	@ 200	2,000
	Photocopying	@ 1,200	1,200
	Binding	@ 600	600
Traveling Cost	NKU –NBI (fuel) 4 times	@ 3,000	12,000
	NKU-Kabarnet (fuel) 2 times	@ 2,000	4,000
	NKU-Eldoret (fuel) 2 times	@ 3,000	6,000
	NKU-Eldoret (fuel) 2 times	@ 4,000	8,000
	NKU-Kitale (fuel) 2 times	@ 3,000	6,000
	NKU-Kericho (fuel) 2 times	@ 3,000	6,000
Preparation of the Questionnaires	Photocopies	@ 1,000	1,000
	Typesetting	@ 200	200
Preparation of the project report	Typing (Kshs 20/page)	@ 2,000	2,000
	2 reams of printing papers	@ 800	800
	Photocopying	@ 2,000	2,000
	Binding (copies) 5 copies	@ 2,000	10,000
	Miscellaneous		2,500
Total			63,100

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APPENDICES

QUESTIONNAIRES

Section A: Respondents' personal characteristics and General Information

Both the employees of the municipal councils and the business community in the municipal councils should fill up this part.

1. Date of interview: Case No:.....
2. Gender of respondent: Female (1) Male (2)
3. Age of respondent in years: Below 20 21-30 31-40 41-50
above 50
4. Marital status: Widow Married Single No response
5. Highest Education Level: Primary Secondary College University
6. Municipality: -----.

SECTION B: MUNICIPAL EMPLOYEES QUESTIONNAIRE

Financial disbursement procedures

The following statements Concern the financial disbursement trends by the Central Government. Please give the answer indicating your level of agreement. SD =Strongly Disagree, D=Disagree, NAD=neither agree nor Disagree, A=Agree, SA=strongly agree.

Financial Disbursement procedures						
Ranking						
		SD	D	NAD	A	SA
1	The finances are adequate					
2	The finances transfer is very fast					
3	Finances come on time					
4	Finances are disbursed as per the budget					
5	There is no unnecessary bureaucracy					
6	The finances are easily accessible when needed					
7	The finances are directed to the intended use					
8	The Finance are consistently increased yearly					
9	The Municipality does the recommendation of the increase.					
10	The finances have reduced the rate of the municipal debts.					

1 1	The citizen are aware of the purpose of LATF					
1 2	All the municipal employees are educated on LATF					
1 3	The Central Government has issued policies governing LATF					
1 4	The LATF policy is elaborate and has the interest of the municipality at heart.					
1 5	LATF policy available at municipality is most update.					
1 6	The municipality finds it easy to implementing LATF entirely.					
1 7	The Policy document is available for the public use at any time					
1 8	The policy has improved the level of revenue collection in the municipality.					
1 9	LATF champions employees motivations and work morale					
2 0	The policy has strong focus on the debt recovery					
2 0	LATF champions the employees work ethics					
2 1	LATF champions user-friendly customer relations during service delivery.					
2 2	LATF covers the entire municipal operations and management.					

SECTION C: MUNICIPAL EMPLOYEES QUESTIONNAIRE.

Financial management policy

The following statements Concern the financial management policy within a Municipal council. Please give the answer indicating your level of agreement. SD =Strongly Disagree, D=Disagree, NAD=neither agree nor Disagree, A=Agree, SA=strongly agree.

. Financial Management policy agreement level						
		SD	D	NAD	A	SA
1	The financial management policy document exists.					
2	There is enough number of copies.					
3	The updated copies are availed each time there are changes.					
4	The policy covers all the aspects of municipal financial management.					
5	The policy addresses the municipal sources of revenue.					
6	The policy handles debt controls strategies					
7	The policy addresses both the financial and internal controls.					

8	The policy address the issue of credit control with in the municipality					
9	The policy addresses the ethics and governance issues.					
10	The policy addresses financial management training capacity building.					
11	The policy addresses the introduction of IT in the financial management.					
12	The policy addresses budget formulations and implementation effectively					
13	The policy addresses financial investment strategies.					
14	The policy addresses accounting best practice					
15	The policy addresses auditing best practice.					
16	The policy addresses the municipal expansion and group strategies.					
17	The policy addresses customer relations					
18	The policy has a linkage with LATF model					

19	There is a finance committee instituted according to the Local Authority Act.					
20	The finance committee carries out all the duties prescribed in section 91 of the local authority act.					
21	The policy adequately stipulates the Local Authority borrowing procedures					
22	The policy spells out clearly the six tools for financial control					
23	The policy adequately handles the goods and services procurements procedures					
24	The policy adequately handles revenue collection and expenditure controls					

**SECTION D: MUNICIPAL COUNCIL BUSINESS COMMUNITY
QUESTIONNAIRE**

Service delivery

The following statements Concern the delivery improvement because of LATF and sound financial management within the municipality. Please give the answer

indicating your level of agreement. SD =Strongly Disagree, D=Disagree,

NAD=neither agree nor Disagree, A=Agree, SA=strongly agree.

Service delivery Knowledge Level		SD	D	NAD	A	SA
1	Municipal roads are excellent because of LATF.					
2	Municipal markets are excellent because as a result of the LATF					
3	Municipal Housing estates are excellent because of the LATF					
4	Municipal car parks are excellent because o the LATF					
5	Municipal garbage collection system is excellent because of the LATF					
6	Municipal sewerage system is excellent because of the LATF					
7	Municipal water system is excellent because of the LATF					

8	Municipal environmental management is excellent because of the LATF					
9	Municipal education department is excellent because of the LATF					
10	Municipal public toilets are excellent because of the LATF					
11	because of the LATF Municipal sign posts are excellent					
12	The payment for supplies is excellent because of LATF.					
13	Municipal Old people's home is excellent because as a result of the LATF					
14	Municipal Town Planning is excellent because of the LATF					
15	Municipal issuance of Business permit is faster because of the LATF					
16	Municipal Valuation roll is excellent because of the LATF					
17	Municipal Fire Brigade response time is faster because of the LATF					
18	Municipal Social Services are excellent because o the LATF					
19	Municipal street lighting is excellent because of the LATF					

20	Municipal street cleaning is excellent because of the LATF					
21	Municipal organization of street traders is excellent because of the LATF					
22	Municipal Bye-laws enforcement is excellent because of the LATF					
23	Municipal pre-primary education is excellent because of the LATF					
24	Municipal Chicken slaughter house is excellent because of the LATF					
25	Municipal Bus is excellent because as a result of the LATF					
26	Municipal Mortuary is excellent because of the LATF					
27	Municipal Burial Cemetery is excellent because of the LATF					
28	Municipal collection of dead animals is excellent because of the LATF					
29	Municipal Revenue Receipting excellent because of the LATF					
30	Municipal Parks are excellent because of the LATF					
31	Municipal Council's infrastructures are excellent because of the LATF					

32	Municipal Secondary school bursary for needy children is excellent because of the LATF					
33	Municipal Christmas parties for aged are excellent because of the LATF					
34	Municipal demand notes are correctly computed because of the LATF					
35	Municipal grading of earth roads is perfect because of the LATF					