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**LEGAL NOTICE No.**

**THE PUBLIC FINANCE MANAGEMENT ACT**

(No. 18 of 2012)

IN EXERCISE of the powers conferred by section 116 of the Public Finance Management Act, 2012, the Executive Committee Member for Finance, in accordance with circulars Ref. No. SRC/ADM/CIR/1/13/VOL.III9 (128) dated 17th December, 2014 and SRC/TS/29(31) dated 31 August 2022 makes the following Regulations—

**THE PUBLIC FINANCE MANAGEMENT (KITUI COUNTY EXECUTIVE MORTGAGE  
(MEMBERS) SCHEME FUND) REGULATIONS, 2026**

**Citation**

1. These regulations may be cited as the Public Finance Management (Kitui County Executive Mortgage (Members) Scheme Fund) Regulations, 2026.

**Interpretation**

2. In these regulations, unless the context otherwise requires —

“Borrower” means a person in receipt of a loan out of the Fund;

“Committee” means the Loans Management Committee established under regulation 6;

“Financial year” means the period of twelve months ending on the 30th June in each year;

“Fund” means the County Executive Mortgage (Members) Scheme Fund established under regulation 3;

“member of the Scheme” means, a member of County Executive Committee;

“Officer administering the Fund” means the fund administrator appointed by the County Executive Committee Member for Finance;

“Property” means a residential house purchased through a loan from the Scheme or land purchased under loan from the Scheme on which such house is to be developed; and

“Valuer” means a person registered as a valuer under the Valuers Act (Cap. 532).

**Establishment of the Fund**

3. There is established a scheme to be known as the Kitui County Executive Mortgage (Members) Scheme Fund.

**Object and purpose of the Fund**

4. The object and purpose of the scheme shall be to provide a loan scheme for the purchase, development, renovation or repair of residential property or land by members of the scheme.

### **Capital of the Fund**

5. (1) The initial capital of the scheme shall consist of the monies standing to the credit of the account on the date of the coming into operation of these regulations.
- (2) County assembly may appropriate additional monies to the Fund.

### **The Loans Management Committee**

6. (1) There is established a committee to be known as the Members Mortgage Loan Management Committee, which shall consist of —
- (a) The Chief Finance Officer who will be the Chairperson;
  - (b) The Head of Supply Chain Management;
  - (c) The Head of Human Resource Management;
  - (d) County Public Works Officer; and
  - (e) County Chief Mechanical Engineer.
- (2) The Fund Administrator shall be an ex-officio member of the Committee and the secretary to the Committee.
- (3) The Committee may invite into its meetings such officer or officers as may be necessary given the agenda of attend of its meetings.
- (4) The Committee shall administer the Fund and shall—
- (a) Process applications for loans in accordance with the existing terms and conditions of borrowing;
  - (b) Liaise with the mortgage company (if any) to set up a revolving fund for the disbursement of the loans; and
  - (c) Supervise the day-to-day running of the Fund.
- (5) The meetings of the Committee shall be convened by the chairperson or in the absence of the chairperson, by a member designated by the chairperson and shall be convened at such times as may be necessary for the discharge of the Committee's functions.
- (6) The quorum for a meeting of the Committee shall be three members.

### **Board may appoint Mortgage institution**

7. Notwithstanding regulations 6(4), the Committee may, if it considers it appropriate to do so, appoint a mortgage institution to administer the Fund on behalf of the Committee.

### **Application for loan**

8. A member of the scheme who wishes to apply for a loan from the Fund shall make such application to the officer administering the Fund in such manner as the Committee may prescribe.

### **Utilization of loan monies**

9. (1) A loan obtained under these regulations shall be utilized for the purchase, development, renovation or repair of residential property for the occupation of the applicant and his or her immediate family or for purchase of land on which such property shall be developed.

(2) A loan for the development of residential property may be granted at the discretion of the Committee—

- (a) To a member of the scheme who is in possession of a title document to the land on which the development is intended to be carried out;
- (b) In two installments, for the purchase of the land at which the residential property is to be developed and for the subsequent development of the property; and
- (c) The amount of the first installment granted for the purchase of land under paragraph (b) shall not exceed forty per cent of the maximum loan amount for which the member of the scheme is eligible.

(3) A loan for purchase of land shall be granted to a maximum of the value of the land as valued by an approved valuer.

### **Disbursement of loan for development**

10. (1) A loan granted for the development of a residential property under these rules and regulations shall be released to the borrower based on Bill of Quantities for the residential property that is proposed to be developed subject to:

- (a) The maximum loan amount for which the member of the scheme is eligible.
- (b) Availability of money in the Fund.

### **Requirements for application for loan**

11. (1) An application for a loan under these regulations shall be accompanied by the following documents where appropriate—

- (a) Copies of the designs of the proposed residential property duly approved by the county Government within whose area it is to be situated;
- (b) Bills of quantities in respect of the proposed development, renovation or repair;
- (c) A copy of the title deed and an official search of the title to the property intended to be purchased; and
- (d) A certified copy of the sale agreement relating to the property.

(2) The applicant shall bear the cost of stamp duty and other legal fees.

(3) Where a borrower fails to comply with the requirements of paragraph (2) within the stipulated time, the officer administering the Fund shall, upon giving the borrower fourteen days' notice, deduct the amount due from the salary of that borrower in such installments as may be appropriate and remit such deductions to meet such costs as may be due.

(4) All legal transactions in respect of the property being purchased shall be conducted by an advocate appointed by the Committee.

### **Leasehold property**

12. Where the property intended to be purchased through a loan from the Fund is leasehold property, such loan shall be granted where the expiry date of such lease is at least forty-five years beyond the final loan repayment date.

### **Maximum loan disbursement**

13. (1) The maximum loan to be granted under these regulations to a member of the scheme shall not exceed the sum of Twenty Million Shillings or such other amount as may be provided for by the Salaries and Remuneration Commission.

(2) A member of the scheme shall be required to give prior authority in writing for pension dues to be utilized to clear any outstanding debt in case the member loses seat or the appointment before fully repaying the loan.

(3) A loan granted to a borrower under these regulations shall be funded at the rate of one hundred per centum of the value of the property.

(4) Subject to this regulation, a member of the scheme shall be eligible for the maximum amount of loan specified under sub-regulation (1) in each term to be accessed by the member in a maximum of two disbursements in that term.

### **Repayment of loan**

14. A loan granted under these regulations shall be repaid in full over a period not exceeding twenty years.

### **Interest chargeable**

15. (1) The interest chargeable on a loan shall be three per centum per annum on a monthly reducing balance and this rate may be adjusted from time to time as may be prescribed. The interest accruing herein shall be credited to the capital Fund.

(2) A mortgage institution appointed under regulation 7 to administer the Fund may charge an interest of not more than four per centum to cover management costs.

(3) The interest charged under paragraphs (1) and (2) of these regulations shall be met by the borrower.

### **Lien**

16. (1) The Committee shall have a charge registered on the property financed through a loan granted under these Regulations and shall be entitled to have the County name entered in all documents of title for such property.

(2) The borrower shall —

(a) Not mortgage, charge, surrender the lease or sell or agree to sell or part with possession of the charged property or any part thereof without the prior written consent of the Committee;

(b) Meet and pay all rates, rents, insurances and any other outgoings in respect of the property and send the proof of such payments to the Committee; and

(c) Provide a transfer deed duly signed by the borrower and a letter authorizing the Committee to sell the property in case of default in payment.

(3) All residential properties purchased through the Fund shall be constructed of such material as may be approved by the Committee.

(4) During the loan repayment period, every borrower shall —

(a) Ensure that the property is used for residential purposes only;

(b) Maintain the property in a satisfactory state of repair; and

(c) Not alter or make any structural alteration to the property, carry out any valuation, assessment or investigation relating to the property or title thereto, as the case may be, without the approval of the Committee.

(5) No borrower shall be eligible for more than one loan at a time or more than a total of two loans from the Fund.

(6) All legal documentation and disbursement of funds shall be supervised by the Fund Administrator.

### **Mortgage insurance**

17. (1) A borrower shall take out and maintain a mortgage protection policy and a fire policy with an insurance firm approved by the Committee, the cost of which shall be paid by the borrower or out of the Fund and debited in such borrower's account.

(2) The originals of all documents relating to property financed by a loan from the Fund shall be kept in safe custody by the Fund Administrator.

### **Default in repayment**

18. The Committee may call in a loan and in default sell the charged property by public auction or private treaty where the borrower is in breach of the terms under the loan agreement or the covenant contained in the charge of the mortgage instrument.

### **Administration of the Fund**

19. (1) The officer administering the Fund shall —

(a) Supervise and control the administration of the Fund;

(b) Utilize the interest accruing thereto to defray operating expenses, and may impose any reasonable restriction or other requirements concerning such use;

(c) Cause to be kept books of accounts and other books and records in relation to the Fund and for all loans financed from the Fund;

(d) Prepare, sign and transmit to the Auditor General in respect of each financial year and within three (3) months after the end thereof, a statement of accounts relating to the Fund, prepared and signed by him specifying the income of the Fund and showing the expenditure incurred from the Fund, in such details as the Committee may from time to time direct in accordance with the Public Finance Management Act;

(e) Furnish such additional information as may be required for the purpose of examination and audit by the Auditor General; and

(f) Designate and appoint such staff as may be necessary to assist him in the administration of the Fund and may require such staff to carry out such inspections as may be necessary to verify any information submitted under these Regulations.

(2) Every statement of account prepared under these regulations shall include details of the balances between the assets and liabilities of the Fund and shall indicate the financial status of the Fund as at the end of the financial year concerned.

### **Responsibilities of Mortgage institution**

20. The responsibilities of the mortgage institution, if any, appointed under these regulations shall be—
- (a) To operate individual accounts for each borrower, which shall provide details of recoveries of the loan;
  - (b) To charge security on properties acquired through loans from the Fund to protect the interests of the Fund and act as custodian of such charges;
  - (c) To disburse cheques for newly approved loan to various vendors, after the necessary documentation is completed by the Committee;
  - (d) To pay all outgoings and issue demand notices where necessary to members through the officer administering the Fund;
  - (e) Upon repayment of the loan, interest and other expenses which may be outstanding, to discharge the charge and release the security documents to the borrower; and
  - (f) Upon default, to call in the loan and on behalf of the Committee sell the charged property by public auction or private treaty, in which event the fund shall meet any shortfall between the loan outstanding and the proceeds of sale.

### **Committee guidelines**

21. (1) These regulations shall be supplemented by such terms as may, from time to time, be detailed in the application form supplied by the Committee and in the contract between the mortgage institution and the county government.

(2) Subject to these regulations, the Committee shall issue guidelines on—

- (a) The purchase and development of land and residential properties under these regulations;
- (b) The utilization of surplus Funds for the purchase and development of land and residential property under these regulations; and
- (c) Such other matters as may be necessary for the proper management and administration of the Fund.

Made on the 30th April, 2026.

**Peter M. Kilonzo**

**County Executive Committee Member.**

**FINANCE, ECONOMIC PLANNING AND REVENUE MANAGEMENT**