

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF NAKURU

County Treasury

COUNTY BUDGET REVIEW

AND OUTLOOK PAPER

SEPTEMBER 2015

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Abbreviations and Acronyms.

ADP	Annual Development Plan
AiA	Appropriation in Aid
CARPS	Capacity Assessment and Rationalization Program me
CBROP	County Budget Review and Outlook Paper
CDMS	County Debt Management strategy
CFSP	County Fiscal Strategy paper
CG	County Government
CIDP	County Integrated Development Plan
COB	Controller of Budget
COFOG	Classification of Functions of Government
CRA	Commission of Revenue Allocation
DAs	Department and Agencies
DANIDA	Danish International Development Agency
FIF	Facility Improvement Fund
FMD	Foot and Mouth Disease
FY	Financial Year
IFMIS	Integrated Financial Management Information Systems
MLND	Maize Lethal Necrosis Disease
MTEF	Medium Term Expenditure Framework
PBB	Program Based Budget
PFM	Public Finance Management
RMFLF	Road Maintenance Fuel Levy Fund
SMEs	Small Microenterprises
SRC	Salaries and Remuneration Commission
SWGs	Sector Working Groups

FOREWORD

This County Budget Review and Outlook Paper (CBROP) prepared in accordance with Public Financial Management Act, 2012. It is the third to be prepared under the devolved system of Government. It presents recent economic developments and actual fiscal outcome for FY 2014/15 and makes comparisons to the budget appropriations for the same year. The updated macroeconomic outlook also provides useful guide on the basis for revise the 2015/16 budget in the context of the Supplementary Estimates, as well as setting out the broad fiscal parameters for the next budget and medium term.

The significance of C-BROP is that it ensures the County Government reviews its previous year's budget performance, the county and national economic-financial environment and how it's likely to impact on the level of future revenues and to set preliminary sector ceilings in the light of this review of revenues.

Total County Receipts amounted to Ksh. 9.5 billion. During the period under review, the county's local revenue collected including Appropriation in Aid (AIA) amounted to Ksh. 2.1 billion compared to Ksh 1.8 billion collected in the FY 2013/14. Transfer from Exchequer including conditional grants reached Ksh 7.4 billion reflecting a growth of 12 percent.

On the other hand total expenditure for the FY 2014/215 was Ksh. 8.4 billion against a total target of Ksh 10.6 billion representing a 20 percent underperformance. The budget execution rate for the FY 2014/15 were 16 percent and 64 percent for development and recurrent respectively leading to total absorption rate of 80 percent. This CBROP paper also demonstrate how actual performance of the local and national economy in 2014/15 FY affected County's compliance with the fiscal responsibility principles and financial objectives.

To strengthen the budget preparation process, the County government of Nakuru will continue to embrace programme-based budgeting and deepen public financial reforms to increase efficiency and effectiveness in service delivery and value for money. Emphasis will be placed on implementation of development projects as these will spur growth of the local economy and improve the lives of the residents of Nakuru County.

M/S ANN NJENGA
**Ag COUNTY EXECUTIVE MEMBER,
FINANCE AND ECONOMIC PLANNING**

ACKNOWLEDGEMENTS

This CBROP was made successful by contributions of various participants, whom should be highly recognized and appreciated for their efforts. The document was prepared by the joint team from the County Planning Unit (CPU) at the County Treasury, with invaluable inputs from Nakuru County Budget and Economic Forum and the County Sector Working Groups (SWGs) who gave much needed inputs that informed the content of this document. All departments led by the executive members contributed enormously towards the preparation of the report. The county treasury enabled development of the CBROP through provision of relevant information and statistics, which aided in financial analysis in the various chapters.

The county planning unit provided technical expertise in compilation of the document, with support from the various departments which provided the needed information timely. During the preparation process, the County Economic and Budget Forum members contributed immensely and their efforts are hereby appreciated.

In particular, I wish to appreciate the County Executive Committee member for Finance and Economic Planning, for providing leadership throughout the preparation of this document. I further wish to recognise staff of the Department of economic planning led by the Director for their and hard work and commitment in successfully delivering the document in time.

P.K TOROME,
CHIEF OFFICER,
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING,

Legal Basis for the Preparation and Publication of the County Budget Review and Outlook Paper

The County Budget Review and Outlook Paper is prepared in accordance with Section 118 of the Public Financial Management Act, 2012. The law states that:

1. The County Treasury shall prepare and submit to County Executive committee for approval, by 30th September in each financial year, a County Budget Review and Outlook Paper which shall include:
 - a) Actual fiscal performance in the previous financial year compared to the budget Appropriation for that year;
 - b) Updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal strategy paper
 - c) Information on how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles or the financial objectives in the latest County Fiscal strategy paper ; and
 - d) The reasons for any deviation from the financial objectives together with proposals to address the deviation and the time estimated to do so.
2. County Executive committee shall consider the County Budget Review and outlook Paper with a view to approving it with or without amendments, not later than fourteen days after its submission.
3. Not later than seven days after the CBROP has been approved by Executive committee, the County Treasury shall:
 - a) Submit the paper to the Budget and appropriation Committee of the County Assembly to be laid before the County assembly; and
 - b) Publish and publicise the paper not later than fifteen days after laying the Paper before County Assembly.

County Government Fiscal Responsibility Principles

In line with chapter twelve of the Constitution, Section 107 of the Public Financial Management (PFM) Act, 2012

- 1) The county government's recurrent expenditure shall not exceed the county government's total revenue
- 2) Over the medium term, a minimum of 30% of the County budget shall be allocated to development expenditure
- 3) The County government's expenditure on wages and benefits for public officers shall not exceed a percentage of the County government revenue as prescribed by the regulations.
- 4) Over the medium term, the County government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- 5) Public debt and obligations shall be maintained at a sustainable level as approved by County Government (CG)
- 6) Fiscal risks shall be managed prudently
- 7) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future

I. INTRODUCTION

Objectives of the County Budget Review and Outlook Paper (C-BROP)

1. The objectives of the 2015 C-BROP is to offer insight of the previous fiscal performance and provide useful guidance on how this impact the County fiscal responsibilities principles set out in the County Fiscal Strategy Paper (CFSP 2015), Section 104 of the PFM Act 2012 in this budget year. Insight in to this budget projections of the current CFSP 2015 will guide the County in preparing the Supplementary budget estimates for the current appropriations.
2. The current C-BROP will continue to with the strategies set out in the current CFSP namely ; Creating an enabling environment for business and private sector participation in County Economic growth and development; Development of County physical and social infrastructure facilities including feeder roads, water, ICT to stimulate growth; Promotion of health services through investing in quality and affordable health services; Promotion of value addition for agricultural produce, food security and environmental conservation; Promotion of equitable social economic development for county stability; Enhancing governance, transparency and accountability in the delivery of public goods and service by promoting participation of the people in governance as envisaged in the Constitution of Kenya 2010.
3. The C-BROP is further expected to provide preliminary sector ceilings for the FY 2017/2018 budget and an indicative projections for the FY 2017/2018 and 2018/2019 Medium term expenditure period. These ceilings will offer the primary reference for the Sector Workings groups (SWG) before being firmed up in the CFSP 2016.
4. Further the paper includes a review of FY 2014/2015, a brief delve into the recent County and National Economic Developments and how these affects the County fiscal outlook going forward given the prevailing Macroeconomic environment for the Country.

II. REVIEW OF FISCAL PERFORMANCE IN FY 2014/2015

A. Overview

5. The fiscal year 2014/2015 marked the adoption of the Programme based budgeting (PBB) approach for the County Government as envisaged in the section 12 of the second schedule of the Public Finance Management (PFM) Act 2012. This period revealed an appreciable improvement in performance in both revenue collections and budget execution compared to same period FY 2013/2014.
6. The total County Revenues amounted to 9,529,670,041 against a revised target estimates 9,982,037,507 representing 95.47 percent achievement. This represented a deviation of Ksh 452,367,466. This shortfall was mainly on account of deviation in local revenues. Despite the negative variance in local revenue performance, Collection for the Appropriation in Aid (AiA) exceeded its target by approximately 1.28 percent.
7. On the expenditure side, the County Government planned expenditures were disrupted by litigation pitting the County Assembly Forum and the Controller of Budget as the respondent. This necessitated to invocation of spending on vote on account which limits spending up to 50 percent of the votes pending the determination of the conflict. Further this stalemate was exacerbated by delay in approval of the Supplementary budget estimates in January 2015. Delays in exchequer release and slow collection of local revenues in the first half of 2014/2015 FY led to slow execution of the budget of the recurrent expenditure. Further the execution of the Development Budget was hampered by weak procurement planning and mandatory introduction of the *E-Procurement* in the last quarter of FY 2014/2015 without prior training of the spending agencies.

B. 2014/2014 FY Fiscal Performance Revenue Performance

8. By the close of FY 2014/2015 the County total receipts amounted to Ksh. 9,529,670,041 against a revised target of Ksh 9,982,037,507 representing an underperformance of 4.53 percent or Ksh 452,367,466. Although the total receipts may have underperformed by Ksh. 452,367,466, this showed a significant growth of 13.12 percent from the actual receipts in FY 2013/2014.

Table 1: County Government Total Revenues (local Revenues and Exchequer Releases)

No.	REVENUE SOURCE	ACTUAL (Baseline) 2013/2014	TARGETS 2014/15	ACTUALS 2014/15	VARIANCE	GROWTH IN PERCENT
1	Land Rates	230,169,891	420,700,000	304,749,406	(115,950,594)	32.40%
2	Plot/Ground Rent	-	65,800,000	20,233,512	(45,566,488)	100.00%
3	House Rent	32,136,014	89,060,000	59,373,470	(29,686,530)	84.76%
4	Advertising	69,142,288	177,782,043	90,982,257	(86,799,786)	31.59%
5	Building Approval	35,258,693	77,460,000	58,127,531	(19,332,469)	64.86%
6	Single Business Permit	345,189,270	398,500,000	327,139,634	(71,360,366)	-5.23%

No.	REVENUE SOURCE	ACTUAL (Baseline) 2013/2014	TARGETS 2014/15	ACTUALS 2014/15	VARIANCE	GROWTH IN PERCENT
7	Market Fees	69,381,684	85,800,000	77,759,357	(8,040,643)	12.07%
8	County Park Fees	-	2,500,000	194,500	(2,305,500)	100.00%
9	CESS- Agricultural Produce	49,077,348	61,800,000	33,919,430	(27,880,570)	-30.89%
10	CESS-Flowers	-	51,000,000	8,277,187	(42,722,813)	100.00%
11	Stock/Slaughter Fees	3,660,539	15,900,000	10,518,254	(5,381,746)	187.34%
12	Royalties	25,643,131	116,000,000	115,814,409	(185,591)	351.64%
13	Water and Sewerage	219,280	8,500,000	3,237,055	(5,262,945)	1376.22%
14	Parking Fees	233,601,312	238,800,000	271,556,391	32,756,391	16.25%
15	Liquor Licensing	6,633,000	23,200,000	337,500	(22,862,500)	-94.91%
16	Health Fees	-	70,000,000	63,634,773	(6,365,227)	100.00%
17	Education, culture & Social service	-	-	16,900	16,900	100.00%
18	Fire	-	28,000,000	33,766,034	5,766,034	100.00%
19	Other Fee and Charges	271,937,010	128,362,306	120,782,688	(7,579,618)	-55.58%
	Sub Total	1,372,049,460	2,059,164,349	1,600,420,288	(458,744,061)	16.64%
	Facility Improvement Fund	424,485,122	500,000,000	505,779,098	6,377,098	19.15%
	Sub Total	1,796,534,582	2,559,164,349	2,106,199,386	-452,366,966	17.24%
	Equitable Share	5,936,875,619	7,082,152,961	7,082,152,461	(500)	19.29%
	Level 5 Conditional Grant	600,436,911	317,840,197	317,840,197	-	-47.07%
	CA- Health Facilities (DANIDA Grant)	88,000,000	22,880,000	22,880,000	-	-74.00%
	Sub Total	6,625,312,530	7,422,873,158	7,422,872,658	(500)	12.04%
	Grand Total	8,421,847,112	9,982,037,507	9,529,072,044	(452,367,466)	13.15%

Source: Nakuru County Financial Statement Sept 2015

9. Cumulative local revenues including FIF amounted to Ksh 2.106 billion against a revised target of Ksh 2.559 billion. This represented a performance of 82.3 percent. Further collections excluding FIF amounted to Ksh 1,600,420,288. This result has been tabulated in Table 2 below. Further comparison with the previous FY 2013/2014 reveal the local revenues grew by an appreciable 16.64 percent. The improvement may be attributed to the smooth implementation of the County Finance Act 2014 as well as the adoption of County Revenue Automation System in the second half of the FY 2014/2015.

10. The underachievement of the local revenue flows was attributed to lower than expected collections from Agriculture Cess. The County had been served with court injunctions prohibiting the collections of Agriculture cess, which was only lifted in the second half of the FY 2014/2015. Further delays in gazettment of regulations for the County Liquor licencing led to the significant underachievement of this revenue stream. In addition the absence of enabling legislation on the public entertainment had not been operationalised.

Table 2: Local Revenues Sources

No.	REVENUE SOURCE	ACTUAL (Baseline) 2013/2014	TARGETS 2014/15	ACTUALS 2014/15	VARIANCE	GROWTH IN PERCENT
1	Land Rates	230,169,891	420,700,000	304,749,406	(115,950,594)	32.40%
2	Plot/Ground Rent	-	65,800,000	20,233,512	(45,566,488)	100.00%
3	House Rent	32,136,014	89,060,000	59,373,470	(29,686,530)	84.76%
4	Advertising	69,142,288	177,782,043	90,982,257	(86,799,786)	31.59%

No.	REVENUE SOURCE	ACTUAL (Baseline) 2013/2014	TARGETS 2014/15	ACTUALS 2014/15	VARIANCE	GROWTH IN PERCENT
5	Building Approval	35,258,693	77,460,000	58,127,531	(19,332,469)	64.86%
6	Single Business Permit	345,189,270	398,500,000	327,139,634	(71,360,366)	-5.23%
7	Market Fees	69,381,684	85,800,000	77,759,357	(8,040,643)	12.07%
8	County Park Fees	-	2,500,000	194,500	(2,305,500)	100.00%
9	CESS- Agricultural Produce	49,077,348	61,800,000	33,919,430	(27,880,570)	-30.89%
10	CESS-Flowers	-	51,000,000	8,277,187	(42,722,813)	100.00%
11	Stock/Slaughter Fees	3,660,539	15,900,000	10,518,254	(5,381,746)	187.34%
12	Royalties	25,643,131	116,000,000	115,814,409	(185,591)	351.64%
13	Water and Sewerage	219,280	8,500,000	3,237,055	(5,262,945)	1376.22%
14	Parking Fees	233,601,312	238,800,000	271,556,391	32,756,391	16.25%
15	Liquor Licensing	6,633,000	23,200,000	337,500	(22,862,500)	-94.91%
16	Health Fees	-	70,000,000	63,634,773	(6,365,227)	100.00%
17	Education, culture & Social service	-	-	16,900	16,900	100.00%
19	Fire	-	28,000,000	33,766,034	5,766,034	100.00%
	Other Fee and Charges	271,937,010	128,362,306	120,782,688	(7,579,618)	-55.58%
	Sub Total	1,372,049,460	2,059,164,349	1,600,420,288	(458,744,061)	16.64%

Source: Nakuru County Financial Statement Sept 2015

The County Government of Nakuru began the collection of the Appropriation in Aid (AIA) after the passage of regulations for the Facility Improvement Fund (FIF). Revenue flows from FIF grew by 19.15 percent from the FY 2013/2014 to surpass the target by more than six million shillings.

Table 3: *Appropriations in Aid*

No.	REVENUE SOURCE	ACTUAL (Baseline) 2013/2014	TARGETS 2014/15	ACTUALS 2014/15	VARIANCE	GROWTH IN PERCENT
	Facility Improvement Fund	424,485,122	500,000,000	505,779,098	6,377,095	19.15%

Source: Nakuru County Financial Statement Sept 2015

The expected total Exchequer releases for the FY 2014/2015 amounted to Ksh 7,922,873,158. The total receipts from the exchequer amounted to Ksh 7,929,249,753 showing a deviation of Ksh 500 only. But it is critical to note that the last two tranches of the exchequer receipts amounting to Ksh. 1,328,820,365 were received a day after the closure of the Financial Year 2014/2015. This late disbursements therefore forced the County to carry forward most of its planned expenditures for FY 2014/2015. Equitable share of revenue which is the main of National transfers increase by 19 percent.

However the conditional grant for the Nakuru's *Level 5* hospital declined almost by half from Ksh 600,436,911 to Ksh 317,840,197 representing a 47 percent drop. The grants from DANIDA declined by 74 percent in FY 2014/2015. Overall transfers to the County from the National Government rose by only 5 percent.

Table 4: *Exchequer Releases*

No.	REVENUE SOURCE	ACTUAL (Baseline) 2013/2014	TARGETS 2014/15	ACTUALS 2014/15	VARIANCE	GROWTH IN PERCENT
	Equitable Share	5,936,875,619	7,082,152,961	7,082,152,461	(500)	19%
	Level 5 Conditional Grant	600,436,911	317,840,197	317,840,197	-	-47%
	CA- Health Facilities (DANIDA Grant)	88,000,000	22,880,000	22,880,000	-	-74%
	Sub Total	7,052,653,298	7,422,873,158	7,422,872,658¹	(500)	5%
	Total Exchequer Receipts as a Percent of the Total Budget	66.4%	69.9%	69.9%		

Source: Nakuru County Financial Statement Sept 2015

As a percent of the total budget the National transfers represented about 69.9 percent and therefore any variations in the cash flow projections would have a significant impact on the budget. During the reporting period Equitable share of revenue grew by 19 percent to reach Ksh 7.082 billion. On the other hand Conditional grant for Level 5 Hospital reduced by a significant 47 percent from Ksh 600,436,911 on FY 2013/2014 to Ksh 317,840,197 in FY 2014/2015.

Expenditure Performances

The total expenditure for the FY 2014/215 was Ksh. 8,484,344,758 as per the approved budget estimates or 81 percent performance. This was against a total target of Ksh 10,616,517,883 representing an under performance of Ksh 2,132,173,125 or 20 percent under performance.

In terms of economic classification, compensation to employee expenditure represented the highest performance at 103 percent while Development expenditure performed lowest at 46 percent. Table 5 below shows the total County Expenditures by economic classifications.

However it is notable to observe that development expenditure grew by the highest margin at 115 percent (from Ksh 779,563,778 in FY 2013/2014 to Ksh 1,674,345,534 in FY 2014/2015)

¹ Ksh 1,328,820,365 of the targeted Exchequer receipts was received on 2nd July 2015.

Table 5: Expenditure performance by Economic Classification

	ACTUAL (Baseline) 2013/2014	TARGET 2014/2015	ACTUAL 2014/2015	VARIANCE	% GROWTH	BUDGET EXECUTION RATE	PERCENT OF TOTAL BUDGET
Current Expenditure:							
Compensation Of Employees	4,500,934,004	4,369,173,012	4,429,938,345	60,765,333	-2%	101%	42%
Use Of Goods And Services	1,770,817,409	2,593,239,770	2,389,518,083	(203,721,687)	35%	92%	23%
Transfers to other Government entities	-	-	-	-	-	-	-
Other Grants and transfers		-		-	-	-	-
Sub Total:	6,271,751,413	6,962,412,782	6,819,456,428	(142,956,354)	9%	98%	64%
Capital Expenditure							
Acquisition Of Non-Financial Assets	769,075,791	3,631,225,101	1,642,008,330	(1,989,216,771)	114%	45%	15%
Capital Grants To Governmental Agencies	11,331,814	22,880,000	22,880,000	-	102%	100%	100%
Other Development	-	-	-	-	-	-	-
Sub Total:	780,407,605	3,654,105,101	1,664,888,330	(1,989,216,771)	113%	46%	16%
Grand Total:	7,052,159,018	10,616,517,883	8,484,344,758	(2,132,173,125)	20%	80%	80%

Source: Nakuru County Financial Statement Sept 2015

Total recurrent expenditure represented 64 percent of the total budget against 66 percent target. On the other hand development expenditures represented 16 percent of the total budget against a 34 percent target.

Table 6: Departments' Expenditure Performance for Period ending 30th June 2015 (Ksh Million.)

Vote NO.	VOTE TITLE	RECURRENT EXPND. 2014/2015			DEVELOPMENT EXPND. 2014/2015			TOTAL			Rate of Budget Execution
		ACTUAL	TARGET A	VARIANCE	ACTUAL	TARGET B	VARIANCE	ACTUAL	TARGET C	VARIANCE	
1.	County Treasury	884.17	661.66	222.51	199.78	206.20	(6.42)	1,083.95	867.86	216.09	125% ²
2.	Agriculture, Livestock and Fisheries	389.40	503.92	(114.52)	52.01	131.52	(79.51)	441.40	635.43	(194.03)	69%
3.	Health	2,802.00	2,832.32	(30.32)	199.45	625.06	(425.61)	3,001.45	3,457.38	(455.93)	87%
4.	Environment, Water and Natural Resources	279.55	254.91	24.64	124.36	294.84	(170.48)	403.92	549.75	(145.83)	73%
5.	Education, Sports, Youth and Social Services.	299.64	416.32	(116.68)	143.53	573.90	(430.37)	443.17	990.22	(547.05)	45%
6.	Lands, Physical Planning and Housing	78.27	80.79	(2.52)	55.59	160.37	(104.78)	133.86	241.16	(107.30)	56%
7.	Roads Public Works and Transport	279.82	237.43	42.39	484.02	1,021.37	(537.35)	763.84	1,258.80	(494.96)	61%
8.	Public Service Management	625.69	564.87	60.82	-	10.00	(10.00)	625.69	574.87	50.82	109%
9.	Trade, Industrialization and Tourism	64.59	103.89	(39.30)	66.09	248.30	(182.21)	130.68	352.19	(221.51)	37%
10.	ICT and E-Government	29.20	30.77	(1.57)	20.26	53.82	(33.56)	49.46	84.58	(35.12)	58%
11.	Office of the Governor and Deputy Governor	273.12	222.46	50.66	-	50.00	(50.00)	273.12	272.46	0.66	100%
12.	County Public Service Board	62.63	72.19	(9.56)	-	5.00	(5.00)	62.63	77.19	(14.56)	81%
13.	County Assembly	774.25	980.89	(206.64)	296.92	273.72	23.20	1,071.17	1,254.61	(183.44)	85%
	SUB TOTAL	6,842.34	6,962.42	(120.08)	1,642.01	3,654.11	(2,012.10)	8,484.34	10,616.52	(2,132.18)	80%

Source: Nakuru County Financial Statement Sept 2015

² All target are as per Approved estimates for FY 2014/2015. All performance beyond 100 percent reveal that the allocations was revised upwards through subsequent supplementary budget.

The actual expenditure during the year was Ksh. 8.4 billion against the target of Ksh. 10.6 billion. This represents an underperformance of 20 percent. The shortfall was attributed partly to failure by the national treasury disburse the last tranche to the county government.

During the year under review the development expenditure was Ksh. 1,642,010 against the target of Ksh. 3,654,110, this represents a 55 percent under-spending. This was mainly caused by late disbursement of funds from the national government and the underperformance of the own county revenue.

Recurrent expenditure incurred amounted to Ksh.6. 842 billion against a target of Ksh. 6.962 billion representing 1.7 percent under spending.

Most departments reported an underspending of the development budgets with a cumulative deviation of Ksh 2.01 billion or 55 percent underperformance. Slow procurement and cash flow constraints and the observable weak fiscal capacity across County Government entities largely explains this substantial deviation. This occurrences resulted in rolling of planned development programmes to the following financial year.

Overall the County Treasury had the highest rate of budget execution at 125 percent against revised target while the Department of Trade had the lowest rate of 37 percent.

County Debt Management

The total stock of debt for the County Government including departmental pending bills stood at Ksh 3.5 billion at the end of FY 2014/2015. This rise was further affected by, weak procurement planning and cash-flow constraints arising from delays in timely disbursement from the exchequer releases. It would be noted that an amount of Ksh 1.8 billion worth of capital budget commitments were rolled over to the next FY 2015/2016 and is expected to significantly reduce county's pending bills.

During the period under review the County Government allocated Ksh 180 Million for debt resolution. The total debt repayment for recurrent debt commitments reduced from Ksh 217,904,817 to Ksh 20,376,848 representing a 91% drop. This would be explained by the fact that all payments made in FY 2013/2014 was entirely committed to paying salary arrears for staff from the defunct local authorities. In addition the payments for recurrent debt commitments in FY 2014/2015 were made possible through budget revision to allow for servicing of a restructured commercial bank loan.

On development vote, the County continued to meet its financial obligations to creditors on debts arising from pending bills and those inherited from the defunct local authorities. Repayment to development debt commitment amounted to Ksh 159,623,152 representing a growth of 113 percent compared to the previous financial year. Table 7 illustrate the debt repayment for County Government over the past two financial years.

Table 7: County Debt Repayment FY 2014/2015

Vote	FY 2013/2014 (Baseline)		FY 2014/2015		Rate of Budget Execution	% Growth in Repayment
	Approved Estimates	Actual Expnd.	Approved Estimates	Actual Expnd.		
Recurrent	219,904,817	217,904,817	-	20,376,848		-91%
Development	300,561,737	74,839,161	180,000,000	159,623,152		113%
Sub Total	520,466,554	292,743,978	180,000,000	180,000,000	100%	-0.38513

Source: Nakuru County Financial Statement Sept 2015

During the period under review also the first County Debt Management Strategy Paper (CDMS) was prepared and submitted to the County Assembly 28th of February 2015 pursuant to section 123 of the Public Finance Management Act 2012. The document which analysed the sustainability of the County debt, the risk associated with each debt portfolio and the priority criteria for servicing such debts. Going forward it is expected that the county shall adopt the recommendation of the CDMS paper to ensure fiscal discipline and improve the county creditworthiness.

Overall Balance and Financing

Observing the above performance for both revenue and expenditures the overall fiscal balances (on a commitment basis) was Ksh 1.8 billion (equivalent of 16% percent of the revised budget target)

Fiscal deficit amounted to Ksh 452 million shortfall in local revenues was controlled through revision of expenditure targets in the Supplementary budget estimates and suspending of planned expenditures to the next Financial Year 2015/2016.

C. Fiscal Performance for FY 2014/2015 in Relation to Fiscal Responsibility Principles and Financial Objective

The fiscal performance of the FY 2014/2015 has a bearing on the financial objectives adopted in the CFSP 2015 and its Subsequent budget for FY 2015/2016. The following observations have been made;

The base used to set the local revenue estimates for the FY 2015/2016 remains largely realistic given the improved revenue performance in FY 2014/2015 at 80 percent of the target. In analysing the underperformance per revenue streams, it has been observed potential streams including Agriculture cess, liquor licence and hotel and catering fees and charges will do well in the current budget year given the elimination of obstacles for collections.

The cash flow projection from Exchequer transfers remains largely unpredictable and this has partly caused rolling of Ksh 1.7 billion to FY 2015/2016.

The fiscal capacity of the County Government has been improved given the 115 percent growth in development expenditure compared to the previous FY 2013/2014. The County

performance is expected to perform even better considering the extension of period for prequalification of suppliers.

The County share of conditional grant for Level 5 hospital increased marginally by Ksh 17million from the figures adopted in the CFSP 2015. The increment be committed to development as per the request of the user entity.

The outcome of the 2015 Economic Survey has revealed a stable Macroeconomic environment for the Country and general positive performance in all sectors of the economy. Further global oil prices have remained largely subdued along with stability in cost of other energy source. Although tourism earnings may have reduced by 7.3 percent nationally in year 2014, the county has seen an appreciable improvement in domestic tourism following insecurity concerns in the traditional tourist destinations. On the basis of this observations at the macro level the County Government predict a steady performances in the nationally raised revenues (which is equivalent to over 70 percent of the projected revenues in the current FY 2015/2016).

The visible disparity in FY 2014/2015 budget performance for both recurrent and development votes across all County Government will have implications on the baselines used to forecast expenditures in FY 2015/2016. These observations alongside the cash flow constraints have advised the final determination of this C-BROP going forward.

In addition the County Treasury understand the weakness in fiscal capacity of the respective County Government entities and shall progressively continue to facilitate training and capacity development to enhance efficiency.

Continuing in Fiscal Discipline and Responsibility Principles

Over the medium term a minimum of 30 percent of the county government's budget shall be allocated to the development expenditure

The allocation for development budget was well within the set minimum requirement of 30 percent with Ksh 3.6 billion allocated to development against a total budget of Ksh 10.6 billion. However the execution rate for development expenditure was below average at only about 45 percent performance. Nonetheless Ksh 1.6 billion reported as actual development expenditure was a significant progress in comparison with the previous FY 2013/2014 where Ksh 700 million was incurred.

The county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly

The County expenditure on wages and salaries remained largely unchanged despite increase in County receipts with a marginal growth of -2 percent. Although the proportion of wage bill as a percentage of total budget is still high at 42 percent.

The county debt shall be maintained at a sustainable level as approved by county assembly the county government's recurrent expenditure shall not exceed the county government's total revenue;

The County Government has continued in its commitment of reducing its debt though observing fiscal discipline and expenditure management. During the period under review the County settled Ksh 180 million worth of debt representing a 100 percent of the targeted expenditure. Although The PFM (County Government) regulations 2015 has set the limit for County Government borrowings to a maximum of 20 percent of the total revenue the County Government does not forecast any borrowing within this MTEF period.

A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.

Based on the lesson learnt in significant underperformance in local revenues in the first year of devolution the County Government has continued to adopt a more rational approach in revenues and expenditure forecasts based on acute environment and potential of the County to expand its revenue base. Total local revenues including AiA reached Ksh 2.1 billion representing 82 percent performance. This achievement demonstrate an improved forecasting rationale in comparison with the similar period in 2/13/2014.

III. RECENT ECONOMIC DEVELOPMENTS AND FISCAL OUTLOOK

The performance of the county is dependent on the country's economic performance as well as formulation and implementation of prudent policies by the County Government.

Generally the county operated under a stable macroeconomic environment.

A. Recent Economic Developments

- i. Despite increased food security and value addition strategies, the productivity of the agricultural sector was hampered by the outbreak of the Maize Lethal Necrosis Disease (MLND) in late 2014, the foot and mouth disease (FMD) during the months of December and January 2015 and the erratic weather patterns that affected agricultural productivity. With the passage of the Agriculture Development Fund Act by the County Assembly, the sector may face implementation challenges if the allocation of resources is not enhanced.

In addition the appointment of the Nakuru County Land Management board will assist in putting off the perennial land wrangles. The valuation roll and spatial planning that was initiated during the year by the Physical Planning subsector will go a long way in ensuring proper planning and mapping of revenue sources.

- ii. The proposed standard gauge railway that will be constructed up to Naivasha has seen the county in liaison with the national government propose setting up of industrial parks in Naivasha. This will be supported by the geothermal power at Olkaria that will see the cost of electricity to power the industrial parks go down drastically. In addition, the allocation of a bigger budget by the county to the infrastructure sector saw increased opening and upgrading of county roads. This will assist in easing communication to both people and goods hence improving marketing channels for the farm produce. Security and prolonged working hours due to installation of security lights in strategic areas will improve the business environment.
- iii. Continued adoption of ICT by the departments led to improved expenditure and revenue management. Adoption of IFMIS modules to the expenditure, budgeting and procurement functions was embraced by the county departments. Automation of key revenue sources has led to increased revenues.
- iv. The rehabilitation and expansion of the county market infrastructure as well as the County street lighting programme is expected to significantly transform the environment for trade through offering secure and expanded space for traders. In

addition the reorganisation of the Central Business District for Nakuru town has seen fundamental change in the ease of doing business in in the CBD and its environs.

- v. The tourism sector in the County saw increase in numbers and revenues on both local and international tourists despite the slump in the sector nationally. Naivasha emerged as a preferred destination for conference tourism, at the expense of the traditional destinations such as Mombasa due to security alerts exerted by foreign governments. Investments in higher capacity conference centres and accommodation will see the sector increase optimality.
- vi. Organizational structures were developed as well as biometric staff head count through Capacity Assessment and Rationalization Programme (CARPS) in conjunction with the Ministry of Devolution and Planning. At the end of this programme the county will have a comprehensive report on the staff skills and help to place staff where their skills are rightfully required hence increase efficiency and improve service delivery.
- vii. The County was able to employ the Sub-county administrators and their deputies as well as the Ward administrators as required by the Constitution and the County Government Act. This is expected to improve service delivery to the citizens.
- viii. To improve the retention rate in secondary schools, the County Government through the Ministry of Education established a bursary fund so as assist the bright and needy students. In addition the ministry put in place measures to the empower girl-child by offering sanitary towels to primary and secondary school girls within the county so that they do not miss classes. In addition several youth polytechnics have been established and the existing ones refurbished.
- ix. The Ministry of Environment, Natural Resources, Energy and Water engaged private garbage collectors to collect garbage on behalf of the county government as they improve their livelihood thus creating employment. The ministry was engaged in making fire briquettes from waste through support to groups hence helping in environment conservation within the county.
- x. The Ministry of Health in collaboration with the ICT department has automated health department services e.g. payment for health services and issuance of various medical certificates. This has streamlined provision of health services to the public.

B. Macroeconomic Outlook and Policies

Global Outlook:

The County's economic outlook is majorly influenced from the national macroeconomic variability. From the national perspective, improved growth is expected in 2015. World trade is expected to grow by 4.5 per cent compared to a growth of 3.0 per cent during the year and Oil prices are projected to remain subdued throughout the year due to possibilities of sustained oversupply as Iran and Libya add to the current output after improved political environment.

Domestic outlook:

Trade; due to high global growth and trade prospects, Nakuru County can leverage on trade especially in the horticulture sector. Subdued oil prices translates to lower costs of doing business, especially in the transportation and manufacturing/ industrial sector. In addition cost of electricity might fall due to increased share of geothermal electricity generation.

Currency; the instability of the Kenyan currency might have mixed effects on both trade and financial sectors. With the depreciated currency, Kenya is expected to export more and import less, creating favourable Balance of Payment. However, the cost of credit is expected to increase significantly, discouraging borrowing tendencies and therefore fewer investments. The expected high interest rates may also lead to flight of capital.

Inflation; Inflation is projected to ease in 2015 and remain stable due to lower prices of oil and electricity.

Agriculture; the agricultural sector may perform averagely, as weather conditions are not expected to be favourable. Prolonged dry spell in some of the months coupled with the forecasted El Nino rains will not avail a good environment for agricultural production

Tourism; Tourism prospects in the county are expected to remain high especially the conference tourism. As such, the county should continue providing a favourable environment for the tourism sector to prosper.

The county has continued to improve market infrastructure by coming up with new markets, completion of the ESP markets and lighting up the streets. This will enhance the growth of SMEs and prolong the business hours in the county. In addition, the County government relocated small kiosks and hawkers from the CBD to a centralized place. This will continue to improve the town outlook and attract major businesses, while at the same time providing essential services to hawkers such as toilets and water in a sustainable manner.

Overall, improved external environment and a sustained strong internal demand are likely to favour growths in many sectors of the economy this year.

C. Medium Term Fiscal Framework

In the area of cost of credit, the County government has put in place funds such as the County SME Fund and SACCOs fund to avail the necessary support to spur growth of SMEs and SACCOs. This will go a long way in raising income levels and encouraging the saving dynamism and consequently, higher rates of investments.

The County will continue encouraging both local and international tourism as well as investments through a tourism/investment forum to be held during the year, as well as establishment of Sub county tourists' information centres.

In order to cushion farmers, the county has set aside funds to support vulnerable farmers with farm inputs, encourage cultivation of perennial and hardy food crops and vegetables as well as through adoption of modern and appropriate technologies by farmers.

D. Risks to Fiscal Outlook

Although the growth of Nakuru County economy is promising, it is still prone to risks both macro and micro economic environment. The macroeconomic management and performance of the sectors under the National Government has an effect on how the sectors of the county perform.

The risk that affect the country's economy that will have an impact on the performance of the County's economy include;

- i. Although agriculture is the main driver of the county economy it is faced with unreliable weather patterns and exposure to pest and disease, therefore greater attention need to be taken and structures put in place to address overreliance of rain fed production.
- ii. Public expenditure pressures especially recurrent expenditures pose fiscal risks. The wage bill in particular limited the funds available to development, curtailing the

ability of the county to expand its infrastructure and fulfil other development initiatives as outlined in the budget.

- iii. Constrained physical space/land may limit expansion on investments, as the county possesses very little land for public utilities and setting up of industries or new social amenities through Public Private Partnerships. Delays in approval of development plans has also been cited as one of the derailment to attracting investments.
- iv. Litigations by the business community and legal tussles between the County Governments and National government on Public Finance requirements instituted may distort revenues and expenditure sides of the budget.
- v. The general uncertainty at the National scene on the stalemate of the teachers' salary demands and the impact of the forecasted *el-nino* rainfall over the medium term may affect negatively the future transfers of revenue to County Governments.

IV. RESOURCE ALLOCATION FRAMEWORK

A. Amendment to the 2015/2016 MTEF Budget

The County fiscal framework supporting the FY 2015/2016 was on the basis of better budget execution and improved fiscal management of the budget buoyed by improved efficiency. In comparisons the County Government expected more prompt performance of the revenues streams from both the local sources and the National exchequer transfers. To this end the economic assumptions been affected.

The County Government has received new guidance from the Controller of Budget (COB) on the classification of some expenditures including Car and Mortgage Fund in the 2015/2016 budget. This will necessitate raising of supplementary budget proposal and further impact negatively to the fiscal responsibility principal of Recurrent/ Development ratios.

The anticipated *el-nino* rainfalls in the month of October as projected by the National Metrological department may have adverse effect to the County infrastructure and drainages. Given this new information the County may therefore require to increase the allocation to emergency fund. The impact of this may adversely affect the other County strategic initiative proposed in the current budget.

The final determination of the County Equitable share and the Conditional grants for the FY 2015/2017 were made close to the end of the FY 2014/2015. The Management of the Nakuru Level 5 hospital did not have sufficient time make the necessary improvement to the budget based on the additional allocations. The County will also require supplementary budget proposals to appreciate the new information.

On account of the recent unrest of the health workers in July 2015, the County Government signed a return to work agreement with the striking workers that included promotions and enhancement of other allowances approved by the Salaries and Remuneration Commission (SRC). Although the 2015/2016 budget factored provision for promotions, wage bill expenditure may rise significantly in the current year beyond the approved budget estimates. This will consequently impact on County's ability to provide other essential services and achieve the fiscal responsibility principles set in the PFM law.

The County Treasury has stressed on the need to closely monitor the implementation of the current budget through analysing expenditure against approved budget on a quarterly basis and

providing timely financial counsel to all County Government entities. Further through the adoption of the *Procure-to-Pay* system the County envisage to reduce the slow process of the supply management system and improve transparency. In addition the County Government will focus on containing non-core expenditure and prudently managing fiscal risk as envisaged in the County Fiscal Strategy Paper 2015 and the PFM Act 2012.

Given the shortfall in the local Revenues for the FY 2014/2015 and the late in disbursement in the National Exchequer releases, the County Government will focus on improving the efficiency in revenue administration through strengthening the adaptation of the County revenue automation and focusing on other potential streams which underperformed in the previous year. This include the liquor license, flower cess and hotel and catering levies.

The County Government will also bank on rather smooth implementation of the Finance Act 2014 in seamless preparation the Finance Bill 2015. The enactment of the liquor licence laws along its regulations and the entertainment act 2014 will improve the collection of the associated fees and charges. Further the new valuation roll will significantly improve the administering of the property taxes.

B. Medium Term Expenditure Framework

In strengthening the linkage between planning and budgeting, the Medium term Budget framework for the period 2016/2017-2018/2017 will sustain allocation of resources to core programmes and sub programmes identified in the County Integrated Development Plan (2013-2017), the sectoral Strategic Plans and fiscal initiatives of the County Governments enumerated in the CFSP 2015.

Key considerations will be made to ensure that the adopted fiscal strategies in the CFSP 2015 are prioritised in funding to ensure inclusive social economic growth and development of the County. These thematic areas include; building an enabling environment for private sector growth and expansion; transforming both urban and rural infrastructure, agriculture value addition, productivity and extension support services; providing quality and affordable healthcare for all County residents; and enhancing equitable social economic growth through deliberate County specific programmes.

Building an enabling environment for private sector growth and expansion;

This will entail upscaling the priority programmes in Public Administration and National/Inter-County Relations sector identified in the 2015/2016 Programme Based Budget. The sector will strive to provide more efficient services to both County Government Entities and the public within the confines of devolved functions. The sector comprises of 5 main subsectors and is among the largest by size and budget proportion of the Budget at 41 percent. However it is essential to note that Ksh 1,375 billion for ward development projects has been allocated to the County Treasury awaiting the outcome of the public participation engagements. To address accumulating County debts and pending bills, the County shall allocate approximately Ksh. 550 million for debt resolution. A further Ksh 974 million shall be transferred to County Assembly to facilitate County legislative services, representation and oversight. However this allocation shall be firmed up in the CFSP 2016 once CRA recommended ceiling for County Assemblies and County Executives are adopted by the Senate.

Further General Economic Sector will offer supportive services to SMEs and cooperative societies to improve their entrepreneurial capacity. The sector will also focus on upgrading the existing market infrastructures to improve the physical environments for small and large scale traders. The Sector's development expenditure is expected to rise from Ksh 104 Million in FY 2015/2016 to Ksh 112.4 Million to in FY 2016/2017. This exclude projects earmarked at the Ward level that awaits the outcome of the public participations.

Transforming both urban and rural infrastructure,

Nakuru County has among the largest road networks in the Country. Rehabilitation and maintenance of County physical infrastructure in both rural and urban areas remain one of the County's fiscal constraint. Rising urban population has continued to put pressure on the existing urban infrastructure and the need to expand the physical infrastructure including urban drainage and street lighting programmes. Further provision of ICT network infrastructure and hardware is necessary for efficient communication interface between the County and its citizens. To facilitate this endeavour Energy Infrastructure and ICT Sector will receive a combined 410 million. This include a projected amount of Ksh 114 million conditional grant from the 15 percent of the Road Maintenance Fuel Levy Fund (RMFLF).

Agriculture Value addition and extension support services;

Agriculture remain the single largest employer in Nakuru County. Within this MTEF period the focus remains on increasing productivity through the upscaling of extension services and value addition of the raw agricultural produces. Further the lands subsector shall continue to lay focus on county spatial planning and coordinating urban development planning including rehabilitation of housing. The Sector' development allocation shall by 70 million in the FY 2016/2017 to reach to 384 million translating to 20 percent growth.

Providing quality and affordable healthcare for all County residents;

Provision of health services is one of the fully devolved function to the County Governments. Further in managing the Nakuru *Level 5* Hospital, the County is faced with an even greater task of providing healthcare services to referral cases from neighbouring Counties. Within this MTEF period the sector will attempt to increase the quality of services through equipping and provision of medical supplies as well as through preventive health strategy. The sector forecast *Appropriation in Aid* to grow by 10 percent to reach to Ksh 605 million in FY 2016/2017. Observing the nature of the sector inclination toward service delivery, the recurrent expenditures for the sector have been shored up by an additional Ksh 295 million in FY 2016/2017. This is exclusive of 256 million in the current year conditional grant for forgone user fees and free maternity services which have not been projected.

Enhancing equitable social economic growth.

Through deliberate of allocations of resources to projects at the ward level the County Government expected to enhance equitable social economic development across all wards. However the lack of statistics on the social economic indicators across various wards has hindered a more rational approach in resource allocation within the wards. Within this MTEF period, therefore the County will maintain an allocation of Ksh 1.375 billion to ward projects in FY 2016/2017. The County will step up provision of early childhood education and vocational training for the youth through engaging of more instructors and operationalising the already built infrastructure. In addition the County Government will continue to take deliberate steps in providing social safety nets for the vulnerable groups in the society though providing additional resources to the County Disability Fund. Overall the Education and Social Protection Sector allocations are expected rise by an additional Ksh 66 million.

The summary of expenditure allocation to department has been summarised in table 8

Table 8: Total Expenditure Ceilings for the Period 2016/2017-2018/2019

SECTOR NAME		APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS		% of total Allocation		% Growth
		2015/2016	2016/2017	2017/2018	2018/2019	2015/2016	2016/2017	
Agriculture Rural and Urban Development	SUB-TOTAL	992,231,687	1,083,154,454	1,191,469,899	1,310,616,889	8%	8%	0.11%
	Rec. Gross	654,492,515	698,608,361	768,469,197	845,316,117	6%	5%	-0.05%
	Dev. Gross	337,739,172	384,546,093	423,000,702	465,300,773	3%	3%	0.16%
Education/ Social Protection, Culture and Recreations	SUB-TOTAL	669,925,378	737,941,550	811,735,705	892,909,275	6%	6%	0.13%
	Rec. Gross	605,925,378	642,173,926	706,391,318	777,030,450	5%	5%	-0.08%
	Dev. Gross	64,000,000	95,767,624	105,344,387	115,878,825	1%	1%	0.21%
Energy Infrastructure and ICT	SUB-TOTAL	684,428,351	782,651,604	860,916,764	947,008,441	6%	6%	0.35%
	Rec. Gross	322,209,053	371,865,873	409,052,461	449,957,707	3%	3%	0.19%
	Dev. Gross	362,219,298	410,785,731	451,864,304	497,050,734	3%	3%	0.16%
Environment Protection Water and Natural Resources	SUB-TOTAL	447,922,421	548,394,666	603,234,133	663,557,546	4%	4%	0.51%
	Rec. Gross	326,849,947	376,876,313	414,563,944	456,020,338	3%	3%	0.19%
	Dev. Gross	121,072,474	171,518,354	188,670,189	207,537,208	1%	1%	0.32%
General Economics and Commercial Affairs	SUB-TOTAL	228,070,204	247,620,278	272,382,306	299,620,536	2%	2%	0.01%
	Rec. Gross	123,197,730	135,172,159	148,689,375	163,558,313	1%	1%	0.02%
	Dev. Gross	104,872,474	112,448,119	123,692,930	136,062,224	1%	1%	0.00%
Health	SUB-TOTAL	3,908,754,753	4,199,799,585	4,619,779,543	5,081,757,497	33%	33%	-0.10%
	Rec. Gross	3,575,732,509	3,871,296,020	4,258,425,621	4,684,268,184	30%	30%	0.14%
	Dev. Gross	333,022,244	328,503,565	361,353,922	397,489,314	3%	3%	-0.24%
Public Administration and National/Inter County Relations	SUB-TOTAL	4,952,071,303	5,205,998,813	5,726,598,694	6,299,258,563	42%	41%	-1.02%
	Rec. Gross	2,693,234,100	2,856,690,596	3,142,359,656	3,456,595,621	23%	22%	-0.36%
	Dev. Gross	2,258,837,203	2,349,308,217	2,584,239,038	2,842,662,942	19%	18%	-0.66%
SUB TOTAL		11,883,404,098	12,805,560,949	14,086,117,044	15,494,728,748	100%	100%	0.00%

Note: Development Expenditure is net of allocations to Ward projects.

C. 2016/2017 Budget Framework

The next Medium Term Expenditure framework 2016/2017-2018/2019 is founded on a stable National Macroeconomic environment and improving fiscal forecast of the County Government.

i. Revenue Projections

Total Projected revenues for the County will be estimated to rise to Ksh 12.805 billion translating to 7.76 percent growth. Local Revenues are expected to improve significantly following the passage of necessary regulations of several devolved revenue streams for and the seamless preparation of the Finance Bill 2015. The County however remains cautious and has projected a growth of 10 percent of the Approved estimates translating to Ksh 2.59 billion in FY 2016/2017. On the other hand the County also expect projects the AIA for the Department of Health rise by Ksh 55 million to reach to Ksh 605 million. Equitable share of revenue has been rising at decreasing rate since the first year of Devolution (FY 2013/2014) rising sharply

by 19.3 percent in FY 2014/2015 and growing at a reducing rate of 14.6 percent in fiscal year 2015/2016 as illustrated in Annex III. Given this phenomenon the County Treasury has projected a conservative estimated growth of 11.5 percent in FY 2016/2017 translating to a growth of approximately Ksh. 933 million.

ii. Expenditure Forecasts

In the Next MTEF period County total expenditures for FY 2016/2017 are expected to rise to Ksh 12.805 billion up from Ksh 11.883 billion in the Approved estimates of FY 2015/2016. This reflects an overall growth of 7.8 percent. County Wage bill is expected to rise by 10 percent to steady at 5.4 billion in FY 2016/2017. An appreciable number of county staff are expected to exit on retirement age by the end of FY 2016/2017 and the focus shall be replacing the technical staff.

Other recurrent expenditure ceiling are forecasted to Ksh 3.5 billion a growth of 5 percent from the approved estimates of FY 2015/2016. This rise is mainly due the need to operational most of the capital projects implemented so far and observing the marginal variation in prices of goods and services.

Overall development expenditures ceilings are projected to rise by 7.3 percent to Ksh 3.842 billion in FY 2016/2017. Further, development budget ceiling in FY 2016/2017 has maintained at 30.1 percent proportion of the total budget in line with the fiscal responsibility principles of PFM law. This shall entail allocation of Ksh 1.917 billion for strategic County capital projects and Ksh 1.375 to undertake projects at the ward level and approximately Ksh 550 Million for County debt resolution. An amount of Ksh 25.26 million of the development budget will be fund by from DANIDA donor grant.

Reflecting on the projected revenues and expenditures the County does not anticipate deficit in financing and therefore forecasted expenditures are equal to amount of expected receipts, thereby achieving a balanced budget.

V. CONCLUSION AND NEXT STEPS

The preparation the C-BROP document and fiscal decisions made in this MTEF period 2016/2017-2018/2019 has largely relied in the lessons learnt in budget execution in the period under review and beyond.

Further in entrenching fiscal discipline, the County has relied on the fiscal responsibility principal set out in the PFM Act 2012 in making forecasts including reasonableness in revenue projection. The County Government has also continued to pursue prudent fiscal policy through reorienting expenditure toward priority programmes within the mandate of the County Government.

Going forward the County Integrated Development Plan (CIDP 2013-2017), the Annual Development Plan (ADP 2016/2017) and the sectoral departmental strategic plans shall continue to advise the priorities in resource allocation.

All Sector Working Groups are therefore required to make reference to the sector ceiling annexed herein in drafting and submission their sector budget proposals within the timelines of the budget calendar for FY 2016/2017.

The next County Fiscal Strategy Paper due in February 2016 shall firm up the baseline expenditure ceilings proposed in this C-BROP document.

Annex 1: County Government of Nakuru Operations FY 2016/2017-2018/2019

No.	REVENUE SOURCE	APPROVED ESTIMATES	C-BROP	PROJECTIONS	
		2015/2016	2016/2017	'2017/2018	2018/2019
1	Property tax (Plot rent and Land rates)	620,000,000	682,000,000	750,200,000	825,220,000
2	Single Business Permit	420,000,000	462,000,000	508,200,000	559,020,000
3	Market Fees	105,000,000	115,500,000	127,050,000	139,755,000
4	Building Approval	80,325,850	88,358,435	97,194,279	106,913,706
5	Cess	125,910,000	138,501,000	152,351,100	167,586,210
6	Royalties	103,092,000	113,401,200	124,741,320	137,215,452
7	Stock/ Slaughter fees	20,000,000	22,000,000	24,200,000	26,620,000
8	House Rent	50,000,000	55,000,000	60,500,000	66,550,000
9	Advertising	288,000,000	316,800,000	348,480,000	383,328,000
10	Parking fees	265,000,000	291,500,000	320,650,000	352,715,000
11	Liquor Licensing	85,000,000	93,500,000	102,850,000	113,135,000
12	County Park Fees	5,000,000	5,500,000	6,050,000	6,655,000
13	Water And Sewerage	4,500,000.00	4,950,000	5,445,000	5,989,500
14	Health fees and charges	70,000,000.00	77,000,000	84,700,000	93,170,000
	Other Fees and Charges	119,321,839.00	131,254,023	144,379,425	158,817,368
	Subtotal Total Local Sources	2,361,149,689	2,597,264,658	2,856,991,124	3,142,690,236
	Health AiA (Facility Improvement Fund)	550,000,000	605,000,000	665,500,000	732,050,000
	Subtotal	2,911,149,689	3,202,264,658	3,522,491,124	3,874,740,236
	Donor Grants (DANIDA)	22,880,000	25,260,000	25,260,000	25,260,000
	Loans and Grants CRA	-	-	-	-
	Conditional Allocation to compensate Forgone user fees	37,373,449	-	-	-
	Conditional Fund -Leasing of Medical Equipment	95,744,681	-	-	-
	Conditional Fund -Free Maternal Health	219,627,800	-	-	-
	Road Maintenance Fuel Levy Fund (RMFLF)	103,104,393	113,414,832	124,756,316	137,231,947
	Conditional Allocation For Level- 5 Hospital	377,193,143	414,912,457	456,403,703	502,044,073
	C.R.A Equitable Share	8,116,330,943	9,049,709,001	10,090,425,537	11,250,824,473
	SUB TOTAL	8,972,254,409	9,603,296,290	10,696,845,556	11,915,360,493
	GRAND TOTAL	11,883,404,098	12,805,560,949	14,219,336,679	15,790,100,730
	Expenditure:				
	Current Expenditure:				

Compensation to Employees	4,919,199,048	5,411,118,952	5,789,897,279	6,079,392,143
Use Of Goods And Services	3,171,419,322	3,329,990,288	3,629,689,414	3,956,361,461
Grants And Other Transfers				
Other Recurrent	211,022,863	221,574,006	239,299,927	258,443,921
Sub Total:	8,301,641,233	8,962,683,247	9,658,886,620	10,294,197,525
Capital Expenditure:				
Acquisition Of Non-Financial Assets	3,528,882,865	3,785,367,703	4,499,715,059	5,431,620,705
Capital Grants To Governmental Agencies	22,880,000	25,260,000	25,260,000	25,260,000
Other Development	30,000,000	32,250,000	35,475,000	39,022,500
Sub Total:	3,581,762,865	3,842,877,703	4,560,450,059	5,495,903,205
Grand Total:	11,883,404,098	12,805,560,949	14,219,336,679	15,790,100,730
DEFICIT/ SURPLUS	0	(0)	-	0
PERCENT OF TOTAL BUDGET				
Current Expenditure:	70%	70%	68%	65%
Capital Expenditure:	30%	30%	32%	35%

Annex II: Trend in Growth of Equitable share of Revenue

FINANCIAL YEAR	ALLOCATION	GROWTH	% GROWTH
2013/2014 (Base Year)	5,936,875,619	5,936,875,619	100.0%
2014/2015	7,082,152,961	1,145,277,342	19.3%
2015/2016	8,116,330,943	1,034,177,982	14.6%
2016/2017 C- BROP Projected (Growth)	9,049,709,001	933,378,058	11.5%

Annex III: Total Expenditure Sector Ceilings for the Period 2016/2017-2018/2019

	SECTOR NAME	APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
		2015/2016	2016/2017	2017/2018	2018/2019
1	Agriculture Rural and Urban Development	1,031,631,687	1,083,154,454	1,191,469,899	1,310,616,889
2	Education/ Social Protection, Culture and Receptions	953,065,378	737,941,550	811,735,705	892,909,275
3	Energy Infrastructure and ICT	1,286,938,351	782,651,604	860,916,764	947,008,441
4	Environment Protection Water and Natural Resources	713,072,421	548,394,666	603,234,133	663,557,546
5	General Economics and Commercial Affairs	307,170,204	247,620,278	272,382,306	299,620,536
6	Health	4,014,454,753	4,199,799,585	4,619,779,543	5,081,757,497
7	Public Administration and National/Inter-County Relations	3,577,071,303	5,205,998,813	5,726,598,694	6,299,258,563

SUB TOTAL	11,883,404,098	12,805,560,949	14,086,117,044	15,494,728,748
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Annex IV: Total Recurrent Expenditure Ceilings for the Period 2016/2017-2018/2019

VOTE	Source of Funding	APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
		2015/2016	2016/2017	2017/2018	2018/2019
Agriculture Rural and Urban Development					
Agriculture, Livestock and Fisheries	Gross Allocation	543,350,664	575,616,520	633,178,172	696,495,989
	Local Revenue		177,922,742	195,715,016	215,286,518
	CRA Equitable Share		397,693,778	437,463,156	481,209,471
Lands, Physical Planning and Housing	Gross Allocation	111,141,852	122,991,841	135,291,025	148,820,127
	Local Revenue		63,016,709	69,318,380	76,250,218
	CRA Equitable Share		59,975,132	65,972,645	72,569,910
Health					
Health	Gross Allocation	3,575,732,509	3,871,296,020	4,258,425,621	4,684,268,184
	AIA		550,000,000	605,000,000	665,500,000
	Conditional Grant		314,912,457	346,403,703	381,044,073
	Local Revenue		476,610,729	524,271,801	576,698,982
	CRA Equitable Share		2,529,772,834	2,782,750,117	3,061,025,129
Environment Protection Water and Natural Resources					
Environment, Water and Natural Resources	Gross Allocation	326,849,947	376,876,313	414,563,944	456,020,338
	Local Revenue		116,492,256	128,141,481	140,955,630
	CRA Equitable Share		260,384,057	286,422,462	315,064,709
Education, Sports, Youth and Social Services.	Gross Allocation	605,925,378	642,173,926	706,391,318	777,030,450
	Local Revenue		348,495,599	383,345,158	421,679,674
	CRA Equitable Share		293,678,327	323,046,160	355,350,776
Energy Infrastructure and ICT					
Roads Public Works and Transport	Gross Allocation	285,538,321	322,275,130	354,502,643	389,952,907
	Local Revenue		149,615,061	164,576,567	181,034,224
	Conditional Grant		-	-	-
	CRA Equitable Share		172,660,069	189,926,076	208,918,683
ICT and E-Government	Gross Allocation	36,670,731	49,590,744	54,549,818	60,004,800
	Local Revenue		30,328,471	33,361,318	36,697,450

VOTE	Source of Funding	APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
		2015/2016	2016/2017	'2017/2018	2018/2019
	CRA Equitable Share		19,262,273	21,188,500	23,307,350
General Economics and Commercial Affairs					
Trade, Industrialization and Tourism	Gross Allocation	123,197,730	135,172,159	148,689,375	163,558,313
	Local Revenue		101,781,638	111,959,802	123,155,782
	CRA Equitable Share		33,390,521	36,729,573	40,402,530
Public Administration and National/Inter-County Relations					
County Treasury	Gross Allocation	710,441,514	763,012,459	839,313,705	923,245,076
	Local Revenue		335,846,721	369,431,393	406,374,533
	CRA Equitable Share		427,165,738	469,882,312	516,870,543
Public Service Management	Gross Allocation	880,926,404	961,072,698	1,057,179,968	1,162,897,965
	Local Revenue		332,067,030	365,273,733	401,801,106
	CRA Equitable Share		629,005,669	691,906,236	761,096,859
Office of the Governor and Deputy Governor	Gross Allocation	228,806,136	245,025,481	269,528,029	296,480,832
	Local Revenue		175,737,238	193,310,962	212,642,058
	CRA Equitable Share		69,288,243	76,217,067	83,838,774
County Public Service Board	Gross Allocation	80,249,649	86,639,758	95,303,733	104,834,107
	Local Revenue		76,780,300	84,458,330	92,904,163
	CRA Equitable Share		9,859,457	10,845,403	11,929,943
County Assembly	Gross Allocation	792,810,396	800,940,200	881,034,220	969,137,642
	Local Revenue		212,570,164	233,827,181	257,209,899
	CRA Equitable Share		588,370,035	647,207,039	711,927,743
SUB TOTAL		8,301,641,233	8,952,683,247	550,000,000	8,402,683,247

Annex V: Total Development Expenditure Ceilings for the Period 2016/2017-2018/2019

SECTOR NAME	Source of Funding	APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
		2015/2016	2016/2017	2017/2018	2018/2019
Agriculture Rural and Urban Development					
Agriculture, Livestock and Fisheries	Gross Allocation	176,808,718	189,580,802	208,538,882	229,392,770
	Local Revenue		-	-	-
	CRA Equitable Share		189,580,802	208,538,882	229,392,770
Lands, Physical Planning and Housing	Gross Allocation	200,330,454	194,965,291	214,461,821	235,908,003
	Local Revenue		-	-	-
	CRA Equitable Share		194,965,291	214,461,821	235,908,003
Health					
Health	Gross Allocation	438,722,244	328,503,565	361,353,922	397,489,314
	AIA		55,000,000	60,500,000	66,550,000
	Conditional Grant		125,260,000	137,786,000	151,564,600
	Local Revenue		-	-	-
	CRA Equitable Share		148,243,565	163,067,922	179,374,714
Environment, Water and Natural Resources	Gross Allocation	386,222,474	171,518,354	188,670,189	207,537,208
	Local Revenue		-	-	-
	CRA Equitable Share		171,518,354	188,670,189	207,537,208
Education, Sports, Youth and Social Services.	Gross Allocation	347,140,000	95,767,624	105,344,387	115,878,825
	Local Revenue		-	-	-
	CRA Equitable Share		95,767,624	105,344,387	115,878,825
Energy Infrastructure and ICT					
Roads Public Works and Transport	Gross Allocation	905,885,814	339,691,586	373,660,744	411,026,819
	Local Revenue		-	-	-
	Conditional Grant (RMFLF)		113,414,832	124,756,316	137,231,947
	CRA Equitable Share		226,276,754	248,904,429	273,794,872
ICT and E-Government	Gross Allocation	58,843,484	71,094,145	78,203,559	86,023,915
	Local Revenue		-	-	-
	CRA Equitable Share		71,094,145	78,203,559	86,023,915
Public Administration and National/Inter-County Relations					
County Treasury	Gross Allocation	495,603,577	2,000,729,863	2,200,802,849	2,420,883,134

SECTOR NAME	Source of Funding	APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
		2015/2016	2016/2017	'2017/2018	2018/2019
-	Local Revenue		-	-	-
	CRA Equitable Share		2,000,729,863	2,200,802,849	2,420,883,134
Public Service Management	Gross Allocation	88,650,732	95,054,571	104,560,028	115,016,031
	Local Revenue		-	-	-
	CRA Equitable Share		95,054,571	104,560,028	115,016,031
Trade, Industrialization and Tourism	Gross Allocation	183,972,474	112,448,119	123,692,930	136,062,224
	Local Revenue		-	-	-
	CRA Equitable Share		112,448,119	123,692,930	136,062,224
ICT and E-Government	Gross Allocation	58,843,484	71,094,145	78,203,559	86,023,915
	Local Revenue		-	-	-
	CRA Equitable Share		71,094,145	78,203,559	86,023,915
Office of the Governor and Deputy Governor	Gross Allocation	57,554,356	76,711,894	84,383,084	92,821,392
	Local Revenue		-	-	-
	CRA Equitable Share		76,711,894	84,383,084	92,821,392
County Public Service Board	Gross Allocation	5,393,986	3,083,630	3,391,993	3,731,192
	Local Revenue		-	-	-
	CRA Equitable Share		3,083,630	3,391,993	3,731,192
County Assembly	Gross Allocation	236,634,552	173,728,258	191,101,084	210,211,193
	Local Revenue		-	-	-
	CRA Equitable Share		173,728,258	191,101,084	210,211,193
SUB TOTAL		3,581,762,865	3,852,877,702	4,238,165,472	4,661,982,019

Annex VI: Sector Composition and Sector Working Groups for MTEF Budget 2016/2017-2018/2019

CLASSIFICATION OF FUNCTIONS OF GOVERNMENT (COFOG)	SECTOR	SECTOR COMPOSITION (S)
General Public Services	Public Administration and National/Inter County Relations	Office of the Governor and Deputy Governor
		County Public Service Board
		Finance and Economic Planning
		Public Service Management
		County Assembly
Recreation, Culture and Social Protection	Social Protection, Culture and Recreations	Dept. of Culture, Dept. of Sports Dept. of Social Services
Education	Education	Dept. of Education
Economic Affairs	Agriculture Rural and Urban Development	Agriculture, livestock and fisheries
		Lands physical planning and housing
	General Economics and Commercial Affairs	Trade, Tourism and Cooperatives
	Energy Infrastructure and ICT	Roads, public works and transport ICT and E-government
Environment Protection	Environment Protection Water and Natural Resources	Environment, water and Natural resources
Health	Health	County Health Services
Macro Working Group	Macro Working Group	Department of Finance and economic planning

Annex VII: Nakuru County Budget Calendar for the FY 2016/2017

	ACTIVITY	RESPONSIBILITY	DEADLINE
1	Performance Review and strategic planning	Treasury	July-Aug 2015
	1.1 develop strategic plans	Das	"
	1.2 prepare Annual Development Plans	"	"
	1.3 Expenditure review	"	"
	1.4 Preparation of annual Work plans	"	
2	Develop and issue County budget guidelines	Treasury	30th August 2015
3	Launch of sector Working Groups	Treasury	30th August 2015
4	Annual Development Plan submitted to county assembly	Treasury	1st September 2015
5	Determination of Fiscal Framework.	Micro Working Group	20th Sept. 2015
	5.1 Estimation of Resource Envelop	Treasury	"
	5.2 Determination of policy priorities	"	"
	5.3 Preliminary Resource allocation to sectors, Assembly & Sub Counties	"	"
	5.4 Draft County Budget Review and outlook paper (CBROP)	"	20th Sept. 2015
	5.5 Submission and approval by cabinet	"	30th Sept. 2015
	5.6 Tabling of CBROP TO County assembly	"	7th October 2015
	5.7 Circulate the Approved CBROP to Accounting Officers.	"	14th October 2015
	Submission of Programme Performance Review reports		25 th Sept 2015
	5.8 Capacity building for MTEF Programme Based Budget	"	15th October 2015
6	Preparation of County Budget Proposals	Line Ministries	
	6.1 Draft Sector Report	Sector Working Group	15th Nov. 2015
	6.2 Submission of Sector Report to County Treasury	Sector Working Group	10th Dec.2015
	6.3 Review of the proposals	Treasury	15th Dec. 2015
7	Stakeholders/Public participation	Treasury/DAs	January 2016
8	The 2015/2016 Supplementary Budget		
	8.1 Develop and issue guidelines on the 2015/16 Revised Budget	Treasury	15th Nov. 2015
	8.2 Submission of supplementary Budget proposals	Das	1st Dec. 2015
	8.3 Review of the supplementary Budget proposals	Treasury	1st Dec. 2015
	8.4 submission of supplementary budget proposals to cabinet	Treasury	15th Jan. 2016
	8.5 submission of supplementary Budget proposals to County Assembly	Treasury	30th Jan. 2016
9	Draft County Fiscal Strategy paper(CFSP)	Macro Working Group	
	9.1 Draft CFSP	Macro Working Group	1st Feb. 2016
	9.2 Submission of CFSP to cabinet for approval	Treasury	10th Feb. 2016
	9.3 Submission of CFSP to County Assembly for approval.	Treasury	16th Feb. 2016
	9.4 Submission of Debt management strategy to County Assembly for approval.	Treasury	28th Feb. 2016
10	Preparation and approval of final DAs Programme Budgets		
	10.1 Issue final guidelines on preparation of 2016/17 County Budget.	Treasury	15th March, 2016

	ACTIVITY	RESPONSIBILITY	DEADLINE
	10.2 Submission of Budget proposals to Treasury	Line Ministries	30th March. 2016
	10.3 Consolidation of the Draft Budget Estimates	Treasury	10th April 2016
	10.4 Submission of Draft Budget Estimates for county government to County assembly	Treasury	30th April 2016
	10.5 Review of Draft Budget Estimates by Departmental committee	Assembly	15th May 2016
	10.6 Report on the budget and appropriation committee Draft Budget Estimates from County Assembly	Assembly	30th May 2016
	10.7 Annual cash flow.	Treasury	15th June 2016
	10.8 Submission of Appropriation Bill to County Assembly	Treasury	15th June 2016
	10.9 Resolution of county assembly on Estimates and approval	Treasury	25th June 2016

Annex VII; LIST OF COUNTY BUDGET AND ECONOMIC FORUM (NON – STATE MEMBERS)

	Name	Organisation	Sector/ Sub Sector Working Group
1.	Chris Kutto	Chamber of Commerce	Environment Water and Natural Resources
2.	Wilson Gitu	Nakuru Business Association	Roads, Transport and Public Works, ICT and E-Government
3.	Sammy Thuo Kang'ea	Institute of Certified Public Accountants of Kenya	Finance and Economic Planning
4.	Catherine Oosterwijk	Nakuru Business Association	Office of the Governor and Deputy Governor
5.	Benson Macharia	Nakuru Residents Forum	Public Service Management, County Public Service Board
6.	Jayen Dodhia	Kenya Association of Manufacturer	Agriculture, Livestock and Fisheries, Lands, Physical Planning and Housing
7.	Catherine Oosterwijk	Nakuru Business Association	Trade Cooperatives and Tourism
8.	Fred Owako	Association of physically Disabled of Kenya	Health
9.	Patrick Kigunda	Chamber of Commerce	Education, Youth Sports and Culture and Social Services
10.	Maureen Waitiki	Maendeleo ya Wanawake	Education, Youth Sports and Culture and Social Services