



REPUBLIC OF KENYA



COUNTY GOVERNMENT OF NAKURU

THE COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2016



© County Budget Review and Outlook Paper (CBROP) 2016

To obtain copies of the document, please contact;

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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) 2016 prepared in accordance with section 118 of the Public Financial Management Act, 2012. The PFM law envisages production of a CBROP by the end of September each year. This review document covered the fiscal year ending June 2016 has focused on the progress made compared to similar review period in FY 2014/2016. During the period under review the County Government continued with deepening of the programme based approach adopted in the previous.

The outcome of the budget review revealed a stable macroeconomic environment at the National level and the County level. The total County receipts amounted to Ksh 11.787 billion against a revised target of Ksh 13.684 Billion. The County Government received full transfers from the targeted National transfers. The total exchequer receipts amounted to Ksh 8.8 billion against a similar target. This represented a Local revenues improved by approximately 10 percent from Ksh 2.1 billion in FY 2014/2015 to Ksh 2.3 billion in FY 2015/2016. This outcome was a 79 percent performance in comparison with a target of Ksh 2.9 billion.

County Budget execution demonstrated a significant growth particularly in development expenditure. The total County expenditure was 10.93 billion against a total planned expenditure of Ksh 13.7 billion representing an 80 percent budget absorption rate. Total recurrent expenditure accounted for 70 percent of the actual expenditure or Ksh 7.6 Billion. On the other hand County Development expenditure was Ksh 3.25 billion against a revised target of Ksh 5.37 billion translating to 60 percent performance.

During the reporting period there were other occurrences that would impact on the County Planning and development. This included the completion of the last mile Energy connectivity programme by the National Government, preparation of a spatial plan and a new valuation roll for the by the department of Lands Housing and Physical Planning, supply and deliver of modern specialized Health care equipment in Naivasha level 4 and Nakuru level 5 Hospital. This will facilitate easy access to specialized health care services for County residents.

Going Forward the County fiscal outlook has adopted a more conservative approach in both revenue and expenditure forecast observing the expected general elections and the onset of a new medium term plan period (2018-2022). To this end both the County revenues and planned expenditures are projected to rise marginally by approximately six percent to settle at 13.6 billion in FY 2017/2018. Adequate effort has been made to ensure compliance in keeping with the County Government fiscal responsibility principles envisaged in section 104 of the PFM Act 2012.

Ms. ANN NJENGA
**Ag. COUNTY EXECUTIVE MEMBER,
FINANCE AND ECONOMIC PLANNING**

ACKNOWLEDGEMENTS

The 2016 County Budget Review and Outlook Paper is the fourth to be prepared under the inaugural County Government. Its preparation was made successful by contributions of various participants, whom we highly recognized and appreciated for their efforts.

This statutory document was prepared by a joint team of County Treasury Planning Unit with extensive inputs from Departmental Sector Working Groups and a sub-committee from the Nakuru County Budget and Economic Forum (CBEF). We are grateful to all the spending units led by respective for their timely provision of data necessary for qualifying this review and outlook paper.

A core team of the county planning unit provided technical expertise in compilation of the document, with support from the various departments which provided the needed information timely. 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 Ag Director Mr. Cyrus M. Kahiga, Planning officers Ms Asina Ashiku, Ms Dorcas N. Mwangi, and Ms Emma Angwenyi, the Head of Debt Management, Mr Patrick Kinuthia, the UNDP Volunteer Ms Kerubo Moseti for their and hard work and commitment in successfully delivering the document in time. It may not be possible to mention everyone on this list and I therefore take this opportunity to thank all County Treasury staff for their dedication and commitment to duty.

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:

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) 2016

1. The objectives of the 2016 CBROP is provide an assessment of the fiscal performance for the FY 2015/2016 and how the outcomes impacts the County fiscal responsibility principles outlined in the County Fiscal Strategy paper 2016 as envisaged in the PFM Act 2012. This information alongside other emerging issues on the current budget year will provide the background for revising the current budget via a supplementary budget proposals.
2. This CBROP therefore will underpin the County fiscal initiative outlined in CFSP 2016. This include; i) creating an enabling environment for business and private sector participation. ii) Development of County physical and social infrastructure facilities to stimulate growth. iii) Promotion of health services through investing in quality and affordable health services; iv) Promotion of value addition for agricultural produce, food security and environmental conservation; v) Promotion of equitable social economic development for county stability; vi) Enhancing governance, transparency and accountability in the delivery of public goods.
3. The C-BROP 2016 also the primary sector ceilings for the FY 2017/2018 budget and an indicative projections for the FY 2018/2019 and 2019/2020 MTEF period. These ceilings will set off budget preparation process for the fiscal year 2017/2018.
4. Finally the rest of the paper is organised into four sections namely section II provides a review of fiscal performance in FY 2015/2016 and its implication to the 2016 CFSP financial objectives; Section III observes the recent economic developments and the updated National macroeconomic outlook; Section IV and V contains the proposed sector budget ceilings and the Conclusion respectively.

II REVIEW OF FISCAL PERFORMANCE IN FY 2015/2016

A. Overview

The fiscal year 2015/16 marked the second year of Programme Based Budgeting (PBB) for all County Government entities as per section 12 of the second schedule of the PFM Act 2012. During the financial year 2015/16 there was a visible growth in local revenue collection and absorption of both development and recurrent expenditure as compared to similar period in FY 2014/15.

During the year under review total county revenue amounted to Ksh 11.138 billion against a revised target of Ksh 13.732 billion. Total receipts from Equitable share of revenue comprised of Ksh 8.116 billion (73 per cent percent of the total receipts). Ksh 37.3 million being conditional allocation for foregone user fee, Ksh 103.104 million (1 per cent) being conditional allocation for fuel levy fund, Ksh 377.193 million (3 per cent) being conditional allocation for level five hospital, Ksh 25.26 million received from Donors (DANIDA), Ksh 184.361 million being conditional fund for free maternity services and local revenue collection amounting to Ksh 2.295 billion (21%).

In the reporting period the execution of both development and recurrent budget revealed an appreciable improvement as compared to financial year 2014/15. The county spent a total of Ksh 10.989 billion during financial year 2015/16 against a revised target of Ksh 13.732 billion representing an execution rate of 80 percent. Recurrent expenditure for the period under review represents 92 percent of the annual recurrent budget while development expenditure represents 61 percent of the annual development budget. The absorption of development expenditure was hampered by lengthy procurement process and late disbursement of fund from national treasury.

B. Fiscal Performance FY 2015/2016

Revenue performance

Total exchequer receipt and local revenue collection amounted to Ksh 11,138,958,568 against a target of Ksh 11,883,404,098.00 representing a performance of 94 per cent. Despite a deviation of Ksh 744 million from the planned target there was a growth in revenue by 9.3% in the year under review compared to actual receipt in financial year 2014/15. Figure I below demonstrate the total County Receipts by source. As projected during the period under review the County received the highest revenues from exchequer transfers

Figure I: County Total Receipts by Source

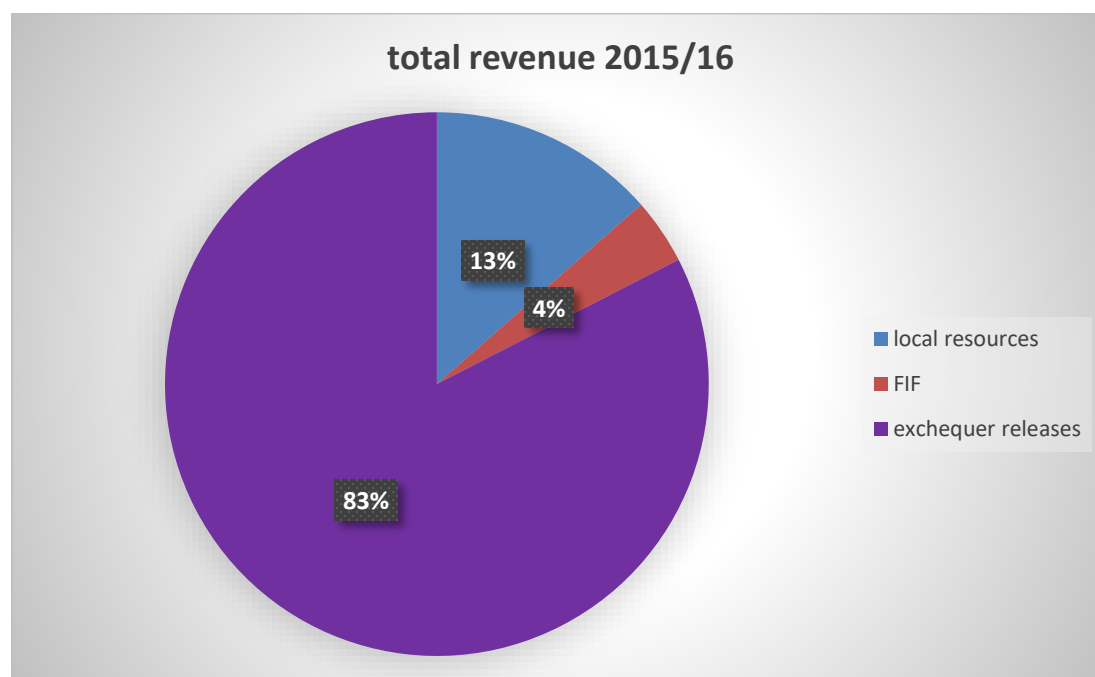


Table 1; County Government Total Revenues FY 2015/2016

No	REVENUE SOURCE	ACTUAL (Baseline) 2014/2015	TARGETS 2015/2016	ACTUALS 2015/2016	VARIANCE	GROWTH IN PERCENT
1	Property Tax(Plot rent and Land Rates)	324,982,918	620,000,000	319,171,789	(300,828,211)	-1.8%
2	House Rent	59,373,470	50,000,000	47,475,050	(2,524,950)	-20.0%
3	Advertising	90,982,257	288,000,000	100,842,351	(187,157,649)	10.8%
4	Building Approval	58,127,531	80,325,859	36,928,134	(43,397,725)	-36.5%
5	Single Business permit	327,139,634	420,000,000	384,962,894	(35,037,106)	17.7%
6	Market Fees	77,759,357	105,000,000	63,614,650	(41,385,350)	-18.2%
7	County Park Fees	194,500	5,000,000	58,600	(4,941,400)	-69.9%
8	CESS	42,196,617	125,910,000	46,262,249	(79,647,751)	9.6%
9	Stock/Slaughter Fees	10,518,254	20,000,000	4,716,120	(15,283,880)	-55.2%
10	Royalties	115,814,409	103,092,000	163,641,687	60,549,687	41.3%

No	REVENUE SOURCE	ACTUAL (Baseline) 2014/2015	TARGETS 2015/2016	ACTUALS 2015/2016	VARIANCE	GROWTH IN PERCENT
11	Water and Sewerage	3,237,055	4,500,000			-100.0%
12	Parking Fees	271,556,391	265,000,000	282,619,325	37,398,604	4.1%
13	Liquor Licensing	337,500	85,000,000	43,326,840	(41,673,160)	12737.6%
14	Health Fees	63,634,773	70,000,000	92,098,858	22,098,858	44.7%
15	Other Fee and Charges	154,565,622	119,321,839	194,936,420	75,614,581	26.1%
	Sub-Total	1,600,420,288	2,361,149,698	1,780,654,967	(580,494,731)	11.3%
	FIF	505,779,098	550,000,000	514,680,179	(35,319,821)	1.8%
	TOTAL LOCAL SOURCES	2,106,199,386	2,911,149,698	2,295,335,146	(615,814,552)	0
	Balance in County Revenue Fund	1,200,000,000	1,800,292,138	1,511,280,979	(289,011,159)	
	Donor Grants (DANIDA)	88,000,000	22,880,000	25,260,000	2,380,000	-71.3%
	Loans and Grants CRA				-	
	Conditional Allocation to compensate Forgone user fees		37,373,449	37,373,449	-	
	Conditional Fund -Leasing of Medical Equipment		95,744,681		(95,744,681)	
	Conditional Fund -Free Maternal Health		219,627,800	184,361,500	(35,266,300)	
	Road Maintenance Fuel Levy Fund (RMFLF)		103,104,393	103,104,387	(6)	
	Conditional Allocation For Level- 5 Hospital	620,000,000	377,193,143	377,193,144	1	-39.2%
	C.R.A Equitable Share	6,290,337,606	8,116,330,943	8,116,330,942	(1)	29.0%
					-	
	Sub-Total	8,698,337,606	11,322,946,547	10,869,584,580	(453,361,967)	25%
	Grand Total	10,573,928,197	13,635,204,274	12,650,239,547	(984,964,727)	

Source: Nakuru County Financial Statement Sept 2016

In addition to the revenue received for the year, there were unspent balances carried forward from FY 2014/15 amounting to Ksh 1.511 billion. The unspent balances arose from late disbursement of the last two tranche of equitable share from the National treasury. The fund available for use in financial year 2015/16 was Ksh 12.65 billion comprising of equitable share, conditional grants, local revenue and unspent balances for financial year 2014/15. The variance between targeted revenue and actual revenue was Ksh 744.4 million which is primarily attributed to deviation in local revenue collection.

Table 2: Local Revenues Sources

No	REVENUE SOURCE	ACTUAL (Baseline) 2014/2015	TARGETS 2015/2016	ACTUALS 2015/2016	VARIANCE	GROWTH IN PERCENT
1	Property Tax(Plot rent and Land Rates)	324,982,918	620,000,000	319,171,789	-300,828,211	-1.8%
2	House Rent	59,373,470	50,000,000	47,475,050	-2,524,950	-20.0%
3	Advertising	90,982,257	288,000,000	100,842,351	-187,157,649	10.8%
4	Building Approval	58,127,531	80,325,859	36,928,134	-43,397,725	-36.5%
5	Single Business permit	327,139,634	420,000,000	384,962,894	-35,037,106	17.7%

No	REVENUE SOURCE	ACTUAL (Baseline) 2014/2015	TARGETS 2015/2016	ACTUALS 2015/2016	VARIANCE	GROWTH IN PERCENT
6	Market Fees	77,759,357	105,000,000	63,614,650	-41,385,350	-18.2%
7	County Park Fees	194,500	5,000,000	58,600	-4,941,400	-69.9%
8	CESS	42,196,617	125,910,000	46,262,249	-79,647,751	9.6%
9	Stock/Slaughter Fees	10,518,254	20,000,000	4,716,120	-15,283,880	-55.2%
10	Royalties	115,814,409	103,092,000	163,641,687	60,549,687	41.3%
11	Water and Sewerage	3,237,055	4,500,000			-100.0%
12	Parking Fees	271,556,391	265,000,000	282,619,325	37,398,604	4.1%
13	Liquor Licensing	337,500	85,000,000	43,326,840	-41,673,160	12737.6%
14	Health Fees	63,634,773	70,000,000	92,098,858	22,098,858	44.7%
15	Other Fee and Charges	154,565,622	119,321,839	194,936,420	75,614,581	26.1%
	Sub Total	1,600,420,288	2,361,149,698	1,780,654,967	-580,494,731	11.3%

Source: Nakuru County Financial Statement Sept 2016

Local revenue collections including FIF amounted to Ksh 2.295 billion against a target of 2.911 billion. This illustrates that there was a deviation of Ksh 615.8 million from the projected estimates. However, compared to the previous financial year, local revenue collection grew by 190 million or 9.3 percent. Analysis of revenue by sources indicates that the major sources of revenue for the financial year 2015/16 was single business permit which accounted for 17% of the total local revenue collected, land rates accounted for 13%, parking fees 12% and royalties 7%. Excluding FIF local revenue grew by 13.2 per cent from 1.573 billion in 2014/15 fiscal year to 1.780 billion in the period under review. There was a minimal growth in facility improvement fund (FIF) from 505 million recorded the previous year to 514 million in financial year 2015/16. Figure I below illustrates the local revenue performance by each revenue stream. Single business permit had the highest collection of Ksh 384,962,894 while county park fees had the least which was Ksh 58,600.

Figure II: Local Revenue Performance by Stream

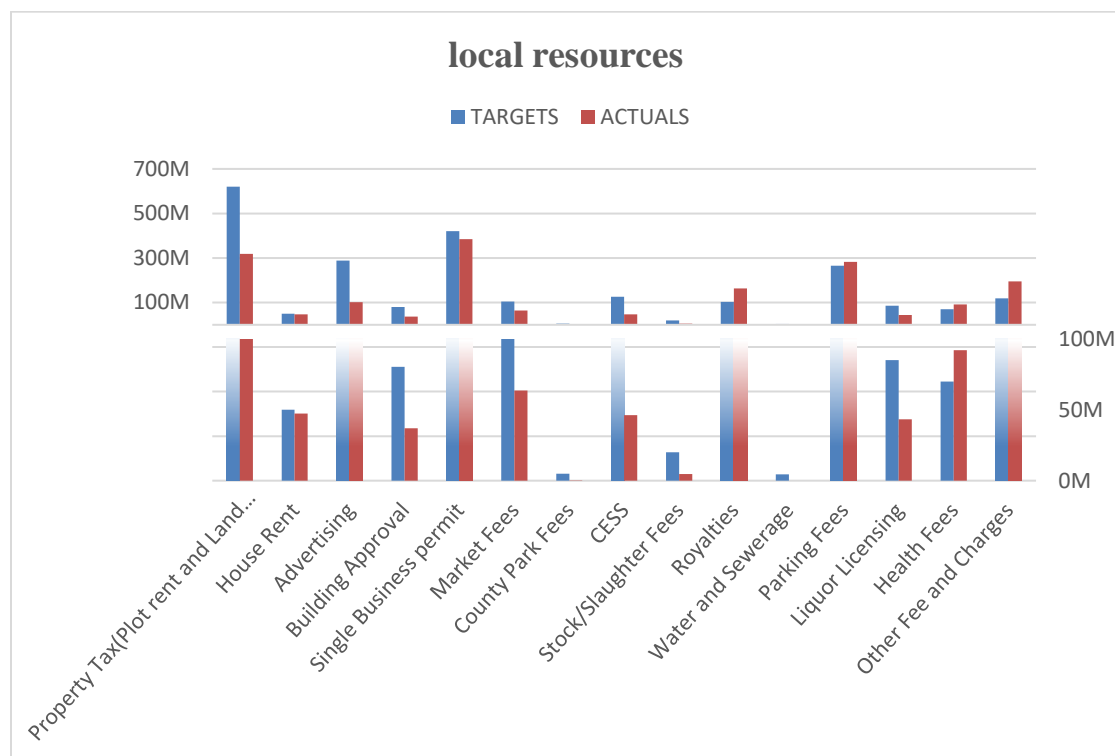


Table 3: Appropriations in Aid

No	REVENUE SOURCE	ACTUAL (Baseline) 2014/2015	TARGETS 2015/2016	ACTUALS 2015/2016	VARIANCE	GROWTH IN PERCENT
	Facility Improvement Fund	505,779,098	550,000,000	514,680,179	(35,319,821.00)	2%

Source: Nakuru County Financial Statement Sept 2016

Facility improvement fund (FIF) made an actual collection of 514 million against a target of 550 million. However only level 4 and level 5 hospitals collect revenue and lack of necessary regulation is hampering the collection of cost sharing fund from other health facilities.

Table 4: Exchequer Releases

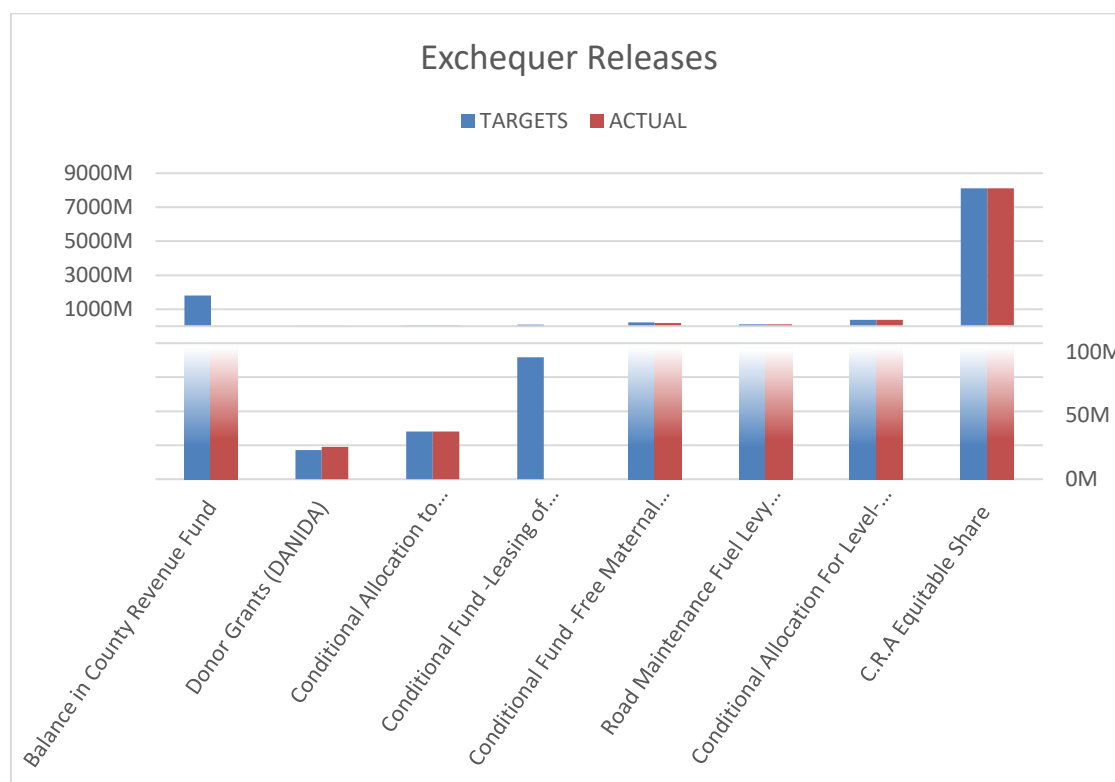
REVENUE SOURCE	ACTUAL (Baseline) 2014/2015	TARGETS 2015/2016	ACTUALS 2015/2016	VARIANCE	GROWTH IN PERCENT
Equitable Share	6,290,337,606.00	8,116,330,943	8,116,330,942	(1.00)	29.0%

REVENUE SOURCE	ACTUAL (Baseline) 2014/2015	TARGETS 2015/2016	ACTUALS 2015/2016	VARIANCE	GROWTH IN PERCENT
Level 5 Conditional Grant	620,000,000.00	377,193,143	377,193,144	1.00	-39.2%
CA-Health Facilities (DANIDA GRANT)	88,000,000.00	22,880,000	25,260,000	2,380,000.00	-71.3%
Loans and Grants CRA	-	-	-	-	-
Conditional Allocation to compensate Forgone user fees	-	37,373,449	37,373,449	-	100.0%
Conditional Fund -Leasing of Medical Equipment	-	95,744,681	95,744,681	-	100.0%
Conditional Fund -Free Maternal Health	-	219,627,800	184,361,500	(35,266,300)	100.0%
Road Maintenance Fuel Levy Fund (RMFLF)	-	103,104,393	103,104,387	(6)	100.0%
Sub Total	6,998,337,606.00	8,972,254,409.00	8,939,368,103.00	(32,886,306.00)	27.7%
Total Exchequer Receipts as a percent of Total Budget	66%	66%	71%		

Source: Nakuru County Financial Statement Sept 2016

The county received a total of 8.843 billion as exchequer release comprising of equitable share (8.116 billion), conditional grants (702 million) and donor funds (25.6) million. Fund for leasing of medical equipment were not received since they were deducted at source to pay for medical equipment delivered. The conditional fund for free maternity was budgeted as 219 million, however since the fund operate on a reimbursement method based on the number of birth reported in a period, the maximum reimbursement on financial year 2015/16 was 184 million. The balance unspent (35 million) at the close of the year lapses since it require supporting document i.e. births records hence cannot be carried forward to financial year 2016/17. Figure II below has summarised the visual illustration of the Exchequer releases vs the target for that year.

Figure III: Exchequer Releases vs Target



Expenditure Performances

The total spending in financial year 2015/16 amounted to Ksh 10,989,186,081 against a target of Ksh 11,883,404,098 indicating underperformance by 8%. Recurrent expenditure recorded the highest absorption rate with 95% absorption against the budget while development expenditure recorded an absorption rate of 87% against the budget.

Further analysis of expenditure in term of economic classification indicates that compensation to employees consumed a huge part of the expenditure for the period at 45% of the total expenditure. Use of goods and services (including transfers to county assembly) accounted for 25% of the period expenditure while development expenditure (including transfers to county assembly) accounted for 30% of the actual expenditure for the period. Table 5 below illustrate 2015/16 county expenditure by economic classification.

Table 5 : Expenditure performance by Economic Classification

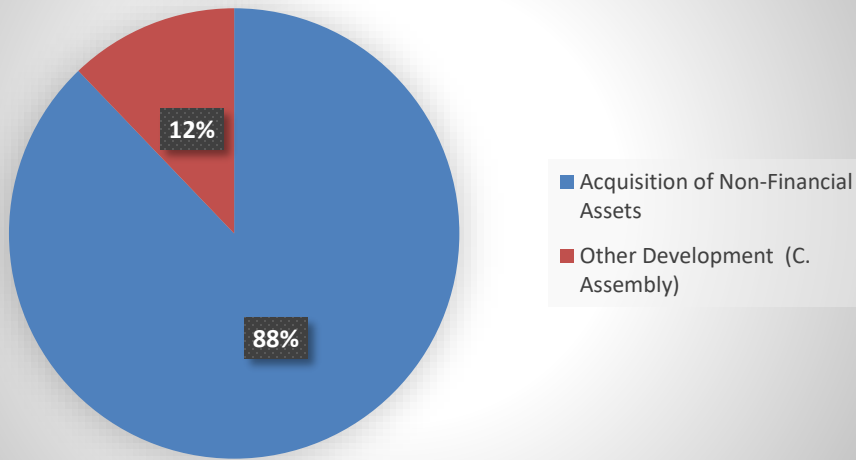
	ACTUAL (Baseline) 2014/2015	TARGET 2015/2016	ACTUAL 2015/2016	VARIANCE	% GROWTH	BUDGET EXECUTION RATE	PERCENT OF TOTAL EXPND.
Current Expenditure							
Compensation of employees	4,429,938,345	4,919,199,048	4,917,531,516	1,667,532	11%	100%	45.0%
Use of Goods and Services	2,389,518,083	3,437,472,185	2,342,760,576	1,094,711,609	-2%	68%	21.4%
Transfers to other Government entities (C. Assembly)			418,367,388				3.8%
Other Grants and transfers							
Sub Total	6,819,456,428	8,356,671,233	7,678,659,480	1,096,379,141	13%	92%	70%
Capital Expenditure							
Acquisition of Non-Financial Assets	1,642,008,330	5,375,405,710	3,176,464,967	2,198,940,743	93%	59%	29.0%
Capital Grants to Governmental Agencies							
Other Development (C. Assembly)			79,406,001				1.0%
Sub Total	1,642,008,330	5,375,405,710	3,255,870,968	2,198,940,743	98.3%	61%	30%
Grand Total	8,461,464,758	13,732,076,943	10,934,530,448	3,295,319,884	29.2%	80%	

Source: Nakuru County Financial Statement Sept 2016

Compared to the previous financial year development expenditure grew with the highest margin (89 percent) from 1.642 billion in 2014/15 to 3.255 billion in the year under review. As illustrated in Figure IV the development expenditure comprised of 88 percent of normal capital expenditure and 12 percent transfer to County Assembly.

Figure IV: Composition of Development Expenditure

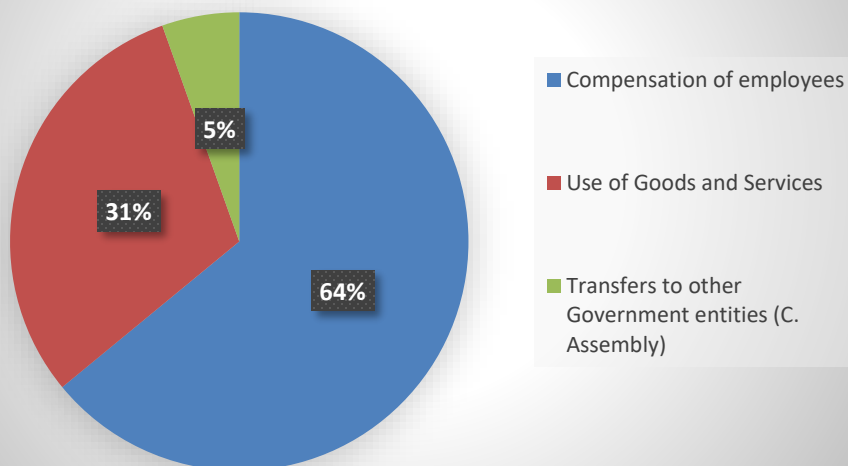
development expenditure 2015/16



Use of goods and services grew by 21% while compensation to employees had the least growth of only 11%. Additionally as reflected in Figure V compensation to employees was the highest proportion of all recurrent developments while transfers to County Assembly accounted for 5 percent of total recurrent expenditures.

Figure V: Composition of Recurrent Expenses

Recurrent Expenditure FY 2015/16



Categorization of spending by ministries as illustrated by table 6 below indicates that all the ministries except three recorded more than 75% budget execution rate. The ministry of health had the highest execution with 103% while the ministry of ICT & e-governance had the lowest absorption rate with 59%

Table 6: Departments' Expenditure Performance for Period ending 30th June 2016 (Ksh Million.)

VOTE TITLE	RECURRENT EXPENDITURE 2015/2016			DEVELOPMENT EXPENDITURE 2015/2016			TOTAL EXPENDITURE FY 2015/16			Rate of Budget Execution
	ACTUAL	TARGET A	VARIANCE	ACTUAL	TARGET B	VARIANCE	ACTUAL	TARGET C	VARIANCE	
County Treasury	632.44	710.44	78.00	265.14	508.40	243.27	897.58	1,218.84	321.26	74%
Agriculture, Livestock and Fisheries	568.07	543.35	- 24.72	138.22	229.53	91.30	706.29	772.88	66.59	91%
Health	3,550.64	3,575.73	25.09	592.75	755.07	162.32	4,143.39	4,330.81	187.41	96%
Environment, Water and Natural Resources	274.50	326.85	52.35	230.49	568.75	338.27	504.99	895.60	390.61	56%
Education, Sports, Youth and Social Services	359.64	660.93	301.29	325.14	777.07	451.94	684.78	1,438.00	753.22	48%
Lands Physical Planning and Housing	239.64	111.14	- 128.50	132.37	230.43	98.06	372.02	341.57	- 30.45	109%
Roads, Public Works and Transport	267.58	285.54	17.96	1,100.77	1,511.39	410.61	1,368.35	1,796.93	428.57	76%
Public Service Management	647.01	880.93	233.92	86.75	88.65	1.90	733.75	969.58	235.82	76%
Trade, Industrialization and Tourism	129.50	123.20	- 6.30	224.40	286.36	61.96	353.90	409.56	55.66	86%
ICT and E-Government	43.85	36.67	- 7.18	67.81	72.21	4.40	111.66	108.88	- 2.78	103%
Office of the Governor and Deputy Governor	205.78	228.81	23.02	12.59	57.55	44.96	218.37	286.36	67.99	76%
County Public Service Board	44.56	80.25	35.69	0.03	5.39	5.36	44.59	85.64	41.05	52%
County Assembly	715.45	792.84	77.39	79.41	284.59	205.18	794.85	1,077.43	282.57	74%
SUB TOTAL	7,678.66	8,356.67	678.01	3,255.87	5,375.41	2119.53	10,934.52	13,732.08	2797.52	80%

Source: Nakuru County Financial Statement Sept 2016

Development expenditure had the highest deviation from the planned performance with a variance of 2.198 billion. This may be attributed to cash-flow constraint and lengthy procurement process that lead to late commencement of development project. In addition insufficient capacity to execute the projects across all County departments has also hampered the smooth implementation leading to huge rollover of project to FY 2016/2017. Recurrent expenditure was below target by 1.096 billion (13 per cent).

County debt management

The total stock of debt as at 30th June, 2015 amounted to Ksh 3.87 billion. This comprised of pending bills arising from ministries and debt inherited from defunct local authorities. Pending bills from ministries is reported on commitment basis and by closure of financial year 2015/16 majority of the projects were still ongoing and will be cleared using the unspent balances at the closure of the year amounting to Ksh 2.3 billion

During the year under review the county treasury allocated Ksh 388 million toward debt repayment however due to cash flow constraint million only Ksh 265 million was used in debt settlement. The shortfall in local revenue collection for the past two years has also played a major role in causing accumulation of debt and in particular pending bills from the ministries.

An in depth analysis of county debt was done on county debt management strategy paper 2016 which was prepared and presented to county assembly by 28th February, 2016 pursuant to PFM Act section 123. Going forward the county treasury will continue to monitor the level of debt to ensure adherence to debt management strategies and also ensure that the overall level of debt is sustainable.

Overall Balance and Financing

On a commitment basis all ministries had pending bills amounting to 3 billion as at 30th June, 2016. This commitment will be partly settled using the unspent balances amounting to kshs2.3 billion held in county bank accounts. The remaining balance together with inherited debt amounting to 840 million will be serviced as outlined in the medium term debt strategy 2016.

B. Fiscal Performance for FY 2015/2016 in Relation to Fiscal Responsibility Principles and Financial Objective

The fiscal performance achieved in financial year 2015/16 has implication on financial objectives set out in 2016 county fiscal strategy paper (CFSP) and approved budget for FY 2016/17 in the following ways.

- The performance in local revenue against target in FY 2015/16 was 79%. This illustrates that the economic assumption underpinning the 2016/17 budget and over the medium term may need to be modified to reflect a realistic revenue projection i.e. a maximum growth of 10% on actual revenue collected.
- Cashflow projections remain unrealistic due to unsystematic transfer of funds from the National Treasury thereby affecting implementation of development projects and majority end up being rolled over to the next financial year.
- Compensation to employees which accounted for 47% of the total amount spent continues to put pressure on other spending areas particularly on execution of development budget and over the medium term sufficient checks will be put in place to ensure that it remains within the relevant range as set out in regulation i.e. 35% of the total budget. This will ensure that more funds are released to increase absorption of development budget.
- The County Treasury will continue to improve capacity across all departments to further improve absorption of development budget which is still low compared to recurrent budget execution in FY2015/16.
- The fiscal performance in FY 2015/16 in both development and recurrent vote across all County departments will inform the County Treasury in making expenditure projections for the FY 2017/18 and over the medium term.

Continuing in Fiscal Discipline and Responsibility Principles

During the year under review the County Government allocated 30.6% toward development expenditure thereby attaining the minimum 30% requirement set out in the PFM Act section 107. There was improvement in execution of development budget where

59% of the revised budget (2.23 billion) was absorbed in FY 2015/16 compared to 45% (1.642 billion) absorbed in FY 2014/15. This illustrates an appreciable improvement across all departments in their commitment to enhance implementation of development projects.

The expenditure on compensation to employees increased slightly by 11% however the total wage bill (salaries and wages) with an allocation of 42% in 2015/16 financial year is still higher than the recommended ratio of 35% as set out in the PFM ACT. Over the medium term expenditure on salaries and wages are expected to remain relatively constant which will free additional resources toward development spending.

The county government has continued in its commitment to maintain debt at sustainable levels pursuant to section 123 of the PFM Act. During the year under review the county government serviced debt amounting to 265 million and will continue to monitor and encourage financial discipline across all departments to avoid further accumulation of pending bills by spending units.

Based on revenue performance in FY 2015/16 of 79% the county government will continue to be more rational while projecting future revenue particularly putting into consideration past revenue trends and capability of new revenue streams.

III RECENT ECONOMIC DEVELOPMENTS AND FISCAL OUTLOOK

The County performance is dependent on the National economic performance as well as formulation and implementation of prudent policies by the County Government.

A. Recent Economic Developments

- a) The National Government launched the last mile connectivity programme in the energy sector with the aim of ensuring that all remote regions are connected to the National grid. Going forward this initiative is expected to stimulate business activities in the rural parts of Nakuru County.
- b) Health insurance for the elderly and the poor which is being rolled out by the National Government. This is projected source of revenue for health care financing the County and bridge the budgetary gaps in the health sector.
- c) The County health services was further boosted by the supply and installation of the modern specialised equipment to Naivasha Level 4 hospital and Nakuru level 5 Hospital, through the Managed Equipment Service.
- d) Additionally, during the period under review the County Department of ICT has installed CCTV cameras at the County headquarters and County government offices at the former PC's building. This is expected to enhance security in the said premises.
- e) The department of Lands, Physical Planning and Housing is preparing a County Spatial Plan which is expected to identify opportunities that will translate to investments and job creation thus leading to improved livelihoods. In this regard the completion of a new valuation roll in the current MTEF period is expected to have a direct impact on land based revenue sources such as land rates.
- f) Further, the department of Lands, Physical Planning and Housing, has improved the 48 doors Toilets block sewerage systems in Flamingo estate

which was in deplorable conditions in a bid to promote healthy environment. This alongside other sanitation initiatives has great help in mitigating the possible communicable disease such as the recent outbreak of cholera in the period under review.

B. Macroeconomic Outlook and Policies

Global Outlook

During the period under review, the United Kingdom voted to leave the European Union (EU). In the medium term period, this may disrupt trade agreements (between Kenya and Britain) made under the auspices of EU and may require renegotiation. If a trade deal between the East African Community and the EU is stalled because of Britain exit from the EU, Kenya would significantly lose in the horticulture sector. Consequently this will could adversely affect the flower sector in Nakuru County.

Domestic Outlook

The National Treasury reported that Kenya had a fiscal deficit of 8.7% of GDP in FY 2015/2016. BMI forecasts a fiscal deficit of 8.1% of GDP in FY16 due to shortfalls in income tax and value added tax (VAT) collections despite efforts by the Government to increase tax compliance through incentive programmes and electronic payment systems this is likely to affect disbursement to the Counties.

Amendments on the Banking Act

The Banking Act amendment Bill were assented on by the President in August 2015. The new law caps the maximum rate on interest on a “credit facility” at 4 percent of that Central Bank base rate and the minimum rate of interest on deposits should not go below 70% of the Central Bank’s base lending rate. The apparently reduced cost of credit, it is expected

also that the cost of doing business particularly for the SME will considerably reduce in the Medium term to long-term.

The raise in the deposit saving interest rate is further likely to increase a savings culture among county citizenry and further enhance investments in the medium term to long term period.

The Central Bank of Kenya's (CBK) Monetary Policy Committee (MPC) in September 2016 lowered its benchmark interest rate to 10% from 10.5% due the trends of reducing inflation rates and stabilization of the Kenyan shilling (KES). Following this move, the MPC is also expected to revise the base lending rate, Kenya Banks' Reference Rate (KBRR) and hence reduce the cost of credit in the country.

Inflation

The KNBS reported a reduction in overall inflation to 5.3% in April 2016 from 7.1% in April 2015 due to lower food prices and reduced motoring expenses caused by low fuel prices. Inflation is expected to be at an average of 5.6% in 2016 due to subdued oil prices, lower electricity tariffs due to increased reliance on drought-resistant geothermal power and low food prices due to improved rainfall.

C. Medium Term fiscal Framework

The County has continued to receive an influx of tourists thus the County will continue encouraging both local and international tourism as well as investments through a tourism forums as well as establishment of Sub county tourists' information centres and participation of Miss Tourism Nakuru County.

The County has received technical backstopping from Deutsche Gesellschaft fur Internationals Zusammenarbeit (GIZ) on Integrating Green Economy in Planning this will enable the County to consider the Green options hence us the available resources efficiently.

D. Risks to fiscal Outlook

- I. The 2017 calendar year will mark the end of the inaugural County Government as well as end of the 2nd Medium Term Plan Period (2013-2017). In addition the general elections of planned for August 2017 presents uncertainty in fiscal forecast.
- II. As we approach the general elections, past experiences has shown that some businesses may slow down and this might lead to decreased revenue collection and diversion of productive labour to political campaigns.

IV RESOURCE ALLOCATION FRAMEWORK

A. Amendment to the 2016/2017 MTEF Budget

The budgetary framework for the 2016/17 was on the basis of better budget execution and improved fiscal management. Prompt revenue performance from local sources and national exchequer transfers was envisaged.

However, amendments are expected on the following basis;

Some projects executed in the year 2015/16, and whose payment was expected to have been cleared in June 2016, were actually not paid due to IFMIS challenges, and neither were they rolled over to the 2016/17 budget.

Also, the County government was a host to national events in the year 2016. The county encountered unplanned expenditure to rehabilitate the Afraha stadium, giving rise to pending bills that need to be cleared.

B. Medium Term Expenditure Framework

The Nakuru County MTEF fiscal strategies as have been contained in the planning and budgeting documents are the following: 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. The fiscal strategies are geared towards ensuring inclusive socio-economic growth and development of the county.

The allocation of resources in the 2017/18-2019/20 will be geared towards the actualization of core programmes and sub-programmes contained in the first CIDP(2013-17), as its implementation period comes to an end, as well as programmes in Sectoral strategic plans, the 2017/18 Annual Development Plan, and fiscal initiatives of the county government enumerated in the CFSP 2016.

These allocations are only indicative ceilings, which will be firmed up in the Fiscal Strategy Paper and the Budgetary estimates. Notably also, the sectoral baseline ceilings will go

up once project proposals from the public are finalized, redistributing the Ward Resource Kitty amounting to 1.375 billion, currently confined in the County Treasury.

Building an enabling environment for business and private sector growth and expansion

The priority programmes under the Public Administration and National Relations (PANR), and the General Economic and Commercial Affairs (GECA) Sectors will be strengthened to address this strategy. The Public Administration Sector, with its 5 main subsectors will ensure efficient provision of services to both the County Government entities and the public. The Finance Bill 2016 will ensure to incorporate recommendations from the business community, while procurement of goods and services through the E-platform will ensure fairness and equity. The County assembly while exercising its legislative function will also take into considerations the interest of the business environment. This is in order to achieve reduced cost of doing business encourage expansion of private sector investments. In the current budget 2016/2017, 27.2 percent of the county budget has been allocated to this sector. To address county debts, the county has allocated Ksh 350 million for debt resolution, while Ksh 899 million will facilitate the County Assembly's legislative and oversight roles.

The CBROP has allocated 39.29% of the proposed 13.6 billion to this sector, inclusive of the Ward Resource kitty amounting to 1.375 billion.

The GECA sector will continue offering supportive services to the SMES to enhance their growth and development, promote cooperative development and management through marketing and Value Addition. In addition, upgrading and expansion of physical infrastructure in markets will be key to both small and large scale traders. The sector will also focus on promotion of local tourism. To achieve this, the sector will utilize Ksh 278 million exclusive of the ward projects, an upward increase from Ksh 216 million in the current budget.

Strategy II: Transforming urban and rural infrastructure

Nakuru County is quite vast and has a very large road network, with settlements spread throughout the county. With a population of about 2 million people, there is constant strain on the existing physical infrastructure hence the need for its continuous maintenance and expansion. The rising urban population continues to put pressure on the urban infrastructure and there is need to expand the urban infrastructure such as the drainage, the sewerage system and water distribution networks, the street lighting systems and decent housing. Further, provision of ICT infrastructure is necessary, as a platform for county operations as well as external communication to citizens. Towards this end, the Energy, Infrastructure and ICT sector has been allocated Ksh 690 million as primary

ceilings, inclusive of a projected Ksh 154 million conditional grant from the Road Maintenance Fuel Levy Fund.

The Water and Environment Sector will receive Ksh 567 Million that will partially go to water infrastructure enhancement. The Lands and Physical planning, and Housing subsector will receive Ksh 425 million towards County Spatial Planning and Completion of a Valuation Roll, and rehabilitation of council houses.

Promotion of health services through investing in quality and affordable health services

Health is one of the devolved county functions. Its unique in nature as its primary focus is on service delivery. Nakuru County has a big number of health facilities and consequently, a commensurate number of health personnel, drugs and non-drug items and other operational costs. In addition the Rift Valley general hospital which is a referral facility supports not only Nakuru but other surrounding counties. As such, the health sector requires massive resources to run. The County has always tried to adequately finance the sector but this has remained a tall order considering resource inadequacy. In 2017/18, the sector will receive Ksh 4.7 billion representing 35% of the County resources. Key focus areas during the MTEF period include preventive and promotive services in areas of maternal care and the general public, elimination of communicable diseases and sensitizing populations on lifestyle change, and increased uptake of cancer screenings. Staff welfare issues have also been taken into account, to avert the recurring strikes, hence interruption in service delivery.

Promotion of value addition for agricultural produce, food security and environmental conservation

Agriculture in Nakuru County just like in Kenya remains the largest employer. The County will continue focusing on improving agricultural productivity through its extension services and liaison in research. Value addition is also a focal area, in order to raise farmers' incomes. In liaison with the Meteorological department, farmers will continue to receive early warnings and information about expected weather changes. Awareness, on post-harvest strategies will be communicated to farmers, as well as crop diversification. Enhancing sustainable management of natural ecosystems through the promotion of sustainable fishing of Lake Naivasha will be key. The CBROP allocates Ksh 738 million towards this course.

The Environment Subsector will also focus on formulation of energy policy, action plan for petroleum products and the renewable sources of energy, develop an of Integrated Solid Waste Management Plan(ISWMP), improve on the waste disposal facilities and management, and also undertake Environmental Awareness campaigns. This will be geared towards environmental management and conservation.

Promotion of equitable social economic development for county stability

The County, through its relevant entities is committed to reducing inequalities among the county residents. Policy initiatives aimed at offering equitable social economic development have been initiated. A number of social safety nets have been ongoing and will be up scaled. These include; disability fund to support PWDs and other vulnerable groups; Creation of a sports fund to support recreational activities at the ward level. The County department of social services has been managing the elderly person's facility *Nyumba ya Wazee* catering for older persons neglected by their families.

In addition, support for needy and bright students through the County bursary Fund; improving the quality of vocational training through equipping and operationalization of the already built polytechnics: provision of alternative building technology through the Housing Technology transfers to promote decent housing for all; continued investment on sport, culture and recreation to empower the youthful population and nurture talents at the lower levels including wards; investment in health with the primary focus on prevention and promoting its linkages to nutrition; sports and physical activity will all contribute towards this course.

The Education, Sports, Youth and Social Services sector has been allocated Ksh 703.9 million

Enhancing governance, transparency and accountability in the delivery of public goods and service by promoting participation of the people

As the counties approach the end of their first terms, the success of devolved system of governance shall be measured on the ability of County governments to promptly offer services. In the current FY 2016/2017 the department of Public Service Management expects to complete recommendations for staff promotions to County Public Service Board in order to enhance staff motivation and productivity as well as establish a county registry.

With the formation of the County Human Resource advisory committees and Departmental training committees, the County Government expects to transform management of county employees with the aim of improving efficiency and effectiveness in public service delivery in the medium term.

Other planned strategies proposed in the next MTEF period 2017/2018-2019/2020 include the following; Sub-county and ward offices infrastructure development; Continuous implementation of the public participation forums for both the county budgets fiscal plans and other County policy development initiatives; strengthening the Monitoring

and Evaluation committees,; training and capacity development of county staffs; Continue to build and pursue intergovernmental partnerships nationally, regionally and internationally in order to contribute positively to the county's development; Enhance transparency and Accountability through information sharing, creating interfaces in social media platforms and information centres. Civic education and advocacy; enhanced adherence to the County fiscal responsibility principles and sustained automation in managing county public resources including both revenue collection and expenditure management will all contribute to this endeavour.

Annex 1: County Government of Nakuru Operations FY 2017/2018-2019/2020

No.	REVENUE SOURCE	APPROVED ESTIMATES	C-BROP	PROJECTIONS		ANNUAL GROWTH	% GROWTH
		2016/2017	'2017/2018	2018/2019	2019/2020		2017/2018
1	Property tax (Plot rent and Land rates)	682,000,000	695,640,000	730,422,000	766,943,100	13,640,000	2.0%
2	Single Business Permit	462,000,000	471,240,000	494,802,000	519,542,100	9,240,000	2.0%
3	Market Fees	115,500,000	117,810,000	123,700,500	129,885,525	2,310,000	2.0%
4	Building Approval	88,358,435	90,125,604	94,631,884	99,363,478	1,767,169	2.0%
5	Cess	138,501,000	141,271,020	148,334,571	155,751,300	2,770,020	2.0%
6	Royalties	113,401,200	115,669,224	121,452,685	127,525,319	2,268,024	2.0%
7	Stock/ Slaughter fees	22,000,000	22,440,000	23,562,000	24,740,100	440,000	2.0%
8	House Rent	55,000,000	56,100,000	58,905,000	61,850,250	1,100,000	2.0%
9	Advertising	316,800,000	323,136,000	339,292,800	356,257,440	6,336,000	2.0%
10	Parking fees	291,500,000	297,330,000	312,196,500	327,806,325	5,830,000	2.0%
11	Liquor Licensing	93,500,000	95,370,000	100,138,500	105,145,425	1,870,000	2.0%
12	County Park Fees	5,500,000	5,610,000	5,890,500	6,185,025	110,000	2.0%
13	Water And Sewerage	4,950,000	5,049,000	5,301,450	5,566,523	99,000	2.0%
14	Health fees and charges	77,000,000	78,540,000	82,467,000	86,590,350	1,540,000	2.0%
	Other Fees and Charges	131,254,023	133,879,103	140,573,059	147,601,711	2,625,080	2.0%
	Sub Total Local Sources	2,597,264,658	2,649,209,951	2,781,670,449	2,920,753,971	51,945,293	
16	Facility Improvement Fund	605,000,000	611,050,000	629,381,500	648,262,945	6,050,000	1.0%
15	SUB TOTAL (AIA & Local Sources)	3,202,264,658	3,260,259,951	3,411,051,949	3,569,016,916	57,995,293	1.8%
	Balance in County Revenue Fund	1,891,906,591					
17	Donor Grants (DANIDA)	12,630,000	12,630,000	12,630,000	12,630,000	-	0.0%
18	Loans and Grants CRA	-	-	-	-	-	
	Kenya Devolution support program (KDSP)	37,028,227	40,731,050	44,804,155	49,284,570	3,702,823	10.0%

No.	REVENUE SOURCE	APPROVED ESTIMATES	C-BROP	PROJECTIONS		ANNUAL GROWTH	% GROWTH
		2016/2017	'2017/2018	2018/2019	2019/2020		2017/2018
19	Conditional Allocation to compensate Forgone user fees	39,216,180	39,216,180	43,137,798	47,451,578	-	0.0%
	Conditional Fund -Leasing of Medical Equipment	95,744,681	95,744,681	105,319,149	115,851,064	-	0.0%
	Conditional Fund -Free Maternal Health	215,283,613	215,283,613	236,811,974	260,493,172	-	0.0%
	Road Maintenance Fuel Levy Fund (RMFLF)	134,560,844	154,744,971	170,219,468	187,241,414	20,184,127	15.0%
	Conditional Allocation For Level- 5 Hospital	356,069,364	373,872,832	411,260,115	452,386,127	17,803,468	5.0%
	C.R.A Equitable Share	8,757,624,645	9,414,446,493	10,355,891,143	11,391,480,257	656,821,848	7.5%
	SUB TOTAL	11,540,064,145	10,346,669,820	11,380,073,802	12,516,818,182	698,512,266	0
	GRAND TOTAL	14,742,328,803	13,606,929,771	14,791,125,750	16,085,835,098	756,507,559	0
	Expenditure:						
	Current Expenditure:						
	Compensation to Employees	5,198,897,144	5,458,842,002	5,950,137,782	6,485,650,182	259,944,857	5.0%
	Use Of Goods And Services	3,344,011,874	3,511,212,467	3,827,221,589	4,171,671,532	167,200,594	5.0%
	Grants And Other Transfers	175,000,000	183,750,000	198,450,000	214,326,000	8,750,000	5.0%
	Other Recurrent	245,317,943	274,756,096	307,726,828	344,654,047	29,438,153	12.0%
	Sub Total:	8,963,226,961	9,428,560,565	10,283,536,199	11,216,301,761	465,333,604	5.2%
	Capital Expenditure:						
	Acquisition Of Non-Financial Assets	5,724,471,842	4,118,699,206	4,895,950,485	5,909,917,778	1,605,772,636	-28.1%
	Capital Grants To Governmental Agencies	12,630,000	12,630,000	13,893,000	15,282,300	-	0.0%
	Other Development	42,000,000	47,040,000	51,744,000	56,918,400	5,040,000	12.0%
	Sub Total:	5,779,101,842	4,178,369,206	4,961,587,485	5,982,118,478	(1,600,732,636)	-27.7%
	Grand Total:	14,742,328,803	13,606,929,771	15,245,123,684	17,198,420,240	(1,135,399,032)	-7.7%
	DEFICIT/ SURPLUS	1	(0)				
	PERCENT OF TOTAL BUDGET						
	Current Expenditure:	61%	69%	67%	65%		
	Capital Expenditure:	0%	31%	33%	35%		

Annex II: Trend in Growth of Equitable share of Revenue

EXCHEQUER RECEIPTS TRENDS	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	8,757,624,645	641,293,702	7.9%
2017/2018 (CBROP 2016 Projected Growth)	9,414,446,493	656,821,848	7.5%

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

	SECTOR NAME		APPROVED ESTIMATES FY 2016/2017		SUB TOTAL	C-BROP TOTAL CEILINGS		PROJECTIONS
			RECURRENT EXPENDITURE	DEVELOPMENT* EXPENDITURE		2017/2018	'2018/2019	2019/2020
1	Agriculture Rural and Urban Development	SUB-TOTAL	655,545,293	511,735,453	1,167,280,746	1,163,857,540	1,280,243,294	1,408,267,623
		Rec. Gross			655,545,293	711,846,497	783,031,146	861,334,261
		Dev. Gross			511,735,453	452,011,043	497,212,148	546,933,362
2	Education/ Social Protection, Culture and Recreations	SUB-TOTAL	562,220,067	848,199,480	1,410,419,547	703,950,417	774,345,459	851,780,004
		Rec. Gross			562,220,067	593,353,332	652,688,665	717,957,531
		Dev. Gross			848,199,480	110,597,085	121,656,794	133,822,473
3	Energy Infrastructure and ICT	SUB-TOTAL	363,659,115	1,818,881,825	2,182,540,940	847,292,185	932,021,403	1,025,223,543
		Rec. Gross			363,659,115	386,796,951	425,476,646	468,024,311
		Dev. Gross			1,818,881,825	460,495,234	506,544,757	557,199,233
4	Environment Protection Water and Natural Resources	SUB-TOTAL	375,022,713	688,353,253	1,063,375,966	567,569,070	624,325,977	686,758,575
		Rec. Gross			375,022,713	395,789,815	435,368,796	478,905,676
		Dev. Gross			688,353,253	171,779,255	188,957,181	207,852,899
5	General Economics and Commercial Affairs	SUB-TOTAL	130,788,964	262,218,034	393,006,998	278,804,691	306,685,160	337,353,676
		Rec. Gross			130,788,964	138,031,480	151,834,628	167,018,091
		Dev. Gross			262,218,034	140,773,211	154,850,532	170,335,586
6	Health	SUB-TOTAL	4,019,382,360	919,318,672	4,938,701,032	4,704,459,093	5,174,905,002	5,692,395,503
		Rec. Gross			4,019,382,360	4,204,947,680	4,625,442,448	5,087,986,693
		Dev. Gross			919,318,672	499,511,413	549,462,554	604,408,810
7	Public Administration and National/Inter County Relations	SUB-TOTAL	2,856,608,449	730,395,125	3,587,003,574	5,340,996,775	5,875,096,453	6,462,606,098
		Rec. Gross			2,856,608,449	2,168,607,556	2,385,468,311	2,624,015,142
		Dev. Gross			730,395,125	566,159,631	622,775,594	685,053,153
	SUB TOTAL		8,963,226,961	5,779,101,842	14,742,328,803	13,606,929,771	14,967,622,748	16,464,385,023

Annex IV: Total Recurrent Expenditure Ceilings for the Period 2016/2017-2018/2019

VOTE	Source of Funding	APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
		2016/2017	2017/2018	2018/2019	2019/2020
Office of the Governor and Deputy Governor	Gross Allocation	203,127,071	214,375,351	235,812,886	259,394,174
	Local Revenue	-	166,263,300	182,889,630	201,178,593
	CRA Equitable Share	-	48,112,051	52,923,256	58,215,581
County Treasury	Gross Allocation	977,785,148	1,025,930,572	1,128,523,629	1,241,375,992
	Local Revenue	-	317,114,562	348,826,018	383,708,620
	CRA Equitable Share	-	708,816,010	779,697,611	857,667,372

County Public Service Board	Gross Allocation	57,119,525	61,282,553	67,410,808	74,151,889
	AIA	-	-	-	-
	Conditional Grant	-	-	-	-
	Local Revenue	-	18,942,402	20,836,643	22,920,307
	CRA Equitable Share	-	42,340,150	46,574,165	51,231,582
Public Service Management	Gross Allocation	753,107,920	794,811,711	874,292,882	961,722,170
	Local Revenue	-	245,675,852	270,243,437	297,267,781
	CRA Equitable Share	-	549,135,859	604,049,445	664,454,389
Health	Gross Allocation	4,019,382,360	4,204,947,680	4,625,442,448	5,087,986,693
	Local Revenue	-	753,744,151	829,118,566	912,030,423
	CRA Equitable Share	-	2,103,406,223	2,313,746,845	2,545,121,530
Trade, Industrialization and Tourism	Gross Allocation	130,788,964	138,031,480	151,834,628	167,018,091
	Local Revenue	-	42,915,453	47,206,998	51,927,698
	CRA Equitable Share	-	95,116,027	104,627,630	115,090,393
Roads Public Works and Transport	Gross Allocation	306,149,320	323,102,518	355,412,769	390,954,046
	Local Revenue	-	149,870,806	164,857,887	181,343,675
	Conditional Grant	-	-	-	-
	CRA Equitable Share	-	173,231,711	190,554,883	209,610,371
ICT and E-Government	Gross Allocation	57,509,795	63,694,433	70,063,877	77,070,264
	Local Revenue	-	54,687,913	60,156,705	66,172,375
	CRA Equitable Share	-	9,006,520	9,907,172	10,897,889
Agriculture, Livestock and Fisheries	Gross Allocation	542,173,917	562,197,115	618,416,827	680,258,509
	Local Revenue	-	174,374,812	191,812,293	210,993,522
	CRA Equitable Share	-	387,822,303	426,604,534	469,264,987
Lands, Physical Planning and Housing	Gross Allocation	113,371,375	149,649,382	164,614,320	181,075,752
	Local Revenue	-	61,256,540	67,382,193	74,120,413
	CRA Equitable Share	-	88,392,842	97,232,126	106,955,339
Education, Sports, Youth and Social Services.	Gross Allocation	562,220,067	593,353,332	652,688,665	717,957,531
	Local Revenue	-	283,405,181	311,745,699	342,920,269
	CRA Equitable Share	-	309,948,151	340,942,966	375,037,263
Environment, Water and Natural Resources	Gross Allocation	375,022,713	395,789,815	435,368,796	478,905,676
	Local Revenue	-	172,338,409	189,572,250	208,529,475
	CRA Equitable Share	-	223,451,406	245,796,547	270,376,201
County Assembly	Gross Allocation	865,468,785	901,394,625	991,534,087	1,090,687,496
	Local Revenue	-	208,620,571	229,482,628	252,430,891
	CRA Equitable Share	-	692,774,054	762,051,459	838,256,605
SUB TOTAL	-	8,963,226,961	9,428,560,565	611,050,000	8,817,510,565

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

SECTOR NAME	Source of Funding	APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
		2016/2017	'2017/2018	'2018/2019	2019/2020
-					
Office of the Governor and Deputy Governor	Gross Allocation	58,370,099	95,814,589	105,396,047	115,935,652
	Local Revenue		-	-	-
	CRA Equitable Share		95,814,589	105,396,047	115,935,652
County Treasury	Gross Allocation	402,154,479	2,026,370,929	2,229,008,021	2,451,908,824
	Local Revenue		-	-	-
	CRA Equitable Share		2,026,370,929	2,229,008,021	2,451,908,824
County Public Service Board	Gross Allocation	3,604,726	6,865,120	7,551,632	8,306,795
	Local Revenue		-	-	-
	CRA Equitable Share		6,865,120	7,551,632	8,306,795
Public Service Management	Gross Allocation	46,427,038	119,142,915	131,057,206	144,162,927
	Local Revenue		-	-	-
	CRA Equitable Share		119,142,915	131,057,206	144,162,927
Health	Gross Allocation	919,318,672	499,511,413	549,462,554	604,408,810
	Local Revenue		-	-	-
	AIA		72,000,000	79,200,000	87,120,000
	Conditional Grant		260,000,000	286,000,000	314,600,000
	CRA Equitable Share		167,511,413	184,262,554	202,688,810
Trade, Industrialization and Tourism	Gross Allocation	262,218,034	140,773,211	154,850,532	170,335,586
	Local Revenue		-	-	-
	CRA Equitable Share		140,773,211	154,850,532	170,335,586
Roads Public Works and Transport	Gross Allocation	1,777,994,836	367,534,944	404,288,439	444,717,283
	Local Revenue		-	-	-
	Conditional Grant (RMFLF)		154,744,971	170,219,468	187,241,414
	CRA Equitable Share		212,789,974	234,068,971	257,475,868
ICT and E-Government	Gross Allocation	40,886,989	92,960,289	102,256,318	112,481,950
	Local Revenue		-	-	-
	CRA Equitable Share		92,960,289	102,256,318	112,481,950

SECTOR NAME		APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
Agriculture, Livestock and Fisheries	Gross Allocation	271,954,915	176,040,980	193,645,078	213,009,586
	Local Revenue		-	-	-
	CRA Equitable Share		176,040,980	193,645,078	213,009,586
Lands, Physical Planning and Housing	Gross Allocation	239,780,538	275,970,063	303,567,069	333,923,776
	Local Revenue		-	-	-
	CRA Equitable Share		275,970,063	303,567,069	333,923,776
Education, Sports, Youth and Social Services.	Gross Allocation	848,199,480	110,597,085	121,656,794	133,822,473
	Local Revenue		-	-	-
	CRA Equitable Share		110,597,085	121,656,794	133,822,473
Environment, Water and Natural Resources	Gross Allocation	688,353,253	171,779,255	188,957,181	207,852,899
	Local Revenue		-	-	-
	CRA Equitable Share		171,779,255	188,957,181	207,852,899
County Assembly	Gross Allocation	219,838,783	95,008,413	104,509,254	114,960,179
	Local Revenue		-	-	-
	CRA Equitable Share		95,008,413	104,509,254	114,960,179
SUB TOTAL		5,779,101,842	4,178,369,206	4,596,206,126	5,055,826,739

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

CLASSIFICATION OF FUNCTIONS OF GOVERNMENT (COFOG)	SECTOR	SECTOR COMPOSITION (S)
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 2017/2018

	ACTIVITY	RESPONSIBILITY	DEADLINE
1	Performance Review and strategic planning	Treasury	July-Aug 2016
	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 2016
3	Launch of sector Working Groups	Treasury	30th August 2016
4	Annual Development Plan submitted to county assembly	Treasury	1st September 2016
5	Determination of Fiscal Framework.	Macro Working Group	15th Sept. 2016
	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. 2016
	5.5 Submission and approval by cabinet	"	23rd Sept. 2016
	5.6 Tabling of CBROP TO County assembly	"	30th Sept 2016

	ACTIVITY	RESPONSIBILITY	DEADLINE
	5.7 Circulate the Approved CBROP to Accounting Officers.	"	5th October 2016
	5.8 Capacity building for MTEF Programme Based Budget	"	10th-14th October 2016
6	Preparation of County Budget Proposals	Line Ministries	
	6.1 Draft Sector Report	Sector Working Group	13th Oct. 2016
	6.2 Submission of Sector Report to County Treasury	Sector Working Group	17th Oct. 2016
	6.3 Review of the proposals	Macro Working Group	24th-28th 2016
7	Stakeholders/Public participation	Treasury/DAs	November 2016
8	The 2016/2017 Supplementary Budget		
	8.1 Develop and issue guidelines on the 2015/16 Revised Budget	County Treasury	Sept . 2016
	8.2 Submission of supplementary Budget proposals	Das	Oct . 2016
	8.3 Review of the supplementary Budget proposals	County Treasury	Oct . 2016
	8.4 submission of supplementary budget proposals to cabinet	County Treasury	November . 2016
	8.5 submission of supplementary Budget proposals to County Assembly	County Treasury	November . 2016
9	Draft County Fiscal Strategy paper(CFSP)	Macro Working Group	
	9.1 Draft CFSP	Macro Working Group	7th Nov. 2016
	9.2 Submission of CFSP to cabinet for approval	County Treasury	10th Nov. 2016
	9.3 Submission of CFSP to County Assembly for approval.	County Treasury	11th Nov. 2016
	9.4 Submission of Debt management strategy to County Assembly for approval.	County Treasury	14th Nov. 2016
10	Preparation and approval of final DAs Programme Budgets		
	10.1 Issue final guidelines on preparation of 2016/17 County Budget.	County Treasury	2nd Dec, 2016
	10.2 Submission of Budget proposals to Treasury	Line Ministries	19th Dec. 2016
	10.3 Consolidation of the Draft Budget Estimates	County Treasury	15th January 2017
	10.4 Submission of Draft Budget Estimates for county government to County assembly	County Treasury	27th January 2017
	10.5 Review of Draft Budget Estimates by Departmental committee	County Assembly	22nd Feb 2017

	ACTIVITY	RESPONSIBILITY	DEADLINE
	10.6 Report on the budget and appropriation committee Draft Budget Estimates from County Assembly	County Assembly	24th Feb 2017
	10.7 Annual cash flow.	County Treasury	15th March 2017
	10.8 Submission of Appropriation Bill to County Assembly	County Treasury	15th March 2017
	10.9 Resolution of county assembly on Estimates and approval	County Treasury	25th March 2017
	Budget Statement	County Treasury	25th March 2017
	Appropriation Bill Passed	County Assembly	31st March 2017

Annex VII; LIST OF CONTRIBUTORS- 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.	Pauline Waitiki	Maendeleo ya Wanawake	Education, Youth Sports and Culture and Social Services