REPUBLIC OF KENYA

COUNTY GOVERNMENT OF NYAMIRA

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

COUNTY TREASURY

2015/2016

SEPTEMBER 2016

FOREWORD

The County Budget Review and Outlook Paper (CBROP) isprepared in accordance with Public Financial Management Act, 2012. It is the fourth to be prepared under the devolved system of Government. It presents the fiscal outcome for FY 2015/16 and how this affects the financial objectives set out in the 2016/17 budget. The updated macroeconomic outlook therein provides a basis to revise the 2016/17 budget in the context of the Supplementary Estimates, as well as setting out the broad fiscal parameters for the next medium term framework budget.

The 2015/16 FY had its fair share of challenges arising from the county operating on a 50% budget for the larger part of the year. Despite these challenges, the overall performance of the county was satisfactory. The lessons learnt will inform county management decisions aimed at improving the county's performance in the medium term. In order to build on the successes of the 2015/16 FY, the county will continue to invest on priority areas as envisaged in the 2016 Fiscal Strategy Paper despite expenditure pressures from other competing sectors.

Going forward, we will continue to control spending on recurrent expenditure to achieve the 40 percent target for the county while at the same time improve efficiency in revenue collection. We will also ensure there is transparency and accountability by relaying our performance indicators to the public as well as publicizing other publications as required by the Constitution and the Public Finance Management Act, 2012.

JONES OMWENGA

COUNTY EXECUTIVE COMMITTEE MEMBER,
FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

The CBROP was made successful by contributions of various participants, whom we highly recognize and appreciate for their efforts. The document was prepared by the joint team from the County Planning Unit (CPU) at the County Treasury. 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 preparation and the compilation of the document, with support from the various departments which provided the needed information timely manner. 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 Directorate of economic planning and Budgeting led by the Director for their hard work and commitment in successfully delivering the document in time.

JACKLINE KEMUNTO MOMANYI

COUNTY CHIEF OFFICER,
FINANCE AND ECONOMIC PLANNING

LIST OF ACRONYMS AND ABBREVIATIONS

CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CGN	County Government of Nyamira
CIDP	County Integrated Development Plan
GDP	Gross Domestic Product
IFMIS	Integrated Financial Management and Information System
MTEF	Medium Term Expenditure Framework
PFM	Public Finance Management
SWGs	Sector Working Group
ADP	Annual Development Plan
CDMS	County Debt Management strategy
CFSP	County Fiscal Strategy paper
CPU	County Planning Unit
CG	County Government
COB	Controller of Budget
CRA	Commission of Revenue Allocation
DAs	Department and Agencies
DANIDA	Danish International Development Agency
ECDE	Early Childhood Development
FIF	Facility Improvement Fund
FY	Financial Year
ICT	Information Communication Technology
NGOS	Non-Governmental Organization
PBB	Program Based Budget
PFMA	Public finance management act

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CHAPTER ONE

I.0 INTRODUCTION

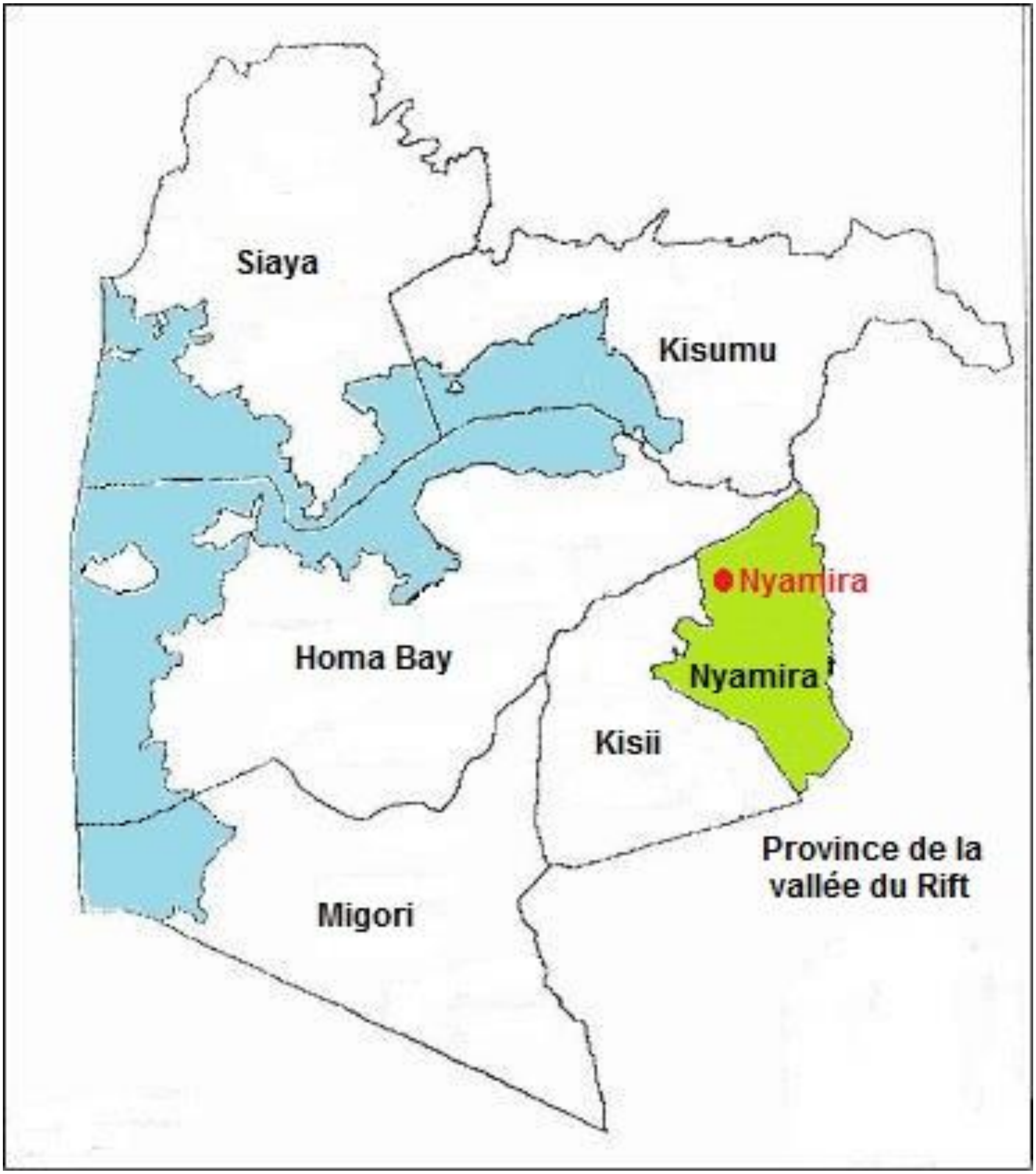
I. 1 Background of Nyamira County

Nyamira County is one of the 47 counties of the Republic of Kenya as provided in the new constitution that was promulgated on 27th August 2010. The County borders Homabay County to the North, Kisii County to the West, Bomet County to the South East and Kericho County to the East. The County covers an area of 899.4km^2. The county lies between latitude 00 30‘and 00 45‘South and between longitude 340 45‘and 350 00‘East. The County head quarter is in Nyamira town. The County is divided into five sub-counties namely: Nyamira North, Nyamira South, Masaba North, Borabu, and Manga. The County has four constituencies namely; West Mugirango, KitutuMasaba, North mugirango and Borabu, and a total of twenty county assembly wards.

Nyamira County had a population of 598,252 persons of which 284,048 were males and 314,204 were females according to the 2009 housing and population census report. The population is expected to increase to 673,258 persons in the year 2016 of which 326, 240 will be male and 347,338 will be female. The county inter census population growth rate is estimated at 1.83 percent. The settlement pattern in the County is greatly influenced by the rainfall patterns, topography, infrastructural development, proximity to urban centers, the availability of natural resources and security. However, majority of the County populace is in the rural areas. The County is endowed with many resources, but has been a low producer of goods and services, hence lacking value addition, a situation that has contributed to very low prices for these goods and services.

The CBROP will be a key document in linking policy, planning and budgeting. The County Integrated Development Plan (CIDP) and the Medium Term Expenditure Framework (MTEF) will guide budgetary preparation and programming. The formation of the Sector Working Groups (SWGs) by the Executive Committee has enabled the County Treasury to formulate guidelines for the Medium Term Expenditure Framework (MTEF) focusing on developing of new programs for the next MTEF Period 2017/18–2020/21. The Map 1 below shows nyamira county and its neighboring counties.

Map 1: Nyamira county and its Neighboring counties



1.2 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:

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.

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.

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 publicize the paper not later than fifteen days after laying the Paper before County Assembly.

1.3 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.

1.4 Objective of the CBROP

The objectives of the 2016 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 2016), Section 104 of the PFM Act 2012 in this budget year. Insight in to this budget projection of the current CFSP 2016 will guide the County in preparing the Supplementary budget estimates for the current appropriations.

The current C-BROP will continue to focus with the sectoralprioritiesset out in the current CFSP namely;

- Infrastructure development: This will include interventions in roads, energy (street lighting) and ICTdevelopment.
- Agriculture,ruralandurbandevelopment:Prioritywillbegiventolivestock,fisheries andagriculture,spatialplanningandhousingdevelopment.
- Water and environment: The priority will be given to spring protection, drilling of boreholes,wetlandsconservationandpromotionofbambootreeplanting.
- Health: Priorities in this sector will include funding healthcare infrastructure, communicableandnon-communicablediseasesanddrugs.
- Socialsector:priorityareaswillbeCulture,sports,youth,securityandopportunitiesfor vulnerablemembersofoursociety.

The C-BROP is further expected to provide preliminary sector ceilings for the FY 2017/2018 budget and indicative projections for the FY 2018/2019 and 2019/2020 Medium term expenditure period. These ceilings will offer the primary reference for the Sector Workings groups (SWGs) before being firmed up in the CFSP 2017.

Further the paper includes a review of FY 2015/2016, 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.

The PFM Act 2012 has set high standards for compliance with the MTEF budgeting process. Therefore, it is expected that the sector ceilings for the 2015/2016-2017/2018 MTEF period will be modified because of the expanded mandate of some sectors, the need to comply with instructions issued by the office of the Controller of Budget and Commission on Revenue Allocation among others and the need to direct resources to the County Strategic priority areas.

The CBROP provides linkage between policy, planning and budgeting. The County Government prepared its first County Integrated Development Plan (CIDP) for 2013-2017 and the departmental strategic plans. These give programmes to be delivered with details for each program of the strategic priorities to which the program will contribute; the services or goods to be provided; measurable indicators of performance where feasible; and the budget allocated to the program. The two documents are anchored on the Kenya Vision 2030 and guides budgetary preparation and programming from 2013 onwards.

1.5 The structure of CBROP

The County Budget Review and Outlook Paper (CBROP) have five chapters namely;

Chapter one: Includes introduction and objectives of CBROP.

Chapter two: Provides a review of the fiscal performance in FY 2015/2016 and its implications on the financial objectives as set out in the CIDP.

Chapter three: This outlines brief highlights of the recent economic development and updated macroeconomic outlook.

Chapter four: Provides the resources allocation framework.

Chapter five: Conclusion.

CHAPTER TWO

2.0 REVIEW OF FISCAL PERFORMANCE IN FY 2015/2016

2.1 DEVELOPMENT OBJECTIVES 2015/16

Prioritization of resource allocation was based on the County Integrated Development Plan 2013-2017, annual development plan 2015 and the departmental strategic plans.

The development objectives stipulated in the CFSP for FY 2016 were geared towards achieving the following:

- Infrastructure development: This will include interventions in roads, energy (street lighting) and ICT development.
- Agriculture, rural and urban development: Priority will be given to livestock, fisheries and agriculture, spatial planning and housing development. More specifically the sector will apply the following interventions;
- Water and environment: The priority will be given to spring protection, drilling of boreholes, wetlands conservation and promotion of bamboo tree planting.
- Health: Priorities in this sector will include funding healthcare infrastructure, communicable and non-communicable diseases and drugs.
- Social sector: priority areas will be Culture, sports, ECDE, youth polytechnics, security and opportunities for vulnerable members of our society.

2.2 Overview

The fiscal performance in 2015/16 was generally satisfactory, despite the challenges of not realizing the projected revenues and mounting expenditure pressures. The County Government experienced revenue shortfalls in internal revenue, free maternity health care and unspent balances at ksh.133, 976,943, ksh. 32, 600,300 and 135,704, 229 respectively totaling to ksh. 302,281,472 against the target of ksh. 5,450,558,859 representing a short fall of 6% in the budget execution. The actual unspent balance of ksh. 653,028,537 contributed to underperformance of expenditure to 11%.

On the expenditure side, the County Government spend highly on personal emoluments attributed to by the large workforce seconded from the national government, defunct local authority and county government employees. Majority of all these employees did not have clear job descriptions, leading to increased wage bill, maintenance costs and hence budgetary constraints. During the F/Y 2015/2016 the wage bill stood 37%, the county government needs to expand its revenue base so the wage bill reverts to 35% as advocated in the public finance management regulation 2016.

In addition, delayed release of funds from the National Government to County Government was another challenge in the implementation of the planned projects and programmes in all sectors. Thus several projects could not be completed at the end of the planning period.

2.3 Fiscal Performance for 2015/16 Financial Year

2.3.1 Revenue

Table 1 presents the revenue analysis for the FY 2015/16 as realized from local sources, equitable share from the national government, unspent balances for the 2014/2015 FY and the conditional grants;

Table 1: revenue analysis 2015/2016

REVENUE SOURCE	ACTUAL (BASELINE) 2014/2015	TARGET		ACTUAL	DEVIATION		PERFORMANCE	
		Approved budget 2015/2016	Revised budget 2015/2016	Actual 2015/2016	Deviation on 2015/2016 budget.	Deviation on baseline 2014/2015 vs. actual 2015/2016	Perfor mance 2015/ 2016	Performanc e on baseline 2014/2015 and actual 2015/2016
Unspent balances	653,028,537	788,732,766	788,732,766	637,020,419	151,712,347	16,0081,118	81	25
Equitable Shareable Revenue	3,662,608,997	4,154,538,019	4,154,538,019	4,154,538,0 19	0	491,929,022	100	100
Donor Grants/DANIDA	21,540,000	23,920,000	23,920,000	23,920,000	0	2,380,000	100	100
Free Maternity Health Care		79,942,800	79,942,800	47,342,500	32,600,300	-47,342,500	59	(53)
Compensation For User Fees Forgone		13,945,233	13,945,233	13,945,233	0	-13,945,233	100	(100)
Leasing of Medical Equipment		95,744,681	95,744,681	0	0	-95,744,681	100	(100)
Road Maintenance Levy Fund		52,776,448	52,776,448	52,776,448	0	-52,776,448	100	(100)
County Emergency Fund		93,617,021	-	-	-	-	-	-
Sub total	**4,337,177,534**	**5,303,216,968**	**5,209,599,947**					

Details of revenue from the local sources	Baseline 2014/2015(actuals)	Budget	Revised 2015/2016	Actual 2015/2016	Deviation 15/16	Dev. on baseline 14/15 & actual15/16	Performance	Performance on baseline & actual 15/16
Market Dues	11,082,090.00	44,327,473.00	44,327,473.00	7,786,740	-36,540,733	-3,295,350	17.57	(29.74)
Matatu Parking Charges/Registration? Stickers	14,224,780.00	37,381,261.00	37,381,261.00	11,495,880	-25,885,381	-2,728,900	30.75	(19.18)
Private Parking Charges	1,279,560.00	1,372,085.00	1,372,085.00	1,299,780	-72,305	20,220	94.73	1.58
Agricultural Cess	2,205,110.00	20,577,612.00	20,577,612.00	2,064,780	-18,512,832	-140,330	10.03	(6.36)
Motor Bike Stickers	4,048,960.00	6,791,162.00	6,791,162.00	1,077,580	-5,713,582	-2,971,380	15.87	(73.39)
Cattle Movement Permit	-	1,195,501.00	1,195,501.00	197,050	-998,451	197,050	16.48	0
Cattle Fee	1,530,560.00	1,909,675.00	1,909,675.00	1,046,170	-863,505	-484,390	54.78	(31.65)
Slaughter Fee	123,080.00	485,340.00	485,340.00	100,460	-384,880	-22,620	20.70	(18.38)
Isolated Plot Rent	1,813,255.00	884,070.00	884,070.00	838,760	-45,310	-974,495	94.87	(53.74)
Plot Rent/shop rent	2,436,445.00	4,725,653.00	4,725,653.00	1,463,564	-3,262,089	-972,881	30.97	(39.93)
Market Stall Rent	1,039,950.00	1,605,684.00	1,605,684.00	948,000	-657,684	-91,950	59.04	(8.84)
Advertisement Charges	1,429,365.00	1,155,043.00	1,155,043.00	1,626,410	471,367	197,045	140.81	13.79
Single Business Permit	27,330,010.00	47,571,157.00	47,571,157.00	18,000,842	-29,570,315	-9,329,168	37.84	(34.14)
Single Business Permit-Application	2,265,590.00	7,078,225.00	7,078,225.00	1,599,500	-5,478,725	-666,090	22.60	(29.40)
School Registration Fees	30,000.00	1,954,084.00	1,954,084.00	1,000	-1,953,084	-29,000	0.05	(96.67)
Development Appl/Build/Structural appr. Fees	2,360,005.00	5,353,943.00	5,353,943.00	1,395,965	-3,957,978	-964,040	26.07	(40.85)
Sale Of Tender Documents	708,500.00	802,581.00	802,581.00	-	-802,581	-708,500	-	(100.00)

Storage Charges	14,510.00	238,260.00	238,260.00	115,580	-122,680	101,070	48.51	696.55
Kiosk Fees	193,010.00	208,478.00	208,478.00	-	-208,478	-193,010	-	(100.00)
Impounding Charges	454,670.00	277,487.00	277,487.00	234,450	-43,037	-220,220	84.49	(48.44)
Land Application Fees	3,916.00	302,465.00	302,465.00	-	-302,465	-3,916	-	(100.00)
Land Rates	17,995,599.00	3,880,714.00	3,880,714.00	10,242,154	6,361,440	-7,753,445	263.9 2	(43.09)
Adm Charges	219,550.00	355,994.00	355,994.00	-	-355,994	-219,550	-	(100.00)
Survey Charges	6,000.00	137,815.00	137,815.00	77,100	-60,715	71,100	55.94	1,185.00
Land Control Board Charges	-	866,679.00	866,679.00	-	-866,679	0	-	0
Change Of User Charges	5,000.00	64,059.00	64,059.00	-	-64,059	-5,000	-	(100.00)
Land Transfer Charges	6,000.00	90,706.00	90,706.00	-	-90,706	-6,000	-	(100.00)
Weights And Measures Charges	444,920.00	324,723.00	324,723.00	574,530	249,807	129,610	176.9 3	29.13
Physical Planning Charges	299,920.00	1,203,224.00	1,203,224.00	708,180	-495,044	408,260	58.86	136.12
Public Health Fees	8,722,887.00	40,540,898.00	40,540,898.00	41,928,359	1,387,461	33,205,472	103.4 2	380.67
Water Department	90,550.00	-	0.00	95,050	95,050	4,500	#DIV/ 0!	4.97
Veterinary Charges	1,083,785.00	7,296,951.00	7,296,951.00	2,064,085	-5,232,866	980,300	28.29	90.45
Club registration	73,500.00	0.00	0.00			-73,500		(100.00)
Land fees	32,000.00	0.00	0.00			-32,000		(100.00)
Minute Extract	4,000.00	0.00	0.00			-4,000		(100.00)
CofeeCess	24,157.00	0.00	0.00			-24,157		(100.00)

Surrender Fees	3,000.00	0.00	0.00			-3,000		(100.00)
Miscellaneous	572,550.00	0.00	0.00			-572,550		(100.00)
Others	40,400.00	0.00	0.00			-40,400		(100.00)
Hall Hire	9,000.00	0.00	0.00			-9,000		(100.00)
FIF	97,996,525.00	0.00	0.00			-97,996,525		(100.00)
Total Budgeted Revenue	**202,202,709**	**240,958,912**	**240,958,912.00**	**106,981,969**	**-133,976,943**	**-95,220,740**	**44.40**	**(47.09)**
Grand total	**4,539,380,243**	**5,544,175,880**	**5,540,558,859**		**318,289,590**			

2.3.1.1 Unspent balances

The actual unspent balance for 2014/2015 was Ksh 653,028,537; this represents a deviation of Ksh. 135,704,229 against the estimate of ksh. 788, 732,766 as approved in 2015/2016 FY budget. The revised budget 2015/2016 ought to have revised the figure (ksh. 788,732,766) downwards to the actual figure (ksh. 653,028,537). This was not done hence contributed to 17% short fall on the projected unspent balances consequently affecting the execution of appropriated budget.

The unspent balances in FY 2014/2015 and FY 2015/2016 were Ksh.653, 028,637 and Ksh 637,020,419 respectively indicating slight decrease of 3%. This indicates that the county government needs to strategize more on absorption rate of the budget execution.

The actual unspent balance of ksh. 637,020,419 in F/Y 2015/2016 have got an implication in the current F/Y 2016/2017 budget. The county government needs to revise down its estimate on unspent balance of ksh. 880, 772, 791 as stipulated in the programme based budget 2016/2017 in order to realize zero revenue shortfall on unspent balance.

2.3.1.2 Equitable Shareable Revenue

Total actual Exchequer releases from National Government were Kshs.4,154,538,019 as appropriated in 2015/2016. The equitable share revenue has since been increasing over the years based on the formula determined by the commission on revenue allocation and approved by national assembly. However there have been challenges on the late releases by the exchequer.

2.3.1.3 Conditional grants

The county anticipated to receive revenues from the conditional grants as follows; DANIDA, Free maternity health care, compensation for user fees forgone, leasing of medical equipment, roads maintenance levy fund, county emergency fund.

The county government received in full ksh. 23, 920,000 as anticipated in F/Y 2015/2016, this was slightly higher than what was received in 2014/2015 hence no revenue short fall. The similar scenario was also witnessed for the compensation for user fee forgone, roads maintenance levy fund which were received in full as anticipated at ksh. 13,945,233 and 52,776,448 respectively. However, the two conditional grants were not gazzetted in 2014/2015. For leasing of medical equipment, the county received equipments equivalent to the amount gazzetted.

The county government had projected in it's CFSP 2016 a conditional grant worth ksh. 93,617,021 for county emergency fund. This was then never gazzetted by the commission on revenue allocation hence was removed in the revised budget 2015/2016. For the free maternity health care, the county government had anticipated to receive ksh. 79,942,800 but only ksh. 47,342,500 were received in the F/Y 2015/2016. The county government needs to communicate to the national government ministry concerned on the free maternity health care to ensure that the remaining balances of ksh. 32,600,300 are released to the county for appropriation and by extension the revised F/Y 2016/2017 need to take care of unreleased free maternity health care F/Y 2015/2016 as a source of revenue.

2.3.1.4 Internal Revenue

Total actual local revenues collected amounted to Kshs 106,981,969b Million against a revised budget of Kshs.240, 958,912 million. The shortfall in internal revenue in 2014/15 was much lower at 8 % compared to the preceding year when the shortfall extremely went up at 56%. This implies that the short fall of ksh 133,976,943 in F/Y 2015/2016 affected the budget execution as appropriated.

Although there was no significant downscaling of the projections during the supplementary budget, most of the targets still remained extremely unmet. The low revenue collection is attributed to high default rates, weak enforcement mechanism, lack of county laws, lack of facilitation, resistance from the community led to low rates collection.

Revenue Shortfall per Revenue Source

The major revenue streams in the county are land rates, agricultural produce cess, single business permits, plot rents, and parking fee.

Land Rates

High default rates and weak enforcement mechanism led to low rates collection. The future implementation of the proposed rating bill 2016 will strengthen enforcement on rate collection while review of the valuation roll will widen the ratable properties. A high percentage of county residents who own land and are ratable are defaulters and this poses a risk to revenue collection. To encourage rate defaulters to pay land rates, the county will waive penalties.

Parking Fees

Lack of designated parking points coupled with weak enforcement made it difficult to enforce and collect parking fees. However, revenue is going to be improved since a parking bay has now been constructed in Nyamira Town and the enforcement personnel employed.

Building Permits
Non-disclosure and adherence of county building regulations, poor enforcement of building standards and regulations have led to low revenue collection from building development approval permits.

There exist huge potential in this revenue stream. In order to realize this potential, mechanisms have now been put in place to ensure that revenue in this area is maximized.

Single Business Permit (SBP)

During the period 2015/16, collection from this stream was below target due to the following;

- Non- implementation of devolved functions collection laws e.g. Liquor
- Lack of updated business register

Other challenges that affected the county revenue collection included:

- Legal challenges on betting and control ACT
- Non remittance of NHIF refunds and reimbursement for free maternity care from the National Government.
- Low level of awareness on County charges and the responsibility to pay by the public (civic education)
- Lack of revenue from billboards from road reserves; and no revenues from street poles on KURA and KENHA roads.
- General resistance from the business community especially 'bodaboda' operators and market traders.

2.3.2Expenditure Performances

The total expenditure for the FY 2015/2016 was Ksh. 4,495,248,850as per the approved budget estimates or 83 percent performance. This was against a total target of Ksh 5,450,558,859 representing an under performance of Ksh 955,310,009 or 17 percent under performance.

In terms of economic classification, compensation to employee expenditure represented the highest performance at 101 percent while Development expenditure performed lowest at 67 percent. Table 2 below shows the total County Expenditures by economic classifications.

However it is notable to observe that development expenditure grew by the highest margin at approx 36 percent (from Ksh 1,150,934,545 in FY 2014/2015 to Ksh1, 572,243,093.00 in FY 2015/2016).

Table 2 Expenditure Performance by Economic classification

	Actual baseline 2014/2015	Target 2015/2016	Actual 2015/2016	Variance	% budget execution
	a	b	c	d=b-c	g=actual /total budget
Current Expenditure					
Compensation Of Employees	1,350,910,944.00	1,654,345,460.00	1,670,345,596.75	(16,000,136.75)	101
Use Of Goods And Services	1,186,449,994.00	1,438,914,000.00	1,252,660,160.25	186,253,839.75	87
Transfers to other Government entities	68,000,000.00			-	
Other Grants and transfers				-	
Sub-total	**2,605,360,938.00**	**3,093,259,460.00**	**2,923,005,757.00**	**176,253,840**	**95**
Capital Expenditure				-	
Acquisition Of Non-Financial Assets	1,150,934,545.00	2,357,299,399.00	1,572,243,093.00	785,056,306.00	67
Capital Grants To Governmental Agencies				-	
Other Development				-	
Sub-total	**1,150,934,545.00**	**2,357,299,399.00**	**1,572,243,093**	**785,056,306.00**	**67**
Grand Total	**3,756,295,483.00**	**5,450,558,859**	**4,495,248,850 .00**	**955,310,0009 .00**	**0.83**

Table 3 Departmental expenditure performance for the period ending 30th June 2016

VOTE NO	VOTE TITLE	RECURENT EXPENDITURE				DEVELOPMENT EXPENDITURE				TOTAL EXPENDITURE			
		Target	Actual	Variance	% Implementation	Target	Actual	Variance	% Implementation	Target	Actual	Variance	% OF BUDGET EXECUTION
5261	County Assembly	428,737,274	421,495,771	7,241,503	98	-	-	-		428,737,274	421,495,771	7,241,503	98
5262	County executive	369,618,411	347,249,175	22,369,236	94	65,033,063	53,089,911	11,943,152	82	434,651,474	400,339,086	34,312,388	92
5263	Finance and planning	243,181,301	237,027,282	6,154,019	97	111,895,000	97,845,355	14,049,645	87	355,076,301	334,872,637	20,203,664	94
5264	Agriculture livestoke and fisheries	187,998,397	183,729,208	4,269,189	98	174,207,454	156,263,372	17,944,082	90	362,205,851	339,992,580	22,213,271	94
5265	Environment enry and natural resourses	82,426,897	81,198,397	1,228,500	99	236,034,780	181,631,374	54,403,406	77	318,461,677	262,829,771	55,631,906	83
5266	Educationand ICT	198,750,199	194,596,476	4,153,723	98	241,420,049	43,182,237	198,237,812	18	440,170,248	237,778,713	202,391,535	54
5267	Health	1,180,486,309	1,166,101,378	14,384,931	99	518,318,765	143,467,384	374,851,381	28	1,698,805,074	1,309,568,762	389,236,312	77

5268	lands housing and urban development	41,781,033	39,352,756	2,428,277	94	176,775,098	105,885,451	70,889,647	60	218,556,131	145,238,207	73,317,924	67
5270	Roads transport and public works	53,704,036	49,281,469	4,422,567	92	780,591,915	455,909,596	324,682,319	58	834,295,951	505,191,065	329,104,886	61
5271	Trade tourism,industrlisation and coop.development	37,052,850	35,108,646	1,944,204	95	32,173,275	18,638,705	13,534,570	58	69,226,125	53,747,351	15,478,774	78
5272	youth sports gender culture and social services	89,703,066	75,598,279	14,104,787	84	7,950,000	5,729,578	2,220,422	72	97,653,066	81,327,857	16,325,209	83
5273	Public service board	36,992,170	36,980,052	12,118	100	-	-	-		36,992,170	36,980,052	12,118	100
5274	public adminisration and coordo decentralised units	142,827,517	140,364,697	2,462,820	98	12,900,000	5,176,629	7,723,371	40	155,727,517	145,541,326	10,186,191	94

Total		3,093,259,460	3,008,083,586	85,175,874	97	2,357,299,399	1,266,819,592	1,090,479,807	54	5,450,558,859	4,274,903,178	1,175,655,681	78.

The actual expenditure during the F/Y 2015/2016 was Ksh. 4.3 billion against the target of Ksh. 5.5 billion. This represents an underperformance of 22 percent. During the year under review the development expenditure was Ksh. 1,266,819,592 against the target of Ksh. 2,357,299,399 this represents a 46 percent under-spending. Recurrent expenditure incurred amounted to Ksh. 3,008,083,586 against a target of Ksh. 3,093,259,460 representing 3 percent under spending. Most departments reported an under-spending of the development budgets with a cumulative deviation of Ksh 1.1 billion or 46 percent underperformance.

The underperformance in expenditure totalled to ksh. 1,175,655,681, this was due to the following reason;

- The county experienced internal revenue shortfall of ksh.133,976,943
- The county never received conditional grant worth Ksh. 32,600,300
- The county never received leasing of medical equipment as a conditional grant totalling to ksh. 95,744,681
- The over estimation of unspent balance of ksh. 135,704,229
- The actual unspent balance totalled to ksh. 653,028,537. This was due to slow procurement and cash flow constraints and the observable weak fiscal capacity across County Government entities largely explains this substantial deviation.

Overall the County assembly had the highest rate of budget execution at 98 percent against revised target while the Department of Trade had the lowest rate of 51 percent.

2.3.3 County Debt Management

The total stock of debt for the County Government including departmental pending bills stood at Ksh89, 241, 581at 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 the same amount of worth of capital budget commitments will be rolled over to the next FY 2016/2017supplementary budget and is expected to significantly reduce county's pending bills. Table shows pending bills as at 30th June 2016.

Table 4 pending claims as at 30th June 2016

Descriptions	Balance as at 30 June 2015		Balance as at 30 June 2016
PAYE	-	-	-
NSSF	-	-	-
LAPTRUST	-	-	-
LAPFUND	-	-	-
Suppliers and contractors	89,241,581	-	89,241,581.44
Legal creditors	-	-	-
Kenya power etc	-	-	-
Contingent liabilities	-	-	-
TOTAL	89,241,581	-	89,241,581.44

2.4 Fiscal Performance for FY 2015/2016 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 give 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 637 million to FY 2016/2017.

The fiscal capacity of the County Government has been improved given the 36 percent growth in development expenditure compared to the previous FY 2014/2015. The County performance is expected to perform even better considering the extension of period for prequalification of suppliers.

The outcome of the 2016 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.

The visible disparity in FY 2015/2016 budget performance for both recurrent and development votes across all County Government will have implications on the baselines used to forecast expenditures in FY 2016/2017. These observations alongside the cash flow constraints have advised the final determination of this C-BROP going forward.

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

2.5 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 within the set minimum requirement of 30 percent with Ksh 2.4 billion allocated to development against a total budget of Ksh 5.5 billion (43%). However the execution rate for development expenditure was above average at about 67 percent performance. Nonetheless,Ksh 1.6 billion reported as actual development expenditure was a significant progress in comparison with the previous FY 2014/2015 where Ksh 1.2 billion 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 37 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. 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 last four years 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.

CHAPTER THREE

3.0 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.The Gross Domestic Product (GDP) is estimated to have expanded by 5.6 per cent in 2015 which was a slight improvement compared to a 5.3 per cent growth in 2014. This growth was mainly supported by a stable macroeconomic environment and improvement in outputs of agriculture; construction; finance and insurance and real estate.

3.1 RECENT ECONOMIC DEVELOPMENTS

3.1.1 International Scene

According to the KNBS, Economic Survey 2016,

- World real Gross Domestic Product (GDP) growth decelerated to 3.1 per cent in 2015 from 3.4 per cent in 2014.
- World current account balance as a percentage of GDP stood at 0.3 per cent in 2015 relative to 0.4 per cent in 2014.
- Global inflation rate eased from 3.5 per cent in 2014 to 3.3 per cent in 2015 as a result of decline in international oil and other commodity prices.
- Total global unemployment stood at 197.1 million in 2015.
- The world merchandise trade volume grew by 3.2 per cent. The advanced economies experienced a modest economic recovery, mainly driven by stronger domestic demand as labour markets and credit conditions improved.
- Emerging markets and developing economies experienced low commodity prices, weaker capital flows, subdued global trade and increasing financial market volatility.
- The economic growth in Sub-Saharan Africa (SSA) slowed from 5.1 per cent in 2014 to 3.8 per cent in 2015.
- Similarly there was a slowed growth of 3.4 per cent for the East Africa Community mainly associated with political instability in Burundi and uncertainties associated with general elections in Tanzania and Uganda.

3.1.2 Domestic Economy

The survey indicates:-

- That the Gross Domestic Product (GDP) grew by 5.6 per cent in 2015 compared to 5.3 per cent growth in 2014. This expansion was as a result of significant growth in some key sectors among them agriculture; construction; real estate; and financial and insurance.

- However, growths in mining and quarrying; information and communication; and wholesale and retail trade decelerated during the same period.
- Accommodation and food services were the only sector whose growth contracted by 1.3 per cent which was however an improvement from the previous year decline of 16.7 per cent.Key macroeconomic indicators remained relatively stable during the review period.
- Overall, inflation eased from 6.9 per cent in 2014 to 6.6 per cent in 2015 due to lower energy and transport prices.

- The current account deficit as a percentage of GDP narrowed from 14.5 per cent in 2014 to 11.4 per cent in 2015. This was due to a substantial growth in export of goods and services and a reduction in the import bill.
- The Kenyan Shilling depreciated against its major trading currencies during the review period but appreciated against the Euro, South Africa Rand and the Japanese Yen, respectively.
- The performance of the agricultural sector in 2015 improved against a backdrop of good weather and abundant rainfall; hence Gross Value Added improved from 3.5 per cent in 2014 to 6.2 per cent in 2015. This was largely achieved through improved crop and livestock production over the review period.
- Maize production increased by 9.0 per cent from 39.0 million bags in 2014 to 42.5 million bags in 2015.
- The volume of marketed milk increased by 10.9 per cent from 541.3 million litres in 2014 to 600.4 million litres in 2015. Earnings from milk sales during the review period rose by 10.0 per cent to Ksh 20.7 billion in 2015.
- However, tea production declined by 10.3 per cent from 445.1 thousand tonnes in 2014 to 399.1 thousand tonnes in 2015. However, the crop earnings increased by 39.5 per cent from Ksh 84.9 billion in 2014 to Ksh 118.4 billion in 2015.
- Coffee production declined by 16.0 per cent from 49.5 thousand tonnes in 2013/14 to 41.6 thousand tonnes in 2014/15. Coffee earnings also declined from Ksh 16.6 billion in 2014 to Ksh 12.1 billion in 2015. Overall, the food supply situation improved nationally.

3.2 MEDIUM TERM FISCAL FRAMEWORK

The global economy has an impact on the County economy and this need to be taken into consideration when developing county‘s economic policies.

The outlook for Nyamira County is envisaged to provide a development oriented environment, which will ensure an improved environment for business while at the same time seeking to provide a conducive working and residential space for the population. Improvement of health services, investment in physical infrastructure, refinement of ECDE learning and provision of social amenities are strategies that will be used to achieve this favorable environment in the County.

3.2.1 Agriculture:

In order to cushion farmers, the county has set aside funds to support vulnerable farmers with subsidized farm fertilizer and certified seeds to boost production, encourage cultivation of perennial and hardy food crops and vegetables, construction of green houses as well as through adoption of modern and appropriate technologies by farmers. The price of tea in the global market has been falling despite increasing production which has affected the county economy through payment of low bonuses leading to apathy and boycott in tea picking. On the other hand, coffee production has declined greatly due to mismanagement of cooperatives. Improvement in the global economy will therefore increase demand for exports originating from the county.

3.2.2 Trade:

The falling prices of crude oil coupled by increased connectivity of electricity to households and market centers have positively affected the county economy due to reduction of production costs in both food and cash crops hence making our products more competitive.Further, Subdued oil prices translate to lower costs of doing business, especially in the transportation and manufacturing/ industrial sector. Inflation is also projected to ease in 2016 and remain stable going forward due to lower prices of oil and electricity.

3.2.3ICT:

Uptake of ICT is set to expand in the medium term due to enhanced rural electrification programme which has increased connectivity of electricity to households, schools and market centers.The anticipated benefits of low interest rates following the enactment of interest capping will have a direct impact on the County since it will make credit available to SMEs and new business startups. All these initiatives will in turn create more job opportunities within our county both in the formal and informal sectors and enhance invention and innovation.

3.2.4Infrastructure:

The County intends to leverage on the Standard Gauge Railway passing through our county by increasing our competitive advantage and increasing our volume of trade between the neighboring counties and countries. The County Government will further continue to open up new roads and improve the existing ones through the Mechanical Transport Fund (MTF) so as to open up interior parts of our county hence increasing ease of doing business.

3.2.5Health:

The County in collaboration with the national government, international NGOs and foundations will continue improving access to high quality health care through expansion of existing health infrastructure, investment in modern diagnostic facilities, improving of the county ambulance system and enhancing staff capacity in specialized areas of Medicare hence a better health sector.

3.2.6Financial Management:

The County Government of Nyamira shall continue to ensure prudent macroeconomic stability within sustainable public finances by providing support to economic activities and allowing for the full implementation of the Integrated Financial Management Information System (IFMIS) including e-procurement.

On the Revenue front, the County Government will expand the revenue base through increased efficiency in tax collection and the sealing of leakages in our revenue collection system, simplification and modernization of revenue collection measures in line with international best practices and improving on enforcement and compliance with enhanced administrative measures.

On the expenditure side, the County Government will continue with optimization of expenditures to improve efficiency and increase absorption.

3.3 RISKS TO THE OUTLOOK

Even though the growth of Nyamira County economy is promising, it is still prone to risks both in 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 risks that may have an impact on the performance of the County's economy include;

- 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. Recently, the tea sector is facing challenges of low bonuses which have led to farmer apathy and tea picking boycott.
- 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 fulfill other development initiatives as outlined in the budget.
- Constrained physical space/land may limit expansion on investments, as the county possesses very little land for setting up of public facilities or new social amenities.
- The general uncertainty at the oncoming general elections.

CHAPTER FOUR

4.0 RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustment to 2016/2017 Budget

The County fiscal framework supporting the FY 2016/2017 was on the basis of better budget execution and improved fiscal management of the budget buoyed by improved efficiency. First and foremost, any budgetary adjustments ought to consider county resource availability through revenue collection and exchequer allocations.

The process of revenue collection will be empowered through ensuring timely development of legislations that affect revenue collection as well as its enhancement and enforcement. In the concluded financial year 2015/2016, the revenue target for the county was not met because of loopholes in revenue collection as well as poor enforcement. This would be avoided in the current financial year (2016/2017) so as to ensure optimal revenue collection.

Plans are underway to modernize the revenue collection system as a bid to seal revenue leakages. An enforcement unit has been set to make sure compliance to revenue submission is actualized. In the meantime, the finance bill 2016/2017 is completed and waiting for approval from the County Assembly which will spur revenue collection.

Also, 2015/2016 was faced with high recurrent expenditure going to salaries and remunerations, threatening allocations to the development expenditure. This was inevitable as the county needed to employ ECDE teachers, enforcement officers and administrators. Going forward the County does not intend to have massive recruitment in the current FY 2016/17 save for the positions so far not filled and regular promotions.

Preparation of the 2016/2017 budget failed to capture some pending bills and other contractual obligations. This will necessitate preparation of supplementary budget proposal. In adjusting the 2016/2017 budget, comparison between the targeted and actual expenditure performance in 2015/2016 financial year per department will be taken into consideration, as it will establish the real funds absorption capacity of the various departments. In adjudicating this process, budgetary allocations will be based on the departmental capacity of utilization.

Further, adjustment to the budget will be guided by the County Integrated Development Plan (CIDP), annual development plan 2017/2018 and strategic plans, as this will ensure that the expenditure rationalization process (prioritization and reprioritization) is aligned to the development agenda of the county. Rationalization of expenditure will be guided by the actual/availed exchequer disbursements, local revenue collection, revised timeframes for implementation of programmes and emerging issues/concerns. However, county strategic priority areas such as flagship programmes and projects would always have higher allocation of resources.

During adjustments, legal apportionment between the recurrent and development expenditures will always be taken into consideration as spelt out in the PFM Act 2012.

According to the provisions of the PFM Act Section 107(2) (a), it is stated that, "*the county government's recurrent expenditure shall not exceed the county government's total revenue*".

In section 107(2) (b), it is added that, "*over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure*". Reference to the legal framework will ensure compliance to all statutory requirements in handling of public funds.

4.2 Medium-Term Expenditure Framework

In expediting the medium-term expenditure framework, county priorities will prevail in resource allocation against other allocations and more so the development projects and programs. Rationalized expenditure will ensure that there is no wastage of resources and hence improve on efficiency.

Prudent expenditure management will be realized through utilization of the Integrated Financial Management Information System (IFMIS) and e-procurement which has already been operationalized in the county treasury. Spending will also be controlled by already generated documents such as cash flow projection plans, procurement plans and annual development plans.

In this case, CBROP will link expenditure to the planned activities. The county treasury will ensure that budget and planning relate as expected, with support from other institutions such as office of the controller of budget, the commission on revenue allocation and the county assembly.

To achieve equity among County departments, the County treasury is developing a model for resource bidding and budget sharing. The model will have three broad sectors fashioned in line with the three cabinet sub-committees and will be the basis for sharing the development budget among implementing departments. Due consideration have been taken on the County's development priorities and the relative weight of each sectors' role in achieving the development objectives espoused in the CIDP and the Departmental Strategic Plans. These three are;

I. Infrastructure Sector- comprising of the following departments; Transport, Road and Public Works (TRPW), Health Services and Education and ICT
II. Productive Sector- comprising of the following; Agriculture, Livestock and Fisheries (ALF), Land, Housing and Urban Development (LHUD) and Environment, Water, Energy & Mineral Resources (EWE&MR)
III. Governance, Social & Economic Sector- comprising of the following; Public Administration and Coordination of Decentralization Units (PACDU), Gender, Youth, Sports, Culture and Social Services (GYSCSS), Trade, Industry, Tourism and Cooperatives (TITC), Finance and Planning (F&P), Office of the Governor (O.o.G) and Public Service Board (PSB).

Proposed Capital Budget Sharing Model

$C_{TB} = I_B + S_B + PI_B$

Where:

C_{TB} = County Total Budget

S_B = Governance, Social & Economic Sector

I_B = Infrastructure Sector

P_B = Productive Sectors

The table below provides the tentative projected baseline estimates for the 2016/17 – 2018/19 MTEF period classified by department.

Table 5: Total Expenditure Ceilings for the Period 2017/2018-2019/2020

SECTOR NAME	DEPARTMENT	DETAILS	PRINTED ESTIMATE	C-BROP	PROJECTIONS	
			2016/2017	2017/2018	2018/2019	2019/2020
GOVERNANCE, SOCIAL AND ECONOMIC SECTOR	County Assembly	Sub-total	543,710,625	598,081,688	657,889,856	723,678,842
		Recurrent	488,710,625	537,581,688	591,339,856	650,473,842
		Development	55,000,000	60,500,000	66,550,000	73,205,000
	Executive	Sub-total	405,065,179	445,571,697	490,128,867	539,141,753
		Recurrent	405,065,179	445,571,697	490,128,867	539,141,753
		Development	Nil	nil	Nil	Nil
	Public Adminstration and Co-ordination of the DecentaralizedUnits	Sub-total	290,591,455	319,650,601	351,615,661	386,777,227
		Recurrent	214,591,455	236,050,601	259,655,661	285,621,227
		Development	76,000,000	83,600,000	91,960,000	101,156,000
	Finance and economic planning	Sub-total	448,206,686	493,027,355	542,330,090	596,563,099
		Recurrent	413,333,913	454,667,304	500,134,035	550,147,438
		Development	34,872,773	38,360,050	42,196,055	46,415,661
	County Public Service Board	Sub-total	70,809,364	77,890,300	85,679,330	94,247,263
		Recurrent	70,809,364	77,890,300	85,679,330	94,247,263
		Development	Nil	nil	Nil	Nil
	Gender Youth and Social services	Sub-total	317,578,974	349,336,871	384,270,559	422,697,614
		Recurrent	163,584,263	179,942,689	197,936,958	217,730,654
		Development	153,994,711	169,394,182	186,333,600	204,966,960
	Trade Tourism and Cooperative development	Sub-total	136,462,592	150,108,851	165,119,736	181,631,710
		Recurrent	64,129,392	70,542,331	77,596,564	85,356,221
		Development	72,333,200	79,566,520	87,523,172	96,275,489
SECTOR TOTAL		**Recurrent**	**1,820,224,191**	**2,002,246,610**	**2,202,471,271**	**2,422,718,398**
		Development	**392,200,684**	**431,420,752**	**474,562,828**	**522,019,110**
		Sub-total	**2,212,424,875**	**2,433,667,363**	**2,677,034,099**	**2,944,737,509**
PRODUCTIVE SECTOR	Lands Housing and Urban Development	Sub-total	135,750,166	149,325,183	164,257,701	180,683,471
		Recurrent	49,652,854	54,618,139	60,079,953	66,087,949
		Development	86,097,312	94,707,043	104,177,748	114,595,522
	Agriculture,	Sub-total	352,145,190	387,359,709	426,095,680	468,705,248

	Livestock and Fisheries development	Recurrent	184,524,652	202,977,117	223,274,829	245,602,312
		Development	167,620,538	184,382,592	202,820,851	223,102,936
	Environment Water Energy &Mineral Resources	Sub-total	329,424,967	362,367,464	398,604,210	438,464,631
		Recurrent	138,594,167	152,453,584	167,698,942	184,468,836
		Development	190,830,800	209,913,880	230,905,268	253,995,795
SECTOR TOTAL		**Recurrent**	**372,771,673**	**410,048,840**	**451,053,724**	**496,159,097**
		Development	**444,548,650**	**489,003,515**	**537,903,867**	**591,694,253**
		Sub-total	**817,320,323**	**899,052,355**	**988,957,591**	**1,087,853,350**
INFRUSTRUCTURE SECTOR	**Education & ICT**	Sub-total	535,018,901	588,520,791	647,372,870	712,110,157
		Recurrent	391,424,901	430,567,391	473,624,130	520,986,543
		Development	143,594,000	157,953,400	173,748,740	191,123,614
	Transport Roards and Public Works	Sub-total	525,864,521	578,450,973	636,296,070	699,925,677
		Recurrent	150,338,536	165,372,390	181,909,629	200,100,591
		Development	375,525,985	413,078,584	454,386,442	499,825,086
	Health	Sub-total	1,844,489,197	2,028,938,117	2,231,831,928	2,455,015,121
		Recurrent	1,347,335,797	1,482,069,377	1,630,276,314	1,793,303,946
		Development	497,153,400	546,868,740	601,555,614	661,711,175
SECTOR TOTAL		**Recurrent**	**1,889,099,234**	**2,078,009,157**	**2,285,810,073**	**2,514,391,080**
		Development	**1,016,273,385**	**1,117,900,724**	**1,229,690,796**	**1,352,659,875**
		Sub-total	**2,905,372,619**	**3,195,909,881**	**3,515,500,869**	**3,867,050,956**
GRAND TOTAL		**Recurrent**	**4,082,095,098**	**4,490,304,608**	**4,939,335,069**	**5,433,268,575**
		Development	**1,853,022,719**	**2,038,324,991**	**2,242,157,490**	**2,466,373,239**
		Sub-total	**5,935,117,817**	**6,528,629,599**	**7,181,492,559**	**7,899,641,814**

4.3 Budget framework for FY 2017/2018

The 2017/18 budget framework is set against the background of the updated medium-term macro-fiscal framework as set out in the constitution 2010, the PFM Act 2012 and the County Government Act 2012.

Therefore, preparation of the 2017/2018 budget is informed by County Integrated Development Plan, Annual Development Plan, departmental strategic plans, County Fiscal Strategy Paper and other circulars originating from the controller of budget, commission on revenue allocation and the county assembly.

4.4 Revenue projections

The County Government has projected to raise revenue from various local sources of Kshs. 302,482,181. To achieve this target, the county intends to modernize the revenue collection systems, build staff capacity and move towards sealing revenue leakages. Further 4,931,079,484/= (Four Billion, Nine Hundred and Thirty One Million Seventy Nine Thousand, Four Hundred and Eighty Four) will be received as equitable share from the National Government.

The county will also receive Ksh. 23,920,000, Ksh. 28,771,685, Ksh. 11,578,458, Ksh. 82,174,925, Ksh. 68,878,185 Ksh. 95,744,681 from Danida, compensation for user fees forgone, free maternity health care, Roads maintenance Levy Fund, leasing of medical equipment, respectively totaling to Kshs. 311,067,937.

The total opening balance being Ksh.984,000,000. Thus the county government expects a total revenue of **Ksh6,528,629,599**/= (Six billion, Five hundred and Twenty Eight million, Six Hundred and Twenty Nine thousand, Five Hundred and Ninety Nine).

Table 6: Revenue Projections by Source

Revenue Sources	Printed estimate	C-BROP	PROJECTIONS	
	2016/2017	2017/2018	2018/2019	2019/2020
Opening Balance	880,772,791	984,000,000	-	-
Equitable Sharable Revenue	4,482,799,531	4,931,079,484	5,424,187,433	5,966,606,176
DANIDA	11,960,000	23,920,000	23,920,000	23,920,000
Grant from world	26,275,445	28,771,685	31,793,289	34.,972,618
Compensation user fees forgone	11,578,458	11,578,458		
Free Maternal Health Care	82,174,925	82,174,925		
Roads Maintenance Levy Funds	68,878,185	68,878,185		
Leasing of Medical Equipments	95,744,681	95,744,681		
Total Conditional Grants	296,611,694	311,067,934		
Local Revenue	274,983,801	302,482,181	332,730,399	366,003,439
TOTAL BUDGTED REVENUE	**5,935,117,817**	**6,528,629,599**	**7,084,470,677**	**7,792,917,745**

Table 7: Summary of Projected County Internal Revenue

REVENUE FROM LOCAL SOURCES	Baseline	Printed estimate	C-BROP	PROJECTION	
	2015/2016	2016/2017 7	2017/2018 8	2018/2019 9	2019/2020
PUBLIC ADMINISTRATION AND CORDINATION OF THE DECENTRALIZED UNIT					
Minute Extract		5,000	5,500	6,050	6,450
Land Transfer Charges	90,706	99,777	109,755	120,730	130,653
ADM Charges	355,994	85,593	94,152	103,568	115,895
FINANCE & ECONOMIC PLANNING					
Market Dues	44,327,473	36,250,220	39,875,242	43,862,766	49,674,908
Matatu Parking Charges	37,381,261	24,019,388	26,421,327	29,063,459	33,765,489
Matatu Reg.	0	1,100,000	1,210,000	1,331,000	1,567,778
Sale of Tender Documents	802,581	382,839	421,123	463,235	498,235
Matatu Stickers	0	2,595,000	2,854,500	3,139,950	4,563,908
Private Parking Charges	1,372,085	1,509,294	1,660,223	1,826,246	2,234,589
Storage Charges	238,260	262,086	288,295	317,124	355,456,895
Motor Bike Stickers	6,791,162	5,470,279	6,017,307	6,619,038	7,564,890
Kiosk Fees	208,478	229,325	252,258	277,483	290,456,
Impounding Charges	277,487	205,236	225,760	248,336	277,894
Penalty for bounced cheques		10,000	11,000	12,100	15,678
Sale boarded and obsolete		100,000	110,000	121,000	148,903
Market Stall Rent	1,605,684	1,066,253	1,172,878	1,290,166	1,522,990
LANDS & URBAN DEVELOPMENT					
Development Application	1,640,943	1,805,037	1,985,541	2,184,095	3,896,456
Building Plan Application	2,709,771	1,980,748	2,178,823	2,396,705	3,789,905
Structural Approval Charges	1,003,229	1,103,552	1,213,907	1,335,298	1,567,894
Isolated Plot Rent	884,070	772,477	849,725	934,697	1,243,554
Plot Rent	1,300,229	1,430,252	1,573,277	1,730,605	2,654,893
Shop Rent	3,425,334	2,057,867	2,263,654	2,490,019	2,990,564
Survey Fees	137,815	151,596	166,756	183,431	234,678
Land Control Board Charges	866,679	153,347	168,682	185,550	267,654
Change of User Charges	64,059	70,464	77,510	85,261	100,453
Land fees		100,000	110,000	121,000	155,345
Tittle Deed-surrender Fees		6,000	6,600	7,260	9,453
Search fee		10,000	11,000	12,100	15,677
Physical Planning Charges	1,203,224	1,313,546	1,444,901	1,589,391	1,990,563
Land Rates	3,880,714	3,268,786	3,595,665	3,955,231	4,666,743

Huose rent charges		10,000	11,000	12,100	15,895
WATER, ENVIRON,MINING & NATURAL RESOURCES					
Advertisement Charges	1,155,043	900,547	990,602	1,089,662	1,564,300
Environmental Fees &		4,925,000	5,417,500	5,959,250	6,674,965
Water, Sanitation & Irrigation		2,305,000	2,535,500	2,789,050	3,654,321
Building materials cess		500,000	550,000	605,000	744,321
Environmental penalty fee		75,000	82,500	90,750	120,352
SPORTS & CULTURE & SOCIAL DEVELOPMENT					
Hire of County Halls	302,465	127,711	140,482	154,530	232,657
Liquor License		3,000,000	3,300,000	3,630,000	4,356,243
Social Services-clubs		73,000	80,300	88,330	100,345
registration and fees		100,000	110,000	121,000	155,345
HEALTH SERVICES					
Public Health Fees	40,540,898	14,594,987	16,054,486	17,659,934	24,564,245
Medical Services		81,000,000	89,100,000	98,010,000	123,677,900
TRADE,TOURISM & COPORATIVE DEVELOPMENT					
Single Business Permit	47,571,157	39,328,272	43,261,099	47,587,209	65,87,456
Single Business Permit-Application Fees	7,078,225	1,786,048	1,964,653	2,161,118	3,456,332
Weights and Measures	324,723	357,196	392,916	432,207	666,342
EDUCATION & ICT					
School Registration Fees.	1,954,084	1,076,492	1,184,141	1,302,555	3,899,453
TRANSPORT ROADS AND PUBLIC WORKS DEPARTMENT					
Hire of machinery and equipments		10,000,000	11,000,000	12,100,000	22,674,777
AGRICULTURE, LIVESTOCK & FISHERIES					
Cattle Movement Permit	1,195,501	1,315,051	1,446,556	1,591,212	2,432,899
Cattle Fee	1,909,675	1,600,642	1,760,706	1,936,777	2,345,765
Slaughter Fee	485,340	433,874	477,261	524,988	853,764
Veterinary Charges	7,296,951	7,875,646	8,663,211	9,529,532	14,563,876
Agricultural Cess	20,577,612	15,835,373	17,418,910	19,160,801	25,563,673

Fish permits		150,000	165,000	181,500	211,632
	240,958,912	**274,983,801**	**302,482,181**	**332,730,399**	**402,543,121**

4.5 Expenditure Forecasts

In the Next MTEF period County total expenditures for FY 2017/2018 are expected to rise to Ksh 6.5 billion up from Ksh 5.9 billion in the Approved estimates of FY 2016/2017. This reflects an overall growth of 10 percent.

County Wage bill is expected to rise by 10 percent to steady atksh.2,667,338,229in FY 2017/2018. The wage bill is high and likely to be unsustainable in the long run. Health sector alone will take Kshs. 986,915,145 of the wage bill which is 37 per cent of the total allocation for salaries and wages. For this reason, the County Government will take deliberate measures to contain the rising wage bill by freezing recruitment of non-essential positions, consolidate the current workforce through restructuring and staff rationalization across departments. Other recurrent expenditure ceiling is forecasted to Ksh 1.8 billion a growth of 6 percent from the approved estimates of FY 2016/2017. This rise is mainly due to 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 10 percent to Ksh 2.04 billion in FY 2017/2018. Further, development budget ceiling in FY 2017/2018 has maintained at 31 percent proportion of the total budget in line with the fiscal responsibility principles of PFM law.

Table 8: expenditure forecast

	Printed estimate 2016/2017	C-BROP 2017/2018	2018/2019	2019/2020
Current Expenditure				
Compensation Of Employees	2,424,852,935.00	2,667,338,229.00	2,934,072,052.000	3,227,479,257.00
Use Of Goods And Services	1,657,242,163.00	1,822,966,379.00	2,005,263,017.00	2,205,789,319
Transfers to other Government entities				-
Other Grants and transfers				-
Sub-total	**4,082,095,098.00**	**4,490,304,608.00**	**4,939,335,069.00**	**5,433,268,576.00**
Capital Expenditure				-

Acquisition Of Non-Financial Assets	1,853,022,719.00	2,038,324,991.00	2,242,157,490.00	2,466,373,239.00
Capital Grants To Governmental Agencies				-
Other Development				-
Sub-total	**1,853,022,719.00**	**2,038,324,991.00**	**2,242,157,490.00**	**2,466,373,239.00**
Grand Total	**5,935,117,817.00**	**6,528,629,599.00**	**7,084,470,677.00**	**7,7921,917,745.00**

CHAPTER FIVE

5.0 CONCLUSION AND WAY FOREWARD

The preparation the C-BROP document and fiscal decisions made in this MTEF period 2017/2018-2019/2020 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 2017/2018) 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 2017/2018.

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