REPUBLIC OF KENYA

COUNTY GOVERNMENT OF LAIKIPIA

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2015

COUNTY VISION, MISSION AND CORE VALUES

Vision Statement

A Peaceful and Prosperous Model County

Mission Statement

To facilitate equitable sustainable development through improved service delivery, technological adoption and advancement and effective resources management

Core Values

People-centeredness

Equity

Accountability

Efficiency

Professionalism

Integrity

Innovativeness

Passion

FOREWORD

The 2015 County Budget Review and Outlook Paper (C-BROP) is prepared to focus on enhanced resource mobilization and on enhancing efficiency in budget implementation. This is achieved through pragmatic allocation of resources to ensure that resources by the County Government go to the full length in meeting the needs of the citizenry. The County's budgetary focus will therefore be on efficiency in the utilization of resources as a way of promoting growth while keeping and ensuring there is zero deficit spending.

In this regard, the expenditure and revenue policy framework for the 2016/17 financial year and the medium term is prepared around the following fiscal principles;

(i) Entrenching fiscal discipline in the management of Public Finances,

(ii) Ensuring public participation in the selection and implementation of projects to ensure equity in service provision,

(iii) Continued support to the growth of the economy to provide employment opportunities for the citizens, and

(iv) Aligning Laikipia County development agenda with the National Development Goals.

Fiscal discipline will seek to ensure that each spending agency in the county is able to keep and support sustainable economic growth. The County budget will also respond to the fiscal needs while working towards reducing poverty levels by bringing the essential services to the people such as improving the access to healthcare, universal early childhood education and public infrastructure.

The County Government remains committed to maintaining the trend of economic growth and development in line with the needs and commitments made to the people of Laikipia County. Towards this end, the County Government will ensure that there is transparency and accountability by relaying performance indicators to the public as well as publicizing relevant publications as required by the Constitution and the Public Finance Management Act, 2012.

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Ag. County Executive Committee Member
Finance and Economic Planning

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ABBREVIATIONS

BPS	Budget Policy Statement
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Intergrated Development Plan
CSWGs	County Sector Working Groups
DANIDA	Danish International Development Agency
FY	Financial Year
HFIF	Health Facility Improvement Fund
ICT	Information Communication Technology
IFMIS	Integrated Finance Management Information System
MTEF	Medium Term Expenditure Framework
PFM	Public Finance Management
PPP	Public Private Partnership

CHAPTER ONE

1.0 INTRODUCTION

The County Budget Review and Outlook Paper (C-BROP) is prepared by 30th September every year by the County Treasury as provided by Section 118 of the Public Finance Management Act, 2012. The significance of the paper is to ensure that the government reviews its previous financial performance;outlook on the level of future revenues; and set preliminary sector ceilings in the light of reviewed performance and projected revenues.

The objectives of CBROP are as listed:

(i) To provide details of the actual fiscal performance of the financial year 2014/15, and deviations from the approved 2014/2015 Budget.
(ii) To specify the updated economic and financial forecasts in relation to the changes from the forecasts in the County Fiscal Strategy Paper, 2015.
(iii) To provide information on any changes in the forecasts compared with the CFSP,2015
(iv) To specify how actual financial performance for the year 2014/15 may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP.
(v) To point out reasons for any deviation from the financial objectives in the CFSP,2015 together with proposals and timelines to address the deviations.

The C-BROP is a key document in linking policy, planning and budgeting. The County Government is implementing the First County Integrated Development Plan and Second Medium Term Plan that guide budget preparation and implementation in the County. The C-BROP is embedded on the MTEF priorities and takes into account priority needs of the citizenry in the devolved system of government. The Sector Working Groups will formulate programmes for the Medium Term Expenditure Framework period focusing on priority programmes.

This paper is organized into five sections. Section one introduces the C-BROP,Section two details the review of the County fiscal performance for the year 2014/15 and its implications. Section three focuses on the recent economic developments and the outlook for period 2015/16 and the medium term. Section four sets out the resource allocation framework across government departments by setting preliminary expenditure limits or ceilings for each government department. Section five provides a conclusion on previous year's fiscal outcome, updated macroeconomic forecast that indicates changed circumstances and their implications on the financial objectives as elaborated in County Fiscal Strategy Paper, 2015.

CHAPTER TWO

2.0 REVIEW OF FISCAL PERFORMANCE IN 2014/15

2.1 Overview

Fiscal performance in the year 2013/14 was generally average with varying trends in both local revenue collection and expenditure. The total cumulative revenue in 2013/14 to County Government was Ksh. 3,225,730,200 with total expenditure amounting to Ksh. 2,798,745,406 against a target of Ksh. 3,317,772,184 representing a growth of -11.9 % in total expenditure. The underperformance in expenditure was attributed to lengthy procurement processes and delay in disbursement of funds by the National Government.

In 2014/15 the County Government had a supplementary budget of Ksh. 4,323,813,247.75 with total expenditure as at 30th June, 2015, amounting to Kshs 3,483,575,796. This represents a deviation of Ksh. 840,237,452 or a growth of -24.1% in total expenditure.

2.2 Fiscal Performance in 2014/15

The revenue performance in 2014/15 is depicted in Table 2.2.1 that details (Revenue and Grants) for the FY 2014/15 and the deviations from the approved revenue estimates.

Table 2.2.1 County Revenue Performance

Total Revenue and Grants	Financial year 2013/14 Actual (Ksh)	Financial Year 2014/15		Deviation (Ksh)	% Growth
		Actual (Ksh)	Targets (Ksh)		
National Revenue Allocation	**2,757,598,656**	**3,009,697,543**	**3,249,636,420**	**239,938,877**	**-8%**
County Local Revenue	**256,031,540**	**347,533,845**	**400,000,000**	**52,466,155**	**-15%**
Land Rates and related charges	34,695,449	50,273,134	79,274,000	29,000,866	-58%
Business Permits and related charges	46,712,130	56,964,595	60,120,000	3,155,405	-5.5%
Various Cesses	8,328,560	15,262,644	18,534,000	3,271,356	-21.4%
Plot Rents and related charges	9,563,551	8,965,024	10,015,000	1,049,976	-11.7%
Administrative Services fees	0	0	6,840,000	6,840,000	-
Various fees and court fines	335,871	994,458	850,000	144,458	14.5%
Natural Resources Exploitation	35,692,029	37,908,605	52,700,000	14,791,395	-39%
Sale of County Government Old Assets	0	0	150,000	150,000	-
Lease/Rental of County Government Assets	24,999,985	29,023,693	20,100,000	-8,923,693	30.7%
Market/Trade Centre Fees	8,937,113	6,847,550	22,700,000	15,852,450	-231%
Vehicle Parking Fees	41,954,225	54,181,375	56,650,000	2,468,625	-4.6%
Housing Estate Monthly Rent and Related Charges	13,846,552	21,276,563	18,536,000	-2,740,563	13%
Social Premises Use Charges and Sanitation Fees	6,541,072	12,970,249	19,916,000	6,945,751	-53.6%
Education institutions fees	192,796	897,900	0	-897,900	100%
Land Survey and Building Fees	6,430,640	9,705,126	24,625,000	14,919,874	-154%
Right-of-Way/Way-Leave Fees (KPLC, Telkom, etc) and advertisement fees	7,039,430	4,641,787	8,690,000	4,048,213	-87.2%

Total Revenue and Grants	Financial year 2013/14 Actual (Ksh)	Financial Year 2014/15		Deviation (Ksh)	% Growth
		Actual (Ksh)	Targets (Ksh)		
Fire -Fighting Service	216,000	1,574,900	300,000	-1,274,900	81%
Other Miscellaneous Revenues	10,546,141	35,345,942	0	-35,345,942	100%
Grants	**212,100,000**	**674,176,828**	**674,176,828**	**0**	**0**
Programme Grants	70,100,000	322,472,699	322,472,699	0	0
Cash	142,000,000	351,704,129	351,704,129	0	0
Appropriation in Aid	0	0	0	0	0
Total Revenue	**3,225,730,200**	**4,031,408,216**	**4,323,813,248**	**292,405,032**	**-7.3%**

The total cumulative revenue collection was Ksh. 4,031,408,216 against the target in the approved supplementary budget of Ksh. 4,323,813,248. This represents a revenue deficit of Ksh. 292,405,032 which is 7.3% deviation from the approved budget. The local revenue collection for the period amounts to Ksh. 347,533,845 against a target of Ksh. 400,000,000 reflecting an under collection of Ksh. 52,466,155 or 15%. Land Rates and related charges collection amounted to Ksh. 50,273,134 against a target of Ksh. 79,274,000 ; Business Permits and related charges Ksh. 56,964,595 against a target of Ksh. 60,120,000 while the various cesses fees amounted to Ksh. 15,262,644 against a target of Ksh. 18,534,000. This under performance in local revenue collection was mainly attributed to over-optimistic projections and inadequate collection compliance systems. Further details are provide in Annex 3.

The expenditure performance in 2014/15 is depicted in Table 2.2.2 that details actual expenditure and the deviations from the approved estimates.

Table 2.2.2 County Expenditure Performance

Expenditure	Financial year 2013/14Actual (Ksh)	Financial year 2014/15		Deviation (Ksh)	% growth
		Actual (Ksh)	Targets (Ksh)		
(1) Recurrent Expenditure					
County Executive	2,009,142,375	2,171,071,960	2,230,065,371	58,993,411	-2.7%
County Assembly	405,270,759	333,270,115	275,734,828	-57,535,287	17.3%
Total	**2,414,413,134**	**2,504,342,075**	**2,505,800,199**	**1,458,124**	**-0.06%**
(2) Development Expenditure					
County Executive	361,700,000	923,879,020	1,751,013,049	827,134,029	-89.5%
County Assembly	22,632,272	55,354,701	67,000,000	11,645,299	-21%
Total	**384,332,272**	**979,233,721**	**1,818,013,049**	**838,779,328**	**-85.7%**
Total Expenditure	**2,798,745,406**	**3,483,575,796**	**4,323,813,248**	**840,237,452**	**-11.9%**
Surplus/ Deficit (Total Revenue-Total Expenditure)	**214,884,790**	**547,832,420**	**0**	**-547,832,420**	**100%**

The sectoral expenditures performance in 2014/15 is depicted in Table 2.2.3.

Table 2.2.3 County Sectoral Expenditure 2014/2015

County Departments	Recurrent Expenditure (Ksh)	Development Expenditure (Ksh)	Total (Ksh)
County Assembly Services	333,270,115	55,354,701	388,624,816
County Administration and Public Service	1,866,516,834	29,397,799	1,895,914,633
Finance and Economic Planning	92,342,850	356,182,263	448,525,113
Land, Housing and Urban Development	12,399,664	173,328,411	185,728,075
Agriculture, Livestock and Fisheries Development	14,818,533	90,071,677	104,890,210
Education, ICT and Social Services	18,932,699	56,007,296	74,939,995
Health and Sanitation	134,977,146	103,893,197	238,870,343
Trade, Tourism and Co-operative Development	20,182,744	17,213,540	37,396,284
Water, Environment and Natural Resources	10,901,490	97,784,837	108,686,327
Total	**2,504,342,075**	**979,233,721**	**3,483,575,796**

The total expenditure was Ksh. 3,483,575,796 against a target of Ksh. 4,323,813,248 representing an under spending of Ksh. 840,237,452 or -24.1% growth. Generally there was a marginal growth in total recurrent expenditure (-0.06%) compared to total development expenditure which performed dismally with a growth of (-85.7%). In addition all sectors recorded negative growth in both recurrent and development expenditure except the County Assembly which had a growth of 17.3% or an overspending of Ksh. 57,535,287. The low performance in development expenditure is mainly attributed to lengthy procurement proccesses and delay in disbursement of funds by the National Government.

Overall, the expenditure anaysis for FY 2014/15 will be made conclusive after the completion of statutory audit by Auditor General of the county accounts by after every finacial year. This is because external auditors opinions on qualification of financial status plays a significant role in public finanace management.

2.3 Overall Balance and Financing

The fiscal surplus was Ksh. 547,832,420 which is a shortfall in total expenditure against the cumulative actual revenue. This surplus was committed into pending bills to be spend in the 2015/16 financial year. In 2013/14 there was an under absorption of Kshs 597,018,591. This generally indicates a slight improvement of 8.2% in absorption of the county cumulative revenues.

2.4 Implication of 2014/15 Fiscal Performance on Financial Objectives Contained in the 2015/16 Approved Budget

In the view of revenue performance of 2014/15 the local revenue projection for 2015/16 needs to be adjusted to conform to the realities on revenue collections. There is therefore need for strengthened operations in revenue collection systems to enhance efficiency.

In the view of expenditure performance of 2014/15, there is need for speedy conclusion of procurements procedures in order to ensure high absorption of development expenditure in 2015/16 financial year.

CHAPTER THREE

3.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

This section highlights recent economic developments on the global and national level and their impact during the implementation of 2015/16 county budget. These issues may have either positive or negative effects on the economic development of the county at present and in the medium term.

3.1 Recent Economic Developments

Diverse economic activities have continued in the County including livestock production, horticulture production, expansion of hospitality services, infrastructure improvement and provision of social services. These will be affected by various developments which include:

a) Macroeconomic Environment

According to the July 2015 leading National Economic Indicators by Kenya National Bureau of Statistics, Kenya's economy is estimated to have expanded by 4.9 per cent during the first quarter of 2015 compared to a realized growth of 4.7 per cent in the same period in 2014. The growth was mainly supported by strong expansions of activities in construction; finance and insurance; wholesale and retail trade; information and communication; and transport and storage.

The Kenya Shilling exchange rate recorded a declined performance against all major international currencies in July. The currency depreciated against the US dollar to Ksh 101.2 in July 2015 from Ksh 97.7 in June 2015. The shilling weakened further exchanging at Ksh. 105.44 against the US dollar in Week Four of September, 2015. Against the Sterling Pound, the Shilling depreciated to Ksh 157.53 in July 2015 from Ksh 152.16 in June 2015. The shilling weakened further exchanging at Ksh. 162.79 against the Sterling Pound in Week Four of September, 2015. Against the Euro, it weakened to Ksh 111.36 in July 2015 from Ksh 109.72 in June 2015. The shilling weakened further exchanging at Ksh. 118.38 against the Euro in Week Four of September, 2015. Against the Japanese Yen, the Kenya Shilling weakened to Ksh 82.1 in July 2015 from Ksh 79 in June 2015. The shilling weakened further exchanging at Ksh. 87.90 against the Japanese Yen in Week Four of September, 2015.

In the East African Community (EAC) region, the Kenya Shilling marginally weakened against the Uganda Shilling to Ksh 34.68 in Week Four of September 2015 from Ksh 34.73 in Week Three of September 2015. Against Tanzania shilling, the Kenya Shilling depreciated to Ksh 20.57 in Week Four of September 2015 from Ksh 20.64 in Week Three of September 2015 and depreciated to Ksh 14.63 in Week Four of September 2015 from Ksh 14.66 in Week Three of September 2015 against the Burundi Franc. The shilling marginally strengthened exchanging at Ksh. 6.98 against the Rwandese Franc in Week Four of September, 2015 from Ksh.6.93 in Week Three of September, 2015.

The overall Consumer Price Index increased from 160.46 points in June 2015 to 160.57 in July 2015. The average monthly retail price of a kilogram of dry maize at Nanyuki market increased to Ksh. 49.70 in July 2015 from Ksh. 38.89 in June 2015. Similarly, the average monthly retail price of a kilogram of dry beans at Nanyuki market increased to Ksh.91.36 in July 2015 from Ksh.88.89 in June 2015. In contrast, the average monthly retail price of a kilogram of dry maize at Nyahururu market stabilized at Ksh. 31.82 in June and July 2015. The average monthly retail price of a kilogram of dry beans at Nyahururu market reduced to Ksh.70.46 in July 2015 from Ksh.77.28 in June 2015. The overall countrywide inflation rate contracted to 6.62 percent in July 2015 from 7.03 per cent in June 2015.

The average interest rate for the 91-day Treasury Bills increased to 18.6 per cent during Week Four of September 2015 from 14.5 per cent in Week Three of September 2015. Similarly, the average interest rate for the 182-day Treasury Bills increased to 14.6 per cent during Week Four of September 2015 from 13.9 per cent in Week Three of September 2015. In addition, the average interest rate for the 364-day Treasury Bills increased to 16.3 per cent during Week Four of September 2015 from 15.8 per cent in Week Three of September 2015. The overall inter-bank increased to 13.37 percent in July 2015 from 11.91 per cent in June 2015. The average short-term inter-bank rates rose to 24.93 per cent during Week Four of September 2015 from 17.93 per cent in Week Three of September 2015.

The Nairobi Securities Exchange 20 share index dropped to 4,222.55 points in Week Four of September 2015 from 4,248.95 points in Week Three of September 2015, while the total shares traded decreased to 67.21 Million from 86.62 Million shares during the same period. The market capitalization contracted to KSh. 2,079.94 Billion from Ksh. 2,082.84 Billion over the same period.

b) Weather Patterns

Laikipia County is dominantly rural with a significant population in the agriculture sector and associated linkages. The economic environment has continued to improve despite unpredictability of rains in the period June-August 2015 in Laikipia North. Nyahururu town and sorrounding areas received below normal to slightly near normal average rainfall in June-August 2015. Interventions such as desilting of water dams, water tracking, vaccination of livestock and relief supplies have been in place to ensure minimum disruption of economic activities in most vulnerable parts that experienced delayed rainfall. The short rains during October to December 2015 are expected to be above normal. Farmers and pastoralists will greatly benefit from the enhanced rains. The stability of the weather patterns will influence positive growth in the key production sectors including agriculture, forestry and tourism. However, cautions have been given over floods, water borne diseases infrastructure damages and muddy earth roads as of result of above normal rains. Longrains are expected in the period March-May 2016.

c) Tourism

The National Government initiative to enhance domestic tourism has continued to have positive bearings on the county. Laikipia County being part of the northern circuit receives a big number of tourists due to its attraction sites such as Thomson Falls in Nyahururu, a wide range of wildlife in the conservancies, a rich Maa culture; annual sports events; proximity to snow capped Mt Kenya among others.

d) Trade and Investment

Investment expansions in the county have continued to increase in construction; finance and insurance; wholesale and retail trade; and agriculture. The county held an investment forum in June 2015. This provided a platform for identification of investment opportunities and associated incentives in the county. In addition, the forum provided stakeholders on various opportunities of strategic partnerships such as joint ventures and Public Private Partnerships (PPPs). The increased investors' confidence in the county requires to be nurtured through improved governance and provision of public goods and services. The enactment of the Companies Act, 2015 is expected to provide further incentives in trade and investment at the national level impacting positively at the county.

3.2 Progress Report on Budget Implementation

The County Annual Procurement Plan 2015/16 and Two Year Prequalification Plan (2014/15-15/16) are in place and aligned with IFMIS requirements. Compliance to e-procurement system shall continue to be strengthened in the financial management.

The revenue projection for the month of July and August 2015 was Ksh 84,000,000 representing 16.8 % of targeted annual revenue. The revenue collection estimates during this period recorded Ksh. 44, 558,261. This represents 53 % realization of the targeted revenue projections during the period. In addition, it represents 8.9 % realization of projected annual revenue.

As the first quarter ends, three exchequer releases were done in August and September 2015. The County Government received a total of Ksh. 670,000,000. The recurrent expenditure received Ksh. 380,000,000 for personnel emoluments and Ksh. 90,000,000 for operations and maintenance. The development expenditure received Ksh. 200,000,000 for settlement of pending bills.

3.3 County Economic Outlook and Policies

The national growth rate continues recording below the target of 10 per cent as per Kenya Vision 2030. The County Government will continue enhancing diverse policies aimed at optimal funding of county sectors. This will be supported by governance reforms and legislative agenda to untap the economic potentials in the county. These efforts are aimed at improving investors' confidence and improve the competiveness of the county as a business hub as well as a tourist destination.

Horticulture production has continued to expand in the county attributed to Kenyan competitiveness as a leading exporter of cut-flowers. The County Government is committed to mobilization of more resources, raising factor productivity and moving to a higher value- added and more efficient production system that attracts national and international markets. The co-operative sector continues on a positive growth trajectory of savings mobilization and value chain investment. Financial, hospitality, wholesale, retail and communication enterprises have increasingly set base within the county that paints the county conducive in terms of growth prospects in the medium term.

Growth will be bolstered by continued expansion in agriculture (barring any adverse weather), energy, whole sale, retail, tourism, construction, transport, financial services and ICT. Overall, these favourable factors are expected to compensate for weakened public and private demand resulting from a tighter macroeconomic environment and somewhat weak global demand. Consumption growth will moderate in the short term as rising inflation limits disposable income. Meanwhile, growth in gross fixed capital formation is expected to be modest with much focus on stabilization of domestic interest rates.

Taking into account limited public resources, the County Government will rely on the private sector to meet the economy's resource requirements while developing the appropriate market environment to promote efficiency. This will be enhanced through robust Public Private Partnership (PPP) engagements. Revenue collection in the year is set as Ksh 500 Million and the County Finance Bill 2015 expected to be fully implemented.

3.4 Medium Term Fiscal Framework

The County Government will continue to pursue prudent fiscal policy to assure economic stability. In addition, the county fiscal policy objectives will provide an avenue to support economic activities while allowing for implementation of the programmes within sustainable public financing.

With respect to revenue, the County Government hopes to maintain strong revenue mechanisms that will realize over 85 percent of estimated revenue in 2015/2016 and subsequent years. Measures in place to realize local collections include; automation of tax collection points, improved tax compliance and strengthened operations of Laikipia County Revenue Board.

The Government will continue engaging with stakeholders in the implementation of tourism policies and legislations for sustainable use of the tourism related resources. This will ensure local benefits from conservancies, reserves and heritage sites including Thomson Falls among others.

On the expenditure side, the County Government will continue with rationalization of expenditure to improve efficiency and reduce wastages. Expenditure management will be strengthened with enhanced use of the Integrated Financial Management Information System (IFMIS) and e-procurement across the county level. The various provisions in PFM Act, 2012 and its regulations shall continue to be entrenched towards accelerating reforms in expenditure management system. The fiscal standing envisages minimal borrowing from domestic sources. Robust public-private partnership (PPP) efforts will be sustained to address the increased public expenditure in capital projects. Borrowing will be undertaken in a cautious manner and limited to fitting purposes, acceptable sources and within favourable terms and conditions.

3.5 Risks to the Outlook

The risks to the outlook for 2015 and medium-term include slow economic growth of 6.2 per cent in 2015 against the targeted levels of over 10 per cent. Another risk is unpredictable weather conditions with possible adverse conditions such as floods following above normal rains expected in the period October-December 2015.

Delays in passage of the Finance legislations and exchequer releases during the budget implementation may also hinder timely realization of development projects. Labour unrest by the unionized members in the essential sectors and possible strikes may also result to re-allocations of funds to non priority areas that limit development expenditure. This may therefore increase pressure on county public wage bill that is already overstretched.

Midterm of the current administration, political opinions divergences could adversely affect investors' confidence, revenue collections and outcomes of development expenditures. The introduction of county alcoholic drinks regulations charges as a source of revenue has inherent risk of apathy following country wide crackdown of second generation drinks.

CHAPTER FOUR

4.0 RESOURCE ALLOCATION FRAMEWORK

This section highlights the projections for county revenue and recurrent and development expenditures for various county departments.

4.1 Adjustment to the Proposed 2015/16 Budget

In the financial year 2015/16 the county is estimated to receive revenue of Ksh. 4,906,512,473 from equitable share and local revenue. Recurrent expenditure represents a high percentage of the total budget allocation leaving a slightly high than minimum percentage for development expenditure therefore need for adjustments of 2015/16 budget to conform and surpass the minimal thresholds specified in the PFM Act, 2012.

Adjustments will also be considered in case of adverse weather patterns through the Emergency Fund in consultation with national institutions such as the National Drought Management Authority. The strengthened operations of Laikipia County Revenue Board will also be expected to entrench effective revenue raising mechanisms including collections compliance, automation and enhanced staff skills.

In the view of fiscal performance in 2014/15, low absorption of development expenditure calls for elaborate mechanisms to ensure that programmes and projects are completed on time in 2015/16 and the medium term.

Close collaboration and consultations with national institutions shall be maintained to ensure that funding is well timed in line with sector programmes.

4.2 Medium Term Expenditure Framework

The approved budget will continue guiding allocation of resources. Compliance with the County Integrated Development Plan, Annual Development Plans and Annual Procurement Plans will be entrenched during 2015/16 and in medium term. Total sector ceilings as depicted in Table 4.2 shall be considered through consultations with the County Sector Working Groups. Focus on optimal funding of infrastructure improvement, social services, production activities will continue in the medium term. Recruitment, operations and maintenance shall also be done in a way that is most efficient towards reducing the high costs across county agencies and departments. This way, focus on development expenditure shall be realized to the required thresholds.

Table 4.2: Total Sector Ceiling for the MTEF Period 2014/2015-2016/2017

	Total Expenditure, Ksh.			Projections		% Share of Total Expenditure		
County Sector	**Approved Supplementary Estimates 2014/15 (Ksh)**	**Ceiling FY 2015/2016 (Ksh)**	**Approved Estimates 2015/2016 (Ksh)**	**2016/2017 (Ksh)**	**2017/2018 (Ksh)**	**Estimates 2014/2015**	**Estimates 2015/2016**	**Projections 2016/2017**
County Assembly	342,734,828	361,000,000	411,561,879	452,718,067	497,989,874	6.634	10.059	10.06
Agriculture	138,734,798	204,952,007	121,226,000	133,348,600	146,683,460	3.833	2.963	2.96
Gender ,Youth and Sports	43,210,575	90,187,341.31	115,098,000	126,607,800	139,268,580	0.909	2.813	2.81
Education and ICT	99,034,400	112,116,295				2.891		
County Administration	1,998,098,377	264,779,672	2,409,122,014	2,650,034,215	2,915,037,637	57.342	58.880	58.88
Infrastructure, Lands, Urban Planning	299,893,800	184,736,475	273,500,000	300,850,000	330,935,000	8.291	6.685	6.68
Trade, Tourism ,Co-operatives &	68,794,700	117,738,706	78,700,000	86,570,000	95,227,000	1.797	1.923	1.92
Finance and Economic Planning	147,297,843	329,249,902	348,001,000	382,801,100	421,081,210	4.522	8.505	8.51
Health Services	178,212,580	279,920,063	202,100,000	222,310,000	244,541,000	4.947	4.939	4.94
Water	333,624,518	181,172,606	132,240,000	145,464,000	160,010,400	8.834	3.232	3.23
Total	**3,649,636,420**	**2,125,853,067**	**4,091,548,893**	**4,500,703,782**	**4,950,774,161**	**100.0%**	**100.0%**	**100.00%**

NB: Conditional grants for 2014/15 and 2015/16 are excluded

4.3 Proposed Budget 2015/16 Framework

(a) Revenue Projections

In the financial year 2015/16 the county is estimated to receive revenue of Ksh. 4,776,286,002 comprising of Ksh. 3,449,548,893 from equitable share of the national revenue and local revenue of Ksh. 500,000,000. In addition, the following conditional grants will be recieved: 2014/15 pending bills of Ksh. 484,000,000; Ksh. 112,000,000 for Health Facilities Improvement Fund (HFIF); Lease of medical equipment Ksh. 95, 744,681; Ksh 43,820,742 for road transport maintenance; Ksh 9,305,967 compensation for user fees foregone Ksh. 63,610,400 as free maternal care. In addition, Ksh. 114,000,000 shall be granted as conditional funds for capital development.

The key sources of local revenue includes: houses and stalls rent, land rates, parking fees, single business permits, garbage dumping fees, natural resource exploitation, lease changes, market fees, technical services, right-of- way and way-leave- fees.

(b) Expenditure Forecasts

In the financial year 2015/16 the proposed budgets total expenditure is estimated to be Ksh. 4,776,286,002 which includes conditional grants expenditures of Ksh 342,734,109 and Ksh. 484,000,000 to be catered for by and pending bills. The FY 2015/2016 expenditure represents a 37 % increase compared to the expenditure in the financial year 2014/2015 which was Ksh 3,483,575,796.

(i) Recurrent and Development Expenditure

The County recurrent expenditure is expected to increase in FY 2015/16 to 67.15 % of the total budget from 67.12 % of the total budget in FY 2014/15. The estimated amount for FY 2015/16 is Ksh. 2,747,313,393 from Ksh. 2,393,800,199 in 2014/15. Conditional grants amounting to Ksh. 112,000,000 will fund recurrent expenditure under facility improvement in hospitals.

In FY 2015/2016, overall development expenditures is expected at Ksh.1, 344,235,000 representing 32.85 % of the total budget as required by the PFM Act, 2012. The major spending departments include County Assembly, Finance and Economic Planning, Infrastructure and Health services.

Conditional grants and pending bills amounting to Ksh 826,737,109 will be included in the budget to cater for development expenditure in finance and economic planning, health and infrastructure departments.

(ii) Wage Obligation

The salaries, wages and expenses of the county administrations services for 2015/16 is estimated at Ksh. 2,181,341,014.00 compared to revised budget level of Ksh. 1,899,415,751.89 in 2014/15. This increment is attributed to employment of new staff in the health sector, replacements of retired staff, recruitment of section heads, salary annual increments, job promotions, payment of hardship allowances, payment of house allowances, staff health insurance, house and car mortgages .The increment spending in salaries and wages is expected to stabilize over the medium term following staff rationalization at the county and national level in match of skills and functions.

(c) Projected Fiscal Balance (Deficit)

To ensure fiscal discipline, the 2015 BPS encourages the County governments not to include deficits in their budgets in 2015/16 and medium term without a clear and realistic plan of how the deficit will be funded. It is in this regard that the county government allocated resources for spending that are commensurate to the revenues expected in the 2015/16 and the medium term.

During the 2015/16 fiscal year, the county budget shall be financed through transfer from the national government and own revenue collected from local sources such as fees and charges, rates, among others as allowed by the governing Acts. In addition, conditional grants will add to resource envelope and spent within the ceilings. The 2015/16 fiscal framework is therefore fully financed.

CHAPTER FIVE

5.0 CONCLUSION AND NEXT STEPS

The set of policies outlined in this C-BROP reflect the changed circumstances and are broadly in line with the County Intergrated Development Plan and the fiscal responsibility principles outlined in the PFM Act. They are also consistent with the national strategic objectives pursued by the County Government as a basis of allocation of public resources. Details of the strategic objectives are provided in the first CIDP 2013-2018. The policies and sector ceilings in Annex 5 will guide the County Sector Working Groups and line departments in preparation of the 2016/17 budget. This will be further guided by the provisions in the Annual Development Plan 2016/17 whose summary expenditure is detailed in Annex 4.

As budgetary resources are finite,it is critical that CSWGs and Ministries prioritize their programmes within the available ceilings to ensure that use of public funds are in line with county government priorities. There is also need to ensure that currents resources are being utilised efficiently and effectively before funding is considered for programmes. CSWGs need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans in allocation resorces. The budget calendar in Annex 1 therefore require to be adhered to in line with earlier Budget Circular.

In pursuit of this, effective budget implementation at the county level will be facilitated through capacity building and the development of systems for close monitoring and evaluation of spending entities to ensure that resource application bears the most fruit to the taxpayer. Involvement of all stakeholders in budget execution is also key in enhancing overall budget implementation and the priority public needs will be key in shaping the final budget policies and allocations for the 2016/17 Financial year.

The county will also strengthen its revenue collecting and management systems with the goal of generating more revenues to strive towards budgetary self-reliance while ensuring the stability of the fiscal framework and financial health of the County. This way, the various projections for revenue streams provided in Annex 3 will be realized.

Annex 1: 2016/17 Budget Calendar

S/No	Activity	Due Date
1	Issue County Treasury Budget Circular.	30th August, 2015
2	Submit County Annual Development Plan to the County Assembly.	1st September, 2015
3	Submit the County Budget Outlook Paper (CBROP) to the County Executive Committee.	30th September, 2015
4	Submit the County Budget Outlook Paper (CBROP) to the County Assembly	21st October, 2015
5	Submit Sector Working Groups reports.	30th November ,2015
6	Submission of Budget Proposals and Feasibility Study data by County Departments to County Sectors Heads/Chief Officers.	31st January ,2016
7	Submission of Budget Proposals and Feasibility Study data by County Sectors to County Treasury.	10th February 2016
8	Submit the county fiscal strategy paper (CFSP) to the county executive committee.	15th February 2016.
9	Review and Analysis of Annual Budget Proposals by County Budget Team.	10th February, 2016 up to 10th March, 2016
10	Submit the County Debt Management Strategy (CDMS) to the County Executive Committee.	15th February, 2016
11	Submit the County Fiscal Strategy Paper (CFSP) to the County Assembly.	28th February 2016
12	Submit the County Debt Management Strategy (CDMS) to the County Assembly.	28th February 2016
13	Dispatch of Approved Annual Budget to Sectors.	17th March, 2016
14	Conduct Public Fora.	31st March, 2016
15	Submit finalized Sector Annual Budget Estimates to the County Treasury.	10th April,2016
16	Submit finalized County Annual Budget Estimates to the County Executive Committee.	20th April, 2016
17	Submit finalized County Annual Budget Estimates to the County Assembly.	30th April, 2016
18	Submit proposed Annual Procurement Plans to the Supply Chain Unit.	30th May, 2016
19	Submit County Annual Cash Flow Projections to CRA and copied to IBEC and National Treasury.	15th June, 2016
20	Debate and Approval of County Annual Budget Estimates.	30th June,2016
21	Preparation and Approval of Finance Bill.	30th September,2016
22	Quarterly /Cumulative Compliance Reports of Revenue and Expenditure.	Within two weeks after the end of two quarters.

Annnex 2: Revenue Projections for 2015/16 and 2016/17

Sr	Details	Estimates 2014/2015 (Ksh)	Projected 2015/2016 (Ksh)	Projected 2016/2017(Ksh)
1	Land Rates and related charges	79,274,000	110,500,000	121,550,000
2	Business Permits and related charges	60,120,000	100,400,000	110,440,000
3	Various Cesses	18,534,000	59,670,000	65,637,000
4	Plot Rent and related charges	10,015,000	18,000,000	19,800,000
5	Administrative Services fees.	6,840,000	9,900,000	10,890,000
6	Various fees and court fines	850,000	1,930,000	2,123,000
7	Natural Resources Exploitation	52,700,000	31,320,000	34,452,000
8	Sale of County Government Old Assets	150,000	700,000	770,000
9	Lease/Rental of County Government Infrastructure	20,100,000	8,750,000*	9,625,000*
10	Market/Trade Centre Fees	22,700,000	14,000,000*	15,400,000*
11	Enclosed Bus Park Fees and Other Parking Charges	56,650,000	66,605,000	73,265,500
12	Housing Estate Monthly Rent and Related Charges	18,536,000	21,250,000	23,375,000
13	Education institutions fees	0	900,000	990,000
14	Public Health and Sanitation Fees	19,916,000	13,775,000*	15,152,500*
15	Land Survey and Building Fees	24,625,000	11,800,000*	12,980,000*
16	Right-of-Way/Way-Leave Fees	8,690,000	8,000,000*	8,800,000*
17	Fire -Fighting Service	300,000	2,000,000	2,200,000
18	Other Miscellaneous Revenues		20,500,000	22,550,000
	Total	**400,000,000**	**500,000,000**	**550,000,000**

NB* Items 9,10,14,15 and 16 will be adjusted from time to time

Annex 3: Local Revenue Collection Statement For FY 2013/14 and 2014/15

Local Revenue Collection	FY 2013/14	FY 2014/15	Variance
Land Rates			
Land Rates Current Year	34,695,449	40,546,894	5,851,445
Land Rate Penalties	-	4,637,398	4,637,398
Land Rates Other Years	-	4,589,414	4,589,414
Other Property Charges		499,428	499,428
Business Permits			
Business Permits, Current Year	46,712,130	55,950,578	9,238,448
Business Permits Late Payment Penalties, Current Year	-	761,032	761,032
Business Permits, Other Years (Including Penalties)	-	252,985	252,985
Cesses			
Wheat & Maize Cess	546,530	7,307,864	6,761,334
Fruits & Vegetables / Produce Cess	4,220,820	4,634,100	413,280
Log Cess	213,890	4,100	(209,790)
Charcoal Cess	35,210	36,405	1,195
Livestock Cess	3,312,110	3,280,175	(31,935)
Plot Rents			
Ground/Plot Rent - Current Year	8,130,630	7,441,701	(688,929)
Ground Rent - Other Years(penalties)	195,861	1,356,923	1,161,062
Temporary Occupation License (TOL)?TOP	1,237,060	166,400	(1,070,660)
Other Local Levies			
Miscellaneous Fees & Charges	1,565,181	22,200,835	20,634,654
Administrative Services Fees	1,410,330	6,815,442	5,405,112
Debts Clearance Certificate Fee	1,468,330	1,495,500	27,170
Application Fee	3,954,655	2,290,115	(1,664,540)
Plot Transfer Fee	82,000	574,700	492,700
Plot Subdivision Fee	277,975	435,050	157,075
Business Subletting / Transfer Fee	1,183,840	759,900	(576,060)
Isolation Fee (Surcharge on Business Permit)	343,900	743,300	399,400
Document Search Fee	-	7,700	7,700
Cheque Clearance Fee/bank charges	259,930	23,400	(236,530)
Various Fees			
Ambulant Hawkers Licences (Other than BSS Permits)	-	7,000	7,000
Court Fines	5,500	142,300	136,800
Impounding Charges	52,750	139,450	86,700
Sales of County's Minutes / Bylaws	260,540	215,650	(44,890)
Tender Documents Sale	16,200	62,800	46,600
Telephone Calls Reimbursement/Salary recovery(income)	881	427,258	426,377
Council's Natural Resources Exploitation			
1Sand, Gravel, and Ballast Extraction Fees	8,241,850	16,592,700	8,350,850
Quarry Extraction Fees	759,260	308,720	(450,540)
Sales of Flowers, Plants, Firewood, Produce, etc.	-	970,000	970,000
Garbage Dumping/Conservancy Fee	20,983,419	11,736,505	(9,246,914)
Game and Nature Park Fee	5,707,500	8,300,680	2,593,180
Lease / Rental of Council's Infrastructure Assets			
Lease of Water Distribution Network	11,838,447	3,700,000	(8,138,447)
Other miscellaneous revenues	-	1,166,545	1,166,545
Other miscellaneous revenues	13,161,538	17,775,728	4,614,190
Revenue from Other Financial Investments	-	588,540	588,540
Consent to Charge Fee/Property Certification Fee (Use as Collateral)	-	5,792,880	5,792,880
Market/Trade Centre Fee			
Market Entrance / Gate Fee	7,103,143	6,395,620	(707,523)
Market Plots Rent	1,717,970	150,700	(156,270)
Market Kiosks Rent	116,000	301,230	185,230
Vehicle Parking Fees			
Enclosed Bus Park Fee	-	25,839,750	25,839,750
Other Vehicles Enclosed Park/Reserved Fees (Cars, Lorries, etc.)	-	39,100	39,100
Street Parking/ motorbike Fee	41,837,725	27,474,275	(14,363,450)

Local Revenue Collection	FY 2013/14	FY 2014/15	Variance
Clamping Fee	116,500	828,250	711,750
Housing			
Housing Estates Monthly Rent	13,844,552	20,521,415	6,676,863
NHC Loan Repayments	-	80,448	80,448
Advertisement Charges Recovery	2,000	674,700	672,700
Social Premises Use Charges			
Social Hall Hire	206,200	204,000	(2,200)
Stadium Hire	36,000	-	(36,000)
Education Fees	-	65,200	65,200
School Fees			
Nursery Schools Fee	-	79,350	79,350
Vocational/Training School Fee	-	674,000	674,000
Other Education Revenues	192,796	79,350	(113,446)
Public Health & Sanitation Services Fees	578,100	3,666,765	3,088,665
Public Health Services			
Food Quality Inspection Fee		527,520	527,520
Food Preparation Premises Hygenization Services Fee		38,700	38,700
Public Health Facilities Operations			
Public Toilets Fee	41,835	15,630	(26,205)
Burial Fees	79,100	169,069	89,969
Slaughter Houses Administration			
Slaughtering Fee	5,116,375	7,003,425	1,887,050
Hides & Skins Fee	71,907	36,235	(35,672)
3 Manure Sale	126,450	222,255	95,805
Slaughter Houses Inspection Fee	257,305	1,086,650	829,345
Sewerage Administration			
Exhauster Services Charge	27,800	-	(27,800)
Technical Services Fees			
Beacon Search Pointing Fee	166,950	182,400	15,450
Survey Fee	219,933	41,400	(178,533)
Buildings Plan Preparation Fee		1,504,196	1,504,196
Buildings Plan Approval Fee	4,816,338	6,010,341	1,194,003
Buildings Inspection Fee	1,227,419	1,966,789	739,370
Right-of-Way / Way-Leave Fee (KPLN, Telkom, etc.)	-	-	-
Sign Boards & Advertisement/promotion Fee	7,039,430	4,641,787	(2,397,643)
External Services Fees	-	700,300	700,300
Fire-Fighting Services	216,000	1,574,900	1,358,900
TOTAL	**256,031,544**	**347,533,925**	**91,502,381**

Annex 4: Annual Development Plan 2016/17 Requirements

Sr. No	Sector	2016/17
1	Agriculture, Livestock, Fisheries and Irrigation	486,640,000
2	Trade, Tourism and Enterprise Development	179,800,000
3	Lands and Urban Planning	414,700,000
4	Education, ICT and Social Services	325,500,000
5	Health	1,521,000,000
6	Water	877,000,000
7	County Administration	624,000,000
8	Finance and Economic Planning	493,895,000
9	County Assembly	380,000,000
Total		**5,302,535,000**

Annex 5: Sector Ceilings in 2015/16 and Medium Term

County Sector	2015/2016 Approved Estimates		2016/2017 Projections		2017/2018 Projections	
	Recurrent	Development	Recurrent	Development	Recurrent	Development
County Assembly	380,561,879	31,000,000	418,618,066	34,100,000	460,479,874	37,510,000
Agriculture	17,170,000	104,056,000	18,887,000	114,461,600	20,775,700	125,907,760
Education, ICT and Social Services	15,500,000	99,598,000	17,050,000	109,557,800	18,755,000	120,513,580
County Administration	2,181,341,014	227,781,000	2,399,475,115	250,559,100	2,639,422,627	275,615,010
Lands, Urban Planning	11,500,000	262,000,000	12,650,000	288,200,000	13,915,000	317,020,000
Trade, Tourism ,Co-operatives	10,000,000	68,700,000	11,000,000	75,570,000	12,100,000	83,127,000
Finance and Economic Planning	82,001,000	266,000,000	90,201,100	292,600,000	99,221,210	321,860,000
Health Services	39,000,000	163,100,00	42,900,000	179,410,000	47,190,000	197,351,000
Water	10,240,000	122,000,000	11,264,000	134,200,000	12,390,400	147,620,000
Total	**2,747,313,893**	**1,344,235,000**	**3,022,045,282**	**1,478,658,500**	**3,324,249,810**	**1,626,524,350**

NB. Conditional Grants not included in the 2015/2016 Sector Projections; Roads -43,820,742.00; Health Services -340,009,967;