



KIAMBU COUNTY GOVERNMENT

COUNTY TREASURY

**COUNTY BUDGET REVIEW
AND OUTLOOK PAPER**

SEPTEMBER 2015

© Budget Review and Outlook Paper (BROP) 2015

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Foreword

This County Budget Review and Outlook Paper (CBROP) is prepared in accordance with the Public Finance Management Act, 2012. It is the third CBROP to be prepared under the County Government. It presents the recent economic developments and actual fiscal performance of the FY 2014/2015 and makes comparisons to the budget appropriations for the same year. It further provides updated forecasts with sufficient information to show changes from the projections outlined in the latest County Fiscal Strategy Paper (CFSP), released in February 2015 as a requirement of the PFM Act.

The Paper also provides an overview of how the actual performance of the FY 2014/2015 impact on compliance with the fiscal responsibility principles and the financial objectives as detailed in the 2015 CFSP.

In this CBROP we are re-emphasizing the Government's fiscal policy strategy, which focuses on maintaining a strong revenue effort and shifting composition of expenditure from recurrent to productive capital expenditures and optimally ensuring efficiency and effectiveness in the use of public resources. A strategy that recognizes the need to strike a balance between growth and fiscal sustainability, with emphasis on higher investments in agriculture, human capital and infrastructure development today for a stronger and more durable growth tomorrow.

As outlined in the CFSP, our development agenda will be implemented through the five strategic pillars: security, employment & agriculture, education, health, and urban planning. Departments are called upon to adhere to ceilings and rationalize all programs to ensure that only those programs within the five pillars with the least cost but highest impact on our core objective of growth, employment and poverty reduction are given consideration in resource allocation.

Lastly, I wish to note that this CBROP has been prepared before the release of the provisional ceilings by the Commission of Revenue Allocation and Controller of Budget due to tight timelines provided in the PFM Act on the budget process. The County Treasury, will affirm this ceilings in the CFSP 2016. The timelines of the budget calendar should strictly be adhered to so as to enable the County Treasury meet the stipulated timelines of the PFM Act, 2012.

MARY NGULI
EXECUTIVE MEMBER, COUNTY TREASURY



TABLE OF CONTENTS

I.	INTRODUCTION	10
	Objective of the CBROP.....	10
II.	REVIEW OF FISCAL PERFORMANCE IN 2014/15	11
	A. 2014/15 Fiscal Performance	11
	B. Implication of 2014/15 Fiscal Performance on Fiscal Responsibility Principles and Financial Objectives contained in the 2015 County Fiscal Strategy Paper.....	15
III.	RECENT ECONOMIC DEVELOPMENTS IN KENYA'S ECONOMY	18
IV.	IMPLEMENTATION OF 2015/16 BUDGET	20
V.	RESOURCE ALLOCATION FRAMEWORK.....	21
	A. Adjustment to 2015/16 Budget.....	21
	B. Medium-Term Expenditure Framework.....	22
	C. 2016/17 Budget Framework	22
VI.	CONCLUSION AND NEXT STEPS.....	24

Abbreviations and Acronyms

CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CG	County Government
FY	Financial Year
GDP	Gross Domestic Product
NG	National Government
MTEF	Medium Term Expenditure Framework
MTP	Medium-Term Plan
PFM	Public Financial Management

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

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

- 1) A County Treasury shall-
 - a) prepare 'a County Budget Review and Outlook Paper in respect of the county for each financial year; and
 - b) Submit the paper to the County Executive Committee by the 30th September of that year.
- (2) In preparing its county Budget Review and Outlook Paper, the County Treasury shall specify—
 - (a) the details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
 - (b) the 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—
 - (i) any changes in the forecasts compared with the County Fiscal Strategy Paper; or
 - (ii) how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and
 - (d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.
- (3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.
- (4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—
 - a) arrange for the Paper to be laid before the County Assembly; and
 - b) as soon as practicable after having done so, publish and publicize the Paper

Fiscal Responsibility Principles to be enforced by the County Treasury

In line with the Constitution, the Public Financial Management (PFM) Act, 2012, sets out the fiscal responsibility principles that the County Treasury need to enforce. The PFM law (Section 107) states that:

- 1) A County Treasury shall manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2), and shall not exceed the limits stated in the regulations.
- 2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles
 - a) the county government's recurrent expenditure shall not exceed the county government's total revenue;
 - b) over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
 - c) 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;
 - d) over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;
 - e) the county debt shall be maintained at a sustainable level as approved by county assembly;
 - f) the fiscal risks shall be managed prudently; and
 - g) 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.
- 3) For the purposes of subsection (2)(d), short term borrowing shall be restricted to management of cash flows and shall not exceed five percent of the most recent audited county government revenue.
- 4) Every county government shall ensure that its level of debt at any particular time does not exceed a percentage of its annual revenue specified in respect of each financial year by a resolution of the county assembly.
- 5) The regulations may add to the list of fiscal responsibility principles set out in subsection (2).

I. INTRODUCTION

Objective of the CBROP

1. The CBROP's objective is to provide a review of the previous year's, 2014/2015, fiscal performance of the budget and how this impacts the financial objectives and fiscal responsibility principles set out in the last County Fiscal Strategy Paper (CFSP 2015). It also provides an updated macroeconomic outlook of the county and a basis for revision of the current budget in the context of any supplementary estimates and the broad assumptions behind the next budget and the next three years.

2. The 2015 CBROP is drawn based on the priorities of the County Government Administration, and emerging challenges in the county. These priorities have been spelled in the Annual Development Plan and the CFSP. In this paper, provisional indicative sector ceilings for the 2016/17 budget have been set informed by the forecasted revenues. These Ceilings set in motion the budget preparation for the Fiscal Year 2016/17 in line with the PFM Act, 2012.

3. The paper is organized in six sections as follows:

- Section I. The introduction section
- Section II. The review of the fiscal performance in FY 2014/15 and its implications on the financial objectives set out in the last County Fiscal Strategy paper submitted to the County Assembly in February 2015.
- Section III. Give brief highlights of the recent economic developments and updated macroeconomic outlook.
- Section IV. Looks at Implementation of FY 2015-2016 Budget
- Section V. Provides the resources allocation framework,
- Section VI. Brings the paper to a close with the conclusion.

II. REVIEW OF FISCAL PERFORMANCE IN 2014/15

A. 2014/15 Fiscal Performance

4. The table 1 below presents the fiscal outturn for the 2014/15 financial year. The actual fiscal performance for the FY 2014/15 is compared by way of deviations to the revised budget estimates for the financial year.

Table1: Fiscal Out-turn

	Actual 2014/2015 (A)	Original budget (OB)	Revised Budget (RB)	Deviation (RB-A)
Total Revenue	9,116,967,565	9,985,190,795	10,374,050,194	1,283,949,463
National Government Grant	6,616,244,176	6,387,208,206	6,726,815,609	110,571,433
Local Revenue	2,110,856,555	3,597,982,589	3,241,234,585	1,152,378,030
Unspent Balances B/f FY 2013/14	389,866,834	0.0	406,000,000	21,000,000
Total Expenditure	9,081,775,138	9,985,190,795	10,374,050,194	1,292,275,056
Recurrent	6,474,322,758	6,854,316,685	6,943,933,129	469,610,371
County assembly	808,821,149	918,600,000	864,416,714	55,595,565
County Executive	276,536,999	325,896,259	287,848,636	11,311,637
Other County Departments	5,388,964,610	5,609,820,426	5,791,667,779	402,703,169
Development	2,607,452,380	3,130,874,110	3,430,117,065	822,664,685
County Assembly	26,976,570	70,000,000	28,000,000	1,023,430
County Executive	6,574,080	30,000,000	6,720,000	145,920
Other County Departments	2,573,901,730	3,030,874,110	3,395,397,065	821,495,335

Source: County Treasury

Revenue

5. Actual revenue collection including receipts from the National government and unspent balances from 2013/14 FY amounted to KShs. 9.11 Billion compared to the target in the revised

budget of KShs. 10.37 Billion. The revenues did not perform as expected as is depicted by the KShs. 1.28 Billion deviation from the projected revenues that informed the revised budget estimates. This notwithstanding, generally the revenues improved significantly with the enactment of the Kiambu Finance Act, 2014 and thus collected to close to 90 percent of the projected revenues. This remarkable improvement in revenues is expected to continue in the 2015/16 financial year. The revenue shortfall of KShs. 1.28 Billion registered in the 2014/15 FY was occasioned by unstable county political environment for collection of fees, charges and levies, late operationalization of the land rates coupled with delay in formulating and enacting the Kiambu County Rating Act, and low enforcement of building plans. With further efforts in enforcement of property taxes and development controls approvals, revenue performance is projected to remain on the upward trajectory.

6. The County generated a total of about KShs 2.11 Billion in 2014/15 FY from fees and charges within the county. Included in these revenues are Bus Park fee KShs. 0.12 Billion, Street parking fee KShs. 0.1 Billion, Ministry of Health KShs. 0.37 Billion and other fees & charges of KShs. 0.15 Billion. Details of the revenue breakdowns is given in **Annex I**.

Expenditure

7. Total expenditure incurred in 2014/15 FY amounted to KShs. 9.08 Billion against a revised target of KShs. 10.37 Billion, representing an under spending of KShs. 1.29 Billion (or 12.4 per cent deviation from the revised budget). The shortfall is attributed to lower absorption in both recurrent and development expenditures by the county departments occasioned by liquidity issues and underperformance of local revenue collection. The expenditure comprises of 28.7 per cent development expenditure which is slightly less than the PFM requirement of devoting at least 30 percent to development expenditures. Detailed analysis of these expenditures are tabulated in table 2 below.

Table 2: Total Expenditure

Department		Original budget (OB)	Revised Budget (RB)	Actual Expenditure (AE)	Deviation (RB-AE)	Deviation as % of Revised Budget
	Recurrent					
4061	County Assembly	918,600,000	864,416,714	808,821,149	55,595,565	6
4062	County Executive	325,896,259	287,848,636	276,536,999	11,311,637	4
4063	County Public Service	52,422,972	62,281,333	57,177,605	5,103,728	8
4064	Finance & Economic Planning	618,745,978	853,495,978	736,458,573	117,037,405	14
4065	Administration & Public Service	413,775,318	399,325,318	362,543,064	36,782,254	9
4066	Agriculture, Livestock & Fisheries	412,158,089	365,134,362	348,226,757	16,907,605	5
4067	Water, Environment & Natural Resources	161,478,864	167,654,509	157,859,823	9,794,686	6
4068	Health Services	2,828,410,828	2,806,902,261	2,725,507,600	81,394,661	3
4069	Education, Culture, ICT & Social Services	367,288,504	388,204,905	377,407,169	10,797,736	3
4070	Youth & Sports	146,747,760	140,528,260	128,903,825	11,624,435	8
4071	Lands, Physical Planning & Housing	127,264,310	127,389,310	111,890,654	15,498,656	12
4072	Trade, Industry, Tourism & Cooperatives	156,377,803	156,377,803	150,584,868	5,792,935	4
4073	Roads, Transport & Public Works	325,150,000	324,373,740	232,404,670	91,969,070	28
	Total Recurrent	6,854,316,685	6,943,933,129	6,474,322,756	469,610,373	7
	Development					
4061	County Assembly	70,000,000	28,000,000	26,976,570	1,023,430	4
4062	County Executive	30,000,000	6,720,000	6,574,080	145,920	2
4064	Finance & Economic Planning	105,553,709	97,213,935	86,695,287	10,518,648	11
4065	Administration & Public Service	102,000,000	274,000,000	227,870,553	46,129,447	17
4066	Agriculture, Livestock & Fisheries	232,000,000	179,400,000	148,664,078	30,735,922	17
4067	Water, Environment & Natural Resources	245,500,000	235,500,000	185,202,382	50,297,618	21
4068	Health Services	358,820,401	586,783,130	486,516,835	100,266,295	17
4069	Education, Culture, ICT & Social Services	310,000,000	408,000,000	310,098,969	97,901,031	24
4070	Youth and Sports	400,000,000	357,500,000	191,896,094	165,603,906	46

4071	Lands, Physical Planning & Housing	197,000,000	177,000,000	79,100,553	97,899,447	55
4072	Trade, Industry, Tourism & Cooperatives	185,000,000	185,000,000	85,024,076	99,975,924	54
4073	Roads, Transport & Public Works	895,000,000	895,000,000	772,832,903	122,167,097	14
	Total Development	3,130,874,110	3,430,117,065	2,607,452,380	822,664,685	24

Source: County Treasury

8. The Recurrent expenditure spending for 2014/2015 FY amounted to KShs. 6.47 billion against a revised target of KShs. 6.94 billion, representing a seven per cent underspending. The under spending was in all county departments including the executive and the county assembly. As a percentage of the revised budget, the departments of Roads, Transport & Public Works, Finance & Economic planning, and Lands, Physical Planning & Housing underspend by more than 10 per cent. This is owing to the nature of the expenditures in these departments that are tied as part of recurrent costs in development spending and specifically for Finance and Economic planning department the delayed operationalization of loans to the County Executive Committee Members. Generally lack of liquidity within the period especially at the closure of the financial year, saw some crystalizing payments accrue as pending bills and carryovers to 2015/16 FY.

9. Development expenditure incurred for 2015/14 amounted to Ksh.2.61 billion compared to a target of KShs. 3.43 billion. This translates to 24 percent under-spending. The underperformance in development expenditure is as a result of the long-term nature of development projects and the slow uptake and completion of these projects which overall resulted in pending bills and carryovers. The carried over projects are expected to mature in the first half of the 2015/16 FY. The pending bills and carryovers will need to be accommodated in the 2015/16 estimates in supplementary and may cause slight changes in the programs and projects for the current and subsequent financial years. It is worth noting that if the revenues had performed as projected and budgeted, most of these bills would not have resulted and thus performance would have been impressive.

2014/15 Financing and balance

10. The FY 2014/15 financing as reflected shows a performance in revenue of Ksh.9.17 Billion against a revised budgeted expenditure of KShs. 10.37 billion. This then means in actual terms the budget was under financed by Ksh.1.19 Billion (11.5 per cent). Based on this analogy, the subsequent budget of 2015/16 FY might be underfinanced by a similar magnitude since the revenue projection base used in establishing the resource envelope for the period might be overstated.

B. Implication of 2014/15 Fiscal Performance on Fiscal Responsibility Principles and Financial Objectives contained in the 2015 County Fiscal Strategy Paper

11. The performance in the FY 2014/15 affected the financial objectives set out in the 2015 County Fiscal Strategy Paper and the Budget for FY 2015/2016 in the following ways; The projections for revenue and expenditure though in line with the outcome might need slight adjustments to revenue projections as necessary to reduce chances of generating more carryovers and pending bills at the end of the period. Similarly, the pending bills and carryovers are being accommodated in the FY2015/16 may affect the programs and projects that were initially budget for in the period. This then calls for a balance in revenue and expenditure budget in supplementary estimates. It will be prudent to slightly adjust the 2015/16 budgets downwards and by rearranging activities and programs of the FY to reflect the true position given the expected revenue flows as given in annex I. In the same breath, the baseline ceilings for the formulation of the CFSP 2016 will be at a lower rate than previously set out in the CFSP 2015.

12. The fiscal outlook will broadly remain as indicated in the County Fiscal Strategy Paper 2015.

13. The under-spending in both recurrent and development budget for the FY 2014/15 additionally has implications on the base used to project expenditures in the FY 2015/16 and the medium term. Appropriate revisions have been undertaken in the context of this CBROP, taking into account the budget out-turn for 2014/15. The County Treasury will work closely with the implementing departments to improve resource absorption especially through the budget implementation committees and at the same time work out revenue targets with revenue generating departments to ensure that the revenues are collected as projected. The revenue projection base has been revised downwards to reflect the challenges in revenue base for the county.

14. Table 3 below provides comparison between the updated fiscal projections in the CBROP 2015 and the County Fiscal Strategy Paper 2015, and the Approved estimates for the FY 2015/16 and in the medium term.

Table 3: Comparison of Fiscal projections

	2015-2016 Approved Estimates	2015-2016 CFSP Ceilings	Deviations
	(a)	(b)	(a-b)
Total revenues	11,949,048,947	11,073,160,461	875,888,486
Own revenue	3,683,082,631	2,998,747,188	684,335,443
Receipts from National Government	8,265,966,316	8,074,413,273	191,553,043
Total expenditure	11,949,048,947	11,073,160,461	875,888,486
County Assembly	872,843,954	835,843,954	37,000,000
County Executive	389,512,000	436,175,033	-46,663,033
Other County Departments	10,686,692,993	9,801,141,474	885,551,519

Source: County Treasury

15. The Approved budget for FY 2015/16 incorporates an estimated revenue projection of KShs. 11.9 Billion compared to KShs 11.07 Billion in the initial 2015 CFSP projection. This is

KShs 0.87 billion deviation occasioned by inclusion of the streams of revenue expected from property taxes.

16. The county shall continue to focus policies on the following priorities so as to enhance social service delivery and support growth of the economy:

- Maintaining a prudent fiscal stance and improving the quality and efficiency of public spending remains priorities to create fiscal space for well-targeted social programs and increasing infrastructure investment.
- Investing in social welfare services and county infrastructure to improve competitiveness and unlock the county's potential.
- Enhancing efforts to mobilize local revenues.
- Strengthening capacity-building in public financial management to ensure that the high expectations linked to devolution are met.
- Entrenching program budget and enforce execution of the development budget as planned.

III. RECENT ECONOMIC DEVELOPMENTS IN KENYA'S ECONOMY

17. Recent changes in key macroeconomic variables are positive and encouraging. The economy grew by 5.3 percent in 2014 compared with 5.7 percent in 2013. This growth was driven mainly by increase in private final consumption, rapid growth in capital investment, agriculture, forestry and fishing, construction, wholesale and retail trade, education, finance and insurance. However accommodation and hotels/ restaurants sector continued to contract for the two years in a row.

18. Overall inflation decreased to 5.84 per cent in August 2015 from 6.62 per cent in July 2015 and 7.7 per cent in July 2014. It maintained a single digit level and was within the target of 5 percent. The decrease in the overall inflation in 2015 is largely attributed to the prudent monetary policy, decline in cost of food and oil prices and stability of the shilling against major currencies.

19. The Kenyan shilling generally held firm against major trading currencies despite its depth against US dollar, Sterling pound and Euro. The Kenya shillings therefore displayed mixed performance. In December 2014, the Kenya shilling was depreciating against US dollar but appreciated against the Sterling pound and the Euro. The currency stabilized against US dollar at KShs. 99.3 per US dollar in June 2015 from KShs. 97.8 per US dollar in May 2015. The stability of the US dollar followed increased short term capital inflows and remittances.

20. The stock Exchange activity has been vibrant in the year to July 2015. The NSE share index improved by 3.78 percent from 4,927 points in 2013 to 5,113 points in December 2014. Market capitalization, a measure shareholders' wealth, closed at KShs. 2053.38 billion in September 2015 from KShs. 2,125 billion in the year to July 2014.

21. The overall Balance of Payment position improved from a surplus of KShs. 31.8 Billion in 2013 to a surplus of 126.1 Billion in 2014. This improvement was mainly account of proceeds from the sale of Eurobond.

22. The current account deteriorated by 30.2 percent from a deficit of KShs. 411.7 Billion in 2013 to a deficit of Ksh.536.1Billion in 2014 mainly due to widening visible trade deficit. The final account surplus increased by 67.6 per cent from KShs. 424.1 Billion to KShs. 710.6 Billion in 2014 due to increased capital flows.

23. Trade balance worsened by 18.9 per cent from KShs. 911.0 billion in 2013 to a deficit of KShs. 1081.1 billion in 2014. This was as a result of faster growth in imports (14.5 Percent) as compared with 7.0 percent increase in total export. The export- Import ratio declined from 35.5 percent in 2013 to 33.2 percent in 2014.

24. The official foreign exchange reserves held by the Central Bank of Kenya increased due to reserves build up and receipt of disbursements under the Extended Credit Facility (ECF) brought about by a surplus in the overall balance of payments,.

25. Finally, the macroeconomic outlook remains favorable although risks remain. Some of the challenges existing within the economy include: security, weather, export market weakness, capital flow reversal and statistical inconsistency especially the Balance of Payment. Deliberate interventions are being put into place to counteract these challenges. Key among them includes automation of processes, integration and digitization of data, collection of high quality data and resource mapping.

IV. IMPLEMENTATION OF 2015/16 BUDGET

17. Revenue collection for the FY 2015/16 is broadly on course and therefore we expect the outturn to be within the target. The Exchequer returns as at the end August 2015 shows that own revenue amounted to KShs 0.28 Billion, while the receipts from the National Government were KShs 1.32 Billion. Thus, the total local revenue collection was below target by KShs 0.32 Billion in the first two months of the year. The revenues are expected to improve with completion of valuation rolls and enactment of relevant laws.

18. Total expenditure by August 2015 was KShs 1.17 Billion as compared to a target of KShs. 2.0 Billion, 60 percent of this being development spending. The bulk of this under performance is in recurrent. Higher absorption rates are expected in the coming months with the ease of pressures in liquidity. The higher rate of development absorption is due to the payment of pending bills from the previous financial years being the first charge on the votes.

19. Low absorption rates are as a result of delayed release of funds by the national government and challenges with revenue collections. The delays in release of funds often leads to disruption of the activities of county and compromises service delivery. At the same time, the bulk of the non-discretionary county expenditures like personnel emoluments are of recurrent nature and thus any delays in release of funds serves to delay development spending as these expenditures take precedence.

V. RESOURCE ALLOCATION FRAMEWORK

A. Adjustment to 2015/16 Budget

20. The fiscal framework underpinning the FY 2015/16 assumed a stable macroeconomic environment and continuation of the Government's policy of containing non-priority and unproductive expenditures within sustainable levels. In this regard, the county Government is committed to reducing the recurrent expenditures and devotion of more funds to development. Reforms in the expenditure management and revenue administration will be implemented to increase efficiency, reduce wastage and increase revenues collected and hence create fiscal space for spending on development programmes within the budget. With the tight fiscal position, departments must contain expenditures by adhering to the fiscal responsibilities outlined in the Public Finance Management Act, 2012 and giving priority to development spending.

21. As we consider making adjustments to the FY 2015/16 Budget, we need to contain additional/ supplementary funding to areas of emergency nature. The supplementary adjustments will generally be downwards to reflect the current scenarios in revenue performance by getting rid of one-off expenditures and expenditures in specific items that can be delayed without immediately harming the current programs.

22. Given the fiscal performance in FY 2014/15 and the updated macroeconomic outlook for 2015/16, there are some inherent risks to the FY 2015/16 budget framework. Expenditure pressures and in particular those of recurrent nature, pose a serious challenge. These risks will be monitored closely and appropriate measures taken in the context of the Supplementary Budget.

23. Challenges in revenue performance require the County Government to put up structures in place to seal loopholes and widen the tax-base. Modalities to enhance collection of property rates and taxes will be explored and implemented to ensure that the budget is fully financed.

B. Medium-Term Expenditure Framework

24. As is the case for the Budget for FY 2014/15, the next budget will be based on the 2013-2018 Second Medium Term Plan together with the Governments' strategic priorities. Relevant policies, strategies and projects have been incorporated into the Annual Development plan for 2016/17. The developed policy documents including the CIDP and ADP will guide resource allocation, going forward. The medium term budget framework for 2015/16- 2017/18 will ensure continuity in resource allocation based on prioritized programmes aligned to employment creation and poverty reduction. Consequently, the FY 2015/16 MTEF budget will focus on interventions to guide transformation of the County anchored on five strategic pillars enshrined in the CIDP and reiterated in the ADP. These strategic pillars are security, employment & agriculture, education, health, and urban planning.

25. Reflecting the above medium-term expenditure framework, **Annex II** provides the tentative projected baseline ceilings for the 2016/17 – 2018/19 MTEF period classified by departments.

C. 2016/17 Budget Framework

26. The medium term fiscal framework for 2016/17 is set based on the fiscal framework outlined above and the macroeconomic environment of the National economy. Real GDP is projected to grow to reach 7 per cent over the medium term, underpinned by continued good performance across all sectors of the economy. Inflation is expected to be maintained within the

target of 5 per cent, reflecting continued implementation of a prudent monetary policy and stable food and oil prices.

Revenue projections

27. The 2016/17 budget targets a conservative own revenue collection of KShs 3.04 Billion. As noted above, this performance will be underpinned by on-going reforms in revenue administration. As such, total revenues including receipts from the National Government are expected to be KShs 12.3 billion in 2016/2017. These figures are indicative and will be firmed up by February 2016 in the CFSP as the macroeconomic variables take shape for a clearer projection of revenues. The CRA will have communicated the county revenue allotments.

Expenditure Forecasts

28. In 2016/17, overall expenditures are projected at KShs 12.23 Billion, up from the estimated KShs. 11.9 billion in the FY 2015/16 budget. Recurrent expenditures are expected to drop marginally from Ksh.7.98 billion in the FY 2015/16 to KShs. 7.96 billion in the FY 2016/17 as a result of shedding of one-off expenditures including purchase of office furniture and other office equipment's, and motor vehicles. Other centrally procured services like general insurance costs and motor vehicle insurances may also need to be pooled in the administration department

29. The wage bill is expected increase slightly mainly from annual increments in remunerations, from KShs 4.74 billion in 2015/16 to KShs 4.84 billion in the FY 2016/17. The wage bill will remain at this position for some time as most county positions have been filled and many existing positions have been filled internally thus attracting marginal increases in the wage bill. In the medium term these emoluments will remain at this level till such a time that the on-going efforts by the Ministry of Devolution under CARPs programme and the SRC's job evaluation exercise are completed and recommendations proposed.

30. The resources for development expenditures will increase in nominal terms to KShs 4.26 billion in the FY 2016/17 from KShs. 3.9 billion in 2015/16. Most of the outlays are expected to support critical county infrastructure as a part of shifting more resources to development as the county realigns to meet the fiscal responsibility requirements.

VI. CONCLUSION AND NEXT STEPS

31. The fiscal outcome for 2014/15 has had implication of the financial objectives elaborated in the last county fiscal strategy paper submitted to County Assembly in February 2015. Going forward, the set of policies outlined in this CBROP reflect the changed circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM law. They are also consistent with the national strategic objectives pursued by the Government as a basis of allocation of public resources.

32. The policies and provisional departmental ceilings annexed herewith will guide the county departments in preparation of the 2016/17 budget. These ceilings will be firmed up in the CFSP that will be finalized by February 2016. (see annex II)

33. Adhere to the strict time lines of the budget calendar (see Annex III).

Annex I: Revenue Projections

KIAMBU COUNTY GOVERNMENT			
REVENUE PROJECTION 2016/2017			
ITEM	ACTUAL 2014/2015 (KSh)	PROJECTED 2015/2016 (KSh)	PROJECTED 2016/2017 (KSh)
Land Rates Current Yr.	59,881,490	71,857,788	86,229,346
Land rates Penalties	27,212,658	32,655,190	39,186,228
Land Rates Other Yrs.	38,895,764	46,674,917	56,009,900
Rates clearance fee	2,324,100	2,788,920	3,346,704
Business permit current yr.	289,703,947	347,644,736	417,173,684
Business permit late	5,694,986	6,833,983	8,200,780
Provisional rate charges	10,000	12,000	14,400
Boda boda parking	724,550	869,460	1,043,352
Ground Rent current years	6,007,026	7,208,431	8,650,117
Ground Rent other years	4,313,143	5,175,772	6,210,926
Isolation fees	2,472,135	2,966,562	3,559,874
Application Fee	11,311,745	13,574,094	16,288,913
Amalgamation fees	788,748	946,498	1,135,797
Document search fee	178,050	213,660	256,392
Plot Sub-dividing fee	16,467,637	19,761,164	23,713,397
Tender Docs sale	497,100	596,520	715,824
Impound charges	6,944,835	8,333,802	10,000,562
Business subletting & Transfer	1,373,050	1,647,660	1,977,192
Administration of comm charges	5,185,975	6,223,170	7,467,804
consent charges	657,085	788,502	946,202
Quarry Ext Fee	84,286,080	101,143,296	121,371,955
Sand cess	13,107,613	15,729,136	18,874,963
Market Gate Fee	81,965,728	98,358,874	118,030,648
Market stall rent	11,369,376	13,643,251	16,371,901
Bus stage cess	7,203,180	8,643,816	10,372,579
Enclosed Bus Park Fee	122,229,950	146,675,940	176,011,128
Debt clearance cert	2,729,500	3,275,400	3,930,480
Registration of groups	1,097,120	1,316,544	1,579,853
Street parking fee	107,291,439	128,749,727	154,499,672
Conservancy	37,792,852	45,351,422	54,421,707
Clamping	4,684,630	5,621,556	6,745,867
Damages recovery	802,795	963,354	1,156,025
Housing rent	25,499,362	30,599,234	36,719,081
Social Hall Hire	390,700	468,840	562,608

Stadium Hire	290,535	348,642	418,370
Group Reg. Fee	-	-	-
Misc. fee	4,876,819	5,852,183	7,022,619
Inoculation fee	916,496	1,099,795	1,319,754
Public Health services & Clearance	5,627,875	6,753,450	8,104,140
Burial Fee	1,167,310	1,400,772	1,680,926
Refuse Collection	34,631,925	41,558,310	49,869,972
Dispensing and drugs fees	264,000	316,800	380,160
Conf. Claim Charges	384,650	461,580	553,896
Slaughtering Fee	27,495,055	32,994,066	39,592,879
Hides & skins	1,020,113	1,224,136	1,468,963
Boma charges	572,560	687,072	824,486
Meat Cess	8,200,533	9,840,640	11,808,768
Food, drug chemical substance	6,118,085	7,341,702	8,810,042
Advertisement & promotion charges	6,832,676	8,199,211	9,839,053
Road Cutting	885,300	1,062,360	1,274,832
Change of ownership	2,586,735	3,104,082	3,724,898
Change of user	11,665,000	13,998,000	16,797,600
Survey Fee	2,792,462	3,350,954	4,021,145
PPA 1&2	1,593,714	1,912,457	2,294,948
Building Plan Approval Fee	97,456,543	116,947,852	140,337,422
Building Insp Fee	45,569,152	54,682,982	65,619,579
Sign boards and advertisement fee	41,121,774	49,346,129	59,215,355
Cheque Clearance	2,018,532	2,422,238	2,906,686
Game & Nature Park Fee	2,551,851	3,062,221	3,674,665
Fire Fighting	10,099,640	12,119,568	14,543,482
Public Toilets	3,848,845	4,618,614	5,542,337
Nursery School Fees	3,007,950	3,609,540	4,331,448
Premise Insp. Fee	3,301,663	3,961,996	4,754,395
Other Property Charges	16,303,964	19,564,757	23,477,708
Wheat and maize cess	56,740	68,088	81,706
Coffee cess	2,895,642	3,474,770	4,169,724
Liquor license	57,230,523	68,676,628	82,411,953
Public health fees	96,057,776	115,269,331	138,323,197
Medical services	63,992,866	76,791,439	92,149,727
Land board fees	2,022,350	2,426,820	2,912,184
Feeding programme	320,400	384,480	461,376
Livestock cess	3,561,447	4,273,736	5,128,484
Min of Health(health unit)	374,582,489	449,498,987	539,398,785
Min of Agriculture	528,020	633,624	760,349

Weight & measures	2,771,240	3,325,488	3,990,586
Ams-ruiru	247,300	296,760	356,112
Extension user	27,196,530	32,635,836	39,163,003
Fisheries	51,000	61,200	73,440
Betting and Control board	484,250	581,100	697,320
Milk Cess	2,115,559	2,538,671	3,046,405
Others	152,446,317	182,935,580	219,522,696
TOTAL REVENUE	2,110,856,555	2,533,027,866	3,039,633,440

Annex II: Medium Term Expenditure Framework 2015/16-2018/19

vote	Vote Name		Printed Estimates 2015/16	2016/17	2017/18	2018/19
	RECURRENT		7,980,223,385	7,962,333,385	8,440,073,388	8,946,477,791
4061	County Assembly	O&M	398,600,000	398,600,000	422,516,000	447,866,960
		PE	429,400,000	429,400,000	455,164,000	482,473,840
4062	County Executive	O&M	208,899,928	208,899,928	221,433,924	234,719,959
		PE	173,437,072	173,437,072	183,843,296	194,873,894
4063	County Public Service Board	O&M	30,538,000	30,538,000	32,370,280	34,312,497
		PE	31,950,000	31,950,000	33,867,000	35,899,020
4064	Finance & Economic Planning	O&M	765,373,752	759,623,752	805,201,177	853,513,248
		PE	608,146,623	608,146,623	644,635,420	683,313,546
4065	Administration & Public Service	O&M	224,212,743	222,212,743	235,545,508	249,678,238
		PE	262,152,169	262,152,169	277,881,299	294,554,177
4066	Agriculture, Livestock & Fisheries	O&M	119,578,183	117,938,183	125,014,474	132,515,342
		PE	255,483,734	255,483,734	270,812,758	287,061,524
4067	Water, Environment & Natural Resources	O&M	55,545,428	55,545,428	58,878,154	62,410,843
		PE	145,017,600	145,017,600	153,718,656	162,941,775
4068	Health Services	O&M	736,050,000	733,050,000	777,033,000	823,654,980
		PE	2,128,000,000	2,128,000,000	2,255,680,000	2,391,020,800
4069	Education, Culture, ICT & Social Services	O&M	288,340,327	287,740,327	305,004,747	323,305,031
		PE	237,163,174	237,163,174	251,392,964	266,476,542
4070	Youth, Sports & Communications	O&M	67,506,084	66,606,084	70,602,449	74,838,596
		PE	78,541,676	78,541,676	83,254,177	88,249,427
4071	Lands, Physical Planning & Housing	O&M	57,424,564	55,424,564	58,750,038	62,275,040
		PE	78,590,684	78,590,684	83,306,125	88,304,493
4072	Trade, Tourism, Industry & Co-Operative	O&M	31,036,841	30,036,841	31,839,051	33,749,395
		PE	135,929,803	135,929,803	144,085,591	152,730,727
4073	Roads, Transport & Public Works	O&M	250,865,000	249,865,000	264,856,900	280,748,314
		PE	182,440,000	182,440,000	193,386,400	204,989,584
	Development		3,968,825,562	4,267,756,717	4,694,532,389	5,163,985,628
4061	County Assembly		44,843,954	48,221,592	53,043,751	58,348,126
4062	County Executive		7,175,000	7,715,420	8,486,962	9,335,658
4064	Finance & Economic Planning		85,350,000	91,778,545	100,956,400	111,052,040
4065	Administration & Public Service		208,593,416	224,304,631	246,735,094	271,408,603
4066	Agriculture, Livestock & Fisheries		262,547,748	282,322,792	310,555,072	341,610,579
4067	Water, Environment & Natural Resources		281,500,000	302,702,524	332,972,777	366,270,054
4068	Health Services		1,027,044,000	1,104,400,751	1,214,840,826	1,336,324,908
4069	Education, Culture, ICT & Social Services		375,626,985	403,919,135	444,311,049	488,742,153
4070	Youth, Sports & Communications		370,000,000	397,868,327	437,655,159	481,420,675
4071	L&s, Physical Planning & Housing		180,339,500	193,922,635	213,314,899	234,646,389
4072	Trade, Tourism, Industry & Co-Operative		227,526,942	244,664,226	269,130,649	296,043,714
4073	Roads, Transport & Public Works		898,278,017	965,936,139	1,062,529,753	1,168,782,729
	TOTAL		11,949,048,947	12,230,090,102	13,134,605,777	14,110,463,419

ANNEX III: County Budget Calendar 2015-2016

Activity	Responsibility	Time frame/Deadline
Develop and issue circular on Budget Preparation and MTEF Guidelines	C.E.C Finance & Planning	30th August, 2015
Undertaking of Departmental Expenditure Reviews	All Departments	14th September, 2015
Estimation of Resource Envelope and Preliminary allocation to sectors	County Treasury	10th September , 2015
Development of County Budget Review and Outlook Paper(BROP)	County Treasury	21st September, 2015
Approval of County Budget Review and Outlook Paper the County Executive Committee	C.E.C Finance	13th October 2015
Submission of County Budget Review and Outlook Paper(BROP) to the County Assembly	County Treasury	20st October, 2015
Circulation of approved BROP to County Executives and Accounting Officers	County Treasury	As soon as approved by County Assembly
Capacity building for MTEF and Programme Based Budget(PBB)	C.E.C Finance & Planning in collaboration with County Treasury	September/October 2015
Departmental sections to submit their budget inputs to relevant County Departments	Departmental sections in the sub-counties	30th October, 2015
Start of Sector Consultations	All Departments- Finance and planning to co-ordinate	2nd November, 2015
Submission of Draft Sector Reports	All Departments	10th December, 2015
Submission of final sector reports	All C.E.Cs for their respective Departments	29th January 2016
Development of County Fiscal Strategy Paper(CFSP)	County Treasury	29th January 2016
Submission of County Fiscal Strategy Paper(CFSP) to County Executive Committee for approval	County Treasury	15th February 2016
Presentation of County Fiscal Strategy Paper to County Budget and Economic Forum(CBEC)	C.E.C Finance in consultation with the Governor	25th February, 2016
Submission of County Fiscal Strategy Paper(CFSP) to County Assembly	County Treasury	29th February, 2016
Issue of circular for finalization of 2016/15-2016/17 MTEF estimates and PBB	County Treasury	16th March 2016
Circulate approved County Fiscal Strategy Paper(CFSP) to County Executive Committee and Accounting Officers	County Treasury	16th March 2016
Finalization of Departmental Programme Based Budgets(PBB)	All Departments	29th March 2016
Review and Finalization of Departmental Programme Based Budgets	County Treasury	13th April 2016