



REPUBLIC OF KENYA



COUNTY GOVERNMENT OF NAKURU

THE COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2017

© County Budget Review and Outlook Paper (CBROP) 2017

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The document will be published after approval on County website: www.nakuru.go.ke

FOREWORD:

The Nakuru County Budget Review and Outlook Paper (CBROP 2017) is the fourth to be prepared under the devolved governance structure. CBROP 2017 was prepared pursuant to Section 118 of the Public Financial Management Act, 2012 and in accordance with the County budget calendar for the MTEF 2018/2019-2020/2021. This review document focused on the fiscal year ending June 2017 compared with the year on year growth for similar period in previous years.

The National outlook revealed a stable macroeconomic variability with a 5.8 percent growth in the GDP supported by increased outputs in most sectors, low inflation, tighter monetary policies, recovery of the tourism sector and stability of prices of crude oil and associated petroleum products. Locally the County fiscal analysis for FY 2016/2017 revealed a subdued performance in both revenues and expenditure compared to similar period in FY 2015/2016. The slowdown is mainly attributed to the build-up activities to the General elections held in August 2017.

During the period under review the County Government continued with strengthening of the programme based approach adopted to help link the financial resources to directly defined policy goals and objectives. The total County receipts amounted to Ksh 13.7 billion (approximately 93 percent of the total projected receipts) against a target of Ksh 14.7 billion. All forecasted receipts from the National Transfers were received (that is 9.8 billion) with a 102 percent success rate. This included Ksh 226 million additional transfer as part the National Government contribution to awarded allowances for health workers in the second half of the FY 2016/17.

Receipts from County Own Source of Revenue (OSR) declined substantially by approximately 13 percent from Ksh 2.3 billion collected in FY 2015/16 to Ksh 1.96 billion in FY 2016/17. As pointed out herein this performance was influenced by dynamic of the political events of the election cycle as well County Government fiscal policy shift contained on Finance Act 2016. Overall County OSR missed its targeted forecast by Ksh 1.2 billion or approximately 39 percent.

Total county expenditure amounted to Ksh 11.6 billion against a target of Ksh 14.7 billion. Further the County expenditure performance revealed a slowdown budget absorption rate from approximately 80 percent in FY 2015/2016 to about 79 percent in FY 2016/2017. Budget absorption challenge were further compounded by weak capital expenditure absorption rate at 63 percent (or Ksh 3.6 billion of target expenditure) as compared to a high of 96 percent absorption rate on recurrent expenditure. The limited absorption of the capital expenditure demonstrate a persistent weakness in County fiscal capacity. It is envisaged that implementation of the Kenya Devolution Support Programme (KDSP) from the current FY 2017/18 among other County training initiatives will help improve the efficiency in performance.

Nakuru County also benefitted from the recovery of the tourism sector particularly in the Lake Naivasha basin and safari region. The continuous implementation of the last mile connectivity programme has increased households connection to the national grid. Business activities in the county were further buoyed by the stability in prices of goods and services with single digit inflation figures (at 6.3 percent in 2016) and relatively steady

transport costs. However capping of bank interest rates pursuant to the Banking amendment Act 2016 has negatively impacted on the expansion of credit portfolio available to the private sector particularly the SMEs.

Observing the current budget framework FY 2017/2018 the County Government continues to struggle with rising cost of personal emoluments (currently at 45 percent of total county budget) against decline in county receipts. This occurrences are likely to inhibit the County Government achievement of its fiscal policy initiatives and responsibilities outlines in the PFM law.

Going forward, the cumulative revenue forecast for FY 2018/19 including appropriation in aids will rise marginally by approximately 4 percent to Ksh 13.95 billion. County own source of revenues are expected to remain unchanged approximately Ksh 3.18 billion in FY 2018/2019 up from 3.11 billion projected in the current FY 2017/2018. The reforms in local revenue administration under the new County administration as well as legislative review of the current revenue related laws through the Finance bill 2017 are expected to strengthen local revenue performance.

County Government overall expenditure will equal the forecasted County receipts for FY 2018/2019. In this regard the county government total expenditure will reach Ksh 13.95 billion in the FY 2018/2019 approximately growth of 4.4 percent. Compensation to employees will account for 44 percent of the total County budget approximately Ksh 6.2 billion. Total County development expenditure will reach Ksh 4.3 billion up from Ksh 3.8 billion in the current FY 2017/2018.

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

ACKNOWLEDGEMENT:

The successful preparation of the CROP 2017 was achieved through collaborative effort comprising of the County Treasury Macro working group and the respective departmental Sector Working Groups (SWGs) respectively.

I take this opportunity to thank H.E the governor and the Deputy Governor for their overall steadfast leadership and guidance to the County Treasury to performing its mandate. I wish to acknowledge all the budget implementing units for their supply of the inputs that qualified the finalisation of this document.

May I express my gratitude to the County Executive Committee member for Finance and Economic Planning for her continued provision of technical guidance and leadership as head of the County Treasury.

The attainment of this document was made possible with the inputs from the departmental SWGs. May I take this early chance to thank each member of the departmental SWGs through their respective Chief officers who provided valuable inputs and comments on the performance for the year under review. Further I wish to acknowledge the continuous submission of view and suggestion from stakeholders and the public in the course of various stages of the County Budget Preparations process.

Finally, I take this chance to appreciate the efforts of the Directorate of Economic Planning office in coordination and compilation of the final document. Special thanks goes to Ag Director of Economic Planning Mr Cyrus M. Kahiga, Senior Economist Asinah Ashiku, Ms Emma Angwenyi and Ms Kerubo Mosesti for their commitment and steadfastness throughout the process of compilation.

Joseph O. Nyamora

Ag. Chief Officer, Finance and Economic Planning.

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ABBREVIATIONS AND ACRONYMS.

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

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

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

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

County Government Fiscal Responsibility Principles

In line with chapter 12 of the Constitution of Kenya, Section 107 of the Public Financial Management (PFM) Act, 2012

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

I. INTRODUCTION

Objectives of the County Budget Review and Outlook Paper (C-BROP) 2017

1. The 2017 CBROP aims to provide a review of the fiscal performance for the FY 2016/2017 and how the outcomes impact the County's financial objective and fiscal responsibility principles envisaged in the County Fiscal Strategy paper 2017 envisaged in the PFM Act 2012. This information alongside other emerging issues will provide the basis for revising the current budget FY 2017/18 via supplementary budget proposals.

2. This CBROP therefore will underpin the County fiscal initiatives outlined in CFSP 2017 which include the following;

- i. Continued enhancement of enabling environment for business and private sector participation
- ii. Continued investment in County physical and social infrastructure facilities
- iii. Investing in quality and affordable health services.
- iv. Promotion of value addition for agricultural produce, food security and environmental conservation.
- v. Continued Promotion of equitable social economic development for county stability.
- vi. Enhancing governance, transparency and accountability in the delivery of public goods and service.

3. Based on the indicative County resource envelope, the C-BROP 2017 will also relay the primary sector ceilings for the FY 2018/2019 budget inclusive of indicative projections for the FY 2019/2020 and 2020/2021 MTEF period. These ceilings will set off the budget preparation process for the fiscal year 2018/2019.

4. The paper is organised into four sections: Section II provides a review of fiscal performance in FY 2016/2017 and its implication on the 2017 CFSP financial objectives; Section III studies the recent economic developments and the updated National and County macroeconomic outlook;

Section IV and V contains the proposed sector budget ceilings and the Conclusion respectively.

II. REVIEW OF FISCAL PERFORMANCE IN FY 2016/2017

A. Overview

The fiscal year 2016/17 marked the third year of programmed based budgeting (PBB) for all County Government entities as per section 12 of the second schedule of the PFM act 2012. During the FY 2016/17, there was a decline in local revenue performance. Similar slowdown was recorded in the absorption of both recurrent and development expenditure compared to the similar period in FY 2015/16.

Cumulative county revenue including facility improvement fund amounted to Ksh 13 billion against a revised target of Ksh 14.7 billion. Total receipts from national equitable share of revenue comprised of Ksh 8.757 billion (64 per cent of the total receipts). Other national transfers included Ksh 39.2 million being conditional allocation for foregone user fees, Ksh 135.8 million being conditional allocating for fuel levy fund, Ksh 356 million being conditional allocation for Nakuru Level 5 hospital, Ksh 12.6 million received from donors (DANIDA) and Ksh 217.9 million being conditional funds for free maternity services.

During the reporting period, execution of both development and recurrent budget maintained its rate as compared to financial year 2015/16. The County spent a total of Ksh 11.609 billion during financial year 2016/17 against a target of Ksh 14.729 billion representing an execution rate of 79 percent. Recurrent expenditure for the period under review represents 89 percent of the annual recurrent budget while development expenditure represents 63 percent of the annual development budget. Erratic disbursement of funds from national treasury continued to affect absorption rate of development expenditure.

B. Fiscal performance FY 2016/2017

Revenue Performance

Total exchequer receipt and local revenue collection amounted to Ksh 13.6 billion against a target of Ksh 14.7 billion representing a 91 percent performance a deviation of Ksh 1.048 billion from the planned target. In addition to the revenue received for the year, there were unspent balances carried forward from FY 2016/2017 amounting to Ksh 2.2 billion. The figure below demonstrates the total county receipts by source.

Table 1: County Government Total Revenues FY 2016/2017

REVENUE SOURCE	ACTUAL (Baseline) 2014/15	ACTUAL 2015/16	TARGETS 2016/2017	ACTUAL 2016/2017	VARIANCE	ANNUAL GROWTH	ANNUAL GROWTH IN PERCENT	PERCENT OF ACHIEVEMENT
Property tax (Plot rent and Land rates)	324,982,918	319,171,789	682,000,000	199,665,935	-482,334,065	-119,505,854	-37.44%	29.28%
Trade License		384,962,894	462,000,000	313,672,443	-148,327,557	-71,290,451	-18.52%	67.89%
Market Fees	77,759,357	63,614,650	115,500,000	54,535,672	-60,964,328	-9,078,978	-14.27%	47.22%
Building Approval	58,127,531	36,928,134	88,358,435	23,363,251	-64,995,184	-13,564,883	-36.73%	26.44%
Cess	42,196,617	46,262,249	138,501,000	19,726,799	-118,774,201	-26,535,450	-57.36%	14.24%
Royalties	115,814,409	163,641,687	113,401,200	185,104,654	71,703,454	21,462,967	13.12%	163.23%
Stock/ Slaughter fees	10,518,254	4,716,120	22,000,000	4,737,219	-17,262,781	21,099	0.45%	21.53%
House Rent	59,373,470	47,475,050	55,000,000	29,301,494	-25,698,506	-18,173,556	-38.28%	53.28%
Advertising	90,982,257	100,842,351	316,800,000	122,495,811	-194,304,189	21,653,460	21.47%	38.67%
Parking fees	271,556,391	282,619,325	291,500,000	270,791,435	-20,708,565	-11,827,890	-4.19%	92.90%
Liquor Licensing	337,500	43,326,840	93,500,000	46,395,250	-47,104,750	3,068,410	7.08%	49.62%
County Park Fees	194,500	58,600	5,500,000	419,600	-5,080,400	361,000	616.04%	7.63%
Water And Sewerage	3,237,055	- 0	4,950,000	- 0	-4950000	0	0%	0%
Health fees and charges	63,634,773	92,098,858	77,000,000	88,523,440	11,523,440	-3,575,418	-3.88%	114.97%
Other Fees and Charges	154,565,622	194,936,420	131,254,023	196,447,149	65,193,126	1,510,729	0.77%	149.67%
Sub Total Local Sources	1,273,280,654	1,780,654,967	2,597,264,658	1,555,180,152	-1,042,084,506	-225,474,815	-12.66%	59.88%
Facility Improvement Fund	505,779,098	514,680,179	605,000,000	405,703,607	-199,296,393	-199,296,393	-21.17%	67.06%
SUB TOTAL (AIA & Local Sources)	2,727,357,488	2,295,335,146	3,202,264,658	1,960,883,759	-1,241,380,899	-424,771,208	-14.57%	61.23%
Balance in County Revenue Fund	1,200,000,000	1,800,692,138	1,891,906,591	1,891,906,591	0	91,214,453	5.07%	100.00%
Donor Grants (DANIDA)	88,000,000	25,260,000	12,630,000	12,630,000	0	-12,630,000	-50.00%	100.00%
Loans and Grants CRA						0		
Kenya Devolution support program (KDSP)			37,028,227			0		
Conditional Allocation to compensate Forgone user fees		37,373,449	39,216,180	39,216,180	0	1,842,731	4.93%	100.00%
Conditional Fund -Leasing of Medical Equipment		95,744,681	95,744,681	95,744,681	0	0	0.00%	100.00%

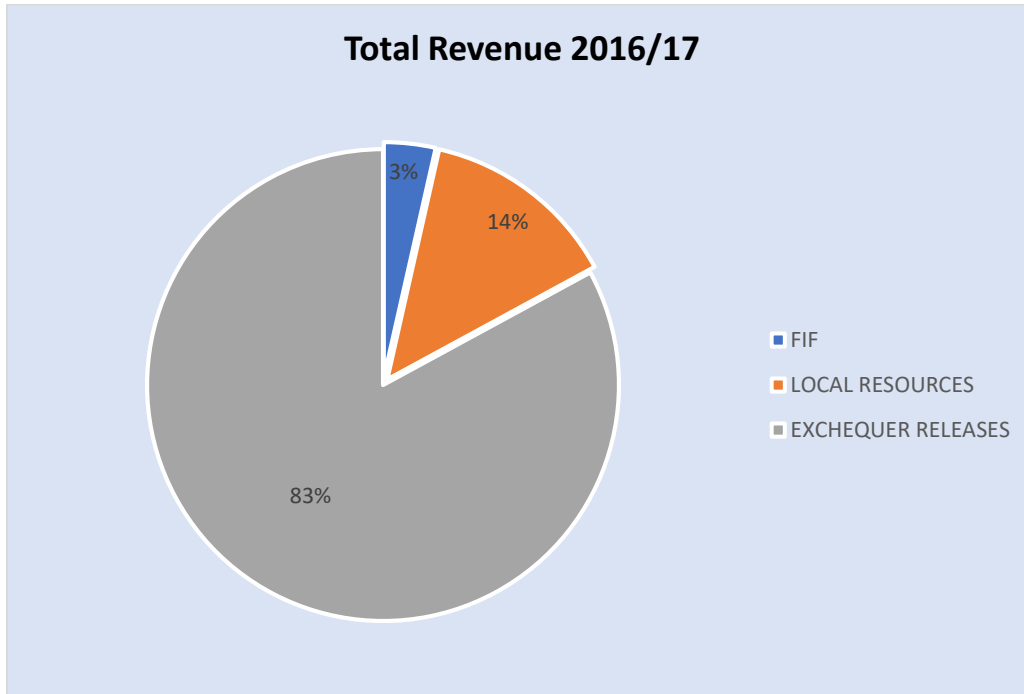
REVENUE SOURCE	ACTUAL (Baseline) 2014/15	ACTUAL 2015/16	TARGETS 2016/2017	ACTUAL 2016/2017	VARIANCE	ANNUAL GROWTH	ANNUAL GROWTH IN PERCENT	PERCENT OF ACHIEVEMENT
Conditional Fund -Free Maternal Health		184,361,500	215,283,613	217,877,500	2,593,887	33,516,000	18.18%	101.20%
Road Maintenance Fuel Levy Fund (RMFLF)		103,104,387	134,560,844	135,768,574	1,207,730	32,664,187	31.68%	100.90%
Conditional Allocation For Level- 5 Hospital	620,000,000	377,193,144	356,069,364	356,069,364	0	-21,123,780	-5.60%	100.00%
Health Allowances				226,314,000				
C.R.A Equitable Share	6,290,337,606	8,116,330,942	8,757,624,645	8,757,624,647	2	641,293,705	7.90%	100.00%
SUB TOTAL	8,198,337,606	10,740,060,241	11,540,064,145	11,733,151,537	193,087,392	993,091,296	9.25%	101.67%
GRAND TOTAL	10,925,695,094	13,035,395,387	14,742,328,803	13,694,035,296	-1,048,293,507	568,320,088	5.05%	92.89%

Source: Nakuru County Financial Statement Sept. 2017

Note: The unspent balances arose from the projects that were not paid for since they were incomplete. The funds available in the FY 2016/17 was Ksh11.733 billion comprising of conditional grants, local revenue and unspent balances for the financial year 2015/16.

Figure I below illustrates the total County Receipts by source. As projected during the period under review, the County received the highest revenues from exchequer transfers

Figure I: County Total Receipts by Source



In addition to the revenue received for the year, there were unspent balances carried forward from FY 2015/16. The unspent balances arose from late disbursement of the last two tranches of equitable share from the National Treasury. Funds available for spending in FY 2016/17 was Ksh 13.77 billion comprising of equitable share, conditional grants, local revenue and unspent balances for financial year 2015/16. The variance between targeted revenue and actual revenue was Ksh 1.048 billion which was primarily attributed to the deviation in local revenue collection.

County Own Source Revenue collections including FIF amounted to Ksh1.96 billion against a target of Ksh3.2 billion depicting a deviation of Ksh 1.26 billion from the projected estimates. Revenues collected from; Royalties, Health fees and charges, other fees and charges exceeded the estimated allocation by Ksh 71.7M, 11.5M and 65.2M respectively. Compared to the previous financial year, local revenue collection went down by 335 million or 13 per cent. Analysis of revenue by sources indicate that the major

sources of revenue for the financial year 2016/17 was trade licensing which accounted for 16 percent of the local revenue collected, parking fees accounted for 14 percent, land rates accounted for 10 percent and royalties nine percent. Local revenue (excluding FIF), fell by 12.6 percent from 1.8 billion in 2015/16 fiscal year to 1.5 billion in the period under review. There was also a decline in the Facility Improvement Fund (FIF) from 514 million recorded the previous year to 405 million in financial year 2016/17.

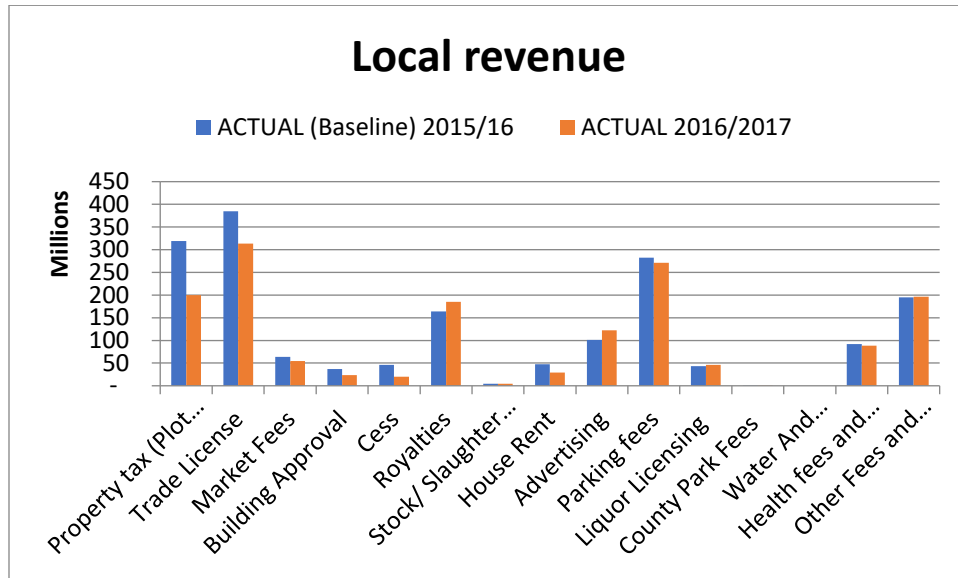
Table 2: Local Revenue Sources

REVENUE SOURCE	ACTUAL (Baseline) 2014/15	ACTUAL 2015/16	TARGETS 2016/2017	ACTUAL 2016/2017	VARIANCE	ANNUAL GROWTH IN PERCENT	PERCENT OF ACHIEVEMENT
Property tax (Plot rent and Land rates)	324,982,918	319,171,789	682,000,000	199,665,935	-482,334,065	-37.44	29.28
Trade License		384,962,894	462,000,000	313,672,443	-148,327,557	-18.52	67.89
Market Fees	77,759,357	63,614,650	115,500,000	54,535,672	-60,964,328	-14.27	47.22
Building Approval	58,127,531	36,928,134	88,358,435	23,363,251	-64,995,184	-36.73	26.44
Cess	42,196,617	46,262,249	138,501,000	19,726,799	-118,774,201	-57.36	14.24
Royalties	115,814,409	163,641,687	113,401,200	185,104,654	71,703,454	13.12	163.23
Stock/ Slaughter fees	10,518,254	4,716,120	22,000,000	4,737,219	-17,262,781	0.45	21.53
House Rent	59,373,470	47,475,050	55,000,000	29,301,494	-25,698,506	-38.28	53.28
Advertising	90,982,257	100,842,351	316,800,000	122,495,811	-194,304,189	21.47	38.67
Parking fees	271,556,391	282,619,325	291,500,000	270,791,435	-20,708,565	-4.19	92.90
Liquor Licensing	337,500	43,326,840	93,500,000	46,395,250	-47,104,750	7.08	49.62
County Park Fees	194,500	58,600	5,500,000	419,600	-5,080,400	616.04	7.63
Water And Sewerage	3,237,055	-	4,950,000	-	-	-	-
Health fees and charges	63,634,773	92,098,858	77,000,000	88,523,440	11,523,440	-3.88	114.97
Other Fees and Charges	154,565,622	194,936,420	131,254,023	196,447,149	65,193,126	0.77	149.67
TOTAL	1,273,280,654	1,780,654,967	2,597,264,258	1,555,180,152	1,042,084,506	-12.66	59.88

Source: Nakuru County Financial Statement Sept. 2017

Figure II below represent the varied performance in selected local revenue streams for the last three financial years namely FY 2014/15, 2015/16, 2016/2017.

Figure II: Local Revenue Trend in Performance



Projected Collection under the Facility Improvement Fund (FIF) underperformed substantially shrinking by 18 percent. There was an actual collection of 405 million against a target of 605 million. The underperformance was mainly as a result of the prolonged industrial action by health worker in the period under review. Table 3 has summarised the comparison of the performance for year under review with similar period in FY 2015/16.

Table 3: Appropriations in Aid

REVENUE SOURCE	ACTUAL (Baselines) 2015/2016	TARGETS 2016/2017	ACTUALS 2016/2017	VARIANCE	GROWTH IN PERCENT
Facility Improvement Fund	514,680,179	605,000,000	405,703,607	-199,296,393	-18.0

Source: Nakuru County Financial Statement Sept. 2017

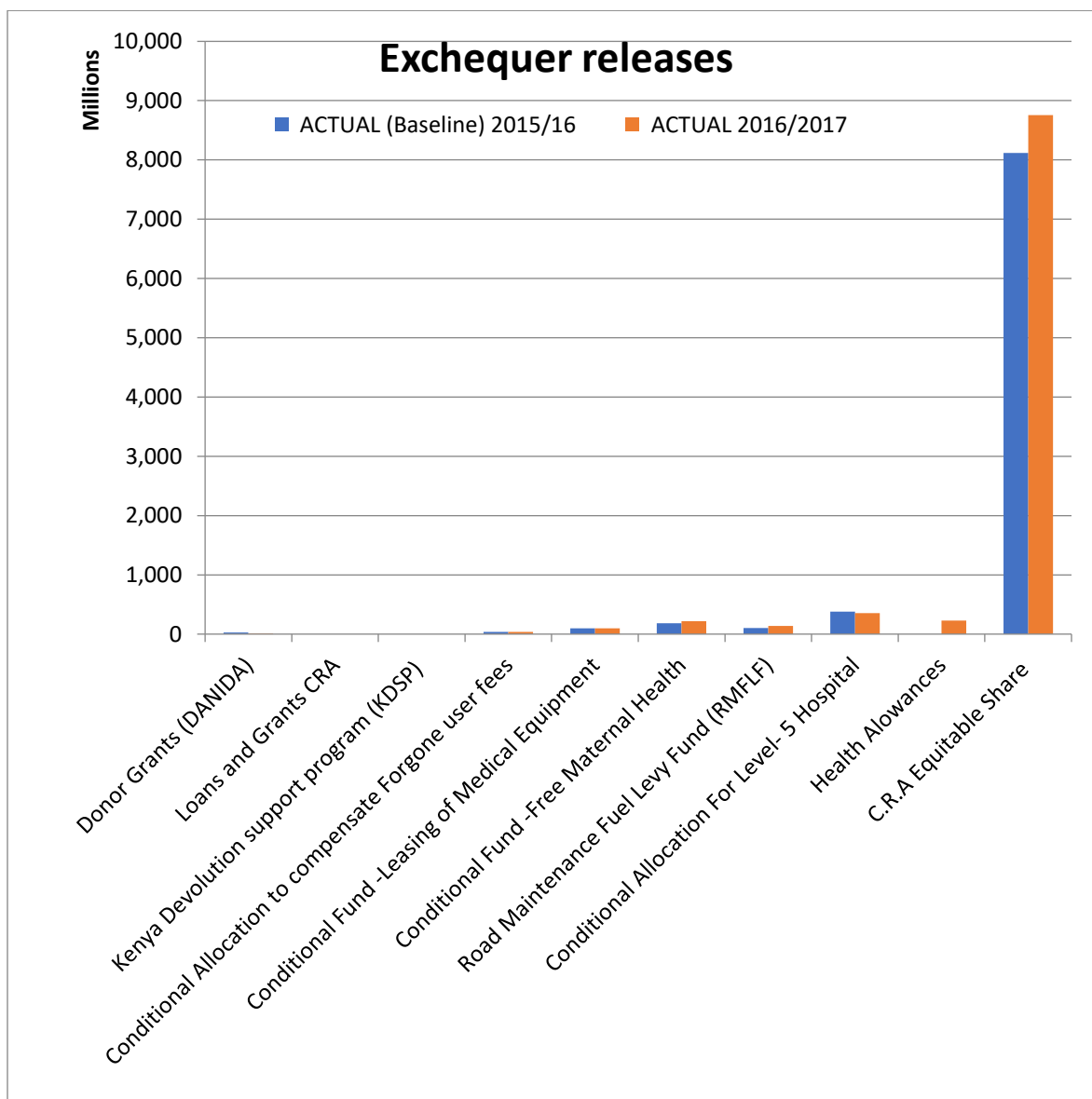
Table 4: Exchequer Releases

REVENUE SOURCE	ACTUAL (Baseline) 2015/16	APPROVED ESTIMATES 2016/2017	ACTUAL 2016/2017	VARIANCE	ANNUAL GROWTH IN PERCENT	PERCENTAGE OF ACHIEVEMENT
C.R.A Equitable Share	8,116,330,942	8,757,624,645	8,757,624,647	2	7.90%	100%
Donor Grants (DANIDA)	25,260,000	12,630,000	12,630,000	-	-50.00%	100%
Loans and Grants CRA		-	-	-	-	
Kenya Devolution support program (KDSP)	-	37,028,227	-	-37,028,227	100.00%	0%
Conditional Allocation to compensate Forgone user fees	37,373,449	39,216,180	39,216,180	-	4.90%	100%
Conditional Fund -Leasing of Medical Equipment	95,744,681	95,744,681	95,744,681	-	0.00%	100%
Conditional Fund -Free Maternal Health	184,361,500	215,283,613	217,877,500	2,593,887	18.20%	101%
Road Maintenance Fuel Levy Fund (RMFLF)	103,104,387	134,560,844	135,768,574	1,207,730	31.70%	101%
Conditional Allocation for Level- 5 Hospital	377,193,144	356,069,364	356,069,364	-	-5.60%	100%
Health Allowances		-	226,314,000	226,314,000	448.20%	-
SUB TOTAL	10,740,060,241	11,540,064,145	11,733,151,537	193,087,392	9%	102%

Source: Nakuru County Financial Statement Sept. 2017

The county received a total of Ksh11.7 billion from planned exchequer release comprising of Ksh 8.8 billion equitable share, Ksh 935.2 million conditional grants and Ksh 12 Million donor grants. The conditional fund for free maternal health care was budgeted as 215 million, however since the fund operates on the reimbursement method based on the number of births reported in a period, therefore reimbursement on the financial year 2016/2017 was Ksh 217 million achieving 18 percent growth compared to similar transfers in the previous year. There was an unprojected release of Ksh 226.3 million for health allowances disbursed as a result of the Collective Bargaining Agreement (CBA) with doctors and other health workers in the period under review. Figure III below has summarized the visual illustration of the exchequer releases FY 2015/16 versus FY 2016/17.

Figure III: Exchequer Releases vs FY 2015/16 Baselines



Expenditure Performance

The total spending in financial year 2016/17 amounted to 11,609,099,680 Ksh against a target of Ksh 14,729,698,803 indicating underperformance by Ksh 3,120,599,123. Recurrent expenditure recorded the highest absorption rate with 89 percent absorption against the budget while development expenditure recorded an absorption rate of 63 percent against the budget.

Further analysis of expenditure in term of economic classification indicates that compensation to employees consumed a huge part of the expenditure for the period at 44 percent of the total expenditure. Use of goods and services (including transfers to county assembly) accounted for 24 percent of the period expenditure while development expenditure (including transfers to county assembly) accounted for 31 percent of the actual expenditure for the period. Table 5 below illustrates 2016/17 county expenditure by economic classification.

Table 5 : Expenditure performance by Economic Classification

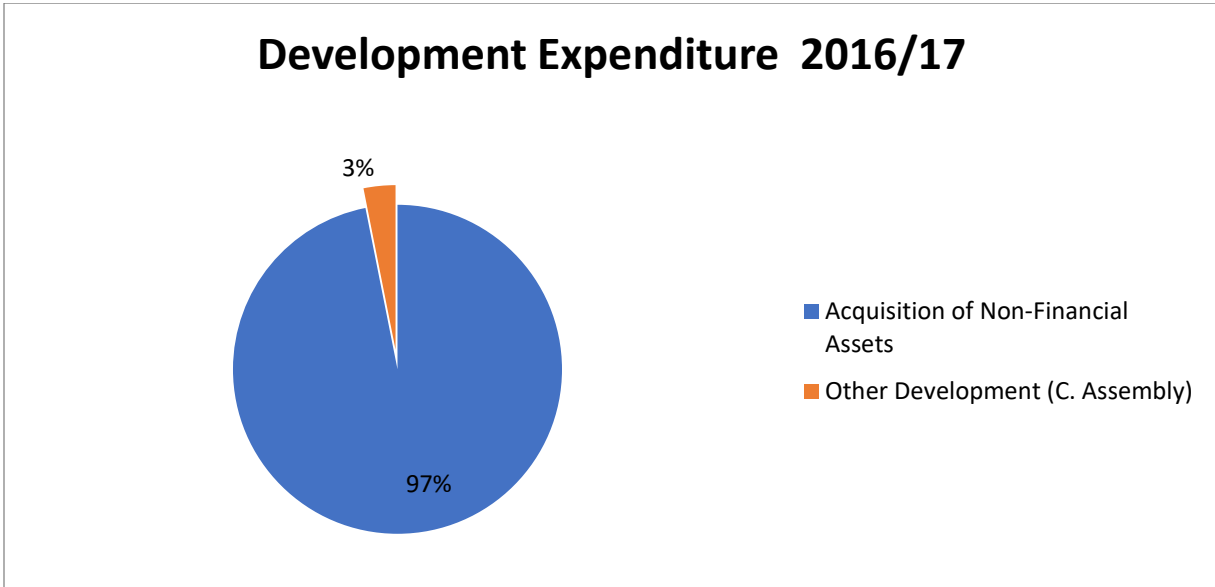
	ACTUAL (Baseline) 2015/2016	TARGET 2016/2017	ACTUAL2016/2017	VARIANCE	PERCENTAGE GROWTH	BUDGET EXECUTION RATE	PERCENT OF TOTAL EXPND.
Current Expenditure							
Compensation of employees	4,917,531,516	5,097,456,997	5,110,732,653	13,275,656	4%	100%	44%
Use of Goods and Services	2,342,760,576	3,324,706,572	2,362,352,924	-962,353,648	1%	71%	20%
Transfers to other Government entities (C.A)	418,367,388	541,063,392	481,325,201	-59,738,191	15%	89%	4%
Other Grants and transfers							
Sub Total	7,678,659,480	8,963,226,961	7,954,410,778	-1,008,816,183	4%	89%	69%
Capital Expenditure							
Acquisition of Non-Financial Assets	3,176,464,967	5,546,633,059	3,548,139,714	-1,998,493,345	12%	64%	31%
Capital Grants to Governmental Agencies							0%
Other Development (C. Assembly)	79,406,001	219,838,783	106,549,188	-113,289,595	34%	48%	1%
Sub Total	3,255,870,968	5,779,101,842	3,654,688,902	-2,124,412,940	12%	63%	31%
Grand Total	10,934,530,448	14,729,698,803	11,609,099,680	-3,120,599,123	6%	79%	

Source: Nakuru County Financial Statement Sept. 2017

As depicted above, execution of the development expenditure grew by 12 percent from 3.255 billion in 2015/16 to 3.654 billion in the year under review. Use of goods and services grew by 1 percent while compensation to employees had a growth of 4 percent.

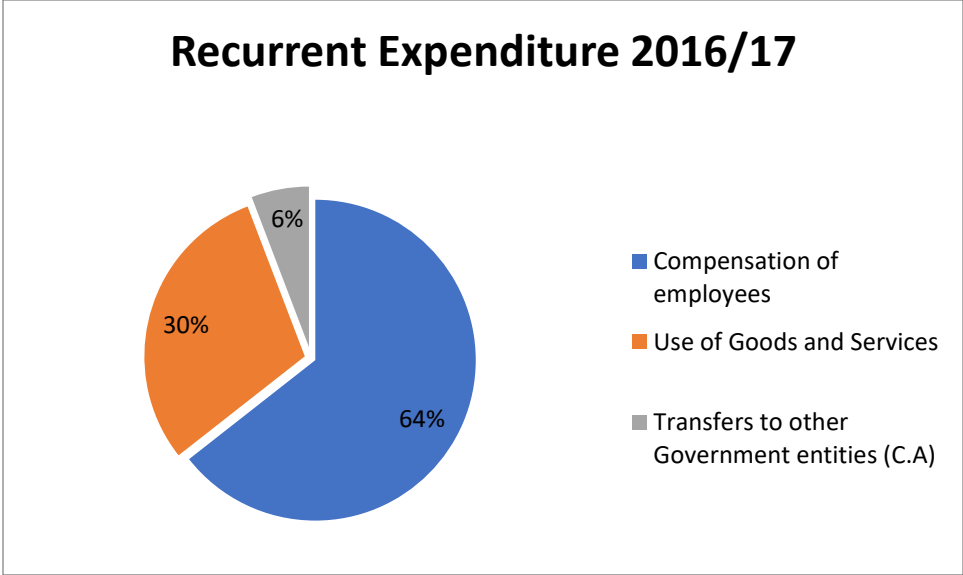
As illustrated in Figure IV the development expenditure comprised of 97 percent of normal capital expenditure and 3 percent transfer to County Assembly.

Figure IV : Composition of Development Expenditure



Additionally, as reflected in Figure V below, compensation to employees was the highest proportion of all recurrent expenditure with 64% while transfers to County Assembly accounted for 6 percent of total recurrent expenditures.

Figure V: Composition of Recurrent Expenses



Categorization of spending by departments as illustrated in Table 6 below indicates that only 7 ministries recorded more than 75 percent budget execution rate. Office of the Governor and Deputy Governor had the highest execution with 188 percent while the department of Education, Sports, Youth and Social Services had the lowest absorption rate at 56 percent.

Development expenditure had the highest deviation from the planned performance with a variance of 2.124 billion. This is attributed to cash-flow constraint and lengthy procurement process that lead to late commencement of development projects. In addition, insufficient capacity to execute the projects across all County department has also hampered the smooth implementation leading to huge rollover of projects to the next financial year. Recurrent expenditure was also below target with a variance of 1.008 billion.

Table 6: Departments' Expenditure Performance for Period ending 30th June 2017 (Ksh Million.)

VOTE TITLE	RECURRENT EXPENDITURE 2016/17			DEVELOPMENT EXPENDITURE 2016/17			TOTAL EXPENDITURE FY 2016/17			RATE OF BUDGET EXECUTION (%)
	ACTUAL	TARGET	VARIANCE	ACTUAL	TARGET	VARIANCE	ACTUAL	TARGET	VARIANCE	
County Treasury	765.66	977.79	-212.13	70.87	402.15	-331.28	836.53	1379.94	-543.41	61%
Public Service Management	649.41	753.11	-103.7	75.67	46.43	29.25	725.08	799.53	-74.46	91%
Lands, Physical Planning & Housing	100.96	113.37	-12.41	140.22	239.78	-99.56	241.18	353.15	-111.97	68%
Trade, Industrialization & Tourism	68.14	130.79	-62.65	193.15	262.22	-69.07	261.29	393.01	-131.72	66%
Environment, Water and Natural Resources	279.55	375.02	-95.48	390.53	688.35	-297.83	670.07	1063.38	-393.3	63%
ICT and E-government	38.22	57.51	-19.29	62.8	40.89	21.91	101.02	98.4	2.62	103%
Agriculture, Livestock and Fisheries	420.83	542.17	-121.34	134.57	271.95	-137.39	555.4	814.13	-258.73	68%
Education, Sports, Youth and Social Services	278.59	562.22	-283.63	511.87	848.2	-336.33	790.46	1410.42	-619.96	56%
Roads, Public Works and Transport	279.32	306.15	-26.83	1364.12	1777.99	-413.87	1643.44	2084.14	-440.7	79%
Health	3854.71	4019.38	-164.67	492.81	919.32	-426.51	4347.52	4938.7	-591.18	88%
Office of the Governor and Deputy Governor	383.77	203.13	180.65	108.03	58.37	49.66	491.81	261.5	230.31	188%
County Public Service Board	50.46	57.12	-6.66	3.5	3.6	-.11	53.96	60.72	-6.76	89%
County Assembly	784.8	865.47	-80.67	106.55	219.84	-113.29	891.34	1085.31	-193.96	82%
SUB TOTAL	7954.41	8963.23	-1008.82	3654.69	5779.1	-2124.41	11609.1	14742.33	-3133.23	79%

Source: Nakuru County Financial Statement Sept. 2017

County Debt Management

Outstanding debts on a commitment basis as at 30th June, 2016 amounted to Ksh 3 billion, but due to failure to meet local revenue targets some pending bills could not be factored in the budget thereby increasing the debt portfolio by Ksh 920 million. In addition, cash flow constraint in National transfers of funds in the course of reporting period derailed prompt settlement of existing debts.

As at 31st October 2016 however, the total stock of debt stood at Ksh 2.4 billion comprising of inherited debt from the defunct local authorities of Ksh 1 billion and pending bills arising from all ministries on a commitment basis amounting to Ksh 1.4 billion.

The County Treasury allocated Ksh 361million towards debt settlement during the year under review. By the end of the FY 2016/17 only Ksh 90million was utilised in repaying debts. This outcome may be attributed to cash flow constraints and many competing needs. The underperformance in local revenue collection also played a major role in causing accumulation of debt and in particular pending bills from the ministries.

Detailed analysis of county debt was done in the County Debt Management Strategy Paper 2016 which was prepared and presented to the County Assembly, as envisaged in Section 123 of the PFM Act. Over the medium term, the county government will continue to maintain a balanced budget ensuring total revenue equals total expenditure with the aim of not borrowing to finance the budget. In addition, the focus will be on ensuring the sustainability of current debt through debt servicing.

Overall Balance and Financing

On a commitment basis, all ministries had pending bills amounting to 3 billion as at 30th June, 2016. This commitment will be partly settled using the unspent balances amounting to Ksh 2.3 billion held in county bank accounts. The remaining balance together with inherited debts amounting to 840 million will be serviced as outlined in the Medium-Term Debt Strategy 2017.

B. Fiscal Performance for FY 2016/2017 in Relation to Fiscal Responsibility Principles and Financial Objective

Implications on the financial objectives set out in 2017 County Fiscal Strategy Paper (CFSP) and approved budget for FY 2017/18 based on the fiscal performance in FY 2016/17 include:

- The County's recurrent expenditure for the FY 2016/17 did not exceed the total revenue for the year under review.
- Over the medium term, the County's allocation for development expenditure was 39 percent of the total budget thus it adhered to the minimum requirement of 30% as stipulated in the PFM law. During implementation, the County's development expenditure accounted for 31 percent of the total expenditure which is above the required 30 percent. However as a percent of total planned budget capital fell below the minimum allocation (with and achievement rate 25 percent).
- Compensation to employees which accounted for 44 percent of the total amount spent and continues to put pressure on other spending areas particularly on execution of development budget. The County Government continues to pursue measures aimed at achieving the envisaged a maximum of 35 percent through moderating of attempts for external recruitment. Other exogenous factors like new salary awards for health workers and salary harmonisation by the Salary and Remuneration Commission (SRC) and court awards on employee compensations have continued to impact negatively on County ability to manage a rising wage bill.
- Over the medium term, the County Government did not envisage any borrowing during the period under review.
- The County Government was able to spend over Ksh 90 million servicing County's debt.
- The county Government achieved a 61 percent performance in Own Source Revenue against the target in FY 2016/17. Although other intervening variables affected the Own Source Revenue the economic assumptions underpinning the period under review may not have been as accurate. This outcome in local revenue performance will require revisions of the forecasting models to appreciate the prevailing County Macro-economic environment.

- Cash flow projections remain unrealistic due to irregular trends in disbursement of the National transfers thereby affecting implementation of development project and majority end up being rolled over to the next financial year.
- The County Treasury will continue to facilitate capacity improvement across all Departments to further improve absorption of development budget which is still low compared to recurrent budget execution in FY 2016/17.

Continuing in Fiscal Discipline and Responsibility Principles

During the year under review the county government allocated 39.2 percent toward development expenditure thereby attaining the minimum 30 percent requirement set out in the PFM Act section 107. There was improvement in execution of development budget where 63 percent (approximately Ksh 3.6 billion) of the total capital budget was absorbed in FY 2016/17 compared 59 percent or Ksh 2.23 billion absorbed in FY 2015/16. This illustrates an appreciable improvement across all departments in their commitment to enhance implementation of development projects.

The expenditure on compensation to employees increased slightly by 4 percent. However, the total wage bill (salaries and wages) with an allocation of 44 percent in FY 2016/17 is still higher than the recommended ratio of 35 percent as set out in the PFM regulations. Over the medium-term expenditure on salaries and wages will rise further on account of implementation of the CBA for health workers and the phase one SRC recommendations for job evaluation.

The County Government has continued in its commitment to maintain debt at sustainable levels as per the County Medium Debt Strategy pursuant to section 123 of the PFM Act. During the year under review the county government serviced debt amounting to 90million and will continue to monitor and encourage financial discipline across all departments to avoid further accumulation of pending bills by spending units.

Revenue performance in FY 2016/17 achieved 61 percent of the targeted forecast. The county government will therefore continue to be more rational while projecting future revenue particularly putting into consideration past revenue trends and evaluation of new potential revenue streams.

III RECENT ECONOMIC DEVELOPMENTS AND FISCAL OUTLOOK

The County's performance is dependent on the National economic performance as well formulation and implementation of sound policies the County government.

A. Recent Economic Development

- a. The county successfully hosted the Devolution Conference in Naivasha where stakeholders across the country were present and a number of exhibitors. The county was able to showcase its competitiveness in terms of conference tourism.
- b. The department of Lands, Physical Planning and Housing is finalizing the County Spatial Plan which spells out the various economic zones that will offer investment in the specific zones and spur economic growth. Further the department is in the process of completing the new valuation roll this is expected to boost revenues collected as land rates.
- c. The department of Education completed construction of 43 ECDEs classrooms. Further the department disbursed bursary worth Ksh. 55 million to needy students across the 55 wards. Similarly five youth polytechnics were rehabilitated and equipped.

B. Macroeconomic Outlook and Policies

Global Outlook

The World real Gross Domestic Product (GDP) growth decelerated to 3.2 percent in 2016 from a revised growth of 3.4 percent in 2015 and it is expected to rise to 3.5 percent. This slower growth was occasioned by; Constrained global trade, subdued investment, heightened policy uncertainty associated with the United Kingdom withdrawal European Union; and Elections in the United States of America.

Real economic growth in Sub-Saharan Africa (SSA) slowed from a revised growth of 3.4 percent in 2015 to 1.3 percent in 2016. This was driven largely by challenging macroeconomic conditions that faced the largest economies including disruptions in the oil sector coupled with foreign exchange, power, and fuel shortages, output in Nigeria; drop in commodity prices and drought in South Africa among others and lower commodity prices for metal exporting countries.

However, this growth is expected to improve to 2.6 percent in 2017 and 3.5 percent in 2018, largely driven by improved macroeconomic conditions in the large economies

including recovery in oil production, commodity prices recovery, continued growth in agriculture as drought conditions ease, better terms of trade and higher public investment

There was accelerated growth of 6.1 percent for the East Africa Community (EAC) fuelled by public infrastructure investment, buoyant private consumption and low oil prices.

Domestic Outlook

The country's real Gross Domestic Product (GDP) is estimated to have maintained growth momentum for the third consecutive year to expand at 5.8 percent in 2016 compared to a revised growth of 5.7 percent in 2015.

The economy experienced a relatively conducive environment for growth during the first three quarters of 2016. However, the last quarter's growth was undermined by drought that impacted negatively on the agriculture sector and led to a slower growth.

Tourism

Tourism sector had a remarkable recovery as it benefited from improved security, successful conference tourism and aggressive marketing in the domestic and international markets

The County benefitted from the influx of tourists due to its proximity to the Capital City and good hotels in Naivasha and Nakuru.

Energy

Total installed electricity capacity stood at 2,325.7 megawatts (MW) as at December 2016.

The supply of electricity recorded a 5.7 percent increase from 9,514.6 GWh to 10,057.7 GWh over the same period.

Number of customers connected under the Rural Electrification Programme (REP) rose by 38.2 percent from 703.2 thousand in 2015 to 972.0 thousand in 2016. The County benefitted from the last mile connectivity programme done by the national government

Inflation

The annual inflation decelerated from 6.6 percent in 2015 to 6.3 percent in 2016. The easing of inflation was largely due to reduced cost of petroleum products and tight monetary policies.

The Banking Act of 2016

The capping of interest rates to a maximum of 4.0 per cent above the Central Bank Rate (CBR) resulted in a significant decline in interest rates during the month of September to 13.84 per cent compared to 16.75 in a similar month in 2015. Domestic credit slowed from a growth of 20.8 per cent in 2015 to 6.4 per cent in 2016 mainly on account of a decline in credit to the private sector. It was anticipated that there will be an increased uptake of credit by SMEs with capping of interest rates by Central Bank but this has not been the case as some of the SMEs have been profiled as high risk.

C. Medium Term fiscal Framework

The county has started the preparation of the County Integrated Development Plan (CIDP) 2017-2022 that will guide planning and budgeting for the next five years. Thus the CIDP preparation process will be participatory to take in inputs from various stakeholders hence ensure the transformative agenda of the county is achieved. The CIDP is being prepared as per new guidelines issued by the Ministry of Devolution and Planning (MoDP).

The County Government has received grants from World Bank under the Kenya Devolution Support Programme (KDSP) which will be supporting capacity building in four Key result Areas (KRA) namely; Public Finance Management, Planning and Monitoring and Evaluation , Human Resources and Performance Management, Civic Education and Public Participation and Investment implementation and Social and Environmental Performance.

The county government is expected to revamp the youth polytechnics since it has received conditional grants from National Government that will be used in revitalization of the youth polytechnics across the county this is expected to increase the intake of youth in the polytechnics

The National Treasury is in the process of preparation of a policy on 'Enhancement of County Governments' Own-Source Revenue' which is already in draft form. The policy discourages the imposition of Cess except where its imposition is applicable only in Agricultural produce (including livestock and fisheries and it is done at source and the projected revenues exceed the administrative costs.

Further the County Governments are required to establish Municipal Boards and town committees where urban areas and cities meet thresholds provided for in the urban areas and cities Act since urban centres and cities are economic growth centres, and if not adequately financed, achievement of national economic policy objectives may be jeopardized.

Risk to fiscal outlook

- I. The County is undergoing transition period with new leadership both at the executive and County Assembly after the general elections. During the transition period there might be delay in policy formulation and implementation.
- II. The prolonged election period after nullification of the presidential election by the Supreme Court may slow down business as some businesses will close during the election period due to fear of losses hence reduced revenue collection.
- III. Due to the repeat of the presidential elections as ordered by the Supreme Court, there are already budget cut by the National Treasury to provide for funds to be used for the repeat elections. The National Treasury has already applied austerity measures which are likely to affect counties.
- IV. There has been a tremendous increase in the county's wage bill occasioned by the increased allowances awarded to the doctors and nurses after the strike. This has left the county with less resources to operations and maintenance.
- V. Due to the prolonged drought experienced at the beginning of the year the county is likely to experience reduced harvest of essential crops like of maize, wheat and beans.

In the meantime, the County Government continues to monitor the above risks and will undertake appropriate measures to minimize the adverse effects.

IV RESOURCE ALLOCATION FRAMEWORK

A. Amendment to the 2017/2018 MTEF Budget

The 2017/18 budget framework was premised on a stable macroeconomic and fiscal environment. The County Government fiscal forecast was hedged on a smooth electioneering period in the first quarter of the FY 2017/2018 and stabilisation in the local revenue performance. Several occurrence in the period under review and the start of the current budget year may necessitate amendments in the current budget FY 2017/2018;

Firstly the current County Administration came into office after the County budget approval process had been finalised. The need to integrate the new governor's manifesto with the county planning and budget framework, requests for reallocations between programmes and the need to introduce other new priority programmes are among reasons that may necessitate introduction of a supplementary budget proposal.

Secondly, the County Government is currently experiencing a persistent industrial action by a section of health workers. Resolving this stalemate and in order to alleviate the suffering of the County citizenry seeking services in public health facilities, the County Government may be resort to taking measures whose cost implication could lead to unplanned financial expenditure. This new phenomenon and the need to address other emerging/unforeseen expenditures will certainly will entail revision of the current budget FY 2017/18.

Lastly the below par performance of the County Own source of revenues may necessitate readjustments of the County local revenue projections to more realistic targets informed by performance in the previous FY 2016/2017.

B. Medium Term Fiscal Projections

The County Government fiscal policy in the medium term period has been founded on the aim to maximise potential for its county own source of revenues and continued expenditures rationalisation to ensure maximum economy in resource use. The overall County expenditure is expected to rise by approximately 4.4 percent up from FY 2017/2018 compared to similar growth (of 4.2 percent observed from FY 2016/2017). Gross development expenditures will rise by 14.5 percent to approximately Ksh 4.3 billion in FY 2018/2019 excluding balances carried forward. Allocation for County recurrent expenditures (excluding balances carried forward) will remain largely constant as per the allocation in FY 2017/2018 at approximately Ksh 9.6 billion.

Subdued growth in recurrent budget demonstrates the continued County Government commitment to achieving and surpassing its fiscal responsibility on minimum allocation (>30 percent) to capital expenditure over the medium term.

Further focus will be laid upon ensuring priority funding to the county transformative projects in order to achieve maximum utility of the County scarce resource. The CIDP 2018-2022 currently under preparation alongside the Annual Development Plan 2018-2019 will guide project selection over the next MTEF period 2018/19-2020/21.

C. Budget Framework 2018/2019 FY

Revenue Projections; the cumulative revenue forecast for FY 2018/19 including appropriation in aids will rise marginally by approximately 4 percent to Ksh 13.95 billion. Summaries for both own source revenue and national transfers forecast over the medium term period have been presented in **Annex I** of this document.

The national transfers in form of the equitable share of revenue and conditional grants are projected to rise marginally by 4 percent to Ksh 10.7 billion. Equitable share of revenue continues to constitute the largest share of total county receipts at 69.8 percent. Since the start of devolution the County Government has seen a systematic drop in the growth of the County equitable share of revenue over the last five years. The County Government continues therefore to adopt more conservative approach in forecasting national transfers.

Going forward, the reforms in local revenue administration under the new County administration as well as legislative review of the current revenue related laws through the Finance bill 2017 are expected to strengthen local revenue performance.

Observing the analysed performance in FY 2016/17, County own source of revenues are expected to remain unchanged approximately Ksh 3.18 billion in FY 2018/2019 up from 3.11 billion projected in the current FY 2017/2018. Appropriation in aid is expected to level out at Ksh 620 million in FY2018/2019 up from Ksh 611 million projected in the current FY 2017/18 mainly on account of natural growth and improvements in efficiency in service delivery.

Expenditure Projections; In pursuing a balanced budget requirement the County Government has projected that overall expenditure will equal the forecasted County receipts for FY 2018/2019. In this regard the county government total expenditure will reach Ksh 13.95 billion in the FY 2018/2019 approximately growth of 4.4 percent. Compensation to employees will account for 44 percent of the total County budget approximately Ksh 6.2 billion. Although, this proportion of the County wage bill is still way above the envisaged level of 35 percent of total revenues as recommended in section 25

of the PFM (County Government Regulations) 2015. The marginal growth in County allocation for salaries and wages is mainly on account of natural rise in annual increments but the actual allocations shall be firmed up after finalisation of the County personnel budget. Further allocation for other recurrent expenditures excluding balances carried forward will reduce marginally by approximately four percent despite growth in county revenues in line with County focus on capital development.

The county allocation for development expenditure has risen from 28 percent to 31 percent in FY 2018/2019 excluding balances carried forward. Total County development expenditure will reach Ksh 4.3 billion up from Ksh 3.8 billion in the current FY 2017/2018. Conditional grants will account for Ksh 753 Million of the development expenditure needs or 17 percent of the Development expenditure. The County development expenditure needs will be primarily financed by the projected National to County Government (the equitable share and the conditional grants). An emergency allocation of Ksh 55 Million has been provided in the Office of the Governor to cater for County unforeseen expenditure and in pursuant of section 110 of the PFM Act 2012.

The expenditure allocations are available in Annexes III to V.

D. Medium Term Expenditure Framework.

The County will be guided by its theme of “*consolidating the gains*” achieved since inaugural term of the County Government espoused in the 2017 County Fiscal Strategy Paper objectives.

The CIDP 2018-2022 currently under preparation has outlined the conceptual framework of County development direction based on lessons learnt from implementation of the first CIDP 2013-2017. Going forward the County Government will be guided by aspiration and targets of the Sustainable Development Goals, promotion of value addition in agricultural sector, promotion of equitable social economic development for county stability, carrying forward and completion of ongoing projects initiated in the first CIDP (2013-2017), mainstreaming cross cutting issues including climate change, gender youth and HIV/AIDS.

The County Government will further focus on managing the post transition constraint with the aim of achieving optimality in County service delivery initiatives across all the sectoral areas.

Through the framework of the CIDP 2018-2022, the County Government will focus on implementation of the County transformative projects to ensure better utility of the County scarce resources. Greater effort will be placed to ensure better and efficient execution of the County development budget in order to realise County fiscal policy objectives.

ANNEXES REFERENCES

ANNEX I: County Government of Nakuru Operations FY 2018/2019-2020/2021

No.	REVENUE SOURCE	APPROVED ESTIMATES 2017/2018	CBROP CEILINGS	PROJECTIONS		ANNUAL GROWTH	% GROWTH			% of Total Budget
			2018/2019	2019/2020	2020/2021		2018/2019	2019/2020	2020/2021	
1	Finance and Economic Planning	139,724.86	143,218	150,379	157,898	3,493	2.5%	5.0%	5.0%	0.0%
2	Environment, Water and Natural Resources	182,051,252.51	186,602,534	195,932,661	205,729,294	4,551,281	2.5%	5.0%	5.0%	1.3%
3	Roads Public Works and Transport	411,378,878.82	421,663,351	442,746,518	464,883,844	10,284,472	2.5%	5.0%	5.0%	3.0%
4	Trade, Industrialization and Tourism	705,815,497.70	723,460,885	759,633,929	797,615,626	17,645,387	2.5%	5.0%	5.0%	5.2%
5	Health Services	162,169,335.73	166,223,569	174,534,748	183,261,485	4,054,233	2.5%	5.0%	5.0%	1.2%
6	Lands, Physical Planning and Housing	865,539,981.77	887,178,481	931,537,405	978,114,276	21,638,500	2.5%	5.0%	5.0%	6.4%
7	Education, Sports, Youth and Social Services.	12,831,400.10	13,152,185	13,809,794	14,500,284	320,785	2.5%	5.0%	5.0%	0.1%
8	Agriculture, Livestock and Fisheries	149,589,906.14	153,329,654	160,996,136	169,045,943	3,739,748	2.5%	5.0%	5.0%	1.1%
9	Public Service Management	10,484,022.37	10,746,123	11,283,429	11,847,601	262,101	2.5%	5.0%	5.0%	0.1%
	Sub Total Local Sources	2,500,000,000	2,562,500,000	2,690,625,000	2,825,156,250	62,500,000	2%	5%	5%	18.4%
16	Facility Improvement Fund	611,050,000	633,000,000	629,381,500	648,262,945	6,050,000	1.0%	-0.6%	3.0%	4.5%
	SUB TOTAL (AIA & Local Sources)	3,111,050,000	3,195,500,000	3,320,006,500	3,473,419,195	68,550,000	2.1%	3.9%	4.6%	22.9%
17	Balance in County Revenue Fund		-							0.0%
	Balance Brought Forward - FIF		-							0.0%
18	Donor Grants (DANIDA)	12,630,000	12,630,000	12,630,000	12,630,000	-	0.0%	0.0%	0.0%	0.1%
19	Loans and Grants CRA	-		-	-	-	0.0%	0.0%	0.0%	0.0%
	symbiocity programme	26,500,000				26,500,000	-100.0%	0.0%	0.0%	0.0%
20	Kenya Devolution support program (KDSP)	56,299,041	28,149,520.50	32,371,949	37,227,741	28,149,521	-50.0%	15.0%	15.0%	0.2%
21	Conditional Allocation to compensate Forgone user fees	38,723,265	38,723,265	40,659,428	42,692,400	-	0.0%	5.0%	5.0%	0.3%
22	Conditional Fund -Leasing of Medical Equipment	95,744,681	95,744,681	95,744,681	95,744,681	-	0.0%	0.0%	0.0%	0.7%
23	Conditional Fund -Free Maternal Health	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%

No.	REVENUE SOURCE	APPROVED ESTIMATES 2017/2018	CBROP CEILINGS	PROJECTIONS		ANNUAL GROWTH	% GROWTH			% of Total Budget
			2018/2019	2019/2020	2020/2021		2018/2019	2019/2020	2020/2021	
24	Road Maintenance Fuel Levy Fund (RMFLF)	345,811,895	432,264,869	466,846,058	513,530,664	86,452,974	25.0%	8.0%	10.0%	3.1%
25	Conditional Allocation For Level- 5 Hospital	373,872,832	392,566,474	423,971,791	466,368,971	18,693,642	5.0%	8.0%	10.0%	2.8%
26	conditional allocation for development of youth polytechnics	35,431,434	35,431,434	37,911,634	41,702,798	-	0.0%	7.0%	10.0%	0.3%
27	C.R.A Equitable Share	9,271,400,000	9,734,970,000	10,465,092,750	11,302,300,170	463,570,000	5.0%	7.5%	8.0%	69.8%
	SUB TOTAL	10,256,413,148	10,770,480,243	11,575,228,292	12,512,197,424	514,067,095	5%	7%	8%	77%
	GRAND TOTAL	13,367,463,148	13,965,980,243	14,895,234,792	15,985,616,619	598,517,095	4%	7%	7%	100%
	Expenditure:									
	Current Expenditure:					-				
	Compensation to Employees	6,007,518,408	6,200,894,328	6,548,195,065	7,137,532,621	193,375,920	3.2%	5.6%	9.0%	44.4%
	Use Of Goods And Services	3,373,028,538	3,234,062,317	3,676,601,106	4,007,495,206	138,966,221	-4.1%	13.7%	9.0%	23.2%
	Grants And Other Transfers			-	-	-				
	Other Recurrent	209,030,996	205,599,722	234,114,716	262,208,482	3,431,274	-1.6%	13.9%	12.0%	1.5%
	Sub Total:	9,589,577,942	9,640,556,367	10,458,910,886	11,407,236,308	50,978,426	0.5%	8.5%	9.1%	69.1%
	Capital Expenditure:					-				
	Acquisition Of Non-Financial Assets	3,725,255,207	4,257,793,875	4,428,258,566	5,345,365,339	532,538,668	14.3%	4.0%	20.7%	30.5%
	Capital Grants To Governmental Agencies	12,630,000	12,630,000	13,893,000	15,282,300	-	0.0%	10.0%	10.0%	0.1%
	Other Development	40,000,000	55,000,000	44,000,000	48,400,000	15,000,000	37.5%	-20.0%	10.0%	0.4%
	Sub Total:	3,777,885,207	4,325,423,875	4,486,151,566	5,409,047,639	547,538,668	14.5%	3.7%	20.6%	31.0%
	Grand Total:	13,367,463,149	13,965,980,242	14,945,062,452	16,816,283,947	598,517,093	4.5%	7.0%	12.5%	100.1%
	DEFICIT/ SURPLUS	-1	0							
	PERCENT OF TOTAL BUDGET									
	Current Expenditure:	72%	69%	70%	68%					
	Capital Expenditure:	28%	31%	30%	32%					

ANNEX II: Trend in Growth of Equitable share of Revenue

EXCHEQUER RECEIPTS TRENDS	ALLOCATION	GROWTH	% GROWTH
FY 2013/2014 (Base Year)	5,936,875,619	5,936,875,619	100.0%
FY 2014/2015	7,082,152,961	1,145,277,342	19.3%
FY 2015/2016	8,116,330,943	1,034,177,982	14.6%
FY 2016/2017	8,757,624,645	641,293,702	7.9%
FY 2017/2018 (Approved Estimates)	9,271,400,000	513,775,355	5.9%
FY 2018/2019 (CBROP Projected)	9,734,970,000	463,570,000	5.0%

Annex III: Total Expenditure Sector Ceilings for the Period 2018/2019-2020/2021.

	SECTOR NAME		APPROVED ESTIMATES FY 2017/2018	C-BROP TOTAL CEILINGS	PROJECTIONS	
			SUB TOTAL	'2018/2019	2019/2020	2020/2021
1	Agriculture Rural and Urban Development	SUB-TOTAL	1,089,147,646	1,141,944,285	1,256,138,713	1,381,752,585
		Rec. Gross	631,140,661	662,130,281	728,343,309	801,177,640
		Dev. Gross	458,006,986	479,814,004	527,795,404	580,574,944
2	Education/ Social Protection, Culture and Receptions	SUB-TOTAL	1,385,061,795	671,809,192	738,990,111	812,889,123
		Rec. Gross	505,950,015	521,474,002	573,621,403	630,983,543
		Dev. Gross	879,111,780	150,335,190	165,368,709	181,905,580
3	Energy Infrastructure and ICT	SUB-TOTAL	2,254,187,358	1,164,641,827	1,281,106,010	1,409,216,611
		Rec. Gross	327,655,590	360,284,239	396,312,663	435,943,929
		Dev. Gross	1,926,531,768	804,357,588	884,793,347	973,272,682
4	Environment Protection Water and Natural Resources	SUB-TOTAL	1,127,077,035	624,523,028	686,975,330	755,672,863
		Rec. Gross	356,709,864	368,660,277	405,526,305	446,078,936
		Dev. Gross	770,367,171	255,862,750	281,449,025	309,593,928
5	General Economics and Commercial Affairs	SUB-TOTAL	309,449,283	274,410,734	301,851,807	332,036,988
		Rec. Gross	121,620,285	134,967,179	148,463,897	163,310,287
		Dev. Gross	187,828,998	139,443,555	153,387,910	168,726,701
6	Health	SUB-TOTAL	5,961,327,085	5,309,891,075	5,840,880,183	6,424,968,201

			APPROVED ESTIMATES FY 2017/2018	C-BROP TOTAL CEILINGS	PROJECTIONS	
	SECTOR NAME		SUB TOTAL	'2018/2019	2019/2020	2020/2021
		Rec. Gross	4,868,808,451	4,751,577,586	5,226,735,344	5,749,408,879
		Dev. Gross	1,092,518,634	558,313,489	614,144,838	675,559,322
7	Public Administration and National/Inter County Relations	SUB-TOTAL	3,538,111,830	4,709,760,101	5,180,736,112	5,698,809,723
		Rec. Gross	2,953,799,500	2,014,914,175	2,216,405,592	2,438,046,152
		Dev. Gross	584,312,331	752,260,038	827,486,042	910,234,647
	SUB TOTAL		15,664,362,031	13,896,980,243	15,286,678,267	16,815,346,094

Annex IV: Total Recurrent Expenditure Ceilings for the Period 2018/2019-2020/2021

VOTE		APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
	Source of Funding	2017/2018	2018/2019	2019/2020	2020/2021
Office of the Governor and Deputy Governor	Gross Allocation	170,553,569	180,442,379	198,486,617	218,335,279
	Local Revenue	-	50,797,114	55,876,826	61,464,508
	CRA Equitable Share	-	129,645,265	142,609,791	156,870,770
County Treasury	Gross Allocation	959,523,180	983,649,500	1,082,014,450	1,190,215,895
s	Local Revenue	-	276,911,424	304,602,566	335,062,823
	CRA Equitable Share	-	706,738,076	777,411,884	855,153,073
County Public Service Board	Gross Allocation	47,294,125	58,817,888	64,699,677	71,169,644
	AIA	-	-	-	-
	Conditional Grant	-	-	-	-
	Local Revenue	-	16,558,078	18,213,886	20,035,274
	CRA Equitable Share	-	42,259,810	46,485,791	51,134,370
Public Service Management	Gross Allocation	716,597,259	734,033,276	807,436,603	888,180,264
	Local Revenue	-	206,640,881	227,304,969	250,035,466
	CRA Equitable Share	-	499,242,874	549,167,161	604,083,878
Health	Gross Allocation	4,868,808,451	4,751,577,586	5,226,735,344	5,749,408,879
	Local Revenue	-	1,186,182,445	1,304,800,689	1,435,280,758
	CRA Equitable Share	-	2,786,105,403	3,064,715,943	3,371,187,537

VOTE		APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
	Source of Funding	2017/2018	2018/2019	2019/2020	2020/2021
Trade, Industrialization and Tourism	Gross Allocation	121,620,285	134,967,179	148,463,897	163,310,287
	Local Revenue	-	37,995,194	41,794,714	45,974,185
	CRA Equitable Share	-	96,971,985	106,669,184	117,336,102
Roads Public Works and Transport	Gross Allocation	277,394,454	300,466,483	330,513,131	363,564,444
	Local Revenue	-	84,585,619	93,044,180	102,348,599
	Conditional Grant	-	-	-	-
	CRA Equitable Share	-	215,880,864	237,468,950	261,215,845
ICT and E-Government	Gross Allocation	50,261,135	59,817,756	65,799,532	72,379,485
	Local Revenue	-	16,839,555	18,523,511	20,375,862
	CRA Equitable Share	-	42,978,201	47,276,021	52,003,623
Agriculture, Livestock and Fisheries	Gross Allocation	490,763,654	506,198,657	556,818,523	612,500,375
	Local Revenue	-	142,502,173	156,752,390	172,427,629
	CRA Equitable Share	-	363,696,485	400,066,133	440,072,746
Lands, Physical Planning and Housing	Gross Allocation	140,377,007	155,931,624	171,524,786	188,677,265
	Local Revenue	-	43,896,986	48,286,684	53,115,353
	CRA Equitable Share	-	112,034,638	123,238,102	135,561,912
Education, Sports, Youth and Social Services.	Gross Allocation	505,950,015	521,474,002	573,621,403	630,983,543
	Local Revenue	-	146,802,401	161,482,641	177,630,905
	CRA Equitable Share	-	374,671,601	412,138,761	453,352,637
Environment, Water and Natural Resources	Gross Allocation	356,709,864	368,660,277	405,526,305	446,078,936
	Local Revenue	-	103,783,149	114,161,464	125,577,610
	CRA Equitable Share	-	264,877,129	291,364,842	320,501,326
County Assembly	Gross Allocation	1,059,831,366	884,519,760	972,971,736	1,070,268,909

VOTE		APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
	Source of Funding	2017/2018	2018/2019	2019/2020	2020/2021
	Local Revenue	-	249,004,982	273,905,480	301,296,028
	CRA Equitable Share	-	635,514,778	699,066,255	768,972,881
SUB TOTAL	-	9,765,684,365	9,640,556,368	538,000,000	9,102,556,368

Annex V: Total Development Expenditure Ceilings for the Period 2018/2019-2020/2021.

SECTOR NAME		APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
-	Source of Funding	2018/2019	'2017/2018	'2018/2019	2019/2020
Office of the Governor and Deputy Governor	Gross Allocation	60,814,589	95,685,265	105,253,792	115,779,171
	Local Revenue		-	-	-
	CRA Equitable Share		95,685,265	105,253,792	115,779,171
County Treasury	Gross Allocation	175,521,521	1,541,473,478	1,695,620,826	1,865,182,909
	Local Revenue		-	-	-
	CRA Equitable Share		1,541,473,478	1,695,620,826	1,865,182,909
County Public Service Board	Gross Allocation	-	1,624,365	1,786,801	1,965,481
	Local Revenue		-	-	-
	CRA Equitable Share		1,624,365	1,786,801	1,965,481
Public Service Management	Gross Allocation	23,914,162	105,484,039	116,032,443	127,635,687
	Local Revenue		-	-	-
	CRA Equitable Share		105,484,039	116,032,443	127,635,687
Health	Gross Allocation	1,092,518,634	558,313,489	614,144,838	675,559,322
	Local Revenue		-	-	-
	AIA		95,000,000	104,500,000	114,950,000
	Conditional Grant		285,744,681	314,319,149	345,751,064

SECTOR NAME		APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
-	Source of Funding	2018/2019	'2017/2018	'2018/2019	2019/2020
	CRA Equitable Share		177,568,808	195,325,689	214,858,258
Trade, Industrialization and Tourism	Gross Allocation	187,828,998	139,443,555	153,387,910	168,726,701
	Local Revenue		-	-	-
	CRA Equitable Share		139,443,555	153,387,910	168,726,701
Roads Public Works and Transport	Gross Allocation	1,915,900,856	678,010,907	745,811,998	820,393,198
	Local Revenue		-	-	-
	Conditional Grant (RMFLF)		432,264,869	475,491,356	523,040,491
	CRA Equitable Share		245,746,038	270,320,642	297,352,706
ICT and E-Government	Gross Allocation	10,630,912	126,346,681	138,981,349	152,879,484
	Local Revenue		-	-	-
	CRA Equitable Share		126,346,681	138,981,349	152,879,484
Agriculture, Livestock and Fisheries	Gross Allocation	143,185,371	181,153,163	199,268,479	219,195,327
	Local Revenue		-	-	-
	CRA Equitable Share		181,153,163	199,268,479	219,195,327
Lands, Physical Planning and Housing	Gross Allocation	314,821,615	298,660,841	328,526,925	361,379,618
	Local Revenue		-	-	-
	CRA Equitable Share		298,660,841	328,526,925	361,379,618
Education, Sports, Youth and Social Services.	Gross Allocation	879,111,780	150,335,190	165,368,709	181,905,580
	Local Revenue		-	-	-
	Conditional Grant (Youth Polytechnics)		35,431,434		
	CRA Equitable Share		114,903,756	126,394,131	139,033,545
Environment, Water and Natural Resources	Gross Allocation	770,367,171	255,862,750	281,449,025	309,593,928

SECTOR NAME		APPROVED ESTIMATES	C-BROP CEILINGS	PROJECTIONS	
-	Source of Funding	2018/2019	'2017/2018	'2018/2019	2019/2020
	Local Revenue		-	-	-
	CRA Equitable Share		255,862,750	281,449,025	309,593,928
County Assembly	Gross Allocation	324,062,059	124,030,152	136,433,167	150,076,484
	Local Revenue		-	-	-
	CRA Equitable Share		124,030,152	136,433,167	150,076,484
SUB TOTAL		5,898,677,667	4,256,423,875	4,682,066,263	5,150,272,889

Annex VI: Sector Composition and Sector Working Groups for MTEF Budget 2018/2019-2020/2021.

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

Annex VII: Nakuru County Budget Calendar for the FY 2018/2019.

	ACTIVITY	RESPONSIBILITY	DEADLINE
1	Performance Review and strategic planning	Treasury	July-Aug 2017
	1.1 develop strategic plans	Das	"
	1.2 prepare Annual Development Plans	"	"
	1.3 Expenditure review	"	"
	1.4 Preparation of annual Work plans	"	
2	Develop and issue County budget guidelines	Treasury	30th August 2017
3	Launch of sector Working Groups	Treasury	30th August 2017
4	Annual Development Plan submitted to county assembly	Treasury	1st September 2017
5	Determination of Fiscal Framework.	Macro Working Group	15th Sept. 2017
	5.1 Estimation of Resource Envelop	Treasury	"
	5.2 Determination of policy priorities	"	"
	5.3 Preliminary Resource allocation to sectors, Assembly & Sub Counties	"	"
	5.4 Draft County Budget Review and outlook paper (CBROP)	"	20th Sept. 2017
	5.5 Submission and approval by cabinet	"	23rd Sept. 2017
	5.6 Tabling of CBROP TO County Assembly	"	30th Sept 2017
	5.7 Circulate the Approved CBROP to Accounting Officers.	"	5th October 2017
	5.8 Capacity building for MTEF Programme Based Budget	"	10th-14th October 2017
6	Preparation of County Budget Proposals	Line Ministries	
	6.1 Draft Sector Report	Sector Working Group	20th Oct. 2017
	6.2 Submission of Sector Report to County Treasury	Sector Working Group	31st Oct. 2017
	6.3 Review of the proposals	Macro Working Group	24th-28th November 2017
7	Stakeholders/Public participation	Treasury/DAs	November 2017
8	The 2016/2017 Supplementary Budget		
	8.1 Develop and issue guidelines on the 2015/16 Revised Budget	County Treasury	September 2017
	8.2 Submission of supplementary Budget proposals	Das	October 2017

	ACTIVITY	RESPONSIBILITY	DEADLINE
	8.3 Review of the supplementary Budget proposals	County Treasury	October 2017
	8.4 submission of supplementary budget proposals to cabinet	County Treasury	November 2017
	8.5 submission of supplementary Budget proposals to County Assembly	County Treasury	November 2017
9	Draft County Fiscal Strategy paper(CFSP)	Macro Working Group	
	9.1 Draft CFSP	Macro Working Group	31st January, 2017
	9.2 Submission of CFSP to cabinet for approval	County Treasury	20th February, 2017
	9.3 Submission of CFSP to County Assembly for approval.	County Treasury	28th February, 2017
	9.4 Submission of Debt management strategy to County Assembly for approval.	County Treasury	28th February,2017
10	Preparation and approval of final DAs Programme Budgets		
	10.1 Issue final guidelines on preparation of 2016/17 County Budget.	County Treasury	15th March, 2017
	10.2 Submission of Budget proposals to Treasury	Line Ministries	23rd March, 2017
	10.3 Consolidation of the Draft Budget Estimates	County Treasury	10th April, 2018
	10.4 Submission of Draft Budget Estimates for county government to County assembly	County Treasury	30th April, 2018
	10.5 Review of Draft Budget Estimates by Departmental committee	County Assembly	22nd May 2018
	10.6 Report on the budget and appropriation committee Draft Budget Estimates from County Assembly	County Assembly	24th May 2018
	10.7 Annual cash flow.	County Treasury	15th June 2018
	10.8 Submission of Appropriation Bill to County Assembly	County Treasury	15th June 2018
	10.9 Resolution of county assembly on Estimates and approval	County Treasury	25th June, 2018
	Budget Statement	County Treasury	25th June, 2018
	Appropriation Bill Passed	County Assembly	30th June, 2018