

MURANGA COUNTY GOVERNMENT

BUDGET REVIEW

AND OUTLOOK PAPER

SEPTEMBER 2015

Foreword

This is our third Murang’a County Budget Review and Outlook Paper, it is meant to give us an opportunity to critically review our performance in the FY 2014/2014 flag out our shortcomings, identify our strengths and create a strong base for good performance in 2015/2016.

While our intentions may mean well, financial management remain a delicate and sensitive function that largely dictate broadly the direction an organization takes. Both our planning and budgeting are done based on some factored assumptions that are at best very fluid. Whether it has to do with national government transfers that are at times delayed; local revenue collections and expenditures projection that bears the influence of national macroeconomic influences either positively or negatively. As critical stakeholders to the processes we should always endeavor to give our best given the challenging environment.

It’s my desire that we all appreciate our mandated roles meant to ensure that the whole process works and deliver to the residents. All efforts should be geared to realizing 2015/2016 budget plans in a manner that allows for structured engagement especially to allow for a realistic and implementable budget.

HON. GEORGE KAMAU

COUNTY EXECUTIVE MEMBER INCHARGE OF FINANCE ICT AND ECONOMIC PLANNI

Abbreviations and Acronym

MFET-Medium Term Expenditure Framework

PFM-Public Finance Management

CFSP- County Fiscal Strategy Paper

IFMIS- Integrated Financial Management Information System

CIDP- County Integrated Development Plan

BACKGROUND

Legal basis for the production of the Budget Review and Outlook Paper

The Budget Review and Outlook Paper (BROP) is prepared in accordance with section 118 of the Public Finance Management Act, 2012. The law states that:

1. The county Treasury shall prepare and submit to county executive for approval, by 30th September in each financial year, a BROP which shall include:
 - a. Actual fiscal performance of the previous financial year compared to the budget appropriation for the year.
 - b. Information on how actual financial performance for the previous financial year may have affected compliance to with the fiscal responsibility principles or the financial objectives in the latest Fiscal strategy paper and
 - c. 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 shall consider the BROP with a view to approving it , without amendments, not later than fourteen days after its submission.
3. Not later than seven days after the BROP has been approved by County executive, the County Treasury shall:
 - a. Submit the paper to the budget committee of the county Assembly to be laid before the County Assembly; and
 - b. Publicize the paper not later than fifteen days after laying the paper before the county assembly.

I

INTRODUCTION

1. The Budget Review and Outlook Paper (BROP) is a key document in the budget process it is meant to give a review of 2014/2015 budget and as well present an outlook on the budgeted revenues and at give an insight on the 2015/2016 budget.

OBJECTIVES OF BROP

1. provide a review of the previous year fiscal performance
2. Reassess the progress of 2015/2016 budget implementation
3. Project the implementation of 2015/2016 budget
4. Give indicative sector ceiling for 2016/2017 budget

II. REVIEW OF FISCAL PERFORMANCE IN 2014/2015

A. Overview

The year 2014/2015 was both successful and challenging; the County was able to implement the budget largely as per plans. However, there existed some observable overspending in some programmes either due to inaccurate cost estimates or unforeseen happenings. Measures to counter repeat of the same have been instituted by the County Treasury through full adoption of the IFMIS system and capacity development is ongoing.

B. 2014/2015 Fiscal Performance

Local Revenue

The total revenue collected from local sources was ksh 562 million against a budgeted target of Kshs 850 million.

REVENUE TYPE	FY 2013/3014	FY 2014/2015	FY 2015/2016- (Estimated)
Local revenue	419,989,717	562,227,534	850,000,000
Equitable share	3,917,321,109	4,673,157,909	5,355,997,309
DANIDA fund		22,430,000	24,810,000
Total County Revenue	4,337,310,826	5,235,385,443	6,230,807,309

National Government transfer

The county budgeted to receive Kshs 4,673,157,909 as the equitable share an increase from Kshs 3,917,321,109 received in the FY 2013/2014.

EXPENDITURE

The total expenditure for 2014/2015 financial year amounted to ksh 5,261,798,499 up from Kshs 3,832,147,000 spent in the FY 2013/2014.

The recurrent expenditures amounted to ksh 2,972,344,941 with development expenditures totaling Kshs 2,289,453,556 as tabulated below.

DEPARTMENT	ACTUALS FY2013/2014 KSHS(000)	APPROVED BUDGET FY 2014/2015 KSHS(000)	ACTUALS FY2014/2015 KSHS(000)	VARIANCE
COUNTY ASSEMBLY	385,124	670,222	449,902	220,320
PUBLIC SERVICE &ADMINISTRATION	566,781	379,199	326,666	52,533
FINANCE IT & ECONOMIC PLANNING	339,198	900,000	714,590	185,410

AGRICULTURE LIVESTOCK & IRRIGATION	432,172	800,000	1,015,137	215,137
ENVIRONMENT AND NATURAL RESOURCES	14,211	34,800	3,909	30891
EDUCATION & TECHNICAL TRAINING	124,950	388,625	258,746	129,879
HEALTH & SANITATION	1,170,535	914,766	1,182,514	267,748
TRANSPORT & INFRASTRUCTURE	384,970	905,250	965,028	59,778
LANDS & PHYSICAL PLANNING	12,238	119,975	61,936,	58,036
COMMERCE, INDUSTRY & COOPERATIVE DEVELOPMENT	356,178	688,925	164,744	524,181
YOUTH, CULTURE, GENDER, SOCIAL SERVICES AND PECIAL PROGRAMME	55,120	179,825	118,626	61,199
TOTAL EXPENDITURE	3,822,477	5,981,587	5,261,798	719,789

Overall balance and financing

The County realized revenues totaling Kshs 5,235,385,443 against an expenditure of Kshs 5,261,798,449 reflecting a balance carried forward deficit of Kshs 26,413,006

III. COMPLIANCE OF FY 2014/2015 REALIZED BUDGET TO THE FISCAL RESPONSIBILITY PRINCIPLES

The prepared budget was Kshs 3,117,522,000 for development against a total expenditure of Kshs 5,981,587,000. The realized budget was Kshs 2,289,454,556 development against Kshs 5,261,798,449 as total expenditures.

The realized development ratio for the fy is 44% against the minimum required by the PFM Act of 30%. The budgeted development ratio to the total budget was 52% but could not be achieved due to;

- Some works done within the financial year was not paid timely due to late release of June 2015 allocation.
- Some schedule programmes could not be timely procured given the rigorous procurement procedures.
- Local revenue was not realized 100% and the deficit reduced what was available for programmes financing.

The county continuously ensured that debts were maintained at a sustainable level on general supplies requirements and on cash flow management interventions. Within the year the only loan sought was kshs 200 million from KCB and which was well within the provision of section 142 of the PFM Act.

Fiscal risks have continued to be managed prudently by the County Treasury.

As well the county has continued to manage local revenue collection prudently with a view to maintain a reasonable degree of predictability on our fees and charges to minimize the likelihood of antagonizing the local business community.

1V. UPDATED ECONOMIC AND FINANCIAL FORECASTS

A. Implementation of 2015/2016 Budget

2015/2016 budget implementation has continued although with a lot of challenges, some existing commitments carried forward from the FY 2014/2014 appear not to have sufficient budgetary allocations while some allocation eg Ward Development Fund requires setting up of legal and administrative structures.

B. UPDATED FINANCIAL FORECASTS

The total projected local revenue as per CFSP was Kshs 850 million against a realized actual (2014/2015) of 562 million, going by the current economic performance the initially projected increase doesn't appear realistic. County treasury will review the figure to Kshs 650 million.

The equitable share of revenue was projected to be Kshs 5,226 million as per the CFSP but the gazetted allocation for 2015/2016 is Kshs..... The budgeted amount of Kshs 5,783 million was meant to include the unspent 2014/2015 allocations, however the aligning of the rolled over bills relating to the Kshs 467 million is yet to be finalized.

The downward revision will be matched by a reduction in budgeted expenditures and the alignment of rolled over bills relating to cash in the County Revenue Account will be realized by preparing a supplementary budget.

C. Medium Term Fiscal Framework

THE County has continued to use of MTEF as a tool linking Policy, Planning and Budgeting. The MTEF consists of a top-down resource envelope, and a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these

costs with available resources. The departments will soon undertake a MTEF public participation to properly align the revised stakeholder's priorities with available resources. The both local revenues and the national government transfers are projected to grow by fifteen percent (15%). Expenditures will be balanced to the available resources as no borrowing is being contemplated in the medium term other than what is expressly for cash flow management.

D. Risks to the Outlook.

The likely risks of the outlook for 2015 and medium term include:

- low economic growth of the economy, leading to inadequate funding to the counties,
- Extreme weather conditions negatively affecting agricultural production,
- Late disbursement of funds by the National Treasury making funds absorption targets levels not to be realized.
- Inadequate resources to support some of the development projects/programmes that may lead to non-completion within the planned time frames.
- Unrealized targets on revenue collection
- Disharmony between critical stakeholders leading to derailment of programmes
- Shifting departmental priorities necessitating changes to the current outlook and especially the development of strategies to counter El-nino related emergencies.

V. RESOURCE ALLOCATION FRAMEWORK 2016/2017

A. (I) 2015/2016 Budget

The current year budget allocation framework is as below

DEPARTMENT	RECURRENT ALLOCATION	DEVELOPMENT ALLOCATION	TOTAL BUDGET	% ALLOCATION
	Kshs(000)	Kshs(000)	Kshs(000)	
Office of the Governor and Deputy Governor	218,372,	6,100	224,472	3%
County Assembly	588,991	255,583	844,574	13%
Finance ICT and Planning	242,243	873,200	1,115,443	17%
Agriculture Livestock and fisheries	141,343	102,264	243,607	4%
Energy Transport and Infrastructure Development	44,722	708,500	753,222	11%
Commerce, Trade, Industry, Tourism and Cooperative Development	6,130,	146,000	152,130	2%
Health and Sanitation	1,117,205	437,048	1,554,253	23%
Land Housing and Physical Planning	11,284	103,280	114,564	2%
Public Service and Administration	727,625	25,400	753,025	11%
Education and Technical Training	172,800	92,000	264,800	4%
Youth, Culture Gender, Social Services and Special Programs	37,153	464,240	501,393	8%
Environment and Natural Resource	9,100	82,625	91,725	1%
County Public Service Board	40,004	5,500	45,505	1%
TOTAL COUNTY BUDGET	3,356,972	3,301,740	6,658,712	100%

Overall Budget Financing

	Kshs (000)	% RATIO
TOTAL INCOME 2015/2016	6,230,807	

BALANCE B/F 2014/2014	427,905	
GROSS INCOME	6,658,712	
PERSONNEL COSTS	2,537,150	38%
OPERATION AND MAINTENANCE	819,822	12%
TOTAL RECURRENT EXP	3,356,972	50%
DEVELOPMENT	3,301,740	50%
TOTAL EXPENDITURE	<u>6,658,712</u>	100%
<u>SURPLUS DEFICIT</u>	<u>_0</u>	

Particulars	Total
AGRICULTURE, LIVESTOCK AND FISHERIES	Kshs (000)
Cash Crop Development Program	66,000
Food Security Program	17,000
Livestock and Fisheries Development Program	31,287
Veterinary Services Program	26,016
Administration and Support Program	103,304
SUB TOTAL	243,607
ALCOHOLIC DIRECTORATE	
Supply Suppression and Enforcement Program	17,500
Demand Reduction Treatment and Rehabilitation Program	21,000
Policy Research and Strategy Program	3,500
Demand Reduction Program	11,268
Administration and Support Program	6,540

SUB TOTAL	59,808
ENVIRONMENT	
Waste Management Program	50,000
Pollution Control Program	2,125
Environmental Conservation Program	30,000
Environmental Leadership and Governance	2,500
Administration, Support and Coordination	7,100
SUB TOTAL	91,725
GOVERNORSHIP	
County and Executive Coordination Program	29,982
Compliance and Auditing Program	1,612
Disaster Control and Management program	1,610
Policy Formulation Program	1,296
County Executive Program	189,972
SUB TOTAL	224,472
TRADE, INDUSTRY AND TOURISM	
General Administration and Support program	11,130
Trade and Industries Development Program	50,000
Consumer Protection and Agribusiness and Marketing program	71,000
Tourism Development Program	20,000

SUB TOTAL	152,130
EDUCATION AND TECHNICAL TRAINING	
Education intervention Programmes	
Vulnerable Persons	
Youth Polytechnics & Vocational training	48,000
Early childhood Development	128,000
Scholarship Fund	72,000
Administration and Support	16,800
SUB TOTAL	264,800
FINANCE, IT AND PLANNING	
ICT Development programme	30,000
Financial Management programme	100,000
Ward Development fund	700,000
Administration and Support	285,443
SUB TOTAL	1,115,443
INFRASTRUCTURE, TRANSPORT AND ENERGY	
Water development programme	495,000
Road Development programme	117,500
Market & Urban Development	100,000
Administration and Support	40,722
Energy Development	
SUB TOTAL	753,222

LANDS, HOUSING AND PHYSICAL PLANNING	
Estate management and Housing programme	3,007
Land valuation and administration programme	12,709
Land survey and GIS programme	27,456
Development control and planning programme	49,801
Administration and support	21,591
SUB TOTAL	114,564
PUBLIC SERVICE BOARD	
Human Resource management and devt	7,000
National Value and Governance	3,500
General Administration and support	35,004
SUB TOTAL	45,504
PUBLIC SERVICE DEPARTMENT	
Public Service Administration programme	753,025
SUB TOTAL	753,025
HEALTH AND SANITATION	
Curative health Programme	312,427
Promotive and services programme	8,176
Infrastructure support programme	70,695

Health administration planning and support programme	1,069,100
Public Health and sanitation programme	34,047
SUB TOTAL	1,494,445
DEPARTMENT OF SOCIAL SERVICES	
Cooperative Development programme	37,500
Sport Development programme	76,990
Culture Development programme	49,250
Social Development programme	90,000
Youth Empowerment programme	80,000
Milk Value Chain and other development programme	133,000
Administration and Support	34,653
SUB TOTAL	501,393
COUNTY ASSEMBLY	
	-
Legislation and representation	249,216
Oversight	153,183
General Administration planning and support services	442,175
SUB TOTAL	844,574
GRAND TOTAL	6,658,712

(II) Adjustment to the 2015/2016 Budget

It is essential that the County urgently prepares a supplementary budget to allow for inclusion of conditional funding as approved by the National Assembly for the following activities.

	Kshs.
➤ Free maternal health care	80,802,400.
➤ User fees foregone	21,971,530
➤ Leasing of medical equipment	95,744,680
➤ Road maintenance fuel levy fund	68,038,977
➤ Conditional allocation (loans and grants)	100,000,000

B. Medium Term Expenditure Framework

As outlined in the county planning framework, we shall continue to implement the priority programmes and projects. The MTEF allows for rolling over of programmes beyond one financial year where necessary due to time span requirements or financing constraints.

We remain cognizant of the critical role that the County continues playing in serving the residents and especially in provision of the constitutionally mandated services. We shall diligently continue to fulfill our role within sectors and departments as appropriate. The following are the already identified programmes for 2016/2017; amendment and funding allocation will be finalized through the legally outlined stakeholder's engagements.

AGRICULTURE, LIVESTOCK AND FISHERIES

Cash Crop Development Program

Food Security Program
Livestock and Fisheries Development Program
Veterinary services

FINANCE, IT AND ECONOMIC PLANNING

ICT Development programme
Financial Management programme

ENVIRONMENT

Waste Management Programme
Pollution Control Programme
Environmental Conservation Programme
Environmental Leadership and Governance

TRADE, INDUSTRY AND TOURISM

Trade and Industries Development Program
Consumer Protection and Agribusiness and Marketing program
Tourism Development Program
Milk Value Chain and other development programme

EDUCATION AND TECHNICAL TRAINING

Education intervention Programmes
Youth Polytechnics & Vocational training
Early childhood Development

INFRASTRUCTURE, TRANSPORT AND ENERGY

Water development programme
Road Development programme programme
Market & Urban Development programme

Energy Development programme

LANDS, HOUSING AND PHYSICAL PLANNING

Estate management and Housing programme

Land valuation and administration programme

Land survey and GIS programme

Development control and planning programme

HEALTH AND SANITATION

Curative health Programme

Promotive and services programme

Medical equipments and health Infrastructure support programme

Health administration planning and support programme

Public Health and sanitation programme

Alcoholic drinks control and management programme

DEPARTMENT OF SOCIAL SERVICES

Cooperative Development programme

Sport Development programme

Culture Development programme

Social Development programme

Youth Empowerment programme

PUBLIC SERVICE AND ADMINISTRATION

County Executive Coordination

Human Resource management and devt

National Value and Governance

County Public administration

V. 2016/2017 Budget Framework

The 2015/2016 budget will be developed as per the priorities of the Annual Development Plan 2016-2017, County Fiscal Strategy Paper 2016 and the CIDP.

Revenue collection projections

The 2016/2017 budget will target revenue collection of ksh 700 million and the Equitable County allocation of about ksh.5.9 billion. The total local revenue collection and the disbursement from the National Government combined will be expected to raise ksh. 6.6 billion.

Expenditure Forecasts

in 2016/217, overall expenditures are projected to be about ksh. 6.6 billion. The County will prepare a balanced budget. Departmental expenditures will be as proposed by users and stakeholders but within the approved sector ceilings.

PROPOSED FINANCIAL RESOURCES ALLOCATION CEILINGS

The 2016/2017 will be guided by the already prepared Annual Development Plans and firmed up by the county Fiscal Strategy Paper to be submitted to the County Assembly by 28th February 2016. To guide stakeholder on the proposed resource, envelop for departments the following are the proposed indicative ceilings.

DEPARTMENT	TOTAL BUDGET	% ALLOCATION
	Kshs(000)	
Office of the Governor and Deputy Governor	230,000	3%
County Assembly	660,000	10%
Finance ICT and Planning	320,000	5%
Agriculture Livestock and fisheries	250,000	4%

Energy Transport and Infrastructure Development	1,160,000	17%
Commerce, Trade, Industry, Tourism and Cooperative Development	550,000	8%
Health and Sanitation	1,600,000	24%
Land Housing and Physical Planning	130,000	2%
Public Service and Administration	760,000	12%
Education and Technical Training	270,000	4%
Youth, Culture Gender, Social Services and Special Programs	500,000	8%
Environment and Natural Resource	100,000	2%
County Public Service Board	50,000	1%
TOTAL COUNTY BUDGET	6,600,000	100%

The above % resource allocation will be firmed up in the County Fiscal Strategy Paper whose consultations are underway.

CONCLUSION

As we progress through this critical phase of the budget process, it's our most earnest wish that all critical stakeholders will pause to take stock and evaluate how well we have aligned our budget planning to the aspirations of our residents. Judging by the progress we are making its most unlikely that we shall have had time to complete the review of our CIDP before February a month by which the budget planning phase will have been concluded. I wish to indicate out strong intentions of using the proposed departmental/sector ceiling as valid guiding frame when we engage other stakeholders to compromise on resources sharing.

GEORGE KAMAU
CECM – FINANCE, ICT AND PLANNING