REPUBLIC OF KENYA

COUNTY GOVERNMENT OF NAKURU

THE COUNTY TREASURY

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2018

To obtain copies of the document, please contact;

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

FOREWORD

This is the 6th Nakuru County Budget Review and Outlook Paper and the 1st since the assumption of office by the new County Administration and it has been prepared in accordance with the Public Financial Management (PFM) Act 2012. It presents recent economic developments and actual fiscal performance of the Financial Year 2017/2018 and makes comparison to budget appropriations for the same year. It further provides updated economic and financial forecast to show changes from projections outlined in 2018 County Fiscal Strategy Paper.

The National outlook projects a National economic growth of 5.9 percent in 2018/19 and around 7.0 percent in the medium term. This coming from a depressed economic performance of 4.9 percent in 2017/18 due to uncertainties associated with prolonged electioneering period and adverse weather conditions. These fundamentals affected economic activities within the County including, Tourism and Agriculture which is its mainstay.

Since assuming office in August 2017, the new County administration has faced a myriad of challenges including two major tragedies that claimed life in Subukia and Lake Nakuru which tested the County level of disaster preparedness and resource allocation thereon. This coupled with uncertainties associated with the repeat presidential election, transition challenges of constituting the new Executive, reorganisation of County functions to align them with policy changes and management of huge pending bills, and budget deficit arising due to shortfall in own source revenue. The stance meant that the County had to institute an audit exercise to establish the credibility of the pending bills in addition to conducting a staff audit due to the ever-increasing wage bill for future manpower planning and staff rationalization purposes.

Locally the County fiscal analysis for FY 2017/2018 revealed an improved performance in revenues compared to similar period in FY 2016/2017. Receipts from County Own Source of Revenue (OSR) slightly improved by approximately 14.7 percent from Kshs 2.0 billion collected in FY 2016/17 to Kshs 2.2 billion in FY 2017/18. The improvement was however evident in the second half of the FY and was mainly attributed to the administrative measures of the new Executive. On the other hand, the underperformance in the first half can be attributed to the August general elections which extended to a repeat presidential election in September 2017 and delay in enactment of the 2017

Finance Bill. Overall County OSR missed its targeted forecast by Ksh 830 million or approximately 23 percent. The total County receipts amounted to Ksh 15.1 billion (approximately 94 percent of the total projected receipts) against a target of Ksh 16.1 billion. All forecasted receipts from the National Transfers were received (that is 9.2 billion) with a 100 percent success rate while foreign aid from Danida and TSH expected from world bank fell short of target by 78 million.

Total county expenditure amounted to Kshs 11.3 billion against a target of Kshs 16.1 billion. Further the County expenditure performance revealed a slowdown in budget absorption rate from approximately 79 percent in FY 2016/17 to about 70 percent in FY 2017/2018. Budget absorption challenges occurred due to the need to undertake a comprehensive audit of the ongoing capital projects and related pending bills. The limited absorption of the capital expenditure however continued to be linked to delay in disbursement of funds by the National Treasury. However, with the continued implementation of the Kenya Devolution Support Programme (KDSP) in the current FY 2018/19, institution of performance contracts and other County capacity building initiatives efficiency in performance is expected to improve.

Observing the current budget framework FY 2018/2019 the County Government continues to struggle with the rising cost of personal emoluments 6.1 billion in 2018/19 in absolute terms from actual reported figure of 5.8 billion in 2017/18.This is within the acceptable limits of 35 when other donor funds are factored in the current budget FY 2018/19.

County own source of revenues has been modified to reflect the average growth trends of 15% with projected revenue reviewed downward to Kshs 2.68 billion in FY 2018/2019 down from Ksh. 3.11 billion projected in the FY 2017/2018. This prudent approach to revenue forecasting is expected to contain the rising pending bills experienced in the past and improve the credibility of the County budget estimates thus qualifying the County for a share of 2% of fiscal effort on equitable allocation by CRA. Going forward the reforms in local revenue administration through the proposed establishment of revenue board and legislative review of the current revenue related laws through the Finance Bill 2018 is 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 18.3

billion in the FY 2018/2019, approximately a growth of 13.6 percent. Compensation to employees will account for 34 percent of the total County budget approximately Ksh 6.2 billion. Total County development expenditure will reach Ksh 7.9 billion up from Ksh 6.1 billion in the current FY 2017/2018. However, this may be reviewed downward in the context of the proposed funding cuts of 9 billion to the County Government in current FY2018/19 as part of the austerity measures by National Government to reduce the budget deficits.

JOSEPH KIUNA
COUNTY EXECUTIVE MEMBER,
FINANCE AND ECONOMIC PLANNING

ACKNOWLEDGEMENT

In the process of developing the 2018 CBROP, County Treasury, County Departments and entities have provided invaluable input and support.

First of all, I would like to express my greatest gratitude to H.E the Governor and the Deputy Governor for their continued leadership and vision for the County through their in-depth and constructive comments, and in particular Impressing upon the County Treasury and Departments on prudent Public Financial Management.

My gratitude also goes to the County Executive Committee member for Finance and Economic Planning for his overall stewardship of the County Treasury and County Government on financial matters.

The preparation of CBROP 2018 was actualized through collaborative effort of line Departments. Much of the input was borrowed from the unaudited annual 2017/18 Nakuru County financial statements which was made possible through the guidance of Mr Joseph Muchinah the Chief Officer Finance. We also acknowledge the comments from County Department through their Chief Officers, County Assembly through the Office of the Clerk, the Macro Working Group and public through sectors hearings.

A core team in the County Treasury spent a significant amount of time putting together this report. I am particularly grateful to the officers in Directorate of Finance including the Head of Accounting Units, the whole Directorate of Economic Planning and specifically the Budget Office for execution of this task. Finally, may I take this opportunity to thank the entire staff of the County Treasury for their continued commitment and dedication to the course of serving the County and the public.

KENNEDY MOMANYI OMBATI
CHIEF OFFICER
ECONOMIC PLANNING

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
AiA	Appropriation in Aid
CARA	County Revenue Allocation Act
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
OSR	Own Source Revenue
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 asapproved 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

Background

This County Budget Review and Outlook Paper (CBROP) is the first to be prepared under the new county administration after the 2017 general election which also saw a first repeat of Presidential election under the 2010 Constitution. In line with the law, the CBROP contains a review of fiscal performance of financial year 2017/18 and deviations from the approved estimates for FY 2017/18

Objectives of the County Budget Review and Outlook Paper (CBROP) 2018

1. The 2018 CBROP aims to provide a review of the fiscal performance for the FY 2017/2018 and how the outcomes impact the County's financial objectives as contained in the County Fiscal Strategy Paper 2018 and fiscal responsibility principles as envisaged in the PFM Act 2012. This information together with the updated economic outlook provides a basis for revision of the current budget in the context of supplementary estimates and the broad fiscal parameters underpinning the next budget and the medium-term expenditure framework. Details of the fiscal framework, budget performance, medium term projections, priorities and sector ceilings will be firmed up in the CFSP 2019.
2. The CBROP will continue to be a key document that provides an important linkage between policy, planning and budgeting. The County has recently completed the preparation the 2nd County Integrated development plan 2018-2022 and with the approval of the County assembly it will hence inform budgetary preparation and programming in the ensuing medium term and onwards. This year's CBROP will be embedded on the strategic priorities adopted in the 2018 approved CFSP.
3. The PFM Act 2012 and PFM Regulations 2015 has set high standards for compliance with MTEF budgeting process. Therefore it is expected that sector ceilings as per the approved CFSP of 2018 will form the indicative baseline ceilings for the next budget of 2019/20 and the medium term FY 2020/2021 and 2021/2022 MTEF period. These sector ceilings have been modified as indicated in the annex to CBROP and the ceilings will set off the budget preparation process for the fiscal year 2019/2020.

4. The updated National economic outlook will be firmed up in the 2019 CFSP to reflect any changes in economic and financial conditions. Due to need the to finalise the CFSP after the release National budget policy statement in compliance with section 117(2) of the PFM Act 2012. The CFSP will be submitted to the County assembly by 28th February 2019 as per the set deadline under the PFM Act 2012.
5. The paper is organised into four sections: Section II provides a review of fiscal performance in FY 2017/2018 and its implication on the 2018 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 2017/2018

A. Overview

The fiscal year 2017/18 marked the transition to the new County administration which necessitated reorganization of County Government functions in line with its policy changes as envisaged in PFM regulations 2012. During the second half of FY 2017/18, there was a slight improvement in local revenue performance compared to the similar period in FY 2016/17 which was a run up of the general elections. However, there was little absorption of development expenditure compared to the similar period in FY 2016/17. The fiscal performance in 2017/18 was generally average. The overall budget outturn (on commitment basis) was 79% (11.6 billion) and 70% (Kshs 11.3 billion) based on actual operating expenses (cash payments) as compared to the revised total estimates of Kshs 16.1 billion.

Cumulative County revenue comprising of Exchequer receipts, donor funds and Own source revenue amounted to Kshs 15.1 billion against a revised target of Ksh 16.1 billion. Total receipts from National equitable share of revenue comprised of Kshs. 9.27 billion (61% of the total receipts). Other national transfers included Ksh. 38.7 million being conditional allocation for foregone user fees, Ksh. 345.8 million being conditional allocation for fuel levy fund, Ksh. 373.8 million being conditional allocation for Nakuru Level 5 hospital, Ksh. 23.4 million received from donors (DANIDA) and Kshs 35.4 million being conditional funds for Rehabilitation of Youth Polytechnics.

The County spent a total of Ksh 11.3 billion during financial year 2017/18 against a target of Ksh 16.1 billion representing an execution rate of 70 percent. Recurrent expenditure was Kshs 9.24 billion for the period under review representing 93 percent of the annual recurrent budget while development expenditure was Kshs 2.089 billion representing 18 percent of the annual development budget. The County Government had to incur additional expenditure on salaries due to Phase 1 of the harmonization of salaries by SRC for County staff devolved from national Government and the defunct local authorities. Adjustments to the original personnel budget were approved in April 2018 in through the Supplementary Estimates.

Actual budget implementation fell short of the approved budget estimates on account of approved development expenditure, due to the formative challenges experienced in the transition to New County Administration, repeat presidential elections and the need to undertake a comprehensive audit of inherited pending bills and ongoing projects. This was in addition to delays in disbursements from the National Government.

B. Fiscal Performance FY 2017/2018

Revenue Performance

Total own source revenue collection, exchequer receipts and other receipts for County Government was **15.1 billion** compared to the target revised budget of Ksh.16.1 Billion and the Approved budget of Kshs 15.6 billion. This represents a revenue shortfall of Kshs 908 million (or 6% deviation from the approved target). The local revenue received (including FIF) for the period July 2017 to June 2018 amounted to Kshs. 2.2 billion against a target of Kshs 3.11 billion reflecting an under collection of Kshs 830 million a performance of 71 per cent. Departmental AIA underperformed by Kshs 13 million for the period under review mainly on account of Facility Improvement Funds. While 78 million was not disbursed from DANIDA and TSH World bank as projected.

In addition to the revenue received for the year, there were unspent balances carried forward from FY 2016/2017 amounting to Ksh 2.56 billion.

Table I below illustrates detailed performance of total projected revenues by source.

Table 1: County Government Total Revenues FY 2017/2018

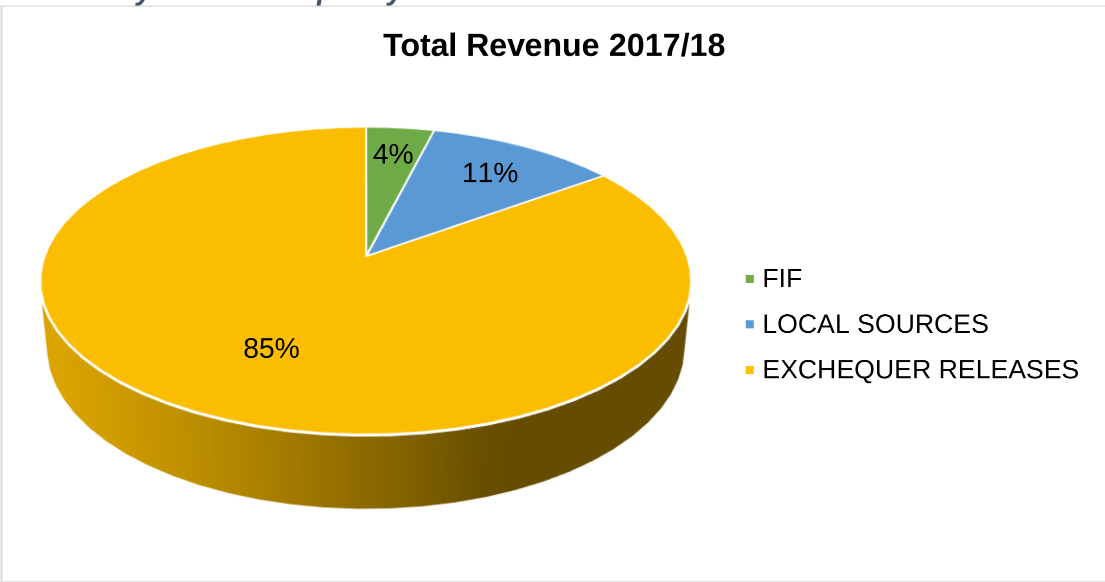
REVENUE SOURCE	ACTUAL (Baseline) 2015/16	ACTUAL 2016/17	TARGET 2017/2018	ACTUAL 2017/2018	VARIANCE	ANNUAL GROWTH	ANNUAL GROWTH IN PERCENT	PERCENT OF ACHIEVEMENT
Property tax (Plot rent and Land rates	319,171,789	199,665,935	495,980,000	315,852,139	(180,127,861)	116,186,204	58.2%	64%
Trade License	384,962,894	313,672,443	462,000,000	342,784,519	(119,215,481)	29,112,076	9.3%	74%
Market Fees	63,614,650	54,535,672	107,220,000	55,338,887	(51,881,113)	803,215	1.5%	52%
Building Approval	36,928,134	23,363,251	170,310,000	21,566,973	(148,743,027)	(1,796,278)	-7.7%	13%
Cess	46,262,249	19,726,799	116,610,000	19,928,183	(96,681,817)	201,384	1.0%	17%
Royalties	163,641,687	185,104,654	168,200,000	201,570,346	33,370,346	16,465,692	8.9%	120%
Stock/ Slaughter fees	4,716,120	4,737,219	23,000,000	4,042,340	(18,957,660)	(694,879)	-14.7%	18%
House Rent	47,475,050	29,301,494	107,650,000	30,013,036	(77,636,964)	711,542	2.4%	28%
Advertising	100,842,351	122,495,811	114,000,000	106,243,139	(7,756,861)	(16,252,672)	-13.3%	93%
Parking fees	282,619,325	270,791,435	341,100,000	259,477,415	(81,622,585)	(11,314,020)	-4.2%	76%
Liquor Licensing	43,326,840	46,395,250	72,150,000	68,531,860	(3,618,140)	22,136,610	47.7%	95%
County Park Fees	58,600	419,600	750,000	5,500	(744,500)	(414,100)	-98.7%	1%
Water and Sewerage	-	-		-	-	-	0.0%	0%
Health fees and charges	92,098,858	88,523,440	130,350,000	77,597,728	(52,752,272)	(10,925,712)	-12.3%	60%
Other Fees and Charges	194,936,420	196,447,149	190,680,000	180,018,785	(10,661,215)	(16,428,364)	-8.4%	94%
Sub Total Local Sources	**1,780,654,967**	**1,555,180,152**	**2,500,000,000**	**1,682,970,850**	**(817,029,150)**	**127,790,698**	**8.2%**	**94%**
Facility Improvement Fund	514,680,179	405,703,607	611,050,000	597,551,764	(13,498,236)	191,848,157	47.3%	98%
SUB TOTAL (AIA & Local Sources)	**2,295,335,146**	**1,960,883,759**	**3,111,050,000**	**2,280,522,614**	**(830,527,386)**	**319,638,855**	**16.3%**	**73%**
Balance in County Revenue Fund	1,800,692,138	1,891,906,591	2,562,737,954	2,562,737,954	-	670,831,363	35%	100%
Balance in County Local Revenue Account								
Donor Grants (DANIDA)	25,260,000	12,630,000	36,322,032	23,433,569	(12,888,463)	10,803,569	-90%	65%
Loans and Grants CRA					-			
Symbiocity Programme			26,500,000	26,500,000	-	26,500,000	-	100%

REVENUE SOURCE	ACTUAL (Baseline) 2015/16	ACTUAL 2016/17	TARGET 2017/2018	ACTUAL 2017/2018	VARIANCE	ANNUAL GROWTH	ANNUAL GROWTH IN PERCENT	PERCENT OF ACHIEVEMENT
Kenya Devolution support program (KDSP)			56,299,041	56,299,041	-	-	-	100%
World bank National Agricultural and Rural inclusive growth Projects (NARIGP)			50,000,000	50,000,000	-	50,000,000	0%	100%
Conditional Allocation to compensate Forgone user fees	37,373,449	39,216,180	38,723,265	38,723,265	-	(492,915)	-1%	100%
Conditional Fund -Leasing of Medical Equipment	95,744,681	95,744,681	95,744,681	95,744,681	-	-	0%	100%
Conditional Fund -Free Maternal Health	184,361,500	217,877,500	-		-	-	0%	0%
Road Maintenance Fuel Levy Fund (RMFLF)	103,104,387	135,768,574	345,811,895	345,811,895	-	210,043,321	-8%	100%
Conditional Allocation for Level- 5 Hospital	377,193,144	356,069,364	373,872,832	373,872,832	-	17,803,468	-3%	100%
World Bank THS-UC Conditional allocation			95,036,351	29,698,860	(65,337,491)	29,698,860	-	31%
Conditional Allocation for Rehabilitation of Youth Polytechnics			35,431,434	35,431,434	-	35,431,434	-	100%
Health Allowances		226,314,000			-	-	-	-
C.R.A Equitable Share	8,116,330,942	8,757,624,647	9,271,400,000	9,271,400,000	-	513,775,353	6%	100%
SUB TOTAL	**10,740,060,241**	**11,733,151,537**	**12,987,879,485**	**12,909,653,531**	**(78,225,954)**	**1,176,501,994**	**10%**	**99%**
GRAND TOTAL	**13,035,395,387**	**13,694,035,296**	**16,098,929,485**	**15,190,176,145**	**(908,753,340)**	**1,496,140,849**	**11%**	**94%**

Source: Nakuru County Financial Statement Sept. 2018

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

Figure I: County Total Receipts by Source



Actual Funds available for spending in FY 2016/17 was Ksh 15.2 billion comprising of equitable share, conditional grants, local revenue and unspent balances for financial year 2016/17. The variance between targeted revenue and actual revenue was Ksh 908 million which was primarily attributed to the deviation in local revenue collection.

Actual collections from County Own Source Revenue including FIF amounted to Ksh2.2 billion against a target of Ksh 3.1 billion depicting a negative deviation of Kshs 830 million from the projected estimates. On account of budgeted Own source revenue streams, Trade License contributed the highest amount of Kshs 342 million followed by property tax at Kshs 315 million and parking fees of Kshs 259 million. The underperformance in local revenue was largely on account of property tax, Trade licence, cess and building approval. This is despite the fact that a waiver was given on account of penalties accruing for property tax which has traditionally accounted for 45% of County revenue. CRA disbursement was Kshs. 9.27 billion million against a target of 9.27 billion representing 100 percent receipt.

The shortfall in budgeted revenue is attributed to delay in the enactment of the Finance Bill 2017, lack of requisite legislation on cess and property tax, reluctance by traders to pay the fees and charges in anticipation of a drastic reduction resulted a shortfall in the own source revenue collection and non-disbursement of the projected Danida and THS fund from world bank. The County Government will thus adopt a cautious approach while projecting receipts from Own source revenue and other receipts.

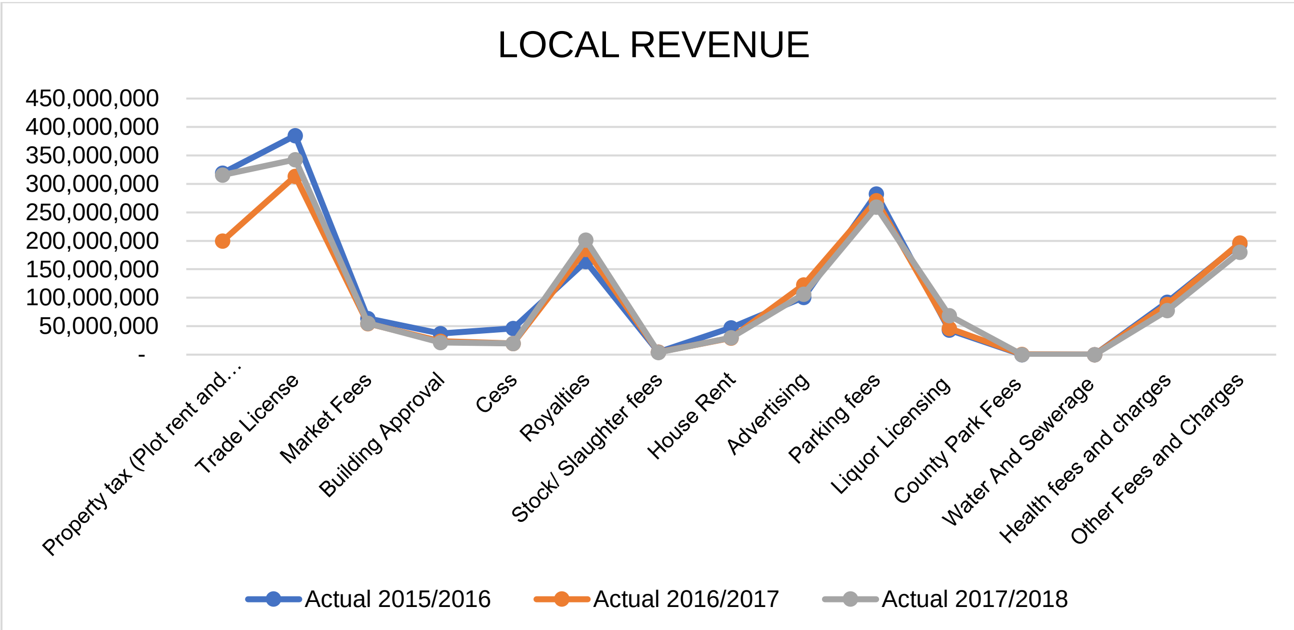
Table 2: Local Revenue Sources

REVENUE SOURCE	ACTUAL (Baseline) 2015/16	ACTUAL 2016/17	TARGET 2017/2018	ACTUAL 2017/2018	VARIANCE	ANNUAL GROWTH IN PERCENT	PERCENT OF ACHIEVEMENT
Property tax (Plot rent and Land rates	319,171,789	199,665,935	495,980,000	315,852,139	(180,127,861)	58.2%	64%
Trade License	384,962,894	313,672,443	462,000,000	342,784,519	(119,215,481)	9.3%	74%
Market Fees	63,614,650	54,535,672	107,220,000	55,338,887	(51,881,113)	1.5%	52%
Building Approval	36,928,134	23,363,251	170,310,000	21,566,973	(148,743,027)	-7.7%	13%
Cess	46,262,249	19,726,799	116,610,000	19,928,183	(96,681,817)	1.0%	17%
Royalties	163,641,687	185,104,654	168,200,000	201,570,346	33,370,346	8.9%	120%
Stock/ Slaughter fees	4,716,120	4,737,219	23,000,000	4,042,340	(18,957,660)	-14.7%	18%
House Rent	47,475,050	29,301,494	107,650,000	30,013,036	(77,636,964)	2.4%	28%
Advertising	100,842,351	122,495,811	114,000,000	106,243,139	(7,756,861)	-13.3%	93%
Parking fees	282,619,325	270,791,435	341,100,000	259,477,415	(81,622,585)	-4.2%	76%
Liquor Licensing	43,326,840	46,395,250	72,150,000	68,531,860	(3,618,140)	47.7%	95%
County Park Fees	58,600	419,600	750,000	5,500	(744,500)	-98.7%	1%
Water and Sewerage	-	-		-	-	0.0%	0%
Health fees and charges	92,098,858	88,523,440	130,350,000	77,597,728	(52,752,272)	-12.3%	60%
Other Fees and Charges	194,936,420	196,447,149	190,680,000	180,018,785	(10,661,215)	-8.4%	94%
TOTAL	**1,780,654,967**	**1,555,180,152**	**2,500,000,000**	**1,682,970,850**	**(817,029,150)**	**8.2%**	**94%**

Source: Nakuru County Financial Statement Sept. 2018

Figure II below represents the varied performance in selected local revenue streams for the last three financial years namely FY 2015/16, 2016/17, 2017/2018.

Figure II: Local Revenue Trend in Performance



Appropriation in Aid (AiA)

Actual Collection under the Facility Improvement Fund (FIF) an AIA witnessed a substantial improvement with a growth rate of 32% from Kshs 450 million in 2016/17 to Kshs 597 in 2017/18.This represents 97.79 of projected collection of Kshs 611 million in 2017/18 The improved performance was mainly as a result of improved monitoring system and a lull in industrial action by health workers in the period under review.

Table 3 has summarised the comparison of the performance for the year under review with similar period in FY 2016/17.

Table 3: Appropriations in Aid

REVENUE SOURCE	ACTUAL (Baselines) 2016/2017	TARGETS 2017/2018	ACTUALS 2017/2018	VARIANCE	GROWTH IN PERCENT
Facility Improvement Fund	405,703,607	611,050,000	597,551,764	(13,498,236)	47.3%

Source: Nakuru County Financial Statement Sept. 2018

Table 4: Exchequer Releases

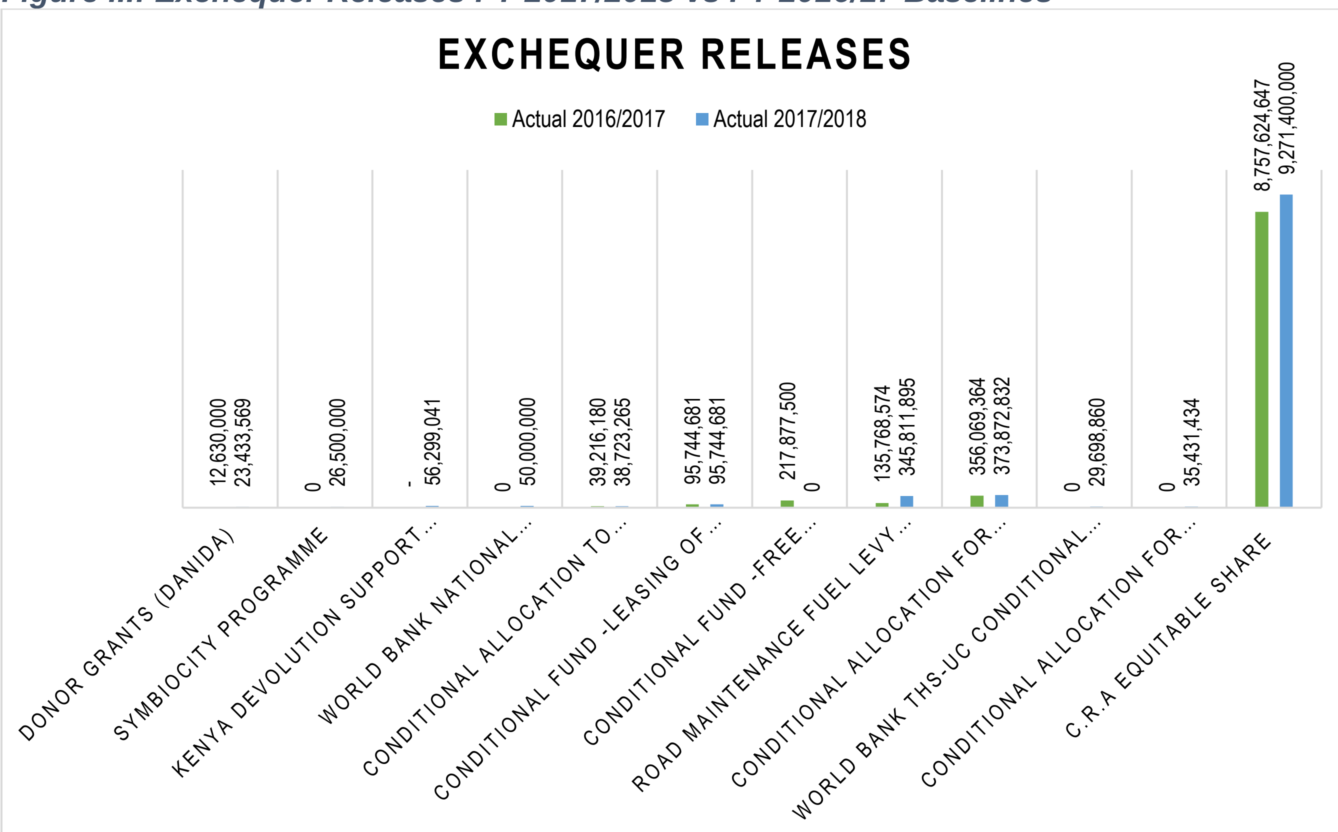
Revenue Source	Actual 2016/17	Target 2017/2018	Actual 2017/2018	Variance	Annual Growth in Percent	Percent of Achievement
Balance in County Revenue Fund	1,891,906,591	2,562,737,954	2,562,737,954	-	35%	100%
Donor Grants (DANIDA)	12,630,000	36,322,032	23,433,569	(12,888,463)	86%	65%
Loans and Grants CRA				-		
Symbiocity Programme		26,500,000	26,500,000	-	-	100%
Kenya Devolution support program (KDSP)		56,299,041	56,299,041	-	-	100%
World bank National Agricultural and Rural inclusive growth Projects (NARIGP)		50,000,000	50,000,000	-	0%	100%
Conditional Allocation to compensate Forgone user fees	39,216,180	38,723,265	38,723,265	-	-1%	100%
Conditional Fund -Leasing of Medical Equipment	95,744,681	95,744,681	95,744,681	-	0%	100%
Conditional Fund -Free Maternal Health	217,877,500	-		-	0%	0%
Road Maintenance Fuel Levy Fund (RMFLF)	135,768,574	345,811,895	345,811,895	-	155%	100%
Conditional Allocation for Level- 5 Hospital	356,069,364	373,872,832	373,872,832	-	5%	100%
World Bank THS-UC Conditional allocation		95,036,351	29,698,860	(65,337,491)	-	31%
Conditional Allocation for Rehabilitation of Youth Polytechnics		35,431,434	35,431,434	-	-	100%
Health Allowances	226,314,000			-	0%	0%
C.R.A Equitable Share	8,757,624,647	9,271,400,000	9,271,400,000	-	6%	100%
SUB TOTAL	**11,733,151,537**	**12,987,879,485**	**12,909,653,531**	**(78,225,954)**	**10%**	**99%**
GRAND TOTAL	**13,694,035,296**	**16,098,929,485**	**15,190,176,145**	**(908,753,340)**	**11%**	**94%**

Source: Nakuru County Financial Statement Sept. 2018

Other receipts in the heath sector included grants from Danida initially provided for at Kshs 12,630,000 in 2017/18 approved budget, later revised to Kshs 36,322,032 in the Supplementary Budget as provided in the CARA of December 2017. World bank transforming health care systems THS was budgeted at 95,036,351 with actual disbursement of Kshs 29,698,860 for 2017/18 representing 30% of projected amount. Free maternity was budgeted at Ksh. 145,995,158 disbursed directly to county health facilities via NHIF through the new programme of “LINDA MAMA”.

The County received a total of Ksh 12.9 billion from planned exchequer release comprising of Ksh 9.2 billion equitable share, Ksh 889 million conditional grants and Ksh 185 Million donor grants. Figure III below has summarized the visual illustration of the exchequer releases FY 2016/17 versus FY 2017/18.

Figure III: Exchequer Releases FY 2017/2018 vs FY 2016/17 Baselines



Source: Nakuru County Financial Statement Sept. 2018

Expenditure Performance

Total expenditure and debt repayment amounted to Kshs 11.3 billion against a target of Kshs 16.1 billion representing an under spending of Kshs.4.7 billion (or 29% deviation from the approved budget). The underutilization was attributed partly to a shortfall in budgeted revenue Kshs 908 M and delay by National Treasury in disbursing funds to the County Governments. Recurrent expenditure recorded the highest absorption rate with 91 percent absorption against the budget while development expenditure recorded an absorption rate of 18 percent against the budget. A critical analysis of expenditure in term of economic classification indicates that compensation to employees consumed a huge part of the expenditure for the period at 52 percent of the total expenditure while 7% was transferred to the County Assembly. The expenditure further involved a major reprioritization of items involving increase in salary due to harmonization of devolved staff from National Government and defunct local authorities. This was in addition to a major increment in power bills which was not initially in the approved estimates, hence crowding out funds for other goods and services.

Table 5 below illustrates 2017/18 County expenditure by economic classification.

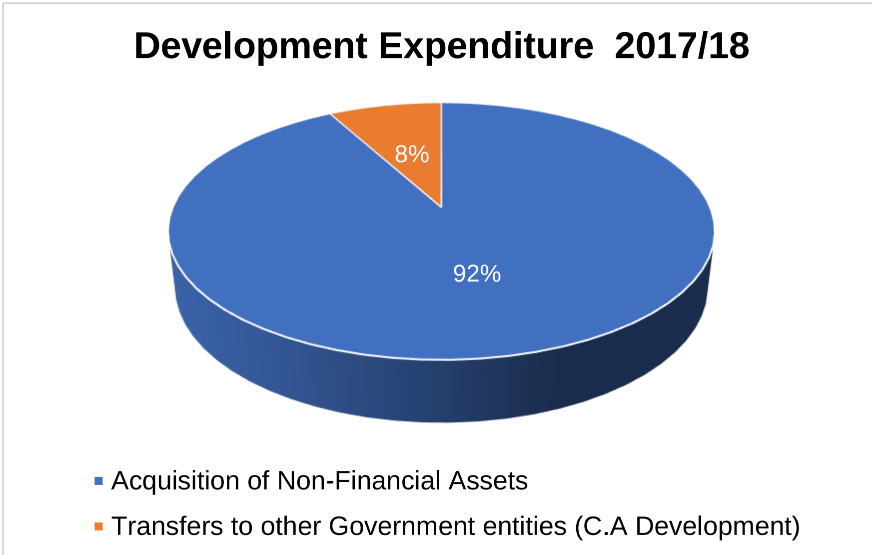
Table 5 : Expenditure performance by Economic Classification

	ACTUAL (Baseline) 2016/2017	TARGET 2017/2018	ACTUAL 2017/2018	VARIANCE	PERCENTAGE GROWTH	BUDGET EXECUTION RATE	PERCENT OF TOTAL EXPND.
Current Expenditure							
Compensation of employees	5,110,732,653	6,046,693,701	5,856,996,527	(189,697,174)	15%	97%	52%
Use of Goods and Services	2,362,352,924	3,089,187,407	2,719,529,573	(369,657,834)	15%	88%	24%
Transfers to other Government entities (C.A)	481,325,201	636,521,997	594,928,545	(41,593,452)	24%	93%	5%
Other Grants and transfers		191,965,996	71,213,556	(120,752,440)		37%	1%
Sub Total	**7,954,410,778**	**9,964,369,101**	**9,242,668,201**	**(721,700,900)**	**16%**	**93%**	**82%**
Capital Expenditure							
Acquisition of Non-Financial Assets	3,548,139,714	4,564,154,000	1,598,957,077	(2,965,196,924)	-55%	35%	14%
Capital Grants to Governmental Agencies		1,206,135,269	323,001,581	(883,133,688)		27%	3%
Other Development				-			
Transfers to other Government entities (C.A Development)	106,549,188	364,271,116	167,122,293	(197,148,823)	57%	46%	1%
Sub Total	**3,654,688,902**	**6,134,560,385**	**2,089,080,950**	**(4,045,479,435)**	**-43%**	**34%**	**18%**
Grand Total	**11,609,099,680**	**16,098,929,486**	**11,331,749,151**	**(4,767,180,335)**	**-2%**	**70%**	**100%**
Actual Total Receipts			**15,190,176,145**	**(908,753,340)**			
Fiscal Balance			**3,858,426,994**				

Source: Nakuru County Financial Statement Sept. 2018

Note: The fiscal balance is due to late disbursement from exchequer and uncommitted project funds. The fiscal balance was Kshs 3.8 billion as opposed to the projected sum of Kshs 545 million in the 2018 CFSP. This was re-budgeted in FY 2018/19 in compliance with PFM Act 2012 and PFM Regulations 2015.

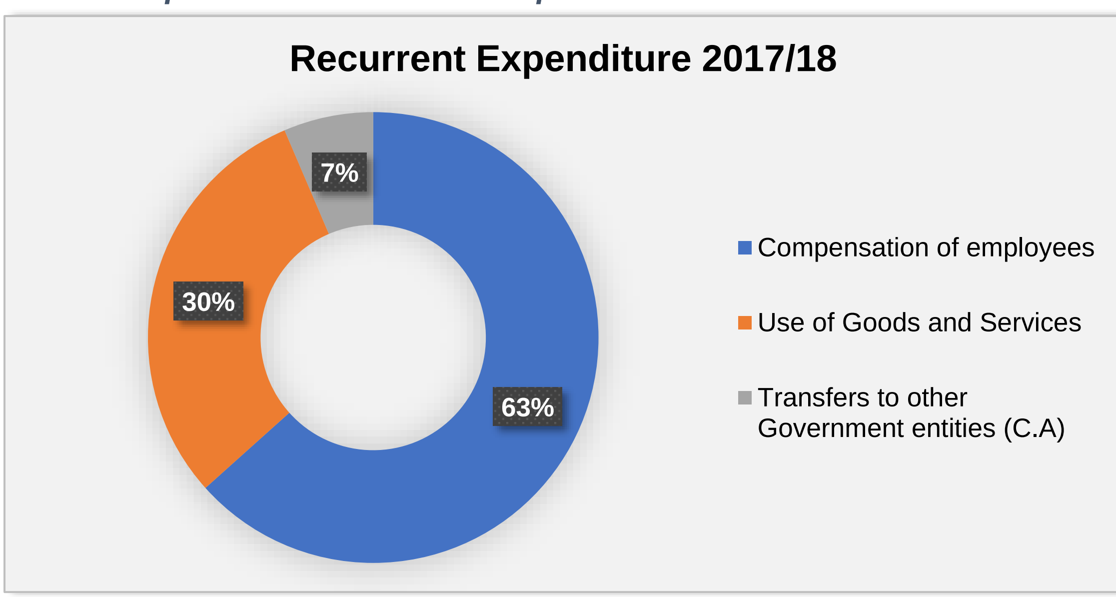
Figure IV : Composition of Development Expenditure



Source: Nakuru County Financial Statement Sept. 2018

Additionally, as reflected in Figure V below, compensation to employees was the highest proportion of all recurrent expenditure with 63% while transfers to County Assembly accounted for 7 percent of total recurrent expenditures.

Figure V: Composition of Recurrent Expenses



Source: Nakuru County Financial Statement Sept. 2018

Categorization of spending by departments as illustrated in Table 6 below indicates that only 7 Departments recorded more than 70 percent budget execution rate. Development expenditure had the highest deviation from the planned performance with a variance of 4 billion. This is attributed to cash-flow constraints and a lengthy procurement process that lead to late commencement of development projects. Recurrent expenditure was also below target with a variance of Ksh. 722 million.

Table 6: Departments' Expenditure Performance for Period ending 30th June 2018 (Ksh Million.)

Vote Title	Recurrent Expenditure 2017/18			Development Expenditure 2017/18			Total Expenditure FY 2017/18			Rate of Budget Execution (%)
	Actual	Target	Variance	Actual	Target	Variance	Actual	Target	Variance	
Office of the Governor and Deputy Governor	200	191	-8	35	40	5	235	231	-3	101%
County Treasury	948	943	-4	163	176	13	1,110	1,119	9	99%
County Public Service Board	42	47	5	0	3	3	42	50	8	83%
Public Service Management	736	764	27	3	21	18	740	785	45	94%
Health	4,567	4,945	378	602	1,169	567	5,169	6,114	945	85%
Trade, Industrialization and Tourism	93	138	45	30	215	184	124	353	229	35%
Roads Public Works and Transport	406	412	7	505	1,916	1,411	910	2,328	1,418	39%
ICT and E-Government	40	65	25	9	19	10	49	84	35	59%
Agriculture, Livestock and Fisheries	463	492	30	105	201	95	568	693	125	82%
Lands, Physical Planning and Housing	108	132	24	177	313	136	285	445	160	64%
Education, Sports, Youth and Social Services.	423	552	129	138	881	743	561	1,433	872	39%
Environment, Water, Energy and Natural Resources	320	334	14	155	817	662	475	1,151	675	41%
County Assembly	897	948	50	167	364	197	1,065	1,312	248	81%
SUB TOTAL	**9,243**	**9,964**	**722**	**2,089**	**6,135**	**4,045**	**11,332**	**16,099**	**4,767**	**70%**

Source: Nakuru County Financial Statement Sept. 2018 (figures in millions)

County Debt Management

The total County debt as at the close of the 2017/2018 fiscal year stood at 2.4 billion. This majorly arose out of accumulation of pending bills from previous years, in addition to realization of contingent liabilities out of Court determinations which contributed to the increment in FY 2017/18. There is however a reduction of pending bills from Kshs 3 billion as reported in 2016/17 to Kshs 2.4 billion due to payments made and the correct categorization of the pending bills as a result of the Audit exercise.

By the end of the FY 2017/18, Kshs 177 million was utilised in repaying debts representing 90% utilization rate. Detailed analysis of County debt is contained in the County Debt Management Strategy Paper 2017 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

Reflecting the above performance in revenue and expenditure, overall fiscal balance on a commitment basis (including FIF) was Kshs 3.8 billion for FY 2017/18 against the revised approved budget of Kshs 16.1. Overall fiscal surplus/Deficit and after adjustment to cash basis totalled (Kshs 908 million). The deficit was financed through the reduction of uncommitted projects with the fiscal balance accounting for the projects rolled over to financial year 2017/18.

B. Fiscal Performance for FY 2017/2018 in Relation to Fiscal Responsibility Principles and Financial Objective in 2018 CFSP

The performance in the FY 2017/18 has affected the financial objectives set out in the March 2018 CFSP and the approved budget for FY 2017/18 in the following ways:

I. The economic assumptions underpinning the 2017/18 budget and medium term reflects the modified own source revenue projection as realistic projections entails a 15 percent growth. This in addition to the fiscal balance of Kshs 3.8 billion as opposed to projected estimates of Kshs 545 million in 2018 CFSP. The trend of actual revenue collection from own sources being 2.0 billion in 2016/17 to 2.2 billion in 2017/18 and a projected revenue of Kshs 2.68 billion in 2018/19. The growth of 15% is expected to hold ceteris paribus.

II. The under execution of the 2017/18 budget on account of development projects has resulted in a backlog while increasing the fiscal responsibility parameter on development to 46% (7.9 billion) for 2018/19 total budget. This may affect the 2018/19 project execution in terms of timeliness in procurement and quality thereon due to the large number of projects to be undertaken.

III. The County continues to pursue a policy of fiscal discipline in order to adhere to the fiscal responsibility principle of maintaining wage at a maximum of 35% as envisaged in PFM regulation 2015. In 2018, the County instituted a staff audit and from its outcome several measures will be adopted aimed at staff rationalization. However other exogenous factors including worker CBAs, salary harmonisation by the Salary and Remuneration Commission (SRC) and Court awards on employee compensations continue to impact negatively on County wage bill in 2017/18 and in years to come.

IV. The County Government was able to reduce the County debt portfolio to Kshs 2.4 billion by close of FY 2017/18 with the debt currently at 16% of the total revenue as envisaged in the PFM Act. The debt level in the medium term will therefore continue to be reduced to manageable levels hence increasing the credit worthiness of County for future debt financing prospects.

- The County's recurrent expenditure for the FY 2016/17 did not exceed the total revenue for the year under review.
- 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 37.8 percent towards development expenditure thereby attaining the minimum 30 percent requirement set out in the PFM Act section 107. There was a slowdown in execution of development budget where 18 percent (approximately Ksh 2.09 billion) of the total capital budget was absorbed in FY2017/18 compared to 63 percent or Ksh 3.6 billion absorbed in FY 2016/17. This can be attributed to the need to audit for ongoing projects and pending bills.

The actual expenditure on compensation to employee rose by 15 percent. However, the total wage bill (salaries and wages) with an allocation of 6.0 billion (38 percent of total revenue) 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 SRC recommendations for job evaluation and court determinations.

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 177 million and will continue to monitor and encourage financial discipline across all departments to stem further accumulation of pending bills by spending units.

Revenue performance in FY 2017/18 achieved 70 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. The economic environment has continued to improve after the uncertainty associated with general elections. Going forward the economic outlook remains favourable despite the portended risks.

A. Recent Economic Development

To foster economic development through the country's development agenda and the long-term development plan; Vision 2030, the President in December outlined the "Big Four" development priority areas for his final term as President. The Big Four will prioritize manufacturing, universal healthcare, affordable housing, food security and social Development.

Agriculture remains the top driver of the county economy as part of "Big Four Agenda" and it together with tourism, real estate, manufacturing and small and medium enterprises accounted for most of economic activities. The Agricultural sectors deals with fisheries, crop, livestock management, production and development activities. Recent development includes the promotion of aquaponics technology for fish farming among the youth in urban areas as an innovative way of promoting integrated fish and vegetable farming. Crop production was affected by infestation of the fall army worm which was put under control by County Department of Agriculture in collaboration with the National State Department of Agriculture with measure including supply of pesticides and training of farmers.

Nakuru County, according to a 2018 study conducted by Institute of Economic Affairs and a World Bank was ranked as the most tax-friendly environment of the six urban areas which include Nairobi, Mombasa, Kiambu, Kisumu and Eldoret by providing sufficient information on its local taxes and levies with the lowest parking fees at Sh100. Further, in Nakuru, the cost of a Single Business Permit for a general merchant shop is Sh4,000, against a mean cost of Sh5,367 among the listed Counties. This is a boost to the County in a bid to attract investors to promote economic activities within the County.

The County is set to benefit from a Ksh. 1 billion grant from World Bank for establishment of Nakuru and Naivasha Municipalities for purposes of promoting "Resilience in urban areas and Kenyan Cities". This is set to boost infrastructural development and service delivery in line with population growth in urban areas. The County will in addition continue to receive grants from development partners including Danida for heath sector and World Bank through KDSP, THS and NARIGP for programme in other sectors This will go a long way in sustaining the County strategic objective of Promotion of health services through investing in quality and accessible health services, civic education and promotion of value addition in agriculture. The assistance comes at a time when the national government allocation to Counties is proposed to be reduced by 9 billion in FY 2018/19.

Macro-Economic Outlook and Policies

Global outlook

Global growth for 2018 and 2019 is projected at 3.9 percent, as forecast in the April 2018 World Economic Outlook (WEO) from the projected 3.7 percent in 2017. While headline numbers suggest a broadly unchanged global outlook relative to the April 2018 WEO, underlying revisions point to differing prospects across economies. The baseline forecast assumes gradually tightening but still favourable financial conditions, with localized pressures based on differences in fundamentals.

The rate of expansion is reported to have peaked in some major economies and growth has become less synchronized. In the United States, near-term momentum is strengthening in line with the recent WEO forecast, with growth projected at 2.9 percent in 2018 and 2.7 percent in 2019. Growth projections have been revised down for the euro area, Japan, and the United Kingdom, reflecting negative surprises to activity in early 2018. Growth in the *Euro area* economy is projected to slow gradually from 2.4 percent in 2017 to 2.2 percent in 2018 and to 1.9 percent in 2019 (a downward revision of 0.2 percentage point for 2018 and 0.1 percentage point for 2019).

Emerging market and developing economies have experienced powerful crosswinds in recent months: rising oil prices, higher yields in the United States, dollar appreciation, trade tensions, and geopolitical conflict. The outlook for regions and individual economies thus varies depending on how these global forces interact with domestic idiosyncratic factors. Financial conditions remain generally supportive of growth, though there has been differentiation across countries based on economic fundamentals and political uncertainty.

Growth in China Africa’s major infrastructure financier is projected to moderate from 6.9 percent in 2017 to 6.6 percent in 2018 and 6.4 percent in 2019, as regulatory tightening of the financial sector takes hold and external demand softens.

The recovery in *Sub-Saharan Africa* is set to continue, supported by the rise in commodity prices. For the region, growth is expected to increase from 2.8 percent in 2017 to 3.4 percent this year, rising further to 3.8 percent in 2019. The upgraded forecast reflects improved prospects for Nigeria's economy. Its growth is set to increase from 0.8 percent in 2017 to 2.1 percent in 2018 and 2.3 percent in 2019 on the back of an improved outlook for oil prices. Despite the weaker-than-expected first quarter outturn in South Africa the economy is expected to recover somewhat over the remainder of 2018 and into 2019 as confidence improvements associated with the new leadership are gradually reflected in strengthening private investment.

According to IMF "World Economic Outlook 2018" Many *emerging market and developing economies* need to enhance resilience through an appropriate mix of fiscal, monetary, exchange rate, and prudential policies to reduce vulnerability to tightening global financial conditions, sharp currency movements, and capital flow reversals. Long-standing advice on the importance of reining in excess credit growth where needed, supporting healthy bank balance sheets, containing maturity and currency mismatches, and maintaining orderly market conditions has become even more relevant in the face of renewed market volatility. With debt levels rising rapidly in both emerging and low-income economies as is the case with Kenya over the past decade, fiscal policy should focus on preserving and rebuilding buffers where needed, through growth-friendly measures that protect the most vulnerable. To raise potential growth and enhance its inclusiveness, structural reforms remain essential to alleviate infrastructure bottlenecks, strengthen the business environment, upgrade human capital, and ensure access to opportunities for all segments.

Domestic Outlook

Recent data signals that the national economy remains on course for a solid third quarter 2018 following the second quarter's likely stronger performance. Business conditions improved in August as reflected by the latest Performance Measure Index reading, which climbed further above the critical threshold separating expansion from contraction in private-sector activity. Economic growth has been buoyed by rising confidence following the end of a protracted election cycle, along with buoyant exports and rising remittances. On 30th August 2018, Kenya's revised Gross Domestic growth of 5.9 percent in 2018/19 and around 7.0 percent in the medium term. This coming from a depressed economic performance of

4.9 percent in 2017/18. The economic significance will be the use of economic indicators for making critical national decisions including allocating the scare resources to the national and county governments, formulation of fiscal policy in addition to gravitating investments towards the Country.

Bank Interest Rate Capping

Kenya's parliament voted to maintain the long-standing interest rate cap on commercial bank lending rates. Since coming into effect in September 2016, the cap has significantly curbed private credit growth. Parliament's decision rejected a bid by the Treasury to scrap or modify the policy, as well as defying calls from the IMF to do so, thus failing to qualifying for a new standby arrangement

Tourism

Nakuru County is set to host the World Tourism Day at Lake Nakuru dabbed "Tourism and Digital transformation" This portends a boost to the county economy while underscoring the county as a preferred destination for tourist with the prospects of revenue generation. This expected to have a multiplier effect on tourism circuits within the County including the scenic Naivasha and Gilgil with increased prospect of bed occupancy and revenue generation to the county government

Inflation

Inflation in Kenya has steadily fallen in the year from April 2017 to date due to the constant rising of food and fuel prices however the recently released figure indicates that inflation 4.08 percent in august 2018 from 4.35 per cent in march 2018 It was the lowest inflation rate since March, mainly due to a fall in prices of food and non-alcoholic beverages. This is set to increase in the near future due to the imposition of 8% VAT on petroleum productions.

The Government of Kenya Finance Act 2018

The Finance Act of 2018 has proposed a raft of measures by virtue of its gazettement. This includes introduction of VAT of 8% on petroleum products, introduction of 1.5% charge on employment income with equivalent contribution from the employers among other measures. The above measures have implications on financial objectives of the County Government due to the cost implications thereon. In the light of the above the County has to make amendments to its operation and institute measure aimed at managing the risk associated with variables underlined including undertaking a Supplementary budget.

B. Medium term fiscal framework

The County has recently completed the preparation the 2nd County Integrated Development Plan 2018-2022 and with the approval of the County assembly it will hence inform budgetary preparation and programming in the ensuing medium term and onwards. This is in addition to providing the detailed proposal for attracting funding to compliment the county efforts in financing its development programmes with the current financing gaps.

The County will continue to pursue its initiative of infrastructural development and improvement through the "BORESHA BARABARA" countywide programme and in the medium the targeted stock pile of machinery is expected to be acquired. This is set to reduce the cost of infrastructural maintenance whilst promoting efficiency

We will continue to pursue prudent fiscal policy to assure economic stability. In addition, our fiscal policy objective will provide an avenue to support economic activity while allowing for implementation of the programmes within sustainable public finances.

With respect to revenue, the County Government hopes to maintain a strong revenue effort at 40 and 60 percent of targeted revenue of Kshs 2.68 billion in the first and second half of fiscal year 2017/18. Measures to achieve this effort include establishment of County Revenue Board for effective administration of local revenue. The County Government will offer tax reliefs incentives; widen the tax base in addition to the implementation of 2018 Finance Bill that will be tabled in the County Assembly. The County Government will review some of its taxes in order to improve compliance levels.

The National Treasury recently engaged Counties in the process of developing project implementation guidelines which when completed will enable the streamlining of project identification, implementation and management. This will complement County efforts aimed at improving project execution, enhancing value for money and ensuring effective stakeholder engagement. This comes at a time when counties are faced with under execution of projects and increased level of pending bills thereon.

Risk to Fiscal Outlook

a) Effect of the Government of Kenya finance Act 2018 on introduction of 8% VAT on petroleum products is set to increase operations cost within the County with increased consumption of power and fuel due to expansion of related infrastructure.

b) Proposed Supplementary budget proposing a reduction of county funding by 9 billion will constrain the fiscal space within the budget estimate this may slow down its development programmes and service delivery.

c) The SRC a constitutionally mandated organ finalised Phase II of salary harmonization for public servants which became effective from July 2018. This together with Court determinations on employee remuneration continue to increase the County's wage bill to undesirable levels while constraining the County in meeting its obligation on service delivery.

d) The proposed implementation of contributory pension scheme by counties for staff devolved from National Government (previously a non contributory scheme pension scheme) poses a risk to the fiscal resposibility principle of 35% on wage bill as its is expected to increase the recurrent expenditure.

e) Increased level of national debt will impact negatively on counties with the proposed austerity measures and crowding out of funds means that less will be available to counties which still have limited prospects of generating own source revenues.

f) The large number of projects rolled over to FY 2018/19 poses implementation and completion risk associated with timeliness procurement and release of funds from National Treasury thereon.

IV. RESOURCE ALLOCATION FRAMEWORK

Medium Term Fiscal Projections

a) Adjustment to 2018/19 Budget

Given the performance in 2017/18 and the updated economic outlook, the risks to the FY 2018/19 budget including the proposed 16% VAT on petroleum products and proposed funding cuts to County Governments will adversely impact the funding of budgetary expenditure. Expenditure pressures with respect to harmonization of phase II salary by SRC, increased fuel and power cost will affect county operations including the roads, health and agriculture sectors which heavily rely on the use of these goods. In addition, implementation pace in the spending units continues to be a source of concern especially with regard to the delayed disbursement of funds from the National treasury. These risks will be monitored closely and the County Government will take appropriate measures in the context of the next Supplementary Budget which will also take in account the CARA expected to be gazetted in future. The gazetted allocation for Nakuru County comprises of Kshs 9.45 billion equitable share, Kshs. 950 million for conditional allocation and 1.38 billion for loans and grants from World Bank.

Adjustments to the 2018/19 budget will take into account actual performance of expenditure so far and absorption capacity in the remainder of the financial year because of the resource constraints, the County Government will rationalize expenditures by cutting those that are non- priority. These may include slowing down or reprioritizing operational expenditures in order for the Government to live within its means. However, the resources earmarked for development purposes will be utilized in the said projects and none will be expended as recurrent utilization of Emergency Funds will be within the criteria specified in the PFM Act and Nakuru County Emergency Fund Regulations.

Salaries and Remunerations Commission (SRC) in accordance with Article 230 of the Constitution will continue to set remuneration structure of state officers and harmonize the salaries of different cadres of county government employees devolved from local authorities and National Government. However, the timing of the above reviews continues to affect the planning of salaries and wages because it is unpredictable.

However, the County Government will bank on the outcome of the staff audit of 2018 of all County employees and skills inventory before making policy decisions and proposing legislation, which establishes new County sector agency with personnel and wage implications.

On the Revenue side, the County treasury is expected to institute corrective measures to reverse the low revenue collections. Options could include changes in strategy including, enhanced compliance audit on highly potential revenue sources, speedy legislation of finance bill 2018 and implementation of collection of other sources of taxes such as liquor, flower cess, royalties, and rental charges.

To manage the overall revenue value chain and ensuring budget implementation as planned all the County treasury will study the monthly revenue reports and utilize the system available to enhance revenue and institute policy changes. Departments collecting revenue (AIA) will be expected to surrender them to the County revenue fund account as soon as possible.

b) Medium-Term Expenditure Framework

Going forward, and in view of the recent devolved functions and limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority sectors. The approved County Integrated Development Plan (2018-2022) and the Annual Development Plan (ADP) will guide development programmes. In the Meantime, resource allocation will be based on strategic objectives outlined in the CFSP and programmes adopted by sector working groups.

The priority social sectors, including Agriculture, infrastructure and ICT, education and health, will continue to receive adequate resources. Both sectors (Roads and health) are already receiving a significant share of resources in the budget and are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in other sectors.

With the County Government’s commitment in improving infrastructure countywide, through the BORESHA BARABARA initiative the share of resources going to priority physical infrastructure sector, such as roads, street lighting, will continue to rise over the medium term. This will help the sector provide reliable access roads, security and boost the 24-hour economy.

The economic sectors including Environment, agriculture and livestock will receive increasing share of resources to ensure sustainable development, boost agricultural productivity with a view to, value addition and overcoming the threat of food security to compliment the big four agenda being championed by the National Government.

The County with respect to project identification has set aside funds to carry out a feasibility study to mitigate loss of funds and undertake viable projects. In this respect the national treasury has development a draft guideline for public investment management to guide counties in project management. This will play a critical role in guiding the County and its stakeholders in as far as project identification and execution in the immediate future.

c) Budget Framework FY 2018/2019

Revenue Projections; the cumulative revenue forecast for FY 2018/19 including appropriation in aids will rise marginally by approximately 5 percent to Ksh 15.18 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 5 percent to Ksh 12.36 billion. Equitable share of revenue continues to constitute the largest share or total county receipts at 65.4 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 this may be attributed to the failure to meet the 2% fiscal share threshold as a component of equitable share of revenue. The County Government will therefore to adopt measures aimed at improving own source revenue to increase its prospect of qualifying for a share of the 2% on fiscal effort 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 2018 are expected to strengthen local revenue performance.

Observing the analysed actual performance in FY 2017/18, County own source of revenues are expected to grow by 15% to Ksh 3 billion in FY 2019/2020 up from 2.6 billion projected in the current FY 2018/2019. Appropriation in aid is expected to level out at Ksh 720 million in FY2019/2020 up from Ksh 685 million projected in the current FY 2018/19 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 2019/2020. In this regard the County Government total expenditure will reach Ksh 15.18 billion in the FY 2019/2020 approximately growth of 34 percent. Compensation to employees will account for 42 percent of the total County budget approximately Ksh 6.3 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 32 percent to 34 percent in FY 2019/2018 excluding balances carried forward. Total County development expenditure will reach Ksh 5.288 billion up from Ksh 5.28 billion in the current FY 2018/2019. Conditional grants will account for Ksh 1.44 billion of the development expenditure needs or 27 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 pursuant to section 110 of the PFM Act 2012.

Reflecting the above medium-term expenditure framework, the expenditure allocations are available in Annexes III to V and provides the tentative projected baseline ceilings for the 2018 MTEF, classified by sectors.

ANNEXES REFERENCES

ANNEX I: County Government of Nakuru Operations FY 2019/2020-2021/2022

No.	REVENUE SOURCE	APPROVED ESTIMATES	CBROP	PROJECTIONS		ANNUAL GROWTH	% GROWTH			% of Total Budget
		2018/2019	2019/2020	2020/2021	2021/2022		2019/2020	2020/2021	2021/2022	
1	Property tax (Plot rent and Land rates	300,980,000	316,029,000	331,830,450	348,421,973	15,049,000	5.0%	5.0%	5.0%	2.08%
2	Trade License	400,000,000	420,000,000	441,000,000	463,050,000	20,000,000	5.0%	5.0%	5.0%	2.77%
3	Market Fees	107,220,000	112,581,000	118,210,050	124,120,553	5,361,000	5.0%	5.0%	5.0%	0.74%
4	Building Approval	120,310,000	126,325,500	132,641,775	139,273,864	6,015,500	5.0%	5.0%	5.0%	0.83%
5	Cess	100,000,000	105,000,000	110,250,000	115,762,500	5,000,000	5.0%	5.0%	5.0%	0.69%
6	Royalties	104,460,000	109,683,000	115,167,150	120,925,508	5,223,000	5.0%	5.0%	5.0%	0.72%
7	Stock/ Slaughter fees	23,000,000	24,150,000	25,357,500	26,625,375	1,150,000	5.0%	5.0%	5.0%	0.16%
8	House Rent	70,000,000	73,500,000	77,175,000	81,033,750	3,500,000	5.0%	5.0%	5.0%	0.48%
9	Advertising	100,000,000	105,000,000	110,250,000	115,762,500	5,000,000	5.0%	5.0%	5.0%	0.69%
10	Parking fees	330,100,000	346,605,000	363,935,250	382,132,013	16,505,000	5.0%	5.0%	5.0%	2.28%
11	Liquor Licensing	72,150,000	75,757,500	79,545,375	83,522,644	3,607,500	5.0%	5.0%	5.0%	0.50%
12	County Park Fees	750,000	787,500	826,875	868,219	37,500	5.0%	5.0%	5.0%	0.01%
13	Water And Sewerage		-	-	-	-				0.00%
14	Health fees and charges	120,350,000	126,367,500	132,685,875	139,320,169	6,017,500	5.0%	5.0%	5.0%	0.83%
15	Other Fees and Charges	150,680,000	158,214,000	166,124,700	174,430,935	7,534,000	5.0%	5.0%	5.0%	1.04%
	Sub Total Local Sources	**2,000,000,000**	**2,100,000,000**	**2,205,000,000**	**2,315,250,000**	**100,000,000**				**13.83%**
16	Facility Improvement Fund	685,000,000	719,250,000	740,827,500	763,052,325	34,250,000	5.0%	3.0%	3.0%	4.7%
	SUB TOTAL (AIA & Local Sources)	**2,685,000,000**	**2,819,250,000**	**2,945,827,500**	**3,078,302,325**	**134,250,000**	**5.0%**	**4.5%**	**4.5%**	**18.6%**
17	Balance in County Revenue Fund	3,845,538,531				(3,845,538,531)	-100.0%			
	Balance in County Local Revenue Account		-			-				
18	Donor Grants (DANIDA)	43,972,213	32,637,938	34,269,834	35,983,326	(11,334,276)	-25.8%	5.0%	5.0%	0.2%
19	Loans and Grants CRA	-	-	-	-	-				
20	Symbiocity Programme		-							
21	Kenya Devolution support program (KDSP)	60,282,958	63,297,106	66,461,961	69,785,059	3,014,148	5.0%	5.0%	5.0%	0.4%

No.	REVENUE SOURCE	APPROVED ESTIMATES	CBROP	PROJECTIONS		ANNUAL GROWTH	% GROWTH			% of Total Budget
		2018/2019	2019/2020	2020/2021	2021/2022		2019/2020	2020/2021	2021/2022	
22	World bank National Agricultural and Rural inclusive growth Projects (NARIGP)	140,435,163	147,456,921	154,829,767	162,571,256	7,021,758	5.0%	5.0%	5.0%	1.0%
23	Agricultural Sector Development Support Projects (ASDSP)		-			-				
24	Conditional Allocation to compensate Forgone user fees	38,723,265	40,659,428	42,692,400	44,827,020	1,936,163	5.0%	5.0%	5.0%	0.3%
25	Conditional Fund -Kenya Urban Support Project (KUSP)	1,084,843,300	1,139,085,465	1,196,039,738	1,255,841,725	54,242,165	5.0%	5.0%	5.0%	7.5%
26	Conditional Fund -Leasing of Medical Equipment	200,000,000	210,000,000	220,500,000	231,525,000	10,000,000	5.0%	5.0%	5.0%	1.4%
27	Conditional Fund -Free Maternal Health		-	-	-	-				
28	Road Maintenance Fuel Levy Fund (RMFLF)	248,847,131	261,289,488	274,353,962	288,071,660	12,442,357	5.0%	5.0%	5.0%	1.7%
29	Conditional Allocation For Level- 5 Hospital	373,872,832	392,566,474	412,194,797	432,804,537	18,693,642	5.0%	5.0%	5.0%	2.6%
30	World Bank THS-UC Conditional allocation	95,036,351	99,788,169	104,777,577	110,016,456	4,751,818	5.0%	5.0%	5.0%	0.7%
31	Conditional Allocation for Rehabilitation of Youth Polytechnics	47,800,000	50,190,000	52,699,500	55,334,475		0.0%	5.0%	5.0%	0.3%
32	C.R.A Equitable Share	9,451,400,000	9,923,970,000	10,420,168,500	10,941,176,925	472,570,000	5.0%	5.0%	5.0%	65.4%
	SUB TOTAL	**15,630,751,744**	**12,360,940,988**	**12,978,988,037**	**13,627,937,439**	**(3,269,810,757)**	**-20.9%**	**5.0%**	**5.0%**	**81.4%**
	GRAND TOTAL	**18,315,751,744**	**15,180,190,988**	**15,924,815,537**	**16,706,239,764**	**(3,135,560,757)**	**-17.1%**	**4.9%**	**4.9%**	**100%**
	Expenditure:									
	Current Expenditure:					-				
	Compensation to Employees	6,165,188,911	6,360,597,500	6,678,627,375	7,012,558,744	195,408,589	3.2%	5.0%	5.0%	41.9%
	Use Of Goods And Services	3,942,014,339	3,309,517,698	3,474,993,583	3,648,743,262	(632,496,641)	-16.0%	5.0%	5.0%	21.8%
	Grants And Other Transfers		-	-	-	-				0.0%
	Other Recurrent	212,697,465	221,389,838	232,459,330	244,082,297	8,692,374	4.1%	5.0%	5.0%	1.5%
	Sub Total:	**10,319,900,715**	**9,891,505,037**	**10,386,080,289**	**10,905,384,303**	**(428,395,678)**	**-4.2%**	**5.0%**	**5.0%**	**65.2%**

No.	REVENUE SOURCE	APPROVED ESTIMATES	CBROP	PROJECTIONS		ANNUAL GROWTH	% GROWTH			% of Total Budget
		2018/2019	2019/2020	2020/2021	2021/2022		2019/2020	2020/2021	2021/2022	
	Capital Expenditure:									0.0%
	Acquisition Of Non-Financial Assets	5,042,845,727	2,452,279,061	2,574,893,014	2,703,637,665	(2,590,566,666)	-51.4%	5.0%	5.0%	16.2%
	Capital Grants To Governmental Agencies	2,760,543,490	2,542,931,890	2,670,078,485	2,803,582,409	(217,611,600)	-7.9%	5.0%	5.0%	16.8%
	Other Development	192,461,812	293,475,000	308,148,750	323,556,188	101,013,188	52.5%	5.0%	5.0%	1.9%
	Sub Total:	**7,995,851,029**	**5,288,685,951**	**5,553,120,249**	**5,830,776,261**	**(2,707,165,078)**	**-33.9%**	**5.0%**	**5.0%**	**34.8%**
	Grand Total:	**18,315,751,744**	**15,180,190,988**	**15,939,200,537**	**16,736,160,564**	**(3,135,560,756)**	**-17.1%**	**5.0%**	**5.0%**	**100.0%**
	DEFICIT/ SURPLUS	0	0							
	PERCENT OF TOTAL BUDGET									
	Current Expenditure:	56%	65.2%	65.2%	65.2%					
	Capital Expenditure:	44%	34.8%	34.8%	34.8%					

ANNEX II: Trend in Growth of Equitable Share of Revenue

EXCHEQUER RECEIPTS TRENDS	ALLOCATION	GROWTH	% GROWTH
2013/2014 (Base Year)	5,936,875,619	5,936,875,619	100%
2014/2015	7,082,152,961	1,145,277,342	19%
2015/2016	8,116,330,943	1,034,177,982	15%
2016/2017	8,757,624,645	641,293,702	8%
2017/2018	9,271,400,000	513,775,355	6%
2018/2019	9,451,400,000	180,000,000	2%
2019/2020 (CBROP 2018 Projected Growth)	9,923,970,000	472,570,000	5%

Annex III: Total Expenditure Sector Ceilings for the Period 2019/2020-2021/2022

	SECTOR		APPROVED ESTIMATES FY 2018/2019	CBROP TOTAL CEILINGS	PROJECTIONS	
				2019/2020	2020/2021	2021/2022
1	Agriculture Rural and Urban Development	**Sub Total**	**2,535,092,456**	**2,211,768,937**	**2,432,945,831**	**2,676,240,414**
		Recurrent Gross	740,214,295	625,451,151	687,996,266	756,795,893
		Development Gross	1,794,878,161	1,586,317,786	1,744,949,564	1,919,444,520
2	Education	**Sub Total**	**1,084,450,359**	**343,978,363**	**378,376,199**	**416,213,819**
		Recurrent Gross	273,950,000	252,184,596	277,403,056	305,143,361
		Development Gross	810,500,359	91,793,767	100,973,143	111,070,458
3	Social Protection, Culture and Recreations	**Sub Total**	**464,506,952**	**390,108,113**	**429,118,924**	**472,030,817**
		Recurrent Gross	345,874,199	343,325,513	377,658,064	415,423,871
		Development Gross	118,632,753	46,782,600	51,460,860	56,606,946
4	Energy, Infrastructure and ICT	**Sub Total**	**2,552,402,023**	**946,386,148**	**1,041,024,763**	**1,145,127,239**
		Recurrent Gross	379,430,954	365,787,873	402,366,661	442,603,327
		Development Gross	2,172,971,069	580,598,275	638,658,102	702,523,912
5	Environment Protection, Water and Natural Resources	**Sub Total**	**1,221,755,178**	**447,701,718**	**492,471,890**	**541,719,079**
		Recurrent Gross	320,310,848	314,967,244	346,463,969	381,110,365
		Development Gross	901,444,329	132,734,474	146,007,921	160,608,714
6	General Economics and Commercial Affairs	**Sub Total**	**537,275,632**	**347,786,282**	**382,564,911**	**420,821,402**
		Recurrent Gross	171,771,365	152,533,676	167,787,044	184,565,748
		Development Gross	365,504,267	195,252,606	214,777,867	236,255,654
7	Health	**Sub Total**	**6,214,866,638**	**5,619,995,728**	**6,181,995,301**	**6,800,194,831**
		Recurrent Gross	5,123,399,206	5,021,443,756	5,523,588,131	6,075,946,944
		Development Gross	1,091,467,432	598,551,972	658,407,169	724,247,886
8	Public Administration and National/ Inter County Relations	**Sub Total**	**3,705,402,506**	**4,872,873,199**	**5,360,160,519**	**5,896,176,571**
		Recurrent Gross	2,964,949,847	2,816,218,727	3,097,840,600	3,407,624,660
		Development Gross	740,452,658	2,056,654,472	2,262,319,919	2,488,551,911
	TOTAL	**Total Recurrent Gross**	**10,319,900,715**	**9,891,912,537**	**10,881,103,790**	**11,969,214,169**
		Total Development Gross	**7,995,851,029**	**5,288,685,951**	**5,817,554,546**	**6,399,310,001**
		GRAND TOTAL	**18,315,751,744**	**15,180,598,488**	**16,698,658,336**	**18,368,524,170**

Annex IV: Total Recurrent Expenditure Ceilings for the Period 2019/2020-2021/2022

VOTE	Source of Funding	APPROVED ESTIMATES	CBROP CEILINGS	PROJECTIONS	
		2018/2019	2019/2020	2020/2021	2021/2022
Office of the Governor and Deputy Governor	**Gross Allocation**	**171,862,840**	**166,271,886**	**182,899,074**	**201,188,982**
	Local Revenue		29,928,939	32,921,833	36,214,017
	CRA Equitable Share		136,342,946	149,977,241	164,974,965
County Treasury	**Gross Allocation**	**974,485,249**	**858,288,114**	**944,116,925**	**1,038,528,618**
	Local Revenue		143,098,381	157,408,220	173,149,042
	Conditional Grant		63,297,106	69,626,816	76,589,498
	CRA Equitable Share		651,892,626	717,081,889	788,790,078
County Public Service Board	**Gross Allocation**	**50,129,192**	**45,602,686**	50,162,955	55,179,251
	Local Revenue		8,208,484	9,029,332	9,932,265
	CRA Equitable Share		37,394,203	41,133,623	45,246,986
Public Service, Training and Devolution	**Gross Allocation**	**768,933,741**	**808,543,288**	**889,397,617**	**978,337,378**
	Local Revenue		145,537,792	160,091,571	176,100,728
	CRA Equitable Share		663,005,496	729,306,046	802,236,650
Health	**Gross Allocation**	**5,123,399,206**	**5,021,443,756**	**5,523,588,131**	**6,075,946,944**
	Local Revenue		736,417,481	810,059,229	891,065,152
	AIA		570,509,625	627,560,588	690,316,646
	Conditional Grant		359,725,902	395,698,492	435,268,341
	CRA Equitable Share		3,354,790,748	3,690,269,822	4,059,296,805
Trade, Industry, Marketing and Tourism	**Gross Allocation**	**171,771,365**	**152,533,676**	**167,787,044**	**184,565,748**
	Local Revenue		27,456,062	30,201,668	33,221,835
	CRA Equitable Share		125,077,614	137,585,376	151,343,913
Infrastructure	**Gross Allocation**	**307,234,933**	**305,659,965**	**336,225,961**	**369,848,558**
	Local Revenue		55,018,794	60,520,673	66,572,740
	CRA Equitable Share		250,641,171	275,705,288	303,275,817
Education, Vocational Training, ICT and E-Government	**Gross Allocation**	**72,196,021**	**312,312,505**	**343,543,755**	**377,898,130**
	Local Revenue		56,216,251	61,837,876	68,021,663
	CRA Equitable Share		256,096,254	281,705,879	309,876,467
Agriculture, Livestock and Fisheries	**Gross Allocation**	**599,957,883**	**492,306,151**	**541,536,766**	**595,690,442**
	Local Revenue		88,615,107	97,476,618	107,224,280
	CRA Equitable Share		403,691,044	444,060,148	488,466,163

VOTE	Source of Funding	APPROVED ESTIMATES	CBROP CEILINGS	PROJECTIONS	
		2018/2019	2019/2020	2020/2021	2021/2022
Lands, Physical Planning and Housing	**Gross Allocation**	**140,256,412**	**133,145,001**	**146,459,501**	**161,105,451**
	Local Revenue		23,966,100	26,362,710	28,998,981
	CRA Equitable Share		109,178,901	120,096,791	132,106,470
Youth, Culture, Sports and Social Services	**Gross Allocation**	**273,950,000**	**343,325,513**	**377,658,064**	**415,423,871**
	Local Revenue		61,798,592	67,978,452	74,776,297
	CRA Equitable Share		281,526,921	309,679,613	340,647,574
Water, Environment, Energy and Natural Resources	**Gross Allocation**	**320,310,848**	**314,967,244**	**346,463,969**	**381,110,365**
	Local Revenue		56,694,104	62,363,514	68,599,866
	CRA Equitable Share		258,273,140	284,100,454	312,510,500
County Assembly	**Gross Allocation**	**999,538,825**	**937,512,754**	**1,031,264,029**	**1,134,390,432**
	Local Revenue		168,752,296	185,627,525	204,190,278
	CRA Equitable Share		768,760,458	845,636,504	930,200,154
SUB TOTAL		**9,974,026,516**	**9,891,912,537**	**10,881,103,790**	**11,969,214,169**

Annex V: Total Development Expenditure Ceilings for the Period 2019/2020-2021/2022

VOTE	Source of Funding	APPROVED ESTIMATES	CBROP CEILINGS	PROJECTIONS	
		2018/2019	2019/2020	2020/2021	2021/2022
Office of the Governor and Deputy Governor	**Gross Allocation**	**103,855,318**	**73,950,991**	**81,346,091**	**89,480,700**
	Local Revenue		13,311,178	14,642,296	16,106,526
	CRA Equitable Share		60,639,813	66,703,794	73,374,174
County Treasury	**Gross Allocation**	**292,730,000**	**1,726,463,596**	**1,899,109,956**	**2,089,020,951**
	Local Revenue		310,763,447	341,839,792	376,023,771
	CRA Equitable Share		1,415,700,149	1,557,270,164	1,712,997,180
County Public Service Board	**Gross Allocation**	**4,405,528**	**909,553**	1,000,508	1,100,559
	Local Revenue		163,719	180,091	198,101
	CRA Equitable Share		745,833	820,417	902,458
Public Service, Training and Devolution	**Gross Allocation**	**52,000,000**	**65,084,202**	**71,592,622**	**78,751,885**
	Local Revenue		11,715,156	12,886,672	14,175,339
	CRA Equitable Share		53,369,046	58,705,950	64,576,545
Health	**Gross Allocation**	**1,091,467,432**	**598,551,972**	**658,407,169**	**724,247,886**
	Local Revenue		6,099,388	6,709,327	7,380,260
	AIA		148,740,375	163,614,413	179,975,854
	Conditional Grant		415,926,106	457,518,717	503,270,588
	CRA Equitable Share		27,786,103	30,564,713	33,621,184
Trade, Industry, Marketing and Tourism	**Gross Allocation**	**365,504,267**	**195,252,606**	**214,777,867**	**236,255,654**
	Local Revenue		35,145,469	38,660,016	42,526,018
	CRA Equitable Share		160,107,137	176,117,851	193,729,636
Infrastructure	**Gross Allocation**	**2,129,971,069**	**529,532,208**	**582,485,429**	**640,733,972**
	Local Revenue		50,523,314	55,575,645	61,133,210
	Conditional Grant		248,847,131	273,731,844	301,105,029
	CRA Equitable Share		230,161,763	253,177,940	278,495,734
Education, Vocational Training, ICT and E-Government	**Gross Allocation**	**853,500,359**	**142,859,833**	**157,145,816**	**172,860,398**
	Local Revenue		16,680,570	18,348,627	20,183,490
	Conditional Grant		50,190,000	55,209,000	60,729,900
	CRA Equitable Share		75,989,263	83,588,189	91,947,008
Agriculture, Livestock and Fisheries	**Gross Allocation**	**444,511,107**	**303,493,228**	**333,842,551**	**367,226,806**
	Local Revenue		28,086,535	30,895,189	33,984,708
	Conditional Grant		147,456,921	162,202,613	178,422,875
	CRA Equitable Share		127,949,772	140,744,749	154,819,224

VOTE	Source of Funding	APPROVED ESTIMATES	CBROP CEILINGS	PROJECTIONS	
		2018/2019	2019/2020	2020/2021	2021/2022
Lands, Physical Planning and Housing	**Gross Allocation**	**1,350,367,055**	**1,282,824,557**	**1,411,107,013**	**1,552,217,714**
	Local Revenue		25,873,037	28,460,340	31,306,374
	Conditional Grant		1,139,085,465	1,252,994,012	1,378,293,413
	CRA Equitable Share		117,866,056	129,652,661	142,617,927
Youth, Culture, Sports and Social Services	**Gross Allocation**	**118,632,753**	**46,782,600**	**51,460,860**	**56,606,946**
	Local Revenue		8,420,868	9,262,955	10,189,250
	CRA Equitable Share		38,361,732	42,197,905	46,417,696
Water, Environment, Energy and Natural Resources	**Gross Allocation**	**901,444,329**	**132,734,474**	**146,007,921**	**160,608,714**
	Local Revenue		23,892,205	26,281,426	28,909,568
	CRA Equitable Share		108,842,269	119,726,496	131,699,145
County Assembly	**Gross Allocation**	**287,461,812**	**190,246,129**	**209,270,742**	**230,197,816**
	Local Revenue		34,244,303	37,668,734	41,435,607
	CRA Equitable Share		156,001,826	171,602,009	188,762,209
SUB TOTAL		**7,995,851,029**	**5,288,685,951**	**5,817,554,546**	**6,399,310,001**

Annex VI: Sector Composition and Sector Working Groups for MTEF Budget 2019/2020-2021/2022

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, Training & Devolution
		County Assembly
Recreation, Culture and Social Protection	Social Protection, Culture and Recreations	Dept. of Culture, Gender, Social Services Dept. of Youth & Sports
Education	Education	Dept. of Education Dept. of Vocational Training
Economic Affairs	Agriculture Rural and Urban Development	Agriculture, Livestock and Fisheries
		Lands physical planning and housing
	General Economics and Commercial Affairs	Trade, Tourism, Industry and Cooperatives
	Energy Infrastructure and ICT	Roads, Public Works and Transport
		ICT and E-Government
Environment Protection	Environment Protection Water and Natural Resources	Water, Environment, Energy 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 2019/2020

	ACTIVITY	RESPONSIBILITY	DEADLINE
1	**Performance Review and Strategic Planning**	**County Treasury**	July-Aug 2018
	1.1 Develop strategic plans	**Departments**	"
	1.2 Prepare Annual Development Plans	"	"
	1.3 Expenditure review	"	"
	1.4 Preparation of Annual Work plans	"	"
2	**Develop and Issue County Budget Guidelines**	**County Treasury**	30th Aug 2018
3	**Annual Development Plan submitted to County Assembly**	**County Treasury**	1st Sept. 2018
4	**Launch of Sector Working Groups**	**County Treasury**	6th Sept. 2018
5	**Determination of Fiscal Framework**	**Macro Working Group**	15th Sept. 2018
	5.1 Estimation of Resource Envelop	**County 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)	"	21st Sept. 2018
	5.5 Submission and approval by County Executive Committee	"	24th Sept. 2018
	5.6 Tabling of CBROP to County Assembly	"	28th Sept. 2018
	5.7 Circulate the Approved CBROP to Accounting Officers.	"	5th Oct. 2018
	5.8 Capacity building for MTEF Programme Based Budget	"	15th-19th Oct 2018
6	**Preparation of County Budget Proposals**	**Line Ministries**	
	6.1 Draft Sector Report	Sector Working Group	26th Oct. 2018
	6.2 Submission of Draft Sector Report to County Treasury	Sector Working Group	31st Oct. 2018
	6.3 Review of the Proposals	Macro Working Group	12th-16th Nov 2018
7	**Stakeholders/Public Participation**	**Treasury/ Departments**	November 2018
8	**The 2018/2019 Supplementary Budget**		
	8.1 Develop and issue guidelines on the 2018/19 Revised Budget	County Treasury	November 2018

	ACTIVITY	RESPONSIBILITY	DEADLINE
9	**Draft Budget Estimates/ County Fiscal Strategy Paper (CFSP)**	**Macro Working Group / Departments**	
	9.1 Draft CFSP	Macro Working Group	31st Jan. 2019
	9.2 Submission of Draft Budget Estimates and Final Sector Reports	Departments	31st Jan. 2019
	9.3 Public Participation for identification of Ward based projects	County Treasury	11th-15th Feb. 2019
	9.4 Submission of CFSP to County Executive Committee for approval	County Treasury	22nd Feb. 2019
	9.5 Submission of CFSP to County Assembly for approval	County Treasury	28th Feb. 2019
	9.6 Submission of Debt Management Strategy to County Assembly for approval	County Treasury	28th Feb. 2019
10	**Preparation and approval of Final Departments' Programme Budgets**		
	10.1 Issue final guidelines on preparation of 2018/19 County Budget	County Treasury	15th March, 2019
	10.2 Submission of Budget proposals to Treasury	Line Departments	25th March, 2019
	10.3 Consolidation of the Draft Budget Estimates	County Treasury	5th April, 2019
	10.4 Submission of Draft Budget Estimates for County Government to County Assembly	County Treasury	30th April, 2019
	10.5 Review of Draft Budget Estimates by Departmental Committee	County Assembly	21st May 2019
	10.6 Report on Draft Budget by Budget and Appropriations Committee (County Assembly)	County Assembly	24th May 2019
	10.6 Preparation of Annual Cashflow	County Treasury	10th-13th June 2019
	10.7 Submission of Annual Cashflow to Controller of Budget	County Treasury	14th June 2019
	10.8 Submission of Appropriation Bill to County Assembly	County Treasury	14th June 2019
	10.9 Resolution of County Assembly on Estimates and Approval	County Treasury	25th June, 2019
	Budget Statement	County Treasury	25th June, 2019
	Appropriation Bill Passed	County Assembly	30th June, 2019