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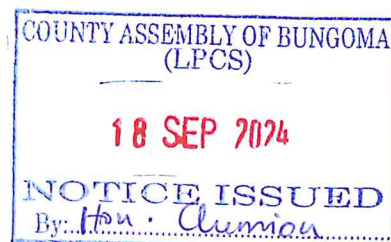
TOURISM, ENVIRONMENT, WATER AND NATURAL RESOURCES
COMMITTEE

ON

THE NZOWASCO DE-CLUSTERING TASK FORCE REPORT

AUGUST, 2024.

Clerks Chambers
County Assembly Buildings
P.O BOX 1886 - 50200
BUNGOMA, KENYA



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To schedule
9/9/24
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TABLE OF CONTENTS

CHAPTER ONE	4
1.0 Preamble	4
1.1 The Mandate of the committee	4
1.2 Committee Membership.....	5
1.3 Terms of reference for the Task Force.....	5
1.4 Acknowledgment.....	6
2.0 CHAPTER TWO.....	7
2.1 NZOWASCO overview	7
2.2 Rational and Justification for De-clustering.....	8
2.3 Appointment of Task Force Members	10
3.0 CHAPTER THREE	11
3.1 NZOWASCO de-clustering task force report key highlights.	11
Vide Gazette Notice No. 2788 dated 3 rd March 2023, the two County Executive Committee Members for Water in Bungoma and Trans Nzoia put in place a De-clustering Taskforce whose objectives was among other TOR's to determine commercial viability of NZOWASCO and advise on a Roadmap of De-clustering.	11
4.0 CHAPTER FOUR.....	14
4.1 The Loans,Cummulative assets and Human Resource with their sharing formulae.	14
The total loans and liabilities are Kshs 8,557,374,270(table 14 page 19 of task force report) shared as Bungoma County Kshs 4,852,419,829 and Trans Nzoia County Kshs 3,648,787,527 plus payroll and KRA deductions of kshs 34,568,807.85 and Kshs 21,598,106.51 respectively not apportioned to either County.	14
4.1.1 The cumulative loan the company owes the lending institution and sharing formulae for the same between Bungoma County and Trans Nzoia County:.....	14
4.1.2 Cumulative assets managed by the Company and the sharing formulae.....	15
4.1.3 NZOWASCO Staff.	20

4.1.4 Below is the sharing of headquarter staff	20
4.1.6 Cumulative Liabilities of the Company and sharing formulae	23
5.0 CHAPTER FIVE	25
5.1 Findings on Finance and Operation turnover	25
6.0 CHAPTER SIX	35
6.1 The Taskforce proposed interventions, its recommendations, Committee recommendations on Taskforce recommendations, Committee observation and Recommendations.	35
6.2 The Task force proposed interventions for Bungoma	35
6.3 The Task force Recommendations.	36
6.4 The Committee recommendations on Task force recommendations.	38
6.5 The Committee Observations in the report	39
6.6 The Committee Recommendations	39
Adoption schedule	40
List of annexure	42
Annex 1. The Task force report on NZOWASCO separation	42

CHAPTER ONE

1.0 Preamble

Mr. Speaker sir, it is my pleasure to present the report on the De-clustering of Nzoia Water Services Company(NZOWASCO) by the Task Force tabled in this House on 2nd July 2024 and committed to the Committee on Tourism, Environment, Water and Natural Resources for review and report to the House.

1.1 The Mandate of the committee

Mr. Speaker Sir, The sectoral Committee on Tourism, Environment, Water and natural resources was constituted pursuant to the provisions of Standing Order No 217(1) of the County Assembly of Bungoma and executes its mandate in accordance with Standing order No 217(5) which provides as follows:

- a) Investigate, inquire and report all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned departments.
- b) Study the programme and policy objectives of departments and the effectiveness of the implementation;
- c) study and review all county legislation referred to it;
- d) study, assess and analyze the relative success of the departments as measured by the results obtained as compared with their stated objectives;
- e) investigate and inquire into all matters relating to the assigned departments as they may deem necessary, and as may be referred to them by the County Assembly;
- f) to vet and report on all appointments where the constitution or any law requires the County Assembly to approve , except those under Standing order 185(Committee on Appointments); and
- g) Make reports and recommendations to the County Assembly as often as possible, including recommendations of proposed legislation.

1.2 Committee Membership

Mr. Speaker Sir, the Committee on Tourism, Environment, Water and Natural Resources comprises of the following Members:-

1. Hon.Edwin Opwora Chairperson
2. Hon.Martin Chemorion Vice Chairperson
3. Hon.Joseph Juma Member
4. Hon.Anthony Luseneka Member
5. Hon.Meshack Simiya Member
6. Hon.Milliah Masungo Member
7. Hon.Sudi Busolo Member
8. Hon.Vitalis Wangila Member
9. Hon.James Mukhomgo Member
10. Hon.Orize Kundu Member
11. Hon.Benard Kikechi Member
12. Hon.George Kwemoi Member
13. Hon. Aggrey Mulongo Member
14. Hon.Benjamin Otsiula Member
15. Hon.Dorcas Ndasaba Member

1.3 Terms of reference for the Task Force.

Mr. Speaker sir, the Task Force undertook the work guided with the following terms of reference.

1. To determine the feasibility of commercial viability of the envisaged water services providers in Bungoma and Trans Nzoia Counties.
2. Advice on the logistical and legal framework, and road map of de-clustering Nzoia Water Services Company .
3. Establish and advise on the current Human Resource Establishment, capacity and appropriateness on available skills and make appropriate recommendations to the respective County Governments.

4. Trace and confirm all assets and liabilities compile an asset register and give a report on proposed sharing of assets and liabilities between Bungoma and Trans Nzoia County Governments .
5. Consider the existing loan obligations to National Treasury, Lake Victoria North Water Works Development Agency (LVNWWDA)-NZOWASCO is to pay and advice appropriately.
6. Advise the County Executive Committee Member (CECM)-Water,Bungoma and Trans Nzoia Counties on any emerging issues incidental to this exercise.
7. Provide regular progress reports and final report to the County Executive Committee Member in Charge of Water Sector both Bungoma and Trans Nzoia Counties.

1.4 Acknowledgment

Mr. Speaker Sir, I would like to thank the Members of Tourism, Environment, Water and Natural Resources Committee for their dedication, commitment, integrity and valuable contributions during interrogation of Task force report and report writing. The Committee is grateful to the Office of the Speaker and that of the Clerk of County Assembly for the support received during the entire report execution exercise.

Signed..........Date.....

Hon. Edwin Opwora

MCA Luhya Bwake Ward

Chairperson,

Sectoral Committee on Tourism, Environment, Water and Natural Resources

2.0 CHAPTER TWO

2.1 NZOWASCO overview

Mr. Speaker Sir,

The County Government of Bungoma and Trans Nzoia based on the schedule IV of the Constitution of Kenya 2010, and the water Act 2016 took over the water and sanitation services provision from the then Lake Victoria North Water Services Board [LVNWSB]. This body has since been transformed to Lake Victoria North Water Works Development Agency [LVNWWDA]. The two [2] Counties set up NZOWASCO to undertake the running, operations and oversight role over Kitale, Bungoma, Chwele, Webuye and Kimilili region's water and sewerage services provision.

NZOWASCO is a clustered water service provider. The Company was initially appointed by LVNWSB as a water service provider under water Act 2002 with a mandate of delivering water and sanitation services within urban rural areas in the counties of Bungoma and Trans Nzoia.

NZOWASCO commenced operations in the year 2004. Its core mandate was to ensure that provision of water and sanitation services continued without interference, ensuring good customer relations, adequate maintenance of assets, and reaching a performance level set by regulator. However, the service provider has had governance issues in the past leading to it being ranked poorly by WASREB.

From the task force report in paragraph 2 on introductory part of the report page one, the Committee noted with concern the governance issues raised by WASREB in management of NZOWASCO that that management was unable to address.

2.2 Rational and Justification for De-clustering

Article 43 [1]d of the Constitution of Kenya 2010 ,provides the rights to access clean and adequate water in adequate quantities .Schedule 4,part 2 ,11[b] of the said Constitution outlines the distribution of functions between the National and County Governments. The Constitution of Kenya [2010] created two levels of Governments; the National Governments and County Governments. According to the fourth schedule on the distribution of functions, consumer protection and national public works. On the other hand, the county governments were assigned to County public works and services including water provision and sanitation.

Prior to the promulgation of the new constitution of Kenya, 2010, the provision for water and sanitation services was being undertaken by the National Government. This was being done through various Water Services Board [WSB] and water services providers [WSP] spreads across the country. The legal framework was mainly anchored in the Water Act of 2002.

Lake Victoria North Water Services Board [LVNWSB] was the board in charge of water and sanitation services provision in the areas currently under the jurisdiction of the County Governments of Bungoma and Trans Nzoia . Subsequently thereafter, the Water Act of 2016 aligned the water sector to the Constitution of Kenya. In addition, the said legislation created a new legal and institutional framework that strengthened regulation on a national level and at the same time transferred a number of executive functions to the County governments. After the enactment of the Water Act of 2016 ,Lake Victoria North Water Services Board [LVNWSB] transformed to the Lake Victoria North Water Works Development Agency [LVNWWDA].

Actual services are offered by Nzoia Water Services Company [NZOWASCO] as the Water Service Provider [WSP]. This is a clustered water services provider in a view of the fact that it is serving both Bungoma and Trans Nzoia counties. It is the responsibility and legal obligations of the County Governments to comply with the constitutional requirement of providing for the residents their right to access clean and adequate water

in adequate quantities. This is pursuant to the provision of article number 43 [1] d of the Constitution of Kenya, 2010.

Indications from the population show that Bungoma and Trans Nzoia Counties have not been able to fulfill the aforesaid mandate effectively. There is evidence from the ground that as currently constituted; NZOWASCO has not been able to perform optimally. This has affected provision of water and sanitation services within both Counties.

In order to fulfill their mandate to the residents as well as comply with provisions of the Constitution of Kenya 2010 as enumerated herein above, the two counties decided to change the manner in which water and sanitation services were being provided . This necessitated a review of the model in which NZOWASCO was operating . It is against the above- highlighted in the background that a proposal for the de-clustering of NZOWASCO was made. This agenda was discussed during the general meeting held on 29th January , 2021 at Sirwo Resort in Trans Nzoia County and approval granted . [Annex 2].

Subsequently , thereafter, a resolution was passed by the board to have the process to de-cluster NZOWASCO be guided by recommendations of a Task Force[TF] . The membership of the Task Force was drawn from the County Governments of Bungoma and Trans Nzoia as well as Lake Victoria North Water Works Development Agency [LVNWWDA] and NZOWASCO .

The committee observed that the quest for de-clustering as indicated paragraph 5 and 6 page 2 of task force report under Background was initiated by the consumers of NZOWASCO services as per the outcome during Annual general meeting held on 29th January 2021 at Sirwo Resort in Trans-Nzoia County supported by annex 2 in the report. The customers realized that NZOWASCO was unable to fulfill its aforesaid mandate effectively. The committee agreed to the population observation on de-clustering that will put in place management framework that understands its mandate is key to realize the dreams of the stakeholders in their prayers during the 2021 annual general meeting.

2.3 Appointment of Task Force Members

The County Governments of Bungoma and Trans Nzoia together with Lake Victoria North Water Works Development Agency [LVNWWDA] and NZOWASCO appointed and gazetted the following members to be members of the NZOWASCO de-clustering task force :

- | | |
|-------------------------------|--------------------------|
| 1 .CPA Stephen Psiwa Cheprot | -Chairman(Trans Nzoia) |
| 2. Ronald Jumbe (KAPAM) | -Vice Chairman (Bungoma) |
| 3. Violet Wafula | -Secretary (Bungoma) |
| 4. Ben Makasi Simiyu(LLB,LLM) | -Member(Trans Nzoia) |
| 5.CPA Anthony Kisaka | - Member (LVNWWDA) |
| 6.Theodora Omunyerere Madara | - Member (NZOWASCO) |
| 7. Mudachi A. Kivaya | -Member (Trans Nzoia) |
| 8. Constantine Chepchumba | -Member (Trans Nzoia) |
| 9. Kennedy Wamalwa | -Member (Bungoma) |
| 10. Phyllis Songoi | -Member (Bungoma) |

The committee was satisfied by the criteria used for the appointment of members to the task force.

3.0 CHAPTER THREE

3.1 NZOWASCO de-clustering task force report key highlights.

Vide Gazette Notice No. 2788 dated 3rd March 2023, the two County Executive Committee Members for Water in Bungoma and Trans Nzoia put in place a De-clustering Taskforce whose objectives was among other TOR's to determine commercial viability of NZOWASCO and advise on a Roadmap of De-clustering.

On 30th December, 2023, the Taskforce completed it's report and submitted to WASREB for concurrence and approval. After careful examination and consideration of the Taskforce Report, on 9th April, 2024, WASREB approved the De-clustering Report with specific Roadmap to be put in place by Bungoma and Trans-Nzoia County to ensure each County has its own Water and Sanitation Company. The De-clustering process was a resolution of AGM on 29th January , 2021 held at Sirwo Resort Trans-Nzoia County.

Following the approval by WASREB ; the Taskforce Report was presented to the full Board meeting of NZOWASCO on 26th April , 2024 and the same was presented to the AGM on 23rd May, 2024 for knowledge ,information and adoption .

Processes and procedures to register Water and Sanitation Company for Bungoma County are on-going ,while Trans-Nzoia County has TRANSWASCO with Board of Directors. In the meantime ,Bungoma County has been allowed by WASREB to continue using NZOWASCO to provide Water and Sanitation services .

Public Participation was carried out to inform the taskforce report that was submitted to WASREB. For avoidance of doubt, Public Participation and stakeholder engagement was held on 15th December , 2023 at Mabanga ATC and Kitale Museum simultaneously .

The Committee noted that the County Executive Committee Member of Water Bungoma and his department was not aggressive enough to match Trans-Nzoia Counterpart in ensuring timely registration of another water company to replace Nzoia Water Services

Company. The Committee had reservation that going by WASREB recommendation that Bungoma continue using NZOWASCO could easily plunge the Company into legal tussles in future for contracts entered by the Company for both Bungoma and Trans-Nzoia.

De-clustering road map

1. Phase one entails the broad resolution to de-cluster NZOWASCO was made during the company's annual general meeting on 29th January 2021 at Sirwo Resort in Trans Nzoia county.
2. Phase Two entailed assessment by task force of the envisaged water service provider-the main job of the task force. The Task force has conducted an assessment and submitted findings and recommendations in line with TORs.
3. The third phase in the de-clustering road map requires approval of the task force report, by relevant stakeholders. These include the stakeholders, NZOWASCO's Board of Directors as well as the respective County Assemblies of Bungoma and Trans Nzoia.
4. Transition and licencing forms the fourth phase of the de-clustering process. Consultations with Company lawyer (s) to review existing Memorandum and Articles of association in order to harmonize in line with the model memorandum and articles of association developed by WASREB.
5. In view of the fact that the issue of water services provision is a constitutional requirement, public participation meeting to be conducted in both Bungoma and Trans Nzoia counties.
6. Registration process of the new companies with the Register of Companies or merger / take over depending on the decision taken by financial owner.
7. Filling of change of Company and or transfer of business at Register of Companies and other public offices.
8. Licensing – Consultation with WASREB and LVNWWDA on cancellation of existing licenses and determination on assets use through new asset arrangement and agreement. In licensing the de-clustered entities, WASREB, the industry regulator, will be guided by the provision of sections 77,85and 86 of the Water Act, No.43 of 2016, among others. Section 77(2) legislatures :”In establishing a

water service provider , a county government shall comply with the standards of commercial viability set out by the Regulatory Board” Section 85(1) provides as follows: ‘A person shall not provide except under a license issued by Regulatory Board ,upon submission of an application and such supporting documents as the board may require”

The committee noted that the 3rd phase that needed the approval of County Assemblies was not seriously observed since the Assemblies recommendations before 1st July 2024 was critical to address some gaps before fully implementing de-clustering.

4.0 CHAPTER FOUR

4.1 The Loans, Cumulative assets and Human Resource with their sharing formulae.

The total loans and liabilities are Kshs 8,557,374,270 (table 14 page 19 of task force report) shared as Bungoma County Kshs 4,852,419,829 and Trans Nzoia County Kshs 3,648,787,527 plus payroll and KRA deductions of kshs 34,568,807.85 and Kshs 21,598,106.51 respectively not apportioned to either County.

Total fixed assets within the jurisdiction of the Company as per table 15 page 20 of Taskforce report was kshs 2,662,180,265.

4.1.1 The cumulative loan the company owes the lending institution and sharing formulae for the same between Bungoma County and Trans Nzoia County:

As at September 2023 during de-clustering report preparation, the company had a total loan of ksh. 4,250,615,275.00 as per the following breakdown.

	Trans-Nzoia	Bungoma	Total
Loans	1,491,500,000	2,759,115,275	4,250,615,275

The breakdown of the above loan is as follows:

KFW, Frankfurt Main loan amounting to EUR 25,000,000 (KSH 3,925,000,000)

Conversion at the current exchange rate of KSH 157 per EURO

- Construction of Kitale water supply (Kapolet) - (EUR 9,500,000 - Kshs. 1,491,500,000) between KFW and Kenya dated 23rd September, 2004.
- Construction of Webuye / Bungoma-Matigi water Supply - (EUR 15,500,000 - Kshs 2,433,500,000) between KFW and Kenya dated 17th, November, 2005.
- World Bank Loan Amounting to Kshs 325,615,275.00 for construction of the Kimilili water supply (Kamtiong)

4.1.2 Cumulative assets managed by the Company and the sharing formulae.

Below is a list of immovable assets owned by NZOWASCO. Note that all Assets were for Lake Victoria North Water Works Development Agency (LVNWWDA)

N o.	Description	Buildings	Furniture	Land	Computer & ICT Equipment	Infrastructu
1.	Head office	11,100,000.00	117,900.00			
2.	Nabuyole Water Treatment Works	26,000,000.00	115,000.00			107,718,800.00
3.	Matisi Water Treatment Plant	21,600,000.00	27,500.00			189,715,200.00
4.	Webuye Sewerage System					120,210,000.00
5.	Kapkateny Water Treatment Works	9,290,000.00	26,550.00			294,788,000.00

6.	Kimilili Treatment Works	27,970,000.00	99,300.00			311,386,000.00
7.	Bungoma Sewerage Plant	17,950,000.00				21,650,000.00
8.	Bungoma Regional Office		65,100.00		77,000.00	
9.	Mabanga Concrete Tank Site			2,150,000.00		
10.	Chesikaki Water Supply System					363,040,500.00
	TOTALS	113,910,000.00	451,350.00	2,150,000.00	77,000.00	1,408,508,500.00

Trans Nzoia Immovable Assets

No.	Description	Buildings	Furniture	Land	Computer and ICT Equipment	Infrastructure
1.	Koitobos (Bidii) Water	1,615,000.00				163,000,000.00

	Supply					
2.	Regional Managers Block	12,270,000.00	170,400.00		208,050.00	
3.	Kitale Sewerage Plant	3,550,000.00				
4.	Waitaluk Water Treatment Plant	31,830,000.00				
5.	Kapolet Water Treatment Plant	47,620,000.00	262,800,000.00	7,800,000.00		498,029,666.00
6.	Machinjoni Sewerage Works		2,800.00			150,500,000.00
7.	Old Nzoia Water Supply System		80,700.00			220,143,999.00
	Totals	96,885,000.00	516,700.00	7,800,000.00	208,050.00	1,031,673,665.00

The Committee noted that for efficient management of asset the taskforce should give value for all assets including land whether owned by the department of water or Lake Victoria North Water Works Development Agency.

Below is a list of movable assets owned by NZOWASCO and sharing (Motor Vehicles & Motor Cycles)

No.	Registration No.	Make/Model	Market Value (Kshs.)	Proposed allocation
1.	KBG 908C	Toyota D/Cabin P/UP	1,020,00	Bungoma
2.	KAT 617X	Nissan S /Cabin Pick UP	580,000	Bungoma
3.	KAZ 912C	Toyota Prado	1,920,000	Trans Nzoia
4.	KBG 912C	Toyota Hillux D /Cabin	1,430,000	Trans Nzoia
5.	KAZ 923L	Toyota Hillux D/ Cabin	870,000	Trans Nzoia
6.	KAZ 029R	Toyota Hillux D/ Cabin	540,000	Bungoma
7.	KBG 916C	S/Cabin		Garage
8.	KAT 619X	Nissan Single		Grounded

		Cabin		
9.	KBN 285W	Nissan Xtrail		Grounded
10.	KBG 915C	S/Cabin		Garage
11.	KAZ 907L	Toyota HilluxD/C abin	640,000	Trans Nzoia
12.	KBG 861R	Toyota Hillux D/Cabin	1,500,000	Trans Nzoia
13.	KBG 479C	Toyota Prado	2,330,000	Bungoma
14.	KCA 035F	Isuzu Water Bowser	6,460,000	Bungoma
15.	KBG 918C	Toyota HilluxS/Cabin	1,220,000	Trans Nzoia
16.	KAZ 055Y	Suzuki TF125- White	60,000	Bungoma
17.	KBG 680C	Yamaha DT125-White	180,000	Trans Nzoia
	Total		18,750,000	

It is important for the Committee to understand all those movable and immovable Assets being utilized by **NZOWASCO** belonged to Lake Victoria North Water Works Development Agency.(LVNWWDA).

The committee further noted that those Vehicles in garage and those grounded had been put in the print media for auction by Lake Victoria North Water Works and Development Authority (LVNWWDA), this was the reason why they were not shared among the two Counties.

4.1.3 NZOWASCO Staff.

The total number of staff was 264 out of which 176 were in Bungoma and 88 in Trans Nzoia .(BUNGOMA -45, Chwele – 34 , Kimilili -27 , Webuye – 34).

It was agreed that all the staff be retained at the existing work station whether in Bungoma or Trans Nzoia . Staff at the headquarters.

The sharing formulae for headquarters staff adopted seniority while also following the ratio of the staff at the regions.

The committee noted that the staff were not fully involved to give preferred County to work although the Taskforce was to consider case by case in compliance to sharing formulae.

4.1.4 Below is the sharing of headquarter staff.

Headquarter Human Resource Staff of Trans Nzoia County

S/NO.	NAME	DESIGNATION
1.	Bilha Nasimiyu Sabwani	Human Resource Officer II
2.	Peter Wasike	Senior Officer ICT

3.	Linda Namegalo Kwabi	Stores Assistant II
4.	Ramadhan Kubende Odhiambo	Head Finance and Accounting
5.	Rosebellah Wamalwa	Finance Officer
6.	Ann Nyongesa	Billing Clerk
7.	Pauline Nyongesa	Billing Clerk
8.	Mercy Sikanga	Assistant I Public Relations
9.	Hudson Makhanu	Head of Technical Services
10.	Godfrey Nyongesa Wamalwa	Assistant Electromechanical
11.	Nelly Ng'eno	Senior Internal Audit
12.	Knight Mutanda	Office Assistant
13.	Andrew Thomas Wafula	Executive Driver

Addendum:

During the AGM, the MD presented a list of five (5) officers who had not been captured by the taskforce due to other acceptable reasons are recommended to be taken up by Trans Nzoia County.

4.1.5 Headquarter Human Resource Staff to Bungoma County

S/NO.	NAME	DESIGNATION
1.	CPA Matthew Maruti Wakhungu	Managing Director
2.	Patricia Okello	Head of Human Resource & Administration Manager
3.	Noel Mmbusa	Executive Secretary
4.	Kevin Simiyu Wanyonyi	Driver II
5.	CHPR Serila Nafula Makali	Senior Human Resource Officer
6.	Ezbon Njuguna Mwangi	Assistant Human Resource
7.	Shanice Jepkemboi	Officer II ICT
8.	Mercy Nasimiyu	Assistant II ICT
9.	Ian Holi Wekesa	Stores Assistant II
10.	Christopher Wanjala	Senior Accounting
11.	Denis Kweyu	Billing Supervisor
12.	Betty Fibanda	Billing Clerk
13.	Hilda Nanjala Ngano	Public Relations Officer
14.	Sheha Nanjala Wanyera	Assistant Head of Technical Service
15.	Ferdinand Wafula	Electro-mechanic

	Khaemba	Supervisor II
16.	Johnson Arwong Nandigisi	Electro-mechanic Supervisor
17.	Collins Anthony Siganga	Snr Off. Research and Development
18.	Caleb Nalianya Wekesa	Audit Assistant
19.	Chrispinus Mumelo Nabangi	Senior Driver
20.	Evans Simiyu	Finance Assistant

4.1.6 Cumulative Liabilities of the Company and sharing formulae

	Trans Nzoia	Bungoma	Total
Loans	1,491,500,000	2,759,115,275	4,250,615,275.00
Levies			
a)LVNWWDA	143,938,215.36	137,536,443.08	281,474,658.44
b)WRA	12,000,000.00	30,956,047.76	46,956,047.76
c)WASREB	35,398,122.40	33,823,761.36	69,221,883.79
d)Counties	9,558,000.00	8,478,174.30	18,036,174.30
	200,894,337.76	210,794,426.00	411,688,764.29
Pensions			
a)LAPROFUND	1,784,855,934.53	1,784,855,934.53	1,784,855,934.53
b)LAPTRUST	61,161,201.00	61,161,201.00	122,322,402.00
	1,846,017,135.53	1,846,017,135.53	3,692,034,271.05
Creditors	45,115,146.29	43,108,612.56	88,223,758.91
Customer Deposits	28,340,564.29	30,304,721.71	58,645,286.00

Payroll deductions			34,568,807.85
KRA deductions			21,598,106.51
Total	3,611,867,184	4,889,340,171	8,557,374,270

The committee noted with great concern that deduction of pensions amounting to 1.9 billion and other payroll and KRA deductions totalling to kshs 56 million are never remitted by management.

Also creditors amounting to kshs 88,223,758.91 have not been paid.

5.0 CHAPTER FIVE

5.1 Findings on Finance and Operation turnover

The total income collected by the company through various collection points for the period ended 30th June 2023 totals **Kshs 362,303,057**(Table 1). The actual billing and

Bank accounts	Bungoma	Trans Nzoia	Cumulative
Equity Bungoma – 048629114825	30,475,088.93	—	30,475,088.93
Equity Operations Kitale-033029337641	—	35,244,887.65	35,244,887.63
Equity Revenue Kitale-033029145916	—	23,073,021.30	23,073,021.30
KCB Bungoma Savings-1135620318	24,398,869.00	—	24,398,869.00
KCB Bungoma Materials-1135620319	1,332,734.00	—	1,332,734.00
MPESA PB 548600	120,003,464.50	127,774,992.00	247,778,456.50
KCB Operations Webuye-1107155924	—	—	—
TOTALS	176,210,156.43	186,092,900.95	362,303,057.38

Non-billing for the period was **Kshs 419,103,618.63** (Table 2 Pg 11 of Taskforce Report.)

Table 2:Revenue collection for the period ending 30th June 2023.

County Allocations			
Items	Bungoma	Trans Nzoia	Cumulative
Revenue Streams (Billings)			
Water sales	156,728,979.83	165,381,652.13	322,110,631.96
Meter rent	9,313,650.00	9,416,600.00	18,730,250.00
Disconnection/Reconnection fees	1,815,051.00	1,372,000.00	3,187,051.00
New Connections-Water	3,740,627.60	2,458,268.40	6,198,896.00
Sewer &Sanitation	24,765,258.32	32,701,462.62	57,466,720.94
Exhauster services	310,000.00	300,000.00	610,000.00
Water Bowser Income	3,411,037.00	651,928.00	4,062,965.00
Meter Replacement fee	81,150.00	—	81,150.000
Illegal consumption penalties	456,000.00	—	456,000.00
Other incomes	4,164,074.24	2,035,879.49	6,199,953.73
TOTAL	204,785,827.99	214,317,790.64	419,103,618.63

According to WASREB revenue collection efficiency is the total revenue collected by a utility expressed as a percentage of the total amount billed. It measures the effectiveness of the revenue management system of a utility. Revenue collected an impact on a utility's ability to fund its O&M. Collection efficiency therefore demonstrates utilities commitment in optimizing the revenue inflow and it also implicit measures of customers' willingness to pay and, satisfaction with service levels .Revenue collection efficiency assessment showed 86% for Bungoma and 87% for Kitale region.

Table 3: Collection Efficiency

Collection Efficiency	Bungoma	Tzans Nzoia	Cumulative
Total Collection	176,210,156.43	186,092,900.95	362,303,057.38
Total Billing/Revenue	204,785,827.99	214,317,790.64	419,105,618.63

Collections Efficiency	86%	87%	86%
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It is a crucial parameter because only the collected revenue provides reliable funding for operations

Expenditures

The breakdown of the expenditures incurred by the company and how it was shared in the region is as shown below.

TABLE 4: Expenditure per region

Cost summary	Bungoma	Trans Nzoia	Cumulative
Staff cost	114,574,182.03	63,055,277.81	177,629,459.84
Board expenses	1,926,096.41	2,004,712.59	3,930,809.00
Office and administration inclusive of levies	37,339,829.42	23,998,782.98	61,338,612.40
Operation and Maintenance	119,170,612.07	50,673,283.75	169,843,895.82
Totals operating expenditures	273,010,719.93	139,732,057.13	412,742,777.06
Staff cost as a % of operating expenditure	42%	45%	43%

Operation and maintenance Coverage

Operation and Maintenance (O&B) Cost Coverage is measure of utility's ability to break even in its operational costs, while relying on internally generated revenue. It measures financial stability and resilience from external shocks. The level of O&M Cost Coverage Directly translated to utilities ability to sufficiently provide services and is linked to operationalizing the water service providers. Assessment of O&M Cost coverage revealed 75% For Bungoma and 153% for Trans Nzoia region. The allocation of the expenditure are specific in each region and the headquarter expenditure is shared on 51% Tran Nzoia r and 49% Bungoma which is the average revenue collected .Table

Operations and Maintenance cost coverage	Bungoma	Trans Nzoia	Cumulative
Total Operating revenues	204,785,827	214,317,790	419,103,618
Total Operating Expenditures	273,010,719	139,732,057.13	412,742,777.06
O&M cost coverage	75%	153%	102%

shows the performance of the company.

Table 5: O and M Cost Coverage

Operation and maintenance cost coverage	Bungoma	Trans Nzoia	Cumulative
Total Operating Revenues	204,785,827.99	214,317,790.64	419,103,618.63
Total Operating Expenditure	273,010,719.93	139,732,057.13	412,742,777.06
O&M Cost Coverage	75%	153%	102%

At over 150% O&M Cost Coverage, a utility is considered to have attained full cost recovery, that is ,it is able to meet O&M costs, service debts and renew its assets .With less than 100%,it becomes a challenge to meet its O&M costs.

Trade Receivables/Debtors

This refers to outstanding customers' bill over a period. The company since incorporation has accumulated arrears whose aging is as tabulated below

Table 6: Receivables

Receivables	2022/23	2021/22	2020/21	2019/20
	Kshs	Kshs	Kshs	Kshs
Bungoma	82,160,307.28	74,605,601.00	66,375,849.00	9,978,094.00
Chwele	22,283,036.66	20,614,735.00	17,769,844.00	4,767,606.00
Kimilili	37,657,702.04	33,939,362.00	31,505,614.00	8,732,679.00
Webuye	52,055,159.48	47,510,404.00	46,628,387.00	6,282,037.00
Sub totals Regions	194,156,205.46	176,670,102.00	162,279,694.00	169,760,396.00
Kitale Region	226,083,389.41	209,642,393.00	192,924,028.00	190,208,304.00
Gross Receivables	420,239,594.87	386,312,495.00	355,203,722.00	359,968,700.00

This is extracted from the audited financial statement from NZOWASCO .The provision for bad and for doubtful debts is at 5% of the outstanding receivables.

It noted that debtors have been growing or increasing implying that effort to offer should be accelerated and ought to be curbed

- Institute a debt recovery framework,
- Increasing collection efficiency to 100%

The committee noted with concern the accuracy of 87% collection efficiency when growth in trade receivables growth as shown in table 6 page 13 of Taskforce report is contradicting the assumption.

Non- Revenue Water

Non- Revenue Water (NRW) refers to the difference between the amount of water put into the distribution system and the amount of water billed or authorised as consumption.

It measures the efficiency of operations by utilities, contributing to the sustainability of the water supply system. The breakdown of NRW as at 30th June 2023 per region as shown below.

Table 7: Non Revenue Water

	Bungoma	Trans Nzoia	Cumulative
Water Demand(M3(LVNWWDA)	30,488,085	18,072,975	48,561,060
Production Volume(m3)	4,446,469	3,742,343	8,188,812
Billed Volume(m3)	2,073,095	2,147,478	4,220,573
Non-Revenue Water(m3)	2,373,374	1,594,865	3,968,239
Non-Revenue Water%	53%	43%	48%

Non-Revenue Water was 28%,18% and 23% (Bungoma ,Trans Nzoia and Overall) above the allowable threshold of 25% prescribed by the guidelines issued by WASREB . Had the NRW been billed at an average rates of Ksh55 per cubic meter applied by the company in the year under view, the company would have generated additional sales totalling Kshs 68,475,622.20 for Bungoma, Kshs 37,049,195.70 for Trans Nzoia and overall kshs 103,588,471.80 which would have improved its profitability and performance. In order to reduce NRW, the following measures are proposed

- I. Ensure that all illegal connections are regularized.
- II. Ensuring that all customers and consumer points are metered 100%
- III. Installation of pressure loggers and GIS systems to ensure timely response to leaks and bursts

- IV. Installation of smart metering technology
- V. Procurement of ERP (Enterprise Resource Planning) systems to technology
- VI. Purchase of NRW management equipment for leak detection.
- VII. Purchase of vehicles and motor bikes to enhance quick response to leak and bursts.

The Committee noted that the taskforce eight proposed measure to address Non Revenue Water are viable although doubted the current management willingness and ability to implement the recommendation.

Water Distribution

Total population in the service area is 911,052 while total population served is 334,078 – Impact report issue no 15. The distribution network averages 559km for Trans Nzoia with water coverage of 35% whereas the distribution network of Bungoma being 512 km with water coverage of 32.25% (Bungoma), 37.5% Webuye, 28.17% Chwele, and 29.2% Kimilili

Water Connections

The number of connections reflects the potential size of a business. The company falls under very large category with over 35,000 connections. An increase in dormant connections is a concern indicating a shrinking business base of the utility, leading to poor quality of service or unsustainability of services. Below is the performance of the company;

Table 8: Customer Connections

Religions	Total Connections	Active	Dormant	% Dormant per Region

Kitale	27,992	17,196	10,796	39%
Webuye	6,207	4,922	1,285	21%
Bungoma	11,383	7,033	4,350	38%
Kimilili	7,677	4,255	3,422	45%
Chwele	4,665	1,385	3,280	70%
Total	57,924	34,208	23,133	40%
%Active/Dormant		59%	41%	

Active connections accounts for 59% whereas inactive contributions 41%. Kitale region has 39% of its connections as dormant while the entire Bungoma region accounts for 61%. In order to control this situation consumer identification exercise/survey need to be conducted after two years to avoid phased- out customer accounts.

Drinking Water Quality

Water quality directly impacts the health of the consumers and communities, making quality water monitoring a critical performance indicator of any water service provider. From the assessment, the company complied with KEBS and WHO. On a monthly/quarterly basis samples were taken for analysis. Compliance with residual chlorine and biological standards was 93% both for Kitale and Bungoma regions. See annex 9

Hours of Supply

According to WASREB, hours of supply refer to the average number of hours per day that a utility provides water to its customers. It measures the continuity of services of a utility and thus the availability of water to the customer. This is an important indicator on quality of service and shows the extent to which the utility is making progress towards achieving the goal of water availability and reliability. WASREB defines water reliability as a minimum service of more than 12 hours a

day. In this Assessment, the hours of supply for Kitale region average 19.8 hours while the entire Bungoma region average 18 hours.

There is need to increase water production through infrastructural investments so as the water supply is 24/7

Region	Bungoma (1/Day)	Trans Nzoia
Design Per Capita	69	59
Actual Per Capita	40	38
Production Per Capita	29	29

Water Production

Table 10. Bungoma County Water production.

S/N O	Water supply scheme	Design capaci ty m3/d ay	Utilize d Capac ity	% Utilizati on	Town served	Sche me type	River abstract ed from
1	Matisi	7,000	5,150	74%	Bungoma	Pumpi ng	Kuywa
2	Nabuyole	7,500	4,400	59%	Webuye	Pumpi ng	Nzoia
3	Kamutiong/Ki milili	5,000	3,500	70%	Kimilili	Gravit y	Kibisi

4	Teremu/KOIC A 1	2,000	1,550	78%	Chwele	Gravit y	Kuywa
5	Kapkateny	5,000	1,600	32%	Chwele	Gravit y	Kuywa
6	Chesikaki	1,050	1,050	26%	Sirisia/Nam wela	Gravit y	Chesikak i
	Total	30,500	17,250	57%			

The Bungoma Town demands stands averagely at 21,500m³/day while that entire county stands at 83,529m³/day

6.0 CHAPTER SIX

6.1 The Taskforce proposed interventions, its recommendations, Committee recommendations on Taskforce recommendations, Committee observation and Recommendations.

6.2 The Task force proposed interventions for Bungoma

1. County government to support the new Water Service Provider (WSPs) in the interim until they are able to sustain their operations
2. Procurement and installation 4 pumps at Matisi treatment plants (2 high lift and 2 low lift)
3. Replacement of all the Asbestos Cement water lines in Bungoma and Webuye
4. Replacement of all vandalised lines due to road works in Bungoma, Webuye, Kimilili and Chwele
5. Augmentation and expansion of Kapkateny plant
6. Rehabilitation of the Kamtiong intake to ensure consistent supply of water during the dry season to avoid interface and conflict with the community
7. Institute measures to collect the arrears and increase revenue collection
8. Installation of gravity mains/distribution networks from Kapkateny Treatment plant to Mabanga, Matisi and Bukembe to supplement Matisi Treatment plant hence reduce power bills
9. Carry out customer identification survey to get rid of illegal connections
10. Put in Non-Revenue Water (NRW) strategies such as metering, installation of pressure loggers, installation of GIS system to ensure timely response to leaks and bursts
11. Institute change management framework with a view to support the proposed Water Service Providers and organization culture
12. Solarisation of Matisi and Nabuyole to cut energy costs
13. Biodiversity conservation of water resources
14. Involvement of local administrations and citizens in mitigation of Non-Revenue Water
15. Sensitization of the public to their role in water resource management

The Committee was in agreement with the taskforce intervention proposal although it observed that the taskforce was not addressing the governance issue raised by WASREB in its report. The management and Board of directors are key in implementing the intervention although as currently constituted, there is no tangible evidence to show commitment to address governance gaps raised by Water Service Regulatory Board (WASREB) and lack of focus to carry out its mandate as observed by the public in the Task force report during the general meeting held on 29th January, 2021 at Sirwo Resort in Trans-Nzoia.

6.3 The Task force Recommendations.

1. NZOWASCO should be de-clustered so that the County Governments of Bungoma and Trans Nzoia can take over the responsibility of water and sanitation services provision to their respective residents
2. The de-clustering process should not be viewed as a mere separation between the County Governments of Bungoma and Trans Nzoia .Instead the process should be seen as aimed at identifying the challenges, shortcomings , and gaps experienced by NZOWASCO and making the envisaged service water providers operate more efficiently
3. There should be minimum disruption in NZOWASCO touching on operations, water service delivery, and staff during the transition to the de-clustering Water Service Providers
4. Existing contracts of employment should be honoured. This includes compliance with the provision with the employment act of 2007 and NZOWASCO's human resource policies and procedure manual,2019
5. There should be no layoff/contract termination as a result of de-clustering
6. Staff in regions –Kitale, Bungoma, Chwele, Webuye, and Kimilili should be retained where they are currently working
7. The staff at the headquarters should be shared proportionately in the two de-clustered WSPs
(annex 11)
8. All outstanding staff salaries to be cleared before de-clustering. All the other statutory deductions such as NSSF, NHIF, bank loan deductions, Trade union

remittances, welfare, and other payroll deductions including KRA should be taken over by respective County WSPs.

9. Any other outstanding liabilities should be shared in the ratio 51% and 49% by Trans Nzoia and Bungoma respectively
10. Pension deductions and arrears are to be aligned and moved with the staff to the respective de-clustered WSPs
11. Assets owned by LVNWWDA at respective regional offices will be utilized in their current locations/regions/stations
12. Utilizations of assets owned by LVNWWDA at head office shall be shared equitably
13. NZOWASCO loans and obligations are tied to particular infrastructural projects. The same should remain within the geographical areas of operations(Annex 12)
14. NZOWASCO has several creditors whose services were procured for various purposes. The creditors should be engaged and an agreement reached which is mutually agreeable. The company should clear all the debts prior to separation
15. The remaining debts can be settled by the de-clustering units. Each County should take up and settle debts incurred towards activities, services and items procured in their respective areas of operations.
16. Where the activities, services, and items procured for the benefit of both counties, the debts should be shared proportionally in the two de-clustered WSPs, depending on the extend of usage.
17. Concerning litigations, court cases where the subject matters is largely confined in Bungoma County should be taken up by their new WSP. Similarly, where the court cases concern issues within the boundaries of Trans Nzoia County, their new WSP should take up matters
18. There is a possibility that some of the creditors may rush to court and stop the de-clustering process until their claims are paid. We advise that NZOWASCO and its shareholders invest money in settling uncontested claims
19. The list of debtors and outstanding amounts, mainly from the water consumers should be between the de-clustered WSPs
20. The two counties to put in place a body to oversee transition.

6.4 The Committee recommendations on Task force recommendations.

Mr. Speaker Sir, the Committee critically analysed the Task force recommendation and agreed/disagreed to the recommendation as follows:

Serial No	Task force recommendation number	Committee recommendation
1	Recommendation One	Agreed to
2	Recommendation Two	Agreed to
3	Recommendation Three	Agreed to
4	Recommendation Four	Agreed to
5	Recommendation Five	Agreed to
6	Recommendation Six	Agreed to
7	Recommendation Seven	Agreed to
8	Recommendation Eight	Not agreed to
9	Recommendation Nine	Agreed to
10	Recommendation Ten	Agreed to
11	Recommendation Eleven	Agreed to
12	Recommendation Twelve	Agreed to
13	Recommendation Thirteen	Agreed to
14	Recommendation Fourteen	Agreed to
15	Recommendation Fifteen	Agreed to
16	Recommendation Sixteen	Agreed to
17	Recommendation Seventeen	Agreed to
18	Recommendation Eighteen	Agreed to
19	Recommendation Nineteen	Agreed to
20	Recommendation Twenty	Agreed to

6.5 The Committee Observations in the report.

The Committee made the following own observation from the report.

1. Bungoma County side Non Revenue Water Stand at 53% meaning water sale is only 47% of water produced coupled with governance issues raised by WASREB rating NZOWASCO poorly. The general public during annual general meeting at Sirwo hotel initiate de-clustering process citing NZOWASCO for lack of understanding its mandate.
2. The management made staff deductions but did not remit the money as follows LAPROFUND Kshs 3,569,711,869.05, LAPTRUST Kshs 122, 322, 402, Payroll deductions Kshs 34,568,807.85.
3. The County Government of Bungoma department of Water and County representative to NZOWASCO Board were slow to register a private water Company for Bungoma County.
4. The composition of NZOWASCO Directors is not complete after de-clustering the number of Directors should be seven (7) but currently they are five (5) .

6.6 The Committee Recommendations.

1. The County Executive Committee Member of Tourism, Environment, Water and natural resources and NZOWASCO Board of Directors should within three Months after adoption of this report initiate a process to restructure top management of NZOWASCO by integrating department of water competent/technical staff into top management with a clear restructuring guidelines to address governance gap raised by WASREB and general public and also address Non Revenue Water menace.
2. The County Executive Committee Member of Tourism, Environment, Water and natural resources and NZOWASCO Board of Directors should within three months after adoption of this report initiate and finalize the process of establishing the causes for non-remittance of staff deductions as per employment

Act section 19(4)(5)(6) and forward the report to the County Assembly of Bungoma.

3. The County Executive Committee Member of Tourism, Environment, Water and natural resources should within three months after adoption of this report finalize the registration of a water service provider for Bungoma County and recruit private Directors.

Adoption schedule

Mr. Speaker sir,

We the undersigned members of the Tourism, Environment, Water and natural Resources Committee append our signatures adopting this report with the contents therein.

No.	Name	Designation	Signature
1.	Hon. Edwin Opwora	Chairperson	
2.	Hon. Martin Chemorion	Vice chairperson	
3.	Hon. Joseph Juma	Member	
4.	Hon. Anthony Luseneka	Member	
5.	Hon. Milliah Masungu	Member	
6.	Hon. Meshack Museveni	Member	
7.	Hon. Vitalis Wangila	Member	
8.	Hon. Sudi Busolo	Member	
9.	Hon James Mukhongo	Member	
10.	Hon. Orize Kundu	Member	
11.	Hon. Benjamin Otsiula	Member	
12.	Hon. Benard Kikechi	Member	
13.	Hon. George Kwemoi	Member	
14.	Hon. Aggrey Mulongo	Member	

15.	Hon. Dorcas Ndasaba	Member	<i>Dorcas</i>
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List of annexure

Annex 1. The Task force report on NZOWASCO separation

Annex 3. Adoption Minutes