

COUNTY ASSEMBLY OF BUNGOMA
(LPCS)

03 NOV 2024

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By: Hon. *James W. K. Kibuka*

RECORDS SECTION
COUNTY ASSEMBLY OF BUNGOMA

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COUNTY GOVERNMENT OF BUNGOMA

COUNTY ASSEMBLY OF BUNGOMA
(LPCS)

03 DEC 2024

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By: Hon. *James W. K. Kibuka*



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COUNTY ASSEMBLY OF BUNGOMA

THIRD ASSEMBLY - THIRD SESSION

BUDGET AND APPROPRIATIONS COMMITTEE

REPORT ON BUNGOMA COUNTY BUDGET REVIEW AND OUTLOOK

PAPER, 2024

Clerk's Chambers
County Assembly Buildings
P.O BOX 1886 - 50200
BUNGOMA, KENYA

November, 2024

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CHAPTER ONE

1.0 PREFACE

Mr. Speaker Sir, on behalf of the members of the Budget and Appropriations Committee, pursuant to Section 118 (3) (a) of Public Finance Management Act 2012 and Standing Order No. 210 of the County Assembly of Bungoma Standing Orders, I hereby present to this House the Committee's report on the Bungoma County Budget Review and Outlook Paper for FY 2024 which was tabled on 30th October, 2024.

1.1 THE MANDATE OF THE COMMITTEE

Mr. Speaker Sir, the Budget and Appropriations Committee is established under Standing Order No. 210 of the County Assembly of Bungoma and is mandated to:

- a) Discuss and review the estimates and make recommendation to the County Assembly;
- b) Examine the County Fiscal Strategy Paper presented to the County Assembly;
- c) Examine the County Debt Management Strategy Paper presented to the County Assembly;
- d) Examine Bills related to the County Budget, including Appropriations Bills; and
- e) Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.

1.2 COMMITTEE MEMBERSHIP

Mr. Speaker Sir, Committee on Budget and Appropriations as currently constituted comprise the following Members;

1. Hon. Jack Wambulwa	Chairperson
2. Hon. Charles Nangulu	Vice Chairperson
3. Hon. Ali Machani	Member
4. Hon. Anthony Lusenaka	Member
5. Hon. Meshack Simiyu	Member
6. Hon. Joan Kirong	Member
7. Hon. Miliah Masungu	Member

8. Hon. Sudi	Busolo	Member
9. Hon. Grace	Sundukwa	Member
10. Hon. Caleb	Wanjala	Member
11. Hon. Polycarp	Kimeta	Member

1.3 Legal Framework

Mr. Speaker Sir,

The County Budget Review Outlook Paper is prepared and submitted pursuant to Section 118 of the Public Finance Management Act 2012 which provides that:

(1) "A County Treasury shall;

(a) prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and

(b) submit the paper to the County Executive Committee by the 30th September of that year.

(2). In preparing its County Budget Review and Outlook Paper, the County Treasury shall specify—

(a) the details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;

(b) the updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;

(c) information on—

i. any changes in the forecasts compared with the County Fiscal Strategy Paper; or

ii. how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and

(d) reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

(3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

(4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—

(a) arrange for the Paper to be laid before the County Assembly; and

(b) as soon as practicable after having done so, publish and publicize the Paper.”

1.4 Objective of the Budget Review and Outlook Paper

Mr. Speaker Sir,

The County Budget Review Outlook Paper 2024 contains the following information:

- a) Specifies the details of the actual fiscal performance in the previous year; FY 2023/24 compared to the budget appropriation for current year; FY 2024/2025.
- b) The updated economic and financial forecasts with sufficient information to show the changes from the forecasts in the most recent County Fiscal Strategy Paper and the upcoming financial year.
- c) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.
- d) Proposed sector/departmental distribution of the budget for the upcoming financial year.
- e) The document provides actual fiscal performance for FY 2023/2024, macro-economic projections and the sector ceilings for the FY 2025/2026 as well as the medium term budget.
- f) In addition, the document equally provides an overview of how the actual performance of the FY2023/2024 affected our compliance with the fiscal

responsibility principles and the financial objectives spelt out in the 2023 County Fiscal Strategy Paper.

1.6 Acknowledgments

Mr. Speaker Sir, The Committee is grateful to the offices of the Speaker and Clerk of the County Assembly for their logistical support that made this exercise a success.

We appreciate the Sector Committees for interrogating the CBROP, 2024 of their respective sectors with the accounting officers and submitting their reports to this committee.

I also appreciate the Honorable Members and the secretariat of the Committee for their commitment and dedicating their time to examine the Bungoma County Budget Review Outlook Paper for Financial Year 2024/2025 and coming up with this report

Mr. Speaker Sir, on behalf of the Budget and Appropriations Committee and pursuant to Standing Orders 232 (5), it is my pleasure duty and privilege to table to the House the report on the County Review Outlook Paper for 2024/ 2025 for consideration and adoption.

Signed:

Signed  **Date.** 3/12/2024

HON. JACK WAMBULWA, MCA; KIMAETI WARD.

CHAIRPERSON BUDGET AND APPROPRIATIONS COMMITTEE

CHAPTER TWO

2.0 REVIEW OF FISCAL PERFORMANCE FOR FY 2023/24

2.1 REVENUES PERFORMANCE

Mr. Speaker Sir,

The total County budget was Kshs.15.24 billion that comprised Kshs. 5.28 billion (35 per cent) for development expenditure and Kshs. 9.96 billion (65 per cent) for recurrent expenditure. The total revenue received including external grants was Kshs. 12.58 billion (82 percent) against a revised target of Kshs. 15.24 billion recording a shortfall of Kshs. 2.67 billion (18 percent).

The table below shows the revenue performance per source and per revenue stream:

County Revenue performance FY 2023/24					
No	Revenue Stream	Actual Amount Received fy 2022/23	Annual Targeted Revenue (Kshs.s.) 2023-24	Actual Revenue (Kshs.s.)	Variance (Kshs.s.) %
		A	B	C	D=C-B E=C/B
1	Total Equitable share	11,811,380,170	11,537,333,905	10,648,375,217	-888,958,688 92%
	Exchequer	10,659,435,192	11,111,983,608	10,223,024,920	-888,958,688 92%
	Equitable share Brought forward.	867,288,525	275,350,297	275,350,297	- 100%
	Retention Brought forward	284,656,453	150,000,000	150,000,000	- 100%
2	Local generated Revenue	379,716,358	868,201,470	443,505,728	-424,695,742 51%
	Land Rates	24,934,080	47,500,495	26,895,628	-20,604,867 57%
	Alcoholic Drinks Licenses	7,269,900	9,595,132	8,347,400	-1,247,732 87%
	Single Business Permits	74,418,765	148,987,640	89,605,670	-59,381,970 60%
	Application Fees	4,530,000	9,926,130	6,273,400	-3,652,730 63%
	Renewal fees	7,158,783	14,357,014	8,759,500	-5,597,514 61%
	Conservancy Fees	12,524,940	25,056,506	15,646,448	-9,410,058 62%
	Fire Fighting	20,644,050	40,520,103	25,012,765	-15,507,338 62%
	Advertisement Fees	23,429,345	42,967,742	26,793,272	-16,174,470 62%
	Food Hygiene Licenses	3,367,390	8,298,352	3,925,950	-4,372,402 47%
	Hire of Machinery		7,983,525	-	-7,983,525 0%
	Car Parking Fees	7,961,599	18,128,873	13,032,610	-5,096,263 72%
	Bodaboda Parking Fees	2,732,592	9,721,785	3,250,000	-6,471,785 33%
	House Rent	8,740,100	20,357,748	8,847,000	-11,510,748 43%
	Plan Approval	8,263,361	22,370,609	8,086,406	-14,284,203 36%
	Inspection Fee	1,524,040	4,852,248	1,636,151	-3,216,097 34%
	Ground Fees	2,700,684	6,238,418	4,131,235	-2,107,183 66%
	Market Fees	26,556,030	76,860,706	36,158,420	-40,702,286 47%
	Enclosed Bus Park Fee	60,145,319	73,666,765	61,018,650	-12,648,115 83%
	Slaughterhouse Fees	2,943,790	6,922,233	3,258,750	-3,663,483 47%
	Cess	53,460,955	56,984,994	26,008,861	-30,976,133 46%
	Market Stalls Rent	1,807,700	2,628,063	2,400,072	-227,991 91%
	Stock Sales	8,753,040	14,645,049	6,150,060	-8,494,989 42%
	Penalties	2,807,175	6,793,200	993,411	-5,799,789 15%
	Consent to charge	-	325,083	109,000	-216,083 34%
	Survey fees	-	908,389	15,500	-892,889 2%
	Audit fees	-	1,196,760	260,540	-936,220 22%
	Payroll product	-	317,420	12,758,282	12,440,862 4019%
	Fisheries	-	13,207,485	151,650	-13,055,835 1%
	30% ATC Mabanga	-	1,090,199	-	-1,090,199 0%
	Salary Recovery	-	4,088,940	129,085	-3,959,855 3%
	Occupation Certificate	-	849,150	258,000	-591,150 30%
	Weights and Measures	-	1,020,233	267,480	-752,753 26%
	Imprest recovery	-	1,132,200	336,169	-796,031 30%
	Physical Planning fees	-	388,722	10,100	-378,622 3%
	Change of User fees	-	112,088	70,530	-41,558 63%
	Sale of Fertilizers	-	112,500,000	-	-112,500,000 0%
	Consolidated AIA	-	55,701,471	18,842,875	-36,858,596 34%
	Other Revenue sources	13,042,720		2,449,525	2,449,525 0%
3	Cess Received in kind			21,615,333	21,615,333 0%
	Aids in Appropriation	775,882,124	1,162,071,383	608,462,813	-553,608,570 52%
	Public Administration		10,000,000	-	-10,000,000
	Tourism, Environment, Forestry, Water and Natural Resources	94,600		0	
	Agriculture, livestock and Cooperative	30,103,077	719,897	719,897	0 100%
	Education, Science and ICT Statistics	0	9,133,220	9,133,220	0 100%
	Health	745,684,447	1,142,218,266	598,609,696	-543,608,570 52%
4	Conditional Grants -Development Partners	593,838,142	866,277,736	755,857,439	-110,420,297 87%
	DANIDA	38,461,876	44,837,065	44,832,806	-4,259 100%
	(ASDSP II)	9,615,952	593,849	1,593,849	1,000,000 268%
	Agriculture: World bank Agricultural and Rural growth (NAVCDP)	369,652,613	121,681,141	66,411,039	-55,270,102 55%
	Livestock Value Chain Support Project		200,000,000	195,112,952	-4,887,048 98%
	(KELCLOP)		35,809,200	-	-35,809,200 0%
	UNICEF	1,571,000	34,500,000	31,650,142	-2,849,858 92%
	County Secretary: K D S P- Level 11	52,805,780	1,571,000	1,571,000	- 100%
	Lands: i) Urban Support Programme (Development)	56,340,254	12,792,823	12,792,823	- 100%
	ii) Urban Support Programme (Recurrent)	3,534,474	-	-	-
	iii) KISP II	30,000,000	82,599,830	70,000,000	-12,599,830 85%
	FLLOCA - Water	22,000,000	11,110,884	11,110,884	- 100%
	Covid 19 Grant	9,856,193			
	Climate change grant	0	320,781,943	320,781,944	1 100%
5	Conditional Grants -National Government	113,228,200	596,742,635	62,500,000	-534,242,635 10%
	Finance and Economic Planning: Equalization Fund	-	58,779,835	-	-58,779,835 0%
	Agriculture: Fertilizer Subsidy Programme	-	242,962,800	-	-242,962,800 0%
	Leasing of medical equipment	110,000,000			
	Fuel Levy Fund	3,228,200			
	Transfer of Library Services	-	-	-	-
	Trade: Aggregated Industrial Park Grant	0	250,000,000	62,500,000	-187,500,000 25%
	ii. REREC	0	45,000,000	-	-45,000,000 0%
6	Funds		213,023,948	56,398,071	-156,625,877 26%
	Trade loan	0	115,679,933	2,182,340	-113,497,593 2%
	Women Fund	0	14,706,343	-	-14,706,343 0%
	Disability Fund	0	8,437,615	-	-8,437,615 0%
	Emergency Fund	0	54,215,731	54,215,731	-

Fuel Levy Fund	3,228,200				
Transfer of Library Services	-	-	-	-	0%
Trade: Aggregated Industrial Park Grant	0	250,000,000	62,500,000	-187,500,000	25%
ii. RREC	0	45,000,000	-	-45,000,000	0%
6 Funds		213,023,948	56,398,071	-156,625,877	26%
Trade loan	0	115,679,933	2,182,340	-113,497,593	2%
Women Fund	0	14,706,343	-	-14,706,343	0%
Disability Fund	0	8,437,615	-	-8,437,615	0%
Emergency Fund	0	54,215,731	54,215,731	-	
Youth Fund	0	19,984,326	-	-19,984,326	0%
Total	13,674,044,994	15,243,651,077	12,575,099,268	-2,668,551,809	12,575,099,268

This committee notes the following on revenue performance:

i. Equitable share

A total of Kshs. 11.11 billion was allocated to the County Government as reflected in the County Allocation of Revenue Act (CARA), 2023, Kshs. 275.35 million as balance brought forward from FY 2022/23. During FY 2023/24, 92 percent of the equitable share was disbursed to the County Government and a balance of Kshs. 888.95 million disbursed in the month of July FY 2024/25

ii. Local Revenue

Collections from the broad tax categories were below their respective targets in the period under review. Single Business Permits shortfall of Kshs. 59.38 million, followed by market fees Kshs. 40.70 million and Cess Kshs. 30.97 million. Sale of Fertilizers of Kshs. 112.5 million and the Hire of Machinery of Kshs. 7.98 million was not realized totally.

iii. Appropriation in Aid

The performance of A-i-A was Kshs. 608.46 million against the target of Kshs. 1.16 billion representing 52 percent achievement. The shortfall of Kshs. 553.61 million was on account of shortfalls recorded from departments of Health and Sanitation of Kshs. 543.61 and Public Service Management and Administration AIA target of Kshs. 10.0 million which was received as Local revenue under Payroll product target which recorded 4,019%. The Department of Health and Sanitation Collected a total of Kshs. 598.61 million which was inclusive of Kshs. 17.55million as Balance Brought Forward from FY 2022/23 recording an achievement of 52%.

Combined ORS and AIA performance

	FY 2020/21Actual ORS/AIA collection Kshs.	FY 2021/22Actual ORS/AIA collection Kshs.	FY 2022/23Actual ORS/AIA collection Kshs.	FY 2023/24Actual ORS/AIA collection Kshs.	FY 2021/22 ORS/AIA growth rate	FY 2022/23 ORS/AIA growth rate	2023/24 ORS/AIA growth
OSR Totals	395,118,238.00	368,035,218.00	379,219,866.00	443,505,728.00	-7%	3%	17%
AIA totals	363,129,898.00	615,261,490.00	648,089,121.00	608,462,813.00	69%	5%	-6%
Totals	758,248,136.00	983,296,708.00	1,027,308,987.00	1,051,968,541.00	30.00%	4.50%	2.40%

From the table, it was noted that;

- Total revenue(ORS and AIA) maintained positive growth throughout
- ORS and AIA growth rates decreased by 6% in FY 2023/24
- There is reduction in the overall growth rate from 30% in FY 2021/22 to 2.4% in 2023/2024

The following Strategies can be explored to guarantee growth in local revenue generation:

- Successful OSR growth strategies should be documented and replicated
- Set minimum growth targets for both revenue categories
- Develop revenue stabilization mechanisms
- Create early warning systems for revenue stream declines
- Future Projections should be based on Current Trends.

iv. Grants

Grants received amounted to Kshs. 818.35 million against a revised target of Kshs. 1.46 billion, translating to a shortfall of Kshs. 644.66 million. Out of these, those from Development Partners amounted to Kshs. 755.85 million (87%) against a target of Kshs. 866.27 million while grants from the National Government received were Kshs. 62.5 million (10%) against the target of Kshs. 596.74 translating to a shortfall of Kshs. 534.24 million.

v. Funds

Funds had a total allocation of Kshs. 213,023,948 out of which Kshs. 56,398,071 was realized and it relates to Kshs. 2.1 million from trade loans and Kshs. 54.2 from emergency fund.

vi. Retention

Retention as a source of fund is not well captured in CBROP 2024 especially in relation to refunds to be made to the retention account in this FY or FY 2025/26

Revenue raising measures and strategic approaches as proposed by County treasury

Mr. Speaker Sir,

The current FY has seen decentralization of revenue collection to the departments and tagging revenue to projects.

All sector committee are required to ensure that the targets set in their respective sectors are achieved, and any challenge should be addressed appropriately. In order to attain the revenue projection, strategic measures have been put in place hence all sector committee should track implementation of the strategies as highlighted below:

- Request for training reports for the revenue collectors
- Request data on specific revenue collection zones
- Monitor revenue collection methods (should be cashless)
- Request for system audit report
- Get a set of weekly reports from accounting officers
- Request minutes of meeting of ward revenue enhancement committee and reports per village
- Request updated registers of revenue streams each quarter
- Check whether PBB and procurement plan shows sources of funds to implement a project/program
- Public administration committee to follow-up on the designated court to handle defaulters.

- Request any flexible payment plan for defaulters
- Request market traders register and list of markets showing those with auction rings and those without.
- Follows up on missing pieces of legislations
- Request on the list and location of slaughterhouses across the county

2.2 Expenditure performance

Mr. Speaker Sir,

The total budget for the FY 2023/24 was Kshs 15.24 billion comprising of Kshs. 5.28 billion Development (35%) and Kshs 9.96 billion recurrent (65%) expenditure. The total revenue received including external grants was Kshs. 12.58 billion (82 percent). The total actual expenditure in the FY 2023/24 was Kshs. 11.96 billion (78.4%) translating to an underspending of Kshs.3.28 billion against the approved budget and Kshs.620 million of funds realized but not spent.

The causes of under-spending include: Delayed disbursement of equitable share, Low local revenue collection and low absorption of development projects funded by grants from development partners due to late disbursement of the funds to the County by the donors.

2.2.1 RECURRENT

The recurrent expenditure was Kshs. 8.84 billion (including Kshs. 1.13 billion spending by County Assembly) against a target of Kshs. 9.96 billion, representing an under-spending of Kshs 1.11 billion (36 percent). The recurrent spending was below target mainly due to unachieved collection of own source revenue and late disbursement of equitable share by the National government and programmes funded grants from development partners. Breakdown of recurrent expenditures is as shown below;

ITEM	FY 2023/2024		Deviation
	Actual	Target	
Compensation of Employees	5,314,268,925	5,860,598,143	-546,329,218

Use of goods and services	2,022,794,948	2,245,110,206	-222,315,258
Transfers to Assembly	1,132,238,116	1,132,238,230	-114
Other grants and transfers	59,794,737	59,794,737	0
Social Security Benefits	46,456,661	155,275,646	-108,818,985
Acquisition of Assets	79,438,378	80,976,496	-1,538,118
Other Payments	192,408,179	425,350,297	-232,942,118
Total	8,847,399,944	9,959,343,755	-1,111,943,811

This committee notes the following:

- Personnel expenditures (less County Assembly) stood at 38% of the approved budget and 49% of the total expenditures.
- The personnel budget had unspent balance of Kshs. 546.3 million but the CBROP did not provide an explanation for the huge balance.
- There is low absorption of social security benefits that had a budget of Kshs. 155.2 million and absorption of Kshs. 46.4 million in the face of pension arrears that stood at Kshs. 565,903,939 in the FY 2023/24.
- Other payments has a total expenditure of Kshs. 192,408,179 which is constant for both in the FY 2022/23 and FY 2023/24.

2.2.2 DEVELOPMENT

Mr. Speaker Sir,

Development expenditure amounted to Kshs. 3.12 billion against a revised target of Kshs. 5.28 billion, being an under expenditure of Kshs. 2.16 billion. This was on account of lower absorption of projects financed by grants which fell short of the revised target by Kshs. 735.32 million and which are mostly disbursed to the County after closure of the Financial Year. The County has continuously not achieved the 30% of the total budget on development as per the law as illustrated below:

FY	Budget Estimates (Kshs.)	Actual Development (Kshs.)	Absorption Rate %
2020/21	14,002,888,409	3,364,982,391	24%
2021/22	14,454,364,384	2,189,989,610	15%
2022/23	14,821,204,142	2,820,520,543	19%
2023/24	15,243,651,078	3,115,544,635	20%
Total	58,522,108,013	11,491,037,179	19.60%

This committee notes that there is no clear information on the unspent balance of Kshs 2.16 billion; how much relates to grants and how much relates to equitable share.

2.3 Fiscal Responsibility Principles in the Public Finance Management Act

The Constitution of Kenya and the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. However the County Government continues to violate the principles as set out in Section 107(2) of PFM Act which states that:

1. Over the medium term, a minimum of 30% of the County Government budget shall be allocated to development expenditure. The development expenditure stood at 20% violating this principle.
2. The County Government will institute measures geared towards lowering expenditure on wages and benefits for public officers so as not to exceed a percentage of the county government revenue as prescribed by the regulations, in this case 35%.The expenditures on personnel stood at 38% and there was a balance unspent of Kshs. 0.54 billion representing another violation of this principle.
3. 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, provided that the National Treasury guarantees the borrowings and Public debt and obligations shall be maintained at a sustainable level as approved

by Parliament (NG) and County Assembly (CG) .The Assembly approved the DMSP to allow the County government borrow funds for development and cash flow management. The Treasury borrowed from commercial banks for cash flow management but no reports were done to the Assembly to ascertain adherence to these principles.

4. Fiscal risks shall be managed prudently. The County Government should develop a very low appetite for the following risks that threaten its existence:
 - High expenditure on wage bill that lowers the ability of the County Governments to meet financial obligations on operations & maintenance and development requirements; and,
 - Underperformance in OSR, which results in unfunded budgets hence accumulation of pending bills.
 - High levels of pending bills that negatively affects effective delivery of services as well as development
5. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, considering any tax reforms that may be made in the future. The inability to achieve set targets both OSR and AIA despites the revenue administration reforms make the County Government score low in this principle.

2.4 PENDING BILLS

Mr. Speaker Sir,

According to Section 94 (1) (a) of the PFM Act, 2012, failure to make any payments as and when due by a state organ or a public entity may be an indicator of a serious material breach, or a persistent material breach of measures established under the Act.

Over the years, the County Government has accumulated pending bills and as at 30th June 2024, the CDAs reported accumulated pending bills amounting to Kshs. 2.12 billion compared to Kshs. 1.95billion declared in the CBROP 2023.

On Statutory Remittances, County Government owe Kshs. 676.2 million to LAPFUND, the LAPTRUST, the CFP and affiliated entities that serve employees of County Governments which have accumulated over the years.

The committee notes the following:

Poor fiscal discipline among County Departments and Agencies (CDAs), characterized by unauthorized expenditures, coupled with inadequate financial and non-financial disclosures in quarterly reports, hinders the County Assembly's ability to exercise effective oversight and make informed decisions. Further compounding this issue, funds allocated for FY 2023/24 activities and projects were diverted to settle unverified pending bills, creating a cycle of new pending bills and compromising planned development initiatives. The impact of this fiscal mismanagement is evident in the planned FY 2024/25 first supplementary budget, where KShs 1.15 billion need to be reallocated to fund projects that were initially budgeted for.

County Departments and Agencies (CDAs) are misinterpreting the 'first charge' principle outlined in the county treasury circulars. They are incorrectly using it to divert funds from approved budget items to settle pending bills, which violates Section 149 of the Public Finance Management Act (PFMA). The 'first charge' concept should guide budget preparation and allocation processes, not justify unauthorized reallocation during budget implementation. The County Assembly and County Executive must heed the County Treasury's advisory by prioritizing allocating funds to existing pending bills before funding new projects.

The undisclosed utilization of KShs 150 million from retention funds has created financial strain, as contractors' retention monies are now classified as pending bills across departments as seen in the Annual Financial statements for the FY 2023/24. This lack of transparency in the use of borrowed retention funds has compromised the county's ability to meet its contractual obligations.

The low absorption on social security benefits with an allocation of Kshs.155 million and absorption of Kshs. 46 million leaves the county with an accumulation of un-paid statutory deductions.

The accumulation of pending bills from unpaid Madaraka Day celebration expenses raises concerns about fiscal responsibility, particularly since the event was successfully

conducted without these expenditures. This situation questions the legitimacy and necessity of creating such financial obligations for the County Government.

CHAPTER THREE

3.0 IMPLEMENTATION OF THE FY 2024/25 BUDGET

Mr. Speaker Sir,

Total revenues for the FY 2024/25 are projected at Kshs. 15.58 billion; own source revenue projected at Kshs. 2.25 billion representing 14 percent of the total revenue. Total expenditure is projected at Kshs. 15.58 billion with recurrent expenditure projected at Kshs. 10.62 billion (68 percent of total county budget), development expenditure are projected at Kshs. 4.96 billion (32 percent of total county budget) while Transfer to the County assembly is projected at Kshs. 1.35 billion (8.6 percent of total county budget).

Total revenues realized amounted to Kshs. 1.93 billion (12.4 percent of total budget) in August 2024 comprising; July exchequer release of Kshs.944.52 million, a total of Kshs. 888.95 million as Equitable Share Balance Brought forward from FY 2023/24 and own source revenue of Kshs. 98.97 million against the target of Kshs. 1.29 billion implying a performance rate of 149.8 percent.

Total expenditure for August 2024 was Kshs. 1.93 billion and was equal to the total revenues received. There are expenditure pressures arising from FY 2023/24 carryovers amounting to Kshs. 1.15 billion which may necessitate revision of the budget to cater for emerging expenditure pressures and revision of the County Allocation of Revenue Act.

To ensure seamless implementation of the FY 2024/25 budget, the County Treasury has embarked on expenditure rationalization by focusing on implementation of ward-based projects and containing of procurement of other departmental projects and non-core items. This is aimed at achieving budget cuts across all departments in Supplementary 1 once the Senate approves revised CARA 2024.

3.1 Medium-Term Fiscal Projections

Mr. Speaker Sir,

The medium-term fiscal projections in the 2024 CBROP have been revised from those of the 2024 County Fiscal Strategy Paper estimates taking into account the fiscal outcome of the FY 2023/24 and the impact of the withdrawal of the Finance Bill, 2024. Over the medium term, the total revenue including A-i-A is projected to rise from Kshs. 15.58 billion in FY 2024/25 to Kshs.15.86 billion in FY 2025/26 and further to Kshs. 16.65 billion in FY 2026/27. Of the total revenue, Own Source revenue is projected to rise from Kshs. 2.03 billion in FY 2024/25 to Kshs. 2.36 billion in FY 2025/26 and further to Kshs. 2.48 billion in FY 2026/2027. The recurrent expenditure will be Kshs. 10.85 billion (68 percent of total budget); development expenditure Kshs. 5.01 billion (32 percent of total budget); transfer to County Assembly Kshs. 1.390 billion and Contingency Fund Kshs. 0.11 billion.

The Medium-Term Fiscal Framework supporting the budget will be anchored on the following assumptions:

- a **Revenue and Tax Reforms:** Revenue performance will be underpinned by the ongoing reforms in revenue administration reforms, which will be geared towards tax base expansion, strengthening compliance and enforcement functions.
- b **Expenditure Rationalization:** The Government will continue to restrict growth in recurrent spending and double its effort in domestic resource mobilization.
- c **Management of pending bills, commitments, and statutory deductions:** All entities are advised to provide a clear disclosure of pending bills, commitments and statutory deductions in arrears while preparing their budget estimates and prioritize them as first charge.
- d **Deficit Financing:** Given the commitment to contain expenditures and revenue recovery measures put in place, fiscal deficit inclusive of grants is projected to decline and this will reduce the pending bills in the CDAs.

Additional austerity measures aimed at reducing Government expenditure

- Use of Public Private Partnerships framework for commercially viable projects
- Roll out an end to-end e-procurement system whose aim is to maximize value for money and increase transparency in procurement.
- Transitioning from cash to accrual basis to improve cash management and enhance financial and fiscal reporting.
- Adopt Zero-Based Budgeting approach in preparing the FY 2025/26 and future budgets. The costing tool has been developed by the National treasury and integrated in the IFMIS budgeting module to support standardized costing in estimating the budget baseline and check consistency with the latest expenditure ceiling to give credible base for preparation of budget estimates

3.2 DEPARTMENTAL CBROP, 2024

3.2.1 AGRICULTURE, LIVESTOCK, FISHERIES IRRIGATION AND COOPERATIVE DEVELOPMENT

Mr. Speaker Sir,

In the FY 2023/24, the total budget allocation for the department was Kshs. 1,223,954,881 broken down as recurrent of Kshs. 369,277,553 and development of Kshs. 854,677,328. The recorded absorption was Kshs. 389,167,441 on recurrent and Kshs. 508,102,188 on development. The grant figure were Kshs. 195,112,952 for NAVCDP and KELCOP Kshs. 31,650,142.

Current year's total allocation is Kshs. 1,061,347,822 The amount includes grants from development partners.

Projected ceiling in the FY 2025/26 is of Kshs. 1,087,881,518.

This committee notes the following from the sector committee report:

- Ward based projects in the department of Livestock, Fisheries and Cooperative development in the previous FY 2023/24 were all complete awaiting payment.
- An over expenditure of Kshs. 19.8M at 105% absorption rate in recurrent was due to the changes made in the 2nd supplementary Budget.
- Revenue realized from fisheries section is very low despite the continued allocations to Chwele fish firm.

- NAVCDP actual allocation of Kshs. 195,112,952 was not spent during the financial year 2023/24
- Livestock Value Chain Support of Kshs. 35,809,200 was never released
- KELCOP with an allocation of Kshs. 31,650,142 was not utilized within the financial year.
- On payment of rent by Shiffa Chicks Limited at the Chwele Poultry slaughter house, the department submitted that the Investor had not been paying rent but recently made a payment of Kshs. 600,000 leaving a balance of KShs. 1.2 M. The committee urged the department to ensure payment of rent is done and the balance cleared and if not take the necessary steps to terminate the Lease Agreement.
- On whether the department spent the FY 2023/2024 allocations to pay pending bills affecting implementation of the planned projects and contravening section PFM Act 149. It was noted that the department spent the FY 2023/2024 allocations to pay pending Bills especially for the Farm Input Support Program (FISP).
- On the unutilized funds of Kshs.77 million; the department submitted that the funds that were unutilized were for payment of salaries for casuals and staff promotions in the department. However the department stated that efforts have been made to pay casuals up to the month of June, 2024 and that the month of July and August 2024 is still pending at the County Treasury.
- On ward based projects implementation status
 - The department submitted that projects in the Cooperative development department are complete and the department of Livestock and Fisheries is at the stage of awarding various projects.
- On the low absorption rate as a department at 73%, the department submitted that it was due grants not received, salaries for casuals and moneys for promotion that were not absorbed and fertilizer grant and subsidy which were not received.
- The budget ceiling of the ALFIC is gradually reducing from a high of Kshs. 1.2 billion in the FY 2023/24 to Kshs. 1.08 billion in the FY 2025/26. This represents

a significant reduction of approximately Kshs. 120 million or a 10% decline in budgetary allocation.

3.2.2 Health and Sanitation

Mr. Speaker Sir,

In the FY 2023/24, the total budget allocation for the department was Kshs. 4,000,381,278 broken down as recurrent of Kshs. 3,742,764,105 and development of Kshs. 257,617,173. The recorded absorption was Kshs. 3,141,068,731 on recurrent and Kshs. 125,805,555 on development. The grant figure was Kshs. 46,408,065 on recurrent and zero on development: UNICEF 1,571,000 and Danida Kshs. 44,837,065.

Current year total allocation is Kshs. 4,442,473,737 with recurrent at Kshs. 4,285,723,684 and development at Kshs. 156,750,053. The amount includes facilities budgets with a total allocation of Kshs. 1,169,247,407 recurrent and zero for development.

Projected ceiling in the FY 2025/26 is of Kshs. 4,553,535,580 broken down as Kshs. 4,338,948,025 recurrent and Kshs. 164,587,557 development. This represents an increase of Kshs. 553.1 million 13.8% in the ceiling compared to FY 2023/24. The allocation for facilities is projected at Kshs. 1,198,478,586. The grant funds are projected at Kshs. 235,669,750 broken as below:

Partner	Amount
Danida	13,698,750.00
UNICEF	1,571,000.00
SHIF Reimbursement	105,600,000.00
UNFPA	7,400,000.00
CHPs	107,400,000.00
Total	235,669,750.00

Trend on Grant support in the department

FINANCIAL YEAR	FY 2017-18	FY 2018-19	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023	FY 2023-2024
Universal Care Grant	160,000,000	115,388,909	198,056,208	38,480,000	52,969,787		
Compensation User Fee Foregone	32,837,307	32,837,307	32,837,307	32,837,307			
Lease Of Medical Equipment	95,744,681	200,000,000	131,914,894	132,021,277	153,297,872	110,000,000	
UNICEF			3,517,500	1,571,000	1,571,000	1,571,000	1,571,000
DANIDA GRANT	34,350,249	41,551,298	66,160,917	25,290,000	19,705,125	28,605,056	44,837,065
Sirisia Hospital Grant			99,999,945				
TOTAL	322,932,237	389,777,514	532,486,771	230,199,584	227,543,784	140,176,056	46,408,065

The Health Sector faces significant financial constraints as grant funding has sharply declined. Major grants have been discontinued, leaving a substantial funding gap that could compromise healthcare service delivery. The total grant support has dropped by 91% from its peak in FY 2019-20 (532.5M) to FY 2023-24 (46.4M), with only DANIDA and UNICEF remaining as consistent funding sources.

Trend in AIA collection

	FY 2020/21 AIA collection Kshs.	FY 2021/22 AIA collection Kshs.	FY 2022/23AIA collection Kshs.	FY 2023/24AIA collection Kshs.	FY 2021/22 AIA growth rate	FY 2022/23 AIA growth rate	FY 2023/24 AIA growth rate
AIA totals	363,129,898.00	615,261,490.00	648,089,121.00	608,462,813.00	69%	5%	-6%

In echoing the Sector Committee views this Committee notes the following:

With a trend shown above and a projection of Kshs. 1.162 billion and Kshs. 1.198 billion in the FY 2024/25 and 2025/26 respectively the Government should revise targets to more realistic levels based on historical performance. The department should state an achievable target.

The grant funding has sharply declined, major grants have been discontinued, and leaving a substantial funding gap that could compromise healthcare service delivery in

the County. The County Government should relook at the funding model of the health department.

The department of Health and Sanitation should initiate and implement the imaging services in the facilities to increase revenue.

The Health and Sanitation department is also advised to fast track registration of members to SHA in a bid to attract funding from the National Government to supplement budget for facilities.

3.2.3 ROADS AND PUBLIC WORKS

Mr. Speaker Sir,

In financial year 2023/24, the Department had an initial allocation of Kshs. 1,396,626,350 in the approved budget, this was reduced to Kshs.1,246,541,914 in the 2nd supplementary budget, broken down as Kshs.113,463,594 recurrent and Kshs.1,133,078,320 development expenditure.

During the period, Kshs. 1,073,219,438 (86%) was received broken down as Kshs. 91,601,016 recurrent and Kshs. 981,618,422 development.

In current financial year 2024/25, the department has a total allocation of Kshs. 1,355,884,291; Kshs. 129,135,678 being recurrent and Kshs. 1,226,748,613 being development.

Fiscal Projections for 2025/2026 department of Roads and Public works has the indicative ceiling at Kshs. 1,389,781,398 with Kshs. 135,592,462 being recurrent and Kshs. 1,254,188,936 being development. This represents a slight decline of Kshs. 6.8 million from the FY 2023/24 and an increase of Kshs. 33.8 million compared to current year's budget. Kshs. 157,522,103 is expected to be funded by Own Source Revenue attributed to the department. This is from enclosed bus park Kshs. 77,350,103, Hire of machines Kshs. 8,382,701, Boda boda parking Kshs. 10,207,874, car parking fees Kshs. 19,035,317 and firefighting Kshs. 42,546,108.

This committee notes the following s captured in the Sector Committee report:

The department has only managed to collect Kshs. 19.1 million of own source revenue out of expected of Kshs. 157.2 million, which is 12% of target hence an early sign of missing out on the target. County treasury should address the following concerns:

- Access to the revenue system to confirm collection and monitor
- Devolve resources for revenue enhancement /enforcement
- Facilitate vehicles to move around to enforce collection
- Revenue collectors not answerable to the department

On the status of project implementation in the current year, the department submitted that award of tender letters will be by mid-December.

3.2.4 EDUCATION AND VOCATIONAL TRAINING CENTRES

Mr. Speaker Sir,

In FY 2023/24, the total resource envelope for the department was Kshs. 1,675,682,113 that comprised; Kshs. 1,215,580,113 allocated to recurrent expenditure and Kshs. 460,102,000 allocated to development expenditure. The total revenue received by the department from exchequer including external grants was Kshs. 1,452,178,187 translating to 87% of its revenue target. The actuals are Kshs. 1,136,025,651 (93%) recurrent and Kshs. 316,152,536 (69%) development. Of these recurrent expenditures, Kshs. 1,091,005,099 relate to wage expenditures. There was an AIA target of Kshs. 9,133,220 which was 100% realized.

In the current FY 2024/25 budget the department has been allocated a total of Kshs. 1,631,681,111 that comprises; Kshs. 1,470,531,111 recurrent and Kshs. 161,150,000 development. A notable change is that Education support scheme with an allocation of Kshs. 225,000,000 has been taken back to recurrent expenditures opposed to the previous financial year where it was a development expenditure. The performance of this budget cannot be ascertained as the first quarter expenditure reports had not been submitted at the time of writing this report.

In FY 2025/26 the indicative ceiling for department is projected at Kshs. 1,672,473,139 with Kshs. 1,512,381,889 being recurrent and Kshs. 160,091,250 development. The department shall fully rely on exchequer release to fund its program.

Funding of Technical and Vocational Education and Training Authority (TVETA)

There was a disclosure in the CBROP that the County is working closely with Technical and Vocational Education and Training Authority (TVETA) on Curriculum development to implement the Akira-ILO (International Labour Organization) Project. This initiative aims to train youth in specific skills to meet the demands of the job market and enhance their employability. ILO will procure tools and equipment for selected Vocational Training Centers, provide capacity building for VTC instructors, and offer internship and job placement opportunities for the County VTC trainees. During interrogation and reporting by the sector Committee, it was startling to discover that the department was not aware of such a program yet it is supposed to be the implementing agency.

3.2.5.1 LANDS & PHYSICAL PLANNING

Mr. Speaker Sir,

In FY 2023/24, the total resource envelope for the department of Lands, Urban & Physical Planning was Kshs. 98,056,672 that comprised; Kshs. 49,096,564 allocated to recurrent expenditure and Kshs. 48,960,108 allocated to development expenditure. The total revenue received by the department from exchequer was Kshs. 59,740,791 translating to 61% of its target. The actuals receipts are Kshs. 37,012,790 (75%) recurrent and Kshs. 22,728,001 (46%) development. Of these recurrent expenditures, Kshs. 20,941,505 relate to wage expenditures. Own source revenue actuals that were attributed to the department are;

Revenue stream	Target	Actual collected	Variance	Percentage
Land Rates	47,500,495	26,895,628	-20,604,867	57%

Plan Approval	22,370,609	8,086,406	-14,284,203	36%
Survey fees	908,389	15,500	-892,889	2%
Physical Planning fees	388,722	10,100	-378,622	3%
Change of User fees	112,088	70,530	-41,558	63%
Total	71,280,303	35,078,164	- 36,202,139	49%

The Department has been allocated a total of Kshs. 180,165,275 in the current financial year. This comprises of Kshs. 53,375,232 recurrent and Kshs. 126,790,043 development. Budget implementation during the first two months of FY 2024/25 has been slow due to the proposed reduction of the County Governments allocation from Kshs. 400.11 billion allocated under DORA, 2024 and this will in turn affect the departmental allocation. Additionally, we expect to see re-voting of funds that remained unspent in the department such as funds meant for purchase of land for tea factory, Ward based project balances and the contracted technical services. This re-voting is also expected to be visible for all unspent development funds for Housing and the Municipalities if the programs are to be completed and pending bills avoided.

In FY 2025/26 the indicative ceiling for department is projected at Kshs. 184,669,407 with Kshs. 56,043,994 being recurrent and Kshs. 128,625,413 development.

41% of the projection (Kshs. 74,844,317) is expected to be funded by own Source revenue attributed to the department. These are; Land rates (Kshs. 49,875,520), Plan approval (Kshs. 23,489,139), Physical planning fees (Ksh. 408,158), change of user fees (Kshs. 117,692) and survey fees (Kshs. 953,808). Considering that in FY 2023/24, the own source revenue performance was 49%, more effort has to be put to reach the targets.

3.2.5.2 HOUSING, URBAN AREAS AND MUNICIPALITIES

Mr. Speaker Sir,

Over the years, financing to Municipal and City Boards have largely relied on support from the World Bank 4-year Kenya Urban Support Programme (KUSP) whose primary objective has been to aid in establishing and enhancing urban institutions and systems to deliver better infrastructure and services in participating counties. A major constraint facing boards of Municipalities and Cities is underfunding due to lack of a criteria to inform the sharing of revenue between Counties and the boards pursuant to the Urban Areas and Cities Act, 2011. This is in spite of the significant contribution by urban areas and cities towards county Own Source Revenues

The County Government through the Department of Lands, Housing, Urban & Physical Planning and Municipalities has secured funding for Phase II of the Kenya Informal Settlement Improvement Programme (KISIP), which is slated to be implemented within the municipalities. The main objective of the initiative is to upgrade informal settlements.

a) Housing

In FY 2023/24, the total resource envelope for the Directorate of Housing was Kshs. 183,111,104 that comprised; Kshs. 31,811,174 allocated to recurrent expenditure and Kshs. 151,299,930 allocated to development expenditure. The total revenue received by the department from exchequer including external grants was Kshs. 179,458,273 translating to 98% of its revenue target. The actual receipts were Kshs. 28,158,343 (89%) recurrent and Kshs. 151,299,930 (100%) development. Of these recurrent expenditures, Kshs. 8,836,574 relate to personnel expenditures. Own source revenue realized that were attributed to the department was House rent which realized Kshs. 8,847,000 (43%) against a target of Kshs. 20,357,748.

The Directorate has been allocated a total of Kshs. 479,955,008 in the current financial year that comprises; Kshs. 52,655,527 recurrent and Kshs. 427,299,481 development. This is Kshs. 297 Million (162%) increase from the previous budget of 2023/2024 of

Kshs. 183,111,104. This is attributed to the directorate anticipating to receive the KISIP II grant of Kshs. 297,400,170.

In FY 2025/26 the indicative ceiling for department is projected at Kshs. 491,953,883 with Kshs. 58,159,436 being recurrent and Kshs. 433,794,447 development. The department is going to heavily rely on exchequer release and grants from external donors to fund most of its program because the only Own Source Revenue attributed to the department is House rent with a projection of Kshs. 21,375,635 (4.4% of total departmental ceiling). Grants expected to be received are from the KISIP grant of Kshs. 297,400,190.

b) Municipality of Bungoma

In FY 2023/24, the total resource envelope for the Municipality of Bungoma was Kshs. 192,125,073 that comprised; Kshs. 23,025,073 allocated to recurrent expenditure and Kshs. 169,100,000 allocated to development expenditure. The total revenue received by the department from exchequer including external grants was Kshs. 80,493,913 translating to 42% of its revenue target. The actuals are Kshs. 20,723,562 (90%) recurrent and Kshs. 59,770,351 (35%) development. Of these recurrent expenditures, Kshs. 11,652,190 relate to wage expenditures. There were no Own Source Revenue attributable to the Municipality.

The Municipality has been allocated a total of Kshs. 155,015,897 in the current financial year that comprises; Kshs. 55,949,973 recurrent and Kshs. 99,065,924 development. While the resource envelop has reduced from the previous financial year allocation of Kshs. 192,125,073, the recurrent component has more than doubled from Kshs. 23 Million to Kshs. 55.9 Million. This attributed to increase in personnel allocation from Kshs. 13 Million to Kshs. 23 Million and the KUSP grant for institutional support of Kshs. 21 Million.

In FY 2025/26 the indicative ceiling for department is projected at Kshs. 158,891,294 with Kshs. 30,183,090 being recurrent and Kshs. 128,708,204 development. The department is going to rely on exchequer release and development partners to fund most of its program as there are no own source revenue attributed to the Municipality. Grants

expected to be received are from the KUSP grant of Kshs. 135,434,139 Kshs. 35,000,000 for recurrent programs and Kshs. 100,434,139 development programs. This shall be shared proportionally with Kimilili Municipality.

c) Municipality Of Kimilili

In FY 2023/24, the total resource envelope for the Municipality of Kimilili was Kshs. 150,700,008 that comprised of Kshs. 29,045,268 allocated to recurrent expenditure and Kshs. 121,654,740 allocated to development expenditure. The total revenue received by the department from exchequer including external grants was Kshs. 65,776,060 translating to 44% of its revenue target. The actuals are Kshs. 27,578,770 (95%) recurrent and Kshs. 38,197,290 (31%) development. Of these recurrent expenditures, Kshs. 13,811,045 relate to wage expenditures. There were no Own Source Revenue attributable to the Municipality.

The Municipality has been allocated a total of Kshs. 100,678,314 in the current financial year that comprises; Kshs. 42,698,217 recurrent and Kshs. 57,980,097 development. There is also a significant drop by over 30% from the previous year's allocation of Kshs. 150 Million while the recurrent increase is also from the KUSP grant.

In FY 2025/26 the indicative ceiling for Municipality is projected at Kshs. 103,195,272 with Kshs. 44,392,356 being recurrent and Kshs. 58,802,915 development.

3.2.6 TRADE ENERGY & INDUSTRIALIZATION

Mr. Speaker Sir,

In FY 2023/24, the total resource envelope for the department Trade, Energy & Industrialization was Kshs. 836,274,599 that comprised; Kshs. 68,931,358 allocated to recurrent expenditure and Kshs. 767,343,241 allocated to development expenditure. The total revenue received by the department from exchequer including external grants was Kshs. 355,721,295 translating to 43% of its revenue target. The actuals are Kshs. 49,257,316 (71%) recurrent and Kshs. 306,463,979 (40%) development. Of these recurrent expenditures, Kshs. 21,260,797 relate to wage expenditures. Own source revenue realized that were attributed to the department are;

Revenue stream	Target	Actual collected	Variance	percentage
Single Business Permits	148,987,640	89,605,670	-59,381,970	60%
Application Fees	9,926,130	6,273,400	-3,652,730	63%
Renewal fees	14,357,014	8,759,500	-5,597,514	61%
Market Fees	76,860,706	36,158,420	-40,702,286	47%
Market Stalls Rent	2,628,063	2,400,072	-227,991	91%
Weights and Measures	1,020,233	267,480	-752,753	26%
Total	253,779,786	143,464,542	- 110,315,244	57%

The Department has been allocated a total of Kshs. 417,032,293 in the current financial year. This comprises Kshs. 88,614,548 recurrent and Kshs. 328,417,644. The overall resource envelop has reduced by over 50% from the Kshs. 836 million in the financial year 2023/24 because of the reduction in funds for Industrial Development which was a one off co-funding grant

The department is going to rely on equitable share and own source revenue to fund its program. Under own Source revenue, the department is projected to collect Kshs. 266,468,776 (62% of its ceiling) from the following revenue streams; single Business permit (Kshs. 156,437,022), Application fees (Kshs. 10,422,437), renewal fees (Kshs. 15,074,865), Market fees (Kshs. 80,703,741), market stall rent (Kshs. 2,759,466) and Weights & measures (Kshs. 1,071,245).

In FY 2025/26 the indicative ceiling for department is projected at Kshs. 427,458,101 with Kshs. 38,065,607 being recurrent and Kshs. 330,894,779 development.

This Committee while considering Sector Committee reports notes the following:

The department submitted that the pending bills for the department were as follows:

Development: **Kshs. 69,182,614** and Recurrent: **Kshs. 13,256,603**

The department has two main grants i.e REREC and CAIP; the two projects are co-funded and on-going. Further, with regard to CAIP, the government had paid 66M.

3.2.7 GENDER AND CULTURE

Mr. Speaker Sir,

In the FY 2023/24, the total budget allocation for the department was Kshs. 124,614,300 broken down as recurrent of Kshs. 83,243,038 and development of Kshs. 40,412,749. The recorded absorption in CBROP was Kshs. 71,77,403 on recurrent and Ksh. 19,695,312 on development.

Current year's total allocation is Kshs. 93,285,018 with Kshs. 5,000,000 for women fund and Kshs. 5,000,000 for disability fund.

Projected ceiling in the FY 2025/26 is Kshs. 95,617,143 with Ksh. 5,125,000 for women fund and Ksh. 5,125,000 for disability fund.

From the Sector Committee report this Committee notes the following:

1. Kshs. 12,000,000 and Kshs. 8,000,000 meant for Women and Disability Funds that was spent on completion of Masinde Muliro Stadium was not reported
2. Kshs. 60.5 million retention money is not part of the pending bill. The pending bill in the department stood at Kshs. 16,251,126.40
3. The department spent most of FY 2023/2024 allocations to pay pending bills as advised by controller of budget
4. Compensation of employees in the month of May and June 2024 was affected by delay in exchequer but it was charged on the current budget. The budget for each month was not provided.

3.2.8 YOUTH AND SPORTS

Mr. Speaker Sir,

In financial year 2023/24, the department had an initial budgetary allocation of Kshs. 124,782,899; this was adjusted upwards to Kshs. 174,475,401 during the 2nd supplementary budget that composed Kshs. 25,491,075 recurrent, Kshs. 29,684,326 Youth Fund and Kshs. 119,300,000 development with an absorption of Kshs. 139,245,182 (80%) comprising Kshs. 117,942,264 toward development projects and Kshs. 21,302,918 towards recurrent expenditure.

In current financial year 2024/25, the department of Youth and Sports has a total allocation of Kshs. 71,824,586; Kshs. 23,007,518 being recurrent and Kshs. 48,817,068 being development. Included in the development amount is Kshs.10 million for Youth fund.

In Financial Year 2025/26 the indicative ceiling for department is projected at Kshs. 73,620,201 with Kshs. 22,362,280 being recurrent and Kshs. 51,257,921 being development.

This Committee also notes the following in relation to Masinde Muliro expenditures:

According to the Financial Statements, a total of Kshs. 120,628,913 was spent on Masinde Muliro stadium during the period from the following sources:

- i. Kshs. 74,677,585 from Masinde Muliro vote,
- ii. Kshs. 20 million from women and disability fund and
- iii. Kshs. 25,951,328 from Youth Empowerment Fund.

According to submission from the department, Kshs. 111,606,788 from the following sources:

- i. Masinde Muliro vote Kshs. 56,744,155
- ii. Youth Empowerment fund Kshs. 25,951,328
- iii. Economic items Kshs. 8,911,304.75
- iv. Women and disability funds Kshs. 20 million

The department is required to collect money from hire of the Masinde Muliro stadium to finance part of its budget; however the figure has not been given in the report.

From the Sector Committee report this Committee notes the following:

- Money collected during Madaraka day was utilized to pay expenses of the exercise as opposed to depositing in the CRF account. No report provided on how much was realized.
- There is No policy in place to operationalize the incomplete Masinde Muliro.
- Status of implementation of high altitude is 85% complete
- Re-voting of unspent money in the 1st supplementary budget required are:
 - a. Kshs 8.1 million for high altitude
 - b. Sports and talent Kshs. 21 million

3.2.9 TOURISM, ENVIRONMENT WATER AND NATURAL RESOURCES

Mr. Speaker Sir,

In the FY 2023/24, the total budget allocation for the department of Tourism and Environment was Kshs. 778,717,153 broken down as recurrent of Kshs. 377,935 and development of Kshs. 400,781,943. The recorded absorption was Kshs. 358,373,688 on recurrent and Kshs. 28,699,454 on development. The Climate grant figure was Kshs. 320,781,944 and FLLOCA Kshs. 11,110,884.

In the FY 2023/24, the total budget allocation for the department of Water and Natural Resources was Kshs. 271,247,394 broken down as recurrent of Kshs. 63,605,249 and development of Kshs. 207,642,145. The recorded absorption was Kshs. 55,006,202 on recurrent and Kshs. 192,345,277 on development.

Current year's budget allocation for Tourism and Environment is Kshs. 639,755,502 including climate change grant and for Water and Natural resources is Kshs. 756,403,380 including KOICA.

Projections for FY2025/2026 for Tourism and Environment is Kshs. 655,749,390 and for Water and Natural resources is Kshs. 775,313,465 including the grants.

This Committee notes from the submitted Sector committee report that:

- Low absorption rate in FY 2023/24 for the department of Tourism, Environment and Climate change at 50%. The under expenditure in the department was occasioned by the delay in disbursement from the national treasury of the climate change resilience grant of Kshs. 320,781,944 this lead to delay in procurement of the climate action projects

- Water and Natural resource absorbed 91% of its budget. The department carried out the project procurement in good time and 90% of the projects were completed, inspected and paid
- Revenue realized from conservancy fees was Kshs. 15,646,848 at 62%.
- Climate Change grant allocation of Kshs. 320, 781,944 was disbursed late and the department never utilized the same within the financial year.

3.2.10 FINANCE AND ECONOMIC PLANNING

Mr. Speaker Sir,

In financial year 2023/24, the Department had an initial allocation of Kshs. 1,263,723,407 in the approved budget, this was enhanced to Kshs. 1,520,256,593 in the supplementary budget, distribute as Kshs. 1,174,255,850 recurrent and Kshs. 336,594,760 development expenditure.

During the period, Kshs. 1, 228,500,083 was received which is 81% of budget. Kshs. 1,122,628,732 being recurrent and Kshs. 105, 871,352 development.

In current financial year 2024/25, the department has a total allocation of Kshs. 1,295,089,288; Kshs. 1,139,370,339 being recurrent and Kshs. 155,718,949 being development.

In financial year 2025/26, the department has been allocated a tentative ceiling of Kshs. 1,209,552,685 against Kshs. 1, 295,089,288 allocated current financial year translating to a reduction of Kshs. 85.5 million. Kshs. 1,046,047,788 has been allocated to recurrent and Kshs. 163,504,898 to development expenditure.

3.2.11 PUBLIC ADMINISTRATION

Mr. Speaker Sir,

In the FY 2023/24, the total budget allocation for the department was Kshs. 892,957,337 comprising; recurrent allocation of Kshs. 860,244,097 and development allocation of Kshs. 32,713,240. The absorption on recurrent was Kshs. 632,279,322 (73%) leaving a balance of Kshs. 227,964,774 and Kshs. 29,256,163 (89%) on development budget leaving a balance of Kshs. 3,457,077. Overall absorption on the Kshs. 892.9 million budget was Kshs. 661,535,485 (74%) leaving a balance of 231,421,852.

Current year total allocation is Kshs. 629,975,388 with recurrent at Kshs. 615,784,296 and development at Kshs. 14,191,092. The budget includes Kshs. 8,265,906 for sub-county administration.

This is projected over the medium term to reduce to Kshs. 617,537,273 i.e. Kshs 602,636,626 for recurrent allocation and development allocation of Kshs. 14,900,647. The amount includes Kshs. 8,472,553 for sub-county administration. Reduction in projected ceiling is majorly due to reallocation of salaries for sub-county and village administrators to Governor's office and reduction of the medical insurance allocation from Kshs. 250million to Kshs. 210million. The FY 2025/26 will also have no consideration for public participation and allocation for service delivery & organization transformation.

a) County Secretary and County Attorney

The total budget allocation for FY 2023/24 for the department was Kshs. 46,658,543 and absorption of Kshs. 31,089,344 (67%); recurrent budget was Kshs. 31,089,344 and absorption of Kshs. 31,089,344(100%) and development with a budget of 12,792,823 with zero absorption.

Current year total allocation is Kshs. 83,700,849 for recurrent expenditures and zero on development. The breakdown is CS office Kshs. 21,699,996, HR management Kshs. 6 million, Records Kshs. 5 million, County Attorney Kshs. 41,000,852 and ICT Kshs. 10 million. This is projected over the medium term to rise to Kshs. 113,980,869 in the FY 2025/26 for recurrent expenditures.

Notably is the lack of allocation towards ICT infrastructure both in the current year and in the medium term yet in the foreword by the CECM Finance states that in the FY 2025/26 budget, all the spending units are expected to lay emphasis on the priority programmes that are in the CIDP III and in line with the National Government Bottom-Up Economic Transformation Agenda (BETA) of the MTP IV including Digital Superhighway and Creative Industry.

b) GOVERNOR AND DEPUTY GOVERNOR OFFICE

The total budget allocation for the office was Kshs. 453,731,698 for recurrent expenditures that recorded absorption of Kshs. 438,838,090 in the FY 2023/2024. The ceiling rose to Kshs. 723,658,698 and projected to Kshs. 741,750,158 in the FY 2024/25.

The increase was occasioned by the movement of personnel of the sub-county administrators, ward administrators and village administrators from Public administration's allocations as per the CRA recommendations.

c) Deputy Governor's

The office had an allocation of Kshs. 27,336,583 and expenditure of Kshs. 21,808,747 (80%) and a current allocation is Kshs. 38,642,390 and a projection of Kshs. 39,608,450 in the FY 2025/26.

3.2.12.1 COUNTY PUBLIC SERVICE BOARD

Mr. Speaker Sir,

The total budget allocation for the board was Kshs. 62,852,554; Kshs. 48,352,553 for recurrent expenditures and Kshs. 14.5 million for development. The expenditure recorded were Kshs. 41,465,711 on recurrent and zero on development.

The current year allocation is Kshs. 65,928,430 comprising; recurrent Kshs. 49,910,124 and development of Kshs. 16,018,306 million and projected allocation of Kshs. 67,576,642 in the FY 2025/26 with a recurrent budget of Kshs. 50,757,420 and development of Kshs. 16,018,306

This Committee notes that the unspent balance on development of Kshs. 14.5 million should be re-voted in the 1st supplementary budget FY 2024/25 to allow completion and payment of the implemented projects.

3.2.12.2 COUNTY ASSEMBLY

Mr. Speaker Sir,

The total County Assembly budget was Kshs. 1,283,975,880 that comprised Kshs. 151,737,650 (35%) for development expenditure and Kshs. 1,132,238,230 (65%) for recurrent expenditure. The total revenue received was Kshs. 1,225,278,231 (91.4%) against a revised target of Kshs. 1,283,975,880 recording a shortfall of Kshs. 58,787,421 (8.5%).

The total amount received and expended in the FY 2023/24 was Kshs. 1,132,238,116 on recurrent and Kshs. 93,010,115 on development leaving a balance of Kshs. 29,866 and Kshs. 58,727,535 respectively.

The current year allocation is Kshs. 1,356,950,433: recurrent Kshs 1,166,950,433 and development Kshs. 190million

The allocation is projected at Kshs. 1,424,797: recurrent Kshs. 1,225,297,955 and development Kshs. 199,500,000.

This committee notes that the unspent balance on development of Kshs. 58,727,535 should be re-voted in the 1st supplementary budget FY 2024/25 to allow completion and payment of the implemented projects.

CHAPTER FOUR

4.0 COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

4.1 COMMITTEE OBSERVATIONS

Mr. Speaker Sir, this Committee's observations are as follows;

- I. Commissions as a revenue stream under Public Administration department of Kshs 10 million was initially capture under AIA but reported under OSR same to in Agriculture, Livestock, Fisheries, and Co-operative Development revenue from Mabanga reported under OSR. The conversion between AIA and OSR would explain the seemingly inverse relationship in growth rates .What appears as a "decline" in one category and "growth" in another may actually be the same revenue just being reclassified.
- II. The County Government has accumulated pending bills and as at 30th June 2024, amounting to Kshs. 2.12 billion compared to 1.95billion declared in the CBROP 2023. On Statutory Remittances County Government owe Kshs. 676.2 million to LAPFUND), the LAPTRUST.
- III. The County Budget Review and Outlook Paper (CBROP) for 2024 lacks clarity regarding retention as a funding source, with significant gaps in detailing the planned refunds to the retention account for the current fiscal year and the upcoming 2025/26 fiscal year. Moreover, the expenditures incurred through borrowed retention funds remain undisclosed, creating a notable transparency deficit in the financial documentation.
- IV. The local revenue collected as per the approved Finance Act was 51% of the set target while the AIA reported was 52% of the approved target. The government continuously shows the inability to achieve set targets both OSR and AIA despites the revenue administration reforms.
- V. The county's expenditure reveals a significant imbalance, with recurrent expenditures consuming 58% of the total budget, while development expenditures were limited to merely 20% raising serious concerns about the persistently low absorption of development funds, noting an average absorption rate of 19% over

the past four fiscal years. Furthermore, the pending bills are predominantly associated with development-related items, underscoring the challenges in executing capital investment projects.

- VI. County Departments and Agencies (CDAs) are misinterpreting the 'first charge' principle outlined in the county treasury circulars. They are incorrectly using it to divert funds from approved budget items to settle pending bills, which violates Section 149 of the Public Finance Management Act (PFMA).
- VII. The accumulation of pending bills from unpaid Madaraka Day celebration expenses raises concerns about fiscal responsibility, particularly since the event was successfully conducted without these expenditures. This situation questions the legitimacy and necessity of creating such financial obligations for the county government since the function was funded by National Government. There is non-disclosure of the expenditures in most department that had madaraka day allocations .It is not clear the payments made to Masinde Muliro as county treasury's position contradicts the host department position.

4.2 COMMITTEE RECOMMENDATIONS

Mr. Speaker Sir, this Committee's recommendations are as follows;

- I. **THAT**, the County Treasury should develop clear classification criteria for OSR vs AIA and consider a transition period for reclassification of revenue stream. Reclassification should not be done amidst a financial year.
- II. **THAT**, the County Treasury should ensure that all departments prioritize budgeting for pending bills in the 1st supplementary budget FY, 2024/2025 and in the FY 2025/26.
- III. **THAT** , the County Treasury should submit a compressive and verified list of pending Bills across all departments for FY 2023/2024 within 14 days after adoption of this report.
- IV. **THAT**, the Kshs. 150million borrowed from the retention account should be refunded to the retention account in the 1st Supplementary budget of the FY 2024/25 as resolved and adopted by the House during the 1st supplementary budget of the FY 2023/24.

- V. **THAT**, all Sector Committees are required to ensure that the targets set in their respective sectors are achieved, any challenge should be addressed appropriately and track implementation of the strategies for raising revenue as highlighted in the report.
- VI. **THAT**, to address the current development absorption challenges, the county should progressively increase development expenditure allocation from 20% to at least 35-40%, while simultaneously and gradually reducing recurrent expenditures to create more fiscal space for development projects. This transformation should be underpinned by implementing zero-based budgeting, a rigorous approach that will critically evaluate and optimize recurring costs, ensuring that every budget line item is thoroughly justified and aligned with the county's developmental objectives.
- VII. **THAT**, the County Assembly and County Executive must heed the County Treasury's advisory by prioritizing allocating funds to existing pending bills before funding new projects in compliance with Sec 149 of PFM Act, 2012.
- VIII. **THAT**, to address the financial irregularities surrounding the Madaraka Day celebration, the county should submit a comprehensive report to the County Assembly all Madaraka Day celebration expenses across departments within 14 days after adoption of this report.

ADOPTION SCHEDULE

We the undersigned members of the Budget and Appropriations Committee append our signatures adopting this report with the contents therein.

NAME	DESIGNATION	SIGNATURE
1. Hon. Jack Wambulwa	Chairperson	
2. Hon. Charles Nangulu	Vice Chairperson	
3. Hon. Anthony Lusenaka	Member	
4. Hon. Joan Kirong	Member	
5. Hon. Meshack Simiyu	Member	
6. Hon. Miliyah Masungu	Member	
7. Hon. Sudi Busolo	Member	
8. Hon. Ali Machani	Member	
9. Hon. Grace Sundukwa	Member	
10. Hon. Caleb Wanjala	Member	
11. Hon. Polycarp Kimeta	Member	

