COUNTY GOVERNMENT OF BUNGOMA

COUNTY ASSEMBLY OF BUNGOMA

COUNTY ASSEMBLY DEBATES

THE DAILY HANSARD

WEDNESDAY, 4TH DECEMBER, 2024

Afternoon Sitting

3rd County Assembly **3rd Session**

COUNTY ASSEMBLY OF BUNGOMA

HANSARD OFFICIAL REPORT

WEDNESDAY, 4TH DECEMBER, 2024

The House met at the County Assembly Chamber at 2:30 p.m.

(Mr. Speaker [Hon. Emmanuel Situma] in the Chair)

PRAYER

COMMUNICATION FROM THE CHAIR

Honourable Members, this communication comes from the Office of the Clerk about the election of the vice-chairperson for the Committee on Lands, Urban, Physical Planning and Housing.

The Sector Committee on Lands, Urban Physical Planning and Housing conducted elections of the vice-chairpersons on the 2nd of December, 2024 in the plenary within the County Assembly precincts in accordance with the Standing Order No. 181 of the County Assembly of Bungoma Standing Orders. Hon. Johnston Ipara Okasida of ID number 5662179 was unanimously elected as the new Vice-Chairperson for the Lands, Urban Physical Planning and Housing Committee. Attached on, kindly find the minutes of the meeting for your action.

With this communication, he takes up the position officially and the same be shared with the HR office for action.

(Applause)

MOTION

1. REPORT ON THE BUNGOMA COUNTY BUDGET REVIEW PAPER, 2024

Mr. Speaker: Chair of Committee on Budget and Appropriations?

Hon. Jack Wambulwa (Chair, Committee on Budget and Appropriations): Thank you Hon. Speaker. I hereby rise to move a motion by the Budget and Appropriation Committee. It is the CBROP report. Starting from page four that is the chapter one, preface, legal framework, the objective of the budget review and outlook paper. Let me begin with acknowledgement.

Mr. Speaker Sir, the Committee is grateful for the...

Mr. Speaker: Honourable Chair, I will urge you that in view of the change of membership of the committees, let us have the membership on the HANSARD please. 1.2, then you go to where you are reading from.

Hon. Jack Wambulwa: All right, Hon. Speaker.

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

Acknowledgment

The Committee is grateful to the offices of the Speaker and Clerk of the County Assembly for the 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

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 by Hon. Jack Wambulwa, MCA; Kimaeti Ward; Chairperson, Budget and Appropriations Committee

CHAPTER TWO

Review of Fiscal Performance for FY 2023/24

Revenues Performance

Mr. Speaker Sir,

The total County budget was Kshs15.24 billion that comprised Kshs5.28 billion (35 per cent) for development expenditure and Kshs9.96 billion (65 per cent) for recurrent expenditure. The total revenue received including external grants was Kshs12.58 billion (82 per cent) against a revised target of Kshs15.24 billion recording a shortfall of Kshs2.67 billion (18 per cent).

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

This Committee notes the following on revenue performance:

i. Equitable share

A total of Kshs11.11 billion was allocated to the County Government as reflected in the County Allocation of Revenue Act (CARA), 2023, Kshs275.35 million as balance brought forward from FY 2022/23. During FY 2023/24, 92 per cent of the equitable share was disbursed to the County Government and a balance of Kshs888.95 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 Kshs59.38 million followed by market fees Kshs40.70 million and Cess Kshs30.97 million. Sale of Fertilizers of Kshs112.5 million and the Hire of Machinery of Kshs7.98 million was not realized totally.

iii. Appropriation in Aid

The performance of A-i-A was Kshs608.46 million against the target of Kshs1.16 billion representing 52 per cent achievement. The shortfall of Kshs553.61 million was on account of shortfalls recorded from departments of Health and Sanitation of Kshs543.61 and Public Service Management and Administration AIA target of Kshs10.0 million which was received as Local revenue under Payroll product target which recorded 4.019 per cent. The Department of Health and Sanitation collected a total of Kshs598.61 million which was inclusive of Kshs17.55million as Balance Brought Forward from FY 2022/23 recording an achievement of 52 per cent.

Combined OSR and AIA performance

From the table, it was noted that;

- Total revenue (OSR and AIA) maintained positive growth throughout
- OSR and AIA growth rates decreased by six per cent in FY 2023/24
- There is reduction in the overall growth rate from 30 per cent in FY 2021/22 to 2.4 per cent 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 Kshs818.35 million against a revised target of Kshs1.46 billion, translating to a shortfall of Kshs644.66 million. Out of these, those from Development Partners amounted to Kshs755.85 million (87 per cent) against a target of Kshs866.27 million while grants from the National Government received were Kshs62.5 million (10 per cent) against the target of Kshs596.74 translating to a shortfall of Kshs534.24 million.

v. Funds

Funds had a total allocation of Kshs213, 023,948 out which Kshs56, 398,071 was realized and it relates to Kshs2.1 million from trade loans and Kshs54.2 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

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

Expenditure performance

The total budget for the FY 2023/24 was Kshs15.24 billion comprising of Kshs5.28 billion Development (35 per cent) and Kshs9.96 billion recurrent (65 per cent) expenditure. The total revenue received including external grants was Kshs12.58 billion (82 per cent). The total actual expenditure in the FY 2023/24 was Kshs11.96 billion (78.4 per cent) translating to an under spending of Kshs3.28 billion against the approved budget and Kshs620 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.

Recurrent

The recurrent expenditure was Kshs8.84 billion (including Kshs1.13 billion spending by County Assembly) against a target of Kshs9.96 billion, representing an under-spending of Kshs1.11 billion (36 per cent). 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 per cent of the approved budget and 49 per cent of the total expenditures.

- The personnel budget had unspent balance of Kshs546.3 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 Kshs155.2 million and absorption of Kshs46.4 million in the face of pension arrears that stood at Kshs565, 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.

Development

Development expenditure amounted to Kshs3.12 billion against a revised target of Kshs5.28 billion, being an under expenditure of Kshs2.16 billion. This was on account of lower absorption of projects financed by grants which fell short of the revised target by Kshs735.32

million and which are mostly disbursed to the County after closure of the Financial Year. The County has continuously not achieved the 30 per cent 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 Kshs2.16 billion; how much relates to grants and how much relates to equitable share.

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 per cent of the County Government budget shall be allocated to development expenditure. The development expenditure stood at 20 per cent 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 per cent. The expenditures on personnel stood at 38 per cent and there was a balance unspent of Kshs0.54 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.

Pending Bills

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 Kshs2.12 billion compared to Kshs1.95billion declared in the CBROP, 2023.

On Statutory Remittances, County Government owe Kshs676.2 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 Kshs1.15 billion needs 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 Kshs150 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 Kshs155 million and absorption of Kshs46 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

Implementation of the FY 2024/25 Budget

Total revenues for the FY 2024/25 are projected at Kshs15.58 billion; own source revenue projected at Kshs2.25 billion representing 14 per cent of the total revenue. Total expenditure is projected at Kshs15.58 billion with recurrent expenditure projected at Kshs10.62 billion (68 per cent of total county budget)

Development expenditure are projected at Kshs4.96 billion (32 per cent of total county budget) while Transfer to the County Assembly is projected at Kshs1.35 billion (8.6 per cent of total county budget).

Total revenues realized amounted to Kshs1.93 billion (12.4 per cent of total budget) in August, 2024 comprising; July exchequer release of Kshs944.52 million, a total of Kshs888.95 million as Equitable Share Balance Brought forward from FY 2023/24 and own source revenue of Kshs98.97 million against the target of Kshs1.29 billion implying a performance rate of 149.8 per cent.
Total expenditure for August 2024 was Kshs1.93 billion and was equal to the total revenues received. There are expenditure pressures arising from FY 2023/24 carryovers amounting to Kshs1.15 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 once the Senate approves revised CARA, 2024.

Medium-Term Fiscal Projections

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 Kshs15.58 billion in FY 2024/25 to Kshs15.86 billion in FY 2025/26 and further to Kshs16.65 billion in FY 2026/27. Of the total revenue, Own Source revenue is projected to rise from Kshs2.03 billion in FY 2024/25 to Kshs2.36 billion in FY 2025/26 and further to Kshs2.48 billion in FY 2026/2027. The recurrent expenditure will be Kshs10.85 billion (68 per cent of total budget); development expenditure Kshs5.01 billion (32 per cent of total budget); transfer to County Assembly Kshs1.390 billion and Contingency Fund Kshs0.11 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 on-going 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

Departmental CBROP, 2024

Agriculture, Livestock, Fisheries Irrigation and Cooperative Development

In the FY 2023/24, the total budget allocation for the Department was Kshs1, 223,954,881 broken down as recurrent of Kshs369, 277,553 and development of Kshs854, 677,328. The recorded absorption was Kshs389, 167,441 on recurrent and Kshs508, 102,188 on development. The grant figure was Kshs195, 112,952 for NAVCDP and KELCOP Kshs31, 650,142.

Current year's total allocation is Kshs1, 061,347,822. The amount includes grants from development partners.

Projected ceiling in the FY 2025/26 is of Kshs1, 087,881518.

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 Kshs19.8M at 105 per cent absorption rate in recurrent was due to the changes made in the second supplementary Budget.

- Revenue realized from fisheries section is very low despite the continued allocations to Chwele fish firm.
- NAVCDP actual allocation of Kshs195,112,952 was not spent during the financial year 2023/24
- Livestock Value Chain Support of Kshs35,809,200 was never released
- KELCOP with an allocation of Kshs31, 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 Kshs600, 000 leaving a balance of KShs1.2 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 Kshs77 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 per cent, 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 Kshs1.2 billion in the FY 2023/24 to Kshs1.08 billion in the FY 2025/26. This represents a significant reduction of approximately Kshs120 million or a 10 per cent decline in budgetary allocation.

Health and Sanitation

In the FY 2023/24, the total budget allocation for the Department was Kshs4, 000,381,278 broken down as recurrent of Kshs3, 742,764,105 and development of Kshs257, 617,173. The recorded absorption was Kshs3, 141,068,731 on recurrent and Kshs125, 805,555 on development. The grant figure was Kshs46, 408,065 on recurrent and zero on development: UNICEF Kshs1, 571,000 and Danida Kshs44, 837,065.

Current year total allocation is Kshs4, 442,473,737 with recurrent at Kshs4, 285,723,684 and development at Kshs156, 750,053. The amount includes facilities budgets with a total allocation of Kshs1, 169,247,407 recurrent and zero for development.

Projected ceiling in the FY 2025/26 is of Kshs4, 553,535,580 broken down as Kshs4, 338,948,025 recurrent and Kshs164, 587,557 for development. This represents an increase of Kshs553.1 million; 13.8 per cent in the ceiling compared to FY 2023/24. The allocation for facilities is projected at Kshs1, 198,478,586. The grant funds are projected at Kshs235, 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 per cent 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 Kshs1.162 billion and Kshs1.198 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.

ROADS AND PUBLIC WORKS

Mr. Speaker Sir,

In financial year 2023/24, the Department had an initial allocation of Kshs1,396,626,350 in the approved budget, this was reduced to Kshs1,246,541,914 in the second supplementary budget, broken down as Kshs113,463,594 recurrent and Kshs1,133,078,320 development expenditure.

During the period, Kshs1, 073,219,438 (86 per cent) was received broken down as Kshs91, 601,016 recurrent and Kshs981, 618,422 development.

In current financial year 2024/25, the Department has a total allocation of Kshs1,355,884,291; Kshs129,135,678 being recurrent and Kshs1,226,748,613 being development.

Fiscal Projections for 2025/2026 Department of Roads and Public works has the indicative ceiling at Kshs1,389,781,398 with Kshs135,592,462 being recurrent and Kshs1,254,188,936 being development. This represents a slight decline of Kshs6.8 million from the FY 2023/24 and an increase of Kshs33.8 million compared to current year's budget. Kshs157, 522,103 is expected to be funded by Own Source Revenue attributed to the Department.

This is from enclosed bus park Kshs77, 350,103, Hire of machines Kshs8, 382,701, Boda boda parking Kshs10, 207,874, car parking fees Kshs19,035,317 and fire fighting Kshs42,546,108.

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

The Department has only managed to collect Kshs19.1 million of Own Source Revenue out of expected of Kshs157.2 million, which is 12 per cent 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 done by mid-December.

EDUCATION AND VOCATIONAL TRAINING CENTRES

In FY 2023/24, the total resource envelope for the department was Kshs1, 675,682,113 that comprised; Kshs1, 215,580,113 allocated to recurrent expenditure and Kshs460, 102,000 allocated to development expenditure. The total revenue received by the Department from exchequer including external grants was Kshs1, 452,178,187 translating to 87 per cent of its revenue target. The actuals are Kshs1, 136,025,651 (93 per cent) recurrent and Kshs316, 152,536 (69 per cent) development. Of these recurrent expenditures, Kshs1, 091,005,099 relate to wage expenditures. There was an AIA target of Kshs9, 133,220 which was 100 per cent realized.

In the current FY 2024/25 budget the Department has been allocated a total of Kshs1,631,681,111 that comprises; Kshs1,470,531,111 recurrent and Kshs161,150,000 development. A notable change is that Education support scheme with an allocation of Kshs225, 000,000 has been taken back to recurrent expenditures opposed to the previous financial year where it was 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 Kshs1, 672,473,139 with Kshs1, 512,381,889 being recurrent and Kshs160, 091,250 for 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.

LANDS &PHYSICAL PLANNING

In FY 2023/24, the total resource envelope for the Department of Lands, Urban & Physical Planning was Kshs98, 056,672 that comprised; Kshs49, 096,564 allocated to recurrent expenditure and Kshs48, 960,108 allocated to development expenditure. The total revenue received by the department from exchequer was Kshs59, 740,791 translating to 61 per cent of its target. The actuals receipts are Kshs37, 012,790 (75 per cent) recurrent and Kshs22, 728,001 (46 per cent) development. Of these recurrent expenditures, Kshs20, 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	112,088	70,530	-41,558	63%

fees				
Total	**71,280,303**	**35,078,164**	**-36,202,139**	**49%**

The Department has been allocated a total of Kshs180, 165,275 in the current financial year. This comprises of Kshs53, 375,232 recurrent and Kshs126, 790,043 on 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 Kshs400.11 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 Kshs184, 669,407 with Kshs56, 043,994 being recurrent and Kshs128, 625,413 on development. 41 per cent of the projection (Kshs74, 844,317) is expected to be funded by Own Source Revenue attributed to the department.

These are; Land rates (Kshs49, 875,520), Plan approval (Kshs23, 489,139), Physical planning fees (Kshs408, 158), change of user fees (Kshs117, 692) and survey fees (Kshs953, 808). Considering that in FY 2023/24, the own source revenue performance was 49 per cent; more effort has to be put to reach the targets.

Housing, Urban Areas and Municipalities

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 Revenue

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 Kshs183, 111,104 that comprised Kshs31, 811,174 allocated to recurrent expenditure and Kshs151, 299,930 allocated to development expenditure. The total revenue received by the Department from exchequer including external grants was Kshs179, 458,273 translating to 98 per cent of its revenue target. The actual receipts were Kshs28, 158,343 (89 per cent) recurrent and Kshs151, 299,930 (100 per cent) development. Of these recurrent expenditures, Kshs8, 836,574 relate to personnel expenditures. Own source revenue realized that were attributed to the department was House rent which realized Kshs8, 847,000 (43 per cent) against a target of Kshs20, 357,748.

The Directorate has been allocated a total of Kshs479, 955,008 in the current financial year that comprises; Kshs52, 655,527 recurrent and Kshs427, 299,481 on development. This is Kshs297 Million (162 per cent) increase from the previous budget of 2023/2024 of Kshs183, 111,104. This is attributed to the directorate anticipating receiving the KISIP II grant of Kshs297, 400,170.

In FY 2025/26 the indicative ceiling for department is projected at Kshs491, 953,883 with Kshs58, 159,436 being recurrent and Kshs433, 794,447 on 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 Kshs21,375,635 (4.4 per cent of total departmental ceiling). Grants expected to be received are from the KISIP grant of Kshs297, 400,190.

b) Municipality of Bungoma

In FY 2023/24, the total resource envelope for the Municipality of Bungoma was Kshs192, 125,073 that comprised; Kshs23, 025,073 allocated to recurrent expenditure and Kshs169, 100,000 allocated to development expenditure. The total revenue received by the department from exchequer including external grants was Kshs80, 493,913 translating to 42 per cent of its revenue target. The actuals are Kshs20, 723,562 (90 per cent) recurrent and Kshs59, 770,351 (35 per cent) development. Of these recurrent expenditures, Kshs11, 652,190 relate to wage expenditures. There was no Own Source Revenue attributable to the Municipality.

The Municipality has been allocated a total of Kshs155, 015,897 in the current financial year that comprises; Kshs55, 949,973 recurrent and Kshs99, 065,924 on development. While the resource envelop has reduced from the previous financial year allocation of

Kshs192,125,073, the recurrent component has more than doubled from Kshs23 Million to Kshs55.9 Million. This attributed to increase in personnel allocation from Kshs13 Million to Kshs23 Million and the KUSP grant for institutional support of Kshs21 Million.

In FY 2025/26 the indicative ceiling for Department is projected at Kshs158, 891,294 with Kshs30, 183,090 being recurrent and Kshs128, 708,204 on 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 Kshs135, 434,139; Kshs35, 000,000 for recurrent programs and Kshs100, 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 Kshs150, 700,008 that comprised of Kshs29, 045,268 allocated to recurrent expenditure and Kshs121, 654,740 allocated to development expenditure. The total revenue received by the Department from exchequer including external grants was Kshs65, 776,060 translating to 44 per cent of its revenue target. The actuals are Kshs27, 578,770 (95 per cent) recurrent and Kshs38, 197,290 (31 per cent) development. Of these recurrent expenditures, Kshs13, 811,045 relate to wage expenditures. There was no Own Source Revenue attributable to the Municipality.

The Municipality has been allocated a total of Kshs100, 678,314 in the current financial year that comprises; Kshs42, 698,217 recurrent and Kshs57, 980,097 on development. There is also a significant drop by over 30 per cent from the previous year’s allocation of Kshs150 Million while the recurrent increase is also from the KUSP grant.

In FY 2025/26 the indicative ceiling for Municipality is projected at Kshs103, 195,272 with Kshs44, 392,356 being recurrent and Kshs58, 802,915 on development.

Trade Energy & Industrialization

In FY 2023/24, the total resource envelope for the Department Trade, Energy & Industrialization was Kshs836, 274,599 that comprised; Kshs68, 931,358 allocated to recurrent expenditure and Kshs767, 343,241 allocated to development expenditure. The total revenue received by the Department from exchequer including external grants was Kshs355, 721,295 translating to 43 per cent of its revenue target. The actuals are Kshs49, 257,316 (71 per cent) recurrent and Kshs306, 463,979 (40 per cent) development. Of these recurrent expenditures, Kshs21, 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 Kshs417, 032,293 in the current financial year. This comprises Kshs88, 614,548 recurrent and Kshs328, 417,644. The overall resource envelop has reduced by over 50 per cent from the Kshs836 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 Kshs266,468,776 (62 per cent of its ceiling) from the following revenue streams; single Business permit (Kshs156,437,022), Application fees (Kshs10,422,437), renewal fees (Kshs15,074,865), Market fees (Kshs80,703,741), market stall rent (Kshs2,759,466) and Weights &measures (Kshs1,071,245).

In FY 2025/26 the indicative ceiling for Department is projected at Kshs427, 458,101 with Kshs38, 065,607 being recurrent and Kshs330, 894,779 on 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: **Kshs69, 182,614** and Recurrent: **Kshs13, 256,603**

The Department has two main grants i.e REREC and CAIP; the two projects are cofounded and on-going. Further, with regard to CAIP, the government had paid Kshs66M.

Gender and Culture

In the FY 2023/24, the total budget allocation for the Department was Kshs124, 614,300 broken down as recurrent of Kshs83, 243,038 and development of Kshs40, 412,749. The recorded absorption in CBROP was Kshs71, 77,403 on recurrent and Ksh19, 695,312 on development.

Current year's total allocation is Kshs93, 285,018 with Kshs5, 000,000 for Women Fund and Kshs5, 000,000 for Disability Fund.

Projected ceiling in the FY 2025/26 is Kshs95, 617,143 with Ksh5, 125,000 for Women Fund and Ksh5, 125,000 for Disability Fund.

From the Sector Committee report this Committee notes the following:

1. Kshs12,000,000 and Kshs8,000,000 meant for Women and Disability Funds that was spent on completion of Masinde Muliro Stadium was not reported
2. Kshs60.5 million retention money is not part of the pending bill. The pending bill in the Department stood at Kshs16,251,126.40
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 delays in exchequer release, but it was charged on the current budget. The budget for each month was not provided.

Youth and Sports

In financial year 2023/24, the Department had an initial budgetary allocation of Kshs124, 782,899; this was adjusted upwards to Kshs174, 475,401 during the second supplementary budget that composed Kshs25, 491,075 recurrent, Kshs29, 684,326 Youth Fund and Kshs119, 300,000 development with an absorption of Kshs139, 245,182 (80 per cent) comprising Kshs117, 942,264 toward development projects and Kshs21, 302,918 towards recurrent expenditure.

In current financial year 2024/25, the Department of Youth and Sports has a total allocation of Kshs71, 824,586; Kshs23, 007,518 being recurrent and Kshs48, 817,068 being development. Included in the development amount is Kshs10 million for Youth fund.

In Financial Year 2025/26, the indicative ceiling for Department is projected at Kshs73, 620,201 with Kshs22, 362,280 being recurrent and Kshs51, 257,921 being development.

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

According to the Financial Statements, a total of Kshs120, 628,913 was spent on Masinde Muliro stadium during the period from the following sources:

i. Kshs74,677,585 from Masinde Muliro vote,
ii. Kshs20 million from women and Disability Fund; and
iii. Kshs25, 951,328 from Youth Empowerment Fund.

According to submission from the Department, Kshs111, 606,788 from the following sources:

i. Masinde Muliro vote Kshs56,744,155
ii. Youth Empowerment Fund Kshs25,951,328
iii. Economic items Kshs8,911,304.75
iv. Women and Disability Funds Kshs20 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 per cent complete
- Re-voting of unspent money in the first supplementary budget required are:
    a. Kshs8.1 million for high altitude
    b. Sports and talent Kshs21 million

Tourism, Environment Water and Natural Resources

In the FY 2023/24, the total budget allocation for the Department of Tourism and Environment was Kshs778, 717,153 broken down as recurrent of Kshs377, 935 and development of Kshs400, 781,943. The recorded absorption was Kshs358, 373,688 on recurrent and Kshs28, 699,454 on development. The Climate grant figure was Kshs320, 781,944 and FLLOCA Kshs11, 110,884.

In the FY 2023/24, the total budget allocation for the department of Water and Natural Resources was Kshs271, 247,394 broken down as recurrent of Kshs63, 605,249 and development of Kshs207, 642,145. The recorded absorption was Kshs55, 006,202 on recurrent and Kshs192, 345,277 on development.

Current year's budget allocation for Tourism and Environment is Kshs639, 755,502 including climate change grant and for Water and Natural resources is Kshs756, 403,380 including KOICA.

Projections for the FY 2025/2026 for Tourism and Environment is Kshs655, 749,390 and for Water and Natural resources Kshs775, 313,465 including the grants.

This Committee notes from the submitted Sector Committee report that:

- Low absorption rate in the FY 2023/24 for the Department of Tourism, Environment and Climate change at 50 per cent. The under expenditure in the Department was occasioned by the delay in disbursement from the National Treasury of the climate change resilience grant of Kshs320,781,944; this leads to delays in procurement of the climate action projects
- Water and Natural resource absorbed 91 per cent of its budget. The Department carried out the project procurement in good time and 90 per cent of the projects were completed, inspected and paid
- Revenue realized from conservancy fees was Kshs15, 646,848 at 62 per cent.
- Climate Change grant allocation of Kshs320, 781,944 was disbursed late and the Department never utilized the same within the financial year.

Finance and Economic Planning

In financial year 2023/24, the Department had an initial allocation of Kshs1,263,723,407 in the approved budget, this was enhanced to Kshs1,520,256,593 in the supplementary budget, distributed as Kshs1,174,255,850 recurrent and Kshs336,594,760 development expenditure.

During the period, Kshs1, 228,500,083 was received which is 81 per cent of budget; Kshs1, 122,628,732 being for recurrent and Kshs105, 871,352 for development.

In current financial year 2024/25, the Department has a total allocation of Kshs1, 295,089,288; Kshs1, 139,370,339 being recurrent and Kshs155, 718,949 being development.
In financial year 2025/26, the department has been allocated a tentative ceiling of Kshs1, 209,552,685 against Kshs1, 295,089,288 allocated current financial year translating to a reduction of Kshs85.5 million. Kshs1, 046,047,788 has been allocated to recurrent and Kshs163, 504,898 to development expenditure.

Public Administration

In the FY 2023/24, the total budget allocation for the Department was Kshs892, 957,337 comprising; recurrent allocation of Kshs860, 244,097 and development allocation of Kshs32, 713,240. The absorption on recurrent was Kshs632, 279,322 (73 per cent); leaving a balance of Kshs227, 964,774 and Kshs29, 256,163 (89 per cent) on development budget leaving a balance of Kshs3, 457,077. Overall absorption on the Kshs892.9 million budget was Kshs661, 535,485 (74 per cent) leaving a balance of Kshs231, 421,852.
Current year total allocation is Kshs629, 975,388 with recurrent at Kshs615, 784,296 and development at Kshs14, 191,092. The budget includes Kshs8, 265,906 for sub-county administration.
This is projected over the medium term to reduce to Kshs617, 537,273 i.e. Kshs602, 636,626 for recurrent allocation and development allocation of Kshs14, 900.647. The amount includes Kshs8, 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 Kshs250million to Kshs210million. 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 Kshs46,658,543 and absorption of Kshs31,089,344 (67 per cent); recurrent budget was Kshs31,089,344 and absorption of Kshs31,089,344(100 per cent) and development with a budget of Kshs12,792,823 with zero absorption.
Current year total allocation is Kshs83, 700,849 for recurrent expenditures and zero on development. The breakdown is CS office Kshs21, 699,996, HR management Kshs6 million, Records Kshs5 million, County Attorney Kshs41, 000,852 and ICT Kshs10 million. This is

projected over the medium term to rise to Kshs113, 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 Kshs453, 731,698 for recurrent expenditures that recorded absorption of Kshs438, 838,090 in the FY 2023/2024. The ceiling rose to Kshs723, 658,698 and projected to Kshs741, 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 Kshs27, 336,583 and expenditure of Kshs21, 808,747 (80 per cent) and a current allocation is Kshs38, 642,390 and a projection of Kshs39, 608,450 in the FY 2025/26.

County Public Service Board

The total budget allocation for the Board was Kshs62, 852,554; Kshs48, 352,553 for recurrent expenditures and Kshs14.5 million for development. The expenditure recorded were Kshs41, 465,711 on recurrent and zero on development.

The current year allocation is Ksh65, 928,430 comprising; recurrent Kshs49, 910,124 and development of Kshs16, 018,306 million and projected allocation of Kshs67,576,642 in the FY 2025/26 with a recurrent budget of Kshs50,757,420 and development of Kshs16,018,306

This Committee notes that the unspent balance on development of Kshs14.5 million should be re-voted in the first supplementary budget FY 2024/25 to allow completion and payment of the implemented projects.

County Assembly

The total County Assembly budget was Kshs1, 283,975,880 that comprised Kshs151, 737,650 (35 per cent) for development expenditure and Kshs1, 132,238,230 (65 per cent) for recurrent expenditure. The total revenue received was Kshs1, 225,278,231 (91.4 per cent) against a revised target of Kshs1, 283,975,880 recording a shortfall of Kshs58, 787,421 (8.5 per cent).

The total amount received and expended in the FY 2023/24 was Kshs1,132,238,116 on recurrent and Kshs93,010,115 on development leaving a balance of Kshs29,866 and Kshs58,727,535 respectively.

The current year allocation is Kshs1, 356,950,433: recurrent Kshs1, 166,950,433 and development Kshs190million

The allocation is projected at Kshs1, 424,797: recurrent Kshs1, 225,297,955 and development Kshs199, 500,000.

This Committee notes that the unspent balance on development of Kshs58, 727,535 should be re-voted in the first supplementary budget FY 2024/25 to allow completion and payment of the implemented projects.

CHAPTER FOUR

Committee's Observations and Recommendations

Committee's Observations

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

1. Commissions as a revenue stream under Public Administration Department of Kshs10 million was initially captured under AIA but reported under OSR same to 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.
2. The County Government has accumulated pending bills and as at 30th June 2024, amounting to Kshs2.12 billion compared to Kshs1.95billion declared in the CBROP, 2023. On Statutory Remittances County Government owe Kshs676.2 million to LAPFUND, the LAPTRUST.
3. 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.
4. The local revenue collected as per the approved Finance Act was 51 per cent of the set target while the AIA reported was 52 per cent of the approved target. The

government continuously shows the inability to achieve set targets both OSR and AIA despites the revenue administration reforms.

5. The County's expenditure reveals a significant imbalance, with recurrent expenditures consuming 58 per cent of the total budget, while development expenditures were limited to merely 20 per cent raising serious concerns about the persistently low absorption of development funds, noting an average absorption rate of 19 per cent 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.
6. 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).
7. 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 departments 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.

Committee's Recommendations

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

1. **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.
2. **THAT**, the County Treasury should ensure that all departments prioritize budgeting for pending bills in the first supplementary budget FY 2024/2025 and in the FY 2025/26.
3. **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.
4. **THAT**, the Kshs150million borrowed from the retention account should be refunded to the retention account in the first Supplementary budget of the FY 2024/25 as resolved and adopted by the House during the first supplementary budget of the FY 2023/24.
5. **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.
6. **THAT**, to address the current development absorption challenges, the County should progressively increase development expenditure allocation from 20 per cent to at least

35- 40 per cent, 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.

7. **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.
8. **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.

Thank you Hon. Speaker, the report is adopted by the 11 members and I therefore wish to call upon my vice chairperson Hon. Nangulu to second.

Hon. Charles Nangulu: Thank you Hon. Speaker, I take this opportunity to thank my able Chair who has taken us through the report which has taken over two hours and given his age, he has really tried…

Mr. Speaker: Hon. Charles, that word is very dangerous; has he ever complained of his age?

Hon. Charles Nangulu: He is a young man

Mr. Speaker: Thank you, proceed

Hon. Charles Nangulu: Hon. Speaker, CBROP paper is a document that reflects on the past financial year, how the money was used and how the absorption was done. As you can see, as a Committee we have gone through it and we have given very good recommendations, like we have given them 14 days so that we can have the issue of pending bills which has been changing every now and then resolved. Anytime we have had issues regarding pending bills in this House and every time you ask, they keep on changing, it is either it goes up or low; and so this time we gave them 14 days so that we can have these reports brought to this House then we scrutinize before we go to the first supplementary.

Mr. Speaker: Thank you Hon. Charles. Honourable Members, allow me propose a motion for debate.

(Motion proposed)

Hon. Johnston Ipara: Thank you Hon. Speaker. First of all, let me laud the mover of the report, this is the first time I have seen him read the report and he has done it wonderfully. I want to say thank you Hon. Jack Wambulwa. This is one of the few best reports that we have had in the House and particularly, it has revealed all the malpractices that we have been complaining about. They have made good observations and recommendations and that is why I want to support the report with the following observations

You heard that they were saying there was unspent money of Kshs2.1 billion. This is misinformation! We could have been told the reason as to why we were not able to spend Kshs2.16Billion. If you divided the money among the 45 Wards, every Ward would have gotten substantial amount of money that could have caused a major change in the Ward in terms of road network and connectivity. Could this be a failure to meet legal requirements or could it be deliberate move to withhold money caused by unrealistic target on Own Source Revenue? I want to say that it is the highest time that the Department should be advised to do realistic target setting so that at least at the end we budget for money that we know will be available.

The other thing is on borrowing of money from commercial banks and the law is very clear in the PFM Act, 2012 and County Governments Act, 2015. These regulations stipulate very clearly that if you want to borrow money, the first authorizations should be from the National Treasury, the second approval is the County Assembly and accompanying that; you must state the reason as to why you want to borrow that money. For the short period that we have been here, I have never seen in this Honourable House where a request has been placed for approval by this House and I wanted to request the mover of the report to make sure that you follow it up so that you make sure that these irregularities that are done are put to an end.

The other thing that also baffles me is on the pending bills, last time we wasted our time deliberating on how they should approach this; no feedback has been given to this Honourable House on the actual position of the pending bills for our County. I wanted again to plead with the mover of the report who happens to be the chairperson. Let the Department place before this Honourable House the details of those pending bills, how much every Ward owes, for what project and for which financial year. With this, we shall put this to an end. I saw the mover referring to section 149 of the PFM Act, 2012 repeatedly where it says all expenditures must be authorized; and this section reinforces proper financial management. That is our prayer.

The worst thing is on the retention of funds, there is no law under the PFM Act that directs a department or a county to divert or convert that money to other use. The law says this money is there as a portion of the contractor's money retained purposely to ensure that the works done by the contractor meet the required standard and it will only be released to the contractor at the expiry of the required period of either six months or one year depending on the magnitude of the project. It is impunity of the highest order that this money was diverted and is now termed as Own Source Revenue; this is not Own Source Revenue! This is money that...

Mr. Speaker: Hon. Okasida that line of submission… just find how to go about it. You were part of the House when it approved that approved the move from that vote to Finance the budget; now if you approved that borrowing through the budget, you can't disown it before this House again.

Hon. Johnston Ipara: But what I am saying Hon. Speaker is if we did that then it is a good learning point for all of us.

Mr. Speaker: Next time don't come here and complain

Hon. Johnston Ipara: We should not allow that because we shall be violating the law being the creators and the guardians of the law. I agree with your guidance but we need to look into it.

The last thing I want to talk about is on the Chwele Fish Farm. For the last two years money has been allocated to Cwhele Fish Farm and Chwele chicken slaughter house and it is supposed to be an investment for this County. Chwele fish farm and slaughter house are now supposed to stand on their own because money has been allocated to them. Start-up capital was given and they are supposed to now grow that capital. I have never seen in this House where Chwele fish farm or chicken slaughter house reports any profits generated; it is a mockery.

Lastly, the County intents to collect own revenue amounting to Kshs2.25 billion; we were told last financial year we were only able to collect Kshs680Million, now that they intent to collect Kshs2.25 billion, it means they are going to create a deficit of Kshs1.642Billion and if this is now is used to form part of our budget and what it means is this is a deficit at the beginning and at the end, we will report that we were not able to spend Kshs1.6 billion plus now the Kshs2.12 which is earlier reported and we shall not be going anywhere. We plead that we must go back to the reality, the specifics; so that at least people of this county can realize their dream of good and quality service. I submit

Hon. Benjamin Otsiula: Thank you Hon. Speaker for giving me this opportunity to contribute to the motion before the House today. First of all, I wish to laud my brother Hon. Jack Wambluwa for pressing through the afternoon and reading the motion eloquently. I was very surprised when Hon. Charles Nangulu referred to him as aging; I know him as a very lethal center forward and therefore I know he is still energetic and very young

Mr. Speaker: When you say center forward you must specify in which game

(Laughter)

Hon. Benjamin Otsiula: Thank you Hon. Speaker. I wish to laud this Committee on one aspect; they have made a very good observation as far as pending bills are concerned. They are very careful in this report. They say a certain amount of money being set aside without the list of those pending bills is very suspicious and I think as an oversight entity I want to laud the Budget Committee. Looking at this recommendation, they are even saying that these lists must be availed so that we know what is being paid for in the first supplementary budget and they also propose that the next financial year budget, we clear with this issue. That is a very good projection and I think going forward before even that money is completely expended, it is good that a follow up is made so that we get to know exactly why these pending bills that have never come to an end.

I am also happy that during interrogation, an issue came up in the Committee on Education and Vocational Training concerning-ILOP and this report has captured that very clearly. This is a programme which we are told is in existence, that is being funded, they are training youths, they are going to be given development; but shockingly the Department is not aware of any kind of a project called ILOP being funded. This is very embarrassing! If it is exists, who is running or managing this programme and also the implementation strategy must be brought to light so that even the mother department understands; because the programme falls squarely under that Department. These are the kind of things that bring problems! you will realize money was expended then we will start making a lot of noise after misappropriation of funds. Otherwise I laud the Committee and support this report.

Mr. Speaker: Hon. Jack you reply to the motion

Hon. Jack Wambulwa (The Mover): Thank you Hon. Speaker. Let me appreciate the members who have contributed towards the CBROP report. What Hon. Ipara has raised on the issue of pending bills; that is the animal that is really eating into our allocations year in year out. We need to be very careful and as per our recommendations, we want to see the list of pending bills provided to this House within 14 days before we even retreat for the supplementary budget; so that members can go out there and ascertain if these pending bills are true or not. You remember like last year, what we were told was much higher than what we got when we send the team on the ground.

On the issue of retention; yes the House might have approved at that particular time but in future because these contractors are our own sons and daughters and have done work; the law is very clear. We should look for other areas to borrow and not from retention funds. After thre months once the job has been inspected, the contractor is supposed to be paid.

Finally, I want to urge the sector committees, let us be alert when we have on-going projects within our sectors. Let us get them to go to the field and ascertain that work is done on time. More so, when it comes to recurrent, you have seen we have balances; it is just because of payrolls and so whenever we are going to reallocate budgets be it main or supplementary, let us demand for payrolls to be brought before the committees so that we are sure of who are the employees in the department. Otherwise, I want to thank you and I support the report

Mr. Speaker: Thank you Hon. Jack for giving a reply, allow me now to put a question

(Question put and agreed to)

The *Ayes* have it!

BILL

1. THE BUNGOMA COUNTY FINANCE BILL, 2024

Hon. Francis Chemion: Thank you Hon. Speaker, under Standing Order No. 152(2) I move that the Bungoma County Finance Bill, 2024 be read a third time. I call upon Hon. Christine to second.

Hon. Christine Mukhongo: Thank you Hon. Speaker, I second

Mr. Speaker: Honourable Members, a motion has been moved under 152(2) that Bungoma County Finance Bill, 2024 be read a third time

(Question put and agreed)

Now, the Bungoma County Finance Bill be read a third time; long title

A BILL OF THE COUNTY ASSEMBLY OF BUNGOMA TO PROVIDE FOR REVISION OF VARIOUS TAXES, FEES AND CHARGES FOR THE SERVICES AND FOR OTHER REVENUE RAISING MEASURES BY THE COUNTY GOVERNMENT AND FOR THE CONNECTED PURPOSES; *Third Reading*

Mr. Speaker: Honourable Members, under section 24 of the County Governments Act, the Bill having been read for the third time is deemed to have been approved by the House; the same to be forwarded to the Governor for his assent in compliance with section 24 of the County Governments Act, 2012.

ADJOURNMENT

Mr. Speaker: Honourable Members that was the last item on our Order Paper. We now adjourn the sitting to resume on Thursday, 5th December, 2024 at 2:30 p.m.

The House rose at 4:46 p.m.