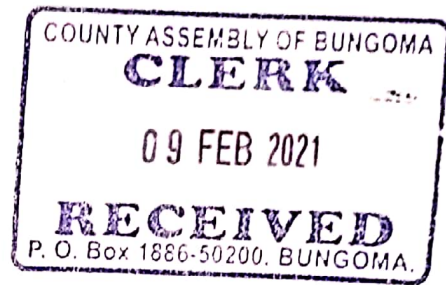


COUNTY GOVERNMENT OF BUNGOMA



SECOND COUNTY ASSEMBLY OF BUNGOMA

FIFTH SESSION

BUDGET AND APPROPRIATIONS COMMITTEE

REPORT ON THE COUNTY BUDGET REVIEW

OUTLOOK PAPER FY 2020/21

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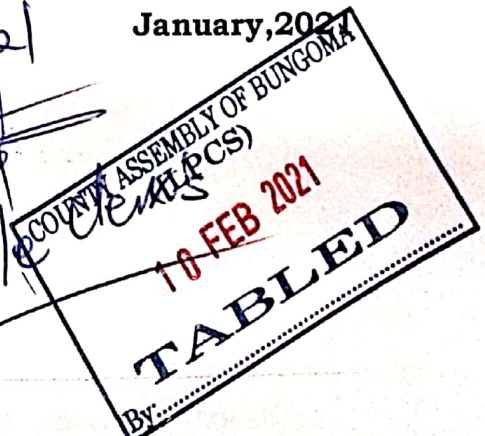


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CHAIRPERSON'S FOREWARD

1.0 BACKGROUND:

Mr. Speaker,

On behalf of the Members of the Budget and Appropriations Committee and Pursuant to Article 118 (3) (a) of the Constitution of Kenya 2010 and Section 118(1) of the Public Finance Management Act, 2012 which requires the County Government to prepare the County Budget Review Outlook Paper (CBROP), I hereby present to this Honorable House the Committee's report on the County Budget Review Outlook Paper (CBROP) FY 2020/2021 as tabled and committed to the committee on **19th October, 2020.**

1.1.COMMITTEE MEMBERSHIP:

The Committee as constituted currently has the following members:

1) Hon. Jack Wambulwa	Chairperson
2) Hon. Erick Wapang'ana	Vice Chairperson
3) Hon. Joseph Juma	Member
4) Hon. Meshack Simiyu	Member
5) Hon. Jane Chebet	Member
6) Hon. Martin Pepela	Member
7) Hon. Paul Wamalwa	Member
8) Hon. Joan Kirong	Member
9) Hon. Grace Sundukwa	Member
10) Hon. Sospeter Nyongesa	Member
11) Hon. Violet Makhanu	Member

CHAPTER TWO

1.1.1 MANDATE OF THE COMMITTEE:

The mandate of the Committee is derived in accordance to Standing Orders No 188 which states:

- (1) There shall be a Select Committee to be known as the County Budget and Appropriations Committee.
- (2) The Committee shall consist of a Chairperson and not more than ten other members who are not Chairpersons of any other Committee.
- (3) **The functions of the Committee shall be to-**
 - (a) Investigate, inquire into and report on all matters related to coordination, control and monitoring of the County budget.
 - (b) Discuss and review the estimates and make recommendation to the County Assembly;
 - (c) Examine the County Budget Policy Statement presented to the County Assembly;
 - (d) Examine Bills related to the national budget, including Appropriations Bills; and
 - (e) Evaluate tax estimates, economic and budgetary policies and programs with direct budget outlays.
- (4) The County Budget and Appropriations Committee constituted by the County Assembly immediately following the general election shall serve for a period of three calendar years and that constituted thereafter shall serve for the remainder of the County Assembly term.

(5) Eight members of the Budget committee shall constitute a quorum.

(6) The Committee shall invite Chairpersons of all Sectoral Committees to make presentations during the considerations of the budget.

Mr. Speaker, the Budget and Appropriations Committee is further given legal backing under the Public Finance Management Act (PFM) 2012 and the Constitution of Kenya Article 221(4) and (5).

1.1.2 ACKNOWLEDGEMENT

Mr. Speaker,

The committee immensely appreciates the Offices of the Speaker and that of the Clerk to the County Assembly for the facilitation to discharge its mandate.

Further, may I thank the members of the committee as well as the secretariat for their contributions and the invaluable support towards compilation of this report.

Mr. Speaker, it's therefore my pleasant undertaking on behalf of the Budget and Appropriations Committee to table this report and recommend it to the House for debate and subsequent adoption.

Signed:

HON. JACK WAMBULWA- MCA, KIMAETI WARD.

DATE.....02/02/2021.....SIGNATURE.....

CHAIRPERSON: BUDGET AND APPROPRIATIONS COMMITTEE.

2.0 ANALYSIS REPORT ON THE CBROP FY 2020/2021

2.1 LEGAL FRAMEWORK

Mr. Speaker,

Section 118(1) of the Public Finance Management Act, 2012 requires the County Government to prepare the County Budget Review Outlook Paper (CBROP). The document contains the following information:

- a) Specifies 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 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.

2.2 THE EXECUTIVE SUMMARY

Mr. Speaker,

The 2020 Budget Review and Outlook Paper has been prepared in accordance with the Public Finance Management {PFM} Act, 2012 and its Regulations.

The document provides actual fiscal performance for FY 2019/2020, macro-economic projections and the sector ceilings for the FY 2021/2022 and the medium term budget.

The document also provides an overview of how the actual performance of the FY2019/2020 affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the 2020 County Fiscal Strategy Paper.

Preliminary outcome for the FY 2019/2020 indicates that the cumulative revenue collection including AIA was Kshs 777,577,862. This revenue was Kshs. 141,539,522 (15.4%) below the target of Kshs 919,097,384. The total expenditure amounted to Kshs 10,895,889,390, against a target of Kshs 13,836,129,306. The variance of 21% (Kshs.2,940,239,916) was attributed to lower absorption recorded in both recurrent expenditure (Kshs.8,204,202,359.85) and development expenditures (Kshs.2,691,687,030.3) by the County Government.

2. 3 FISCAL PERFORMANCE

2.3.1 PERFORMANCE OF REVENUES

2.3.1.1 Analysis of CDAs Revenues for FY 2018/2019 and FY 2019/20

ITEM	2019/2020		Deviation
	Target	Actual received	
Total Revenue	13,836,129,305	12,937,309,715	[898,819,590]
Equitable Share b/f)	1,215,275,668	1,215,275,668	0
Equitable Share	8,893,650,000	8,893,650,000	0
Conditional Grants- National Government (Plus b/f)	660,698,414	463,283,520	[197,414,894]
Compensation User Fee Foregone	32,837,307	32,837,307	0
Leasing Of Medical Equipment	131,914,894	0	-131,914,894
Development of Youth	124,503,298	59,003,298	-65,500,000

ITEM	2019/2020		Deviation
	Target	Actual received	
Polytechnics			
Fuel Levy fund	371,442,915	371,442,915	0
Conditional Grants- Development Partners (Plus b/f)	2,147,407,839	1,587,642,666	[599,765,173]
UNICEF	3,517,500	3,517,500	0
COVID 19 Grant	213,714,000	213,714,000	0
SIRISLA Hospital Grant	99,999,945	99,999,945	0
Universal Health Care Project	230,893,515	173,861,834	-57,031,681
DANIDA	66,160,917	66,160,917	0
Water Tower Protection and Climate Change Mitigation and Adaptation Programme	160,000,000	-	-160,000,000

ITEM	2019/2020		
	Target	Actual received	Deviation
World Bank Agricultural and Rural growth Projects	471,699,547	277,956,977	-193,742,570
Agriculture Sector Development Support Project	37,628,184	32,673,173	-4,955,011
Kenya Devolution Support Programme	212,537,789	212,537,789	0
Urban Support Programme(Development)	512,927,132	427,220,531	-85,706,601
Urban Support Programme (Recurrent)	50,000,000	50,000,000	0
AIA	477,529,339	466,477,712	-11,051,627
Local revenue	441,568,045	310,980,149	-130,587,896

2.3.1.2 Analysis of Grants Received from National Government

S/No.	Grant	FY2018/2019	FY2019/2020
1.	RMLF	235,619,376	252,452,156
2.	Youth Polytechnic grant	0	53,928,298
3.	Abolishment of user fees in health centers	32,837,307	32,837,307
	Total A	268,456,683	339,217,761

2.3.1.3 Analysis of Grants Received from Development Partners

S/No.	Grant	FY2018/2019	FY2019/2020
1.	Danida	29,362,500	36,693,754
2.	World Bank-THSUCP	72,564,291	141,024,527
3.	Kenya Urban Support Programme KUSP	342,177,100	224,070,489
4.	KDSP	212,537,789	0
5.	National Agriculture and Rural inclusive Growth Project NARGIP	50,078,476	233,676,188
6.	Agriculture Sector Development Support Project	8,157,046	23,595,077
7.	Covid- 19	0	280,044,000
	Total B	714,877,202	939,104,044

2.3.1.4 Analysis of CDAs expenditure for FY 2018/2019 and 2019/2020

	Actual 2018/19	Target 2019/20	Actual Expenditure	Deviation	% Deviation
A)Recurrent	8,571.2	9,212.4	8,204.20	-1,008.20	[10.94]
B)Development	4,194.1	4,623.8	2,691.60	-1,932.20	[41.79]
TOTAL	12,765.3	13,836.1	10,895.9	-2,940.20	[21.25]

This shows that recurrent expenditure absorption was 89.06% as compared to development expenditure absorption of 58.21%

2.4 EXPENDITURE FOR FINANCIAL YEAR 2019/2020

Mr. Speaker,

Development expenditure was low due to late commencement of procurement processes and delays in Project execution as well as late release of Development funds.

Development expenditure was at 25% while Recurrent was 75%.

Analysis of total revenues compared to budgeted total revenues shows a fiscal deficit of Kshs. 898,819,590 (6.5%) for FY 2019/2020.

2.4.1 Analysis of expenditure by economic classification for FY 2019/2020.

Department	Personnel Emoluments	Operations and Maintenance	Recurrent	Development	Total
Agriculture, Livestock, Fisheries And Cooperative Development	256,698,981	134,417,092	391,116,073	504,318,615	895,434,688
Tourism and Environment	23,194,639	173,904,274	197,098,913	4,983,400	202,082,313
Water and Natural Resources	26,923,934	24,090,974	51,014,908	125,386,620	176,401,528
Trade, Energy and Industrialization	11,084,825	42,101,488	53,186,313	40,001,848	93,188,161
Education	899,137,833	209,129,327	1,108,267,160	117,421,595	1,225,688,755

Health and Sanitation	2,098,528,394	872,978,652	2,971,408,046	119,773,160	3,091,181,206
Roads and Public Works	68,972,245	93,287,330	162,259,575	1,076,056,,663	1,238,316,238
Lands, Urban and Physical Planning	26,015,334	14,830,253	40,845,587	78,914,290	119,759,877
Housing	9,822,137	10,424,695	20,246,832	6,437,915	26,684,747
Bungoma Municipality		26,824,710	26,824,710	65,827,832	92,652,542
Kimilili Municipality		27,423,864	27,423,864	146,122,200	173,546,064
Gender, Culture Youth and Sports	34,687,943	69,061,109	103,749,052	170,166,448	273,915,500
Finance and Economic Planning	626,551,858	500,178,380	1,126,730,238	7,495,290	1,134,225,528
County Public Service Board	8,559,118	36,969,712	45,528,830		45,528,830
Governor's	246,635,345	192,305,106	438,940,451		438,940,451

Deputy Governor's		36,679,654	36,679,654		36,679,654
Public Administration	204,165,837	147,158,924	351,324,761	17,198,344	368,523,105
Office of the CS		170,381,897	170,381,897	56,836,858	227,218,755
Sub County Administration		13,549,450	13,549,450		13,549,450
County Assembly	259,067,145	608,558,901	867,626,046	154,745,952	1,022,371,998
Total	4,800,045,567	3,404,156,793	8,204,202,360	2,691,687,030	10,895,889,390
Percentage	44.1	31.2	75.3	24.7	100.0

2.5 OWN SOURCE REVENUES FOR FY 2018/19 AND FY 2019/20

Mr. Speaker, the table below indicates own source revenue for FY 2018/19 and 2019/2020;

N				VARIANCE
o.	REVENUE STREAM	2019/2020	2018/2019	
1	Rents	2,992,295	2,221,985	770,310
2	Other property income(AMC)	3,664,588	3,654,595	9,993
3	Receipts from Administrative Fees and Charges	6,103,090	6,269,000	(165,910)
4	Fines, Penalties and Forfeitures	1,367,210	10,651,987	(9,284,777)
5	Business permits	106,003,238	84,374,876	21,628,362
6	Cess	22,555,708	18,153,421	4,402,287
7	Poll Rates	12,002,382	16,042,434	(4,040,052)
8	Plot Rents	302,000	274,905	27,095
9	Administrative services fees	1,965,740	48,119,222	(46,153,482)
10	Sales of Council Assets		22,300	(22,300)
12	Other Miscellaneous Receipts	17,358,917	2,103,160	15,255,757
13	Market/Trade Center Fee	38,766,547	34,193,799	4,572,748

14	Vehicle Parking Fees	66,100,398	73,717,987	(7,617,589)
15	Housing	8,691,915	5,402,830	3,289,085
16	Social Premises Use Charges	42,000	114,800	(72,800)
17	Other Education Receipts [Mabanga ATC]	15,096,472	11,448,925	3,647,567
18	Public Health Services	2,758,083	4,142,300	(1,384,217)
19	Public Health Facilities Operations	457,599,261	307,695,781	149,903,480
20	Environment and Conservancy Administration	12,821,603	10,492,620	2,329,543
21	Slaughter Houses Administration	3,522,570	4,702,060	(1,179,490)
22	Alcoholic drinks license	3,758,900	4,771,200	(1,012,300)
23	Other Health and sanitation Revenues	63,334,461	26,428,250	606,916,211
24	Technical Services Fees		-	13,273,205
	TOTAL	777,557,862	674,998,437	

Source: FY 2019/20 Financial Statement

The own-source revenue outlook for the medium-term is favourable and will be supported by the passage of the valuation roll, revenue system audit and

strengthening as well as implementation of revenue enhancement measures.

Mr. Speaker, the Medium term revenue projections are as indicated;

Type of Revenue	20/21 (Base year)	21/22	22/23	23/24
(a) Equitable share	8,993,740,000	10,759,530,000	11,297,506,500	11,862,381,825
(b) Own source revenue: As per Finance Act	700,000,000	500,000,000	525,000,000	551,250,000
(c) Own source revenue: AIA	563,357,039	591,524,891	621,101,135	652,156,192
(d) Conditional grants – National Government	499,669,895	499,669,895	499,669,895	499,669,895
(e) Conditional grants – Development partners	1,145,561,950	969,338,415	969,338,415	969,338,415
Total	11,902,328,884	13,320,063,201	13,912,615,945	14,534,796,327

The county projects an increase in equitable share in FY 2021/22 by 19.63% and a decline in local revenue by 30% as a result of business recession occasioned by the COVID -19 pandemic.

2.6 RESOURCE ALLOCATION FRAMEWORK FOR FY 2021/2022

Mr. Speaker,

The FY 2021/22 budget will build up on the County government's efforts through the Economic Stimulus Programme and the post Covid-19 Economic Recovery Strategy to stimulate and sustain economic activities, mitigate the adverse impact of Covid-19 pandemic on the economy and re-position the economy on a steady and sustainable growth trajectory.

The County should also perform expenditure rationalization and revenue mobilization programmes as one way of mitigating the post Covid-19 and ensuring Economic recovery strategy.

In the financial year 2021/22, revenue collection including Appropriations –In-Aid (AIA) is projected at Kshs. 1,116,524,891 out of which ordinary revenue collected based on the approved Finance Act is Kshs. 525,000,000 while AIA is projected at Kshs.591, 524,891.

Overall expenditure is projected at Kshs. 13,320,063,201 with recurrent programmes being allocated Kshs. 9,518,861,839 and development expenditure allocated Kshs. 3,801,201,362.

The departmental indicative ceilings proposed for the financial year 2021/22 will form inputs into the next County Fiscal Strategy Paper that once approved shall give the final sector ceilings for preparation of the annual budget.

2.7 PERFORMANCE OF CAPITAL PROJECTS FOR THE PREVIOUS YEAR.

Mr. Speaker,

This part explains the extent to which capital projects have been implemented. In almost all the departments, most of the projects are indicated as on-going or at 0% complete.

Chwele Chicken Slaughter house in the department of Agriculture has not been completed to date yet it has been in the budget for a number of financial years.

The multi-year projects should be checked by respective sector committees for purposes of ensuring adequate budgetary allocation and completion in time. Stalled projects do not give the value for money which is a key factor of consideration in budgeting.

3.0 KEY FINDINGS, RECOMMENDATIONS AND CONCLUSION

3.1 COMMITTEE'S FINDINGS

Mr. Speaker, the following are some of the committee's key findings;

1. Revenue and expenditure performance were both below target in the financial year. Actual revenue and expenditure growth were also both below targets for the recent years.
2. The approved budget was not realistic, leading to a fall in the projections for revenue and expenditure in the CBROP.
3. The decline in development expenditure was occasioned partly by the effects of Covid-19 pandemic and low or non-remittances of development funds. CBROP projections for revenue for the next financial year is unrealistic in light of the past growth rates.
4. Previous approved development projects in most departments are still ongoing, meaning there is little attention for their completion.
5. Some grants from development partners were not remitted to the county for performance of key projects leading to possible budget deficits.
6. The CBROP provides inadequate explanations for past performance and weak justifications for new proposals.

7. In next year's financial year, the County treasury is proposing to reduce the development share of the budget for department of Agriculture, Livestock, Fisheries and Cooperatives development.
8. A slight budget deficit was experienced in the past and current financial year's budget. The County government should put in place measures leading to prudent public spending and revenue enhancement strategies to ensure decline in fiscal deficits in the next financial year's budget.

3.2 RECOMMENDATIONS

Having analyzed the CBROP FY 2020/21, the committee recommends as follows;

THAT,


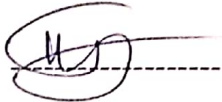
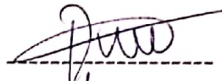
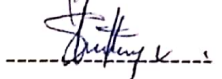

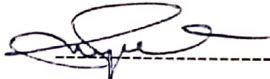
1. The Directorate of Revenue should always be setting realistic revenue targets to minimize cases of revising the targets downwards in the course of the financial year through supplementary budgets
2. Departments should prioritize development programmes during implementation of the approved budgets to ensure a high absorption rate at the end of the financial year.
3. All entities within the county government should give priority to ongoing and stalled development projects before embarking on new capital projects.
4. Departments benefiting from both national and development partners' grants

should keep engaging the donors through correspondences to ensure timely remittances to the County

5. The County Budget and Review Outlook paper should give clear information concerning past performance of the approved budgets for all departments. This makes it easier for honorable members to make factual recommendations that guide future budgets.
6. Budgets for departments should grow with at least 5% in subsequent financial years, and as such the proposed ceiling for the department of Agriculture should not be reduced as compared to current years' appropriated funds.
7. The county treasury should at all times adhere to the recommendations of the Honorable members during approval of all budget documents for smooth and uninterrupted implementation.

ADOPTION SCHEDULE & ANNEXTURES:

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. Eric Wapang'ana	Vice Chairperson	-----
3. Hon. Joseph Juma	Member	
4. Hon. Jane Chebet	Member	-----
5. Hon. Martin Pepela	Member	-----
6. Hon. Paul Wamalwa	Member	
7. Hon. Meshack Simiyu	Member	
8. Hon. Grace Sundukwa	Member	-----
9. Hon. Joan Kirong	Member	
10. Hon. Sospeter Nyongesa	Member	
11. Hon. Violet Makhanu	Member	