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COUNTY GOVERNMENT OF BUNGOMA



COUNTY ASSEMBLY OF BUNGOMA

THIRD ASSEMBLY, FIRST SESSION

**REPORT OF THE BUDGET AND APPROPRIATIONS COMMITTEE
ON**

**BUNGOMA COUNTY BUDGET REVIEW AND OUTLOOK PAPER, FY
2022/2023**

Clerk's Chambers
County Assembly Buildings
PO BOX 1886,
BUNGOMA, KENYA

JANUARY, 2023

Contents	
CHAPTER ONE	3
INTRODUCTION	3
1.0 BACKGROUND	3
1.2 COMMITTEE MEMBERSHIP	3
1.3 THE MANDATE OF THE COMMITTEE	4
1.4 LEGAL FRAMEWORK.....	4
1.5 Objective of the Budget Review and Outlook Paper	6
1.6 THE EXECUTIVE SUMMARY	7
1.7 Acknowledgment	8
CHAPTER TWO	9
2.1.1 PERFORMANCE OF REVENUES	9
2.1.2 OWN SOURCE REVENUE.....	11
2.1.3 EXPENDITURE FOR FINANCIAL YEAR 2021/2022	14
2.1.4 DEPARTMENTS EXPENDITURE FOR THE PERIOD ENDING 30 TH JUNE 2022.....	15
2.2.1 Challenges encountered by the County in Public Finance Management	18
2.2.2 Measures to address some of the challenges faced by County Government;	19
2.3 MEDIUM TERM REVENUE STRATEGY	20
2.4 RESOURCE ALLOCATION FRAMEWORK	22
2.4.1 FY 2022/2023 BUDGET	22
2.4.2 FY 2023/24 BUDGET FRAMEWORK	22
2.4.3 Medium-Term Expenditure Framework	22
CHAPTER THREE.....	27
3.1 COMMITTEE’S FINDINGS.....	27
3.2 RECOMMENDATIONS	28
3.3 CONCLUSION	29
ADOPTION SCHEDULE & ANNEXTURES.....	30
ANNEXTURES	31

CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND

Mr. Speaker Sir,

On behalf of the members of the Budget and Appropriations Committee and pursuant to Section 118 (3)(a) of Public Finance Management Act 2012 and the 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 the FY 2022/2023 which was tabled on 21st October and committed to Budget and Appropriations Committee for processing.

1.2 COMMITTEE MEMBERSHIP

Mr. Speaker Sir, the 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. Miliarh Masungo | Member |
| 8. | Hon. Sudi Busolo | Member |
| 9. | Hon. Grace Sundukwa | Member |
| 10. | Hon. Caleb Wanjala | Member |
| 11. | Hon. Polycarp Kimeta | Member |

1.3 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.

Mr. Speaker Sir, pursuant to the provisions of Standing Order No. 210, the Budget and Appropriations Committee discussed and examined the County Budget Review and Outlook Paper for the FY 2022/2023 and hereby presents the report with the recommendations to this House for deliberation and approval.

1.4 LEGAL FRAMEWORK

Hon. Speaker Sir, the Budget and Appropriations Committee is further given legal backing under the Public Finance Management Act (PFM) 2012 and Public Finance Management (County Governments) Regulations, 2015 as follows;

Section 118 of the Public Finance Management Act 2012 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.

Fiscal Responsibility Principles in the Public Finance Management Act

In line with the Constitution, the Public Finance Management (PFM) Act, 2012, sets out the fiscal responsibility principles to ensure prudent and transparent management of public resources. Section 107(2) of PFM Act states that:

1. Over the medium term, a minimum of 30% of the county government budget shall be allocated to development expenditure.
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%.
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.
4. Public debt and obligations shall be maintained at a sustainable level as approved by Parliament (NG) and County Assembly (CG)
5. Fiscal risks shall be managed prudently
6. 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.

1.5 Objective of the Budget Review and Outlook Paper

1. The CBROP is a key document in linking policy, planning and budgeting. It presents a revised fiscal outlook of the fiscal performance for the financial year 2021/22 including adherence to the objectives and principles outlined in the 2022 County Fiscal Strategy Paper (CFSP) and the PFM Act, 2012.
2. The review findings together with the recent economic developments and outlook provides a basis for the revision of the current budget and the financial policies underpinning the medium-term plan. The 2022/2023 CBROP will guide development of the 2023 CFSP that will summarize the various projects and initiatives that will be undertaken during the Third County Integrated Development Plan (CIDP III 2023-2027)
3. As required by the PFM Act, 2012, the annual budget process aims to improve the efficiency and effectiveness of revenue mobilization and government spending to ensure debt sustainability and stimulate economic activity. To achieve this, the County Government remains committed to a measured, prudent course of fiscal consolidation to narrow the budget deficit and while at the same time enhancing the absorption capacity of MDAs.

4. The 2022/2023 CBROP provides sector ceilings which will guide the budget preparation process for the FY 2023/24 and the medium term. The sector ceilings are based on the overall resource envelope that is informed by the medium-term macro-fiscal projections as presented in sections III and IV of this document.
5. It outlines broad policies and proposals needed to improve food security, support manufacturing activities, enhance universal health coverage and enhance living conditions through social economic activities including affordable housing. To meet the commitments, the County Government will continue to implement measures aimed at raising the share of own source revenues and providing incentives for private sector participation in the County transformation. In addition, the County Government will continue to gradually reduce non-priority expenditures, improve value for money spent and stabilize the public finances.
6. To meet the current commitments as contained in the FY 2022/23 Budget, the County Government is implementing revenue enhancement measures aimed at expanding the local revenue base and providing incentives for businesses to thrive and create employment opportunities, improve value for money spent, stabilize expenditure on personal emoluments consistent with the County Integrated Development Plan, County strategic plan, and the overall strategies and policies outlined in the Vision 2030's and the third Medium-Term Plan (MTP IV) - 2023-2027.

1.6 THE EXECUTIVE SUMMARY

Mr. Speaker Sir,

The 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 2021/2022, macro-economic projections and the sector ceilings for the FY 2023/2024 as well as the medium-term budget.

In addition, the document equally provides an overview of how the actual performance of the FY2021/2022 affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the 2022/2023 County Fiscal Strategy Paper.

Preliminary outcome for the FY 2021/22 indicates that the cumulative revenue collection including AIA was Kshs. 983,296,708. This revenue was Kshs. 505,039,785 (33.9 %) below the target of Kshs 1,488,336,493. The total expenditure amounted to Kshs 11.444 billion against a target of Kshs 14.454 billion. The variance of 20.8% (Kshs.3.0094 billions) was attributed to lower absorption recorded in both recurrent expenditure (Kshs. 9.2549 billion) and development expenditures (Kshs. 2.1899 billion) by the County Government.

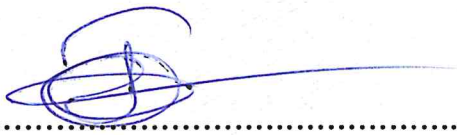
1.7 Acknowledgment

Mr. Speaker Sir, may I take this opportunity to thank the office of the Speaker and Clerk of the County Assembly for their logistical support that made this exercise a success.

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 2022/2023.

Mr. Speaker Sir, it is therefore my privilege, on behalf of the Budget and Appropriations Committee to present the Committee’s Report on the County Budget Review and Outlook Paper FY 2022/2023 for debate and adoption.

Signed:



Signed Date 24th Jan 2023

HON. JACK WAMBULWA, MCA; KIMAETI WARD.

CHAIRPERSON BUDGET AND APPROPRIATIONS COMMITTEE

CHAPTER TWO

2. 1 REVIEW OF FISCAL PERFORMANCE FOR FY 2021/22

2.1.1 PERFORMANCE OF REVENUES

Mr. Speaker Sir, in the FY 2021/2022, the resource envelope of the County was Kshs. 14,454,364,385 out of which Kshs. 11,690,427,481 was received representing 80.9 % of it's total budget compared to Kshs. 13,239,233,043 that was released in FY 2020/2021.

Equitable share brought forward from the financial year 2020/21 Kshs.230,673,452 was fully realised as budgeted.

The targeted Equitable Share in the FY 2021/2022 was Kshs 10,659,435,191 out of which Kshs, 9,806,680,373 representing 92% was received hence a deficit of Kshs.852,754,819.

Local Revenue collection amounted to Kshs. 368,035,218 against a target of Kshs. 746,811,602. The A-i-A collection amounted to Kshs. 615.2 million against a target of 741.5 million and this was an increase of Kshs. 244.9 million from FY 2020/21 collection of Kshs. 370.3 million as a result of an enhanced collection and improved disclosure by MDAs.

The table below shows the analysis of CDAs Revenues for FY 2020/2021 and FY 2021/22:

ITEM	2020/21	2021/22		Deviation	% Release
	Actual 2020/21	Target 2021/22	Actual Received		
Total Revenue	13,239,233,043	14,454,364,385	12,178,225,025	-2,276,139,360	84.2
Equitable Share b/f	1,320,961,881	230,673,452	230,673,452	0	100
Equitable Share	8,893,650,000	10,659,435,192	9,806,680,373	-852,754,819	92
Grants b/f	1,241,572,240	0	0	0	0
Conditional grants national government	367,648,618	434,055,985	375,468,531	-58,587,454	86.5
Conditional	650,005,690	1,633,093,814	773,336,512	-859,757,302	47.3

ITEM	2020/21	2021/22			
grants Development partners					
Retention	0	8,769,449	8,769,449	0	0
AIA	370,276,382	741,524,891	615,261,490	-126,263,401	82.97
Local revenue	395,118,238	746,811,602	368,035,218	-378,776,384	49.3

In respect to conditional grants from development partners and from the national government, the county received 47.3% and 86.5% respectively of the targeted, amounts and the out-turn per grant is shown below:

GRANT	Target	Actual	Deviation
Universal Health care Project	83,053,623	30,083,836	-52,969,787
Danida	29,466,753	19,614,191	-9,852,562
ASDSP II	42,163,617	37,224,203	-4,939,414
Kenya Devolution support programme	344,173,780	189,168,989	-155,004,791
Nagrip	487,202,882	301,387,326	-185,814,556
Urban Support programme –Dev	563,828,413	162,656,256	-401,172,157
Urban Support Programme- Rec.	22,000,000	364,404	-21,635,596
Conditional grant Water & natural resources	41,048,858	0	-41,048,858
Compensation user fee foregone	32,837,307	32,837,307	0
Leasing of medical equipment	233,974,807	209,538,834	-24,435,973
Development for youth Polytechnics	32,040,997	62,140,935	30,099,938
Covid 19 Grant	52,665,132	52,665,132	0
Fuel Levy Fund	51,123,630	51,123,630	0
UNICEF	1,571,000	0	-1,571,000
KISP II	50,000,000	0	-50,000,000
Total	2,067,149,799	1,148,805,043	918,344,756

2.1.2 OWN SOURCE REVENUE

Mr. Speaker Sir, the table below indicates own source revenue for FY 2020/21 and 2021/2022;

	Actual amount received FY 2020/21	Approved budget amounts 2021/22	Actual Amount received FY 2021/22	Variance	%
Local generated Revenue	395,176,411	746,811,602	368,035,218	(378,776,384)	49%
Land Rates	27,121,443	74,681,160	23,164,932	(51,516,228)	31%
Alcoholic Drinks Licenses	5,478,550	11,202,174	5,937,000	(5,265,174)	53%
Single Business Permits	85,067,740	140,264,404	75,283,750	(64,980,654)	54%
Application Fees	5,667,540	9,473,857	4,136,550	(5,337,307)	44%
Renewal fees	8,197,450	22,414,785	8,179,800	(14,234,985)	36%
Cheque Clearance Fees	-	194,171	-	(194,171)	0%
Conservancy Fees	14,306,558	18,293,550	12,749,805	(5,543,745)	70%
Fire Fighting	23,135,836	28,677,070	20,375,490	(8,301,580)	71%
Advertisement Fees	24,533,369	41,035,348	23,331,893	(17,703,455)	57%
Food Hygiene Licenses	4,738,125	11,518,064	3,612,790	(7,905,274)	31%
Change of User Fees	62,173	212,109	26,500	(185,609)	12%
Car Parking Fees	10,351,075	22,119,580	9,876,670	(12,242,910)	45%
Bodaboda Parking	5,550,865	15,501,695	1,474,270	(14,027,425)	10%

Fees					
Burial Fees	61,500	185,408	63,000	(122,408)	34%
House Rent	11,623,700	9,229,426	10,320,100	1,090,674	112%
Stadium Hire		639,656	59,000	(580,656)	9%
Miscellaneous Income	854,958	945,159	73,024	(872,135)	8%
Plan Approval	12,772,987	32,642,092	11,464,386	(21,177,706)	35%
Inspection Fee	2,770,497	6,674,672	1,927,842	(4,746,830)	29%
Occupational Permits	-		-	-	0%
Ground Fees	3,561,961	1,562,714	2,827,155	1,264,441	181%
Market Fees	43,885,295	61,917,439	34,997,444	(26,919,995)	57%
Enclosed Bus Park Fee	42,061,645	104,553,624	61,985,700	(42,567,924)	59%
Slaughter house Fees	3,952,400	10,224,485	3,087,434	(7,137,051)	30%
Plot Transfer	168,000	679,109	318,000	(361,109)	47%
Change of Business Name	52,000	144,172	40,500	(103,672)	28%
Impound Charges	753,535	4,041,885	385,725	(3,656,160)	10%
Cess	32,536,824	71,693,914	38,882,062	(32,811,852)	54%
Other Property	0	2,456,317	-	(2,456,317)	0%
Tender Document Sale	1,000		-	-	0%
Sand Harvest Fee		276,756	-	(276,756)	0%
Market Stalls Rent	1,500,550	4,905,884	1,327,800	(3,578,084)	27%
Stock Sales	8,361,910	17,979,960	8,369,060	(9,610,900)	47%
Other Revenue sources	15,984,752	20,470,963	3,757,536	(16,713,427)	18%
Aids in	370,276,382	741,524,891	615,261,490	(126,263,401)	83%

Appropriation					
Agriculture, livestock, fisheries, and co-op development	23,405,406	26,761,460	29,431,030	2,669,570	110%
Tourism, Forestry, environment and natural resource and water	143,500	1,273,388	39,600	(1,233,788)	3%
Roads and Public Works	-	4,051,688	-	(4,051,688)	0%
Education, Science and ICT	-	2,205,000	-	(2,205,000)	0%
Health and Sanitation.	346,727,476	692,823,421	585,790,860	(107,032,561)	85%
Lands, Urban and Physical Planning	-	6,611,952	-	(6,611,952)	0%
Public Administration		7,797,983	-	(7,797,983)	0%
County Secretary			-	-	0%

From the table above, dismal performance was reported on the following revenue streams: Land rates, single business permit, bodaboda fees, food hygiene licenses, advertisement fee, Cess, market fees and enclosed bus park. With the organized structures managing these businesses, revenue targets should be predictable and therefore achievable.

Other property and other revenues with targets of Kshs.2.4 million and Kshs. 20.4 million respectively has no clear revenue streams and it should be clearly named for proper monitoring.

The A-i-A collection recorded a shortfall of Kshs. 126,263,401 as a result of a difficult operating environment that slowed down activities in MDAs. In particular, the department of Health and Sanitation bore the greatest impact of the pandemic as most patients avoided public health facilities to evade compulsory COVID screening, feared contracting COVID-19 and the stigma they would face should they be quarantined.

The departments of Education, Roads, Public Administration and County Secretary did not achieve a cent of their set targets.

Agriculture, Livestock, Fisheries and Co-operatives Development surpassed its set target by 10% and the trend should be encouraged and targets enhanced.

Tourism, Forestry, environment and natural resources and water met 3% of their targets.

2.1.3 EXPENDITURE FOR FINANCIAL YEAR 2021/2022

Mr. Speaker Sir,

The table below shows the approved budget and actual expenditures in the FY 2021/22 in comparison with FY 2020/21

	Actual 2020/21	Target 2021/22	Actual Expenditure	Deviation	% Deviation
A) Recurrent	8,163.9	9,974.9	9,254.7	720.2	7.2
B) Development	3,364.9	4,479.3696	2,189.9	2,289.4	51.11
TOTAL	11,528.9	14,454.3	11,444.7	3,009.4	20.8

This shows that recurrent expenditure absorption was 92.7% as compared to development expenditure absorption of 48.8% of the appropriated amounts.

Development expenditure was lower compared to FY 2020/21 due to late commencement of procurement process and delayed disbursement of development funds from the national treasury. In FY 2020/21 the actual expenditure on development was 29% and on recurrent was 71% while in FY 2021/22 development expenditure was 19% while recurrent was 81%.

Analysis of total revenues compared to budgeted total revenues shows a fiscal deficit of Kshs. 2,276,139,360 (15.8%) for FY 2021/22.

Analysis of expenditure by economic classification for FY 2021/2022 is summarized in the table below;

Department	Personnel Emolument	Operation & Maintenance	Recurrent	Development	Total
Total	5,178,340,834	4,076,427,625	9,254,768,459	2,189,989,610	11,444,758,069

Percentage	45.25	35.62	80.86	19.14	100
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Mr. Speaker Sir, personnel emoluments and operation and maintenance accounted for 45.25% and 35.62% of the total expenditure respectively while development expenditure accounted for 19.14%. The 45.25% expenditure on personnel emoluments includes expenditure from the County Assembly, gratuity and pension for all county employees. This therefore means that 80% of the recurrent budget was absorbed against a paltry 19% percent absorption on development funds.

2.1.4 DEPARTMENTS EXPENDITURE FOR THE PERIOD ENDING 30TH JUNE 2022

Mr Speaker Sir, the departments' expenditure for the FY 2021/2022 was as shown in the below;

Department	Approved Recurrent Budget	Actual recurrent expenditure	% absorption of recurrent budget.	Approved Development Budget.	Actual development expenditure	% absorption of development budget.
ALFC	459,984,459	457,705,303	99.5	805,849,056	275,258,241	34
Tourism and Environment	279,490,787	272,308,271	97.3	12,213,266	0	0
Water and Natural Resource	105,960,756	99,790,132	94.2	219,522,483	100,321,809	45.7
Trade, Energy and Industrialization	73,486,816	71,004,202	96.6	38,081,741	19,653,970	51.6
Education	1,471,024,892	1,478,929,676	100.54	241,033,982	183,929,762	76.30
Health and Sanitation	3,704,586,939	3,255,110,032	87.9	97,124,894	46,689,846	48.07
Roads and	184,554,361	159,869,874	86.6	1,714,778,378	1,124,893,750	65.6

Public Works						
Lands, Urban and Physical planning	54,226,465	49,632,234	91.5	18,639,593	8,511,264	45.7
Housing	25,952,409	23,460,407	90.4	50,491,034		
Bungoma Municipality	25,638,374	16,061,765	62.6	198,876,358	29,294,002	14.7
Kimilili Municipality	23,829,692	13,411,214	56.3	364,952,055	53,161,894.00	14.6
Gender and Culture	126,375,924	70,805,011	56.03	277,744,021	157,296,583	56.6
Youth and Sports						
Finance and Economic planning	1,320,487,231	1,219,305,866	92.3	8,769,449		0
County Public Service Board	59,205,535	54,698,805	92.4			0
Governor	532,779,578	493,481,164	92.6			0
Deputy Governor		-				-
Public Administration	606,222,902	550,402,730	90.8	324,301,448	149,412,268	46.07
Office of the CS		-				-
ICT		-				-
Sub County Administration		-			-	-
County Assembly	921,179,505	921,175,971	99.9	107,000,000	41,566,221	38.85
Total	9,974,986,625		92.8	4,479,377,758		48.9

		9,254,768,459			2,189,989,610
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Notably, the budget outlook for the following departments were not provided yet they have distinct budgets: Youth and Sports, Office of the County Secretary, ICT, sub county Administration and deputy Governors. Under Tourism and environment data was also not provided on development expenditures.

Education department expended over and above the approved budget by 0.54%. The source of funds has not been given.

Recurrent expenditures stood at an average of 90% across the department while development averaged at 48 % with highest absorption 76% and 65 % in Education and roads department respectively. The municipalities had the lowest absorption of development funds at 14% followed by Agriculture at 34%.

Finance and economic planning development allocation relates to funds in the retention account which reported zero expenditure at the end of the financial year.

Mr. Speaker,

In line with the Constitution of Kenya 2010, the PFM Act, 2012, the PFM regulations, and in keeping in line with prudent and transparent management of public resources, the Bungoma County Government has not adhered to the fiscal responsibility principles as set out in the statute as follows:

- a. The County Government's allocation to development expenditures has been above 30 percent of County Government expenditures. In the FY 2021/22, the allocation to development in the budget was 30.7 percent of the total allocation meeting the set threshold. However, the County Government development expenditure was at 19.1 percent of total expenditure compared to 80.86 recurrent expenditures.
- b. The law requires that the county government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed 35 percent of the county government's equitable share of the revenue raised nationally plus other revenues generated by the county. The share of wages and benefits to revenues was 45.25 percent in the FY 2021/22 which is above the statutory requirement of 35.0 percent of the equitable share from National Government, grants from both National Government and Development partners plus other revenues generated by the County Government.

- c. Fiscal risks have not been managed prudently as required, the County Government has to improved its revenue forecasts, Potential fiscal risks arising from contingent liabilities, including from Public Private Partnership (PPPs) projects among others are taken into account and sufficient contingency provision made to cushion the county economy from unforeseeable shocks. Pending bill continue to escalate due expenditures outside approved budgets.
- d. On the principle of maintaining a reasonable degree of predictability with respect to the level of tax rates and tax bases, the County Government continues to carry out tax reforms through modernizing and simplifying tax administrative laws. In order to lock in predictability and enhance compliance with tax system, the government through the Finance Act, 2017, introduced stickers for Public Service Vehicles amid other changes to simplify tax administration and management. However, the introduction of stickers has resulted into a deficit of Kshs. 42 million on this revenue stream making it unpredictable.

2.2.1 Challenges encountered by the County in Public Finance Management

Mr. Speaker Sir, there are some notable challenges in the management of county public finances that have persisted and they include;

1. Irregular public procurement, such as, lack of proper documentation of the contracts awarded; variation of materials used in construction; engagement of service providers without proper contracts, un-procedural procurement of goods and services; awarding of contracts without performance bonds as required by the procurement law and awarding of same works to more than one contractor among others.
2. The weak management of assets and liabilities characterized by incomplete fixed assets register leading to under estimation of the assets held by the County Government. This has been made worse by the delay in the completion of the formal transfer of assets and liabilities.
3. Weak human resource management framework characterized by irregular recruitment of staff of both the Executive and the County Assembly; lack of human resource policy that would guide the staffing needs and irregular leasing of official residences for senior county officials. Weak human resource management limits the ability of the counties to manage their wage bill which has posed a major challenge.

4. The escalation of pending bills which is attributed to non-payment of contractors and suppliers of goods and services. In some instances, the county has failed to remit statutory deductions (including employee pension contributions and loan deductions) to respective institutions.
5. The establishment and management of Public Funds without the requisite legal and administrative frameworks which affects the administration, accounting and reporting of these Funds.
6. There is misalignment between financial reports prepared by the County Government and the financial records as captured in the Government's Integrated Financial Management Information System (IFMIS).

2.2.2 Measures to address some of the challenges faced by County Government;

1. To address the above challenges, the County Treasury has been undertaking extensive capacity building initiatives targeting county staff. In addition, the National Treasury has been supportive in developing the capacity of staff on various aspects of public finance management will continue in order to ensure compliance with the legal requirements as contained in the PFM Act and Regulations.
2. In addition, through the National Government and in partnership with the World Bank, the County will continue implementing the Kenya Devolution Support Program (KDSP) which seeks to incentivize better PFM performance by providing additional resources for capacity development that achieve pre-agreed results in core PFM key result areas.
3. The County will embrace efforts to enhance own source revenue, by implementing the County Governments' own source revenue enhancement policies and bills which are being fast tracked for approval by County Executive Committee and there after submitted to the County Assembly for enactment into law.
4. The county will implement the findings of the county revenue potential study commissioned by the National Treasury. According to the study's draft report, almost all counties could dramatically increase own source revenue contributions to their budgets by refocusing enhancement efforts on key streams, broadening the base for collections, and simplifying rate structures. The study also recommends strategies for strengthening the linkage between revenue collection and policy objectives, improving efficiency of revenue administration

arrangements that is through collaboration with Kenya Revenue Authority and fixing legal weaknesses. In addition to the revenue potential study, the National Treasury is planning to train Counties on own source revenue forecasting and tax analysis.

2.3 MEDIUM TERM REVENUE STRATEGY

The County Government own source revenue has been growing at a slow pace over the years. There was a slight decline of 2.5% in FY 2020/21 due to emergence of COVID-19 pandemic. In FY 2021/22, a growth of 29.7% was recorded as economic activities picked up following the easing of COVID-19 restrictions.

The County has continued to encounter various challenges raising own source revenue, these include;

- i. Several County departments are yet to enact the necessary pieces of legislation to support revenue collection and administration. These include the following bills:
 - a) County Rating Bill
 - b) Animal Control and Welfare Bill
 - c) Outdoor Advertisement and Signage Bill
 - d) Physical Planning Bill
 - e) Construction and Development Control Bill
 - f) Inspectorate and Enforcement Bill
 - g) County Valuation Roll
 - h) Housing Policy
 - i) County Public Entertainment and Amenities Bill.
- ii. There was unprecedented resistance to pay taxes from obligated business people, major cases being the Bodaboda operators. Despite numerous stakeholder meetings, compliance remained poor.
- iii. The poor state of market support infrastructure including auction rings, sanitation facilities and slaughterhouses posed a challenge in enforcing collection as several incidences of resistance were reported across the county.

- iv. Limitation in undertaking revenue supervision arising from mobility constraints. Most of the department vehicles are old and frequently breakdown, significantly affecting supervision and collection efforts.
- v. Motivation programmes for revenue collectors were not implemented. These included reimbursements of transport to revenue collectors traversing across county markets to collect revenue. Training and promotions were not fully realized.
- vi. In its quest to increase efficiency in revenue administration, the County initiated use of technology to undertake collections and minimize cash handling. This included cashless mode of payment for market fees and parking. However due to budgetary constraints, inadequate training and sensitization of traders and revenue collectors affected remittance of revenue.

In order to attain revenue target, the department has put in place several enhancement measures:

- i. Weekly performance appraisal for revenue collectors to monitor variations between collections and targets. This will enhance collections from market fees and related streams.
- ii. The County has identified top 15 property rates defaulters whose cumulative outstanding rates amount to Ksh.40 million. The list has been forwarded to the County Attorney to pursue litigation.
- iii. Set up a negotiation committee to engage property rates and other defaulters to draw a payment plan.
- iv. Tax incentives including waivers and flexible plans for defaulters.
- v. Integration of the BARMS system with other systems including banks, NTSA, Business registrar, IPPD among other to develop a comprehensive business register for easier tracking of tax compliance.
- vi. Continuous on-job trainings for revenue staffs on their relevant fields.

2.4 RESOURCE ALLOCATION FRAMEWORK

2.4.1 FY 2022/2023 BUDGET

Mr. Speaker Sir,

The Medium-Term Fiscal Framework (MTFF) for the FY 2022/23 emphasizes on efficiency and effectiveness of public spending and improving revenue collection to stimulate and sustain economic activities, mitigate the adverse impact of COVID-19 pandemic and the ongoing Russia-Ukraine conflict on the economy and re-position the economy on a steady and sustainable growth trajectory. This will in turn enhance fiscal discipline and reduce ballooning pending bills. Therefore, total revenue for the FY 2022/23 is projected to be Kshs. 12,914,280,379 out of which own source revenue is projected to be Kshs.1,398,524,891 and the recurrent expenditure is projected to be Kshs. 9,102,727,028 while Kshs. 3,811,553,350 for development. Emergency fund has been allocated Kshs.57,750,000 and County Assembly has an allocation of Kshs. 1,125,201,641.

2.4.2 FY 2023/24 BUDGET FRAMEWORK

Mr Speaker Sir, in the FY 2023/24 the projected revenue is Kshs. 12,757,660,409 including own source revenue target of Kshs.1, 517,274,781. This revenue performance will be underpinned by economic recovery efforts; the on-going reforms in revenue administration and boosted by economic recovery in the country. Occasioned by implementation of priority programmes under the Economic Recovery Strategy. Recurrent expenditure is projected to be Kshs.8, 925,346,220 while Development is projected to be Kshs.3, 832,314,188.

2.4.3 Medium-Term Expenditure Framework

The following criteria will serve as a guide for allocating resources:

- i. Linkage of programmes to Economic Recovery Strategy; with the objectives of the CIDP, Third Medium-Term Plan of Vision 2030; to the 2023 County Fiscal Strategy paper.

- ii. Degree to which the programme is addressing the core mandate of the CDAs, job creation and poverty reduction.
- iii. Expected outputs and outcomes, cost effectiveness and sustainability of the programme.

In the submitted document, the county fiscal projections provide comparisons between the updated projections in the CBROP 2022/2023 and the CFSP 2022/2023 for the financial year 2023/24 and in the medium term. The deviations, in the revision in revenues and expenditures are due to the base effect on revenue forecast and macroeconomic assumptions contained in this CBROP, which will be firmed up in the context of the CFSP 2023/2024. The County Government will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives contained in the latest CFSP to reflect the changed circumstances.

The resource envelope and ceilings for each sector provided in this Budget review and outlook paper will form inputs into the 2023/2024 County Fiscal strategy Paper. Medium term sector ceilings have been annexed but notably some sectors have major shifts in their ceiling which require additional explanation on the changes in the financial objectives as captured below:

Agriculture, Livestock, Fisheries, Irrigation and Cooperatives.

Agriculture and Irrigation development ceiling has a positive deviation of Kshs. 247, 618,522 representing 53.6%.

Livestock and Fisheries development ceiling has a negative deviation of Kshs. 47,876,500 representing 58.5%.

Cooperative development's development the ceiling has a negative deviation of ksh.15, 700,000 representing 59%.

Tourism and Environment.

The Development ceiling has a positive deviation of Kshs. 99,407,554.

Water and Natural Resources

The Development ceiling has a negative deviation of Kshs. 201,154,000 representing 89.2%.

3. Roads and Public Works

The development ceiling has lost Kshs.827,200,906 representing 62%.

4. Education and Vocational Training

The recurrent ceiling has a negative deviation of Kshs. 419,018,047 representing 31.2%. The development ceiling has a positive deviation of Kshs. 62,890,000 representing 26.4%.

5. Health

The recurrent ceiling has a positive deviation of Kshs. 83,884,976 representing 2.7%. The development ceiling has a negative deviation of Kshs. 82,294,314 representing 26%.

6. Sanitation

The development ceiling has a negative deviation of Kshs. 3,500,000 representing 30.3%.

7. Trade

The development ceiling has negative deviation of Kshs. 50,073,000 representing 77%.

8. Energy

Development ceiling has a positive deviation of Kshs. 61,974,003.

9. Industrialization

The development ceiling has a positive deviation of Kshs. 34,598,997.

10. Lands urban and physical planning

Development ceiling has a negative deviation of Kshs. 26, 750,000.

11. Bungoma Municipality

Development ceiling has a negative deviation of Kshs. 31,887,700.

12. Kimilili Municipality

Development ceiling has a negative deviation of Kshs. 91,089,400.

13. Housing

Development ceiling has a positive deviation of Kshs.42,746,535.

14. Gender and Culture

Recurrent ceiling has a negative deviation of Kshs. 4,619,313

Development ceiling has a negative deviation of Kshs. 9,371,209.

15. Youth and sports

Recurrent ceiling has a negative deviation of Kshs. 4,380,687.

Development ceiling has a negative deviation of Kshs. 54,228,791.

16. County Assembly

Recurrent ceiling has a negative deviation of Kshs. 145,686,946.

17. Finance and planning

Recurrent ceiling has a positive deviation of Kshs. 27,095,778.

18. County public service Board.

Recurrent ceiling has a positive deviation of Kshs. 10,000,000.

Development ceiling has a negative deviation of Kshs. 30,000,000

19. Governors

Recurrent ceiling has a positive deviation of Kshs. 20,000,000.

20.D. G

Recurrent ceiling has a positive deviation of Kshs. 13,000,000.

21. Public Administration.

Recurrent ceiling has a positive deviation of Kshs. 367,999,837.

22. Sub County Administration.

Recurrent ceiling has a positive deviation of Kshs. 34,028,383.

Development ceiling has a positive deviation of Kshs. 225,000,000.

23. County Secretary

Recurrent ceiling has a negative deviation of Kshs. 159,095,875.

Development ceiling has a negative deviation of Kshs. 103,815,048.

24.ICT

Development ceiling has a negative deviation of Kshs. 14,847,901.

Ward Based Projects

Development ceiling has an indicative allocation of Kshs. 855,000,000.

CHAPTER THREE

3.0 KEY FINDINGS, RECOMMENDATIONS AND CONCLUSION

3.1 COMMITTEE'S FINDINGS

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

1. The own-source revenue outlook for the medium-term is not favourable. CBROP projections for revenue for the next financial year is unrealistic considering the past growth rates.
2. Other property and other revenues with targets of Kshs.2.4 million and Kshs. 20.4 million respectively has no clear revenue streams which is not a best practise. and it should be clearly named for proper monitoring.
3. The budget outlook for the following departments were not provided yet they have distinct budgets; Youth and Sports, Office of the County Secretary, ICT, sub county Administration and Deputy Governor.
4. A total of Kshs.918 million worth of conditional grants were not realised to the County Government affecting the implementation of development projects.
5. The challenges enlisted have been in existence year in year out with no deliberate effort to address them. The Challenges includes Irregular public procurement, weak management of assets and liabilities, weak Human Resources management, escalation of pending bills, establishment and management of public funds without prerequisite legislation.
6. The County Government fiscal out turn barely adhered to most of the fiscal responsibility principles
7. The department of Education spent Kshs. 7.9 million over and above the approved recurrent budget.

8. The CBROP provides inadequate explanations for past performance and no justifications on the proposed ceilings which have major deviations from the previous allocations.
9. The ward-based projects have a proposed ceiling of Kshs, 19 million per ward which is the same amount as the current year's allocation. In next year's financial year.

3.2 RECOMMENDATIONS

Having analyzed the CBROP FY 2022/23, the Committee recommends as follows; **THAT**,

1. The Directorate of Revenue should always set realistic revenue targets to minimize cases of revising the targets downwards in the financial year through supplementary budgets. Strategies to enhance revenue should be actualized including enacting relevant tax laws.
2. The Directorate of Revenue should adopt a consistent approach on local revenue especially on naming revenue streams like a revenue stream on 'other properties' can be grouped under property rates for proper reporting and monitoring.
3. A budget outlook of each of the department should captured in CBROP as per the Appropriation Act. 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.
4. Sector Committees should oversight departments in relation to the donor funds and grants expected to be received in order to guarantee implementation of programmes and projects as captured in the approved PBB. Conditions set by donors should be met by the County Government. Departments benefiting from both national and development partners' grants should keep engaging the donors through correspondences to ensure timely remittances to the County
5. Since the challenges faced by the County in Public Finance Management touches mostly on our internal systems, realistic measures should be put in place to ensure we do not encounter the challenges year in year out.
6. The CECM Finance should submit a responsibility statement on efforts the County will take in order to adhere to the fiscal responsibility principles as set out in the PFM Act Section 107(2).

7. Departments should spend funds in an authorised manner and as per PFM Act Section 149. The Education committee should check on the over expenditure in the department over and above the authorised amounts.
8. Budgets for departments should grow with at least 5% in subsequent financial years, and as such the proposed deviations in ceilings across the departments should be favourable while handling the CFSP 2023.
9. The County Treasury should always adhere to the recommendations of the Honorable members during approval of all budget documents for smooth and uninterrupted implementation.

3.3 CONCLUSION

Mr. Speaker Sir, it is my pleasant duty and privilege on behalf of Budget and Appropriations Committee to move this report for the House consideration to inform other documents in the County Budget cycle. I move

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. Charles Nangulu	ViceChairperson	
3. Hon. Ali Machani	Member	
4. Hon. Anthony Lusenaka	Member	
5. Hon. Meshack Simiyu	Member	
6. Hon. Joan Kirong	Member	
7. Hon. Miliar Masungu	Member	
8. Hon. Sudi Busolo	Member	
9. Hon. Grace Sundukwa	Member	
10. Hon. Caleb Wanjala	Member	
11. Hon. Polycarp Kimeta	Member	