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CHAPTER ONE

1.0 PREFACE

Mr. Speaker Sir, on behalf of the members of the Budget and Appropriations Committee, pursuant to Section 118 (3) (a) of Public Finance Management Act 2012 and Standing Order No. 210 of the County Assembly of Bungoma Standing Orders, I hereby present to this House the Committee's report on the Bungoma County Budget Review and Outlook Paper for FY 2023/2024 which was tabled on 24th October, 2023 and committed to Budget and Appropriations Committee for processing.

1.2 THE MANDATE OF THE COMMITTEE

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

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

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

1.4 LEGAL FRAMEWORK

Hon. Speaker Sir, 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

Mr. Speaker Sir,

The Constitution of Kenya 2010 and 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 35% percentage of the county government revenue as prescribed by the regulations.
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

The County Budget Review and Outlook Paper for FY 2023/24 contains the following information:

- a) Specifies the details of the actual fiscal performance in the previous year; FY 2022/23 compared to the budget appropriated for current year; FY 2023/2024.
- b) The updated economic and financial forecasts with sufficient information to show the changes from the forecasts in the most recent County Fiscal Strategy Paper and the upcoming financial year.
- c) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.
- d) Proposed sector/departmental distribution of the budget for the upcoming financial year.
- e) The 2023 Budget Review and Outlook Paper has been prepared in accordance with the Public Finance Management (PFM) Act, 2012 and its Regulations.
- f) The document provides actual fiscal performance for FY 2022/2023, macro-economic projections and the sector ceilings for the FY 2024/2025 as well as the medium term budget.
- g) In addition, the document equally provides an overview of how the actual performance of the FY 2022/2023 affected our compliance with the fiscal responsibility principles and the financial objectives spelt out in the 2022 County Fiscal Strategy Paper.

1.6 Acknowledgments

Mr. Speaker Sir, I take this opportunity to thank the offices 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 2023/2024.

Mr. Speaker Sir, it is therefore my privilege, on behalf of the Budget and Appropriations Committee to present the report on County Budget Review and Outlook Paper FY 2023/2024 for debate and adoption.

Signed:

Signed  Date..... 25/11/2023

HON. JACK WAMBULWA, MCA; KIMAETI WARD.

CHAIRPERSON BUDGET AND APPROPRIATIONS COMMITTEE

CHAPTER TWO

HIGHLIGHTS OF THE BUNGOMA COUNTY BUDGET REVIEW AND OUTLOOK PAPER 2023/2024

2.1 REVIEW OF FISCAL PERFORMANCE FOR FY 2022/23

2.1.1 PERFORMANCE OF REVENUES

Mr. Speaker Sir,

The total budget for FY 2022/2023 after the 2nd Supplementary Budget was Kshs. 14.82 billion that comprised Kshs. 4.44 billion representing 30% for development expenditure and Kshs. 10.37 billion representing 70% for recurrent expenditure. The total revenue received including external grants was Kshs. 13.67 billion as detailed below:

| | Source | Budgeted Amount | Amount Realized | Percentage |
|---|---|--------------------------|----------------------------|-------------------|
| 1 | Equitable Shares +bal b/f of 867,288,525 | 11,526,723,717.00 | 11,526,723,717.00 | 100.00 |
| 2 | Retention | 293,425,903.00 | 284,656,453.00 | 97.01 |
| 3 | Local generated Finance Act | 500,000,000.00 | 379,716,358.00 | 75.94 |
| 4 | AIA | 847,382,861.00 | 775,882,124.00 | 91.56 |
| 5 | Grants Development Partners | 1,543,977,937.00 | 593,838,142.00 | 38.46 |
| 6 | Grants National Government | 113,228,200.00 | 113,228,200.00 | 100.00 |
| | Total | 14,824,738,618.00 | 13,674,044,994 | 92.24 |

2.1.2 OWN SOURCE REVENUE

Mr. Speaker Sir,

The Own Source Revenue performance, including Appropriation in Aid (AIA) was Kshs.1.15 billion in FY 2022/2023 from Kshs. 0.98billion in FY 2021/2022 thus a growth of 17%. This was 85.8 % of the annual target of Kshs. 1.34 billion.

The County Government collected Kshs. 775.88 million of Appropriation in Aid (AIA) against a target of Kshs. 847.38 million translating to 92% and from local generated revenue Kshs. 379,219,866 was collected against a target of Kshs. 500,000,000 which is 76%. The own source revenue in the FY 2022/23 had an overall negative variance of Kshs. 192,280,870; a negative variance of Kshs. 120,780,134 on local generated revenue and Kshs. 71,500,736 on AIA.

The growth in revenue collection was recorded in all the broad tax categories. However, the performance fell short of the target largely attributed to the uncertain operating environment related to the general elections. Notably the revenue streams that surpassed their targets are Renewal fees 113%, Conservancy fees 102%, firefighting 108%, House rent 141% and ground rent 258% and Cess 111%. Dismal performance recorded in stadium hire 7%, Boda-boda parking 26%, Inspection fees 34%, plan approval 38% and application fees 30%

The performance of AIA was Kshs. 797.60 million against a target of Kshs. 847.38 million and it relates to proceeds from health department. The shortfall was recorded from departments of Roads and Public Works, Education, Lands, Urban and Physical Planning, Housing, Sanitation and Public Administration which was converted to local revenue deposited in the CRF.

2.1.3 EXPENDITURE FOR FINANCIAL YEAR 2022/2023

Mr. Speaker Sir,

In the FY 2022/2023, total expenditure amounted to Kshs. 12.75 billion against a target of Kshs. 14.82 billion, representing an under spending of Kshs. 2.07 billion (14% deviation).

The recurrent expenditure was Kshs. 9.93 billion (including Kshs. 1.176 billion spend by County Assembly) against a target of Kshs. 10.37 billion, representing an under spending of Kshs. 0.44 billion. The recurrent spending was below target mainly due to poor collection of own source revenue and late disbursement of equitable share by National Government and programmes funded by development partners.

Development expenditure amounted to Kshs. 2.82 billion against a target of Kshs. 4.44 billion, being an under expenditure of Kshs. 1.62 billion. This was on account of low absorption for projects financed by grants from the development partners which fell short of the revised target by Kshs. 979.5 million and which are mostly disbursed to the County after closure of the financial year.

Below is the summary of the expenditure for FY 2022/23

| Item | Amount | Percentage of Total Revenue |
|----------------------------|----------------|-----------------------------|
| Total Actual Revenue | 13,674,044,994 | 100% |
| Total Actual Expenditure | 12,752,901,294 | 93% |
| Recurrent Expenditure | 9,932,380,751 | 73% |
| Wages | 5,520,728,525 | 43.2% |
| Operations and Maintenance | 4,411,652,225 | 32% |
| Development Expenditure | 2,820,520,543 | 21% |

2.1.4 Adherence to Fiscal Responsibility Principles in the PFM Act

Mr. Speaker Sir, the Constitution of Kenya and the Public Financial Management Act, 2012 sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM Act, 2012 Section 107 (b) spells out fiscal responsibility principles and the CBROP 2023 shows that the county government has not adhered to most of the fiscal responsibility principles as set out in the statute as follows;

1. Over the medium term a minimum of 30% of the county government budget shall be allocated to development expenditure.

The allocation to development in the budget was 31% of the total allocation meeting the set threshold. However the County Government development expenditure was at 21% of total budgets compared to 62.5% recurrent expenditures.

2. The county government expenditure on wages and benefits to employees shall not exceed 35% of the county government total revenue.

The expenditures stood at 47%. This was mainly attributed to the recruitment of additional staff, promotion of some of the existing ones and payment of pension pending bills.

3. Over the medium term, the government borrowings shall be used only for the purpose of financing development expenditure only; and short term borrowings shall only be restricted to management of cash flows and shall not exceed five (5%). The County government only had short-term borrowing to manage cash flow (salaries).

4. The County debt shall be maintained at a sustainable level as approved by County Assembly.

As at 30th June 2023, the County Government reported pending bills of Kshs. 1.95 billion which comprised Kshs. 814.2 million for recurrent expenditure and Kshs. 1.14 billion for development expenditure. In the 1st Supplementary budget of FY 2022/23, the County prepared a payment plan to settle the eligible pending bills with County Assembly approving a payment of 25% of the pending bills with an allocation of Kshs. 875 million in the financial year. During the period under review, pending bills amounting to Kshs. 345.8 million were paid, consisting of

Kshs. 97.31 million for recurrent expenditure and Kshs. 248.5 million for development programmes hence dismal absorption of money allocated for payment of pending bills.

5. Fiscal Risks shall be managed prudently.

Fiscal risks have not been managed prudently as required, the County Government has to improve its revenue forecasts, potential fiscal risks arising from contingent liabilities, including from Public Private Partnership (PPPs) projects among others should be taken into account and sufficient contingency provision made to cushion the county economy from unforeseeable shocks. Pending bills continue to escalate due expenditures outside approved budgets.

6. Reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in future. The local revenue actual figures fall short of projection. Some revenue streams like boda-boda parking that can easily be predictable depending on the registered boda bodas in the county did only meet a quarter of the projected amounts. However the Assembly notes the various tax laws that were submitted for approval by the Executive will assist in improving local revenue and locking in predictability of taxes.

2.2 Fiscal Policy for FY 2024/25 and Medium-Term Budget

Mr. Speaker Sir, the fiscal policy stance in the FY 2024/25 and over the medium term aims at supporting the priority programmes of the County Government under the CIDP III (2023-2027) and the Bottom - Up Economic Transformation Agenda (BETA) of MTP IV (2023-2027) through a growth friendly fiscal plan designed to safeguarding livelihoods, creating jobs, reviving businesses, and economic recovery reduce poverty levels.

Towards this end, emphasis will be placed on aggressive revenue mobilization through specific measures that have been proposed by the county treasury and will closely be monitored by the County Assembly to enhance revenue generation and collection. These include;

- i. The Department of Finance and Economic Planning shall implement the

relevant pieces of legislation on administration of various fees and charges approved by the County Assembly.

- ii. The Directorate of Revenue shall closely monitor payments from other Government bodies and agencies to ensure that due taxes, rates, and fees are paid.
- iii. Collaboration between County Departments and Agencies (CDAs), National Government, private sector, civil society, and the general public for enhancement of the local revenue.
- iv. Continuous performance appraisal for revenue collectors to monitor variations between collections and targets, this will boost revenue from market fees and related streams;
- v. Proper and prompt accounting and reporting by receivers of revenue as per Section 157 (2) of PFMA, 2012.
- vi. Utilization of services of the office of county attorney to assist in revenue enforcement through legal processes.
- vii. Collaboration with the Law courts administration in setting up an express special court on County Revenue matters.
- viii. Enhancing the BARMS system modules to 100% cashless payments on all revenue streams to avert challenges associated with cash handling.

The above measures will be in vain if the revenue collectors will not be remunerated as currently is the status resulting in revenue pilferages.

2.3 FY 2024/25 Fiscal Projections and Medium-Term Budget Framework

Mr. Speaker Sir, in the FY 2024/25 total revenue including Appropriation-in-Aid is projected at Kshs. 15.26 billion compared to Kshs. 14.03 billion in the current financial year, a gain of Kshs. 1.23 billion. The own source revenue is projected at Kshs. 2.08 billion (13.7% of the total budget). The overall expenditure and net lending is projected at Kshs. 15.26 billion comprising: recurrent expenditure of Kshs. 9.79 billion (64% of total budget); development expenditure of Kshs 5.46 billion (36 % of total budget); transfer to other entities (County Assembly) of Kshs 1.12 billion and Contingency Fund of Kshs. 0.11 billion.

Investment initiatives in the five core thematic areas that are expected to have the highest impacts on the economy as well as household welfare. These include; Agricultural Transformation, Micro, Small and Medium Enterprise (MSME), Housing and Settlement, Health Care, Digital Superhighway and Creative Industry.

Criteria for resource allocation will be based on;

- The programme performance review findings for the ongoing programmes.
- Linkage of the programme with the CIDP 2023 - 2027 and MTP IV, Vision 2030.
- Degree to which a programme addresses core poverty and job creation interventions;
- Degree to which the programme is addressing the core mandate of the MDAs;
- The extent to which programmes are addressing all-inclusive growth and development based on sustainability, resiliency, green growth and empowerment;
- Expected outputs and outcomes from a programme;
- Backward and forward linkage of a programme with other Programmes;
- Extent to which the programme addresses Sustainable Development Goals
- Cost effectiveness and sustainability of the programme;
- Immediate response to the requirements of the implementation of the County functions and the Constitution;
- Ongoing activities of the strategic interventions initiated in previous financial years.
- Extent to which the programme seeks to address the viable stalled projects and verified pending bills; and
- Requirements for furtherance and implementation of the Constitution,

The table below shows the FY 2024/25 Fiscal Projections and Medium-Term Budget Framework;

| | FY 2021/22 | FY2022/23 | | FY 2023/24 | FY 2024/25 | FY 2025/26 | FY 2026/27 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Actual | Supp II | Actual | Approved Budget | | | |
| Total Revenue | 12,178,225,025 | 14,824,738,617 | 13,722,490,076 | 14,032,209,500 | 15,263,183,529 | 15,959,473,305 | 16,690,577,569 |
| Total Equitable share | 10,046,123,274 | 10,659,435,192 | 10,659,435,192 | 11,111,983,608 | 11,667,582,788 | 12,250,961,928 | 12,863,510,024 |
| Exchequer | 9,806,680,373 | 10,659,435,192 | 10,659,435,192 | 11,111,983,608 | 11,667,582,788 | 12,250,961,928 | 12,863,510,024 |
| Equitable share B/f | 230,673,452 | 867,288,525 | 867,288,525 | - | - | | |
| Retention Brought f | 8,769,449 | 293,425,903 | 284,656,453 | - | - | | |
| Local generated Rev | 368,035,218 | 500,000,000 | 379,716,358 | 918,701,471 | 905,986,545 | 951,285,872 | 998,850,165 |
| AIA | 615,261,490 | 847,382,860 | 797,606,548 | 1,124,665,392 | 1,180,898,662 | 1,239,943,595 | 1,301,940,774 |
| Conditional grants - Development Partners | 773,336,512 | 1,543,977,937 | 620,558,800 | 463,050,812 | 640,201,799 | 640,201,799 | 640,201,799 |
| Conditional grants - National Government | 375,468,531 | 113,228,200 | 113,228,200 | 255,000,000 | 697,186,204 | 697,186,204 | 697,186,204 |
| FUNDS | - | - | - | 158,808,217 | 171,327,531 | 179,893,907 | 188,888,603 |
| Total Expenditure | 11,444,758,069 | 14,824,738,617 | 12,752,901,294 | 14,032,209,500 | 15,263,183,529 | 15,959,473,305 | 16,690,577,569 |
| Recurrent | 9,254,768,459 | 10,378,855,179 | 9,932,380,751 | 9,273,400,483 | 9,793,209,869 | 10,269,216,126 | 10,782,676,932 |
| Development | 2,189,989,610 | 4,445,883,438 | 2,820,520,543 | 4,758,809,017 | 5,469,973,659 | 5,690,257,179 | 5,907,900,637 |

The allocation for FY 2022/23 was more because of the balances brought forward on retention payables and equitable shares.

CHAPTER THREE

3.0 DEPARTMENTAL COUNTY BUDGET REVIEW AND OUTLOOK PAPER, 2023

3.1 AGRICULTURE, LIVESTOCK, FISHERIES AND COOPERATIVE DEVELOPMENT

Mr. Speaker Sir,

The total budget allocation for the department was Kshs. 1,232,138,834 and the actual expenditure was Kshs. 1,202,499,000 leaving a variance of Kshs. 29,639,834 representing 97.6% utilization.

Recurrent allocation was Kshs. 452,353,687 and the actual expenditure was Kshs. 432,462,788, (96%) leaving variance of Kshs. 19,890,899. The amount spent on personnel expenditure was Kshs. 326,285,414 and operational and maintenance was Kshs. 106,177,374.

Development allocation was Kshs. 779, 785,147 and the actual expenditure was Kshs. 770,036,212 (99%) leaving a variance of Kshs. 9,748,935. Development expenditure of Kshs. 770,036,212 includes ASDSP II Kshs. 9,615,952 and NAGRIP Kshs. 369,652,613. The expenditure on NARGIP is beyond the budgeted amount by Kshs. 36.7 million.

Current year total allocation is Kshs. 1,102,548,834 with recurrent at Kshs. 402,632,492 and development Kshs. 699,916,342.

Projected ceiling in the FY 2024/25 is Kshs. 1,278,874,948 broken down as Kshs. 421,865,333 for recurrent and Kshs. 857,009,615 for development.

The total pending bill for the department of Agriculture, Livestock, Fisheries and Cooperative Development is Kshs. 143,755,873 out of which Kshs. 16,639,140 is recurrent while Kshs. 127,116,733 is development.

3.2 ROADS AND PUBLIC WORKS

Mr. Speaker Sir,

In FY 2022/23, the total budget allocation for the department was Kshs. 1,137,358,855 and the actual expenditure was Kshs. 1,038,378,063 leaving a variance of Kshs. 98,380,792 representing 91% utilization.

Recurrent allocation was Kshs. 170,701,922 with an actual expenditure of Kshs. 169,717,456, leaving variance of Kshs. 384,466 while development allocation was Kshs. 966,656,933 with actual expenditure of Kshs. 869,160,607 leaving a variance of Kshs. 97,496,326.

Current year total allocation is Kshs. 1,396,626,350 with recurrent at Kshs. 130,714,030 and development at Kshs. 1,265,912,320.

Projected ceiling in the FY 2024/25 is Kshs. 1,463,340,024 broken down as Kshs. 136,957,943 for recurrent and Kshs. 1,326,382,082 for development.

The total pending bill for the department of Roads, Transport, Infrastructure and Public Works is Kshs. 444,347,565 out of which Kshs. 10,061,414 is recurrent while Kshs. 434,286,151 is development.

3.3 FINANCE AND ECONOMIC PLANNING

The total budget allocation for the department in FY 2022/23 was Kshs. 1,642,584,330 and the actual expenditure was Kshs. 1,573,439,203 leaving a variance of Kshs. 69,145,127 representing 96% utilization.

Recurrent allocation was Kshs. 1,486,716,446 and the actual expenditure was Kshs. 1,420,911,540, leaving variance of Kshs. 65,404,906 while development allocation was Kshs. 155,867,884 and the actual expenditure was Kshs. 152,527,663 leaving a variance of Kshs. 3,340,221.

Current year total allocation is Kshs. 1,263,723,407 with recurrent at Kshs. 1,059,567,879 and development Kshs. 204,155,528.

Projected ceiling in the FY 2024/25 is Kshs. 1,313,465,677; Kshs. 1,099,558,103 as recurrent and Kshs. 213,907,575 for development.

The total pending bill for the department of Finance and Economic Planning is Kshs. 411,641,653 out of which Kshs. 410,307,921 is recurrent while Kshs. 1,333,732 is development.

3.4 EDUCATION AND VOCATIONAL TRAINING

The department of Education & Vocational Training had an annual approved budget of Kshs. 1,840,259,915 comprising Kshs. 1,606,628,776 for recurrent expenditure and Kshs. 233,631,139 for development expenditure out of which absorption was Kshs. 1,572,161,125 for recurrent (98%) and Kshs. 188,299,642 (81%) for development.

Under recurrent expenditure, the personnel emolument had a utilization of Kshs. 1,001,786,400 contributed to 18% of the entire County wage bill of Kshs. 5,520,728,525; being the second highest after Health.

AIA in the department was Kshs. 22,217,467 with NIL actual realization. The AIA relates to registration fees for VTCs and EDCEs

Development of youth Polytechnics/VTCs grant had NIL allocation in the financial year 2022/2023 against an allocation of Kshs. 62,140,935 in the financial year 2021/2022.

The departmental allocation dropped from previous financial year's allocation of Kshs. 1,840,259,915 to the current printed estimates of Kshs. 1,628,772,340, thus 11% drop. There is projected rebound over the medium term to Kshs. 1,733,575,102 in the FY 2024/2025 and Kshs. 1,764,406,636 in the FY 2025/26.

Pending bill for the department stood at Kshs. 65,952,815 with Kshs. 1,690,250 being recurrent and Kshs. 64,262,565 for development.

3.5 YOUTH AND SPORTS

The total budget allocation for the department was Kshs. 234,154,628 and the actual expenditure was Kshs. 170,361,025 leaving a variance of Kshs. 63,793,603 representing 73% utilization.

Recurrent allocation was Kshs. 45,086,444 with an actual expenditure of Kshs. 37,709,354, leaving variance of Kshs. 7,377,090 and development allocation was Kshs. 189,068,184 with actual expenditure of Kshs. 133,251,671 leaving a variance of Kshs. 55,316,513.

Current year total allocation is Kshs. 104,798,573 with recurrent at Kshs. 24,284,371 and development at Kshs. 80,514,202.

Youth and Sports has a projected allocation of Kshs. 109,759,953 broken down as Kshs. 25,444,380 for recurrent and Kshs. 84,315,573 for development in the FY 2024/25.

Youth fund had allocation of Kshs. 5 million in FY 2022/23, Kshs. 19.9 million in FY 2023/24 and a projection of Kshs. 20.9 million in FY, 2024/25.

3.6 TRADE, ENERGY AND INDUSTRIALIZATION

Mr. Speaker Sir,

The department of Trade, Energy & Industrialization had an annual approved budget of Kshs. 288,873,857 comprising Kshs. 64,762,186 for recurrent expenditure and Kshs. 224,111,671 for development expenditure. The absorption was Kshs. 61,310,196 for recurrent (95%) and Kshs. 75,469,481 (34%) for development.

The Department does not attract any AIA.

The previous financial year (2022/2023) allocation was Kshs. 288,873,857 while the current printed estimates is Kshs. 565,741,299, a 96% rise. The departmental allocation is projected to grow exponentially over the medium term as this is projected to rise to Kshs. 842,765,478 in the FY 2024/2025 and Kshs. 871,467,974 in the FY 2025/26. The rise will largely be driven by the increased allocations towards industrializations from the current year's allocation of Kshs. 208,977,520 to Kshs. 479,884,928 by FY 2025/26 which

is in line with the bottom-up Economic Transformation Agenda (BETA) of spurring quick economic growth through investment in manufacturing.

Pending bill for the department stood at Kshs. 130,301,700 with Kshs. 14,843,945 being recurrent and Kshs. 115,457,755 for development.

3.7.1 Lands and Physical Planning

Mr. Speaker Sir,

The department of Lands, Urban & Physical Planning had an annual approved budget of Kshs. 124,132,264 in FY 2022/2023 comprising Kshs. 66,424,611 for recurrent expenditure and Kshs. 57,707,653 for development expenditure. The absorption was Kshs. 56,523,340 for recurrent (85%) and Kshs. 15,821,324 (27%) for development.

The Department had an AIA target of Kshs. 6,611,952 but realized NIL receipts.

Locally generated revenue attributable to the department are; Land rates that actualized Kshs. 24,934,080 against a target of Kshs. 50,000,000 (50%), change of user that had Kshs. 14,100 against a target of Kshs. 142,010 (10%) and plan approval that had Kshs. 8,263,361 against a target of Kshs. 21,854,301 (38%).

The previous financial year's allocation was Kshs. 124,132,264 while the current printed estimates is Kshs. 83,469,091, a 32% drop. The departmental allocation is projected to slightly rise over the medium term to Kshs. 87,456,220 in the FY 2024/2025 and Kshs. 91,615,469 in the FY 2025/26.

Pending bills for the department stood at Kshs. 30,659,158 with Kshs. 1,974,825 being recurrent and Kshs. 28,684,333 development.

3.7.2 Housing

The directorate of Housing had an annual approved budget of Kshs. 208,094,646 comprising Kshs 35,039,574 for recurrent expenditure and Kshs. 173,055,072 for development expenditure. The absorption was Kshs. 34,595,802 recurrent (99%) and Kshs. 38,179,164 (22%) development. The low development absorption is attributed to the delayed procurement process for the construction of the Governor's residence, Deputy Governor's residence and the office administration block.

The Directorate had an AIA target of Kshs. 7,000,000 but realized NIL receipts and locally generated revenue attributable to the directorate was House rent that actualized Kshs. 8,740,100 against a target of Kshs. 6,179,220 (141% performance).

The conditional grant anticipated in the directorate was Kshs. 86,424,018 but by the end of the financial year only Kshs. 30,000,000 had been received.

The previous financial year (2022/2023) allocation was Kshs. 208,094,646 while the current printed estimates is Kshs. 147,329,600, a 29% drop. The departmental allocation is projected to rise over the medium term to Kshs. 254,367,201 in the FY 2024/2025 and Kshs. 264,541,222 in the FY 2025/26.

Pending bill for the department stood at Kshs. 80,624,874 with Kshs. 1,523,774 being recurrent and Kshs. 79,101,100 development.

3.7.3 Bungoma Municipality

The Municipality had an annual approved budget of Kshs. 352,825,680 comprising Kshs 35,988,591 for recurrent expenditure and Kshs. 316,837,089 for development expenditure. The absorption was Kshs. 33,940,702 recurrent (94%) and Kshs. 2,339,915 (0.7%) development. The low development absorption can be attributed to the failure to receive the World Bank grant for urban support.

Pending bill for the Municipality stood at Kshs. 1,320,740 which was purely recurrent.

The Municipality allocation dropped from previous financial year's allocation of Kshs. 352,825,680 to the current printed estimates of Kshs. 216,257,800, a 36% drop. This is projected to slightly rise over the medium term to Kshs. 226,587,945 in the FY 2024/2025 and Kshs. 237,364,029 in the FY 2025/26.

3.7.4 Kimilili Municipality

The Municipality had an annual approved budget of Kshs. 605,916,781 comprising Kshs. 37,715,833 for recurrent expenditure and Kshs. 568,200,948 for development expenditure programs. The absorption was Kshs. 36,522,084 for recurrent (97%) and Kshs. 1,194,559 (0.2%) for development. The low development absorption can be attributed to the failure to receive the World Bank grant for urban support.

Pending bill for the Municipality stood at Kshs. 21,934,740 out of which Kshs. 1,180,000 recurrent and Kshs. 20,754,740 development.

The Municipality allocation dropped from previous financial year's allocation of Kshs. 605,916,781 to the current printed estimates of Kshs. 151,439,632, a 74% drop. This is projected over the medium term to slightly rise to Kshs. 158,673,560 in the FY 2024/2025 and Kshs. 166,219,767 in the FY 2025/26. It can be noted that the Municipalities previously relied on Grants from development partners but this trend appears to be changing as the County is now allocating resources from the equitable share.

3.8 TOURISM, ENVIRONMENT, WATER AND NATURAL RESOURCES

3.8.1 Tourism and Environment

Mr. Speaker Sir, in the FY 2022/23, the total budget allocation for the department was Kshs. 436,927,087; recurrent allocation of Kshs. 295,041,980 with actual expenditure of Kshs. 293,755,406 (99%) and development Kshs. 141,885,107 with actual expenditure of Kshs. 18,345,385 (13%). The development allocation had a Climate Change Grant of Kshs. 125 million that was not realised.

Current year total allocation is Kshs. 509,738,987 with recurrent at Kshs.304, 738,987 and development at Kshs. 205,000,000 which entails Kshs. 125 million Climate Change Grant and Kshs. 80 million county counterpart funding. This is projected over the medium term to rise to Kshs. 534,088,063 in the FY 2024/2025, Kshs. 319,295,678 as recurrent and Kshs. 214,792,385 as development.

3.8.2 WATER AND NATURAL RESOURCES

The total budget allocation for the department in FY 2022/23 was Kshs. 314,764,221; recurrent allocation of Kshs. 83,308,234 with a reported expenditure of Kshs. 78,899,919 (95%) and development allocation of Kshs. 231,455,987 with actual expenditure of Kshs. 227,011,063 (98%).

Current year total allocation is Kshs. 302,640,010 with recurrent at Kshs. 65,732,119 and development Kshs. 236,907,891. This is projected over the medium term to rise to Kshs. 317,096,437 in the FY 2024/2025, Kshs. 68,871,993 for recurrent and Kshs. 248,224,444 for development.

3.9 GENDER AND CULTURE

Mr. Speaker Sir, the total budget allocation for the department was Kshs. 101,196,533; recurrent allocation of Kshs. 97,056,213 and development allocation of Kshs. 4,140,320.

Current year total allocation is Kshs. 103,736,950 with recurrent expenditure at Kshs. 71,168,159 and development expenditure at Kshs. 32,568,791. This is projected over the medium term to rise to Kshs. 108,640,565; recurrent at Kshs. 74,567,701 and development at Kshs. 34,072,865.

Women fund had an allocation of Kshs. 5 million with a current allocation of Kshs. 14,706,343 and projected Kshs. 15,441,660 in the FY 2024/25.

Disability fund had an allocation of Kshs. 2 million. Current year allocation is Kshs. 8,437,615 and projection of Kshs. 8,859,496 in FY 2024/25

Absorption of the funds allocation was zero due to delay in reviewing legislation that operationalise it.

3.10 PUBLIC ADMINISTRATION

Mr. Speaker Sir,

In the FY 2022/23, the total budget allocation for the department was Kshs. 536,843,017; recurrent allocation of Kshs. 528,420,396 and development allocation of Kshs. 8,422,621.

Current year total allocation is Kshs. 772,572,422 with recurrent at Kshs. 722,572,422 and development at Kshs. 50 Million. This is projected over the medium term to rise to Kshs. 809,476,455 that is recurrent allocation of Kshs. 757,088,069 and development allocation of Kshs. 52,388,387.

In the FY 2022/23, **Sub-County Administration** had an allocation of Kshs. 10,971,617, the current financial allocation is Kshs. 9 million and projected allocation for FY 2024/25 is Kshs. 9,429,910.

County Secretary

The total budget allocation for the department was Kshs. 211,104,695; recurrent allocation at Kshs. 131,817,115 had an absorption of Kshs. 130,230,004 and development 79,287,580 with absorption of Kshs. 63,996,757.

Current year total allocation is Kshs. 25,800,000 for recurrent expenditure and zero on development. This is projected over the medium term to rise to Kshs. 27,032,408

The sharp drop in the ceiling is occasioned by the moving of the allocation on medical cover from County Secretary office to public administration. There was also the moving of ICT allocation from County Secretary docket to Finance department and a complete end on the KDSP grant affecting the development vote.

The CECM Finance through an August circular reverted the ICT programs to County Secretary Office hence in the projection it should be properly captured in the ceiling.

Governor's Office

The total budget allocation for the office was Kshs. 540,919,144 for recurrent expenditure that recorded absorption of Kshs. 531, 907,953 (98%) in the FY 2022/2023. The ceiling dropped to Kshs. 404,242,799 and projected to Kshs. 423,552,561 in the FY 2024/25. The loss was occasioned by the movement of personnel of the sub-county administrators, ward administrators and village administrators to Public Administration's allocations. The personnel should be reverted to the projected ceiling under Governor's Office as per the CRA recommendations.

Deputy Governor's Office

The office had an allocation of Kshs. 13,391,322 and a current allocation is Kshs. 27,336,583 and a projection of Kshs. 28,642,390 in the FY 2024/25.

3.11.1 COUNTY PUBLIC SERVICE BOARD

The total budget allocation for the board was Kshs. 64,046,205; Kshs. 54,046,205 for recurrent expenditure and Kshs. 10 million for development. The current year allocation

is Kshs. 74,641,488 comprising recurrent of Kshs. 44,641,488 and development of Kshs. 30 million and projected allocation of Kshs. 78,206,943 in the FY 2024/25.

3.11.2 COUNTY ASSEMBLY

The Assembly's total budget was Kshs. 1,294,353,579; Kshs. 1,187,560,394 for recurrent expenditure and Kshs. 106.7 million for development. The absorption was Kshs. 1,176,738,008 (99%) for recurrent and Kshs. 68,711,338 (64%) for development. The current year allocation is Kshs. 1,154,263,678; recurrent of Kshs. 1,071,362,230 and development of Kshs. 82,901,448 million and the projected allocation is Kshs. 1,209,400,237; recurrent at Kshs. 1,122,538,775 and development at Kshs. 86,861,462 in the FY 2024/25. The projection of the development ceiling should be enhanced in CFSP due to the development agenda of the County Assembly in building a new chamber as captured in the ADP 2023.

3.12 HEALTH AND SANITATION

3.12.1 Health

Mr. Speaker Sir, in the FY 2022/23, the total budget allocation for the department was Kshs. 3,601,854,548 broken down as recurrent of Kshs. 3,433,189,445 and development of Kshs. 168,665,103. The recorded absorption was Kshs. 3,203,633,854 (89%) on recurrent and Kshs. 165,719,280 (98%) on development. The grant figure was Kshs. 150 million on recurrent and zero on development.

Current year total allocation is Kshs. 3,063,978,292 with recurrent at Kshs. 2,873,864,292 and development at Kshs. 190,114,000. The amount includes Kshs. 30.3 million recurrent grant and Kshs. 110 million development grant. Also introduced in the current year is the health facilities budgets with a total allocation of Kshs. 864,179,213 recurrent and Kshs. 241,672,440 for development.

Projected ceiling in the FY 2024/25 is of Kshs. 3,306,058,777 broken down as Kshs. 3,097,215,673 recurrent and Kshs. 208,843,104 development. The grant funds are projected at Ksh.17.7 million recurrent and Kshs. 124 million. The allocation for health facilities is projected at Kshs. 907,388,174 for recurrent and Kshs. 253,756,062 for development.

3.12.2 Sanitation

In the FY 2022/23, the total budget allocation for the department was Kshs. 25,026,858 broken down as recurrent of Kshs. 1,715,044 and development of Kshs. 23,311,814. The recorded absorption was Kshs. 1,352,886 on recurrent and Kshs. 6,777,266 on development.

Current year total allocation is Kshs. 16,243,868 with recurrent allocation of Kshs. 2,017,430 and development allocation of Kshs. 14,226,438 and a projection of Kshs. 17,019,800 in the FY 2024/25.

CHAPTER FOUR

4.0 COMMITTEE OBSERATIONS AND RECOMMENDATIONS

4.1 COMMITTEE OBSERVATION

Mr. Speaker Sir, the following are committee's observations;

1. Revenue and expenditure performance were both below target in the financial year under review.
2. The decline in development expenditure was occasioned partly by the effects of general elections and low or non-remittances of development funds.
3. CBROP projections for revenue for the next financial year is unrealistic in light of the past growth rates.
4. Some grants from development partners were not remitted to the county for performance of key projects leading to budget deficits.
5. Weak human resource management framework characterized by irregular recruitment of staff; 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 county to manage their wage bill which has posed a major challenge.
6. 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.
7. Women Fund, Youth Fund and Disability Fund were allocated funds but reported nil absorption due to lack of the requisite legal and administrative frameworks for administration, accounting and reporting.

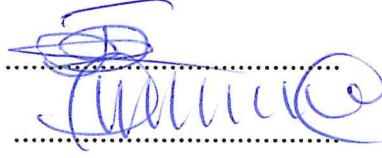
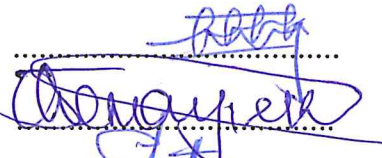
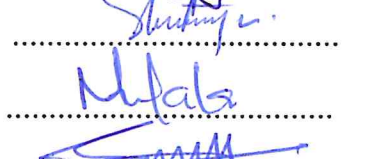
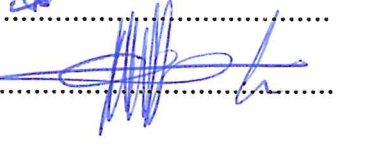


4.2 RECOMMENDATIONS

The Committee recommends as follows;

- 1. THAT**, the Directorate of Revenue should set realistic revenue targets to minimize cases of revising the targets downwards in the course of the financial year through supplementary budgets and to avoid deficits on the approved revenue thus affecting implementation of some budgeted programmes.
- 2. THAT**, all 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. THAT**, all entities within the County Government should give priority to ongoing and stalled development projects before embarking on new capital projects.
- 4. THAT**, departments benefiting from both national and development partners' grants should engage donors through correspondences to ensure timely remittances to the County.
- 5. THAT**, the Human Resource directorate should carry out payroll cleansing urgently to ensure employees are properly placed in their relevant job cadres; the County executive to slow down and or freeze on new recruitments to curb ballooning wage bill and new recruitment should only be on expertise that is lacking within the County Executive staff establishment.
- 6. THAT**, 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 year's appropriated funds.
- 7. THAT**, the review of the Women Fund, Youth Fund and Disability Fund regulations should be fast tracked for the concerned groups to start benefiting from the funds as intended.

ADOPTION SCHEDULE

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

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