

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

3RD SESSION

NBI CA. PLC. 2015 / (19)

26th March, 2015

PAPER LAID

Pursuant to Standing Order 180 (6) I beg to lay the following Paper on the Table of the Assembly, today Thursday 26th March, 2015.

THE REPORT OF THE SELECT COMMITTEE ON BUDGET AND APPROPRIATIONS
COMMITTEE ON THE NAIROBI CITY COUNTY FISCAL STRATEGY PAPER FOR THE
YEAR 2015/16 AND OVER THE MEDIUM TERM.

(The Chairperson, Committee on Budget and Appropriations)

Copies to:

The Speaker
The Clerk
Hansard Editor
Hansard Reporters
The Press

Approved
Speaker
26/3/15

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

3RD SESSION

NBI CA. PLC. 2015 / (18)

25th March, 2015

PAPER LAID

Pursuant to Standing Order 180 (6) I beg to lay the following Paper on the Table of the Assembly, today Wednesday 25th March, 2015.

THE REPORT OF THE AUDITOR-GENERAL ON THE CITY COUNCIL OF NAIROBI FOR THE EIGHT MONTHS PERIOD ENDED 28TH FEBRUARY 2013.

(The Chairperson, Committee on Public Accounts)

Copies to:

The Speaker
The Clerk
Hansard Editor
Hansard Reporters
The Press

COUNTY GOVERNMENT OF NAIROBI CITY



NAIROBI CITY COUNTY ASSEMBLY

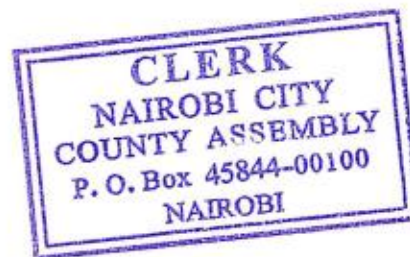
FIRST ASSEMBLY – THIRD SESSION

*Paper laid on
26/3/2015
@ 2.30 pm by
Hon. Detomilla
Wafu.*

REPORT OF THE SELECT COMMITTEE ON BUDGET AND
APPROPRIATIONS

ON

THE NAIROBI CITY COUNTY FISCAL STRATEGY PAPER FOR THE FY 2015/16
AND OVER THE MEDIUM TERM



MARCH 2015

Mr. Speaker Sir, the provisions of Section 117(1) of the Public Finance Management Act 2012 requires the County Treasury to prepare the County Fiscal Strategy Paper (CFSP) and submit it to the County Executive Committee (CEC) for approval. The approved document is then submitted to the County Assembly (CA) by 28th February for consideration. The CFSP specifies the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term. The CFSP also provides the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.

Mr. Speaker, the County Fiscal Strategy Paper (CFSP) for the FY 2015 and over the medium term was tabled in this County Assembly on the March 4th, 2015. Upon being laid, Nairobi City County Assembly Standing Order 206 requires that the CFSP be committed to each Sectoral Committee to deliberate upon according to their respective mandates and make their recommendations to the Budget and Appropriations Committee (B&AC). Indeed, the B&AC is expected to consult each Sectoral Committee and table a report, containing its recommendation on the Paper to the County Assembly for consideration.

Mr. Speaker it is important to emphasize that the approval by the County Assembly of the motion on the report of the B&AC on the CFSP constitutes the County Assembly resolution setting forth the total overall projected revenue, the ceilings recommended for the County Government, and County Assembly and where necessary, the total sums for each Vote and the allocations to individual programs for the fiscal year in question.

Mr. Speaker Sir, as per the Public Finance Management Act 2012 and Standing Order 206 (4) the Budget and Appropriations Committee has the responsibility to review the paper and table a report in this Assembly in a timely manner Given the significance of the CFSP on the budget process, the Assembly resolutions on it will guide preparations of the 2014/15 budget estimates. On behalf of the Members of the Committee and pursuant to the provisions of Standing Order 206, it is my pleasant duty to present to the Assembly, the Committee's Report on the consideration of the Nairobi City County Fiscal Strategy Paper.

Mr. Speaker Sir, the County Assembly Budget & Appropriations Committee comprises of the following 19 Members:

- | | |
|-------------------------------|---------------|
| 1. Hon. Michael O. Okumu, MCA | Chairperson |
| 2. Hon. George Ochola, MCA. | Vice Chairman |

3. Hon. Alfred Ambani, MCA.
4. Hon. Maurice O. Akuk, MCA
5. Hon. Oscar Lore, MCA
6. Hon. Osman Adow Ibrahim, MCA.
7. Hon. Jackson Kiama Gikandi, MCA.
8. Hon. Kenneth Thugi Muroki, MCA
9. Hon. David Njoroge Kairu, MCA
10. Hon. Petronilla Nafula, MCA
11. Hon. Herman Azungu, MCA
12. Hon. Emmaculate Musya, MCA
13. Hon. Joash Omwega, MCA
14. Hon. Kennedy Oduru, MCA
15. Hon. Isaac N. Ngige, MCA
16. Hon. Ngaruiya Chege, MCA
17. Hon. Samuel Irungu, MCA
18. Hon. Benedette Wangui, MCA
19. Hon. Victoria Alali, MCA

Committee's Mandate

Mr. Speaker Sir, the Nairobi County Assembly Budget and Appropriations Committee is constituted under the provisions of Standing Order 187. Its mandate pursuant to Standing Order 187(3) is to:-

- a) investigate, inquire into and report on all matters related to coordination, control and monitoring of the of the county budget;
- b) discuss and review the estimates and make recommendations to the County Assembly;
- c) examine the County Fiscal 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 outlay

Mr. Speaker, the deliberations of the CFSP for this financial year has been a major milestone to the Committee since this time we were all committed to avoid the mistakes that happened last year which made it impossible to have realistic sector

budgets. As we said during a similar time last year, this Assembly must at times avoid gambling with public funds and hence the need to ensure that all proposed allocations are based on actual resource requirements supported by data and hard facts. In this regard, we are happy to confirm that the Committee has taken a lot of due diligence in the security of the submitted CFSP.

Examination of the County Fiscal Strategy Paper

Mr. Speaker Sir, in reviewing the 2015 County Fiscal Strategy Paper the Committee held a total of four (4) sittings during which officers from the County Treasury led by the County Executive Committee Member for Finance was invited to give clarity on the proposed sector priorities, programmes and allocations. The Committee also received submissions from the Sectoral Committees which have formed part of this report. The recommendations from the discussions have been included in this report.

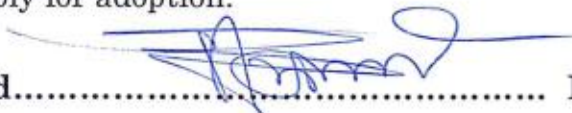
ACKNOWLEDGMENT

Mr. Speaker Sir, the Committee would wish to pay special tribute to the officers from the County Executive who appeared before it for purposes of making their submissions. Their contribution indeed gave all of us an important insight into the finalization of this report.

Mr. Speaker, I would like to thank all Members who participated in the process and worked tirelessly to ensure that this work was completed within the stipulated timeframe.

Mr. Speaker Sir, lastly the Committee is grateful to the Office of the Speaker and the Office of Clerk of County Assembly for the support received as it discharged its mandate of scrutinizing the 2015 County Fiscal Strategy Paper. Further, the Committee would wish to pay special recognition to the fiscal analysts who helped the Committee digest the paper.

Mr. Speaker Sir, It is therefore my pleasant duty and privilege, on behalf of the Budget & Appropriations Committee to table this report and recommend it to the Assembly for adoption.

Signed.......... Date..........

Hon. Michael O. Okumu, MCA

Chairman, Budget and Appropriations Committee

A. INTRODUCTION

1. **Mr. Speaker Sir**, the underpinning legal provisions and our own Standing Orders requires that the report of the Committee contains schedule of total overall projected revenue and ceilings recommended for the County Government, and County Assembly and where necessary the total sums of each Vote and the allocations for each programme for the fiscal year in question.
2. **Mr. Speaker Sir**, County Fiscal Strategy Paper is a critical budget document that guides the subsequent processes in the budget cycle. It aims to align the subsequent processes to more realistic targets with the aim of ensuring that there are achievable growth within given resource constraints. It is based on this understanding that the County Treasury and indeed all Sectors through the Sector Working Groups are required to a lot of groundwork and intensive consultations with the public and stakeholders before presenting the document to the Assembly for consideration.
3. **Mr. Speaker Sir**, Section 117 of the Public Finance Management Act, 2012 outlines the contents of the CFSP which in summary include:
 - i. *Specification of the broad strategies and policy goals that will guide in budget preparation;*
 - ii. *Financial outlook with respect to county government revenues, expenditures and borrowing for the next financial year and the medium term;*
 - iii. *The total resources to be allocated to individual programmes and projects within the various sectors in the County;*
 - iv. *The proposed expenditure ceilings for the two arms of government; and*
 - v. *Financial outlook with respect to county government borrowing*

B. REVIEW OF COMPLIANCE OF THE COUNTY FICAL STRATEGY PAPER 2015/16 TO THE PREVAILING LEGISLATION

4. **Mr. Speaker Sir**, in scrutiny of how far the document had lived within the provided legal limits, the initial observation of the Budget Committee was that it was a great improvement from the one submitted last year. It was also observed that the paper had largely adhered to the set out legal requirements except for a few areas that the Committee noted and would be highlighting in this report. The Committee has however insisted on the County Treasury to bring on board professionals as well as strengthen the capacity of the Economic Planning Department as a way of ensuring that the few errors that are hereinafter identified do not reoccur in any subsequent budget documents.

5. **Mr. Speaker Sir**, the pivotal point of the Constitution of Kenya 2010 was the expansion of the democratic space and opening up of government affairs to public scrutiny. There are numerous provisions in law that has underlined the importance of public input in formulation of government policy and implementation of the same. It was hence baffling that despite there being such legal provisions the County Executive did not provide proof that there was indeed public participation in coming up with the paper. It was the expectation of the Budget Committee that the issues raised during public gatherings would have been annexed in the paper with detailed analysis of how they were incorporated also documented. Going forward, it is important that this is done to all future budget documents.
6. **Mr. Speaker Sir**, the importance of public pronouncements by the Governor cannot be gainsaid as they form critical policy directions for the county. The paper has been prepared at a time when the Governor has made two addresses to this Assembly as required by our Standing Orders. The Committee noted that the paper has greatly relied on the address made by the Governor on the March 2013 ignoring the public address made during the opening of the Second Session of the Assembly. The Committee believes the latest address would have provided more updated priority areas of focus for the County Government.
7. **Mr. Speaker Sir**, as the Budget Committee said during the scrutiny of the 2014 CFSP, this paper is not meant to be a copy and paste of the Budget Policy Statement (BPS) from the national government or of the previous one. The Committee commends the County Treasury for having undertaken to live within the provisions of Section 117 of the PFM Act and aligned itself to the broad national priorities contained in the BPS. However, still the Committee regrets to report that instead of customizing the national variables and forecasts like inflation, GDP growth rate among others to fit within the county plans, the paper has only quoted them without giving a convincing explanation on their relevance going forward.
8. **Mr. Speaker Sir**, Members will note that the overriding theme of the BPS over the last two years has been 'Enhancing economic growth for shared prosperity'. Whereas the CFSP has been aligned to this theme there has been no discussion on how the five pillars would be supported. It would have been proper to contain brief of how the County would wish to attract investors, create conducive environment for employment, guarantee food security through agricultural transformation as well as develop the transport infrastructure.

C. ACCELERATING ECONOMIC DEVELOPMENT IN THE COUNTY

9. **Mr. Speaker**, the chapter highlights the key areas of focus in the county going forward that would ensure that there is sustainable growth. The Committee was delighted with the initiatives proposed as good anchor blocks for economic improvement. Measures like prudent financial management have been adequately discussed in the paper with proposals presented up to scratch. However, the Committee proposes that the GDP for the County is determined as baseline working figure from which we would also progress.
10. **Mr. Speaker Sir**, while appreciating the strategies for economic development as presented, the County Treasury is requested to explore into ways of ensuring that all revenue collection officers report to the County Treasury. Over the past two years it has been very difficult for the treasury to implore work ethics and hold accountable officers who work for them but report to other sectors. This is an issue that needs to extensively deliberate on with the Public Service Management as a way of ensuring that we protect our ever diminishing revenue basket.
11. Further, **Mr. Speaker**, the issue of nationally guaranteed debts needs to be resolved with finality. The Budget Committee has persisted on the County Treasury to immediately hold discussions with the National Treasury to determine which of the debts have been repaid and which ones are pending. It would be greatly out of order that with our meager revenue collection we end up committing public funds to wanton expenditures.
12. **Mr. Speaker Sir**, it is imperative to ensure that we maintain the public debt at a sustainable level. In this regard, it is commendable that the 2015 CFSP has again undertaken to ensure that there is a sustainable debt ratio. The document has recommended that there is need for the County to redeem itself from the overbearing effects of servicing public debts. The need to halt the growth of public debt cannot be overemphasized and the county government must drop the appetite for credit financing and stocking of pending bills as a way of safeguarding itself against external shocks. The globally accepted debt ratio to GDP is 45% and it is worth applauding that the CFSP has appreciated the need for the County to align its debt management to this global figures. However, as we have stated, without clear GDP figures for the County it is difficult to establish the level of the County's sustainable debt. In future, the paper should also aim to discuss in more detail this subject of debt management.

D. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

13. **Mr. Speaker Sir**, this part of the paper outlines the developments that have been undertaken by the various sectors and the extent to which the set targets have been achieved. It also presents the outlook with respect to which the programmes would be implemented going forward.
14. **Mr. Speaker Sir**, the Budget Committee was perplexed that there being very good proposals on sector priorities to be implemented in the next financial year, the priorities were not accompanied with any monetary attachment making it difficult to ascertain their implementability. It makes no sense to fill the paper with many programmes that may end up not being rolled out due to lack of budgetary allocations. It is hence the recommendation of the Committee that any such priorities are accompanied with budgetary provision which fits within the annual budget caps.
15. **Mr. Speaker** the provisions of Section 116 of the PFM Act, 2012 are unambiguous on the operationalization of public funds at the County level. One such fund that we have been able to establish is the bursaries that has faced numerous challenges in its implementation. It is important that the Education Sector pursues the development of a policy to govern the fund. This was reinforced by a proposal by the Office of the Controller of Budget during the deliberations in the 2014/15 budget estimates. Further in scrutiny of the programmes for the Education Sector the Committee noted that there were numerous allocations for primary schools yet this remains a national function. As we stated in the report on the County Integrated Development Plan, Article 187 (2) of the Constitution requires that the transfer of un-devolved functions need to be accompanied with commensurate amount of resources.
16. **Mr. Speaker Sir**, the County Integrated Development (CIDP) for the period 2013-2017 was forwarded to this Assembly last year with the Assembly in the process of scrutinizing the Committee report on the same. However, whereas it was evident in the paper that there had been great attempt to pull out most of the projects from the CIDP, the Committee noted that there was a very weak link between some of the sector priorities to the plan. In addition the paper needed to be prepared with the realization that the budget making process has transformed to programme based approach where public funds are only committed to ventures with clear outputs and measurable targets.

E. FISCAL POLICY AND BUDGETARY FRAMEWORK

17. **Mr. Speaker Sir** in reviewing the 2014 CFSP the Committee was of the view that the paper needs to contain a detailed analysis of the institutional framework under which this financial year's budget is being implemented. The Committee records that there was great progress towards adhering to this Assembly resolution but still would wish to recommend that such discussion need to be in more detail than is currently the case. The paper should in this regard highlight how the 2014/15 budget is being implemented and any challenges that might have been encountered thereof. Further it needs to include a brief on the areas that this Assembly could help the Executive correct for the forward progress of our County.
18. **Mr. Speaker Sir**, in the 2015 CFSP almost this entire chapter was a copy and paste from the 2014 CFSP which left the Committee uneasy on whether the risks had not changed over the past year and if they hadn't, why had the County Treasury not changed the mitigating measures. This is an inexcusable complacency that the Budget Committee would not entertain. Such annual report should contain a proper fiscal analysis of the policies as well as present revised targets on underachieving areas. The paper should also to the very least include the fiscal reforms thus far implemented and their status as at the material date.
19. **Mr. Speaker Sir**, section 117 (4) of the PFM Act, 2012 provides that the County Treasury shall include in the County Fiscal Strategy Paper among other things a statement on borrowing for the coming financial year and the medium term. However, the report lacks any discussion on any upcoming borrowing plan and debt management strategies. This is an integral part of the County's fiscal plan that cannot be left out of the strategy paper.
20. **Mr. Speaker Sir**, the Committee noted that the County Treasury did identify correctly a number of fiscal risks that face the county and attempted to propose corresponding mitigating measures. The fiscal risks like inaccuracy of rates records, slow growth of parking fees, user resistance to new technologies, rivalry on billboards and adverts and political interference are indeed a detriment to the achievement of the shared growth. However, the Committee is still not convinced that the mitigating measures that were proposed by the County Treasury are adequate in addressing the cited risks. Most of the measures were considered general in nature and never gave any clear line of action. In addition the underperformance for performance of some revenue heads like liquor license fees are in the opinion of the Committee very abstract and fail to represent the true position of things.

21. **Mr. Speaker Sir**, finally the Committee was concerned that the numerous amounts remitted to the County as conditional grants were not included in the annual budget estimates for the county contrary to terms of granting the amounts. The Budget Committee has hence insisted that all conditional grants form part of our annual budget estimates.

F. SECTOR CEILINGS

22. **Mr. Speaker**, it is imperative that members appreciate the reasons as to why the formulators of the PFM Act saw it wise to make it mandatory for the County Governments to introduce the CFSP prior to coming up with the budget estimates. This paper has major role, which is to enable agencies and departments plan for their estimates and programmes. This **Mr. Speaker Sir** is aimed at eradicating the mysteries that surrounded the budget making processes which was largely in the hands of the Minister of Finance.
23. **Mr. Speaker**, the Committee however noted that the document as it was presented lacked the necessary information that would be the key concern of this Assembly. Despite there being amounts meant for sector ceilings the oversight role of this Assembly was hampered by the lack of sector programmes that would enable the Sectoral Committees which oversight these departments to trace how the resource allocated to their respective sectors would be utilized. This is the problem that faced Sectoral Committees in their attempt to make sense of the paper and try to make any necessary adjustments. As members may realize, it was hence insurmountable task for the committees to make any meaningful recommendations for their sectors from the very general statements and scanty figures that were contained in the paper with no clear budgetary and fiscal direction.
24. Further **Mr. Speaker** as many Sectoral Committees reported the determination of Sector ceilings was not consultative and hence could not reflect the real resource requirements for the county. It is the anticipation of the law that there shall be a bottom-up approach in identification of sector needs and top-down mechanism should at all times be employed in allocation of resources. It should not be the case that the County Treasury sits at a corner and unitarily decides on behalf of the ten sectors and the County Assembly on the amounts they deem fit for their operations. This, the Committee has unequivocally told the County Treasury, must stop.
25. **Mr. Speaker** of major concern to the Committee with respect to the ceilings was that in terms of the actual expenditures for the coming financial year, there were some sectors which were projected to spend above the set caps. It surely beats logic to compile sector ceilings that we cannot live within. The Committee would hence be

recommending that there are amendments in this respect. Further there are some sectors like the County Assembly which have been given very meager resources despite the enormous responsibilities it has to perform. The Committee was indeed told that whereas the County Treasury provided that the County Assembly shall only spend Kshs. 1.2billion in 2015/16 the actual figure presented was much higher.

26. **Mr. Speaker Sir**, there had been proposals to amend the PFM Act 2012 to increase the amount of time within which the National Assembly can consider and approve the BPS. The Committee continues to plead with the national government to effect amendments and also consider extending the time limits within which County Assemblies can scrutinize and dispense with their CFSPs.

G. SUBMISSIONS FROM SECTORAL COMMITTEES

27. **Mr. Speaker** the provisions of Standing Order 206 (3) dictate the procedure of reviewing the County Fiscal Strategy Paper once it has been tabled in the County Assembly. In this process, the sectoral committees of the County Assembly have an integral duty of not only ensuring that the resources allocated to departments within their watch are sufficient for the intended sector priorities but also to confirm to this Assembly that there is value for money in all such endeavor. After considering the contents of paper in line with their respective mandates as outlined in our standing orders, the committees are then required to submit their recommendations to the Budget and Appropriations Committee.

28. **Mr. Speaker Sir**, as we have said, the time that had been allocated for the sectoral committees to review the paper was way too inadequate hence it is excusable that some of the recommendations made by the sectoral committees fell below the minimum requirements as anticipated in the law. Further with the scanty information and lack of sector budgeted programmes and accompanying line items it was almost impossible for these committees to make sense out of the block figures and general statements that form the strategy paper. However, the Budget Committee would wish to appreciate all the sectoral committees for having created time to review this important document and we note that their recommendations have been informative towards finalizing this report.

The following were some of the recommendations of the Sectoral Committees:

a) Agriculture, Environment and Natural Resources Committee

- i. That the ceiling for the Agriculture and Livestock Development sector be retained at Kshs. 366million but reviewed as follows:
 - ⊕ Development –Kshs. 66million (increase of Kshs. 16million);
 - ⊕ Recurrent – Kshs. 300million(reduction of Kshs. 16million);

- ii. That the ceiling for the Environment and Forestry Sector be adjusted upwards to Kshs. 1.674billion comprising of an increase of Kshs. 489million reviewed as follows:
 - ± Development- Kshs. 724million (increase of Kshs. 474million);
 - ± Recurrent of Kshs. 950million (increase of Kshs. 15million)
- b) Trade, Tourism and Cooperatives Committee
 - i. That the Trade Sector be allocated a total of Kshs. 1.2billion for development expenditures
- c) Justice and Legal Affairs Committee
 - i. That the ceilings for the Governor's Office; Information, Communication and E-Government should be retained as proposed
- d) Culture and Community Services Committee
 - i. The development budget for cultural programmes should be capped at Kshs. 26.8million
- e) Transport and Public Works Committee
 - i. That the sector ceilings should be retained as proposed
- f) Health Services Committee
 - i. That the sector ceilings should be retained as proposed
- g) Children, Early Childhood and Vocational Training Committee
 - i. The Sector expenditure for 2014/15 budget should be justified
- h) Physical Planning and Housing Committee
 - i. None
- i) Labor and Social Welfare Committee
 - i. That the budget ceiling for County Public Service Board be increased to Kshs. 152million;
 - ii. That the budget ceiling for Public Service Management be increased to Kshs. 876million
- j) Water and Sanitation Committee
 - i. That the overall development budget ceiling for the sector be increased to Kshs. 260million

H. OBSERVATIONS ON SECTORAL COMMITTEE RECOMMENDATIONS

Mr. Speaker Sir, as we have stated in this Assembly a number of times, the Budget acting as a midwife between the County Treasury and the various Sectors is charged with the responsibility of ensuring that all the activities for the county are funded but more so within a realistic budget and revenue projections. During deliberations on this paper, the Budget Committee noted with concern that despite the well broadcasted fact that the county has been largely unable to collect its optimal amount of revenue, most Sectoral Committees came up with proposals that, if implemented, would have the net

effect of increasing our budget totals to almost twice our net revenue receipts. From this background and after extensive discussions on the prevailing realities, Members will notice that in this report, the Committee would be recommending a number of reductions so as to make our budget achievable.

29. **Mr. Speaker Sir**, these are indeed difficult times that call for tightening of the fiscal belt and austerity measures on all aspects of our expenditure. This in the long run is expected to have the multiplier effect of not only freeing up resources for development but also reducing the revenues outflows from our ever-shrinking resource envelope.

30. **Mr. Speaker**, Nairobi County remains heavily burdened by a huge wage bill that needs not only an urgent but also a lasting solution. However, it was shocking to note that most Sectoral Committees presented to the Committee proposals of additional employment in the coming financial year which would raise the remuneration package to about 55% of our total revenues. Whereas the Committee was at times swayed by the reasons given for additional recruitments, it considered our revenues against the proposed expenditures and resolved to invite this Assembly to freeze all additional employments in the next two years. This will enable us get our development footing before we continue committing more funds that we don't have to avoidable recurrent expenditures.

31. **Mr. Speaker Sir**, the Budget Committee during its deliberations with the Chairmen of the Sectoral Committees noted with a lot of concern that there were some Sectors which had continuously requested for funds to undertake similar projects since the inception of the devolved system of government. The Committee was hard pressed to understand the reason as to why this County continues to allocate funds for clean-up of Nairobi Dam, tree planting as well as buying any additional garbage collection trucks. The Committee has hence recommended that these allocations under the Environment Sector be scrapped off the budget.

I. COMMITTEE'S RECOMMENDATIONS:

32. **Mr. Speaker Sir**, on the final Sector Ceilings, the Budget Committee having reviewed the proposed allocations recommends the following:

- i. That the total revenue projection ceiling for the County be revised downwards to **Kshs. 28.925billion**. This is aimed at ensuring that our revenue figures remain realistic and responsive to the changing times. Further the overall expenditure is proposed for reduction to equal the

revenue figure. This is aimed at ensuring that we operate a realistic, achievable and balanced budget;

- ii. That all Sectors have their recurrent expenditures for Operations and Maintenance reduced downwards. The Committee noted that there were enormous allocations for O & M at a time when the County is facing slow pace of development projects. Members will notice in the attached schedule that the most affected in this realignment is the Health Sector which has had its recurrent budget reduced by over Kshs. 400million. Even this County Assembly's Budget for O & M has been proposed for reduction by Kshs. 55million ;
- iii. That an addition Kshs. 33million be allocated to the Water Sector for improvement of the water infrastructure in the County;
- iv. The development budget ceiling for the Trade Sector be raised by Kshs. 20million to Kshs. 450million. This would enable the Sector kick start development of various markets;
- v. That the budget ceilings for the County Public Service Board be adjusted as in the schedule.
- vi. The allocations for the Education Sector be realigned to make available a total of Kshs. 26million for Cultural projects; and
- vii. That the ceiling for debt repayment be increased to Kshs. 1.54billion. This is to make sure that we continue to honour our debt obligations as well as make this County credit worthy.

Mr. Speaker Sir, in conclusion and pursuant to the provisions of Section 117 (6) of the Public Finance Management Act 2012 and Standing Order 206 (7) the County Budget and Appropriation Committee recommends that:

This County Assembly adopts the Nairobi City County Fiscal Strategy Paper for the FY 2015/16 with amendments that:

- i. *The recommendations contained in the report be adopted; and*
- ii. *The schedules 1 and 2 attached to this report forms the basis for the 2015/16 budget.*

| NAIROBI CITY COUNTY | | | | | | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|--------------------|-----------------|-----------------|---------------------------|
| SCHEDULE 1: PROPOSED REVENUE CEILINGS FOR 2015/2016 MTEF BUDGET | | | | | | | | |
| A | ITEM DESCRIPTION | Estimate 2014/2015 | Actuals | Projections | Total 2014/2015 | PROJECTIO | PROJECTIO | PROJECTION S 2017/2018 |
| | | | July-December 2014 | January- June 2015 | | NS 2015/2016 | NS 2016/2017 | |
| | | A | B | C | D=B+C | E | F | G |
| 1 | EXCHEQUER RELEASE | 11,000 | 5,216 | 6,124 | 11,340 | 13,370 | 14,707 | 16,178 |
| 2 | RATES | 3,700 | 391 | 2,609 | 3,000 | 3,000 | 3,300 | 3,630 |
| 3 | PARKING | 5,000 | 968 | 2,082 | 3,000 | 3,000 | 3,300 | 3,630 |
| 4 | BILLBOARDS & ADVERTS | 1,000 | 245 | 755 | 1,000 | 1,100 | 1,210 | 1,331 |
| 5 | BILDG PERMITS | 1,000 | 721 | 779 | 1,500 | 1,500 | 1,650 | 1,815 |
| 6 | PERMITS | 2,000 | 566 | 1,934 | 2,500 | 2,700 | 2,970 | 3,267 |
| 7 | LIQUOR LICENCES | 1,000 | 74 | 426 | 500 | 550 | 605 | 665 |
| 8 | BETTING CONTROL | 500 | 2 | 10 | 12 | 13 | 14 | 16 |
| 9 | DECENTRALIZATION | 215 | 106 | 109 | 215 | 237 | 260 | 286 |
| 10 | FIRE INSPECTION | 140 | 52 | 88 | 140 | 154 | 169 | 186 |
| 11 | LEASE FEES | 204 | 103 | 101 | 204 | 224 | 247 | 272 |
| 12 | PUMMANI MATERNITY | 140 | 4 | 136 | 140 | 154 | 169 | 186 |
| 13 | FOOD HANDLERS CERT | 126 | 51 | 75 | 126 | 138 | 152 | 168 |
| 14 | MAMA LUCY HOSPITAL | 100 | 23 | 77 | 100 | 110 | 121 | 133 |
| 15 | MBAGATHI | 100 | 14 | 86 | 100 | 110 | 121 | 133 |
| 16 | RENTS | 340 | 147 | 193 | 340 | 374 | 411 | 453 |
| 17 | EASTLANDS | 330 | 142 | 188 | 330 | 363 | 399 | 439 |
| 18 | TPS-MARKET RENTS | 100 | 44 | 56 | 100 | 110 | 121 | 133 |
| 19 | WAKUJIMA MARKET | 150 | 58 | 92 | 150 | 165 | 182 | 200 |
| 20 | OTHER MARKETS | 170 | 59 | 111 | 170 | 187 | 206 | 226 |
| 21 | CO-OPERATIVE DEVT | 150 | 1 | 149 | 150 | 165 | 182 | 200 |
| 22 | OTHER INCOMES | 1,298 | 553 | 700 | 1,253 | 1,200 | 1,320 | 1,452 |
| 23 | TOTAL REVENUES | 28,763 | 9,540 | 16,830 | 26,370 | 28,925 | 31,817 | 34,999 |

| Programme | Schedule 2: Sector Ceilings | | | | | | |
|---|-----------------------------|--------------|---------------|---------------------------|--------------|---------------|--------------|
| | CFSP (2015/16)- Millions | | | Committee Recommendations | | | Change |
| | Recurrent | Capital | Total | Recurrent | Capital | Total | |
| County Assembly | 1,581 | 53 | 1,634 | 1,526 | 53 | 1,579 | (55) |
| County Public Service Board | 103 | 40 | 143 | 80 | 20 | 100 | (43) |
| Governor's Office | 5,059 | 400 | 5,459 | 4,519 | 300 | 4,819 | (640) |
| Finance and Economic Planning | 1,671 | 127 | 1,798 | 1,545 | 127 | 1,672 | (126) |
| Debt Repayment | | | 800 | | | 1,540 | 740 |
| Environment and Forestry | 935 | 250 | 1,185 | 873 | 283 | 1,156 | (29) |
| Health | 5,503 | 900 | 6,403 | 5,038 | 950 | 5,988 | (415) |
| Physical Planning, Lands and Housing | 414 | 300 | 714 | 375 | 300 | 675 | (39) |
| Public Works and Infrastructure | 1,477 | 5,830 | 7,307 | 1,355 | 5,880 | 7,235 | (72) |
| Education, Youth Affairs, Sports, Culture and Social Services | 1,636 | 443 | 2,079 | 1,504 | 450 | 1,954 | (125) |
| Trade and Enterprise Development | 225 | 430 | 655 | 208 | 450 | 658 | 3 |
| Public Service Management | 816 | 42 | 858 | 787 | 30 | 817 | (41) |
| Agriculture and Livestock Development | 316 | 50 | 366 | 288 | 50 | 338 | (28) |
| ICT, E-Government and Public Communications | 152 | 350 | 502 | 144 | 250 | 394 | (108) |
| | | | - | | | - | - |
| Total | 19,888 | 9,215 | 29,903 | | 9,143 | 28,925 | (978) |

MINUTES OF THE 39TH SITTING OF 2015 OF THE NAIROBI CITY COUNTY BUDGET AND APPROPRIATIONS COMMITTEE, HELD ON THURSDAY 26TH MARCH 2015, AT CHARTER HALL, CITY HALL BUILDINGS, AT 11.30AM

PRESENT

- | | |
|--------------------------------|----------------|
| 1. Hon. Michael O. Ogada, MCA | Chairman |
| 2. Hon. George O. Ochola, MCA | Vice- Chairman |
| 3. Hon. Maurice O. Akuk, MCA | |
| 4. Hon. Petronilla Nafula, MCA | |
| 5. Hon. Kennedy Oduru, MCA | |
| 6. Hon. Alfred Ambani, MCA | |
| 7. Hon. Samuel Irungu, MCA | |
| 8. Hon. Kenneth T. Muroki, MCA | |
| 9. Hon. Ngaruiya Chege, MCA | |
| 10. Hon. David N. Kairu, MCA | |
| 11. Hon. Herman Azungu, MCA | |
| 12. Hon. Osman O. Ibrahim, MCA | |
| 13. Hon. Isaac N. Ngige, MCA | |
| 14. Hon. Victoria Alali, MCA | |
| 15. Hon. Oscar Lore, MCA | |

ABSENT

1. Hon. Bernadette Wangui, MCA
2. Hon. Jackson K. Gikandi, MCA
3. Hon. Joash Omwenga, MCA
4. Hon. Emmaculate Musya, MCA

SECRETARIAT

Mr. Erick Otieno

Fiscal Analyst/ Clerk Assistant

Mr. Moses Musa

Fiscal Analyst

MIN 158/BAC/ MARCH /2015: Preliminaries

The Chair called the meeting to order at ten minutes to twelve noon.

MIN 159/BAC/ MARCH /2015: Consideration of the draft report on the County Fiscal Strategy Paper for the FY 2015/16 and over the medium term

The Committee went through the draft report and adopted it after being proposed by the Hon. Ngaruiya Chege and being seconded by the Hon. Petronilla Nafula.

MIN 160/BAC/ MARCH /2015: Adjournment

The time being O'clock, and there being no other business, the Chair adjourned the meeting.

CONFIRMED AS TRUE RECORD OF PROCEEDINGS

Sign.....

Date.....

Hon. Michael O. Ogada (Chairman)

MINUTES OF THE 38TH SITTING OF 2015 OF THE NAIROBI CITY COUNTY BUDGET AND APPROPRIATIONS COMMITTEE, HELD ON WEDNESDAY 25TH MARCH 2015, AT RAINBOW RUIRU RESORT, KIAMBU COUNTY, AT 2PM

PRESENT

- | | |
|----------------------------------|----------------|
| 1. Hon. Michael O. Ogada, MCA | Chairman |
| 2. Hon. George O. Ochola, MCA | Vice- Chairman |
| 3. Hon. Maurice O. Akuk, MCA | |
| 4. Hon. Petronilla Nafula, MCA | |
| 5. Hon. Kennedy Oduru, MCA | |
| 6. Hon. Alfred Ambani, MCA | |
| 7. Hon. Samuel Irungu, MCA | |
| 8. Hon. Kenneth T. Muroki, MCA | |
| 9. Hon. Emmaculate Musya, MCA | |
| 10. Hon. Ngaruiya Chege, MCA | |
| 11. Hon. David N. Kairu, MCA | |
| 12. Hon. Herman Azungu, MCA | |
| 13. Hon. Osman O. Ibrahim, MCA | |
| 14. Hon. Bernadette Wangui, MCA | |
| 15. Hon. Oscar Lore, MCA | |
| 16. Hon. Jackson K. Gikandi, MCA | |
| 17. Hon. Isaac N. Ngige, MCA | |
| 18. Hon. Victoria Alali, MCA | |
| 19. Hon. Joash Omwenga, MCA | |

IN-ATTENDANCE- OFFICERS FROM THE COUNTY TREASURY

NAME

Mr. Gregory Mwakanongo
Mr. Luke Gatimu

DESIGNATION

CECM- Finance
Head of County Revenue.

Mr. Kefa Omanga
Mr. James Ngunjiri
Mr. Andrew Kigen

Director, Economic Planning
Senior Accountant
Economist

SECRETARIAT

- | | |
|-----------------------|---------------------------------|
| 1. Mr. Fred M. Mwangi | Senior Finance Planning Officer |
| 2. Mr. Erick Otieno | Fiscal Analyst/ Clerk Assistant |
| 3. Mr. Alphone Ouma | Fiscal Analyst |
| 4. Mr. Moses Musa | Fiscal Analyst |
| 5. Ms. Evelyn Akinyi | Clerical Officer |

MIN 153/BAC/ MARCH /2015: Discussion on the Report of the Sectoral Committee on Planning and Housing

The Chair presented to the Committee its observations on the Sector noting that the Committee needed explanations on the low absorption capacity of development funds, whether the vehicles for the sector had been bought etc. The Committee in summary informed the Committee that whereas it had got responses from the County Executive on the issues raised, they had not been able to discuss the reports and hence made no recommendations to the Budget Committee.

MIN 154/BAC/ MARCH /2015: Discussion on the Report for the Sectoral Committee on Transport and Public Works

The Chair to the Public Works Committee pleaded with the Budget Committee to retain the sector ceilings as proposed. However, it was also their view that the Sector needed to give the Budget Committee a detailed breakdown on the projects that had thus far been funded with the funds allocated in the FY 2014/15. Further the Sectoral Committee Chair called for institution of reforms in the procurement process to reduce the lags associated with procurement.

The Members of the Budget Committee noted the following with regard to the performance of the Roads, Transport, Public Works Sector:

- i. Members were concerned that the Committee was not able to efficiently oversight departments within it watch. Of specific alarm in this regard was that the sector informed the meeting that they were not able to ascertain the level of implementation of the projects. The Chair told the meeting that due to the

various procurement process, it was still difficult to state with authority the projects implementation status;

- ii. Members wanted to know if the allocations for the ward development projects were captured in the CFSP. To this the Chair to the Sectoral Committee confirmed that the amounts were captured.

MIN 155/BAC/ MARCH /2015: Discussion on the Reports for the Sectoral Committees on Culture and Community Services, Labour and Social Welfare, Children, Early Childhood Education and Vocational Training

The Chair to the Committee on Culture and Community Services recommended to the Budget Committee that the sector needed to justify how it had been able to spend the amounts allocated in the FY 2014/15 by the various programmes. The Committee further requested that it be given an allocation totalling Kshs. 26.8million as well provide a vote line for disaster management and fire services.

The Sectoral Committee on Labor and Social Welfare requested the Budget Committee to increase the budget ceiling for the County Public Service Board by to Kshs. 152million, the budget ceiling for the Public Service Management be increased by Kshs. 18million to Kshs. 876million as well as increase the ceiling for the Education, Youth Affairs, Sports, Culture and Social Services to Kshs. 11million.

The Education Committee on their part recommended that the sector needed to justify its utilization of funds as well make more funds available for bursaries.

MIN 156/BAC/ MARCH /2015: Resolution on the final Sector Ceilings

The Committee deliberated on the sector ceilings and resolved that the ceilings be as in the following matrix:

| Schedule : Sector Ceilings | | | | | | | |
|-----------------------------|--------------------------|---------|-------|---------------------------|---------|-------|--------|
| Programme | CFSP (2015/16)- Millions | | | Committee Recommendations | | | Change |
| | Recurrent | Capital | Total | Recurrent | Capital | Total | |
| County Assembly | 1,581 | 53 | 1,634 | 1,526 | 53 | 1,579 | (55) |
| County Public Service Board | 103 | 40 | 143 | 80 | 20 | 100 | (43) |

| | | | | | | | |
|---|--------------------|--------------|---------------|-------|--------------|---------------|--------------|
| Governor's Office | 5,059 | 400 | 5,459 | 4,519 | 300 | 4,819 | (640) |
| Finance and Economic Planning | 1,671 | 127 | 1,798 | 1,545 | 127 | 1,672 | (126) |
| Debt Repayment | | | 800 | | | 1,540 | 740 |
| Environment and Forestry | 935 | 250 | 1,185 | 873 | 283 | 1,156 | (29) |
| Health | 5,503 | 900 | 6,403 | 5,038 | 950 | 5,988 | (415) |
| Physical Planning, Lands and Housing | 414 | 300 | 714 | 375 | 300 | 675 | (39) |
| Public Works and Infrastructure | 1,477 | 5,830 | 7,307 | 1,355 | 5,880 | 7,235 | (72) |
| Education, Youth Affairs, Sports, Culture and Social Services | 1,636 | 443 | 2,079 | 1,504 | 450 | 1,954 | (125) |
| Trade and Enterprise Development | 225 | 430 | 655 | 208 | 450 | 658 | 3 |
| Public Service Management | 816 | 42 | 858 | 787 | 30 | 817 | (41) |
| Agriculture and Livestock Development | 316 | 50 | 366 | 288 | 50 | 338 | (28) |
| ICT, E-Government and Public Communications | 152 | 350 | 502 | 144 | 250 | 394 | (108) |
| | | | - | | | - | - |
| Total | 1 9,888 | 9,215 | 29,903 | | 9,143 | 28,925 | (978) |

MIN 156/BAC/ MARCH /2015: Adjournment

The time being five minutes past five O'clock, the Chair adjourned the meeting

CONFIRMED AS TRUE RECORD OF PROCEEDINGS

Sign.....

Date.....

Hon. Michael O. Ogada (Chairman)



