

COUNTY GOVERNMENT OF NAIROBI CITY



NAIROBI CITY COUNTY ASSEMBLY

THIRD ASSEMBLY – FIRST SESSION

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4<sup>TH</sup> REPORT OF THE SELECT COMMITTEE ON COUNTY FINANCE, BUDGET  
AND APPROPRIATIONS

ON

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THE FIRST SUPPLEMENTARY BUDGET ESTIMATES FOR THE FY 2022-23 FOR THE  
NAIROBI CITY COUNTY GOVERNMENT AND COUNTY ASSEMBLY

JANUARY 2023

## 1.0 PREAMBLE

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### 1.1 Background

Mr. Speaker Sir, history is littered with reports on how poor application of the well-intended provisions of law on planning and budgeting have the long-term effects of driving the masses to the poverty slope, keeping away many children out of learning institutions, making public facilities places to abhor while public officials remain dodgy on accountability issues. The continued desire not to join this folklore is highly dependent on how those entrusted with management of public funds shall remain faithful to the underpinning legislations as guided by the spirit envisioned by the drafters of those laws. Towards this end, it is a tested phenomenon that a robust budget process spins around an effective and efficient planning which stands the test of time and ensures that the priorities fronted are executed without any alterations to the end of the financial year. Put differently, an effective planning framework is one that avoids alterations during the process of its implementation in the form of supplementary budgets. That as it may, Governments operate in an economy faced with threats and opportunities which cannot be forecasted with utmost accuracy hence putting into action the provisions of Section 135 of the Public Finance Management (PFM) Act 2012.

Mr. Speaker Sir, arising from this legal backing, the County Government has submitted the first supplementary estimates to the County Assembly for consideration and eventual approval. These Supplementary Revenue and Expenditure Estimates for the FY 2022-23 were submitted to the County Assembly at a time the House was in its long recess therefore necessitating a call for a special sitting for their consideration. The estimates were therefore tabled on 17<sup>th</sup> January 2023 pursuant to the provisions of Section 135 of PFM Act, 2012, the Public Finance Management (County Government) Regulations 2015 and Standing Order 234.

Having been laid the estimates were committed and considered by the Nairobi City County Assembly Finance, Budget & Appropriations Committee established pursuant to the provisions of Standing Order 205 and mandated 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 programs with direct budget outlay*

**Mr. Speaker Sir**, the County Assembly Finance, Budget & Appropriations Committee that steered the consideration of these estimates is composed of the following 23 Members:

1. **Hon. Wilfred Oluoch Odalo, MCA** – Chairperson
2. **Hon. Emily Oduor, MCA** – Vice Chairperson
3. Hon Anthony Kiragu, MCA
4. Hon. Moses Ogeto, MCA
5. Hon Mark Mugambi, MCA
6. Hon. Jeckoniah Onyango, MCA
7. Hon. Robert Mbatia, MCA
8. Hon. Catherine Apiyo Okoth, MCA
9. Hon. Jane Muasya, MCA
10. Hon. Redson Otieno Onyango, MCA
11. Hon. Asli Muhamed, MCA
12. Hon. Rosemary Masitsa, MCA
13. Hon. Perpetua Mponjiwa, MCA
14. Hon. Collins Ogenga, MCA
15. Hon. Fathiya Abdillahi Mohamed, MCA
16. Hon. Sam Kago, MCA
17. Hon. Anthony Ngaruiya Jasho, MCA
18. Hon Paul Ndungu, MCA
19. Hon Ciciliah Wairimu Njathi, MCA
20. Hon Waruguru Kanyi, MCA
21. Hon Joyce Kamau Muthoni, MCA
22. Hon Waithera Chege, MCA
23. Hon Susan Makungu, MC

## 1.2 Committee Secretariat

During the consideration of these revised estimates the Committee was facilitated by the County Assembly Budget Office under the guidance of the following officers: -

1. Mr. Erick Otieno - Principal Fiscal Analyst
2. Mr. Wilfred Manyi - Senior Clerk Assistant/ Committee Clerk
3. Mr. Alphonse Ouma - Senior Fiscal Analyst

## 1.3 Examination of the Supplementary Estimates (I) for the FY 2022-23

**Mr. Speaker Sir**, keeping with the provision of law and the County Assembly Standing Orders on the need to engage stakeholders on the budget before any determination on the estimates, the Committee held a consultative meeting during which it heard submissions from the County Executive led by the Executive Committee Member for Finance and the Chief Officer for Finance. Further, the Committee also received submissions from the County Assembly Service Board presented by the Clerk to the County Assembly. The deliberations centered on the rationale for the proposed reallocations on the approved budget estimates as well as policy issues on how to improve budget preparation and implementation. Having received the submissions from the implementers of the budget, the Committee retreated to make determinations on the proposals, a product of which is this report that has been submitted for the County Assembly's consideration.

## 1.4 Acknowledgment


**Mr. Speaker Sir**, the Committee is sincerely grateful to: -

- a) The County Executive led by His Excellency the Governor for the support received throughout the process of considering these revised estimates;
- b) Offices of the Clerk and the Speaker for the support received throughout this process;
- c) The County Treasury led by the County Executive Committee Member for Finance and the Chief Officer for Finance for appearing before the Committee to explain the rationale for the proposed changes;
- d) Members of the Finance, Budget and Appropriations Committee who cut short their long recess and dedicated their time to ensure that the task of reviewing these estimates is done diligently and within the limited statutory timelines; and

e) The County Assembly Budget Office who continually provided guidance to the Committee on the estimates.

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**Mr. Speaker Sir,** it is therefore my pleasure on behalf of the Committee to table this report on the First Supplementary Budget Estimates for the FY 2022-23 and recommend it to the Assembly for adoption.

Signed.....  ..... Date.. 19/01/2023 .....

**Hon. Wilfred Oluoch Odalo, MCA**  
**Chairman: Finance, Budget and Appropriations Committee**

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## 2.0 SCRUTINY OF THE NAIROBI CITY COUNTY SUPPLEMENTARY BUDGET ESTIMATES (I) FOR THE FY 2022-23

### 2.1 OVERVIEW OF THE APPROVED BUDGET FOR FY2022-23

1. **Mr. Speaker Sir**, in the annual estimates for the FY 2022-23, the County Assembly had approved a total budget of Kshs. 39.6billion out of which Kshs. 27.6billion was meant for recurrent expenses while Kshs. 11.9billion was earmarked for development programmes. The allocated resources were meant to provide a smooth launching pad for the aspiration of the third County Government while at the same time ensuring that the unfinished business from the previous regime are also attended to. One of the major tasks that was due at the time of approving the Appropriation Bill 2022 was to the need to see smooth transition geared towards receiving back the various transferred functions prior to the termination of Deed of Transfer of functions. The budget as allocated then was fully balanced with the resource requirements being in tandem with the projected revenue inflows.
2. This financial year having been in an electioneering period, **Mr. Speaker Sir**, the County Government operated on a Vote on Account till the newly elected County Government through the County Assembly approved the Appropriation Bill 2022. Following the enactment of the Bill, the whole budget was operationalized thereby granting latitude for full roll out of all the development and recurrent initiatives. This supplementary budget has further been submitted to bolster the efforts put in place by the new administration to *“Make Nairobi Work”*. The Committee shall in the remainder of this report be detailing its finding during the consideration of the submitted revised budget estimates.

### 2.2 COMPLIANCE OF THE SUBMITTED SUPPLEMENTARY BUDGET ESTIMATES TO THE PREVAILING LEGISLATION

3. **Mr. Speaker Sir**, the Budget Committee, is tasked by the provisions of the County Assembly to be the cornerstone on defense of matters related to prudent financial management. To advance this noble course, the Committee has always taken pole position in in reminding the County Assembly on the procedural matters that guide the development, consideration and approval of supplementary estimates. The fulcrum of this being that that supplementary budgets can only be brought forth to take care of matters that were unforeseen during the preparation

of annual budget estimates and which must remain unavoidable during the time of preparing the supplementary budget. Further, the Committee has routinely reminded budget stakeholders of the provisions of Section 135 (7) of the PFM Act as reinforced by the provisions of Regulation 39 of the PFM (County Government) Regulations 2015 which are categorical that accounting officers cannot spend more than 10% for various programmes and votes of the approved budgets, with any over expenditure below 10% also requiring the express concurrence of the County Executive Committee Member responsible for Finance.

4. During the consideration of these Supplementary Estimates, **Mr. Speaker Sir**, the Committee heard from the Chief Officer for Finance that the submitted supplementary budget was “*mini supplementary*” with the humongous review of the budget expected to happen in the month of March/ April. The Committee is of the considered view that planning for preparation of a new supplementary budget before the one under consideration is approved and implemented amounts to poor fiscal planning, gambling with resource allocation and in total over-emphasis on budget realignments at the expense of budget implementation. The drafters of the law did not anticipate that supplementary budgets become part and parcel of the budget cycle and their consideration should hence be spontaneously forced by matters beyond control. The Committee urges the County Treasury to be alive to these legal limits whenever they consider coming up with a supplementary budget.

### **2.3 SUMMARY OF ADJUSTMENTS TO THE APPROVED BUDGET**

5. In the approved annual budget estimates, **Mr. Speaker Sir**, the County Government prioritized the payment of pending bills as well as funding of various programmes in a bid to ensure seamless delivery of services to Nairobians by allocating sufficient resources for infrastructure development, health, garbage collection, efficient urban planning within the city, an empowered citizenry through education services and robust trade and investment programs. The approved budget also contained considerable resources meant to spur equitable development within the eighty-five wards.

**6. Mr. Speaker Sir,** the County Treasury has in summary informed the Committee that this supplementary budget has been necessitated by the need to incorporate in the budget the additional resources made available as a result of the enactment of the County Governments Additional Allocations Act, 2022, need to reclassify allocations for Car Loan and Mortgage for the MCAs as guided by the Controller of Budget, the administration's push to accelerate payment of pending bills, the need to focus development on areas of optimal returns among other connected purposes. The submitted Supplementary Estimates has seen the County budget being retained at Kshs. 39.6billion with the revenue figures balancing to the proposed expenditure areas.

**7. Mr. Speaker Sir,** the County Treasury submitted that as a result of competing priorities there is need for reallocations within sectors in order to ensure the County departments honors their obligations when they fall due as well as guaranteeing smooth and seamless service delivery. To achieve these the following are key budget line reallocations amongst others that have been proposed;

- i. Additional allocation of Ksh.200million for Emergency Fund to combat Disaster and Response Recovery within Office of the Governor and Deputy Governor sector;
- ii. Setting aside of Kshs. 35.4million for intergovernmental relation within Office of the Governor and Deputy Governor sector;
- iii. In ensuring prudent fiscal discipline intended to safeguarding the interest of those who trade with the county some Ksh.1.379billion be allocated within Finance and Economic Planning Sector to settle the pending bills as enumerated below;
  - Ksh.100 million for settlement of pending legal fees
  - Ksh.216 million for payment of outstanding insurance costs for county assets
  - Ksh.236 million for meeting other creditors owed by the County for both service and goods supplied
  - Ksh.827million for payment of pending development expenditures



- iv. The Health Sector be granted an additional conditional grant allocation of Ksh.15.9 million under DANIDA UHC intended for improving health care in health centres and dispensaries within the County;
- v. In ensuring infrastructural development, the Public Works, Transport and Infrastructure sector be granted an additional allocation of Ksh.100million meant for construction of roads, drainage and their maintenance;
- vi. That a further Ksh.125million development expenditure be allocated to the Public Works, Transport and Infrastructure sector for purchase of electric buses geared to ensure free smoke resulting into a healthier ecosystem for its citizens and slash Ksh.10million and Ksh. 70million recurrent expenditures that had been allocated for motor vehicle maintenance and for payment of electricity respectively;
- vii. That under the Education, Youth, Sports, Culture and Social Services the development budget for promotion of sports be added Ksh.100million for building stadiums and reduce the technical and vocational training development allocation by Ksh.34.7 meant for civil works;
- viii. The Energy and Natural resources development allocation be reduced by Ksh.160.9million meant for drilling of boreholes and construction of ablution blocks;
- ix. An additional Ksh.40.5million be allocated to Urban Renewal and Housing for the housing development within the county.
- x. Rationalize the development expenditure of Ksh.651 million and increase the recurrent expenditure by equal amount for the County Assembly following the recommendations by the Controller of Budget so as to facilitate the Members of the County Assembly access the car grant and loans;
- xi. That the development allocation for health centers and dispensaries be reduced by Ksh.93.4 million originally meant for civil works under Health sector;
- xii. Rationalize the Urban Planning Sector's development expenditure by Ksh.50 million meant for engineering design plans;
- xiii. Rationalize the Public Service transformation on Human Resource Management allocation by Ksh.436 million and further Ksh.45million meant for medical insurance and other insurance respectively within the Public Service Management Sector

- xiv. That in order to ensure environmental management and protection geared towards climate change management a new allocation of Ksh.22million be granted under the Environment, Water, Energy and Natural resources sector;
- xv. That solid waste management development allocation be reduced by Ksh.45 million meant for civil works a further Ksh.5million development allocation for installation of irrigation system be slashed;
- xvi. Rationalize the recurrent transfers within NMS by Kshs. 679million and transfer the amount to development initiatives within the County;

#### 2.4 OBSERVATIONS OF THE COMMITTEE ON THE SUPPLEMENTARY BUDGET

8. **Mr. Speaker Sir**, the Committee having reviewed the submitted Supplementary Budget Estimates together with the presentations done by the County Treasury and the County Assembly made a number of observations that shall form part of the recommendations.
9. **Mr. Speaker Sir**, the probability of full achievement of the very good intentions contained in the submitted supplementary budget is directly linked with the extent to which the County Government can realize its internal revenue targets. The Committee was informed during the consideration of these estimates that at the time the County was still shy of collecting Kshs. 3billion from internal revenues against an annual target of about Kshs. 18billion. On its review of the approved budget for the current financial year, the Controller of Budget observed that the projected figure of Kshs. 18.28billion was *“unrealistic based on historical trends and may lead to hidden budget deficit and accumulation of pending bills”*. Comparing the projection and the past revenue performance, the Controller implored upon the County Executive Committee Member for Finance *“to monitor OSR performance in the FY 2022-23 and make necessary revisions in the supplementary budget in order to avoid a budget deficit”*. The Committee associates itself with the observations of the Controller of Budget and further notes that there is need to shift from abstract to realistic budgets backed by achievable revenue targets. On conditional grants, the Committee submits that the implementers of the various grants totaling Kshs. 1.4billion must initiate measures to ensure timely compliance with

the attendant conditions and access to earmarked funds. It is the view of the Committee that budgets carry with them hopes and aspirations of the people and such hopes and aspirations must not be anchored on quick sand, fiscally speaking.

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**10. Mr. Speaker Sir,** the Committee acknowledges the efforts put in place through this supplementary budget to settle pending financial commitments that is now closing ranks with the Kshs. 100billion mark. The Committee notes that the proposed allocation of Kshs. 1.4billion for settlement of pending bills, though inadequate, will go a long way in starting off settlement of eligible pending bills that have remained in the budget books for a long time. However, the consideration of these budget estimates have been undertaken at a time when His Excellency the Governor has gazetted a Committee on Review, Scrutiny and Verification of Pending Legal Bills. The Committee therefore observes that it is important for the budget allocation with respect to the pending bills to be verified be undertaken once the exercise has been completed. Further, the Committee opines that in the previous two regimes there have been Pending Bills Committees or Taskforces formed to review, make determination and submit reports for implementation. However, the Committee notes, regrettably the reports have never been fully implemented with the same enthusiasm hence not contributing to management of pending bills. The County Government, if unchecked, therefore stands the risk of forming too many Committees which end up consuming substantial resources, even the little ones that would otherwise have been available for actual settlement of the actual pending bills. In this regard the Committee urges the County Executive to follow up and ensure that the recommendations of the Pending Bills Committee are implemented and the amounts allocated utilized as proposed.

**11. Mr. Speaker Sir,** in the previous supplementary budget reports the Committee has been vocal in discouraging the temptation to introduce new programs, projects and policy directions in supplementary budgets. In this revised budget, the Committee observed that there was demarcation of various votes for Administration, Intergovernmental Relations as well as introduction of an additional allocation of Kshs. 100million for construction of stadia. The Committee urges the County Treasury to always ensure that supplementary budgets are only used as tools for adjusting budgets under implementation to make them responsive to changing

realities and not as a backdoor route of introducing programs that were alien during consideration of the annual estimates.

**12. Mr. Speaker Sir,** the Committee observed that the submitted budget estimates had a number of mathematical and arithmetic errors that need to be corrected before the final appropriation bill is put to vote. The Committee, while appreciating that the same might have been occasioned by the stringent timelines against which this revised budget was prepared, has in this regard informed the County Treasury to correct the errors in the final budget document to be published. The Committee confirms that the errors do not in any way alter the overall budget figures as submitted for approval.

**13. Mr. Speaker Sir,** the Committee on its review of the various budget items that were approved noted that the supplementary budget intends to reclassify the Kshs. 651million initially allocated for car grants, loans and mortgage for Members of the County Assembly from development to recurrent vote as advised by the Controller of Budget. The Committee urges County Executive Committee Member for Finance to work hand in hand with the Clerk of the County Assembly to ensure that once approved, this budget line be implemented without fail. The other vote of concern to the Committee is that of Medical Insurance where the allocation has been proposed for downward review by Kshs. 436million to stand at Kshs. 784million. Members may recall that in the submitted annual budget the allocation for medical insurance had been proposed at Kshs. 1.6billion, a figure that is now less than half of the amounts originally proposed. The Committee calls out this blatant exaggeration of budget figures not backed by data as an academic exercise that must be discouraged especially at a time when there is a clarion call for austerity measures and proper application of the limited resources. On the implementation of emergency fund, the Committee urges that the same be guided by the provisions of Sections 110-115 of the PFM Act, 2012. The provisions require that the Fund does not become a holding ground for county resources and once money has been withdrawn from the fund should it be operationalized within the tricycle of *“report, re-appropriate, replenish”*.

**14. Mr. Speaker Sir,** the Finance, Budget and Appropriations Committee has scrutinized the submitted Supplementary Budget Estimates and is satisfied that the proposed adjustments and

reallocations are well intentioned. In various areas that require amendments the Committee shall be proposing the same for consideration by the House.

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### **III. RECOMMENDATIONS**

#### **3.1. POLICY ISSUES**

**15. Mr. Speaker Sir,** having reviewed these revised budget estimates, the Committee identified several issues that it proposes be addressed going forward: -

- 1) That the arithmetic errors in the submitted supplementary budget estimates be corrected;
- 2) That going forward, supplementary budgets submitted for approval must contain information on the extent of budget implementation for both recurrent and development vote;
- 3) That amounts allocated for Emergency Fund be utilized in line with the provisions of Section 110-115 of the PFM Act, 2012;
- 4) That measures be initiated to improve performance of Own Source Revenue and such measures be submitted to the County Assembly periodically for review; and
- 5) That the payment of legal pending bills be guided by the findings of the established Committee on review, scrutiny and verification of pending legal bills.

#### **3.2. BUDGET REDUCTIONS**

- 1) That the development allocation for Refurbishment of offices under Administration be reduced by Kshs. 45million;
- 2) That the development pending bills be reduced by Kshs. 33.5million;
- 3) That the Kshs. 2million allocated for update of tenancy records for revenue enhancement be knocked off the budget;
- 4) That the allocation for renovation of City Hall Annex Building under Lands Sector be reduced by Kshs. 35million;
- 5) That the allocation for Medical Insurance be reduced by Kshs. 93million;
- 6) That Kshs. 25million be reallocated from Electric Buses to development pending bills; and
- 7) That the allocation for recurrent pending bills be reduced by Kshs. 25million

### 3.3. BUDGET INCREASES




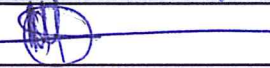

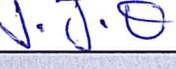
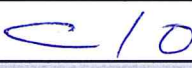



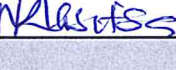


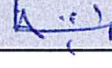
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- 1) That Kshs. 80million be allocated for refurbishment/ branding of City Hall Annexe;
- 2) That Kshs. 35.5million allocated for ongoing projects under Urban Renewal and Housing;
- 3) That the allocation other operating expenses under Urban Renewal and Housing be increased by Kshs. 5million;
- 4) That the allocation for Foreign Travel under Finance and Economic Planning be increased by Kshs. 45million;
- 5) That the allocation for legal related pending bills under Finance and Economic Planning Sector be increased by Kshs.50million;
- 6) That the allocation for Foreign Travel under the Ward Development Fund be increased by Kshs. 10million; and
- 7) That the allocation for Foreign Travel under the Education Sector be increased by Kshs. 8million.

**Mr. Speaker Sir, in conclusion and pursuant to the provisions of Section 135, 154 of the Public Finance Management Act 2012 and Standing Order 234 the Select Committee on County Finance, Budget and Appropriations recommends that:**

**“This County Assembly adopts the Report of the Select Committee on County Finance, Budget and Appropriations on the First Supplementary Budget Estimates for the Nairobi City County Government and County Assembly for the FY 2022-23”**

W the undersigned Members of the Finance, Budget and Appropriations Committee affirm that this is the approved report of the Committee on the Consideration of the Supplementary Budget Estimates (I) for the FY 2022-23 as adopted by the Committee on the 19<sup>th</sup> day of January 2023

NAME	SIGNATURE
1. Hon. Wilfred Oluoch Odalo, MCA	
2. Hon. Emily Oduor, MCA	
3. Hon Anthony Kiragu, MCA	
4. Hon. Moses Ogeto, MCA	
5. Hon Mark Mugambi, MCA	
6. Hon. Jeckoniah Onyango, MCA	
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