

**COUNTY GOVERNMENT OF NAIROBI CITY**



**NAIROBI CITY COUNTY ASSEMBLY**

**FIRST ASSEMBLY – SECOND SESSION**

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

**ON**

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**THE NAIROBI CITY COUNTY SUPPLEMENTARY ESTIMATES FOR 2013/14**

**APRIL 2014**

**Mr. Speaker Sir**, the Constitution has placed significant responsibilities on Parliaments and indeed the County Assembly over the management of public resources. The legislature has enormous responsibilities with regard to resource mobilization, allocation, monitoring and control. It is in this regard that a committee of the Assembly to oversight budget process is contemplated in Article 221 of the Constitution and the Public Finance Management Act, 2012. Consequently, Nairobi City County Assembly Standing Order 187 establishes the Budget & Appropriations Committee with a specific mandate among which 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 programs with direct budget outlay*

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

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|--------------------------------------|----------------------|
| 1. <b>Hon. Michael O. Okumu, MCA</b> | <b>Chairman</b>      |
| 2. <b>Hon. George Ochola, MCA.</b>   | <b>Vice Chairman</b> |
| 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 Omwenga, 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         |                      |

**Mr. Speaker Sir**, the Supplementary Estimates for Nairobi City County on the Financial Year 2013/14 budget estimates were tabled in the Assembly on Thursday 6th March 2014. Accordingly, pursuant to the provisions of the Public Finance Management Act 2012 and County Assembly Standing Orders 206, 207 and 215 the Estimates were committed to each Sectoral Committee for deliberations. Each Sectoral Committee was required to consider, discuss and review the Estimates and submit its report and recommendations to the Budget and Appropriations Committee.

**Mr. Speaker**, Hon. Members will recall that the deliberations on the 2013/14 Budget Estimates were largely conceptual and experimental. The budget and its making process was a new experience to Counties, which had been barely in office for less than two or so months. The challenge was made no easier by the lack of vital information such as the cost of devolved services. This necessitated in a number of amendments to the budget to comply with the statutes including reducing deficit. The experiences gained by the Committee and indeed all members of this Assembly will be harnessed in guiding the budget process. The supplementary budget under scrutiny of the House is part of the larger process of ensuring that the planning process and allocation of resources in our County is as realistic as possible.

### **Examination of the Supplementary Estimates**

In the course of the deliberations on the Supplementary Estimates for FY 2013/14 the Budget Committee held a total of three (3) sittings, one of which was with the officers from the County Treasury who were invited to take members through the document. In addition, the Committee held discussions with the Clerk of the County Assembly represented by the Senior Finance Officer. Both arms were accorded the opportunity to explain to the Committee their proposed amendments.

### **ACKNOWLEDGMENT**

**Mr. Speaker Sir**, as earlier indicated, the Standing Orders requires that Sectoral Committees consider the Supplementary Estimates and report to the Budget and Appropriations Committee. This was further emphasized with the Communication from the Chair on 6<sup>th</sup> March 2014, which directed the Sectoral Committees to do so within seven days. To this end the Committee is grateful to the various Sectoral Committees that appeared before it and whose submissions have formed an integral part in this report.

**Mr. Speaker**, I would like to thank Members of the Budget and Appropriations Committee for their dedication, untiring commitment and valuable contributions. It

is because of their dedications that we have been able to complete this demanding task.

**Mr. Speaker Sir**, 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 reviewing the Supplementary Estimates. Further, the Committee would wish to pay special recognition to the experts who helped the Committee digest the paper as well as to Members of the County Assembly who participated in this process.

**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.

SIGN.....

DATE.....

**Hon. Michael O. Okumu, MCA**  
**Chairman, Budget & Appropriations Committee**

## **A. COMPLIANCE OF THE 2013/14 SUPPLEMENTARY ESTIMATES WITH THE LEGISLATION**

1. **Mr. Speaker Sir**, Supplementary budgets are prepared to provide for unforeseen changes and to realign the budget to realities experienced in implementing the budget. Section 135 (1) and (2) of the Public Finance Management Act, 2012 empowers a County Government to spend money that has not been appropriated if the amount set aside for any particular purpose under the County Appropriations Act is insufficient or a need has arisen for expenditure for a purpose for which no amount has been appropriated under the Act and then submit a supplementary budget in support of the same. It is worth recognizing that these submissions had been done in compliance with these legal provisions.
2. **Mr. Speaker Sir**, these Supplementary Estimates are indeed important as they intend to capture the changes in expenditure that have occurred in the course of the financial year.
3. **Mr. Speaker Sir**, Section 135 (3) as well as Standing Order 215 (2) require that the Supplementary Estimates be accompanied by explanations of how the additional expenditure being requested is related to the fiscal responsibility principles and financial objectives. However, this was not adhered to, which made it difficult for the Committee to appreciate the rationale behind the proposed changes in the estimates. This Committee therefore strongly recommends that any future supplementary estimates must include such details to adhere with the law and facilitate members to understand better the genesis of the proposed amendments.
4. **Mr. Speaker Sir**, it is of importance to record that Section 135 (7) of the PFM Act, 2012 restricts the County Government from spending more than 10% of amounts appropriated by the County Assembly for that year without the approval of the County Assembly. The Budget Committee noted that to a great extent this provision had been adhered to.
5. **Mr. Speaker Sir**, the provisions of Section 135 (4) of the Act requires that approval of the County Assembly for any additional spending be sought within two months from the date of the withdrawal. However, it was the difficult for the Committee to determine whether this provision had been complied with since there were no accompanying withdrawal memoranda. The Committee therefore recommends that these particulars be submitted in future.

**SCRUTINY OF THE NAIROBI CITY COUNTY SUPPLEMENTARY ESTIMATES  
FOR THE FY 2013/14**

**B. INTRODUCTION**

6. **Mr. Speaker Sir**, Hon Members may recall that this Assembly had approved a total budget of Ksh. 25, 255,181,130. This was the total amount that the County Government anticipated would be used utilized to provide services to the citizens of this great County. Out of this amount, the total development expenditures amounted to KSh.7, 599,500,000 which was equivalent of 30.1% of the total county budget. The Committee had envisaged that the amounts allocated for development activities, though not at the best desired levels, would ensure that infrastructure in the county is rehabilitated and expanded to create conducive environment for living and doing business. This is the sole reason why Kenyans voted for the new Constitution in overwhelming numbers. It was the desire for better services. The proportion of the development vote is therefore a good indicator of our priorities as a County.
7. **Mr. Speaker Sir**, it is worth reminding Members that the County has a huge debt, which we are currently servicing at a cost of Ksh. 2.7 billion annually. By any standard, this is a huge sum at almost 36% of our development budget. As a committee, we intend to ensure that this debt do not deny Nairobi County the opportunity to improve its services to the public. The Committee recommends that the County should not enter into new debt in the medium term until the current burden is eased.
8. **Mr. Speaker Sir**, in our oversight role, this Assembly is required to keep track of budget implementation. It is noted that in the first 7 months of implementing the budget, the County has received about 38% of total planned revenue with 45 % of equitable share having been disbursed to the County. However, it has been of concern to the Committee that the County has only been able to achieve 33% of the total revenue that it had projected to raise internally. This is a pointer that we are either overestimating our revenues or our revenue collection systems are leaking. The Committee was informed that the shortfall in the revenue collection is a result of slow implementation of the Finance Act, 2013. This, as the County Treasury asserted to the Budget Committee, has been occasioned by the numerous court cases that have been challenging adjustments in the various charges previously imposed in the County. The Committee has however noted with concern that most revenue forecasts are being revised downwards and has urged the County Government to develop strategies of boosting our revenue streams.

9. **Mr. Speaker**, the Supplementary Budget for the FY 2013/14 have therefore revised revenues and expenditure forecasts to KSh.22.4billion representing a reduction of 18% in revenues with building permit revenue and fees and charges being the most downsized after being cut by 37% and 34% respectively. The amounts to be used for loan repayments have been left unchanged but it was noted that the Supplementary Estimates have proposed an upward revision of Personal Emoluments by 14%.

### **C. AREAS OF SIGNIFICANT DEVIATION FROM THE 2013/14 BUDGET**

10. **Mr. Speaker Sir**, this Assembly must at all times remain alive to the prevailing national debates on crosscutting matters. In this regard, the previous few weeks of the national debates has been on how to reduce the public sector wage bill and the recurrent expenditure by extension. This is critical to this Assembly since its growth would ultimately affect the resources that are available for development; the key reason why we have devolution.
11. **Mr. Speaker Sir**, in reviewing the Supplementary Estimates the Committee noted a number of areas that had very major deviations and these include;
- a) County Assembly**
12. **Mr. Speaker**, the Committee noted that the County Assembly Service Board had requested for an additional KSh.60.2 million. It was the understanding of the Budget Committee that most of changes in the expenditure heads were rational so as to cater for the many unforeseen vote expenses.
13. **Mr. Speaker Sir**, the County Assembly estimates for personal emoluments are projected to rise by 7% from the original approved budget of KSh.495, 732,445 to KSh.528, 262,451. This Assembly will recall that the personal emoluments for the Members of the County Assembly were reviewed upwards by the Salaries and Remuneration Commission thereby making costs rise beyond the budgeted levels. The difference would hence cater for the upward surge in MCAs personal emoluments. However, the County Assembly under development vote has responded to revenue constraints and shortfalls by cutting down on amounts allocated for Chamber and Lounge Renovations while at the same time postponing the purchase of vehicles and equipment to the next financial year. **Mr. Speaker Sir**, whereas the Budget Committee may have been compassionate to okay upward surge in personal emoluments for the County Assembly in this Supplementary Budget, it is important that in future the CASB must rationalize its budget and ensure that all of us live within our means.

14. **Mr. Speaker**, in addition to the MCAs emoluments, the Assembly projects that increases in emoluments for contractual employees while those for permanent staff would be expected to fall by about 17%. The rise in benefits to Contractual employees has arisen from the increase in salaries for contractual ward employees in terms of ward allocation for salaries from KSh.35, 000 to KSh.70, 000 per ward per month.
15. **Mr. Speaker Sir**, the circular from SRC which increased the Members emoluments also introduced Car Loan and Mortgage entitlement at KSh.2million and 3million respectively. It was noted that it would cost KSh.640million to ensure every Member gets the entitlements with an amount of KSh.208 million being sought through this Supplementary Estimates. With total allocation of KSh.380 million in FY 2013/14 the Board anticipates to finance the balance of KSh.260million through the 2014/15 budget.
16. **Mr. Speaker Sir**, as the Members are aware the County Assembly Service Board recruited new staff towards the end of last year. The Board projects that it will cost KSh.16.1 million to cater for the insurance for the newly recruited staff. On the other side the Committee was convinced that the additional allocation of KSh.13.5million for insuring the Hon. Members would be sufficient in ensuring that all get the all-important cover.
17. **Mr. Speaker** aware that the work of Members is undertaken either at the wards or through the various Committees that are an extension of this Assembly, the Board persuaded the Budget Committee of the need to enhance these two by increasing allocations for both. The Committee therefore gave the nod for the allocation of KSh.5000 per ward for operational expenses and the increase of Committee services expenses (including Domestic Travel, Foreign Travel and Hospitality Supplies) from KSh.106.7M to KSh.125.4M.

#### **b) Development Vote**

18. **Mr. Speaker Sir**, the main reason why Kenyans flocked polling stations in 2010 to rubberstamp the new Constitution and set rolling the process of devolution was the untiring belief and hope that this would decentralize development to all parts of the Country. It was indeed the concern of the Budget Committee that the issue had not been properly dealt with in the Supplementary Estimates. As members may recall, the main hallmark of the Nairobi City County Budget for 2013/14 and the reason why it did not undergo the hullabaloo of disapprovals was because it had managed to achieve the legal threshold of 30% for development. In its consideration of the estimates the Committee noted that most development expenditures have been rationalized downwards. This should not be the direction we are taking as County where we allocate huge funds for



salaries and less for development programs. The Supplementary budget has reduced development vote from 34% to 24% of discretionary expenditure.

19. **Mr. Speaker Sir**, with the development figures having being adjusted in the revised budget to KSh.4.67billion from the KSh.7.6billion the development share of total expenditure would be expected to fall to below 30%. It is important for the Members to remember that Section 107 (2) (b) of the PFM Act, 2012 requires that over the medium term the county government total budget shall be allocated to development expenditure.
20. May I reiterate **Mr. Speaker** that this Assembly remains at all times committed to ensuring that development happens within the County and this must be done through the budget process. That notwithstanding, this Assembly will appreciate that during this transition period strict adherence to some of these legal provisions may not be possible. The Committee has indeed taken a lot of due diligence at ensuring that there is full compliance with the law. After due consideration it was the understanding of the Budget Committee, a view confirmed by County Treasury after consultations with the National Treasury, that 'over the medium term' referred to in Section 107 (2) (b) of the Act really may not apply to the current financial year. The Budget Committee therefore urges this Assembly to allow the amounts printed in the Supplementary Estimates for development expenditure. However, the Budget Committee has weighed on the Executive to ensure that the allocations for development in the 2014/15 budget do not go below 40% of the total budget.

### **c) Funding for Projects in the Printed Estimates**

21. **Mr. Speaker**, the Committee noted with concern that there were many well thought out expenditure plans that it had stipulated in the 2013/14 printed estimates which had not been operationalized. This Assembly and its resolutions remain binding and we will ensure that the programs approved by this house are implemented to the letter.
22. **Mr. Speaker Sir**, as you may recall this Assembly allocated funds for bursaries and ward development projects in the last budget so as to ensure that all electorates of Nairobi City feel effects of devolution. The Committee put the County Treasury to task to explain the reasons why some of these projects had taken too long to implement. It is worth commending that the issue of bursaries is now almost behind us. This Supplementary Budget aims to put to reality the Members desire of developing their wards. The Budget Committee indeed ascertained that the allocation of KSh.1.275billion for ward development projects is captured. Further and to ensure that the growth is sustainable this Committee would be recommending to this Assembly, and in consultation with

the County Treasury, that the allocations for bursaries and ward development projects be increased to KSh.2.5million and KSh.20million per ward respectively in the next financial year.

23. **Mr. Speaker Sir**, the Committee was alarmed to note that the development allocations for the Water, Energy and Sanitation Sector had been reduced to zero. This implies that the sector would have no development program this year. It is noted that this may have been informed by the need to ensure that Nairobi City Water and Sewerage Company (NCWSC) delivers more and produces enough revenues as to cater for all the recurrent and development votes. However, this Assembly will appreciate that it has taken quite a long time since the last time a major rehabilitation of the sanitation system and sewerage mechanism of the City was done. With the understanding that there may not be enough resources in the current financial year, the Budget Committee urges NCWSC to up the gear and utilize every cent entrusted to them. In addition it remains the commitment of the Budget Committee to set aside at least Ksh. 3 million per ward in the next budget to cater for the rehabilitations of the water infrastructure.

#### **D. SUBMISSIONS FROM SECTORAL COMMITTEES**

24. **Mr. Speaker Sir**, provisions of Standing Order 187 (6) requires that the Budget Committee holds discussions with the Chairpersons of all Sectoral Committees during the consideration of the budget. In this regard, the Committee invited the Sectoral Committee Chairmen for a meeting held on 1<sup>st</sup> April 2014 where they made their presentation on their respective sectors. The following were some of the recommendations that the Sectoral Committees made to the Budget and Appropriations Committee:

##### **Water and Sanitation Committee**

- i. That an allocation of **KSh.3 million** per ward be set aside in the next budget for the development of water system; and
- ii. That the original sector allocation of **KSh.80million** for capital expenditure which had been removed be reinstated.

##### **Justice and Legal Affairs Committee**

- i. That **KSh.50million** which was originally budgeted for construction of new training facility, **Ksh.15million** for construction of ablution block and **KSh.20million** for rehabilitation of staff houses be reinstated in the budget; and

- ii. The Budget and Appropriations Committee to revert the sum of **KSh.21.5million** into the recurrent estimates for Governor's Office under ICT Sector.

#### **Agriculture, Environment and Natural Resources Committee**

- i. That the **KSh.11million** reduced in the development vote for improvement of Civil Works at Dandora be reinstated in the Supplementary Estimates

#### **Trade, Tourism and Cooperatives Committee**

- i. That the amounts allocated under the development expenditure for the Sector be maintained at **KSh.300million**.

#### **Planning and Housing Committee**

- i. That the Budget and Appropriations Committee upscale allocations for the Department of Lands, Planning and Housing.

#### **Culture and Community Services Committee**

- i. That an amount of **KSh.20million** be allocated for Construction of Street Families Rehabilitation Centre at Ruai

#### **Labour and Social Welfare Committee**

- i. That the Budget and Appropriations Committee to make an allocation of **KSh.5million** for Sports ground development in each ward; and
- ii. That the Budget Committee to revert a sum of **KSh.5million** that allocated for HRM Resource Centre in the approved budget.

### **E. COMMITTEE OBSERVATIONS**

25. **Mr. Speaker Sir**, the Budget and Appropriations after discussions with the Chairpersons of the Sectoral Committees and during its own deliberations noted the following:

- i. That most Sectoral Committees recommended to the Budget Committee for increase in allocations for the Sectors under their watch without providing the Committee with commensurate sources where the amounts would be got from. **Mr. Speaker** it is important for Hon. Members to appreciate that the budget is not an elastic rubber that has no end and therefore the Budget Committee urges Sectoral Committees to consider reallocations within their respective sectors so as to cater for the well-intentioned increases they propose in the development side. The Budget has to balance and an increase must be followed by a similar amount of decrease.

- ii. That due to the stringent timelines that had been set by this Assembly for submission of a report on the Estimates the Committees were not able to have the critical input from the Executive. In future the Committees should aim to have discussions with the Executive so as to help this Assembly make informed decisions.
- iii. That whereas most Sectoral Committees recommended that amounts be allocated for many development projects, the Committee observed that most of these projects had not started. Given the little time remaining to the end of the financial year, it may not be possible to implement some of these proposals. The Committee hence recommends that the Sectoral Committees ensure that projects within their sectors which had been allocated funds in the approved budget but have not been implemented are properly reflected in 2014/15 budget.

## **F. RECOMMENDATIONS:**

### **a) Policy Measures**

26. **Mr. Speaker Sir**, the Committee noted various critical issues in the Supplementary Estimates that it would like addressed. The Committee therefore proposes the following policy measures:
  - i. That the County Treasury must in future ensure that any future budget documents are accompanied with memoranda explaining the figures;
  - ii. That so as to ensure the County is in line with Section 12 of the Second Schedule of the PFM Act, 2012 which requires that Counties start implementing programme based budgets in 2014/15 Nairobi City County must put in measures to ensure this provision of the law in fast-tracked;
  - iii. That all future Supplementary budgets must be restricted to funding only ongoing projects but must avoid the temptation of introducing any new projects; and
  - iv. That this Assembly insists on the Executive to ensure that all future budgets are itemized so as to enable the Committees and the Assembly properly scrutinize them.

### **b) Proposed Adjustments and Reallocations in the 2013/14 Budget**

27. **Mr. Speaker Sir**, the Budget Committee received presentations from Chairs of Sectoral Committees on recommendations and proposed reallocations in the 2013/14 Budget. In line with its mandate and so as to ensure that the County remains on track in delivering in the areas that are critical for the growth of the County the Committee made numerous recommendations.

### **Expenditure Cuts**

28. **Mr. Speaker Sir**, the following are proposed reductions in the expenditure:
- i. Reduce **KSh.10million** allocated under Governor’s Office for Setting Up of Radio Station. This can be allocated in the budget of the next financial year.
  - ii. Reduce the **KSh.25million** allocated for Tourism development under Trade and Development Sector. It is important to note that the Supplementary Budget is not meant for the introduction of new programs and this must be avoided at all costs.

### **Expenditure Increments**

29. **Mr. Speaker Sir**, the above cuts are aimed at making resources available for spending in most priority areas. These were informed by the core needs identified by the Sectoral Committees in conjunction with the Budget Committee.
30. **Mr. Speaker Sir**, the Committee proposes the following as areas where increases should be effected:
- i. An additional allocation of **KSh.10million** be set aside for Construction of ablution block(Dagoretti Training School); and
  - ii. An additional amount of **KSh.25million** be maintained in the budget for the Water, Energy and Sanitation Sector for the two sub-heads; Sewer line construction for Kayole Block G;Y; Lower Dandora Thro’ PPP and Sewer line upgrade for Mathare North (Phase 1) thro’ PPP.

**Mr. Speaker Sir, in conclusion and pursuant to the provisions of Section 135 (2) and (4) of the Public Finance Management Act 2012 and Standing Order 215 the County Budget and Appropriation Committee recommends that:**

**This County Assembly adopts the Report of the Budget and Appropriations Committee on the Supplementary Budget Estimates for the Nairobi City County Government, and County Assembly tabled in the County Assembly on Wednesday 2<sup>nd</sup> April 2014.**