

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

SECOND ASSEMBLY – THIRD SESSION

NBI CA. PLC. 2019/ (0--)

2nd May, 2019

PAPER LAID

Pursuant to Section 166 (4) of the Public Finance Management Act, 2012 I beg to lay the following paper on the Table of the Assembly, today Thursday, 2nd May, 2019: -

THE THIRD QUARTER BUDGET IMPLEMENTATION REPORT FOR THE FY 2018/2019

(The Leader of the Majority Party)

Copies to:
The Speaker
The Clerk
Hansard Editor
Hansard Reporters
The Press

Paper laid by
Deputy Leader of Majority
on 2nd May 2019.
F.C.A
2/5/19

NAIROBI CITY COUNTY

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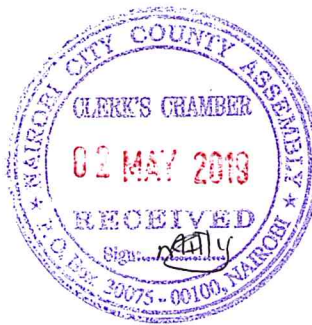
City Hall,
P.O Box 30075-0010,
Nairobi,
KENYA.

FINANCE AND ECONOMIC PLANNING

CFO/SMM/165/2019/E

30th April, 2019

**The Clerk,
Nairobi City County Assembly,
NAIROBI.**



RE: SUBMISSION OF 3RD QUARTER 2018/2019 FINANCIAL REPORT

The above matter refers.

Enclosed please find the 3rd Quarter 2018/2019 financial report for the period ended 31st March, 2019.

A handwritten signature in black ink, appearing to be 'W. Gathagu'.

**WINFRED W. GATHAGU
AG. CHIEF OFFICER FINANCE**

Encl.

*Snr/C.A. (Lip)
Telle and
refer to
Finance Commib
P/pt
cca
for 5/19*

NAIROBI CITY COUNTY



2018/19FY 3RD QUARTER BUDGET IMPLEMENTATION REPORT

APRIL 2019

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LEGAL BASIS FOR THE BUDGET IMPLEMENTATION REPORT

The Budget Implementation report is published pursuant to Section 166 of the Public Finance Management Act 2012.

1. Section 166.(1) An accounting officer for a county government entity shall prepare a report for each quarter of the financial year in respect of the entity.

(2) In preparing a quarterly report for a county government entity, the accounting officer shall ensure that the report;

(a).contains information on the financial and non-financial performance of the entity;
and

(b). Is in a form determined by the Accounting Standards Board

(3). Not later than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the County Treasury.

(4). Not later than one month after the end of each of quarter, the County Treasury shall,

(a). Consolidate the quarterly reports and submit them to the county assembly.

(b). Deliver copies to the Controller of Budget, National Treasury and the Commission on Revenue Allocation; and

(c).publish and publicise them

(5). In the case of an entity that is a county corporation the accounting officer for the corporation shall also submit a copy of the quarterly report to the County Executive Committee member responsible for the corporation ,who, upon approving it shall submit a copy to the County Treasury

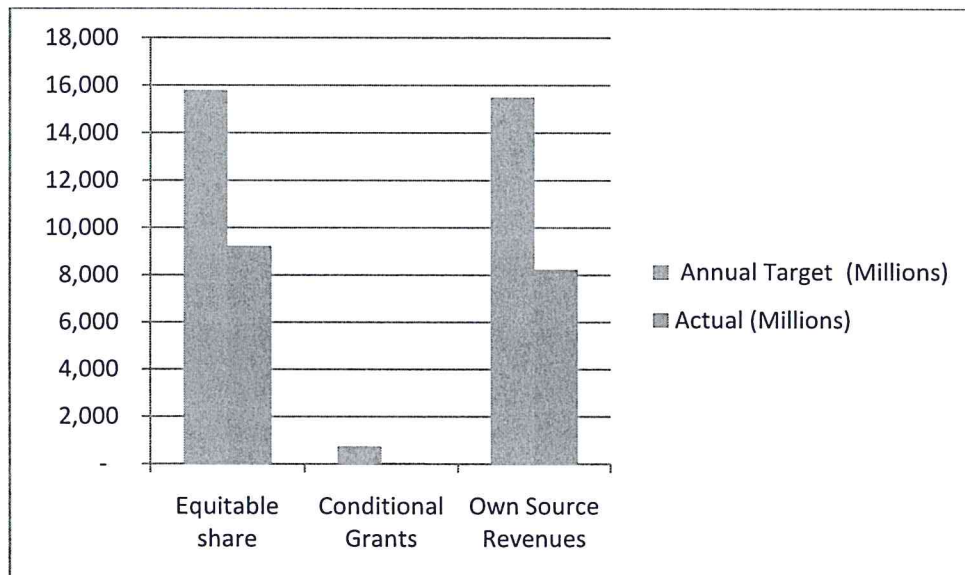
FISCAL PERFORMANCE FOR THE YEAR 2018/2019

Revenues

2. By end of 31st March 2019 total accumulated revenues including national government transfers and appropriations in aid amounted to Kshs 17.5 billion against a target of Kshs 33.036 billion (**Table 1**) which is 55% of the annual target.

Table 1: Total Revenue (Millions) Performance as at 31st March 2019

Revenue Source	Annual Target	ACTUALS				% Performance
		Q1	Q2	Q3	TOTAL	
Equitable share	15,794	790	4,106	4,343	9,240	59
Conditional Grants	745	-	26	31	57	8
Own Source Revenues	15,497	1,794	1,938	4,510	8,242	53
Total	32,036	2,584	6,070	8,885	17,539	55



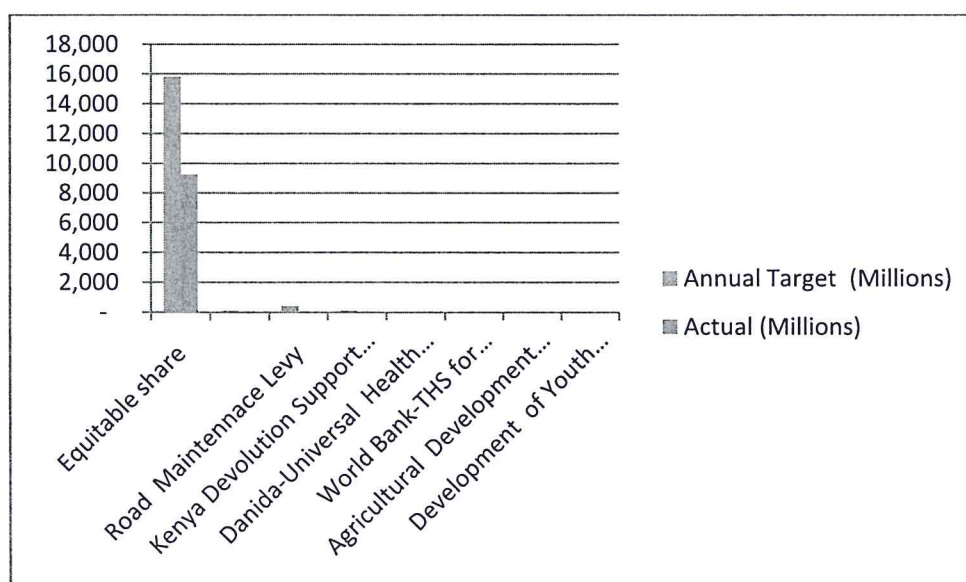
Source: County Treasury

External Revenues

3. Total external transfers as at 31st March 2019 from the National Government and other agencies amounted to Kshs 9.296 billion (**Table 2**) against an annual target of Kshs 16.539 billion, which is about 56% of the target. The transfers from the National Treasury and has been sluggish contrary to the disbursement schedule but however this is expected to accelerate in the fourth quarter as we approach the end of the Financial Year. For example the disbursements for Equitable share is upto January 2019 according to the disbursement schedule contained in Gazzette VoL ,CXX-NO 124 of 15th October 2018.

Table 2: External Transfers (Millions) as at 31st March 2019

Source	Annual Target	ACTUALS				% Performance
		Q1	Q2	Q3	TOTAL	
Equitable share	15,794	790	4,106	4,343	9,240	59
Compensation For User Fees Forgone-Health	79				-	-
Road Maintenance Levy	416				-	-
Kenya Devolution Support Programme Grant	83				-	-
Danida-Universal Health care Support	52		26		26	50
World Bank-THS for universal Healthcare	54			31	31	57
Agricultural Development Support Project	26				-	-
Development of Youth Polytechnics	35				-	-
TOTAL External Transfers	16,539	790	4,132	4,374	9,296	56



Source: County Treasury

Own Source Revenues

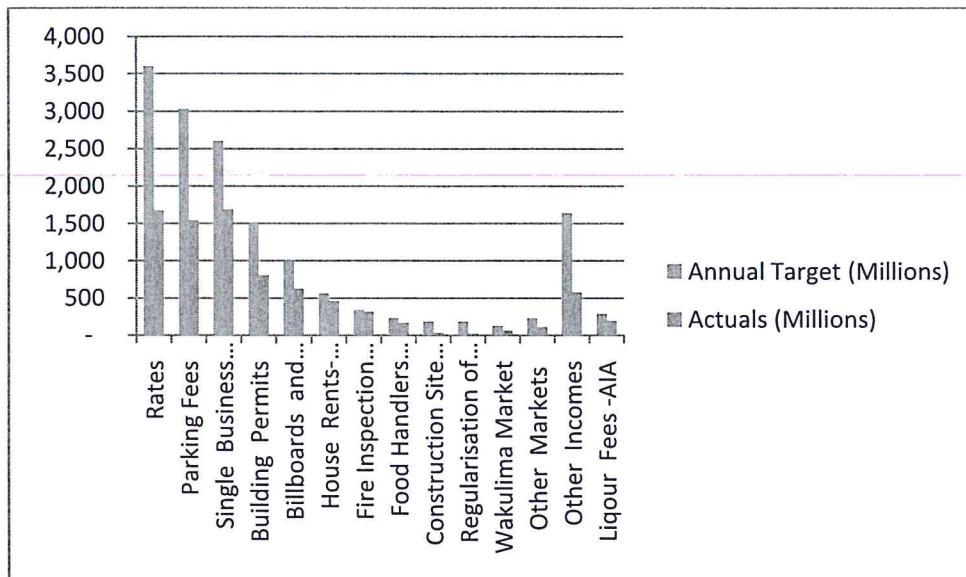
4. Total collections in regard to own source revenues including Appropriations In Aid (Liquor Fees) amounted to Kshs 8.2 billion (**Table 3**) as at 31st March 2019 against an annual target of Kshs 15.5billion representing an overall performance 53.2 %. This was an improvement from the FY 2017/2018 of Kshs 7.6billion as at the same period . However the total projected revenues at the end of the fourth quarter is expected to fall below the annual target of Kshs 15.5billion.

Table 3: Own Sources Revenue (OSR) FY 2018/2019 as at 31st March 2019

Revenue Performance FY 2018/2019 (In millions)						
OWN SOURCES REVENUE	Annual Target	ACTUALS				% Performance
		Q1	Q2	Q3	TOTAL	
Rates	3,600	220	168	1,286	1,673	46.5
Parking Fees	3,030	464	477	597	1,538	50.8
Single Business Permits	2,600	123	349	1,213	1,684	64.8
Building Permits	1,500	305	278	219	803	53.6
Billboards and Advertisements	1,000	99	158	366	623	62.3
House Rents- Eastlands & other estates	560	182	131	142	455	81.2
Fire Inspection Certificates	340	25	64	223	313	92.1
Food Handlers Certificates	230	42	40	83	164	71.5
Construction Site Board	180	15	14	-	29	15.9
Regularisation of buildings	180	4	6	7	16	9.0
Wakulima Market	125	24	27	12	62	49.7
Other Markets	227	50	45	12	108	47.6
Other Incomes	1,637	184	133	262	578	35.3
Liquor Fees -AIA	288	58	48	90	196	67.9
Total: Own Source Revenues	15,497	1,794	1,938	4,510	8,242	53.2

Source: County Revenue Department

Revenue Target against Actuals as at 31st March 2019



5. Challenges affecting Revenue Performance

- Challenges of enforcement mechanisms
- Delays in remittance by National Treasury and other agencies
- High default rate by rate payers
- Continued dry spell has affected farm produce

6. Measures to improve revenue performance

- Aggressive enforcement on non compliant customers
- Monitoring and evaluation of performance
- Business process review including review of the revenue structure of the revenue collection responsibilities.
- Legislation of all revenue streams
- Leverage on technology to enhance efficiency
- Revenue potential study /create database of all revenue possible

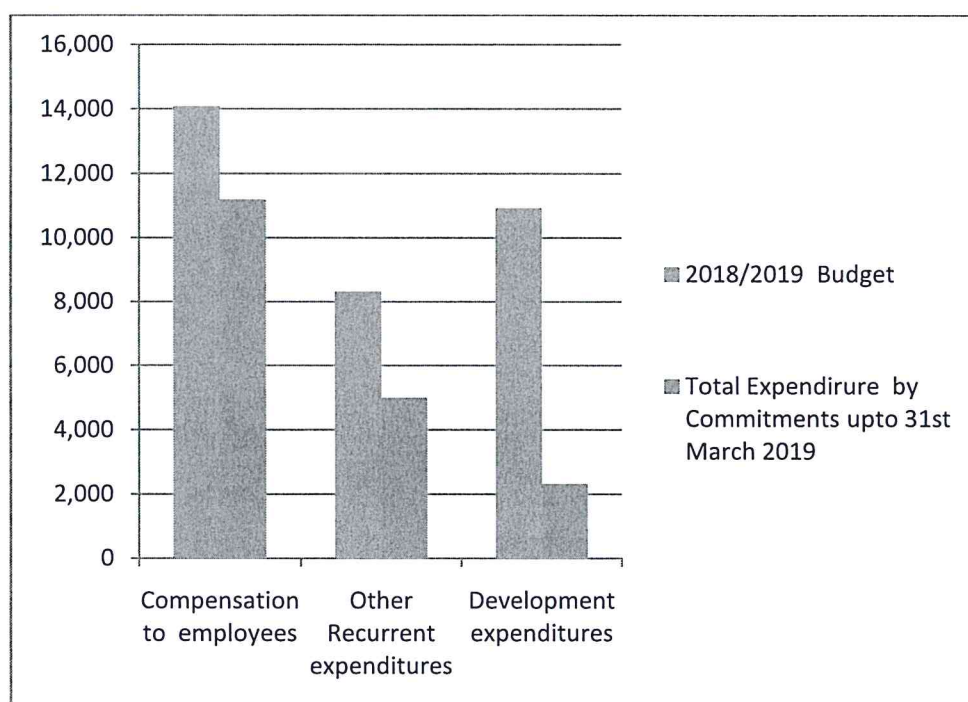
EXPENDITURE

7. Total expenditures by commitments including County Assembly amounted to Kshs 18.5 billion against a budget of Kshs 33.4 billion(Table4). The overall absorption rate of the total budgeted was 55.5% of the total budget. Development expenditure amounted to Kshs 2.3 millions against a revised budget of Kshs 10.9 millions which translates to 21.2 % of the total capital budget. The slow uptake of development funds is attributed to slow implementation of projects by the implementing agencies. Analysis of development expenditure indicates that all County Departments were affected by the slow pace of projects implementation.

Table 4: Expenditure by Economic classification

ITEM	Approved	Revised	9 Months	% Performance
Compensation to employees	14,009	14,093	11,196	79.4
Other Recurrent expenditures	7,465	8,318	5,005	60.2
Development expenditures	10,836	10,934	2,316	21.2
Total	32,310	33,344	18,517	55.5

Expenditure by Economic classification



8. Measures to enhance absorption of budgeted funds to include the following:

- Revenue enhancement drive to provide funds for
- Monthly and quarterly reviews of programmes implementation by the County Executive and corrective measures taken
- Sectors must develop implementation plans/work plans

PENDING BILLS

9. The total stock outstanding debts stood at Kshs 70.2 billion as at 31st December 2018 an increase of Kshs 3.6billion from Kshs 66.6billion as at 30th June 2018 due to growth in statutory debts penalties an increase of about 15%.

The increase is mainly due to:

- Increase in penalties on statutory debts.
- Updating of legal creditors register.
- Increase of unpaid suppliers /contractors due to revenue under performance.

Table 6: Outstanding Debts as at 31st December 2018.

TYPE	30.06.2017 (In Millions)	30.06.2018 (In Millions)	31.12.2019 (In Millions)
Statutory creditors	23,018	30,133	33,762
Suppliers/Contractors	3,788	5,198	5,209
Legal Creditors	2,339	5,442	5,442
Utilities	487	876	864
Loan	4,973	3,024	3,024
Contingent Liabilities	21,768	21,768	21,768
Employee benefits- Retirees/ Deceased	142	135	135
TOTAL	56,516	66,576	70,204

10. Strategies to deal with debts;

The following are the strategies being pursued to deal with the debts as contained in the Debt Management Strategy Paper 2018.

- Verification of pending bills by the Pending Bills Committee
- Clearance of all current statutory debts to contain growth statutory creditors.
- Debt Asset Swops
- Debt Rescheduling and renegotiations
- Enhancing revenue collection and fiscal discipline.

ANNEXE 1: REVENUE PERFORMANCE FOR THE YEAR 2018/2019

Revenue Performance Fy 2018/2019 (In millions)							
	REVENUE STREAM	Annual Target	ACTUALS				% Performance on Annual Target
			Q1	Q2	Q3	TOTAL	
1	Equitable share	15,794	790	4,106	4,343	9,240	59
2	Compensation For User Fees Forgone-Health	79				-	-
3	Road Maintennace Levy	416				-	-
4	Kenya Devolution Support Programme Grant	83				-	-
5	Danida-Universal Health care Support	52		26		26	50
6	World Bank-THS for universal Healthcare	54			31	31	57
7	Agricultural Development Support Project	26				-	-
8	Development of Youth Polytechnics	35				-	-
9	TOTAL External Transfers	16,539	790	4,132	4,374	9,296	56
10	Own Source Revenues						
11	Rates	3,600	220	168	1,286	1,673	46.5
12	Parking Fees	3,030	464	477	597	1,538	50.8
13	Single Business Permits	2,600	123	349	1,213	1,684	64.8
14	Building Permits	1,500	305	278	219	803	53.6
15	Billboards and Advertisements	1,000	99	158	366	623	62.3
16	House Rents- Eastlands & other estates	560	182	131	142	455	81.2
17	Fire Inspection Certificates	340	25	64	223	313	92.1
18	Food Handlers Certificates	230	42	40	83	164	71.5
19	Construction Site Board	180	15	14	-	29	15.9
20	Regularisation of buildings	180	4	6	7	16	9.0
21	Wakulima Market	125	24	27	12	62	49.7
22	Other Markets	227	50	45	12	108	47.6
23	Other Incomes	1,637	184	133	262	578	35.3
24	Liquor Fees -AIA	288	58	48	90	196	67.9
25	Total: Own Source Revenues	15,497	1,794	1,938	4,510	8,242	53.2
26	Total	32,036	2,584	6,070	8,885	17,539	54.7

Annexe II : Absorption of Budgeted Funds 2017/2018 as at 31st march 2019

SECTOR	Revised Estimates 2018-2019			TOTAL CUMM EXEND Q1,Q2 & Q3			% Absorption		
	Recurrent	Capital	Total	Recurrent	Capital	Total	Recurrent	Capital	Total
5311 COUNTY PUBLIC SERVICE BOARD	54	5	59	31	-	31	57	-	52
5312 OFFICE OF GOVERNOR & DEPUTY GOVERNOR	4,836	90	4,926	3,722	5	3,727	77	5	76
5313 ICT, E-GOVT & PUBLIC COMMUNICATIONS	272	188	460	140	10	150	52	5	33
5314 FINANCE & ECONOMIC PLANNING	2,258	154	2,412	1,704	-	1,704	75	-	71
5315 HEALTH	6,389	601	6,991	4,158	20	4,178	65	3	60
5316 URBAN PLANNING AND LANDS	379	133	512	302	12	314	80	9	61
5317 PUBLIC WORKS ,TRANSPORT & INFRASTRUCTURE	1,239	5,405	6,644	873	1,826	2,699	70	34	41
5318 EDUCATION,YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	1,597	473	2,070	1,250	70	1,320	78	15	64
5319 TRADE,COMMERCE,TOURISM & COOPERATIVES	479	318	797	342	49	392	71	16	49
5320 PUBLIC SERVICE MANAGEMENT	1,094	50	1,144	817	-	817	75	-	71
5321 AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	420	131	551	212	-	212	50	-	38
5322;COUNTY ASSEMBLY	1,387	592	1,979	882	1	884	64	0	45
5323 ENVIROMENT,WATER,ENERGY & NATURAL RESOURCES	1,646	1,113	2,758	1,507	17	1,524	92	2	55
5324 URBAN RENEWAL AND HOUSING	133	307	439	85	8	93	64	2	21
5325 WARD DEVELOPMENT FUND	22	1,213	1,235	15	291	306	68	24	25
5326 EMERGENCY FUND	-	80	80	-	-	-	-	-	-
5327 LIQUOR LICENSING BOARD	205	83	288	161	7	169	79	9	59
TOTAL	22,410	10,934	33,345	16,201	2,316	18,517	72	21	56

3rd Quarter Executive Summary FY 2018/2019

ITEM	Budget	Revised Estimates 2018-2019	EXPENDITURES				TOTAL	Performance on Annual Target
			Q1	Q2	Q3			
Revenues								%
Equitable Share	15,794,200.000	15,794,200.000	789,710.000	4,106,492.000.00	4,343,405.000.00		9,239,607.000	59
Conditional Grants								
Compensation For User Fees Forgone	79,423,251	79,423,251	-	-	-		-	-
Road Maintenance Levy	415,847,530	415,847,530	-	-	-		-	-
KDSP (Level 1 grant Allocation)	83,424,144	83,424,144	-	-	-		-	-
DANIDA -Grant for Universal Healthcare in Devolved Governments	51,637,500	51,637,500	-	25,818,750.00	31,057,717.10		56,876,467	110
Conditional Grants to Development of Youth Polytechnics	34,570,000	34,570,000	-	-	-		-	-
World Bank Loan for Transforming Health System for universal Care System	54,429,184	54,429,184	-	-	-		-	-
Agriculture Development Support Project	0	25,659,140	-	-	-		-	-
Internal Revenues	15,208,873,206	15,208,873,206	1,736,806,668	1,889,794,255	4,420,281,587		8,046,882,510	53
AAA- LIQUOR LICENCE FEES	287,836,000	287,836,000	57,630,150	47,790,850	90,087,000.00		195,508,000	68
Total Revenues	32,010,240,815	32,035,899,955	2,564,146,818	6,069,895,855	8,884,831,304		17,538,873,977	289
COUNTY ASSEMBLY								
Compensation To Employees	582,304,627	665,698,547	173,252,722	210,579,166	176,853,674		560,685,562	96
Operations & Maintenance	743,201,415	720,973,153	31,466,376	137,141,853	152,985,952		321,594,181	43
Other Recurrent -Assembly	61,165,658		-	-	-		-	-
Capital Expenditures	592,000,000	592,000,000	-	-	1,366,806		1,366,806	0
SUB-TOTAL :COUNTY ASSEMBLY	1,978,671,700	1,978,671,700	204,719,098	347,721,019	331,206,432		883,646,549	45
COUNTY EXECUTIVE								
Compensation To Employees	13,426,867,291	13,426,867,291	3,212,498,517	3,393,992,580	4,029,195,057		10,635,686,154	79
Operations & Maintenance	6,455,411,824	7,392,022,547	866,711,657	1,109,982,427	2,545,489,178		4,522,183,262	70
Capital Expenditures	10,161,454,000	10,259,454,000	534,972,009	883,403,039	889,380,151		2,307,755,199	23
SUB-TOTAL:COUNTY EXECUTIVE	30,043,733,115	31,078,343,838	4,614,182,183	5,387,378,046	7,464,064,386		17,465,624,615	58
LIQUOR BOARD								
Operations & Maintenance	204,836,000	204,836,000	0	124,918,691	36,246,114		161,164,805	79
Capital Expenditures	83,000,000	83,000,000	-	-	7,461,938		7,461,938	9
SUB-TOTAL: LIQUOR BOARD	287,836,000	287,836,000	-	124,918,691	43,708,052		168,626,743	59
TOTAL EXPENDITURES	32,310,240,815	33,344,851,538	4,818,901,281	5,660,017,756	7,838,978,870		18,517,897,907	57
Analysis of Expenditure								
Recurrent Expenditures	21,473,786,815	22,410,397,538	4,283,929,272	4,976,614,717	6,940,769,975		16,201,313,964	75
Capital Expenditures	10,836,454,000	10,934,454,000	534,972,009	883,403,039	896,208,895		2,316,583,943	21
Compensation to Employees	14,009,171,918	14,092,565,838	3,385,751,239	3,604,571,746	4,206,048,731		11,196,371,716	80

