

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

SECOND ASSEMBLY-THIRD SESSION

NBI CA. PLC. 2019 / (056)

31st July, 2019

PAPER LAID

Pursuant to Article 228 (6) of the Constitution of Kenya, I beg to lay the following Paper on the Table of the Assembly, today Wednesday 31st July, 2019

COUNTY GOVERNMENT BUDGET IMPLEMENTATION REVIEW REPORT FOR THE FIRST NINE MONTHS OF FY 2018/19.

(Leader of the Majority Party)

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

Approved for tabling:
[Signature]
31 July 2019.

*Paper laid on
Wed 31/7/19 @
2:30pm.
[Signature]
Snr clerk [Signature]
31/7/19*

REPUBLIC OF KENYA



OFFICE OF THE CONTROLLER OF BUDGET

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Ref. OCOB/DBI/007/Vol.18 (166)

1st July, 2019

The Clerk

Nairobi City County Assembly
Nairobi City County



**RE: COUNTY GOVERNMENTS BUDGET IMPLEMENTATION REVIEW
REPORT FOR THE FIRST NINE MONTHS OF FY2018/19**

The Office of the Controller of Budget is established under Article 228 of the Constitution of Kenya, 2010 to among others, oversee and report on the implementation of the budgets of the National and County Governments to each House of Parliament every four months.

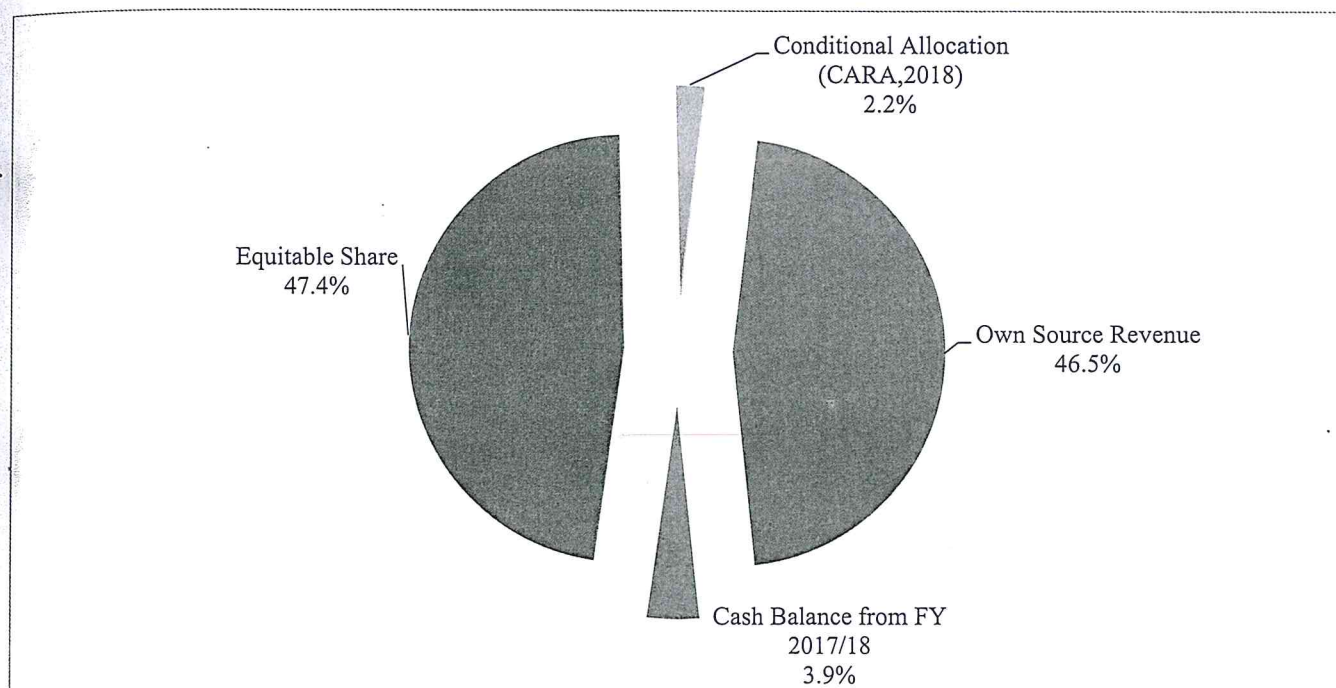
Pursuant to Article 228(6) of the Constitution of Kenya, 2010, the Office has prepared the County Governments Budget Implementation Review Report for the first nine months of FY 2018/19, covering the period 1st July, 2018 to 31st March, 2019.

Forwarded herewith, please find one hundred and twenty eight (128) copies of the report for submission to the County Assembly.

**Agnes Odhiambo (Mrs.), CBS
CONTROLLER OF BUDGET**

*5nr/c.a(Lip)
Table and
refer to Budget
Committee
J. J. CCA
30/7/19*

Figure 3.117: Nairobi City County, Treasury Expected Sources of Budget Financing in FY 2018/19



Source: Nairobi City County Treasury

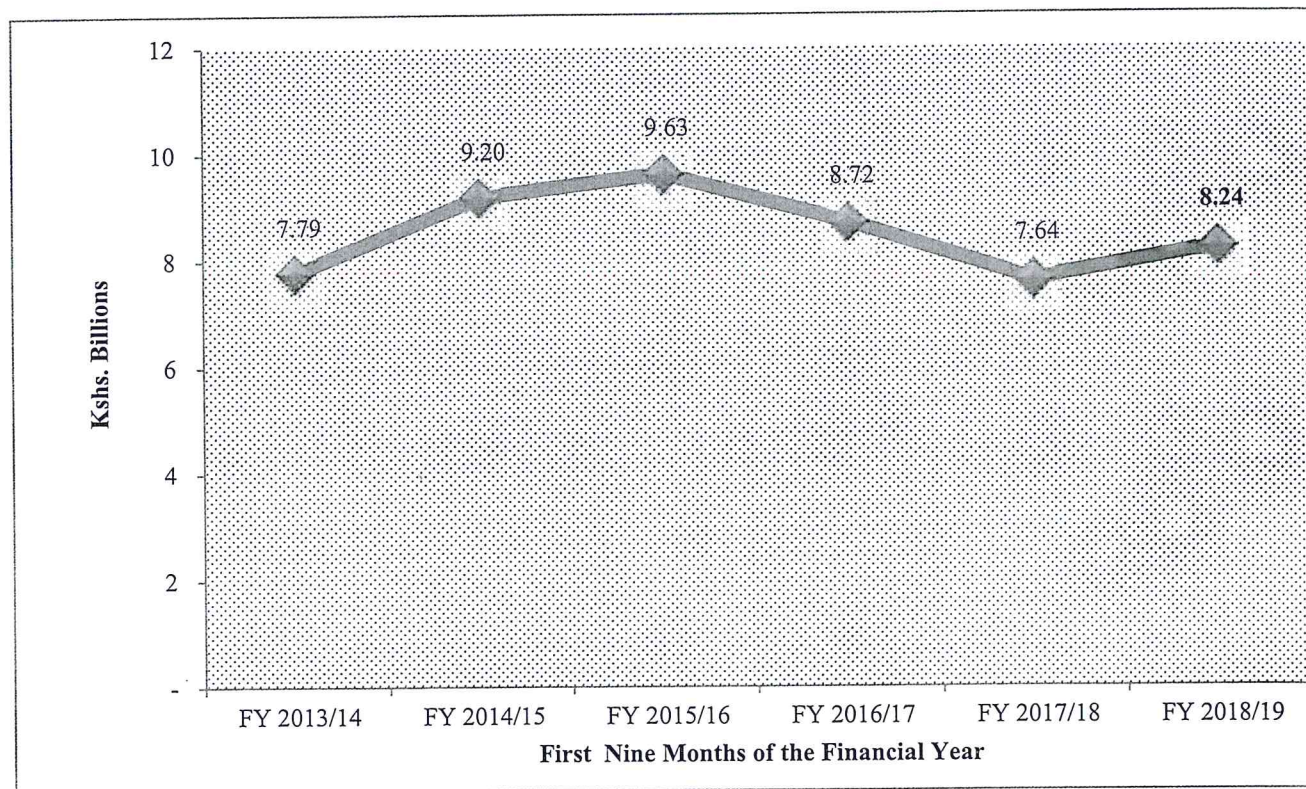
The conditional grants contained in the C.A.R.A., 2018 are shown in Table 3.84.

3.30.2 Revenue Analysis

During the first nine months of FY 2018/19, the County received Kshs.9.24 billion as equitable share of the revenue raised nationally, Kshs.56.88 million as total conditional grants, and raised Kshs.8.24 billion from own sources of revenue. The total funds available for budget implementation amounted to Kshs.17.54 billion.

Figure 3.118 shows the trend in own-sources of revenue collection from the first nine months of FY 2013/14 to FY 2018/19.

Figure 3.118: Nairobi City County, Trend in Own-Source Revenue Collection for the First Nine Months from FY 2013/14 to FY 2018/19



Source: Nairobi City County Treasury

The County generated a total of Kshs.8.24 billion from own-source revenues during the first nine months of FY 2018/19. This amount represented an increase of Kshs.604.72 million compared to that realised during a similar period of the FY 2017/18 and represented 53.2 per cent of the annual target.

3.30.3 Conditional Grants

The County received Kshs 56.88 million as conditional grants in the first nine months of the financial year 2018/19 as shown in Table 3.84.

Table 3.84: Nairobi City County Treasury, Conditional Grants/Loans Received in the First Nine Months of FY 2018/19

S/No	Grants	Annual CARA, 2018 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts in First Nine Months of FY 2018/19 (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
1	Compensation for User Fee Foregone	79,423,251	79,423,251	-	-
2	Leasing of Medical Equipment	200,000,000	-	-	-
3	Road Maintenance Fuel Levy	415,847,530	415,847,530	-	-
4	Rehabilitation of Village Polytechnics	34,570,000	34,570,000	-	-
5	Transforming Health Systems for Universal Care Project (World Bank)	54,429,184	54,429,184	31,057,717	57.1
6	IDA (World Bank) Kenya Devolution Support Programme "Level 1 grant"	83,424,144	83,424,144	-	-
7	DANIDA - Universal Healthcare in Devolved System Programme	51,637,500	51,637,500	25,818,750	50.0
8	Sweden - Agriculture Sector Development Support Programme (ASDSP)	25,659,140	25,659,140	-	-
Total		944,990,749	744,990,749	56,876,467	6.0

Source: Nairobi City County Treasury

Analysis of revenue from conditional grants indicates that, the County received funds from World Bank for Transforming Health Systems for Universal Care Project and DANIDA for Universal Healthcare in Devolved System. The receipts accounted for 57.1 per cent and 50 per cent of the annual allocation respectively.

3.30.4 Exchequer Issues

To finance the budget, the Controller of Budget approved the withdrawal of Kshs. 14.86 billion from the County Revenue Fund account. The withdrawals represented 44.6 per cent of the Approved Supplementary Budget and translated to a decrease of 0.7 per cent from Kshs.14.97 billion approved in the first nine months of FY 2017/18 and comprised of Kshs.13.44 billion (90.5 per cent) to fund recurrent expenditure and Kshs.1.42 billion (9.5 per cent) for development activities.

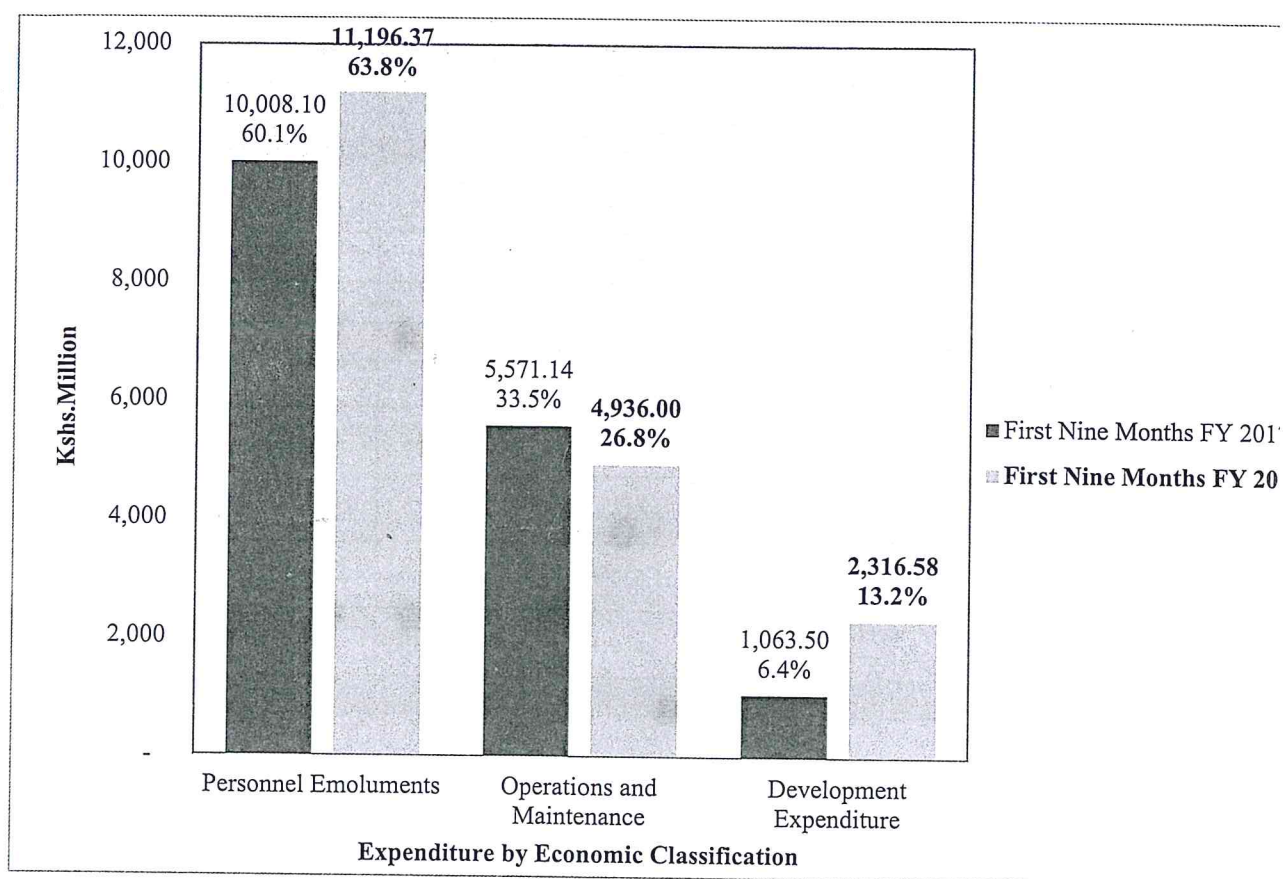
3.30.5 Overall Expenditure Review

The County spent a total of Kshs.18.45 billion on recurrent and development activities. This expenditure represented 124.1 per cent of the total funds released from the County Revenue Fund account and was an increase of 10.9 per cent from Kshs.16.64 billion spent in the first nine months of FY 2017/18. The expenditure included outstanding commitments as at March 31, 2019 which amounted to Kshs.718 million for development activities and Kshs.2.68 billion for recurrent expenditure.

Expenditure on recurrent activities amounted to Kshs.16.13 billion while Kshs.2.32 million was spent on development activities. The recurrent expenditure was 120 per cent of the funds released for recurrent activities, while development expenditure was 163.4 per cent of funds released for development activities. The expenditure is above funds released as it includes outstanding commitments.

The recurrent expenditure represented 72 per cent of the annual recurrent budget, an increase from 64.6 per cent recorded in the first nine months of FY 2017/18. Development expenditure recorded an absorption rate of 21.2 per cent, which was an increase from 9 per cent attained in the first nine months of FY 2017/18. Figure 3.119 presents a comparison between the total expenditure in the first nine months of FY 2018/19 and a similar period in FY 2017/18.

Figure 3.119: Nairobi City County, Treasury, Expenditure by Economic Classification



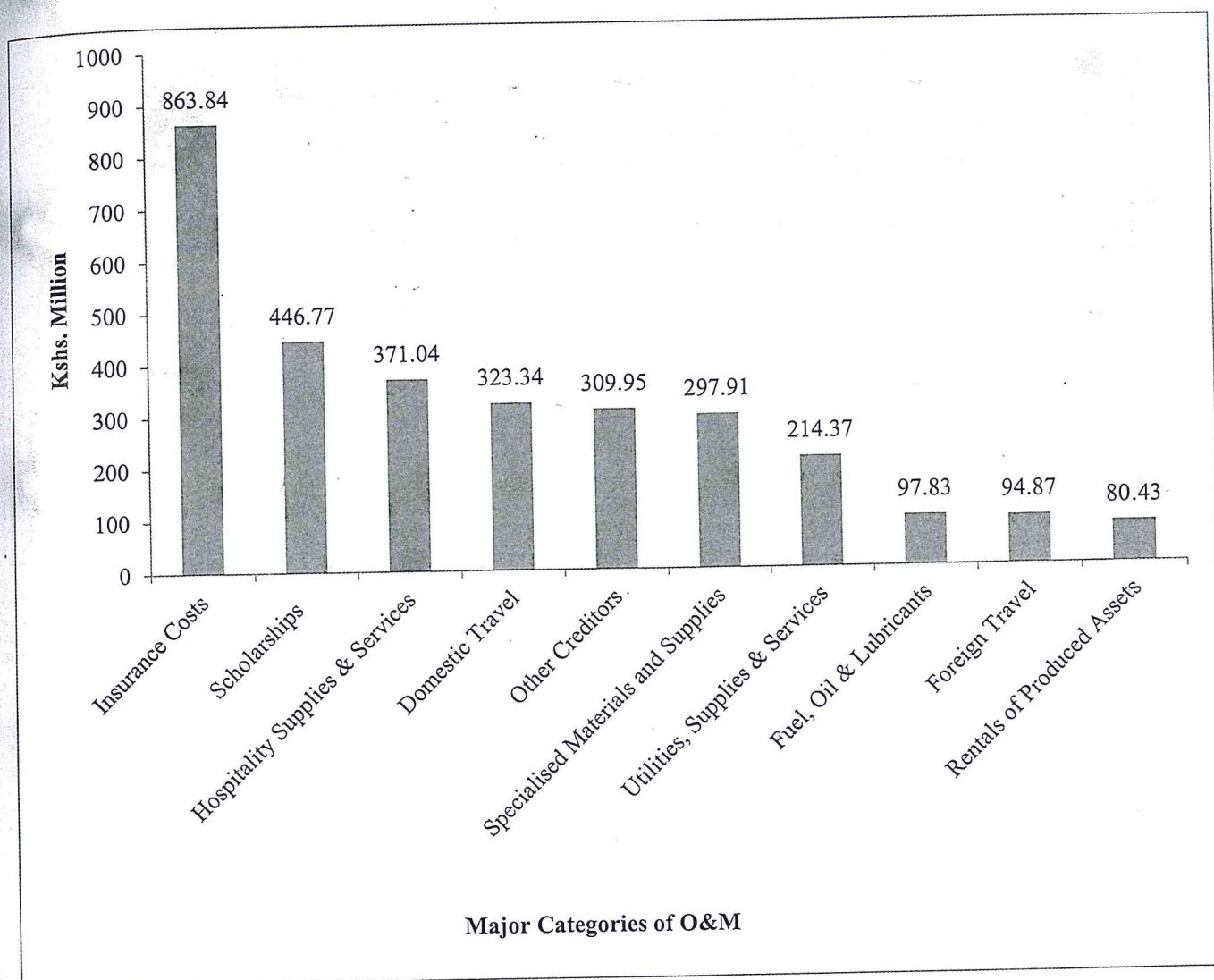
Source: Nairobi City County Treasury

3.30.6 Analysis of Recurrent Expenditure

The total recurrent expenditure of Kshs.16.13 billion comprised of Kshs.11.20 billion (69.4 per cent) in on personnel emoluments and Kshs.4.94 billion (30.6 per cent) on operations and maintenance as shown in Figure 3.119.

Expenditure on personnel emoluments represented an increase of 11.9 per cent compared to a similar period of FY 2017/18 when the County spent Kshs.10.01 billion and was 65.5 per cent of total expenditure for the first nine months of FY 2018/19. Figure 3.120 shows a summary of operations and maintenance expenditure by major categories.

Figure 3.120: Nairobi City County, Treasury, Operations and Maintenance Expenditure by Major Categories in the First Nine Months of FY 2018/19



Source: Nairobi City County Treasury

The County spent Kshs.75.97 million on committee sitting allowances for the 128 MCAs and the speaker against the annual budget allocation of Kshs.108.10 million. This represented an increase of 70.3 per cent compared to Kshs.48.31 million spent in a similar period of FY 2017/18. The average monthly sitting allowance translated to Kshs. 65,944 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

Expenditure on domestic travel amounted to Kshs.323.34 million and comprised of Kshs.48.40 million spent by the County Assembly and Kshs.274.94 million spent by the County Executive. This represented 2 per cent of total recurrent expenditure and was a decrease of 7 per cent compared to Kshs.347.63 million spent in the first nine months of FY 2017/18.

3.30.7 Development Expenditure

The total development expenditure of Kshs.2.32 billion represented 21.2 per cent of the annual development expenditure budget of Kshs.10.93 billion. Table 3.85 provides a summary of development projects with the highest expenditure in the first nine months of the financial year.

Table 3.85: Nairobi City County, Treasury, List of Development Projects with the Highest Expenditure in First Nine Months of FY 2018/19

S/No.	Project Name	Project Location	Project Budget (Kshs.)	Project Expenditure in First Nine Months of FY 2018/19 (Kshs.)	Absorption Rate (%)
1	Nairobi Regeneration Projects	Nairobi	500,000,000	300,000,000	60.0
2	Road Maintenance	Countywide	359,050,943	119,270,739	33.2
3	Reconstruction of Jadongo Road/Jadongo Lane	Ngara	137,874,555	105,511,681	76.5
4	Construction of Matopeni Estate Roads	Matopeni	119,118,428	103,348,063	86.8
5	Construction of Selected Roads in Utawala Estate	Utawala	166,929,945	70,307,662	42.1
6	Rehabilitation of Access Road to Uhuru Estate Primary School, Access to Jamaa Hospital, Buruburu Crescent & Access to Courts	Buruburu	69,704,881	69,704,881	100.0
7	Construction of New Donholm Road	Upper Savana	94,332,128	60,058,565	63.7
8	Electrical Maintenance	Electrical	375,117,838	58,928,897	15.7
9	Construction of Baba Dogo -Lucky Summer Road	Baba Dogo	57,281,976	39,972,991	69.8
10	Rehabilitation of Academy Road	Karen	75,455,738	39,741,876	52.7

Source: Nairobi City County Treasury

3.30.8 Budget Performance by County Department

Table 3.86 shows a summary of the approved budget allocation and performance by department in the first nine months of FY 2018/19.

Table 3.86: Nairobi City County, Treasury, Budget Performance by Department

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	53.69	5.00	27.24	-	30.53	-	112.1	-	56.9	0.0
Office of Governor & Deputy Governor	4,836.43	90.00	3,195.22	2.94	3,722.07	4.66	116.5	158.4	77.0	5.2
ICT, E-Govt & Public Communications	271.72	188	122.38	-	140.29	9.65	114.6	-	51.6	5.1
Finance & Economic Planning	2,258.39	154.00	1,223.86	-	1,703.50	-	139.2	-	75.4	0.0
Health	6,389.22	601.36	3,725.81	9.82	4,157.94	19.63	111.6	199.9	65.1	3.3
Urban Planning and Lands	379.48	132.50	253.42	5.80	301.84	12.12	119.1	209.0	79.5	9.1
Public Works Transport & Infrastructure	1,238.54	5,405.00	713.25	1,344.50	872.66	1,827.17	122.4	135.9	70.5	33.8
Education, Youth Affairs, Sports, Culture & Social Services	1,597.03	473.00	726.17	44.99	1,250.43	69.54	172.2	154.5	78.3	14.7
Trade, Commerce, Tourism & Cooperatives	479.32	318.00	271.45	9.98	342.04	49.47	126.0	495.6	71.4	15.6
Public Service Management	1,094.25	50.00	667.31	-	816.51	-	122.4	-	74.6	0.0

Department	Budget Allocation (Kshs. Million)		Exchequer Issues in Q1 of FY 2018/19 (Kshs. Million)		Expenditure in Q1 of FY 2018/19 (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption Rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
Agriculture, Live-stock Development, Fisheries & Forestry	420.01	131.00	162.77	-	211.47	-	129.9	-	50.3	0.0
Environment, Water, Energy & Natural Resources	1,645.65	1,112.50	1,404.44	-	1,507.43	16.75	107.3	-	91.6	1.5
Urban Renewal and Housing	132.81	306.60	62.92	-	85.24	7.60	135.5	-	64.2	2.5
Ward Development Fund	22.34	1,212.50	-	-	15.29	291.16	-	-	68.4	24.0
Liquor Licensing Board	204.84	83.00	-	-	161.16	7.46	-	-	78.7	9.0
Emergency Fund	-	80.00	-	-	-	-	-	-	-	0.0
County Assembly	1,386.67	592.00	886.89	-	813.97	1.37	91.8	-	58.7	0.2
TOTAL	22,410.40	10,934.45	13,443.13	1,418.03	16,132.38	2,316.58	120.0	163.4	72.0	21.2

Source: Nairobi City County Treasury

Analysis of expenditure by shows that the Department of Public Works Transport & Infrastructure recorded the highest absorption rate of development budget at 33.8 per cent while the Department of Environment, Water, Energy & Natural Resources had the highest percentage of recurrent expenditure to recurrent budget at 91.6 per cent.

3.30.9 Key Observations and Recommendations

The County has made progress in addressing some of the challenges previously identified as affecting budget implementation. Some of the progress included:

- Improvement in own-source revenue collection by 7.9 per cent from Kshs.7.64 billion collected in a similar period of FY 2017/18 to Kshs.8.24 billion in the reporting period.
- Improvement in the use of IFMIS and internet banking platform to process financial transactions.

Despite the above progress, the following challenges continued to hamper effective budget implementation;

- Delay by the County Executive to submit the quarterly financial report to OCOB for the County Bursary and Scholarship Fund contrary to the requirements of Section 168 of the PFM Act, 2012.
- Increase in wage bill paid by the County Government. The wage bill increased by 11.9 per cent from Kshs.10.01 billion in the first nine months of FY 2017/18 to Kshs.11.20 billion in the reporting period
- Low absorption of the development funds which was 21.2 per cent of the annual budget in the reporting period.

The County should implement the following recommendations in order to improve budget execution;

- The County should provide timely and comprehensive financial reports as per the requirement of Section 168 of the PFM Act, 2012.*
- The County Public Service Board should rationalise the staffing structure to ensure the wage bill is sustainable.*
- The County should identify and address issues that cause delays in the implementation of development projects.*

