

Paper - laid on 30/06/2020
by Hon. Chege Mwaure - el
Chairperson Finance, Budget &
County Government of Nairobi City
Appropriations Committee

COUNTY GOVERNMENT OF NAIROBI CITY

Appropriations Committee



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30/06/2020

NAIROBI CITY COUNTY ASSEMBLY

SECOND ASSEMBLY – FOURTH SESSION

**26TH REPORT OF THE SELECT COMMITTEE ON COUNTY FINANCE,
BUDGET AND APPROPRIATIONS**

ON

THE CONSIDERATION OF THE REVENUE AND EXPENDITURE ESTIMATES FOR
THE NAIROBI CITY COUNTY GOVERNMENT AND THE COUNTY ASSEMBLY FOR
THE FY 2020-21

JUNE 2020

I.PREAMBLE

Madam Speaker, the consideration of these estimates has been undertaken in the backdrop of extraordinary circumstances both within and outside the County's borders. These deliberations mark the third time that this Second Assembly has had the opportunity to consider and make determination on the County's estimates of revenues and expenditures prepared pursuant to the provisions of Section 131 (1) of the Public Finance Management (PFM) Act, 2012, the Public Finance Management (County Government) Regulations 2015 and Standing Order 222. Global review of the devolution progress indicates that this is the eight time that the County Assembly shall be called upon to take a position on resources meant to shape the County's development compass. Including these estimates, the County Assembly shall have granted approval for expenditure of amounts totaling over Kshs. 200billion since the onset of the devolution model in the year 2013.

Madam Speaker, it is once again imperative to remind this honorable House that the provisions of Article 221 of the Constitution requires that at least two months before the end of the financial year, the County Executive Committee Member for Finance should submit to the County Assembly, the estimates of the revenue and expenditure of the county government for the next financial year. At the same time the Clerk to the County Assembly is also required to table the estimates for the County Assembly Service Board. The global pandemic on the corona virus has affected the operations of the County Assembly especially given that its local ramifications coincided with the peak of the budget process when the County Government was in the process of finalizing its consideration of the County Fiscal Strategy Paper for 2020. On or around the same period the County Government executed a Deed of Transfer which gave the National Government authority to determine the strategic direction for the health, planning, transport and ancillary functions.

This mix of factors therefore worked jointly to delay consideration of the CFSP and by extension led to late tabling and consideration of the budget estimates for the FY 2020-21. In this regard therefore, whereas the budget estimates for the two arms of government were submitted to the County Assembly within the statutory timelines, their tabling was differed to grant the County Assembly latitude to consider and adopt the FSP. Having been submitted and in line with the provisions of Standing Order 222 the Estimates of Revenues and Expenditures stood committed to the Sectoral Committees and the Finance, Budget and Appropriations Committee for consideration and reporting. The PFM law and the Nairobi City County Assembly Standing Orders require that when finalizing the consideration of any budget document, the Budget Committee shall consult the Sectoral Committees, members of the public and the County Executive Committee Member for Finance. In furtherance of the provisions of Standing Order 119 (6), the Sectoral Committees are expected to consider the estimates, take into account the views of the respective Sector Chief Officers and County Executive Committee Members and thereafter make submissions to the Budget Committee.

Madam Speaker, the consideration of these estimates was guided by the County Assembly Finance, Budget & Appropriations Committee which comprises of the following 23 Members:

1. **Hon. Chege Mwaura, MCA**
2. **Hon. Michael Ogada, MCA**
3. Hon. Robert Mbatia, MCA
4. Hon. Patrick Karani, MCA
5. Hon. Mary Ariviza, MCA
6. Hon. Emapet Kemunto, MCA
7. Hon. Millicent Jagero, MCA
8. Hon. Samora Mwaura, MCA
9. Hon. Herman Azangu, MCA
10. Hon. Millicent Mugadi, MCA

Chair

Vice- Chair

People are selfish
Thus

11. Hon. Susan Mukungu, MCA
12. Hon. Catherine Okoth, MCA
13. Hon. Emily Oduor, MCA
14. Hon. Margaret Mbote, MCA
15. Hon. Elijah Mputhia, MCA
16. Hon. John Mukiri, MCA
17. Hon. Paul Shilaho, MCA
18. Hon. Samuel Muchene, MCA
19. Hon. Fredrick Okeyo, MCA
20. Hon. Cecilia Ayot, MCA
21. Hon. Mellab Atema, MCA
22. Hon. Kennedy Oyugi, MCA
23. Hon. Paul Ndungu, MCA

Madam Speaker, the Nairobi City County Assembly Finance, Budget and Appropriations Committee is constituted under the provisions of Standing Order 199 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 programmes with direct budget outlay.

Examination of the Budget Estimates for the FY 2020-21

Madam Speaker, presentation of budget estimates in any given financial year marks the end of a budget cycle which starts with the issuance of the budget circular by the CECM- Finance and Economic Planning. The budget circular

provides guidelines on issues that accounting officers should take into account when preparing their respective budgets. The County Assembly has already approved the Annual Development Plan for the FY 2020-21 setting out the development priorities for the coming financial year, the County Fiscal Strategy Paper 2020-21 outlining the broad strategic objectives for the County plus the individual Sector ceilings and the Debt Management Strategy Paper which details the County's marshal plan on debts and debts repayment. These estimates submitted therefore intend to inject the necessary resources required to actualize the contents of the planning documents already approved by this house.

Madam Speaker, in reviewing the Budget Estimates for FY 2020-21, the Committee held virtual and physical meetings in which the Committee received submissions from the County Executive Committee Member responsible for Finance, the Chairs of Sectoral Committees, the Secretary to the County Assembly Service Board and the members' public. The Committee has taken into account all the submissions from the key stakeholders before finalizing this report.

Acknowledgments

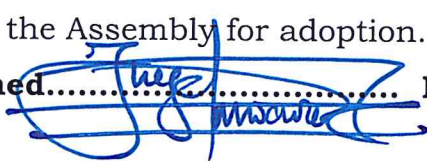
Madam Speaker, the Committee is sincerely grateful to: -

- a) Offices of the Clerk and the Speaker for the support received throughout this process;
- b) Sectoral Committees who reviewed the budget estimates for their respective Sectors and appeared before the Budget Committee to make their presentations;
- c) Officers from the County Executive, led by the County Treasury, who appeared before the Sectoral Committee and the Finance Committee for the purposes of making submissions on the estimates;
- d) Members of the Finance, Budget and Appropriations Committee who dedicated their time to ensure that the task of reviewing the estimates is done diligently and within the limited statutory timelines; and

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

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

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



20th JUNE 2020

Hon. Chege Mwaura, MCA

Chairman: Finance, Budget and Appropriations Committee

II. SCRUTINY OF THE BUDGET ESTIMATES FOR THE FY 2020-21

A. Overall Budget for the FY 2020-21

1. **Hon. Speaker**, in line with the approved ceilings in the County Fiscal Strategy Paper, the total County budget is proposed to equal Kshs. 31.434billion out of which Kshs. 25billion is meant for recurrent expenditures while Kshs. 6.4billion has been earmarked for development initiatives. With these allocations the development budget represents about 20% of the overall budget for the coming financial year. Comparing these intended allocations to the revised budget for the FY 2019-20 there is proposed downward revision of the recurrent budget by Kshs. 3billion with the development budget being reduced by Kshs. 2billion. In the course of scrutiny of these estimates the Committee noted that budget document presented has not presented the Budget Summary which would ordinarily detail the expected theme of the budget and what it entails to achieve.
2. Further, **Hon. Speaker**, the proposed budget contains allocations for the functions that have been transferred to the National Government. During these deliberations the Committee was made aware of the approved budget for the National Government in which budget for the Nairobi Metropolitan Services (NMS) being the implementing agency for the functions has been domiciled in the Presidency with an allocation of Kshs. 27.92billion. The Committee continues to emphasize that the proposed resources for transferred functions need to be subject of mutual consensus among the parties as the same are not in tandem with the Deeds of Transfer. The Committee heard from the County Treasury that there is pending work to be done on the funding of NMS including on how to settle salaries for the County Government including the transferred staff, the handling of ongoing projects and the details of the budget thus far prepared by the NMS.

3. Review of the estimates indicates that the allocation for development has been reduced drastically to below 30% mark as required by the underpinning provisions of the Public Finance Management Act. **Madam Speaker**, evidence on record continue to show that absorption of development budget is still lackluster. As at the end of third quarter of the current financial year the County had spent just about Kshs. 1.25billion out of the total revised budget of Kshs. 8billion. This expenditure nine months into the financial year represented a fall in absorption by about Kshs. 1billion compared to the FY 2018-19.
4. It is imperative to point out **Madam Speaker** that the provisions of Section 107 (2) of the PFM Act requires that over the medium term a minimum of thirty percent of the county governments budget shall be allocated to the development expenditure. The Committee has noted, for the FY 2020-21, the allocation for development expenditure stands at 20% of the total budget. Most fundamentally the Committee was taken aback that over the last few financial years, supplementary budgets have been used to drastically lower the development votes. This departs from the express provisions of Regulation 25 (g) require that Counties do not only allocate funds for development but also utilize the allocated amounts for development.
5. On the specific Sector budget **Madam Speaker**, the Public Health Department being a transferred function has the highest number of devolved staff and is projected as the largest consumer of recurrent budget at Kshs. 6.5billion or 26% of the total recurrent budget followed by the Finance Sector at Kshs. 5.9billion and Governor's Office at Kshs. 5billion or about 20% of the total county recurrent budget. The Water, Energy and Environment Sector which is in charge of managing the City's garbage collection and water infrastructure has been granted Kshs. 1.6billion for recurrent initiatives. The enhanced allocation for Finance Sector is to help undertake debt repayments, as well as manage fiscal reforms. To support legislative mandate of the County Assembly,

Kshs. 1.48billion has been allocated for recurrent while Kshs. 500million has been set aside for development programmes under the legislative arm of government.

6. Another transferred function on Public Works and Infrastructure Sector leads in development allocation at Kshs. 2.89billion constituting just about 45% of the overall development budget. Compared to the allocations contained in the budget for the current financial year, the Public Works budget has been rationalized on the negative by Kshs. 750million. The WDF has been allocated Kshs. 1.3billion being the similar amount as the figure set aside in the current financial year.

B. Financing the 2020-21 Budget

7. **Madam Speaker**, the tabled budget estimates have envisaged that in the FY 2020-21 the total county revenues shall comprise of Kshs. 16.78 billion from the national government's transfers and Kshs. 14.65 billion from internal sources making the total revenue to the County Revenue Fund to equal Kshs. 31.43 billion. The projected internal revenue projections have been reduced by about Kshs. 3billion compared to the figures contained in the budget for the current financial year. Previous data on revenue performance indicate that the County has not been on top gear in realizing its internal revenue targets. As was submitted during the consideration of the CFSP, the Committee continues to emphasize that the initiated mechanisms to improve the collections between the Kenya Revenue Authority and the County Government may need to be interrogated for efficacy.
8. **Madam Speaker** the Committee noted that during the pronouncement of the budget highlights for the National Government, the Cabinet Secretary for the National Treasury communicated that to fund the NMS Kshs. 15.95billion will be plucked out of the County's equitable share while Kshs. 9.78billion will be

out of the internal sources of revenue. With this position the Committee submits that the County may be required to relinquish 100% of its share and just about 90% of its internal revenues based on the budget performance for the FY 2018-19. To fully realize this, the Committee projects that the County may need to have available about Kshs. 43billion to ensure that non-transferred functions are not deprived of resources. The High Court has pronounced itself on the matter and given the parties adequate time to correct any legal loopholes that might have remained unsealed during the operationalization the Deed. The Committee has therefore considered the tabled estimates in full cognizance of these prevailing realities awaiting resolution on the pending issues including consideration and approval of the County Allocation of Revenue Act 2020.

9. Additionally, **Madam Speaker** the submitted budget proposes that no cash balances shall be carried forward to the coming financial year in effect assuming seamless implementation and absorption of the current budget. It is true that the pandemic has limited government operations and hence it is expected to ice most expenditures. Relying on the trend data it is shown that in the FY 2018-19 and FY 2019-20 the actual bank balances carried forward were Kshs. 1.3billion and Kshs. 2.5billion respectively. The Committee has advised the County Treasury to ensure that any bank balances not spent by the end of this financial year are appropriated by this house before being utilized for any intended purposes.

10. **Madam Speaker**, review of the revenue performance in the financial year 2019-20 indicates that the internal revenue figures for the current financial year are still overambitious. It is conclusive to assert that the major technological reforms that have been initiated in various revenue heads are yet to deliver upward surge on revenue growth and expansion of the revenue basket. As at end of March 2020, nine months into the financial year, the total internal revenues stood at Kshs. 7.16 billion against the revised revenue

target for the FY 2019-20 at Kshs. 17.2 billion, representing an overall performance of 42%. This was a drop from FY 2018-19 of Kshs. 8.2 billion at the same period. To achieve this target therefore the County should collect about Kshs.10 billion in the fourth quarter of the current financial year.

C. Review of Compliance of The Budget Estimates for The FY 2020-21 to the Prevailing Legislation

- 11. Madam Speaker,** the budget process and the role of this County Assembly in that regard is guided by Chapter 12 of the Constitution, the PFM Act 2012, the PFM (County Government) Regulations 2015 and the County Assembly Standing Orders. The Finance, Budget and Appropriations Committee is charged with the responsibility of ensuring that budget documents submitted and approved by the County Assembly meet the set legal and statutory requirements. This section of the report would hence endeavor to address issues related to fidelity to the law.
- 12. Madam Speaker,** the provisions of Section 129 (2) (a) of the PFM Act, 2012 requires that the budget estimates be submitted to the Assembly together with any supporting documents and all bills that are necessary to implement the budget. In this regard the County Treasury submitted the itemized and the program-based budgets which link the resources being requested for various activities to the outputs that the public would derive from such monumental expenditures. The Committee notes that as opposed to the previous financial year, the County Treasury did not submit the monitoring and evaluation report thereby making it a herculean task to determine the status of implementation of various programmes approved in the current financial year. On the requirement of the provisions of Section 129 (2) (b) of the Act which decrees that the County Executive Committee Member for finance shall ensure that the estimates submitted in subsection (a) are in accordance with the resolutions adopted by the County Assembly on the County Fiscal Strategy Paper the Committee observed that there was considerable attempt to align the two

documents with each other. The Committee observed that by and large the estimates submitted had complied with the resolutions on the County Fiscal Strategy Paper and any areas of deviation would be pointed out for amendment. Most importantly is that all Sectors had complied with the budget ceilings as approved in the CFSP.

13. Madam Speaker, the provisions of Section 130 (1) of the PFM Act, 2012 further states that the budget summary submitted on the budget estimates shall include the following: -

- a) A summary of budget policies including revenue, expenditure, debt and deficit financing;
- b) A statement of how the budget relates to the fiscal responsibility principles and the financial objectives; and
- c) A memorandum by the County Executive Committee member for Finance explaining how the resolutions adopted by the county Assembly on the budget estimates have been taken into account.

14. Madam Speaker, as has been stated the submitted budget did not contain the budget summary as required by the provisions of the law. The County Treasury therefore left a lot for guesswork with regard to upfront understanding of the fiscal reasoning that informed the budget, the assumptions underpinning the revenue projections for the coming financial year, the expenditure allocation criteria, the public finance management reforms to be pursued, the debt financing mechanisms and the extent of adherence to the fiscal responsibility principles. The Committee hence recommends that the County Treasury shall always ensure that this express provision of Section 130 (1) (a) of the PFM Act, 2012 is complied with and any failure be a basis for inadmissibility of any presented budget.

15. Madam Speaker, the provisions of Section 130 (1) (b) of the PFM Act, 2012 stipulates that the budget estimates shall include: -

- a) List of all county government entities that are to receive funds appropriated from the budget of the county government;
- b) Estimates of revenue projected from the Equalization fund over the medium term;
- c) All revenue allocations from the national government over the medium term including conditional and unconditional grants;
- d) All other estimated revenue by broad classification;
- e) All estimated expenditure, by Vote, and by programme, identifying both recurrent and development expenditure;
- f) Information regarding loans made to the county government, including an estimate of the principal, interest and other charges to be paid by that county government in the financial year in respect of those loans;
- g) Information relating to any payments and liabilities to be made or incurred by the county government for which appropriation is not included in an Appropriation Act, together with the constitutional or national legislative authority for any such payments or liabilities; and
- h) A statement by the County Executive Committee Member for Finance specifying the measures taken by the county government to implement any of the County Assembly recommendations.

16. Madam Speaker, the Committee noted that while most of the above requirements were met, the estimates had no narrative on how the County Treasury had rolled out the resolutions of the County Assembly on the budget estimates for the FY 2019-20.

17. Madam Speaker, the provisions of the PFM Regulations have provided additional benchmarks to consider while preparing and approving budget estimates. These include:

- a) All budget proposals shall be supported by the county government entity strategic plan;
- b) All revenue and expenditure shall be entered into county government budget estimates;
- c) Expenditure entered into the budget estimates shall be authorized for one financial year only;
- d) Budget revenue and expenditure shall be balanced;
- e) Total budget shall cover total expenditure and therefore except as provided by legislation, there shall be no use of specific revenue to finance specific expenditure;
- f) The CECM- Finance shall cause to be conducted public hearings on the estimates and views received from the public included by the Accounting Officers.

18. Madam Speaker, once again during the consideration of these estimates the Committee could not confirm whether the County government entities have strategic plans in support of the expenditures being requested. On a positive note, the Committee can report that the tabled budget estimates have details of revenues and expenditures included in the budget estimates, expenditures are authorized for FY 2020-21 only, the revenue and expenditures are balanced and there are no earmarked expenditures not backed by legislation.

D. Summary of Key Issues Arising from Public Hearings

19. Madam Speaker, the provisions of Article 221 (5) of the Constitution and Section 131 (2) of the PFM Act, 2012 require that before the Assembly considers the estimates the relevant Committee in finalizing its recommendations on the budget estimates to the Assembly shall take into account the views of the public in the proposed recommendations. To satisfy these legal provisions and also to ensure that the public remain a cornerstone of the County budget process, the County Assembly placed an advert on the dailies on Thursday 18th June 2020

calling on the Members of the public to submit their comments on the estimates. In line with the Ministry of Health guidelines on ban of public gatherings the Finance Committee opted against holding a physical meeting to receive comments on the estimates. However, the Committee wishes to report that at the time of tabling this report no submission had been received on the estimates.

E. Submissions from Sectoral Committees

20. Madam Speaker, the provisions of Standing Order 222 (4) require that the estimates be considered by all the Sectoral Committees in line with their respective mandates and report to the Finance, Budget and Appropriations Committee. In this regard the Committee received approved reports of Sectoral Committees on the estimates with insights into the Sectoral budget performance for the FY 2019-20, the planned Sector priorities as well as accompanying budgetary allocations for the FY 2020-21. The following were the recommendations that the Sectoral Committees made to the Budget Committee

Agriculture, Livestock and Fisheries Sector

- a) Following the examination of the 2020-21 Budget Estimates, the Sectoral Committee on Agriculture, Livestock and Fisheries recommends to the Finance, Budget and Appropriations Committee to adopt the Sector's budget estimates as tabled.

Health Services Committee

- a) Following the examination of the 2020-21 Budget Estimates, the Sectoral Committee on Health Services recommends to the Finance, Budget and Appropriations Committee to adopt the Sector Budget Estimates as tabled.

Justice and Legal Affairs Committee

- a) That the Sector reprioritizes within its budget to provide funds for the Internal Audit and Risk Management and sub county administration department;
- b) That the Finance, Budget and Appropriations Committee approves the Sector's expenditure proposal in the Budget Estimates for the FY 2020/21 for the General administration, supply chain management and security and safety management Sector;
- c) The inspectorate department should clarify the budget allocation for the recruitment of constables.

Sectoral Committee on Trade, Tourism and Cooperatives

- a) That the budget estimates Sector for the Sector of Commerce, Tourism and Cooperatives be approved as tabled;
- b) That the following policy measures be initiated under the Sector in the FY 2020/21;
 - The Sector to develop a policy on County Loans Scheme to support the SMEs before the end of the financial year 2019/20;
 - The County to develop a policy where procurement of development projects to be done within the first quarter of the financial year;
 - The Sector should establish measures to reduce the rollover of projects every financial year.

Education, Youth Affairs, Sports, Culture & Social Services Sector

- a) That the Select Committee on County Finance, Budget and Appropriations to approve additional funds to the tune of the Ksh.642 million for projects to enable the Sector achieves its development objective;
- b) That the Sector should start the procurement process immediately at the beginning of the financial year to avoid last minute cancellation of tenders which hampers commencement of projects;
- c) That the Sector should prioritize the roll over projects that were cancelled at the tender stage the previous financial year; tendering process should commence immediately at the start of the FY 2020/2021 to avoid delay;

- d) That the County Executive should move with speed and publish the Nairobi City County Bursary Fund Regulations of 2018 which provide for the establishment of the Executive Bursary and Scholarship Co-ordination Committee and the Ward Bursary Committees.

Culture and Community Services

- a) **That for Security, Compliance, Fire and Disaster Management Sector** to fully implement its mandate, the sector recommends increase of development expenditure by Ksh. 290 million, recurrent expenditure by Ksh. 120 million and compensation of employees amounting by Ksh. 500 million.
- b) **That for Education, Youth Affairs, Children, Sports, Culture and Social Service Sector** to fully implement its mandate, the sector recommends the following additional funding in its budget:
- Ksh. 60 Million to complete an ongoing phase 2 rehabilitation of City Stadium;
 - Ksh.3 Million to complete the ongoing construction of Dandora II social hall;
 - Ksh. 5.5Million to the awarded construction of Dandora I Social Hall;
 - Ksh. 5.5Million to construct an awarded construction of Kabiro Social Halls;
 - Ksh. 6Million in the construction of Umoja social halls;
 - Ksh. 9 Million in the ongoing completion of construction of Joseph Kangethe centre;
 - Ksh. 40 Million for equipping the newly constructed and rehabilitated social halls;
 - Ksh. 15 Million for the completion of a perimeter fence;
 - Ksh. 23Million for the awarded rehabilitation of 10 No. social halls;
 - Ksh. 33 Million phase 1 on the construction of a stadium in Woodley ward;
 - Ksh. 9 Million for the completion of a perimeter wall at Mji wa Huruma;
 - Ksh. 10 Million for the construction of a perimeter wall at Waithaka;

— Ksh. 45 Million for the phase 2 on the construction of the ongoing 4 No. of stadia in Buini and Ziwani.

c) **Liquor Licensing Department** recommends as follows in order to fully implement its mandate;

- 1) Ksh. 17,000,000 for construction of eight sub county containerized liquor offices;
- 2) Ksh. 30, 000,000 for construction of a rehabilitation centre; and
- 3) Ksh 3,000,000for electrical installation of the new sub-county offices.

Environment and Natural Resources

a) The Sectoral Committee on Environment and Natural Resources after examination of the budget estimates recommends to the Finance, Budget and Appropriations Committee that the Sector budget estimates be considered and approved as tabled.

Water and Sanitation

- a) That the recurrent expenditure programs be approved as contained in the tabled budget estimates 2020/2021;
- b) The development expenditure be approved as contained in the tabled budget estimates 2020/2021;
- c) That the Rolled over projects from the Financial Year 2019/2020 should be given first priority during the implementation of the capital projects for the 2020/2021 Budget Estimates.

Labour and Social Welfare

- a) **That Youth, Gender and Social Services** sectors be granted additional of Kshs. 244,500,000 for Development Expenditure and Ksh. 241,189,169 for Recurrent Expenditure;
- b) **That County Public Service Board** be granted an allocation of Ksh. 15.4million for development expenditure and recurrent expenditure Ksh. 65,214,609;

- c) **That Public Service Management** sector needs a total allocation of Ksh. 2,835,940,000 being Kshs. 717,000,000 for development expenditure and Kshs. 2,118,940,000 for recurrent expenditure.

Transport and Public Works Sector

- a) In the 2020-21 Budget Estimates, Public Works, Transport and Infrastructure has an allocation of Kshs. 4,037million consisting of Kshs. 1,147million for recurrent expenditure and Ksh2,890 million for development expenditure.
- b) After examining the budget estimates, the Sectoral Committee on Transport and Public Works makes the following recommendations to the Select Committee on County Finance, Budget and Appropriations:
- a) That, the estimates be approved as tabled;
- b) That, the County Executive Committee Member responsible for Public Works, Roads and Transport to continuously engage with the County Treasury with a view to enhancing timely release of finances in order to ensure that Sector plans are implemented without challenges and enhance the actual absorption of allocated funds;
- c) The Committee recommends that the Sector expedites the formulation of the quality of works guidelines which contractors will adhere to.

ICT, E- Government and Public Communication Sector

- a) That recurrent expenditure ceiling of the Information, Communication and E-Government Sector be maintained at Kshs 208 million and that of the development be increased from **Kshs 270 million to Kshs 304 million.**

Ward Development Fund

- a) The Committee recommends that the Select Committee on Budget, Finance and appropriations approves Budget Estimates for the Wards Development Fund as proposed in the report with an increment **of Kshs. 361, 100,075** which is for the roll over projects for FY 2019/2020.

Lands, Planning and Housing

- a) Following the examination of the 2020-21 Budget Estimates, the Sectoral Committee on Lands, Planning and Housing recommends to the Finance, Budget and Appropriations Committee to adopt the Sector's budget estimates as tabled.
- b) The Committee further recommends that the following policy measures be initiated under the Urban Planning, Lands and Urban Renewal and Housing:
- That to enhance absorption of development funds, the sector liaises with the Finance and Urban Planning Sector to designate Chief Offices as the accounting officers in the Sectors;
 - That a procurement officer be permanently seconded to the Sector to facilitate expeditious execution of capital expenditure.

F. General Observations of the Finance, Budget and Appropriations Committee on The Sectors Budget Estimates for the FY 2020-21

21. **Madam Speaker**, the provisions of the Public Finance Management Act 2012 are explicit that the County Governments should be preparing program-based budgets that shift focus from inputs to outputs related to the resources being requested. During these deliberations the Committee noted with concern that despite this being the sixth financial year that the County Government was preparing programme based budgets, the estimates submitted had numerous gaps making them an inappropriate yardstick for monitoring and evaluation at the end of the financial year. Most Sectors had in most cases not met the required threshold in definition of programmes, projection of possible outputs, assigning of targets and related key performance indicators. On the

performance review, the Committee noted that several sectors had not provided a narrative on the extent to which previous resource allocations have been helpful at helping achieve the desired outcomes. It was specifically observed that some of the KPIs provided could not provide an appropriate measurement for utilization of the resources requested. Further the Budget Committee observed that the baseline and targets provided were not measurable against the resources requested. To address this challenge, the Committee has called upon the County Treasury to build the capacity of the Sectors and Sector accountants on aspects of budgets with more emphasis on how to prepare program-based budgets that meet the tenets of the legal requirements. The Committee shall be following up on this to ensure that the budgets that are approved by this house meet the tenets of good budgeting practice.

22. Madam Speaker, the Committee continues to emphasize that there is need to ensure that budgets approved by the County Assembly are effective tools for monitoring and evaluation. During the review of these estimates the Committee noted that there were various areas of increases or reductions in the budget for which no explanations were provided. The Committee has urged the County Treasury to ensure that budgets submitted to the County Assembly have adequate supporting documents as an eye opener for the people mandated to scrutinize the same.

23. Hon. Speaker, while the County proposes to allocate Kshs.6.4billion towards development, the Finance Committee has noticed that only an average 10% of the allocations have been actually utilized in development in previous budgets. Of note is that the development budget for the coming financial year is projected to fall to be about 20% of the overall projected budget for the FY 2020-21. Of more interest is that over the years there has been challenges in utilization of amounts allocated to development. This is contrary to the PFM (County Government) Regulations 2015 which requires that over the medium

term a minimum of thirty percent of the county government's budget shall be spent on the development expenditure. The Committee notes that in the past the County has used supplementary budgets to reduce the development allocations with recurrent expenditures rising due to the ease of access and approval. To solve this problem, the Committee has once again agreed with the County Treasury on the need to find a way to fasten tedious approval process of development related activities and solve the related procurement bottlenecks in the County.

24. Madam Speaker, the Finance Committee notes that the continuous inability of the County to achieve its revenue targets has led to a state of continuous roll over of projects. While approving the CIDP 2018 – 22 and the ADP 2020-21 the Assembly set out new projects and programmes to be implemented during the period. However, despite this well-intentioned proposal, the Committee has noted that there are projects that have remained resident in the budget books. The Committee notes that the document is populated by projects that commenced in the previous financial years and which have continuously been rolled over due to limited resources to ensure full implementation. The only way to mitigate this is to improve revenue collection in the County. To support this process, the County Assembly has approved the Revenue Administration Act and the report of the inquiry into the revenue performance for the County Government which contain well informed proposals on how to improve and ensure optimal revenue collection.

25. Madam Speaker, during these deliberations the County Treasury lamented to the Committee that the County Treasury has had its litany of challenges in having a harmonious working relationship with the NMS. The need for consensus building in matters of mutual benefit to the advancement of spirit of devolution is paramount and cannot be over-emphasized. Whereas the Committee has undertaken to bring everyone to the table and solve any pending issues, the need for the County Treasury to be a good partner to the

County Assembly is of utmost importance. The Committee insists that the County Executive Committee Member for Finance must provide guidance to the budget actors on all matters related to public finance within the County Government.

G. Committee's Recommendations

- 26. Madam Speaker,** the remainder of this report should be construed as an amendment on the submitted budget for the financial year 2019-20 with an aim of ensuring that it is aligned to the County Fiscal Strategy Paper and other County planning documents while taking into account the recommendations of the County Executive Committee Member for Finance and the Sectoral Committees:
- 27. Madam Speaker,** the Committee noted various critical issues during the consideration of the estimates which it would like addressed. In addition to the proposals contained in other parts of this report, the Committee proposes that the Assembly resolves as follows: -
- a) That the budget for the County Government be adjusted to ensure that the budget for the County Assembly is accommodated at Kshs. 1.409billion for recurrent and Kshs. 600.7million for development activities;
 - b) That in line with the Nairobi City County Persons Living with Disabilities Act 2015, the budget for the County Government be adjusted to provide an amount not less than 1% of the total budget for programmes and activities for persons living with disabilities;
 - c) That the County Government budget be adjusted to provide resources for rehabilitation of street children and street families;
 - d) That the County Government holds a consultative meeting with the Kenya Revenue Authority to develop a joint framework for enhancement of revenue collection and the same be captured in the Finance Bill 2020;

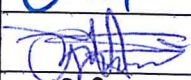

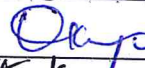

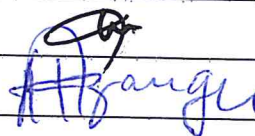

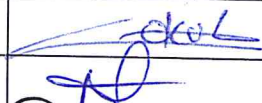
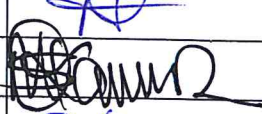
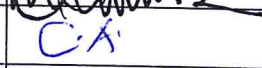


- e) That in line with the provisions of Section 148 of the Public Finance Management Act, 2012 the County Treasury assigns full accounting functions to respective Sector Chief Officers;
- f) That to provide resources for development, the allocations for Operations and Maintenance across all Sectors excluding the County Assembly be reduced by 20%; and
- g) That the above changes be captured in the Appropriations Bill 2020 to be submitted to the County Assembly.

Mr. Speaker Sir, in conclusion and pursuant to the provisions of Section 131 (1) of the Public Finance Management Act 2012 and Standing Order 222 (6) the Select Committee on County Finance, Budget and Appropriations recommends that:

This County Assembly adopts the Report of the Finance, Budget and Appropriations Committee on Consideration of the Budget Estimates for the Nairobi City County Government and County Assembly for the FY 2020-21.

ADOPTION OF THE COMMITTEE REPORT ON THE CONSIDERATION OF THE REVENUE AND EXPENDITURE ESTIMATES FOR THE FINANCIAL YEAR 2020/2021.

The following members appended their signatures to signify their agreement with the report:-

No	NAME	SIGN
1.	Hon. Chege Mwaura, MCA - Chairperson	C.M.
2.	Hon. Michael Ogada, MCA – V/Chairperson	
3.	Hon. Mary Arviza, MCA	
4.	Hon. Fredrick Okeyo, MCA	
5.	Hon. Emapet Kemunto, MCA	
6.	Hon. Millicent Jagero, MCA	
7.	Hon. Samora Mwaura, MCA	
8.	Hon. Herman Azangu, MCA	
9.	Hon. Millicent Mugadi, MCA	
10.	Hon. Susan Makhungu, MCA	
11.	Hon. Margaret Mbote, MCA	
12.	Hon. Robert Mbatia, MCA	
13.	Hon. Elijah Mputhia, MCA	
14.	Hon. Patrick Karani, MCA	
15.	Hon. Paul Ndungu, MCA	
16.	Hon. Paul Shilaho, MCA	
17.	Hon. Catherine Okoth, MCA	
18.	Hon. John Mukiri, MCA	
19.	Hon. Samuel Muchene, MCA	
20.	Hon. Cecilia Ayot, MCA	
21.	Hon. Mellab Atema, MCA	
22.	Hon. Kennedy Oyugi, MCA	
23.	Hon. Emily Ondenje, MCA	

**MINUTES OF THE 36TH SITTING OF THE NAIROBI CITY COUNTY ASSEMBLY FINANCE,
BUDGET & APPROPRIATIONS COMMITTEE HELD ON TUESDAY, 30TH JUNE, 2020 AT 9.30
AM AT BIBLICA HOTEL, NAIROBI**

PRESENT

1. Hon. Chege Mwaura, MCA
2. Hon. Michael Ogada, MCA
3. Hon. Fredrick Okeyo, MCA
4. Hon. Emily Oduor, MCA
5. Hon. Emapet Kemunto, MCA
6. Hon. Millicent Jagero, MCA
7. Hon. Samora Mwaura, MCA
8. Hon. Herman Azangu, MCA
9. Hon. Margaret Mbote, MCA
10. Hon. Paul Ndung'u, MCA
11. Hon. Paul Shilaho, MCA
12. Hon. Catherine Okoth, MCA
13. Hon. John Mukiri, MCA
14. Hon. Samuel Muchene, MCA
15. Hon. Mary Arivitsa, MCA

Chairperson

Vice Chairperson

ABSENT

1. Hon. Robert Mbatia, MCA
2. Hon. Millicent Mugadi, MCA
3. Hon. Susan Makhungu, MCA
4. Hon. Elijah Mputhia, MCA
5. Hon. Patrick Karani, MCA
6. Hon. Cecilia Ayot, MCA
7. Hon. Mellab Atema, MCA
8. Hon. Kennedy Oyugi, MCA

IN-ATTENDANCE – County Executive

1. Mr. Allan Igambi – CEC Finance & Economic Planning
2. Mr. James Ngunjiri – County Budget Office
3. Mr. Tiras Kamau – County Budget Office
4. Mr. Johnson Abwori – Head of County Treasury
5. Mr. Shaban Asman – County Revenue
6. Mr. Geoffrey Sianga - Economist

SECRETARIAT:

1. Mr. Asman Omweri – Clerk Assistant
2. Titus Ndirangu – Clerk Assistant

BUDGET OFFICE

1. Erick Roberts – Fiscal Analyst

MIN135/NCCA/FBAC/JUNE/2020:

PRELIMINARIES

- The Chair of the session called the meeting to order at 9.40 a.m. and opened the meeting with a word of prayer. He then welcomed Members and the secretariat present to the meeting and took them through the agenda as follows: -

AGENDA

1. Preliminaries
2. Meeting with CEC Finance and Economic Planning regarding the Revenue & Expenditure Estimates for the Financial Year 2020/2021.
3. Adoption of the Report on Revenue & Expenditure Estimates for the Financial Estimates for the Financial Year 2020/21
4. Any Other Business
5. Adjournment

- The agenda of the meeting was proposed by Hon. Herman Azangu and seconded by Hon. Millicent Jagero.

MIN139/NCCA/FBAC/JUNE/2020: - CONSIDERATION OF THE REVENUE & EXPENDITURE ESTIMATES FOR THE FINANCIAL YEAR 2020/2021.

The Acting County Assembly Clerk, the County Executive Committee Member in charge of Finance and Economic Planning and his team briefed the Committee on the Revenue & Expenditure Estimates for the Financial Year 2020/2021.

An officer from the County Assembly Budget Office presented an analysis of the Budget Estimates and the following observations were made:

- In line with the approved ceilings in the County Fiscal Strategy Paper, the total County budget is proposed to equal Kshs. 31.434billion out of which Kshs. 25billion is meant for recurrent while Kshs. 6.4billion has been earmarked for development initiatives. With these allocations the development budget represents about 20% of the overall budget for the coming financial year. Comparing these intended allocations to the revised budget for the FY 2019-20 there is proposed downwards revision of the recurrent budget by Kshs. 3billion with the development budget being reduced by Kshs. 2billion.
 - i. *The budget document presented has not presented the Budget Summary which would ordinarily detail the expected theme of the budget and what it entails to achieve.*
 - ii. *The proposed budget contains allocations for the functions that have been transferred to the National Government. This is despite the fact that the budget for the Nairobi Metropolitan Services being the implementing agency for the functions has been domiciled in the Presidency with an allocation of Kshs. 27.92billion*
 - iii. *As was pointed out during the consideration of the CFSP, the proposed resources for transferred functions may not have been subject to mutual consensus among the parties as the same are not in tandem with the Deeds of Transfer. The proposed allocations are lower than the figures appropriated in the annual estimates for the FY 2019-20.*
 - iv. *The overall budget estimates have not provided a breakdown of the overall budget by Economic Classification hence it may not be easy to determine changes in those global budget components at a glance.*
 - v. *The allocation for development has been reduced drastically to below 30% mark as required by the underpinning provisions of the Public Finance Management Act. Evidence on record continue to show that absorption of development budget is still lackluster. As at the end of third quarter of the current financial year the County had spent just about Kshs. 1.25billion out of the total revised budget of Kshs. 8billion. This expenditure nine months into the financial year represented a fall in absorption by about Kshs. 1billion compared to the FY 2018-19.*
 - vi. *Section 107 (2) of the PFM Act requires that over the medium term a minimum of thirty percent of the county governments budget shall be allocated to the development expenditure. As has been noted, for the FY 2020-21, the allocation for development expenditure stands at 20% of the total budget. It is important to note that over the last few financial years, supplementary budgets have been used to drastically lower the development votes. This departs from the express provisions of*

Regulation 25 (g) require that Counties do not only allocate funds for development but also utilize the allocated amounts for development.

- The Public Health Department being a transferred function has the highest number of devolved staff is the largest consumer of recurrent budget at Kshs. 6.5billion or 26% of the total recurrent budget followed by the Finance Sector at Kshs. 5.9billion and Governor's Office at Kshs. 5billion or about 20% of the total county recurrent budget. The Water, Energy and Environment Sector which is in charge of managing the City's garbage collection and water infrastructure has been granted Kshs. 1.6billion for recurrent initiatives. The enhanced allocation for Finance Sector is to help undertake debt repayments, as well as manage fiscal reforms. To support legislative mandate of the County Assembly, Kshs. 1.48billion has been allocated for recurrent while Kshs. 500million has been set aside for development programmes under the legislative arm of government.
- Another transferred function on Public Works and Infrastructure Sector leads in development allocation at Kshs. 2.89billion constituting just about 45% of the overall development budget. Compared to the allocations contained in the budget for the current financial year, the Public Works budget has been rationalized on the negative by Kshs. 750million. The WDF has been allocated Kshs. 1.3billion being the similar amount as the figure set aside in the current financial year.
- Comparison of the overall budget figures with the ceilings approved in the County Fiscal Strategy Paper 2020 indicates that the overall budget is per the ceilings approved in the CFSP.
- In the FY 2019-20, the County Assembly had a total budget of Kshs. 2.94 billion out of which Kshs. 1.409 billion was for recurrent expenditure and Kshs. 1.53billion for development expenditures. The development budget for the County Assembly was rationalized in the Second Supplementary Estimates to Kshs. 44.7million. For the financial year 2019-20 the County Assembly budget estimates for recurrent expenditures is proposed at Kshs. 1.48billion and development expenditures at Kshs. 500 million bringing a total budget of Kshs. 1.98billion according to the tabled estimates for the County Government. However, according to the individual budget estimate by the County Assembly Service Board the overall budget for the Board stands at Kshs. 2billion consisting of Kshs. 1.409billion for recurrent and Kshs. 600million for development. This
 - i. *Whereas the allocations in the main budget document are in tandem with the ceilings approved in the County Fiscal Strategy Paper for the FY 2020-21, the individual budget for the County Assembly Service Board creates a budget deficit of Kshs. 30.7million.*
 - ii. *The draft County Allocation of Revenue Bill 2020 has set the recurrent ceilings for the County Assembly at the figure approved in CARA 2019 at Kshs. 1.409billion.*
 - iii. *Review of the economic budget classification indicates that the Assembly projects to spend Kshs. 867million on compensation to employees, Kshs. 511million on Use of Goods and Services with additional Kshs. 32million being earmarked for Acquisition of recurrent assets. The expenditures project an increase of the allocations for Compensation to Employees by about Kshs. 100 million with allocation for Operations and maintenance falling by almost similar amount.*

- iv. *The narrative in the budget indicates differing positions on whether there was allocation for development in the last approved supplementary budget for the FY 2019-20.*
- v. *During the consideration of the supplementary budget for the current financial year, it was indicated that the mega project for construction/purchase of office block had been differed to the following financial year, a position that has now been cemented in these estimates to a 'later period'.*
- The County Assembly is an independent arm of the County Government mandated to perform the legislative functions within the County including approval of County laws, policies, budgets and expenditures; integrated development plans, tariffs, rates and service charges. Some of the salient issues with regard to the County Assembly program-based budget are: -
 - i. *Programme objectives refer to specific results that should be achieved. The County Assembly has provided select achievements that were realized with the resources allocated in the budget for the current financial year but there remains a weak link between that baseline and the projected outputs for the coming financial year. It is noteworthy that whereas the recurrent ceilings have remained constant over the two financial years, the targets have in most cases been enhanced in the FY 2020-21. The number of Bills to be considered has been increased to 15 in the coming financial year.*
 - ii. *The achievements provided by the County Assembly indicates five Bills considered with three more being under consideration. However, information is lacking on the reporting period for these achievements and whether the list is actually exhaustive on the number of laws that have been considered during that period. For example, the achievement includes passage of Outdoor Bill which was done in 2018 and excludes other laws like Finance Bill which was approved in current financial year. Further, despite the deliverables for the County Assembly being legislation, oversight and representation, the achievements reported have only been limited to the legislative function.*
 - iii. *PBB is meant to provide a link between the resources requested and the outputs that are to be realized by ensuring that there are clear and measurable targets accompanied with key performance indicators. Review of the PBB for the Assembly indicates that there were some areas that need to improve to make the budget an epitome of good budgeting. For example, despite having no allocation in the FY 2020-21, the PBB indicates a target of building official residence for the Hon. Speaker.*
 - iv. *The 'targets' contained in the Oversight sub-program may not provide an appropriate yardstick for utilization of the resources requested as the ones indicated therein are KPIs and not targets. Even as KPIs it is not clear how reduction in corruption case and other malpractices among others can be valued and measures assigned. There are also scenarios where the KPI and the targets are the same which is not the intention of PBB.*
- In the FY 2019-20, the Finance and Economic Planning Sector had a total annual budget of Kshs. 5.5 billion out of which Kshs. 4.66 billion was for recurrent expenditure and Kshs. 862 million for development expenditures. This figure was enhanced to Kshs. 6.7billion with recurrent increasing to Kshs. 5.6billion and development to Kshs. 1.063billion. For the financial year 2020-21 the Sector budget estimates indicate a

downward review to Kshs. 4.95billion which has been entirely allocated to recurrent activities.

- i. According to the approved CFSP the Finance Sector had purposed to spend Kshs. 1.95billion, a figure that has been amended in the tabled estimates to Kshs. 4.95billion. It is noteworthy that in the approved CFSP Kshs. 3billion had been allocated for pending bills. The nature and extent of pending bills to be settled with these resources are not discernible from the tabled estimates. It is also not clear whether there is intention to settle development related pending bills in the coming financial year.*
 - ii. In the submitted first supplementary estimates for the FY 2019-20 the Finance Sector had earmarked reasonable quantum of resources for settlement of pending bills, the way that was demarcated and utilized has not been publicized. Further, information and consensus building on the handling of pending bills attached to transferred functions as the expected use of the Kshs. 3billion in the coming financial year has not been provided.*
- The Finance and Economic Planning Sector is charged with the responsibility of ensuring prudent, financial managements of financial resources, formulating fiscal economic and fiscal policies to facilitate socio-economic development, resource mobilization and control of public finance resource. The following are some salient issues regarding the sector's program-based budget;
- iii. The Sector program-based budget has not listed the Sector performance information up to the time of submitting the budget estimates making it difficult to account for previous resources allocated and the link with the new requests.*
 - iv. The PBB does not contain revenue targets for the coming financial year or the medium-term period.*
 - v. The entire budget does not contain resource requirements aligned to the proposed sector targets making it difficult to determine the likelihood of their realization.*
- The tabled budget estimates have envisaged that in the FY 2020-21 the total county revenues shall comprise of Kshs. 16.78 billion from the national government's transfers and Kshs. 14.65 billion from internal sources making the total revenue to the County Revenue Fund to equal Kshs. 31.43 billion.
- i. The projected internal revenue projections have been reduced by about Kshs. 3billion compared to the figures contained in the budget for the current financial year. Previous data on revenue performance indicate that the County has not been on top gear in realizing its internal revenue targets. As was submitted during the consideration of the CFSP, the initiated mechanisms to improve the collections between the Kenya Revenue Authority and the County Government may need to be interrogated for efficacy.*
 - ii. During the pronouncement of the budget highlights for the National Government, the Cabinet Secretary for the National Treasury communicated that to fund the NMS Kshs. 15.95billion will be plucked out of the County's equitable share while Kshs. 9.78billion will be out of the internal sources of revenue. With this position the County may be required to relinquish 100% of its share and just about 90% of its internal revenues based on the budget performance for the FY 2018-19. To fully*

realize this the County may need to have available about Kshs. 43billion to ensure that non-transferred functions are not deprived of resources.

iii. The budget proposes that no cash balances shall be carried forward to the coming financial year in effect assuming seamless implementation and absorption of the current budget. The pandemic has limited government operations and hence it is expected to ice most expenditures. In the FY 2018-19 and FY 2019-20 the actual bank balances carried forward were Kshs. 1.3billion and Kshs. 2.5billion respectively.

- With the aforementioned resource outlay, the following issues remain:
 - i. *Review of the revenue performance in the financial year 2019-20 indicates that the internal revenue figures for the current financial year are still overambitious. It is conclusive to assert that the major technological reforms that have been initiated in various revenue heads are yet to deliver upward surge on revenue growth and expansion of the revenue basket.*
 - ii. *As at end of March 2020, nine months into the financial year, the total internal revenues stood at Kshs. 7.16 billion against the revised revenue target for the FY 2019-20 at Kshs. 17.2 billion, representing an overall performance of 42%. This was a drop from FY 2018-19 of Kshs. 8.2 billion at the same period. To achieve this target therefore the County should collect about Kshs.10 billion in the fourth quarter of the current financial year.*
- The process of ensuring that revenues collected by Counties are coded and defined in GFS, SCOA for ease of tracking and clarity of reporting may need to be hastened.
- The presentation of the budget estimates for the FY 2020 -21 marks the culmination of the budget cycle that commenced with the consideration and approval of the Annual Development Plan for the year 2020-21. Budgets implement government annual agendas by giving life and fiscal health to approved plans and policies. The Committee is called upon to consider the tabled estimates with an aim of the County Assembly approving them with or without amendments. In such consideration the Committee is required to be faithful in verifying that the budget has been aligned to approved plans and policies, it has lived within the tenets of the underpinning law, the resources being requested have been accounted for in the PBB and it has observed the principles of equality and equity. Before making any recommendations on annual financial estimates the Committee is required to take into account the views of the Sectoral Committees, the public and the County Executive Committee Member for Finance.

MIN140/NCCA/FBAC/JUNE/2020:- Adoption of the Report on Revenue & Expenditure Estimates for the Financial Year 2020/21

The Committee adopted the report unanimously as proposed by Hon. Fredrick Okeyo and Seconded by Hon. Mary Arivitsa with the following recommendations;

The vote on account was adopted las proposed by Hon. Catherine Okoth and seconded by Hon. Samora Mwaura.

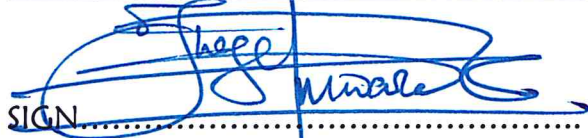
MIN141/NCCA/FBAC/JUNE/2020:- ANY OTHER BUSINESS

There was no any other business for the committee to transact.


MIN142/NCCA/FBAC/MARCH/2020:- ADJOURNMENT

There being no other business, the chair adjourned the committee sitting at 1.15 p.m.

CONFIRMED AS TRUE RECORD OF PROCEEDINGS

SIGN.....

HON. CHEGE MWAURA (CHAIRMAN)

DATE..... 20th JUNE 2020

SIGN.....

OMWERI ASMAN JOHN (COMMITTEE CLERK)

DATE..... 20-6-2020