

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

SECOND ASSEMBLY – FOURTH SESSION

NBI CA. PLC. 2020 / (013)

11th March, 2020

PAPER LAID

Pursuant to Standing Order 191 (6), I beg to lay the following Paper on the Table of the Assembly, today, Wednesday, 11th March, 2020.

THE REPORT OF THE SELECT COMMITTEE ON COUNTY FINANCE, BUDGET AND APPROPRIATIONS ON THE INQUIRY ON THE NAIROBI CITY COUNTY REVENUE COLLECTION PRACTICES, PROCEDURES AND ACCOUNTABILITY FRAMEWORKS

(Select Committee on County Finance, Budget and Appropriations)

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

Approved
[Signature]
11/3/2020

Paper Laid on the
Table of the Assembly
on 11th March, 2020
[Signature]
11/3/20

COUNTY GOVERNMENT OF NAIROBI CITY



NAIROBI CITY COUNTY ASSEMBLY

SECOND ASSEMBLY – FOURTH SESSION

22ND REPORT OF THE SELECT COMMITTEE ON FINANCE, BUDGET, AND
APPROPRIATIONS


ON

THE INQUIRY ON THE NAIROBI CITY COUNTY REVENUE COLLECTION
PRACTICES, PROCEDURES, AND ACCOUNTABILITY FRAMEWORKS

(PHASE 1)

Approved
Blamini
11/3/2020

MARCH 2020

Papers laid on the table of
the Assembly by Hon. Robert
Nbakia on 11th March, 2020

11/3/2020

1.0. PREAMBLE

Hon. Speaker, in the third Session of the Second Assembly the Select Committee on Finance, Budget and Appropriations conducted an inquiry into the revenue collection practices, procedures, and accountability framework for Nairobi City County aimed at identifying the areas that are prone to revenue leakages, the reasons for such leakage as well propose any remedial measures on how to seal such loopholes.

Before delving into the matter at hand it is important to remind this Chamber that the Nairobi City County Assembly Finance, Budget & Appropriations Committee is established pursuant to 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 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 a direct budget outlay

Hon. Speaker, the County Assembly Finance, Budget & Appropriations Committee comprises of the following 20 Members:

- | | |
|------------------------------------|--------------------|
| 1. Hon. Robert Mbatia, MCA | Chair |
| 2. Hon. Patrick Karani, MCA | Vice- Chair |
| 3. Hon. Michael Ogada, MCA | |
| 4. Hon. David Okello, MCA | |
| 5. Hon. Anita Thumbi, MCA | |
| 6. Hon. Anthony Ngaruiya, MCA | |
| 7. Hon. Cecilia Ayot, MCA | |
| 8. Hon. Samora Mwaura, MCA | |
| 9. Hon. Paul Ndungu, MCA | |
| 10. Hon. Elijah Mputhia, MCA | |
| 11. Hon. Susan Makungu, MCA | |
| 12. Hon. Catherine Okoth, MCA | |
| 13. Hon. Emily Oduor, MCA | |
| 14. Hon. Paul Shilaho, MCA | |
| 15. Hon. Nancy Muthami, MCA | |
| 16. Hon. Millicent Mugadi, MCA | |

17. Hon. Milicent Jagero, MCA
18. Hon. Herman Azangu, MCA
19. Hon. Emapet Kemunto, MCA
20. Hon. Mellab Atemah, MCA

Acknowledgement

Hon. Speaker, the Committee appreciates the following stakeholders for their contribution towards the success of the inquiry process: -

- a) The Office of the Speaker for having accorded Members of the Committee and the County Assembly, in general, the time and the resources to consider and report on the undertaken inquiry;
- b) The County Executive through the Office of the County Executive Committee Member for Finance and the County Secretary for having released the respective County Chief Officers and various heads of revenue streams to attend meetings of the Committee during the dates of the inquiry;
- c) The Office of the Clerk for all the resources and guidance provided throughout the process. The Committee notes that the roles of the County Assembly Fiscal Analysts during this process was invaluable;
- d) The Public for having honoured the call of the County Assembly to take part in the public hearings undertaken between 11th March and 1st April 2019;
- e) USAID/ AHADI, through Dr. Njeru Kirira, for their technical support in the revenue inquiry process.

Hon. Speaker, it is, therefore, my utmost privilege and distinct honour on behalf of the Committee to table this report and recommend it to the Assembly for adoption.

Signed.....

Date.....11/03/2020

Hon. Robert Mbatia, MCA

Chairman: Finance, Budget and Appropriations Committee

2.0. THE INQUIRY ON THE NAIROBI CITY COUNTY REVENUE COLLECTION PRACTICES, PROCEDURES, AND ACCOUNTABILITY FRAMEWORKS (PHASE 1)

2.1. BACKGROUND INFORMATION

2.1.1. Basis for the Inquiry

1. **Hon. Speaker**, during the consideration of the Annual Development Plan for the FY 2019-20 the Finance, Budget, and Appropriations Committee was reminded of the myriad of challenges that have continued to hamper the implementation of the County budgets and hence the differed realization of the aspirations of devolution. During this undertaking, the Committee learned that whereas there has been considerable zeal to implement the approved budgets and transform the County for the better, the unending song of revenue under performance continued to limit that desire. Arising from this background, the Finance Committee undertook to roll out strategies to ensure that inherent challenges are identified and solutions proposed for action. The Committee undertook to address the challenges using two-prong strategies: -
 - a) Enactment of a comprehensive law on revenue administration to seal the legal gaps on revenue collection, management and accountability; and
 - b) Inquiry on the revenue matters to identify the contemporary issues that have continued to hamper the optimal internal revenue out-turn.
2. **Madam Speaker**, the inquiry was undertaken to unearth the administrative and structural challenges that affect County revenue generation.

In the course of the inquiry, the Committee used the following methodology: -

- a) Drafting of letters to the Heads of the respective revenue streams for information on the performance of the revenue sources;
 - b) Public hearings where the Committee received submissions from the Members of the public, various stakeholders and officers from the County Executive;
 - c) Site Visits through which the Committee purposed to verify the information provided in written and oral submissions.
3. **Madam Speaker**, the Committee wrote to the various revenue heads on 5th February 2019 for responses on various matters relevant to the performance of the revenue streams. In summary the Committee wanted to be provided with information on total revenue collected in the various revenue streams, the acquisition process for the various licenses, details of revenue collectors assigned to the various streams, the targets assigned to the revenue collectors, measures put in place to ensure targets

are realized, challenges that hamper revenue collection, the extent to which the departments have implemented the Finance Act 2018 and the methods of payment within and outside the Central Business District. The Committee believed that the desktop information would act as an eye-opener on the performance of the revenue streams. The Committee thanks all Sectors for having provided the information as requested.

4. **Madam Speaker**, as preparation for the public inquiry on the revenue performance for the Nairobi City County, the County Assembly placed an advert on the dailies on Monday 25th February 2019. In the advert, the County Assembly informed Members of the public of the intention of the Finance, Budget and Appropriations Committee to undertake an inquiry on the revenue performance for Nairobi City County since the financial year 2013-14. The public was advised that the aim of the inquiry was to identify areas of leakages, clearly, map out the revenue sources as well as, if possible, determine a fair estimate of the County's internal revenue potential. The public was hence invited to submit memoranda on any matter related to the revenue streams and also attend the meetings with various stakeholders to discuss any arising matters. The Committee appreciates the Members of the public for having honoured the invite and provided valuable information to the County Assembly.

2.1.2. History of the County Revenue Performance

5. **Hon. Speaker**, the need for County Governments to have reliable sources of revenue to enable them to govern and deliver services effectively is among key principles of devolution arrangements, as stated in Article 175 (b). The Constitution identifies funding sources for counties to include:
- a) Equitable share of at least 15 percent of most-recently audited revenue raised nationally (Art.202 and 203(2))
 - b) Additional conditional and unconditional grants from the National Government's share of revenue(Art.202(2));
 - c) Equalization Fund based on half of one percent of the revenue raised nationally (Art.204);
 - d) Local revenues in the form of taxes, charges and fees; and,
 - e) Loans and grants.
6. **Madam Speaker**, Chapter twelve of the Constitution of Kenya lays down the principles of public finance. In particular, Article 201 highlights the specific requirements which include openness, accountability, promotion of an equitable society in sharing of the burden of taxation, burdens, and benefits of the use of resources and the use of public money in a prudent and responsible way among

others. One of the key roles of the County Assembly is to ensure that there is prudence in the management of public finances by the County Government. In this undertaking, the County Assembly is expected to pass and follow up on the implementation of the County budget, the finance bills among other related documents.

7. **Madam Speaker**, since coming into force of the Nairobi City County Government in March 2013, the County has not been able to realize its optimum revenue potential and budget targets, mainly due to the under- performance of County internal revenues. For instance, in FY 2017-18, the County realized Kshs. 26.328billion against an original revenue target of Kshs. 33.457billion creating a budget under performance of Kshs. 7.129billion. The total internal revenues collection for the FY stood at Kshs.10.109 billion against a target of Kshs. 17.229billion. In FY 2018-19 the County Assembly approved a Budget for the Nairobi City County Government totaling Kshs. 32.31 billion out of which Kshs. 15.50 billion was to be funded from County own internal sources of revenue. However, the County generated a total of Kshs.10.25 billion from own revenue sources in FY 2018/19. The County's approved budget for FY 2019/20 was Kshs.36.98 billion, with expected Kshs. 17.05 billion generation from own source revenue. In addition, the County Assembly subsequently passed the Nairobi City County Finance Act, 2019 which was assented to by the Governor. The Act provides fresh measures aimed at broadening the revenue basket and revitalizing the existing revenue collection methods and measures.
8. **Madam Speaker**, the quarterly budget performance report thus far presented to the County Assembly indicates that as at 30th December 2018 the actual internal revenue performance stood at Kshs.3.7 billion against a half year target of about Kshs. 7 billion and Kshs. 10.24 billion out of an annual target of Kshs. 15.49 billion as at the end of the FY 2018-19. The Committee hence noted that the County had not hit the revenue targets contained in the budget estimates for the FY 2018-19. To help forestall this problem, the Committee observed that it was therefore imperative to understand the underlying reasons for the targets vs actual mismatches with an aim of ensuring that lasting solutions are found.

2.2. SUMMARY OF SUBMISSIONS ON THE REVENUE STREAMS

9. **Hon. Speaker**, arising from the written submissions received from the County Executive on the various revenue streams, the oral discussions held with the Members of the public, stakeholders in the County revenues and site visits conducted by the Committee, the Committee wishes to highlight the key information gathered on the each of the revenue streams under investigation.

2.2.1. Fire Inspection Certificates

10. In summary, these were the submissions on the revenue stream: -

- a) That fire inspection certificates are issued to occupied premises that had been inspected for fire safety;
- b) That the charges for fire certificates are dependent on the nature of the business as indicated in the Finance Act;
- c) That the charges ranged from Kshs. 1,000 to Kshs. 25,000;
- d) The Committee noted that the stated charges were not as per the approved revenue laws.
- e) That the process of acquiring the certificates involved clients being issued with an invoice depending on the nature of business and upon paying they were receipted. That after receipting the Clients business was inspected for compliance and issued with a Certificate within two days;
- f) That everyone was issued with a certificate in some cases indicating what is wrong with the premises;
- g) That cleared and non-cleared businesses pay similar amounts;
- h) That four officers inspected business premises before the respective certificates were issued;
- i) That certificates were issued on an annual basis and lapsed on the 31st December of every year;
- j) That clients paid the full amount regardless of when the payments were done;
- k) That the department had 46 fire prevention officers;
- l) That the costs associated with the inspection such as transport are borne by the client;
- m) That in cases when the department declined to approve the clients' requests, a formal letter was written to business owners and they were advised to rectify the reason for decline within fourteen (14) days;
- n) That the various charges that the department levied include fire call charges, fire prevention Certificates, fire inspection certificates, and training fees;
- o) That the departmental target for the FY 2017/18 was Kshs. 320million and the department collected amount Kshs. 436million;
- p) That the target for the FY 2018/19 their target was Kshs. 340million;
- q) That the department was not sure of the performance of FY2018/19 but would avail the information to the Committee in due course.

- r) That the department had no role in determining the target as the same was assigned by the County Treasury;
- s) That the County had 52 working fire engines.
- t) That the department had a total of 120 officers.
- u) That the department initially had two (2) fire stations and the current government added three (3) more which are 90% completed in Kangundo, Waithaka and Gigiri Station
- v) That if a potential client failed to pay the fire charges then experienced a fire outbreak, the County would still provide services to the person;
- w) Members of the public proposed the owners of the buildings should pay for the fire charges instead of the business traders.
- x) That the disaster management sector was a service-based sector and therefore does not have revenue collectors assigned to directly collect fees and charges;
- y) That the sector applied the charges as implemented the Nairobi County Revenue Act 2015;
- z) That payment would be made before inspection was conducted;
- aa) That the annual target for FY 2017/18 was Kshs. 431.5 million
- bb) That for the Financial year 2018/19, the report as at the end of the second quarter of December 2018 indicated that the sector had raised Kshs. 53.5 million
- cc) The department implemented the City-County mode of payment whereby the whole procedure of inspection was tied to the payment of the required fees and charges
- dd) That the procedure for payment was as follows; one would be required to get an invoice at the fire station, the client would then deposit the required amount of money at the bank as per county policy, and finally head to city hall for an official receipt which in turn would be presented at the fire station;
- ee) That after the above procedure and presentation of the receipt, an officer would go for an inspection of the premises or property
- ff) That the status of implementation of measures contained in the Finance Act 2018 and Nairobi City County Revenue Act 2015, had been adhered to
- gg) That the amount collected from fire inspection in 2015 was Kshs. 158.4 million, against a target of Kshs. 143.2 million
- hh) That in 2016, the target set was Kshs. 149.5 million, and the department was able to collect Kshs. 199.7 million
- ii) That the amount collected in 2017 was Kshs. 427.6 million, against a target of Kshs. 157.5 million
- jj) That for the 2018 financial year fire inspection department collected Kshs.429.7 million, against a set target of Kshs. 159.99 million

11. **Madam Speaker**, from the submissions on the fire inspection certificates the Committee learned that the department was levying a number of fees and charges that are not in consonance with the approved revenue laws. This the Committee pointed out that it beats logic for the County Assembly to approve revenue laws which are not implemented by the County Executive. Further during these deliberations, the Sector submitted that the maximum fees being charged by the department was Kshs. 25,000 despite the County Assembly having enhanced the fees for some streams like petrol stations to Kshs. 100,000. Overall, the Committee was taken aback that the Sectors inspection or otherwise of buildings did not guarantee a fire-free system as certificates were still issued both to compliant and non-compliant buildings.
12. **Madam Speaker**, the Committee does not need to over-emphasize that the rationale for devolution was to provide a framework for decentralization of resources and services closer to the people. It is therefore the expectation of the law that the County shall not engage in business with citizens by charging them in the course of delivery of services against which the County exists in the first place. In this regard, the Committee shall be proposing legal review to scrap some of the charges being levied by the department.
13. **Madam Speaker**, the intention of program- based budgeting is to ensure that departments are able to undertake individual evaluation and assign themselves realistic targets that they can be able to achieve within the resource limits provided. It is the considered opinion of the Finance Committee that it is not in the place of the County Treasury to arbitrarily assign revenue targets to departments without their input on the ranging sector dynamics.

2.2.2. Parking Fees

14. In summary, these were the submissions on the revenue stream: -
- a) That the total number of parking slots identified in Nairobi was 12,000;
 - b) That Loading Zones had been designated 1,601 parking slots with 1,135 as private and 466 as government reserved;
 - c) That seasonal tickets had been allocated 1,024 slots;
 - d) That other categories such as MCA's, county staff, matatu encroachment, and diplomats had been allocated a total of 3,250 slots;
 - e) That the total number of slots available daily are therefore 6,125;
 - f) That each slot had an average turnover of 1.5 times;
 - g) That the fair estimate revenue in one month would be at Kshs. 55.125 million and Kshs. 661.5 million in one year;
 - h) That the department had 396 parking attendants and 56 Inspectorate Officers;

- i) That the target for the Parking Department for the FY2018-19 had been set at Kshs. 2.6 billion; and the proposed target for the FY 2019-20 had been set at Kshs. 2.75 billion;
- j) That the department had collected 1.88 billion as of 30th March 2019. The Committee noted that the stated revenue collection figure was not as per the tabled documents;
- k) That whereas Nairobi County had the potential to collect higher revenue from parking fees, corruption and lack of innovativeness had led to dismissible collections
- l) That petty cartels had taken over parking spaces and were in collusions with senior County Officers diverting most of the realizable fees and;
- m) That a significant number of parking spaces had been taken over by rouge Matatu operators. A member of the public noted that improving County parking revenues had to go hand in hand with regulating the Matatu sector.

ON-STREET PARKING

- n) That the set target for the financial year 2015/16 was at Kshs. 5 billion, but the department collected an actual of Kshs. 2.017 billion;
- o) That the set target for the financial year 2016/17 was at Kshs. 4.32 billion. The actual collected was Kshs. 2.034 billion;
- p) That the set target for the financial year 2017/18 was Kshs. 2.67 billion, but the department was able to collect Kshs. 1.88 billion;
- q) That the fair estimate for 6,125 parking slots would be Kshs. 1,837,500 per day, but the department would collect an actual of Kshs. 1,400,000 showing a variance of Kshs. 437,500 per day;
- r) That the areas of leakages would be; lack of a backup system in cases where the system is down or inaccessible, compromised enforcement from Inspectorate Department, and political interference;

OFF STREET

- s) That Law Courts had been allocated 70 slots, sunken 241 and Country Bus 59 slots;
- t) That the set target for law courts was at Kshs. 35,000 but actual collections showed Kshs. 18,000;
- u) That the set target for sunken was Kshs. 120,500 but the actual collection indicated a downward review of Kshs. 75,000
- v) That the target set for Country Bus was Kshs. 150,000 but actual collections showed Kshs. 55,000
- w) That the areas of leakages were; lack of proper automation, lack of a backup system, system downtimes, and lack of proper enforcement by the Inspectorate Department;

PSV SEASONAL TICKETS

- x) That the total number of Saccos registered under the Jambopay Sacco Manager was 401, and a total of 27,000 matatus that operated in Nairobi County;

- y) That the matatus were split into two categories; Compliant – 14,000 vehicles; and Non-Compliant – 13,000 vehicles;
- z) That the fair estimate with 100% performance would be Kshs. 127,661,100 with Kshs.67.6 million from compliance vehicles and Kshs.6 million from non-compliance vehicles;
- aa) That the areas of leakages were; Non-compliant Saccos had not been identified or enforced by the Sub-County Commanders, the County had no control over the Jambopay system, and that the parking department had limited scope to enforce Saccos as the County had no control over the number of vehicles that paid per Sacco;

LOADING ZONE

- bb) That loading zones were parking reserved for government organizations and small medium enterprises for the purpose of loading and off-loading goods for a period of one calendar year for a defined fee;
- cc) That the fair estimate per slot was Kshs. 220,000 and with 1,610 slots, the total would come to Kshs.354.2 million;
- dd) That the actual collected was Kshs.240 million, which showed a variance of Kshs.114.2 million;

15. Madam Speaker, from the submissions of the Parking Department the Committee learned that the department presentation and the tabled documents noted a variance. During the deliberations, the department indicated that they had collected revenue of Kshs.1.88 billion as of 30th March 2019 whereas the 3rd Quarter Revenue Report tabled to the County Assembly showed the total revenue collected at Kshs.1.538 billion. This indicated a discrepancy of approximately Kshs.400 million.

16. Madam Speaker, it was noted during the time of the inquiry that the Parking Department LAIFOMS system was not functioning from the 21st April 2019 to 15th May 2019 hence data could not be accessed in that period. This presented a loophole as the department could not identify how much revenue was collected during that period. From the submissions by the Sector the Committee was taken aback that there was no clarity on the number of parking slots and the number of vehicles that operated within the precincts of Nairobi City County.

17. Madam Speaker, the Committee resolved that daily reports on revenue collections that would feed into quarterly reports are critical in enhancing quality information and accountability, enriching decision-making accordingly.

2.2.3. Rates

18. In summary, these were the submissions on the revenue stream: -

- a) That the areas the County had zero-rated included; public institutions, religious areas, schools, Charitable Organizations, and Diplomatic Missions;
- b) That areas such as Dagoretti Area and Kahawa Area had been flat rated due to their considerably far distance from CBD. That these areas paid rates at a flat rate of between Kshs. 800 and Kshs. 1200

- c) That the Rates Department had 23 Officers in total drawn from other departments like Finance. That these Officers enforce in revenue collection at the Sub- County level;
- d) That the rates department also worked with other departments i.e the Debt Collection Unit and the Sub- County Administration to enhance rates revenue;
- e) That the following amounts had been collected from rates since 2013;
 - i. FY 2013/14 – Kshs. 2.6 billion
 - ii. FY 2014/15 – Kshs. 2.7 billion
 - iii. FY 2015/16 – Kshs. 3.2 billion
 - iv. FY 2016/17 – Kshs. 2.6 billion
 - v. FY 2017/18 – Kshs. 1.8 billion
- f) That long electioneering period between FY 2015/16 to FY 2016/17 caused a decline in revenue collection by Kshs. 0.6 billion;
- g) That the rates revenue declined considerably in the FY 2017/18 due to; reduction of the rates from 34% to 25%; the long electioneering period and shutting down of operations in the Rates Office in the months of October and November 2017;
- h) That the annual target for the department for the Financial Year 2018/19 was Kshs. 3.6 billion;
- i) That for the first quarter of the FY 2018/19 the department collected Kshs. 206.8 million and Kshs. 155.8 million for the second quarter of that year;
- j) That the County currently has the Valuation and Rating Bill, 2015. That if the Bill was fast-tracked and passed it would create efficiencies in the collection of the rates, it would bring properties value to the current market values, modernize the rates records, create a proper mechanism for dispute resolution and bring all the stakeholders of rates together;
- k) That the Finance Act of 2018, is with the Nairobi City County Revenue Act of 2015 had been implemented in the rates department;
- l) That the rates were being charged at 25% of the unimproved site value (USV). That rates were payable annually from 1st January to 31st March each year;
- m) That those who have not paid by March of any year would be charged a penalty at the rate of 3% per month compound;
- n) That the Unimproved Site Value was based on the 1980 valuation role that does not reflect current market prices
- o) That the process of payment included; acquiring the clear bill that intended to be paid from the Customer Service Desk at City Hall, then obtaining the Co-operative Bank Account or through Jambopay system for payments;

- p) That government institutions were lawfully required to pay rates but there were challenges with the enforcement of revenue collection and the validation of the rating bill which would enable the department to achieve its revenue target;
- q) That some of the methods employed by the County to claim arrears from defaulters included; distribution of rates invoices through sub-counties to ensure that rates payers receive their bills on time; conducting public education to property owners on need to pay rates; revolve collection of rates to the Sub- County; and liaising with the planning department to ensure only properties that have cleared rates are the ones approved for construction;
- r) That all the records of rates were stored in the LAIFOMS system, that was inherited from the former local authorities
- s) That LAIFOMS had been integrated with Jambopay system whereby a ratepayer could make payments using the Jambopay system;
- t) County executive Officers proposed that; There was a need for integration of the link between the banks and the LAIFOMS system for real-time reflection of payments; and that the County Assembly needed to fast track the passage of the Rating Bill;
- u) That there was lack of updated property register, in that a lot of subdivisions had not been captured for rating;
- v) That some of the measures taken to enhance rates revenue were; engaging the devolved units in following up rates defaulters; enhancing the clampdown on properties, establishment of rates units in the sub-counties to assist in pursuing defaulters, linking up with Ministry of Lands to conduct searches for valuation and rating of properties and purchasing survey maps from Survey Kenya to be used in the valuation of unrated properties.

19. Madam Speaker, Nairobi City County had published key legislation known as the Rating and Valuation Bill, 2015. If passed at the County Assembly, the law would be a basis upon which the County shall determine land rates. The law is to provide a basis for the valuation of property for the purposes of property rates, and the imposition and payment of property rates in the Nairobi City County so as to give effect to Articles 209(3) and 210 of the Constitution of Kenya that provides for the imposition of property rates by a County.

20. Madam Speaker, the prolonged electioneering periods in the Financial year 2016/17 to 2017/18 downgraded Kenya's growth projection due to a slowdown in public investment in infrastructure development and a drop in private sector activity. The drop in the economic growth of the Country directly affected property rates since the value of publicly provided goods and services, such as infrastructure and its maintenance were reflected in the value of the property served by those goods.

21. **Madam Speaker**, as there are serious challenges enforcing rate collection, without the support of necessary legislation, any efforts to mobilize more revenue may be futile.

2.2.4. House Rents

22. In summary, these were the submissions on the revenue stream: -

- a) That the total number of County residential houses was 16,829 consisting of 16,746 housing units and 83 shops & canteen.
- b) That these houses could be more due to subdivisions and that some County Houses were not managed under the sector such as those based in institutions;
- c) That there were two categories of County rental housing estates; East lands and Estates Other Than East lands (EOTE)
- d) That although the Housing Department managed County rental houses, it did not collect rent. Rent payment was received by revenue officers based at cash offices at City Hall and Madaraka (Huduma Centre)
- e) That the mode of payments for rents was either through Jambopay agent or banking halls in City Hall, Dandora and Eastlands;
- f) That after the payment of rents through Jambopay or County Banking Halls, the information would automatically be updated in LAIFOMS;
- g) That the payments through Cooperative bank were not automatically linked to LAIFOMS until the banking slip would be submitted to the cashier at a banking hall for verification;
- h) That this brought about the problem in which the County would claim that some tenants were in arrears even after payment;
- i) That reconciliation of rents and arrears could only occur when the receipt of payment was submitted to the cashier;
- j) That reconciliation of Staff who occupied County Houses was not done, despite numerous attempts due to lack of details from the payroll sections;
- k) That the house rents are provided for in the Nairobi City County Finance Act 2013;
- l) That the target for FY 2018/19 assigned to the department was Kshs. 563.8 million;
- m) That the department had unpaid rent arrears amounting to Kshs. 180 million and had a target of reducing the arrears by Kshs. 90.5 million;
- n) That the sector had an enforcement team that followed up on defaulters which ensured compliance by tenants;

- o) That the department had a tribunal that would negotiate favorable payment schedules for defaulters with complete nonpayment or huge accumulated arrears. That if the defaulter showed no good will despite the agreed schedules, the enforcement team would commence the eviction process;
- p) That the Finance Act had not provided for charging interest on defaulted loans;
- q) That County Estate Administrator would conduct open forum engagements through holding an estate meeting every (3) three months for consultations;
- r) That the houses were in a dilapidated state as the department was expected to be allocated funds for refurbishment from the budget and due to limited resource envelop in the County, requisitions were rarely met. That this was unlike the previous regime where a percentage of the housing rent remained with the department for maintenance;
- s) That the defunct Council regulations which were still in force did not allow the tenants to repair the houses so as to maintain uniformity and ensure quality. That there was however a procedure in place in case a tenant was hard pressed to repair;
- t) That ownership details were well recorded in LAIFOMS and any change could be easily tracked down;
- u) The Members of the public proposed;
 - i. That any form of engagement with County Officials would be good to ensure the grievances of tenants were addressed;
 - ii. That for ease of payment the department should consider opening Mini-cash offices in the estates;
 - iii. That the sector softens its approach when evicting tenants and even offer waivers in a case where the household would have a justifiable reason for default;
 - iv. That the Housing Department could liaise with resident associations in order to provide standard service to the tenants;
 - v. That the Housing Department could rehabilitate some of the sporting grounds in the estates as social amenities.
- v) That the departments faced challenges of; Limited capacity to properly monitor the County Houses; Lack of Funds to rehabilitated and maintain the properties; Defaulting by tenants to pay rent; Errors in reconciliations of Jambopay system and LAIFOMS; Inability to get payroll details on rent deductions; and Subdivisions and subletting of County houses.

23. Madam Speaker, from the submissions from the rental income department, the Committee learned that there is a deviation in the Annual target provided for the FY 2018/19. During the deliberations, it was noted that the annual target was at Kshs. 563.8 million but what was annexed in the submission noted an annual target of Kshs. 610.8 million, indicating an upward review of Kshs. 47 million.

24. **Madam Speaker**, implementation of LAIFOMS was meant to address various issues in regard to shortcomings in service provision and to strengthen public expenditure management systems. The deliberations pointed out that the department had not synced the bank account to LAIFOMS, making it difficult to link payments made by the tenants for verification.
25. **Madam Speaker**, from the deliberations, it was noted that the County Estate Administrator would conduct open forum engagements through holding an estate meeting every (3) three months for consultations. The Committee notes that such engagements with County officials are vital in ensuring that the tenants' grievances are addressed.

2.2.5. Market Services

26. In summary, the following were the submissions on the revenue stream: -
- a) That the markets in Nairobi County were 43 in number, categorized under Hawkers, Open Air, Rental, Self-Constructed, Tenant Purchase or Wholesale;
 - b) That the revenue targets for the market revenue stream in the FY2017/18 was Kshs. 145,000,000 for Wakulima and other markets was Kshs. 145,000,000. That for the FY2018/19 the revenue targets for Wakulima was Kshs. 125,000,000 and other markets were Kshs. 226,980,000;
 - c) That the revenue performance in FY 2017/18 the revenue for Wakulima were Kshs. 113,000,000 and other markets were Kshs. 140,000,000. That in the FY2018/19 revenue up to December 2018 for Wakulima was Kshs.68.078million and other markets were Kshs. 131,320,462;
 - d) That the types of revenues collected in the markets were; Rents; Administration fee; Site & Service; Landing fee; and CESS
 - e) That the daily CESS Targets were Kshs. 793,046, Kshs. 25.25 million for monthly CESS targets and Kshs. 291 million for annual CESS targets from 15 markets;
 - f) That the total rent/admin charges target for 35 markets was at Kshs. 9.1 million per month and Kshs. 109.5 million annual targets;
 - g) That the total target annual collection was at Kshs. 447 million
 - h) That Kiamaiiko Market had since been shut down due to an ongoing dispute over ownership of the market;
 - i) That the County was physically present in every market through market administrators to engage the traders in the markets;
 - j) That the Markets Department had a total number of 205 staff;
 - k) That all payments within County Markets are currently done through E- payment, bank deposits and pay bill, as there is no cash handling;

- l) That the main challenges with the E-payment and Mpesa payment systems were that; Cooperation from traders who insist on receipts as they use them to acquire loans, Illiteracy and insistence on hard copy receipts by traders particularly the aged and; lack of phones by some traders;
- m) The members of the public noted;
- i. That despite the County Government collecting revenues the market had been left in wretchedness and the public were not getting value for money;
 - ii. That irregular transfer of stalls to unknown individuals by County Officers had led to difficulties in submission of rent dues;
 - iii. That CESS charged on chicken created unfair competition as it was only charged in City Market. They requested that the County either charges all other markets the fee or abolishes it;
 - iv. That unfair business practices had led to a decrease in the level of trade in the market. They pointed out that the County had permitted unregulated traders to encroach the market making it unattractive to traders;
 - v. That there was laxity by the County to remove informal traders who had encroached the market despite receiving high rents from the formal traders. They proposed that the Sector regularizes the informal traders to bring sanity in the market and also charge them levies for trading;
 - vi. That the unified business permit be abolished and business- people pay separately for different licenses;
 - vii. That the lack of sufficient entry points into the market had led to the County losing revenue as most commodities were sold outside before payment of CESS;
 - viii. That despite revenue collection by the County, there was the existence of poor drainages and heaps of garbage;
 - ix. That despite paying for Muthurwa market services, the traders would be issued receipts indicated Toi Market and;
 - x. That despite paying using the pay bill number provided by the County, the revenue collector was issuing them with default notes.

27. Madam Speaker, automation of revenue collection was brought about by the need to eliminate leakages that come with receipting. Whereas automated revenue collection is supposed to lead to an upsurge of revenue it is faced by a wide range of challenges such as lack of adequate training and lack of investment in ICT tools. It is for this reason that revenue collectors in markets continue to insist on cash payments.

28. Madam Speaker, during the deliberations, the members of the public raised concerns on overrunning of the markets by informal traders. They pointed out that the County had permitted unregulated traders to encroach the market making it unattractive to traders. The Committee therefore believes that it is in

the best interest of the County for the Sector to regularize the informal traders to bring sanity in the market and also charge them levies for trading.

29. **Madam Speaker**, the members of the public pointed out that the markets were in a terrible state despite them paying for the revenues as required. The Sector should continually ensure that the markets in perfect tradable state.

2.2.6. Food Hygiene License and Food Handlers Certificate

30. In summary, the following were the submissions on the revenue stream: -
- a) That Food Hygiene License and Food Handlers Certificate department deal with the health clearance certificates issued to individuals handling human food in business enterprises;
 - b) That food hygiene licenses were issued to the premises that carry out the business that deals with human foods. That these licenses were renewable after every six months;
 - c) That individuals acquiring a food handler's certificate would present themselves at City Hall where they would pay a stipulated fee and would then be referred to County facilities for testing, and after getting medical approval the individuals were issued with the certificates at City hall. That in cases of corporates that had more than twenty employees, the County Mobile Unit offered the tests at their premises;
 - d) That the County had one mobile unit comprised of the seven (7) Officers from the Public Health Department;
 - e) That the types of charges the department charged on the certificates and licenses were;
 - i. The Food handlers certificate was charged Kshs.1000
 - ii. Food Export Certificates issued when one export food outside Nairobi and the department charged Kshs. 7,000 for certificate and Kshs.2, 500 for laboratory analysis.
 - iii. Occupation Health Certificates issued to new premises that are ready for occupation and the department charged Kshs. 1,000.
 - iv. Institutional Inspection Certificates issued when conducting an assessment to training institutions i.e. schools, college, and the department charged Kshs. 10,000.
 - v. Site Inspection Certificates issued when one wants to construct toilets within a construction site and the department charged Kshs. 10,000.
 - vi. Food Lab Analysis issued when an individual collects a sample analysis on request by clients.
 - vii. Yellow Fever Vaccinations charged Kshs. 2,500
 - f) That the above charges are drawn from the County Finance Act;

- g) That some charges such as Yellow Fever certificates were not as per the act, because the sector was yet to start charging for several items under the Finance Act, 2018, as they were awaiting the systems to be configured so as to start charging;
- h) That issuance of yellow fever certificates was regulated and audited through reconciliation between the certificates and medicines requisitioned at the end of every week;
- i) That the payment processes of acquisition of Food Hygiene License and Food Handlers Certificates was; a client would submit application documents at the Food Hygiene Licensing Unit for either a new or renewal of food hygiene license; verification of documents is done and forwarded to Sub-County Health Officer for inspections; a duly signed inspection report is sent to the Unit for verification; client pays for the license as per categories in Finance Act 2018; receipts are verified and documents submitted for approval; final issuance of Food Hygiene License is done
- j) That the above process would not take more than 72 hours for issuance of license;
- k) That all payments of the licenses within the CBD and Outside CBD were made to Cash Office through Cooperative Bank or through the Jijipay System;
- l) That Verification of Payment was done using the Jijipay receipt verification platform, that screens the receipt number and bill number to ascertain whether it is valid or fake;
- m) That the annual target for the department for the Financial Year 2018/19 was Kshs. 60 million for Food Hygiene License and Kshs. 200 million for Food Handlers Certificate;
- n) That the department for FY 2018/19 first quarter collected Kshs. 33.05 million for Food Handlers Certificate and Kshs. 2.298 million for Food Hygiene License;
- o) That for the second quarter Kshs. 23.9 million was collected for Food Hygiene License and Kshs. 70.4 million for Food Handlers Certificate;
- p) That for the third quarter up to the month of January 2019, the revenue collected was Kshs. 14.8 million for Food Hygiene License and Kshs. 30.3 million for Food Handlers Certificate;
- q) That illegal businesses were not issued certificates or licenses;
- r) That the department had an enforcement unit comprised of Public Health Officers and Inspectorate Officers;
- s) That compliance levels were above 70%;
- t) That the targets in the budget were issued by the Finance and Economic Planning Sector;
- u) That the challenges facing the department were; Unrealistic revenue targets by the Finance and Economic Sector; Low resource allocation by the County Assembly; Lack of transport vehicles hampering enforcement and service delivery; and Low staff morale due to delayed promotions and high labor turn over.

31. **Madam Speaker**, from the submissions on the food hygiene license and food handlers certificate department, the Committee learned that the department is levying a number of fees and charges that are not in consonance with the approved revenue laws Finance Act. For example, the department charged Kshs. 2,500 for Yellow Fever vaccinations, which is varied from Kshs. 1,500 provided in the Finance Act.
32. **Madam Speaker**, the Food Handlers Certificate involves certification of all people who directly handle foodstuff (preparation, serving or packing) in hotels and food-based industries to confirm to the public that they are free from any foodborne diseases, thus minimizing risks associated with food contamination. In the course of the discussions, the sector pointed out that roadside kiosks were not issued certificates or licenses as they were considered to be illegal businesses. The Committee raised concerns that the kiosks were directly handling foodstuff and that legality of business was the purview of the Trade Sector, and not Health Sector.

2.2.7. Single Business Permits

33. In summary, the following were the submissions on the revenue stream: -
- a) That the County introduced the concept of Unified Business Permit with the essence of making the application of licenses a one-stop shop;
 - b) That the status quo of the permit was still on Unified Business Permit platform but optional depending on the interest of the trader. That this was a positive step for businesses only interested in Single Business Permit;
 - c) That the total number of businesses registered within the county was close to 300,000 registered businesses;
 - d) That despite the database indicating 300,000 business compliance in the license application, only 155,000 were compliant;
 - e) That as at June 2018, the numbers of registered businesses stood at approximately 170,000 businesses out of which only 103,000 had complied on payment of Single Business Permit;
 - f) That low compliance was caused by a lack of capacity to enforce payment by the County led to default;
 - g) That it was difficult to ascertain the exact number of operational businesses as the County was yet to carry out a business census to have a proper record of all businesses in the city;
 - h) That the census had been factored into the budget by the Trade Sector and the Finance and Economic Planning sectors of which plans were at the sourcing stage for the private firm to do the census;
 - i) That the procedures to obtain a business permit included; through manual application; through application using USSD code; through application using NCC App or application using an online platform (Nairobi Self Service Portal)

- j) That the mode of payment used for Single Business Permits depended on the convenience of the trader as there were various options offered by the County. These were; through cash payment paid to Cooperative Bank Revenue account; Jambopay Agents; Bankers Cheques payable to the same Cooperative Bank Account; Electronic funds transfer to the same revenue account or through U.S.S.D powered online payment powered by Jambopay;
 - k) That the County charged the fees as approved in the Finance Act, though the form used to apply for licenses contained charges different from the Finance Act;
 - l) That the department was in the process of dating the Fees and Charges as per the newly gazette 2018 Finance Bill;
 - m) That the department had 166 Officers;
 - n) That the total number of revenue collectors were 186, with the Secretariat being 57; 17 Sub County Licensing Officers; 85 Ward Licensing Officers and 27 Seconded Enforcement Officers;
 - o) That traders should present receipts of payment for verification in the Cash Office to avoid harassment from the enforcement team;
 - p) That some of the challenges faced by the department were; slow procurement process for departmental requirements; insufficient funds to finance departmental budget; lack of Business Permit Act; and major undercharges and duplication of UBP accounts by new online applicants;
 - q) That some of the proposals for the future to combat the above challenges would be; to enact a Single Business Permit Act; all UBP applicants to have their businesses inspected first, details captured in the SBP system & invoices issued for payment; procurement of 102 laptops for the Sub- County and Ward Licensing Officers; and to bring on board services of a consultant to conduct census of all businesses in the County.
34. Madam Speaker, conducting a business census is essential as it provides information on the true count of businesses operating in the County which would provide clear estimates on revenue to be collected, avoiding defaulters in the system. A business census would also provide income/poverty status and employment status of the people in Nairobi County.
35. Madam Speaker, from the submissions of Single Business Permit department, the Committee learned that the application forms used by the department have charges and levies that are not in line with the Finance Act. The forms should be updated to avoid confusion and inaccurate payments by the business owners.

2.2.8. Billboards and Advertisements

36. In Summary, these were the submissions provided by the revenue stream: -
- a) That the revenue streams under the department were; Construction permits, Development approvals, Outdoor advertising structures;

- b) That the permits issued expire after two years and upon renewal, one would pay 10% of the amounts fee paid during the initial payments;
- c) That the revenue was not disaggregated to the various billboards, as all were charged the same rates regardless of their location;
- d) The section had effected the new rates as per the 2018 Financial Act;
- e) That the departmental target for the FY2017/18 for the billboards was at Kshs.1.2 billion and they collected amount Kshs. 739million. That for the FY 2018/19 the billboards targets was Kshs. 1billion and they collected amount Kshs. 592million. For the Construction permits during the FY2017/18 the departmental targets were Kshs. 1.5billion and they collected Kshs. 1.08billion. For the FY 2018/19, the targets were Kshs. 1.5billion;
- f) That there were Fourteen (14) members' in a technical committee who oversee the process of payments. That the process of payments began with clients' payment of an application fee of Kshs. 14,000 regardless of the size of the billboards and the department would not charge during mounting. Upon the agreement, the clients would be charged on a monthly basis and the county had officers on the ground to confirm that the payments have been made;
- g) That the total number of the County's technical staff were Five (5);
- h) That the process of payment for billboards and development approvals included; Sending of demand notes by a client, who would be issued with an invoice; Upon receiving the invoice, the client would proceed to the bank and deposit the required amount and the receipt was generated; Then, clients would submit receipts to City Hall for verification and reconciliation; and finally the technical committee would make considerations on the proposals;
- i) That all payments were made in banks by either cash, bank transfers or banker's cheques and on Jambopay platform.
- j) That before the County send their demands note, they would receive information from the technical team on the ground;
- k) The section had a centralized enforcement team of ten people who ensure compliance. That the section also liaises with the Debt Collection Unit;
- l) That the total number of vehicles utilized by the department for operations were four (4);
- m) That the main challenge faced was understaffing of the department;
- n) That the County collects revenue on informal buildings, which were charged annually and;
- o) That the technical team sits twice a month, with a term of service of three (3) years.

37. Madam Speaker, outdoor advertising is one of the largest sources of internal revenue for Nairobi City County. The Finance Act, however, had no provision of revenue disaggregation to the various billboards, as all were charged the same rates regardless of their location. In addition, the Committee

noted that the department had no clarity on the number of signage, large format advertising or billboards in the County.

38. **Madam Speaker**, from the submissions of Billboards and Advertisements, the Committee learned that there were billboards that were being erected without the approval from the Nairobi County Lands and Urban Planning department that causes loss of revenue from unapproved billboards. The Committee was emphatic that there is need for Sector to ensure that all billboards erected are approved for the County to track and know the expected amount of revenue the billboards generate.

2.2.9. Liquor Licenses

39. In summary, the revenue stream gave the following submissions: -

- a) That Liquor Licensing serves two key policy objectives; control and revenue raising;
- b) That the Committee of the Liquor Licenses Board comprised of the following: Chairperson appointed by the Governor, County Director of Health, County police Commander, County Commissioner, four (4) persons appointed by the Governor who are conversant with trade and health matters, County Chief Officer responsible for trade or the Chief Licensing Officer who shall be Secretary to the board;
- c) That the Sub-committees comprised of the following: Chairperson appointed by the Governor, Sub-County Medical Officer of Health, Officer Commanding Police Division in the Sub-County, three (3) residents of the sub-county, appointed by the Governor considering gender balance, Officer in the County Public Service designated by CECM as secretary to the Sub-County Committee;
- d) That the main role of the Sub County Committees was to undertake inspections as well as recommendations on businesses for issuance of licenses;
- e) That the term of service for the Licensing Board and that of the sub-county committee was for a period of three (3) years;
- f) That the total number of bars for the FY 2015/16 was at 7,200; In the FY 2016/17, the number of bars was at 7,000 with Kshs. 202 million collected from 4,800 bars; In the FY 2017/18, the total number of bars was at 7,000 with Kshs. 254 million from 5,000 bars; In the current financial year the total number of bars was at 4,800, with a target of Kshs.287 million but the total collection as at end of March 2019 was at Kshs. 124 million from 3,900 bars;
- g) That the decline in the number of bars from 7,200 to 4,800 was due to closure as most of the bars did not meet the standards required;
- h) That limited enforcement capacity had led to cropping up of the illegal entities that did not meet basic hygiene standards;
- i) That the County only collected levies from formal entities that have single business permits;
- j) That enforcement task force was cracking down on the bars operating in residential areas and close to school premises;

- k) That the enforcement task force had 21 County Marshalls and 8 Administration police officers, who would conduct ruthless enforcement on clients who failed to pay;
- l) That the mode of payment used to acquire the licenses included; filling an application form acquired from City Hall or South C Boards Office and payment of application fee of Kshs. 1,000 at the Coop Bank. That once filled, the forms would be submitted to the Sub-county committee for considerations. The premises would be inspected at a cost of Kshs. 5,000 before giving recommendations for issuance of licenses;
- m) That the Board charged a flat rate of Kshs. 8,000 to the manufactures of wine and spirits, importers and exporters;
- n) That there were initially over 200 importers and exporters within the county but after the illegal distributor's crackdown the number fell down to 23;
- o) That the licenses had a special feature number for identification to avoid fake licenses;
- p) That the census report showed a total of 12,121 liquor outlets in Nairobi County, with 7,126 licensed and 4,905 not licensed;
- q) That the 4,905 unlicensed liquor outlets were on temporary structures and do not meet health and other related requirements for issuance of liquor licenses;
- r) That from the census report, there were 2,000 wines and spirits businesses within CBD and 736 licenses bars within the Central Business District and;
- s) That the Liquor Licensing Annual Revenue Target for FY 2018/19 was at Kshs.287.8 million;
- t) That the challenges that were experienced by the department were; vested interest from police, politicians and cartels and lack of policy frameworks in the handling of temporary structures and the online sale and control of alcoholic beverages to young person and;
- u) That the department would provide details of the bank accounts and their administrators and a list of the importers and exporters and the manufactures of liquor to the Committee in due time

40. Madam Speaker, the discussions noted a decrease in the number of bars in the County. The department indicated that this was due to the closure of unlicensed bars that would operate in or on top of residential houses. The liquor licensing board further proposed on capping the number of bars in the city.

41. Madam Speaker, it was noted that enforcement proved to be an immense issue, as the Sector had experienced challenges such as vested interest from police, politicians, cartels and lack of policy frameworks in the handling of temporary structures. This had led to cropping up of the illegal entities that do not meet basic hygiene standards.

2.2.10. Inspectorate

42. In summary, the submissions by the revenue stream were: -

- a) That the Inspectorate was mandated to assist all revenue collection departments in the delivery of their services;
- b) That the enforcement officers would report to the Chief Officers and Directors in the Sector they had been seconded to;
- c) That the enforced compliance and the verifications of the licenses was done by relevant technical officers;
- d) That the Enforcement Directorate had revenue targets of Kshs.81 million;
- e) That the target was unachievable as all revenue emanating from enforcement activities were reported under the relevant revenue streams;
- f) That the allocations for training under the department were not disbursed. That the department had not had refresher courses for several years and there were negotiations with the police service to facilitate some training;
- g) That the role of the inspectorate ended at prosecution, therefore Court cases and fines were handled by the County attorney and the Finance Sector;
- h) That the County had designated an officer to act as a signatory and be in charge of the Cash Bail Accounts;
- i) That the inspectorate officers were reshuffled every six months, which would entail reassignment of duties in the department;
- j) That the directorate had 1,888 City Inspectorate Officers in the County;
- k) That there were 300 City Inspectorate Officers seconded to the respective revenue departments;
- l) That the officers included; 30 from Licensing, 25 from Debt Collection Unit, 7 from Public Health, 80 from Parking Services, 15 from Markets, 68 from Transport and 25 from Planning;
- m) From the discussion, the committees noted there were needs for the department to benchmark with the KRA Officers and restructure their operations and also second some of the officers from them.

43. **Madam Speaker**, it was noted that there exists the Nairobi City County Inspectorate Service Act, 2017 that establishes the Nairobi City County Inspectorate Service with the mandate of carrying out inspections within Nairobi City County to ensure compliance with set standards in respect to the functions of the County Government as specified under Part 2 of the Fourth Schedule to the Constitution.

44. **Madam Speaker**, the Committee learned that the Inspectorate Officers lacked expertise on the technical duties of verifying licenses as they lack the capacity of differentiating between genuine and

fake licenses. This led to an increasing number of harassment cases, which had affected revenue performance as compliance had been low.

2.2.11. Debt Collection Unit

45. In summary, the following were the submissions provided by the revenue stream: -
- a) That the Debt Collection Unit (DCU), was formed in 1999;
 - b) That DCU comprised of 85 members of staff, with 19 officers seconded from Inspectorate, 5 officers from Public Health and 63 revenue officers, tasked to collect debts owed to the County;
 - c) That the revenues collected were from rates, single business permits, advertisements, fire, wayleaves, loading zones, food hygiene, liquor license, and garbage;
 - d) That the main functions of DCU were; to carry out debt management policies for the County, maintain reliable database through inspection of premises, prepare and update annual and medium-term management strategy and to monitor and evaluate debt related functions;
 - e) That the unit was divided into four groups to achieve its obligations. These were;
 - i. Large Accounts Team – carried out inspections and collected revenues from parastatals, government institutions, and corporate companies
 - ii. Enforcement Team – carried out enforcement on various defaulters and conducted inspection and verification on business premises
 - iii. Inspection Team – conducted one-stop on business premises and advised the clients on various charges as per their business establishments
 - iv. Rates – served rate legal demand notices and bills to various estates within the County
 - f) That for land rates and licensing revenue streams, debt was due 31st March of every year;
 - g) That DCU would acquire outstanding debt information from the sectors as they did not have the data;
 - h) That the department was unaware of the total outstanding debt owed to the County;
 - i) That the department was yet to conduct meetings with the various sectors for updates on the level of debt collection;
 - j) That the department was allocated a target of Kshs. 3.1 billion from the seven revenue streams for the FY2018-19;
 - k) That the department collected Kshs. 19.67 million from 1st July 2018 to 18th April 2019, with a total arrest of 2,358 defaulters;
 - l) That some of the challenges experienced by the department were; lack of co-operation with some sub-county administrators, lack of operational tools, many imposters impersonating members of staff and political or public interference and;
 - m) That some of the strategies that could be applied to increase revenue collection to an optimum are; to serve bills to gated estates commercial buildings, to serve demand notices issued by transport and public

works sector to corporate companies, to issue demand notices as per defaulters list, and carrying out inspections to ensure compliance during weekdays.

46. **Madam Speaker**, the Committee noted that the department had no clarity of data on either how much debt was owed to the County or who owed money to the County. The Sector pointed out that they relied on data from the sectors. The Committee was further taken aback on the rising trend of debt owed from 2015. The Committee resolved that DCU should have a debtor's register whereby all debt owed would be clearly marked and separated.
47. **Madam Speaker**, the Committee also noted that the department did not have any meetings with the sectors to review the status of the debt collection and debt owed to the County. The department should consider collecting its own data because the use of information from the sectors deems to be disadvantageous to the department.

3.0. RECOMMENDATIONS

48. **Hon. Speaker**, the Finance, Budget, and Appropriations Committee having reviewed the information submitted both in written and oral form and having undertaken site visits to verify some of that information wishes to make the following recommendations to the County Assembly for adoption: -

General Recommendation

- That targets assigned to various Sectors for revenue collection be agreed upon between County Treasury and the Sectors;
- That a market survey census be conducted for all revenue streams to be utilized in the development of estimates and allocations;
- That the Nairobi City County Revenue Administration Bill, 2019, be enacted and implemented to ensure optimal collection and compliance of the revenue laws;
- That the Nairobi City County Trade Licensing Act 2019, be enacted and legislated, to control and regularize business practices and management in the County;
- That the LAIFOMS system be discontinued, as it is faced with many gaps and does not fit within the best practices of the County, causing revenue loss;
- That the County conducts a capacity assessment and thereafter a capacity building of staff in all the revenue streams and;
- That the Finance, Budget and Appropriations Committee carry out a second phase of inquiry through site visits to complement the first phase of the inquiry

Fire Inspection Certificates

- That the department comes up with modalities to ensure that only compliant buildings are issued with fire inspection certificates; and

- That the through the Finance Bill 2020 the County Treasury abolishes all fees and charges which are related to facilitation of officers to do their work including fire call charges.

Parking Fees

- That the department does thorough audit to determine the number of parking slots in the County;
- That the department liaises with the National Transport and Safety Authority to determine the number of public service vehicles that ply their trade within Nairobi City County; and
- That the above vehicles pay their requisite fees and charges due to the Nairobi City County Government.

Rates

- That the Rating and Valuation Bill be finalized to provide basis for update of valuation roll; and
- That the Sector liaises with National Treasury to ensure that the amounts owed by national government institutions are settled.

House Rents

- That Sector prioritizes the uplifting of the status of county rental houses to ensure they meet the requisite habitable standards;
- That reconciliation of the number of staff occupying City County houses and their payment details be done; and
- That existing regulations on occupancy of County houses be amended to address the challenges experienced in management of the houses and the accruing house rents.

Market Services

- That issues related to the ownership of Kiamaiko Market be resolved forthwith;
- That the Trade Sector ensures that markets are in perfect condition for trading; and
- That the Sector regularizes the informal traders to ensure that they don't inhibit the operations of formal traders and that they pay the requisite fees due to the County

Food Hygiene and Food Handlers Certificate

- That the Health Sector ensures that entities not issued with licenses which expose the life of citizens to health risks do not engage in food business within the County.

Single Business Permits

- That the department finalizes the business census to ensure that there is credible data on the number, location and types of business within the County.

Billboards and Advertisements

- That the Sector disaggregates the charges for billboards by location and propose relevant fees and charges differentiated by locations; and

- That the Sector collects and documents data on the number of signages, large format advertisements and billboards in the County.

Liquor Licenses

- That the County undertakes census of the number of bars and liquor outlets in the County; and
- That the County ensures that all unlicensed liquor outlets are regularized and licensed as required by law

Inspectorate

- That the County Treasury ensures that the Sector does not have annual revenue targets like other revenue generating sectors;
- That the Sector be trained on how to differentiate genuine from fake licenses and;
- That the Inspectorate Officers be deployed as enforcement officers and accompanied by technical officers in the various sectors

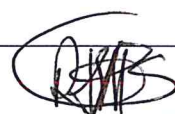

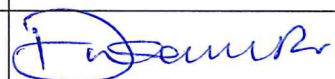


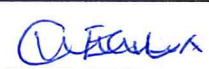

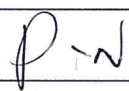
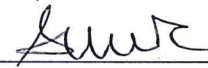

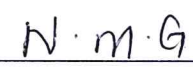


Debt Collection Unit

- That the unit maintains a debt register of all debts due for recovery.

Madam Speaker, in conclusion the County Finance, Budget and Appropriations Committee recommends that:

“This County Assembly adopts the Report of the Finance, Budget and Appropriations Committee on the Inquiry On the Nairobi City County Revenue Collection Practices, Procedures, And Accountability Frameworks (phase 1)

WE THE UNDERSIGNED MEMBERS OF THE SELECT COMMITTEE ON FINANCE, BUDGET, AND APPROPRIATIONS AFFIRM THAT THIS IS THE APPROVED REPORT OF THE COMMITTEE ON THE INQUIRY ON THE NAIROBI CITY COUNTY REVENUE COLLECTION PRACTICES, PROCEDURES, AND ACCOUNTABILITY FRAMEWORKS AS ADOPTED BY THE COMMITTEE ON THE 11TH DAY OF MARCH 2020

1.	Hon. Robert Mbatia, MCA	
2.	Hon. Patrick Karani, MCA	
3.	Hon. Michael Ogada, MCA	
4.	Hon. David Okello, MCA	
5.	Hon. Anita Thumbi, MCA	
6.	Hon. Anthony Ngaruiya, MCA	
7.	Hon. Cecilia Ayot, MCA	  C.A
8.	Hon. Samora Mwaura, MCA	
9.	Hon. Paul Ndungu, MCA	
10.	Hon. Elijah Mpuhia, MCA	
11.	Hon. Susan Makungu, MCA	
12.	Hon. Catherine Okoth, MCA	
13.	Hon. Emily Oduor, MCA	
14.	Hon. Paul Shilaho, MCA	
15.	Hon. Nancy Muthami, MCA	
16.	Hon. Millicent Mugadi, MCA	
17.	Hon. Milicent Jagero, MCA	
18.	Hon. Herman Azangu, MCA	
19.	Hon. Emapet Kemunto, MCA	
20.	Hon. Mellab Atemah, MCA	

**MINUTES OF THE 11th SITTING OF THE NAIROBI CITY COUNTY ASSEMBLY
FINANCE, BUDGET & APPROPRIATIONS COMMITTEE HELD ON WEDNESDAY 11TH
MARCH, 2020 AT 12.00 NOON IN CHARTER HALL.**

PRESENT

- | | | |
|-------------------------------|---|------------------|
| 1. Hon. Robert Mbatia, MCA | - | Chairperson |
| 2. Hon. Patrick Karani, MCA | - | Vice Chairperson |
| 3. Hon. Emapet Kemunto, MCA | | |
| 4. Hon. Paul Ndung'u, MCA | | |
| 5. Hon. Anthony Ngaruiya, MCA | | |
| 6. Hon. Nancy Muthami, MCA | | |
| 7. Hon. Catherine Okoth, MCA | | |
| 8. Hon. Cecilia Ayot, MCA | | |
| 9. Hon. Ann Thumbi, MCA | | |
| 10. Hon. David Okelo, MCA | | |
| 11. Hon. Herman Azangu, MCA | | |

ABSENT

1. Hon. Millicent Mugadi, MCA
2. Hon. Paul Shilaho, MCA
3. Hon. Emily Oduor, MCA
4. Hon. Elijah Mputhia, MCA
5. Hon. Samora Mwaura, MCA
6. Hon. Millicent Jagero, MCA
7. Hon. Michael Ogada, MCA
8. Hon. Mellab Atemah, MCA
9. Hon. Susan Makungu, MCA

Secretariat:

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

Budget Office

1. Mr. Erick Roberts – Fiscal Analyst
2. Mr. Musa Senator – Fiscal Analyst
3. Mohammed Galgalo – Fiscal Analyst Intern

4. Precious Njeru – Fiscal Analyst Intern

MIN032/NCCA/FBAC/MARCH/2020:

PRELIMINARIES

— The Chair called the meeting to order at 12.20 p.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. **Consideration and adoption of the Report on County Annual Development Plan for the FY 2020-21**
3. **Consideration and adoption of the Report on Revenue Inquiry**
4. Any Other Business
5. Adjournment

— The agenda of the meeting was proposed by Hon. Nancy Muthami and seconded by Hon. Herman Azangu.

MIN033/NCCA/FBAC/MARCH/2020:- CONSIDERATION AND ADOPTION OF THE REPORT ON COUNTY ANNUAL DEVELOPMENT PLAN FOR THE FY 2020-21

The fiscal analyst took members through the draft report on the ADP and the Committee resolved to invite the clerk of the County Assembly and the senior finance officer to shed more light on the CADP for the FY-2020/21 of the County Assembly Service Board.

The above resolution was proposed by Hon. David Okelo and seconded by Hon. Paul Ndungu.

MIN034/NCCA/FBAC/MARCH/2020:- CONSIDERATION AND ADOPTION OF THE REPORT ON REVENUE INQUIRY

The fiscal analyst took members through the draft report on the revenue inquiry and it was resolved that the Nairobi County Revenue Administration Act, 2019 and the Nairobi County Trade Licensing Act, 2019 be operationalized to enhance revenue collection.

It was further resolved that the committee to undertake the second phase of site visits on revenue inquiry to assess the status of county revenue streams.

The above resolution was adopted by the Committee after being proposed by Hon. Emapet Kemunto and seconded by Hon. David Okello.


MIN035/NCCA/FBAC/MARCH/2020:- ANY OTHER BUSINESS

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

MIN036/NCCA/FBAC/MARCH/2020:- ADJOURNMENT

There being no other business, the chair adjourned the committee sitting at 13.10 p.m.

CONFIRMED AS TRUE RECORD OF PROCEEDINGS

SIGN.....FOR .....

HON. ROBERT MBATIA (CHAIRMAN)

DATE.....11/03/2020.....

SIGN..........

ASMAN J. OMWERI (COMMITTEE CLERK)

DATE.....11-3-2020.....

