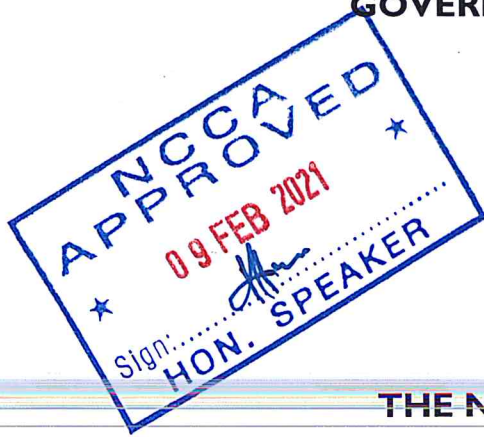


GOVERNMENT OF NAIROBI CITY COUNTY



*Paper laid on
9th Feb 2021
by the leader of
the Majority
Party*
Alfred Mutua
Clerk!
9/2/2021

THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

SECOND ASSEMBLY
(FIFTH SESSION)

NCCA/CA/TJ/2021(2)

9th February 2021

PAPER LAID

I beg to lay the following Paper on the Table of the Assembly, today Tuesday 9th February, 2021:

— **THE FIRST QUARTER COUNTY GOVERNMENTS' BUDGET
IMPLEMENTATION REVIEW REPORT FOR THE FY 2020/2021**

(The Leader of Majority Party)

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

OFFICE OF THE CONTROLLER OF BUDGET



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P.O. Box 35616-00100
Nairobi Kenya

Ref. OCOB/DBI/007/Vol.24 (171)

December 29, 2020

The Clerk

Nairobi City County Assembly
Nairobi City County

**RE: FIRST QUARTER COUNTY GOVERNMENTS' BUDGET
IMPLEMENTATION REVIEW REPORT FOR THE FY 2020/21**

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

Pursuant to Article 228(6) of the Constitution, the OCOB has prepared the First Quarter County Governments' Budget Implementation Review Report for FY 2020/21, covering the period 1st July, 2020 to 30th September, 2020.

Forwarded herewith, please find twenty (20) copies of the report for submission to the County Assembly. The report is also available on our website at www.cob.go.ke.

Dr. Margaret Nyakang'o
CONTROLLER OF BUDGET



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Kindly lead
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SAC (L/P)
9/02/21



THE REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET



**COUNTY GOVERNMENTS
BUDGET IMPLEMENTATION REVIEW
REPORT**

**FOR THE FIRST QUARTER
FY 2020/21**

NOVEMBER, 2020



Programme	Sub- Programme	Approved Budget (Kshs)	Actual Payments (Kshs)	Variance (Kshs.)	Absorption (%)
Water Resources Management	Water Supply Infrastructure	257,351,213	13,059,135	244,292,078	5.1
	Sub Total	257,351,213	13,059,135	244,292,078	5.1
Grand Total		8,885,055,035	956,926,532	7,928,128,503	10.8

Source: Murang'a County Treasury

The Sub- programme with the highest absorption rates were: Youth development services at 33.3 per cent, Person Living with Disabilities at 31.5 per cent and Livestock policy Development and Capacity Building at 28.2 per cent.

3.29.11 Key Observations and Recommendations

In the course of overseeing and reporting on implementation of the County budget, the OCOB identified the following challenges which hampered effective implementation;

1. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.
2. Under performance in own source revenue collection at Kshs.125.87 million against annual projection of Kshs.900 million. The realised own source revenue represented 14 per cent of its annual target.

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

1. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.
2. The County Treasury should devise and implement strategies to mobilise own source revenue collection improve own-source collection to ensure the approved budget is fully financed.

3.30 County Government of Nairobi City

3.30.1 Overview of FY 2020/21 Budget

The county's did not have an approved budget in the reporting period and relied on a Vote on Account to access funds.

3.30.2 Revenue Performance

During the first quarter of FY2020/21, the County raised Kshs.1.60 billion as own-source revenue, and had unspent cash balance of Kshs.155.60 million from FY 2019/20. The total funds available for budget implementation during the period amounted to Kshs.1.76 billion as shown in Table 3.120.

Table 3.120: Nairobi City County, Revenue Performance in the First Quarter of FY 2020/21

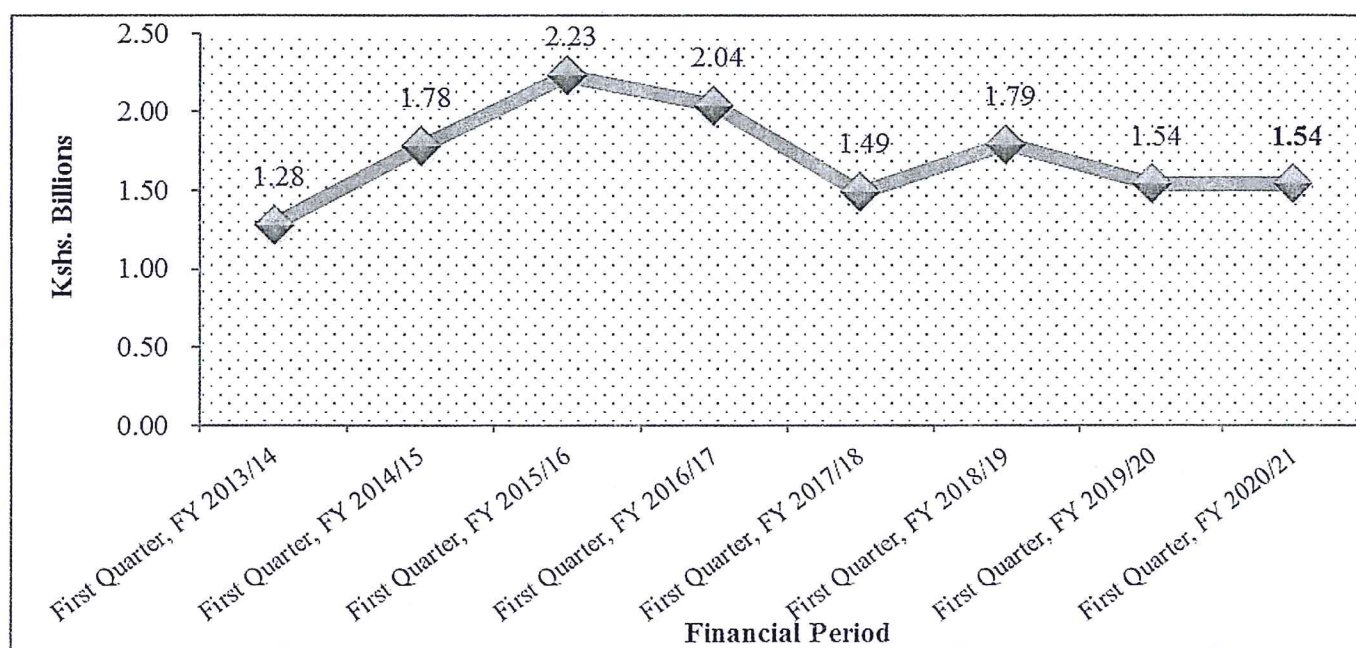
S/No	Revenue	Annual CARA, 2020 Allocation (Kshs)	Actual receipts (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A.	Equitable Share of Revenue Raised Nationally	15,919,950,000	-	-
B.	Conditional Grants from the National Government Revenue			
1.	Compensation for User Fee Foregone	79,423,251	-	-
2.	Leasing of Medical Equipment	132,021,277	-	-
3.	Road Maintenance Fuel Levy Fund	475,436,588	-	-
4.	Rehabilitation of Village Polytechnics	16,009,894	-	-
	Sub Total	702,891,010	-	-
C.	Loans and Grants from Development Partners			
1.	Transforming Health systems for Universal care Project (WB)	60,494,430	-	-
2.	IDA (WB) Credit: Kenya Devolution Support Project (KDSP) Level 1 Grant	45,000,000	-	-
3.	DANIDA Grant	45,270,000	-	-
4.	Sweden - Agricultural Sector Development Support Programme (ASDSP) II	15,955,893	-	-
	Sub Total	166,720,323	-	-

S/No	Revenue	Annual CARA, 2020 Allocation (Kshs)	Actual receipts (Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
D	Other Sources of Revenue			
1.	Own Source Revenue	-	1,540,266,059	-
2.	Balance b/f from FY 2019/20	-	155,593,956	-
3.	A-I-A	-	61,668,686	-
	Sub Total	-	1,757,528,701	-
	Grand Total	16,789,561,333	1,757,528,701	5.6

Source: Nairobi City County Treasury

Figure 3-56 shows the trend in own-source revenue collection from the first quarter of FY 2013/14 to the first quarter of FY 2020/21.

Figure 3-56: Trend in Own-Source Revenue Collection from the First Quarter of FY 2013/14 to the First Quarter of FY 2020/21



Source: Nairobi City County Treasury

During the first quarter of FY 2020/21, the County generated a total of Kshs.1.54 billion as own-source revenue. This amount represented a slight increase of 0.01 per cent when compared to Kshs.1.54 billion realised during the same period in FY 2019/20 (increase of Kshs.1.17 million), and was 10.7 per cent of the annual target.

3.30.3 Exchequer Issues

The Controller of Budget approved withdrawal of Kshs1.25 billion from the CRF account during the reporting period. This entire amount was for recurrent programmes.

3.30.4 Overall Expenditure Review

A total of Kshs.1.31 billion was spent on recurrent programmes and represented 104.9 per cent of the total funds released from the CRF account. Expenditure on Recurrent programmes represented an absorption rate of 5.2 per cent.

3.30.5 Expenditure by Economic Classification

Analysis of expenditure by economic classification indicates that Kshs.1.24 billion was spent on Compensation to Employees and Kshs.70.67 million on Operations and Maintenance.

Table 3.121: Summary of Expenditure by Economic Classification

Expenditure Classification	Budget (Kshs.)	Exchequer Issues (Kshs.)	Expenditure (Kshs)	Absorption (%)
Total Recurrent Expenditure	25,003,645,196	1,248,878,211	1,310,546,897	5.2
Compensation to Employees	14,922,295,472	1,239,878,211	1,239,878,211	8.3
Operations and Maintenance	10,081,349,724	9,000,000	70,668,686	0.7
Total Development Expenditure	6,430,000,000	-	-	-
Development Expenditure	6,430,000,000	-	-	-
Total	31,433,645,196	1,248,878,211	1,310,546,898	4.2

Source: Nairobi City County Treasury

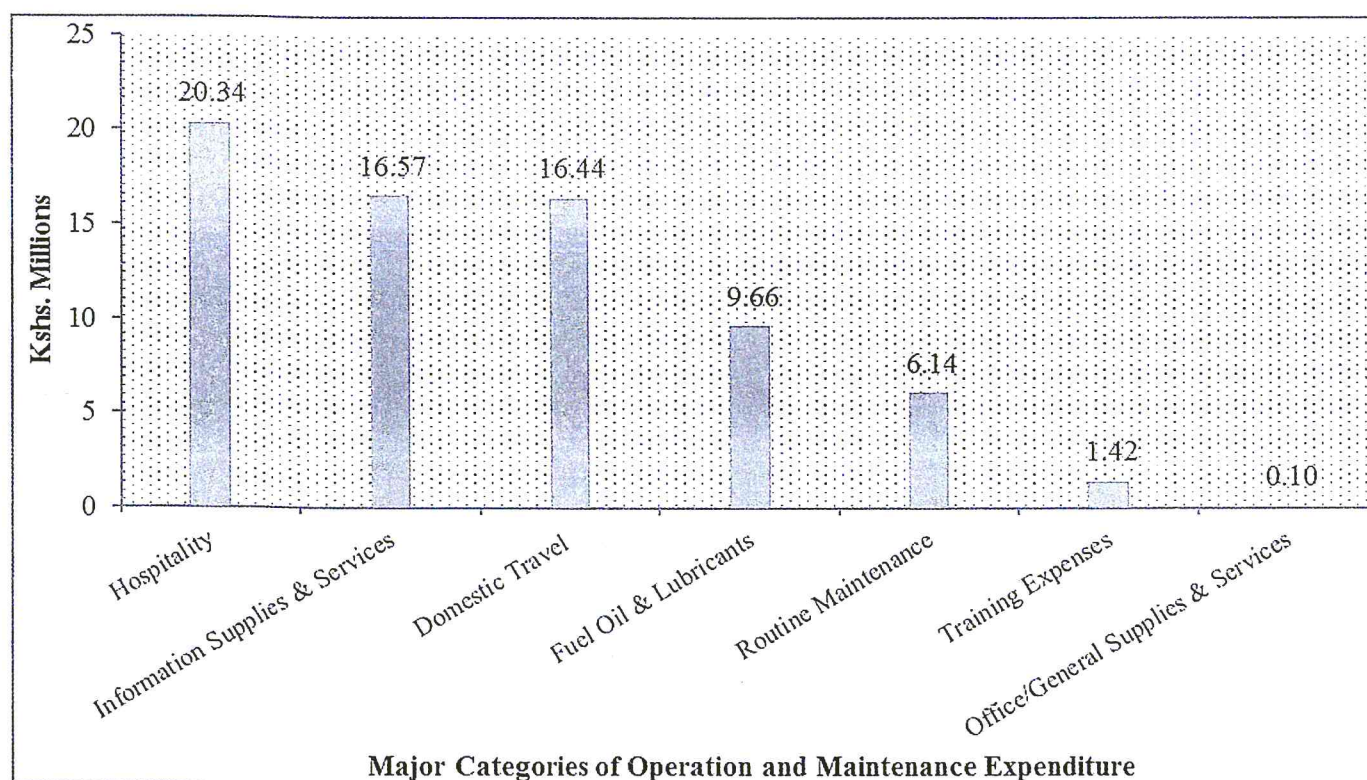
3.30.6 Expenditure on Personnel Expenditures

Expenditure on Compensation to Employees was Kshs.1.24 billion and represented 70.5 per cent of the total revenue of Kshs.1.76 billion in the first quarter of the financial year.

3.30.7 Analysis of Operations and Maintenance Expenditure

Figure 3-57 shows a summary of Operations and Maintenance expenditure by major categories.

Figure 3-57: Nairobi City County, Operations and Maintenance Expenditure by Major Categories



Source: Nairobi City County Treasury

The County spent Kshs.17.71 million on Committee Sitting Allowances for the 124 MCAs and Speaker against the annual budget allocation of Kshs.109.12 million. The average monthly sitting allowance was Kshs.47,614 per MCA against the SRC's recommended monthly ceiling of Kshs.124,800.

During the period, expenditure on domestic travel amounted to Kshs.16.44 million spent by the County Executive.

3.30.8 Budget Performance by Department

Table 3.122 shows a summary of the approved budget allocation and performance by Department in the first quarter of FY 2020/21.

Table 3.122: Nairobi City County, Budget Performance by Department for the First Quarter of FY 2020/21

Department	Budget Allocation (Kshs. Million)		Exchequer Issues (Kshs. Million)		Expenditure (Kshs. Million)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Public Service Board	68.49	5	4.79	-	4.79	-	100	-	7	-
Office Of Governor & Deputy Governor	4,974.47	145	449.72	-	449.72	-	100	-	9	-
ICT, E-Govt & Public Communications	208.34	270	9.52	-	9.52	-	100	-	4.6	-
Finance & Economic Planning	4,945.32	-	84.78	-	84.78	-	100	-	1.7	-
Health	6,468.48	748	300.67	-	300.7	-	100	-	4.6	-
Urban Planning and Lands	419.84	20	20.50	-	20.50	-	100	-	4.9	-
Public Works ,Transport & Infrastructure	1,146.88	2,890	46.89	-	46.89	-	100	-	4.1	-
Education, Youth Affairs, Sports, Culture & Social Services	1,389.64	100	115.35	-	115.35	-	100	-	8.3	-
Trade, Commerce, Tourism & Cooperatives	501.58	178	29.36	-	29.36	-	100	-	5.9	-
Public Service Management	999.09	-	22.01	-	22.01	-	100	-	2.2	-
Agriculture, Livestock Development, Fisheries & Forestry	297.96	20	14.03	-	14.03	-	100	-	4.7	-
County Assembly	1,480	500	120.72	-	120.72	-	100	-	8.2	-
Environment, Water, Energy & Natural Resources	1,633.77	150	24.31	-	24.31	-	100	-	1.5	-
Urban Renewal and Housing	139.77	50	6.23	-	6.23	-	100	-	4.5	-
Ward Development Programmes	30	1,304	-	-	-	-	-	-	-	-
Emergency Fund	100	-	-	-	-	-	-	-	-	-
Liquor Licensing Board	200	50	-	-	61.67	-	104.9	-	30.8	-
TOTAL	25,003.7	6,430	1,248.9	-	1,310.6	-	104.9	-	5.2	-

Source: Nairobi City County Treasury

Analysis of expenditure by department shows that the Department of Liquor Licensing Board had the highest percentage of recurrent expenditure to recurrent budget at 30.8 per cent while the Ward Development Programmes and Emergency Fund did not report any expenditure.

3.30.9 Budget Execution by Programmes and Sub-Programmes

Table 3.123 shows a summary of the budget execution by programmes and sub-programmes in first quarter of FY 2020/21.

Table 3.123 : Nairobi City County, Budget Execution by Programmes and Sub-programmes

Vote Code Title	Programme	Programme Code And Title	Budget Total (Kshs)	Total Payments (Kshs)	Total Variance (Kshs)	Absorption Rate (%)
	0701000 P1 General Administration Planning and Support Services	0701010 SP1.1 General Administration Planning and Support Services	73,487,609	4,793,180.35	68,694,429	7
		Total 5311000000 COUNTY PUBLIC SERVICE BOARD	73,487,609	4,793,180	68,694,429	
Office Of Governor & Deputy Governor	0718005310 General Administrative Services	0718015310 Sp1 General Administration & Support Services	436,197,498	36,714,517	399,482,982	8
		0718025310 Sp2 Sub County Administration	1,866,320,708	255,701,681	1,610,619,027	14
		0718075310 Sp7 County Executive	194,849,468	8,740,468	186,108,999	4
		0718095310 Sp9 Audit	91,633,731	7,598,444	84,035,287	8

Vote Code Title	Programme	Programme Code And Title	Budget Total (Kshs)	Total Payments (Kshs)	Total Variance (Kshs)	Absorption Rate (%)
	0724005310 P 24	0724055310 Inspectorate	1,848,328,213	107,172,816	1,741,155,397	6
	Security and Safety Management	0724015310 sp 24.1 investigative Services	68,403,974	3,775,178	64,628,796	6
	P; 0726005310:Disaster Management Coordination	072601510: Fire & Disaster Management	299,417,406	19,144,876	280,272,530	6
	0725005310 P 25 management of legal affairs	0725015310 sp 25.1 legal services	314,317,289	10,869,662	303,447,627	3
		Total 5312000000 OFFICE OF GOVERNOR & DEPUTY GOVERNOR	5,119,468,287	449,717,641	4,669,750,646	
ICT, E-Govt & Public Communications	0207000 P1: General Administration Planning and Support Services	0207010 SP 1: General Administration, Planning And Support Services	103,866,253	9,516,605	94,349,648	9
		0208010 SP 2.1: News And Information Services	71,504,300	-	71,504,300	-
	0208000 P2: Information And Communication Services	0208030 SP 2.3: ICT and Media Regulatory Services	8,901,300	-	8,901,300	-
		0208040 SP 2.4 E-Government Services	222,277,100	-	222,277,100	-
	0210005310 ICT Infrastructure Development	0210010 SP1: ICT Infrastructure Connectivity	66,347,600	-	66,347,600	-
		0210035310 sp 3:Information Security	5,447,600	-	5,447,600	-
		Total 5313000000 ICT, E-GOVT & PUBLIC COMMUNICATIONS	478,344,153	9,516,605	468,827,548	
Finance & Economic Planning		0701015310 Assets Management Services	275,415,800	-	275,415,800	-
		0701065310 sp1.6 Accounting Services	539,891,600	-	539,891,600	-
		0701075310 sp1.7 Budget Formulation Coordination and mgt	152,230,100	-	152,230,100	-
	0701005310 Public Financial Management	0701085310 sp1.8 Resource Mobilisation	232,716,200	-	232,716,200	-
		070115310 Debt Management Services	2,511,693,300	-	2,511,693,300	-
		0718085310 Sp8 Supply Chain Management	112,383,572	11,364,846	101,018,726	10
		5314001101 County Budget & Economic Forum		-	-	
	0718005310 General Administrative Services	0718015310 Sp1 General Administration & Support Services	1,016,229,103	73,415,336	942,813,767	7
		5314001001 KDSP		-	-	
	0719000 P3: Economic and Financial Policy Formulation and Management	0719010 SP 3.1 Fiscal Policy Formulation, Development and Management	104,763,900	-	104,763,900	-
		Total 5314000000 FINANCE & ECONOMIC PLANNING	4,945,323,575	84,780,182	4,860,543,393	

Vote Code Title	Programme	Programme Code And Title	Budget Total (Kshs)	Total Payments (Kshs)	Total Variance (Kshs)	Absorption Rate (%)
Health	0401000 P.1 Preventive & Promotive Health Services	0401115310 HIV/AIDS Prevention & Control Unit	1,857,000	-	1,857,000	-
		0401125310 TB Control	919,900	-	919,900	-
		0401135310 Malaria Control & Other Communicable Diseases	585,200	-	585,200	-
		0401145310 Reproductive Health & Maternal Health (RMNCAH)	224,522,700	-	224,522,700	-
		0401155310 Environmental / Public Health	44,940,700	-	44,940,700	-
	0402005310 Curative care		557,745,091	-	557,745,091	-
		0402065310 sp.2.6 County Referral Hospitals		-	-	-
				-	-	-
				-	-	-
		0402075310 sp.2.7 Health Centres & dispensaries	283,611,700	-	283,611,700	-
	0404005310 General administration, planning and support services	0404015310 Sp4.1 Administration/Human Resource for Health	5,420,867,301	300,670,827	5,120,196,474	6
		0404025310 Sp4.2 Health Policy, Planning & Financing	42,266,400	-	42,266,400	-
		0404035310 sp 4.3 Health Commodities	600,000,000	-	600,000,000	-
		0404045310 sp 4.4 Research, Quality assurance & standards unit	18,411,500	-	18,411,500	-
		0404055310 sp 4.5 Coroner services unit	20,751,600	-	20,751,600	-
		Total 5315000000 HEALTH	7,216,479,092	300,670,827	6,915,808,265	
Urban Planning And Lands	0106000 P 6 General Administration Planning and Support Services	0106010 SP.6.1 Administration, Planning & Support Services	224,502,262	12,811,656	211,690,605	6
	0114005310 P.8:Urban planning	0114015310 sp 8.1 Urban planning	23,310,400	-	23,310,400	-
	0114025310 P.8:Urban Planning, compliance & enforcement	0114025310 sp 8.2 Enforcement and compliance	16,843,500	-	16,843,500	-
	0115005310 P.9:Land management	0115015310 sp 9.1 valuation services	19,662,400	-	19,662,400	-
		0115025310 sp 9.2 land survey	150,616,395	7,687,441	142,928,953.36	5
		0115035310 sp 9.3 Administrative services	4,906,100	-	4,906,100	-
		Total 5316000000 URBAN PLANNING AND LANDS	439,841,057	20,499,098	419,341,959	
Public Works ,Transport & Infrastructure	0207000 P1: General Administration Planning and Support Services	0207010 SP 1: General Administration, Planning And Support Services	1,108,973,228	46,892,582	1,062,080,645	4
	0 2 1 1 0 0 5 3 1 0	0211015310 sp 5.1 Construction Roads & Drainages & Maintenance	2,660,851,866	-	2,660,851,866	-
	P5:Roads,Drainage & Bridges			-	-	-

Vote Code Title	Programme	Programme Code And Title	Budget Total (Kshs)	Total Payments (Kshs)	Total Variance (Kshs)	Absorption Rate (%)
	0212005310 P6:Road Safety Interventions	0212015310 sp 6.1 Transport Facilities & Traffic Management	104,878,433	-	104,878,433	-
		0213015310 sp 7.1 Public street lighting Installations & Maintenances	154,200,000	-	154,200,000	-
	0213005310 P7: Institutional Buildings & Maintenance	0213025310 sp 7.2 Motor Vehicle, Machinery & Plant Maintenance	4,080,100	-	4,080,100	-
		0213035310 sp 7.3 Institutional Buildings Maintenance	3,900,000	-	3,900,000	-
		Total 5317000000 PUBLIC WORKS ,TRANSPORT & INFRASTRUCTURE	4,036,883,628	46,892,582	3,989,991,046	
Education, Youth Affairs, Sports, Culture & Social Services	0508005310 General administration, planning and support services	0508025310 sp 8.2 General Administration & Support Services	1,112,406,603	95,253,816	1,017,152,787	9
		0509015310 sp 9.1 Quality Assurance and Co-curriculum	597,000	-	597,000	-
	0509005310 P9 Education services	0509025310 sp 9.2 Early Childhood Development Centres	28,206,000	-	28,206,000	-
		0509035310 sp 9.3 Technical and Vocational Training	31,853,300	-	31,853,300	-
		0902015310 General Administration & Support Services	181,613,869	20,096,749	161,517,120	11
		0902025310 Sp.2.2 Gender and Community Empowerment	8,335,700	-	8,335,700	-
		0902035310 Sp.2.3 Development and promotion of culture/ heritage	9,591,300	-	9,591,300	-
		0902045310 Sp.2.4 Development and promotion of sports	67,326,600	-	67,326,600	-
	0902005310 2.1 Social Services	0902055310 Sp.2.5 Youth Empowerment and Promotion	13,982,000	-	13,982,000	-
		0902065310 Sp 2.6 Social welfare and care for the Aged	14,331,000	-	14,331,000	-
		0902075310 Sp 2.7 Promotion of Library and Information Services	2,347,600	-	2,347,600	-
		0902085310 Sp.2 8 Rescue and Rehabilitation of Children Services	19,051,000	-	19,051,000	-
		Total 5318000000 EDUCATION, YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	1,489,641,972	115,350,565	1,374,291,407	

Vote Code Title	Programme	Programme Code And Title	Budget Total (Kshs)	Total Payments (Kshs)	Total Variance (Kshs)	Absorption Rate (%)
Trade, Commerce, Tourism & Cooperatives	0301000 P.1 General Administration Planning and Support Services	0301010 SP1 General Administration Planning and Support Services	417,022,568	29,361,498	387,661,070	7
	0310005310 P.10 Co-operative Development and Audit Services	0310015310 sp 10.1 Co-operative Development Services	12,016,200	-	12,016,200	-
		0310025310 sp 10.2 Co-operative Audit Services	3,977,000	-	3,977,000	-
	0311005310 P.11 Tourism Promotion and Marketing	0311015310 sp 11.1 Tourism Development	13,427,500	-	13,427,500	-
	0312005310 P.12 Trade development and Market Services	0312015310 sp 12.1 Trade Development	97,779,500	-	97,779,500	-
		0312025310 sp 12.2 Market Services	85,887,300	-	85,887,300	-
	0313005310 P.13 Licensing and Fair Trade Practices	0313015310 sp 13.1 Liquor Licensing & Regulation	-	-	-	-
		0313025310 sp 13.2 Weights & Measures Services	31,004,100	-	31,004,100	-
		0313035310 sp 13.3 Trade Licensing Services	10,740,200	-	10,740,200	-
		0313045310 sp 13.4 Betting & Gaming Services	7,726,000	-	7,726,000	-
		Total 5319000000 TRADE, COMMERCE, TOURISM & COOPERATIVES	679,580,368	29,361,498	650,218,870.24	
Public Service Management	0701000 P1 General Administration Planning and Support Services	0701010 SP1.1 General Administration Planning and Support Services	280,986,060	22,010,665	258,975,395	8
	0710000 P 5: Public Service Transformation	0710010 S.P.5.1 Human Resource Management	657,920,000	-	657,920,000	-
		0710020 S.P.5.2 Human Resource Development	45,850,300	-	45,850,300	-
	0723005310 P 23 Performance Management and Public Service Delivery	0723015310 sp 23.1 Performance Contracting management	5,083,900	-	5,083,900	-
		0723025310 sp 23.2 Governance Monitoring and Evaluation	4,867,900	-	4,867,900	-
		0723035310 sp 23.3 Quality Management Systems and ISO certification	4,385,700	-	4,385,700	-
		Total 5320000000 PUBLIC SERVICE MANAGEMENT	999,093,860	22,010,665	977,083,195	
Agriculture, Livestock Development, Fisheries & Forestry	0106000 P 6 General Administration Planning and Support Services	0106010 SP.6.1 Administration, Planning & Support Services	226,852,254	14,027,448	212,824,806	6

Vote Code Title	Programme	Programme Code And Title	Budget Total (Kshs)	Total Payments (Kshs)	Total Variance (Kshs)	Absorption Rate (%)
	P;0119005310:Urban Agriculture Promotion & Regulation	019015310: Crop Development and Management	42,302,300	-	42,302,300	-
		0119025310: Fisheries Development and management	5,983,900	-	5,983,900	-
		0119035310: Livestock Resources management and development	9,374,200	-	9,374,200	-
	0116005310 P.10:Animal Health, Safety and Quality Assurance	0116015310 sp 10.1 Animal Research, Diseases, Pest Control & Quality Assurance	18,173,200	-	18,173,200	-
	0117005310 P.11:Afforestation	0117015310 sp 11.1 Forestry Services	7,946,600	-	7,946,600	-
	0118015310 Food Systems and Surveillance	0118015310 sp18:1 Food Systems and Surveillance Services	7,330,400	-	7,330,400	-
	5321000801 Agricultural Development Support Project	5321000801 Agricultural Development Support Project		-	-	-
		Total 5321000000 AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	317,962,854	14,027,448	303,935,406	
Environment, Water, Energy & Natural Resources	1001005310 P1 General Administration & Support Services	1001015310 Sp1 General Administration & Support Services	548,124,922	24,309,150	523,815,771	4
	1002005310 P2 Environment Management and Protection.	1002035310 sp 2.3 Solid waste management	1,103,442,000	-	1,103,442,000	-
		1002045310 sp 2.4 Beautification, Recreation and Greening Services	7,153,400	-	7,153,400	-
		1002055310 sp 2.5 Environment planning Management Services	8,145,900	-	8,145,900	-
	1004005310 P4 Water Resources Management	1004055310 sp 4.5 Energy & Natural resources	116,905,100	-	116,905,100	-
		Total 5323000000 ENVIRONMENT, WATER, ENERGY & NATURAL RESOURCES	1,783,771,322	24,309,150	1,759,462,171	
5324000000 Urban Renewal And Housing	0102000 P.2 Housing Development and Human Settlement	0102045310 SP4 Urban Renewal	39,854,300	-	39,854,300	-
		0102055310 SP5 Management of Rental Housing	18,551,100	-	18,551,100	-
	0106000 P 6 General Administration Planning and Support Services	0106010 SP.6.1 Administration, Planning & Support Services	119,592,718	6,225,075	113,367,643	5
	0113005310 P.7: Building Services	0113015310 sp 7.1 Building services research and information	11,769,300	-	11,769,300	-
		Total 5324000000 URBAN RENEWAL AND HOUSING	189,767,418	6,225,075	183,542,343	

Vote Code Title	Programme	Programme Code And Title	Budget Total (Kshs)	Total Payments (Kshs)	Total Variance (Kshs)	Absorption Rate (%)
Ward Development Programmes	0214005310 P8:Ward Development	0214015310 sp 8.1 Ward Development & Administration	1,334,000,000	-	1,334,000,000	-
		Total 5325000000 WARD DEVELOPMENT FUND	1,334,000,000	-	1,334,000,000	
Emergency Fund	0718005310 General Administrative Services	0718015310 Sp1 General Administration & Support Services	100,000,000	-	100,000,000	-
		5326000000 EMERGENCY FUND	100,000,000		100,000,000	
Liquor Licensing Board	0313015310 sp 13.1 Liquor Licensing & Regulation	0313015310 sp 13.1 Liquor Licensing & Regulation	250,000,000	61,668,686	188,331,314	25
		Total 5327000000 LIQUOR LICENSING BOARD	250,000,000	61,668,686	188,331,314	
County Assembly	07220001 Legislation, Oversight and Representation	07220001 Legislation, Oversight and Representation	1,980,000,000	120,723,695	1,859,276,305	12
		Total COUNTY ASSEMBLY	1,980,000,000	120,723,695	1,859,276,305	
		Total Voted Expenditure.... Kshs.	31,433,645,196	1,310,546,897	30,123,098,299	4.2

Source: Nairobi City County Treasury

The programs with the highest absorption rates were Liquor Licensing & Regulation at 25 per cent, followed by General Administrative Services of the County Executive at 14 per cent, Legislation, Oversight and Representation at 12 per cent, and Public Financial Management at 10 per cent of budget allocation.

3.30.10 Key Observations and Recommendations

In the course of overseeing and reporting on implementation of the County budget, the OCOB identified the following challenges which hampered effective implementation;

1. Under performance in own source revenue collection at Kshs.1.54 billion which represented 10.7 per cent of the county's annual target of Kshs.14.40 billion.
2. Late submission of financial reports by the County Treasury to the Controller of Budget, which affected timely preparation of budget implementation report.
3. Delay in approval of budget. The County was running on Vote on Account in the reporting period which affected implementation of the development programmes.
4. In the Draft Budget Estimates for FY 2020/21, the County had allocated 20.5 per cent to development budget which contravened the provision of Section 107 of the PFM, Act 2012 which requires a minimum allocation of 30 per cent be allocated for development activities.

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

1. The County should devise and implement strategies to mobilise own-source revenue to ensure the approved budget is fully financed.
2. The County Treasury should ensure timely preparation and submission of financial reports in line with Section 166 of PFM Act, 2012.
3. The County should fast-track approval of the FY 2020/21 budget in order to execute development programmes. The County leadership should engage the Intergovernmental Relations Technical Committee (IGRTC) for capacity building and to resolve the disagreements which caused delays in the budget approval process.
4. The County should ensure allocation towards development expenditure is in line with the law.

3.31 County Government of Nakuru

3.31.1 Overview of FY 2020/21 Budget

The County's approved budget for FY 2020/21 is Kshs.20.0 billion, comprising of Kshs.9.52 billion (47.6 per cent) and Kshs.10.48 billion (52.4 per cent) allocations for Development and Recurrent programmes respectively.

To finance the budget, the county expects to receive Kshs.9.75 billion (48.7 per cent) being equitable share of revenue raised nationally, Kshs.1.23 billion (6.1 per cent) as total conditional grants, generate Kshs.1.8 billion (9 per cent) from own sources of revenue, Kshs.1.4 billion as Appropriations In Aid (A-I-A), and had a cash balance of Kshs.5.62 billion (28.1 per cent) from FY 2019/20. The County also had retained A-I-A balances of Kshs.202.94 million from FY 2019/20.

3.31.2 Revenue Performance

During the first quarter of FY2020/21, the County raised Kshs.294.23 million as own-source revenue and generated Kshs.294.27 million from A-I-A. The County cumulatively had a total of Kshs.5.83 billion cash balances from FY 2019/20. The total funds available for budget implementation during the period amounted to Kshs.6.42 billion as shown in Table 3.124.

Table 3.124: Nakuru County, Revenue Performance in the First Quarter of FY 2020/21

S/No	Revenue	Annual CARA, 2020 Allocation (in Kshs)	Annual Budget Allocation (in Kshs)	Actual receipts (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A.	Equitable Share of Revenue Raised nationally	10,476,150,000	9,748,200,000	-	-
B.	Conditional Grants from the National Government Revenue				
1.	Conditional Grants to Level-5 Hospitals	373,872,832	373,872,832	-	-
2	Compensation for User Fee Foregone	38,723,265	38,723,265	-	-
3	Leasing of Medical Equipment	132,021,277	132,021,277	-	-
4	Road Maintenance Fuel Levy Fund	290,544,581	290,544,581	-	-
5	Rehabilitation of Village Polytechnics	66,289,894	66,289,894	-	-
	Sub Total	901,451,849	901,451,849	-	-
C	Loans and Grants from Development Partners				
1.	Transforming Health systems for Universal care Project (WB)	40,080,000	40,080,000	-	-
2.	IDA (WB) Credit (National Agricultural and Rural Inclusive Growth Project NAGRIP)	198,441,600	198,441,600	-	-
3	IDA (WB) Credit: Kenya Devolution Support Project (KDSP) Level I Grant	45,000,000	45,000,000	-	-
4	DANIDA Grant	29,790,000	29,790,000	-	-
5	Sweden - Agricultural Sector Development Support Programme (ASDSP) II	14,171,667	14,171,667	-	-
	Sub Total	327,483,267	327,483,267	-	-
D	Other Sources of Revenue				
1.	Own Source Revenue	-	1,800,000,000	294,226,809	16.3
2.	Balance b/f from FY 2019/20	-	5,624,403,839	5,624,403,839	100.0
3.	Other Revenues (A-I-A Balance)	-	202,942,308	202,942,308	100.0
4.	A-I-A	-	1,400,000,000	294,272,034	21.0
	Sub Total	-	9,027,346,147	6,415,844,990	71.1
	Sub Total	11,705,085,116	20,004,481,263	6,415,844,990	32.1

Source: Nakuru County Treasury

Programme	Sub- Programme	Approved Budget (Kshs)	Actual Payments (Kshs)	Variance (Kshs.)	Absorption Rate (%)
	SP 1-(General Administration, Planning and Support Services)	467,120,946	64,473,734	402,647,212	13.8
	SP 2 -(Legislation and Representation)	160,379,054	6,760,000	153,619,054	4.2
	SP 3-(Staff Affairs and development)	46,800,000	-	46,800,000	-
	Sub total	674,300,000	71,233,734	603,066,266	-
Grand Total		6,075,359,950	878,077,803	5,174,782,147	14.5

Source: West Pokot County Treasury

The programs with the highest absorption rates were: Preventive Health Services at 47.2 per cent, followed by Kacheliba Sub County Hospital, Sigor Sub County Hospital, and Chepareria Sub County Hospital At 44.7 per cent respectively.

3.47.11 Key Observations and Recommendations

In the course of overseeing and reporting on implementation of the County budget, the OCOB identified the following challenges which hampered effective implementation;

1. Low absorption of development funds where the County spent Kshs.40 million out of the annual development budget of Kshs.1.92 billion in the first quarter of FY 2020/21. The development expenditure represented 2.1 per cent of the annual development.
2. Under performance in own source revenue collection at Kshs.21.65 million against annual projection of Kshs.168.35 million. The realised own source revenue represented 12.9 per cent of annual target.

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

1. The County should identify and address issues causing delays in the implementation of development projects.
2. The County should devise and implement strategies to mobilise own-source revenue to ensure the approved budget is fully financed.

4.0 Introduction

This section highlights the cross-cutting issues that affected budget implementation in the first quarter of FY 2020/21. It also contains appropriate recommendations aimed at addressing the challenges in order to enhance effective budget execution. The cross-cutting challenges included:

4.1 Under-performance in Own Source Revenue Collection

Article 209 (3) of the Constitution allows County Governments to impose property rates, entertainment taxes and any other tax that a county is authorised to impose by an Act of Parliament.

In the reporting period, the County Governments generated a total of Kshs.5.85 billion, which was 11 per cent of the annual target of Kshs.53.02 billion. This was a decrease compared to Kshs.7.71 billion generated in a similar period of FY 2018/19.

We recommend that counties should develop and implement strategies to enhance own- source revenue collection in order to ensure the budget is fully financed. Further, counties are urged to monitor the performance of own source revenue mobilisation with a view of making budget adjustments during the supplementary budget process.

4.2 Delay in Disbursement of the Equitable Share of Revenue

During the reporting period, the National Treasury was unable to disburse the equitable share of revenue raised nationally to the counties due to a prolonged impasse in the approval of the Third Revenue Allocation Formula by the Senate occasioning delay in the approval of the County Allocation of Revenue Bill (CARB), 2020 which was assented to on 8th October, 2020. Consequently, counties could not receive the FY 2020/21 equitable share of revenue raised nationally during the first quarter of FY 2020/21 thereby negatively affecting budget implementation.

We recommend that the Commission on Revenue Allocation, the National Treasury, and Parliament should devise and implement strategies to ensure the yearly County Allocation of Revenue Bill is approved within the legal timelines. Further, there is need to develop legislation to facilitate flow of funds to counties in case of delay in the approval of County Allocation of Revenue Bill.

4.3 Low Expenditures on the Development Budget

Section 107(2) (b) of the Public Finance Management (PFM) Act, 2012 provides that over the medium term, a minimum of thirty per cent of the County Governments budget shall be spent on development programmes.

During the reporting period, County Governments incurred a total of Kshs.2.3 billion representing an absorption rate of 1.4 per cent of the County Governments' cumulative annual development expenditure budget of Kshs.159.33 billion. This performance was a decline from Kshs.1.94 billion reported in a similar period of FY 2019/20.

We recommend that counties prioritize implementation of development projects in order to improve the standard of living for their citizens. Further, county governments should put measures in place to ensure that expenditure on development activities meets the minimum set ceiling of 30 per cent of their budgets.

4.4 Delays in the Submission of Financial Reports to the Controller of Budget

County Governments are required to prepare and submit financial reports in line with Section 166 (4) and Section 168 (3) of the PFM Act, 2012 not later than one month after the end of each quarter.

In the reporting period, we noted delays in submission of quarterly financial and non-financial reports by County Treasuries, while others submitted incomplete reports, which led to late preparation of this County Budget Implementation Review Report. Quarterly financial reports should be prepared in compliance with the reporting templates prescribed by the Public Sector Accounting Standards Board and those provided by the Controller of Budget in line with the COB Act, 2016.

We recommend that County Treasuries ensure timely preparation and submission of financial reports in line with the Law. Further, County Treasuries should build capacity in the area of reporting on budget implementation to improve quality of reports.

4.5 Delay in the Approval of Budget Documents by County Governments

The PFM Act, 2012 presupposes that there shall be an Approved Budget and Appropriation Act by 30th June of each financial year. The law further provides that in case of delays in enacting the County Appropriation Bill, the County Assembly may approve a Vote on Account which authorises the withdrawal of money from the County Revenue Fund for the purpose of meeting expenditure necessary to carry on the services of the County during the financial year until such a time when the relevant appropriation law is passed.

We noted prolonged delay in approval of the FY 2020/21 Budget Estimates of the County Governments of Mandera, Uasin Gishu, Tana River, Kirinyaga, Nakuru, Wajir, and Kitui. These delays affected release of funds for carrying out key services.

The stalemate in the approval of budgets was mainly due to frosty relationships between the County Executive and the County Assembly. This was also attributed to capacity challenges in the understanding of the roles of the two arms of government in the budget making process.

We recommend that the Ministry of Devolution, and Semi-Arid Lands through the Intergovernmental Relations Technical Committee should come up with strategies to address the relationship issues between the County Executives and Assemblies and for continuous capacity building of County Governments on the role of the two arms of county government on the budget process.

4.6 Weak Budgetary Control by County Treasuries and Non-Adherence with End-of-year Closing Procedures

The County Treasury is required to ensure that provisions of the Public Finance management (PFM) Act, 2012 on year end closing procedures are strictly complied with. In particular, Section 104 (n) of the PFM Act, 2012 allows the County Treasury to issue Circulars on financial matters, which include year- end closing procedures.

The OCOB noted instances where Counties incurred expenditure above approved exchequer issues during the period under review. This was occasioned by failure to clear outstanding payments in the Internet Banking platform as of 30th June, 2020, non-adherence with the requirement to refund unspent funds to the CRF at the close of the financial year as required by Section 136(2) of the PFM Act, 2012, and use of revenue collected at source contrary to Article 207 of the Constitution.

We recommend that County Treasuries should enhance vote book and budgetary controls to ensure that expenditure is within the approved budget and approved exchequer issues. County entities should ensure all own source revenue collections are banked intact into the CRF in line with the law. Further, strict adherence to end-of-year closing procedures should be enforced by both the County Treasuries and the National Treasury.

5 CONCLUSION

This report sought to provide information on the progress made in budget implementation during the first quarter of the FY 2020/21 by the County Governments and is prepared in fulfilment of Article 228(6) of the Constitution of Kenya 2010, and Section 9 of the Controller of Budget Act, 2016.

The aggregate budget estimate for the 47 County governments in FY 2020/21 was Kshs.436.15 billion and comprised of Kshs.276.82 billion (63.5 per cent) allocation for recurrent expenditure and Kshs.159.33 billion (36.5 per cent) for development expenditure. The development expenditure allocation conforms to Section 107 (2(b)) of the PFM Act, 2012, which requires that at least 30 per cent of budget must be allocated for development programs. The cumulative approved budget estimates, however, exclude Kitui, Mandera and Wajir Counties which did not have an Approved Budget a Vote on Account as of 30th September, 2020.

The total funds available to the County Governments during the reporting period amounted to Kshs.69.84 billion and consisted of Kshs.26.22 billion balance from the FY 2019/20 equitable share of revenue raised nationally which was disbursed in August, 2020, Kshs.37.77 billion cash balance from FY 2019/20, and Kshs.5.85 billion raised from own sources. The National Treasury did not disburse any equitable share of revenue for the FY 2020/21 due to delay in approval of the County Allocation of Revenue Bill, 2020 by Parliament. The bill was assented to on 8th October, 2020.

During the first quarter of FY 2020/21, County Governments spent a total of Kshs.38.17 billion which translates to an overall absorption of 8.8 per cent of the total annual County Governments' Budgets. This was a decrease from an absorption rate of 10.1 per cent reported attained in a similar period of FY 2019/20 where total expenditure was Kshs.46.08 billion. A total of Kshs.35.87 billion was spent on recurrent expenditure and Kshs.2.3 billion on development activities. Development expenditure translated to an absorption rate of 1.4 per cent while recurrent expenditure was 13 per cent of the annual budget for recurrent expenditure.

This report has identified challenges which hampered effective budget execution. These include; under-performance in own source revenue collection, low expenditure on the development budget, late submission of financial reports to the Controller of Budget, weak budgetary control by county treasuries and non-adherence to end-of-year closing procedures, delay in disbursement of equitable share, and delays in the approval of key budget documents by County Governments. The report contains appropriate recommendations on how to address the identified challenges in order to enhance smooth execution of the budget in the future.

The Controller is of budget committed to ensuring prudent and effective use of public resources by County Governments. To this end, we will continue to provide regular reports on budget implementation as required by law, with the aim of promoting openness and accountability in budget execution.