



GOVERNMENT OF NAIROBI CITY COUNTY



*Paper laid by the
Hon. Chairperson
Budget and Appropriations
Committee on 22nd June 2022
at 3:30 pm
H. Olen
22/06/22*

THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

SECOND ASSEMBLY
(SIXTH SESSION)

NCCA/TJ/PL/2022(22)

22nd June 2022

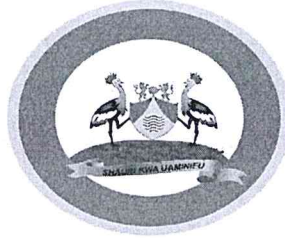
PAPER LAID

Pursuant to Standing Order 191(6), I beg to lay the following Paper on the Table of the Assembly, today Wednesday 22nd June, 2022:

- **THE 40TH REPORT OF SELECT COMMITTEE COUNTY FINANCE, BUDGET AND APPROPRIATIONS ON SUPPLEMENTARY ESTIMATES II FOR THE NAIROBI COUNTY GOVERNMENT, NAIROBI METROPOLITAN SERVICE AND COUNTY ASSEMBLY SERVICE BOARD 2022/2023.**

(Chairperson, Select Committee on County Finance, Budget and Appropriations)

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



*Notice issued by the
Chairperson, Budget and
Appropriations Committee
on 22/06/2022.*
[Signature]

THE NAIROBI CITY COUNTY ASSEMBLY

SECOND ASSEMBLY
(SIXTH SESSION)

22nd June 2022

NOTICE OF MOTION

Subject: Adoption of a report of a Select Committee

Hon. Speaker, I beg to give notice of the following motion:-

THAT, this Assembly adopts **THE 40TH REPORT OF SELECT COMMITTEE COUNTY FINANCE, BUDGET AND APPROPRIATIONS ON SUPPLEMENTARY ESTIMATES II FOR THE NAIROBI COUNTY GOVERNMENT, NAIROBI METROPOLITAN SERVICE AND COUNTY ASSEMBLY SERVICE BOARD 2022/2023**, laid on the Table of the Assembly on Wednesday, 22nd June, 2022.

(Chairperson, Select Committee on County Finance, Budget and Appropriations)

COUNTY GOVERNMENT OF NAIROBI CITY



Nashia J. Mbatia
Issued by the champion
on 22nd June 2022
at 3:30pm.
[Signature]
22/06/22

NAIROBI CITY COUNTY ASSEMBLY

SECOND ASSEMBLY – SIXTH SESSION

40TH REPORT OF THE SELECT COMMITTEE ON COUNTY FINANCE, BUDGET AND
APPROPRIATIONS

ON

THE SUPPLEMENTARY ESTIMATES (II) FOR THE FY 2021-22 FOR THE NAIROBI CITY
COUNTY GOVERNMENT, NAIROBI METROPOLITAN SERVICES AND COUNTY
ASSEMBLY

JUNE 2022

I. PREAMBLE

1.1. Background

Mr. Speaker Sir, the building blocks to a good budget process are like revolving doors being hinged around an effective plan which stands the test of time and ensures that the priorities contained therein are implemented to the letter without any alterations by the end of the financial year. The real measure of the level of robustness and realism of the planning stage is the extinction of any supplementary estimates throughout the financial year. That as it may, Governments are matured in unpredictable ecosystems where many factors cannot be forecasted with the accuracy of the Jewish prophets hence the reason why the provisions of Section 135 of the Public Finance Management (PFM) Act 2012 come to fruition. It is based on the quoted provisions of law that these second supplementary estimates were submitted to the County Assembly for consideration and approval.

Mr. Speaker Sir, these Supplementary Revenue and Expenditure Estimates for the FY 2021-22 were submitted to the County Assembly at a time the House had adjourned sine die necessitating a call for a special sitting for their consideration. The estimates were therefore tabled on 22nd June 2022 pursuant to the provisions of Section 135 of PFM Act, 2012, the Public Finance Management (County Government) Regulations 2015 and Standing Order 228.

Having been laid the estimates were committed and considered by the Nairobi City County Assembly Finance, Budget & Appropriations Committee 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 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 direct budget outlay

Mr. Speaker Sir, the consideration of these estimates was stewarded by the County Assembly Finance, Budget & Appropriations Committee which consists of the following 24 Members:

1. Hon. Robert Mbatia, MCA - Chairperson
2. Hon. Patrick Karani, MCA– Vice Chairperson
3. Hon. Michael Ogada, MCA
4. Hon. J.M Komu, MCA
5. Hon. Emily Oduor, MCA
6. Hon. Fredrick Okeyo, MCA
7. Hon. James Kariuki, MCA
8. Hon. Catherine Okoth, MCA
9. Hon. Osman Adow, MCA
10. Hon. Wanjiru Kariuki, MCA
11. Hon. Susan Makungu, MCA
12. Hon. Nimo Haji, MCA
13. Hon. Paul Ndungu, MCA
14. Hon. Daniel Ngengi, MCA
15. Hon. Anthony Ngaruiya, MCA
16. Hon. Nancy Muthami, MCA
17. Hon. Herman Azangu, MCA
18. Hon. Cecelia Ayot, MCA
19. Hon. David Mberia, MCA
20. Hon. David Okello, MCA
21. Hon. Kennedy Oyugi, MCA
22. Hon. Emapet Kemunto, MCA
23. Hon. Elizabeth Nyambura, MCA
24. Hon. Jacinta Wanjiru, MCA

1.2. Examination of the Supplementary Estimates (II) for the FY 2021-22

In endeavoring to have a participatory process to ensure that the consideration of these Supplementary Estimates II take into account all the concerns and priorities raised by the stakeholders involved in the proposed adjustments, the Committee had a consultative meeting during which the Committee heard submissions from the County Executive Committee Member for Finance and the Clerk to the County Assembly where they were represented by their appointed officers on the justification for the proposed reallocations on the approved budget estimates.

1.3. Acknowledgment

Mr. Speaker Sir, the Committee sincerely thanks all Members of the County Assembly, the Office of the Speaker, Office of the Clerk and the County Assembly Budget Office for their great commitment, support and technical guidance in consideration and finalization on scrutinizing these revised estimates.

Most importantly, I wish to place considerable premium on the significant role played by the Members of the Finance, Budget and Appropriations Committee, Mr. Speaker Sir, for their inestimable, thoughtful and informative contributions geared towards concluding the consideration of these estimates, at such a time when political campaigns have taken a centre stage.

Mr. Speaker Sir, it is therefore great honour and utmost privilege on behalf of the Committee to table this report on the Second Supplementary Estimates for the FY 2021-22 and recommend it to the Assembly for adoption.

Signed.....

Date.....22-06-22.....

Hon. Robert Mbatia, MCA

Chairman: Finance, Budget and Appropriations Committee

II. SCRUTINY OF THE NAIROBI CITY COUNTY SUPPLEMENTARY ESTIMATES (II) FOR THE FY 2021-22

1. In the annual estimates for the FY 2021-22, **Mr. Speaker Sir**, the County Assembly had approved a total budget of Kshs. 39.6billion out of which Kshs. 26.6billion was meant for recurrent expenses while Kshs. 12.9billion was earmarked for development programmes. To cater for the various transferred functions emanating from signing of Deed of Transfer of functions, the Nairobi Metropolitan Services was allocated Kshs.20.1billion.
2. **Mr. Speaker Sir**, in order to provide basis for payment of pending bills and debt obligations the County Assembly approved Supplementary Estimates I in December 2021 which saw the overall county budget retained at Kshs. 39.6billion with NMS share also remaining untouched at Kshs. 20.1 billion being Kshs. 12.1 billion for recurrent expenditure and Ksh8.0billion for development initiatives for the transferred functions. There was however reallocation of funds which saw the County Assembly's development budget rationalized by over Ksh1.4billion to Kshs. 93million while that of the County Executive rose by Kshs. 200million from Kshs. 3.3billion to Kshs. 3.5billion. The supplementary budget also saw the recurrent expenditure of the County Executive reviewed upwards by Kshs. 1.2billion from Kshs. 12.8billion to Ksh14.0billion. Overall, the new recurrent and development ceilings were Kshs. 27.9billion and Kshs. 11.6 billion respectively. This revision represented a decrease of Kshs. 1.3billion of development budget and an equivalent increase of recurrent expenditure. The rationalization of development budget (from 32.5% to 29.3%) marginally offended the law by going against the minimum threshold of 30%.
3. **Mr. Speaker Sir**, arising from reasons as contained in this report, approval is once again sought for a second Supplementary Estimates which still has retained the county budget at Kshs. 39.6 billion. The recurrent expenditure is proposed at Kshs. 28.1billion whereas the development expenditure has been capped at Kshs. 11.5billion. The revision has resulted into rationalization of development budget by Kshs. 184.8million while at the

same time injecting a similar amount to recurrent expenditure. The development allocations to County Assembly and NMS have been scaled downwards by Kshs. 40million and Kshs. 1.1billion respectively with the County Executive remaining the hugest beneficiary of an additional allocation of Kshs. 981million for development initiatives.

4. In the approved budget and the First Supplementary Estimates, **Mr. Speaker Sir**, the County Government prioritized the payment of pending bills and the funding of transferred functions to ensure seamless offering of services to the locals by allocating sufficient resources for garbage collection and implementation of various programmes in Public Works Sector. The need to foster development in Wards saw substantial amounts allocated towards continuous rolling of development projects in Wards. The submitted Supplementary Estimates has seen the County budget being retained at Kshs. 39.6billion with the revenue figures balancing to the proposed expenditure areas.
5. **Mr. Speaker Sir**, the Finance, Budget and Appropriations Committee, as the gatekeepers of the tenets fiscal discipline in the County, has not wavered in reminding the County Assembly on the procedural matters that guide the development, consideration and approval and supplementary estimates. On the circumstances that would necessitate the preparation of supplementary estimates, there has been meeting of minds with consensus that supplementary budgets can only be brought forth to take care of matters that were unforeseen during the preparation of annual budget estimates and which must remain unavoidable during the time of preparing the supplementary budget. Further, the provisions of Section 135 (7) of the PFM Act as reinforced by the provisions of Regulation 39 of the PFM (County Government) Regulations 2015 are categorical that accounting officers cannot spend more than 10% for various programmes and votes of the approved budgets, with any over expenditure below 10% also requiring the express concurrence of the County Executive Committee Member responsible for Finance. The end game of the additional authorizations by the County Executive Committee Member for Finance

and the sectoral reallocations is the submission of the consolidated revised budget to the County Assembly for approval.

6. The golden thread that flows from the above provisions is that poor fiscal planning and discretionary spending is discouraged. **Mr. Speaker Sir**, to cement these guidelines and ensure that budget actors don't pussyfoot around their implementation, the law prohibits consideration of those expenditures which were well known at the time of consideration of annual estimates but could not be incorporated due to various reasons. From the foregoing it is evident that supplementary budgets can be used to request for new funds or to ratify funds that have already been spent within the legal parameters. The Committee wishes to confirm that the tabled supplementary estimates II for the FY 2021-22 have been prepared in line with the statutory requirements.
7. **Mr. Speaker Sir**, the rationale for submission of these second supplementary estimates is to align the conditional grants for Health and Roads Maintenance Levy (RML) to the donor requirements. Further, the estimates have been submitted as an avenue for updating the payroll figures for the various sectors to reflect reality. With regard to the RML for the two financial years 2019-2020 & 2020-2021 through the County Allocation of Revenue Acts, Nairobi County was allocated a total of Kshs. 927million as conditional grants, funds which were however not disbursed to the County due to late compliance with attendant disbursement conditions. The narrative provided indicates that the Nairobi Metropolitan Services (NMS) have been following up this matter with Kenya Roads Board and have since received a confirmation the funds are still available for disbursement subject to compliance with grant conditions and inclusion in an approved supplementary budget. The funds are proposed to be released and utilized under the Public Works & Transport Sector (Vote D5317) in conjunction with Transport Department of NMS. Further the estimates intend to put to use the Kshs. 154million that has remained idle in the Special Purpose Account due to the inability of the NMS to utilize the funds directly owing to the grant conditions.

8. **Mr. Speaker Sir**, on World Bank Health Funds (DANIDA), the estimates intend to reallocate and make usable the amount of Kshs. 144million that has remained unspent at the Health Special Purpose Account where NMS was unable to utilize the funds due to the donor conditions and therefore the funds have proposed for allocation and use under Health Sector (Vote R5315) in liaison with the Health Department at NMS. However, during the consideration of these estimates the Committee was informed that there was still lack of daylight clarity on whether the entire outstanding amount for RML is available for allocation. The Committee shall therefore be making recommendations to reflect this position.
9. **Mr. Speaker Sir**, it is worth noting that during the approval of the FY 2021-22 annual budget estimates the County Assembly resolved that all the conditional grants as contained in the Conditional Grants Bill 2021 be included in the budget under the respective sector/departments without increasing the ceilings for the respective sectors. However, a total of Kshs. 130million was included in the budget as part of the NMS allocations. The bill in its renamed form has now been assented to and therefore funds may be disbursed through the County Revenue Fund. The funds are meant to be transferred to the Special Purpose Account-Health and since NMS do not meet the set conditions it cannot utilize the cash balances unless the funds are reallocated from Vote 5328-Nairobi Metropolitan Services to Vote 5315-Health where the funds will be utilized in liaison with NMS-health Department.
10. The originally approved budget ceilings for the FY 2021-22, **Mr. Speaker Sir**, included an amount of Kshs. 600million as projected cash balances that was expected to be rolled over from the previous financial year. However, as at the close of the financial year only Kshs. 268,303 was swiped back to County Revenue Fund as unspent balances hence the need for adjustment and as a result the submitted budget for both the NMS and NCCG have been rationalized downwards. Moreover, the own source revenues have been adjusted downwards by Kshs. 927million the equivalent of the additional funds

expected from Kenya Roads Board. The submitted supplementary budget therefore majorly aims to provide a mechanism for meeting conditions on grants as well as provide mechanism of accessing the RML funds by inclusion in the estimates.

11. Mr. Speaker Sir, there is need for reallocations within sectors in order to ensure the County departments honors their obligations when they fall due. To achieve these the following budget line reallocations have been proposed;

- a) Setting aside Kshs. 4.5million for payment of Computers/ Accessories pending bills within ICT sector;
- b) Allocate an additional Kshs. 330million to the Emergency fund since it is overdrawn by the same amount;
- c) Allocate additional Kshs. 8.1million for clearing stationeries pending bills in ICT sector;
- d) Rationalize the development transfers within NMs by Kshs. 590million in order to;
 - Allocate Kshs. 150 million to Finance and Economic Planning department for settlement of KPLC bills;
 - Allocate Kshs. 125million to Education sector for executive bursaries;
 - Settle management fees/ commissions to KRA and NBK through Finance and Economic Planning department estimated at Kshs. 315million;
- e) Provision of Kshs. 31million capital grants to vocational training institutions being a vocational grant still in CRF

12.Mr. Speaker Sir, the Finance, Budget and Appropriations Committee has scrutinized the Supplementary Estimates and is satisfied that the proposed adjustments and reallocations will result into value addition to the citizens considering that conditional grants funds once released will impact on seamless operations, offering key services and infrastructural improvements across the county. In general, to make resources available for the

anticipated spending in this supplementary budget, reallocations have been done across various votes in line with the provisions of Section 135 and 154 of the PFM Act 2012.

III. RECOMMENDATIONS

13. Arising from the foregoing, the Committee therefore requests that this House approves the Second Supplementary Estimates for the FY 2021-22 to enable the spending of the funds before 30th June 2022 subject to the following: -

- That the resources available for RMLF be rationalized in line with the amounts available in the Special Purpose Account and that the amounts be utilized in the Public Works Sector.
- That the budgets rationalization in line with Sections 135 and 154 of the PFM Act, 2012 be approved.

Mr. Speaker Sir, in conclusion and pursuant to the provisions of Section 135 (2) and (4) of the Public Finance Management Act 2012 and Standing Order 228 the Select Committee on County Finance, Budget and Appropriations recommends that:

“This County Assembly adopts the Report of the Select Committee on County Finance, Budget and Appropriations on the Second Supplementary Budget Estimates for the Nairobi City County Government, Nairobi Metropolitan Services and County Assembly for the FY 2021-22”

SCHEDULE: Estimates showing the services for which a Vote on Account is required for the year ending 30th June, 2023

Vote No	Sector	Tabled Estimates for FY 2022-23			Vote on Account FY 2022-23		
		Gross Recurrent	Gross Development	Total	Gross Recurrent	Gross Development	Total
5311	County Public Service Board	146,128,800	45,000,000	191,128,800	73,064,400	0	73,064,400
5312	Office of the Governor	3,838,803,300	990,610,204	4,829,413,504	1,919,401,650	0	1,919,401,650
5313	ICT & E-Government	183,106,600	388,949,652	572,056,252	91,553,300	0	91,553,300
5314	Finance & Economic Planning	1,324,013,200	154,000,000	1,478,013,200	662,006,600	0	662,006,600
5315	Health	102,759,100	0	102,759,100	51,379,550	0	51,379,550
5316	Urban Planning and Lands	31,443,300	0	31,443,300	15,721,650	0	15,721,650
5317	Public Works and Transport	58,667,300	0	58,667,300	29,333,650	0	29,333,650
5318	Education	1,933,234,400	425,300,000	2,358,534,400	966,617,200	0	966,617,200
5319	Trade and Tourism	407,685,700	370,000,000	777,685,700	203,842,850	0	203,842,850
5320	Public Service Management	1,918,884,500	75,000,000	1,993,884,500	959,442,250	0	959,442,250
5321	Agriculture	285,698,000	97,000,000	382,698,000	142,849,000	0	142,849,000
5322	County Assembly	1,842,800,000	1,861,000,000	3,703,800,000	921,400,000	0	921,400,000
5323	Water and Environment	25,874,900	0	25,874,900	12,937,450	0	12,937,450
5324	Urban Renewal and Housing	0	0	0	-	0	-
5325	Ward Development Fund	79,375,391	1,492,500,000	1,571,875,391	39,687,696	0	39,687,696
5326	Emergency Fund	0	0	0	-	0	-
5327	Liquor Board	200,000,000	50,000,000	250,000,000	100,000,000	0	100,000,000
5328	Nairobi Metropolitan Services	14,600,000,000	5,400,000,000	20,000,000,000	7,300,000,000	0	7,300,000,000
Total		26,978,474,491	11,349,359,856	38,327,834,347	13,489,237,246	0	13,489,237,246

Sign.....
 Date..... 22nd June 2022

Hon. Robert Mbatia (Chairman)

