

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY
(SECOND SESSION)

NCCA/TJ/PL/2023(3)

PAPER LAID

SUBJECT: COUNTY EXECUTIVE REVENUE AND EXPENDITURE REPORT

Pursuant to Section 166 of the Public Finance Management Act, 2012, I beg to lay the following Paper on the Table of this Assembly, today Tuesday 13th February 2023.

— THE NAIROBI CITY COUNTY REVENUE AND EXPENDITURE
REPORT FOR THE PERIOD ENDED 31ST DECEMBER 2022Z.

(The Leader of Majority Party Party)

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

*Paper laid by the
Leader of Majority Party
Hon. Peter Imwani on
14th Feb. 2023
H. Imwani
14/02/2023*

*Clerk
Forwarded for your
action
@ Fine
PFA
for DHS
14/2/23*

*APPROVED
14 FEB 2023
14TH FEBRUARY 2023*

NAIROBI CITY COUNTY

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Facebook: NairobiCityCountyOfficial



FINANCE AND ECONOMIC PLANNING



RE: CECM(FEP)/CK/ran/516/2023

31st January, 2023

The Clerk ✓
Nairobi City County Assembly
City Hall Building
NAIROBI

I. DLS
Kindly note
and deal
clear
apl

RE: **REVENUE AND EXPENDITURE REPORTS -**
FOR THE PERIOD ENDED 31ST DECEMBER 2022

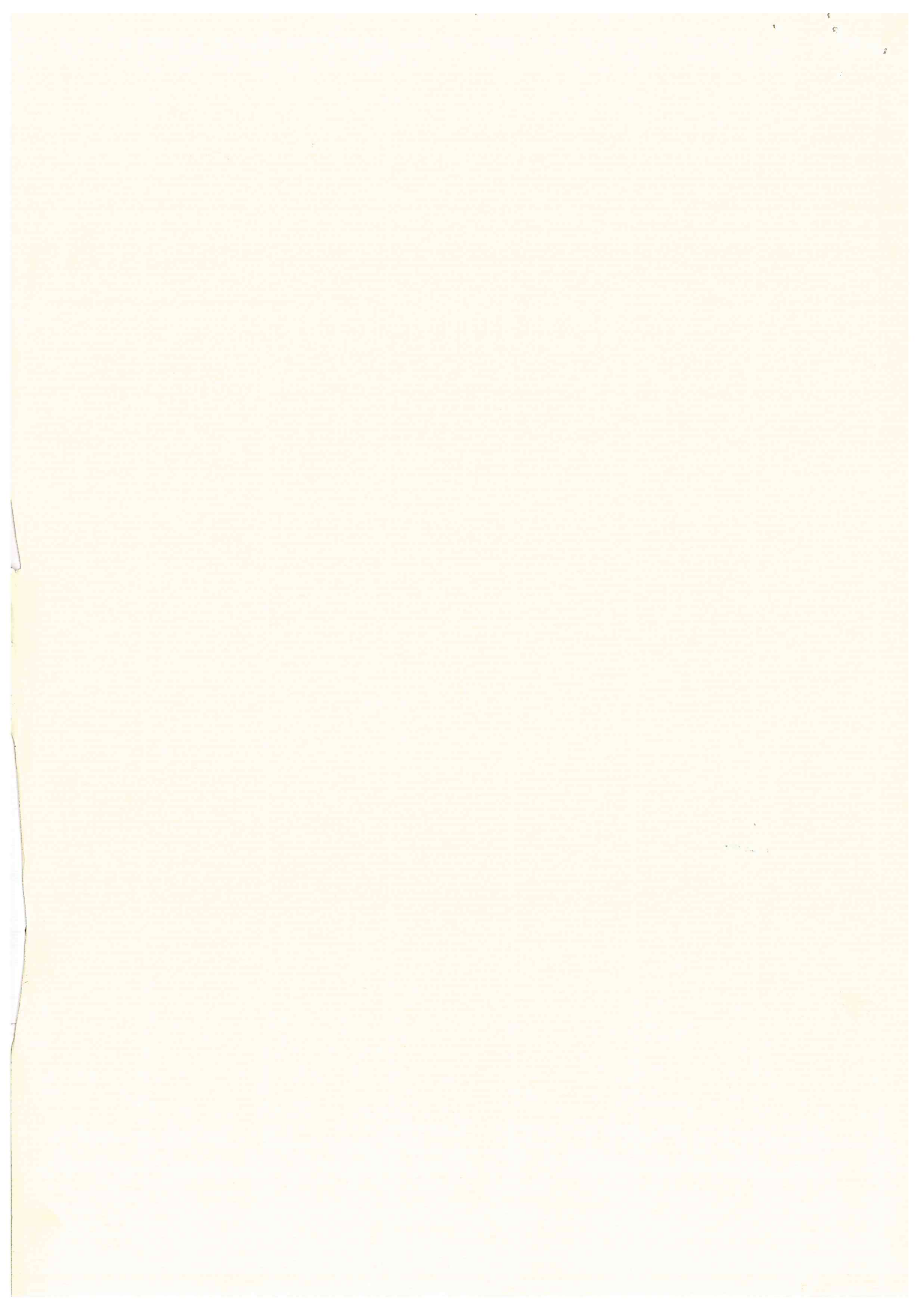
Pursuant to Section 166 of the Public Finance Management Act, 2012, attached herewith please find the Quarterly Budget Implementation Reports for the period ended 31st December 2022 for your action.

CHARLES K. KERICH
COUNTY EXECUTIVE COMMITTEE MEMBER
FINANCE AND ECONOMIC PLANNING

- Cc. - Controller of Budget
Bima House
NAIROBI
- County Budget Coordinator
Nairobi City County
NAIROBI

II. PCA (L&P)
Table when the
Assembly resumes
3/2/2023.

III. SCA - Austin
Please prepare Papers
for tabling as per II.
Mari
PCA Chair
07/01/23



NAIROBI CITY COUNTY



2022/2023FY 2ND QUARTER BUDGET IMPLEMENTATION REPORT

JANUARY 2023

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LEGAL BASIS FOR THE BUDGET IMPLEMENTATION REPORT

The Budget Implementation report is published pursuant to Section 166 of the Public Finance Management Act 2012.

1. Section 166. (1) An accounting officer for a county government entity shall prepare a report for each quarter of the financial year in respect of the entity.
 - (2) In preparing a quarterly report for a county government entity, the accounting officer shall ensure that the report;
 - (a). contains information on the financial and non-financial performance of the entity; and
 - (b). Is in a form determined by the Accounting Standards Board
 - (3). Not later than fifteen days after the end of each quarter, the accounting officer shall submit the quarterly report to the County Treasury.
 - (4). Not later than one month after the end of each of quarter, the County Treasury shall,
 - (a). Consolidate the quarterly reports and submit them to the county assembly.
 - (b). Deliver copies to the Controller of Budget, National Treasury and the Commission on Revenue Allocation; and
 - (c). Publish and publicise them
 - (5). In the case of an entity that is a county corporation the accounting officer for the corporation shall also submit a copy of the quarterly report to the County Executive Committee member responsible for the corporation ,who, upon approving it shall submit a copy to the County Treasury

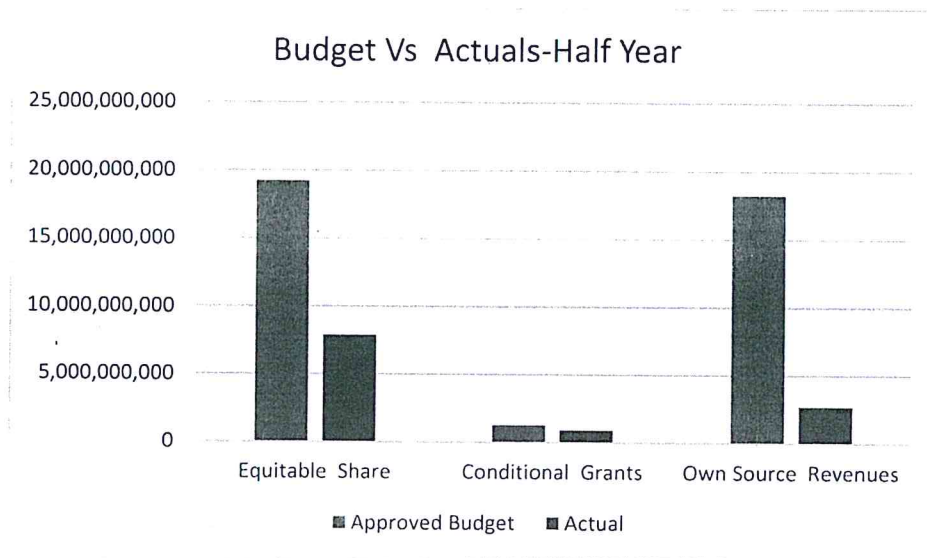
FISCAL PERFORMANCE FOR THE YEAR 2022/2023

Revenues

2. By end of 31st December 2022 total accumulated revenues including national government transfers amounted to Kshs 11.5billion against a target of Kshs 38.8 billion (**Table 1**). Ordinary revenues amounted to Kshs 2.7billion against an annual target of Kshs 18.3 billion an under performance of 21.3% from the target.

Table 1: Total Revenue (Millions) Performance as at 31st December 2022

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Performance
Equitable Share	19,249,677,412	3,176,196,775	4,716,170,967	7,892,367,742	41.00
Conditional Grants	1,286,404,625		927,334,931	927,334,931	72.09
Own Source Revenues	18,277,834,347	1,237,789,110	1,495,882,659	2,733,671,769	14.96
Total	38,813,916,384	4,413,985,885	7,139,388,557	11,553,374,442	29.77



Source: County Treasury

External Revenues

3. By the end of 31st December 2022 a total of Kshs 8,819,702,673 were receipts from the National government and other agencies. This amount includes receipts from National Treasury as equitable share of Kshs 7,892,367,742 and Kshs 927,334,931 from Kenya Roads Board being fuel levy funds for the years 2019/2020 and 2020/2021.

Table 2: External Transfers (Millions) as at 31st December 2022

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Performance
Equitable Share	19,249,677,412	3,176,196,775	4,716,170,967	7,892,367,742	41.00
WORLD BANK-THS	87,492,017				
DANIDA-UHC	35,272,875				
ASDSPII	36,639,733				
RMF	1,127,000,000		927,334,931	927,334,931	82.28
TOTAL	20,536,082,037	3,176,196,775	5,643,505,898	8,819,702,673	42.95

Source: County Treasury**Own Source Revenues**

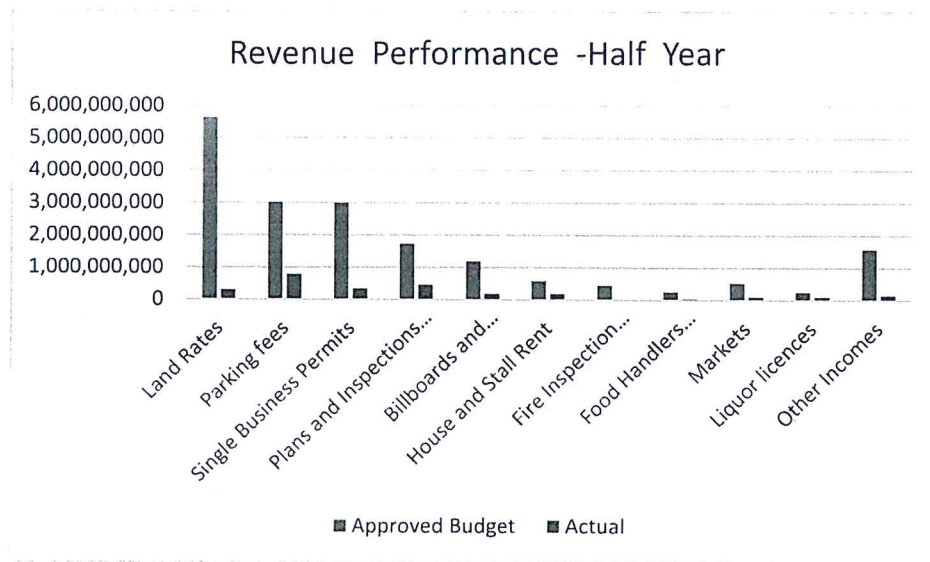
4. By end of 31st December 2022 total own source revenues amounted to Kshs 2.7 billion against an annual target of Kshs 18.3 billion or 14.96 % of the annual target.

Table 3: Own Sources Revenue as at 31st December 2022

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Performance
Land Rates	5,625,000,000	151,827,225	150,480,203	302,307,428	5.37
Parking fees	3,025,000,000	373,976,829	424,698,163	798,674,992	26.40
Single Business Permits	3,000,000,000	65,364,347	286,729,660	352,094,007	11.74
Plans and Inspections (Building Permits)	1,750,000,000	259,746,878	199,766,267	459,513,145	26.26
Billboards and advertisements	1,200,000,000	96,237,367	93,487,793	189,725,160	15.81
House and Stall Rent	600,000,000	81,875,130	102,109,263	183,984,393	30.66
Fire Inspection Certificates	450,000,000	5,443,620	23,652,266	29,095,886	6.47
Food Handlers Certificates	250,000,000	17,344,642	23,295,955	40,640,597	16.26
Markets	538,770,000	50,841,902	61,007,967	111,849,869	20.76
Liquor licences	250,000,000	45,325,601	64,283,278	109,608,879	43.84
Other Incomes	1,589,064,347	89,805,570	66,371,845	156,177,414	9.83
TOTAL (OSR)	18,277,834,347	1,237,789,110	1,495,882,659	2,733,671,769	14.96

Source: County Treasury

Revenue Target against Actuals



5.The underperformance of own source revenues is attributed to the following:

1. System challenges that could not allow prepayments hence no early renewals and payments for Rates, SBP and Loading zones
2. In FY 2021/2022 we had Rates Waiver from October to December 2021 where over KShs. 600M was collected over and above the normal collections
3. Disputed Advertisement fees for KShs. 368M delayed but has now been reconciled
4. Low enforcement activities during the electioneering period between June to October 2022
5. System down time and lack of public awareness and reluctance to use of NRS due to the requirements

6. Measures to improve revenue performance

- Aggressive enforcement on non-compliant customers
- Monitoring and evaluation of performance
- Business process review including review of the revenue structure of the revenue collection responsibilities.
- Legislation of all revenue streams
- Leverage on technology to enhance efficiency
- Revenue potential study /create database of all revenue possible

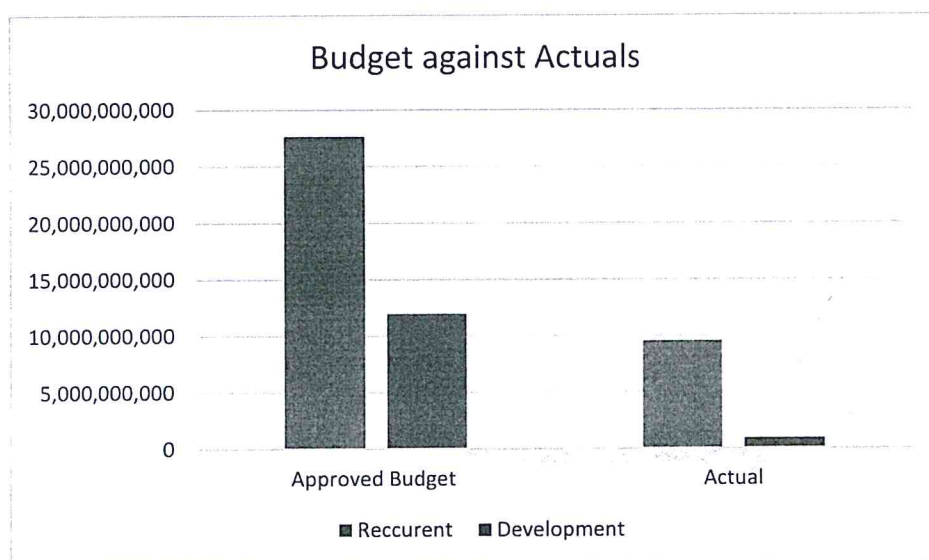
EXPENDITURE

7. Total expenditures including County Assembly amounted to Kshs 10.5 billion out of the total budget of 39.6Billion. The overall absorption rate of the total budgeted was 25.56% of the total budget. Development expenditure amounted to Kshs 927.3 million which is about 7.75 % of the total development budget of Kshs 11.962millions. The slow uptake of development funds is attributed to the late approval of the budget which was approved in November2022. The uptake of development funds is expected to accelerate in the third and fourth quarter of the FY 2022/2023.

Table 4: Expenditure by classification

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Performance
EXPENDITURE					
RECURRENT					
Transfer to County Assembly	1,624,288,302	126,783,100	252,706,784	379,489,884	23.36
County Executive	20,590,493,988	1,204,856,701	3,379,970,928	4,584,827,629	22.27
Liquor Board	200,000,000	36,820,270	35,540,557	72,360,827	36.18
Transferred functions	5,236,639,977	2,233,218,088	2,324,014,821	4,557,232,909	87.03
Reccurent)	27,651,422,267	3,601,678,159	5,992,233,090	9,593,911,249	34.70
DEVELOPMENT					
Transfer to County Assembly	1,861,000,000				
County Executive	10,051,494,012		927,334,931	927,334,931	9.23
Liquor Board	50,000,000			-	-
Development	11,962,494,012		927,334,931	927,334,931	7.75
Total Expenditure	39,613,916,279	3,601,678,159	6,919,568,021	10,521,246,180	26.56

Total Budget against Total Expenditure



8. Measures to Enhance absorption of budgeted funds to include the following:

- Revenue enhancement drive to provide funds
- Enhance Monthly and quarterly reviews of programmes implementation by Sectors
- Entrench efficient and effective cash flow management practices.

PENDING BILLS

9. The total pending bills as at 30th September 2022 amounted to Kshs 100billion out of which Kshs 47Billion is in respect of statutory debts mainly pensions and taxes.

Table 6: Outstanding Debts as at 30th September 2022.

ITEM DESCRIPTION	30TH SEPT, 2022
Statutory bodies	47,394,654,947
Suppliers and Contractors	4,543,597,204
Legal Creditors	21,252,302,839
KPLC- Electricity	243,633,341
Water Bills	234,997,059
Loans	4,504,199,426
Contingent Liabilities	21,768,297,573
Employee benefits- Retirees/ Deceased	222,411,928
TOTAL	100,164,094,317

Notes on Debts

1. The County debt composition cuts across historical on-lent water loans taken to finance water infrastructure in the 1970's and a guaranty (government guaranteed loans) taken in the 1980's to finance construction of Umoja II housing project, owing's to various merchants, utility companies, statutory bodies, loans to commercial banks and unpaid personnel emoluments. Since some of these debt was inherited from the now defunct City Council of Nairobi its difficult to get all the supporting documentation especially on the housing guaranty and the on-lent water loans. In the past the County has written to National Treasury to provide more information on the same since these loans were guaranteed by National Government to no avail. The same was documented by the Transition Authority in their report on the assets and liabilities of the defunct local authorities. These loans have been held constant in the books of accounts awaiting recommendations of the Inter Government Relations Technical Committee (IGRTC) that took over the residual functions of the Transition Authority (now defunct) pursuant to Section 12 (b) of the Intergovernmental Relations Act, 2012. IGRTC vide a legal notice no. 858 published in the Kenya Gazette of 27th January, 2017 is to consult with the relevant stakeholders to develop guidelines and liquidation options for settlement of the liabilities of the defunct local authorities.
2. The actuarial deficit and the historical interest and penalties dates back to 30th April, 2011 during the era of the defunct council reported at Kshs. 2,624,372,573 at the time of transition. Negotiations were initiated with Laptrust for waiver of the accumulated interest which has not borne fruit. At the same time we are awaiting the guidelines of the IGRTC regarding the treatment of the assets and liabilities of the defunct council.
3. The pending bills report of Suppliers of goods and services is sector based. Each sector has provided details on the bills existing within their sectors. (NB: This's done as at 30th June 2022)
4. Statutory creditors charge high interest rates with Laptrust charging 1.25% on accrued debt per month compounded (15% per annum compounded and Lapfund charging 3% per month (36% per annum compounded) among others. NHIF and NSSF are remitted as at when salary is paid every month however a historical debt to NSSF has continued to be serviced through a debt swap against their property rates owing.
5. Water bills debt accrued after Nairobi Water Company discontinued the monthly lease payments swap.

Strategies to Deal with Debts:

10. In order to keep debts at sustainable levels, the government is pursuing several strategies while ensuring no disruption of service delivery in accordance with the debt management strategy paper for FY 2022/2023.

- Debt rescheduling/negotiations aimed at extending the repayment period of existing debts.
- Debt Asset Swops; Asset swaps between the county and the creditors.
- Cash management; All payments are now being done in the IFMIS platform and hence ensuring no expenditures are done outside the budget.
- Verification of current existing pending bills to ensure value for money
- Accelerate payment of debts through increased budgetary allocations earmarked for settlement of pending bills.

ANNEXE 1: REVENUE & EXPENDITURE PERFORMANCE FOR THE YEAR 2022/2023

ITEM	Approved Budget	Quarter 1	Quarter 2	Total	% Performance
EXTERNAL SOURCES					
Equitable Share	19,249,677,412	3,176,196,775	4,716,170,967	7,892,367,742	41.00
WORLD BANK-THS	87,492,017				
DANIDA-UHC	35,272,875				
ASDSPII	36,639,733				
RMF	1,127,000,000		927,334,931	927,334,931	82.28
SUB-TOTAL	20,536,082,037	3,176,196,775	5,643,505,898	8,819,702,673	42.95
OWN SOURCE REVENUE (OSR)					
Land Rates	5,625,000,000	151,827,225	150,480,203	302,307,428	5.37
Parking fees	3,025,000,000	373,976,829	424,698,163	798,674,992	26.40
Single Business Permits	3,000,000,000	65,364,347	286,729,660	352,094,007	11.74
Plans and Inspections (Building Permits)	1,750,000,000	259,746,878	199,766,267	459,513,145	26.26
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Fire Inspection Certificates	450,000,000	5,443,620	23,652,266	29,095,886	6.47
Food Handlers Certificates	250,000,000	17,344,642	23,295,955	40,640,597	16.26
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TOTAL (OSR)	18,277,834,347	1,237,789,110	1,495,882,659	2,733,671,769	14.96
TOTAL REVENUE	38,813,916,384	4,413,985,885	7,139,388,557	11,553,374,442	29.77
Opening Cash balances FY 2022/23	800,000,000			-	-
Sub-total (Cash balances)		0	0	0	
Total Cash Available Resources		4,413,985,885	7,139,388,557	11,553,374,442	
EXPENDITURE					
RECURRENT					
Transfer to County Assembly	1,624,288,302	126,783,100	252,706,784	379,489,884	23.36
County Executive	20,590,493,988	1,204,856,701	3,379,970,928	4,584,827,629	22.27
Liquor Board	200,000,000	36,820,270	35,540,557	72,360,827	36.18
Transferred functions	5,236,639,977	2,233,218,088	2,324,014,821	4,557,232,909	87.03
Sub-total (Reccurent)	27,651,422,267	3,601,678,159	5,992,233,090	9,593,911,249	34.70
DEVELOPMENT					
Transfer to County Assembly	1,861,000,000	-		-	-
County Executive	10,051,494,012		927,334,931	927,334,931	9.23
Liquor Board	50,000,000	-		-	-
Sub-total (Development)	11,962,494,012	0	927,334,931	927,334,931	7.75
Total Expenditure	39,613,916,279	3,601,678,159	6,919,568,021	10,521,246,180	26.56

Annexe II : Absorption of Budgeted Funds As At 31st December 2022

SECTOR	Approved Estimates			Actual			% Absorption		
	Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total
5311 COUNTY PUBLIC SERVICE BOARD	121,339,056	10,000,000	131,339,056	26,802,705		26,802,705	22	-	20
5312 OFFICE OF GOVERNOR & DEPUTY GOVERNOR	4,445,777,792	353,234,000	4,799,011,792	1,834,360,664	-	1,834,360,664	41	-	38
5313 ICT, E-GOVT & PUBLIC COMMUNICATIONS	143,136,785	195,782,184	338,918,969	48,597,766	-	48,597,766	34	-	14
5314 FINANCE & ECONOMIC PLANNING	1,948,893,823	24,000,000	1,972,893,823	748,479,590	-	748,479,590	38	-	38
5315 HEALTH	4,748,903,678	845,660,538	5,594,564,216	422,867,975	-	422,867,975	9	-	8
5316 URBAN PLANNING AND LANDS	227,847,815	207,000,000	434,847,815	21,273,983	-	21,273,983	9	-	5
5317 PUBLIC WORKS, TRANSPORT & INFRASTRUCTURE	1,348,355,966	3,713,450,000	5,061,805,966	144,161,267	927,334,931	1,071,496,198	11	25	21
5318 EDUCATION, YOUTH AFFAIRS, SPORTS, CULTURE & SOCIAL SERVICES	2,261,307,927	812,244,374	3,073,552,301	574,832,670	-	574,832,670	25	-	19
5319 TRADE, COMMERCE, TOURISM & COOPERATIVES	362,030,976	403,500,000	765,530,976	151,580,217	-	151,580,217	42	-	20
5320 PUBLIC SERVICE MANAGEMENT	2,357,487,897	17,600,000	2,375,087,897	423,907,932	-	423,907,932	18	-	18
5321 AGRICULTURE, LIVESTOCK DEVELOPMENT, FISHERIES & FORESTRY	292,725,877	76,805,000	369,530,877	82,411,772	-	82,411,772	28	-	22
5322 COUNTY ASSEMBLY	1,624,288,302	1,861,000,000	3,485,288,302	379,489,884	-	379,489,884	23	-	11
5323 ENVIRONMENT, WATER, ENERGY & NATURAL RESOURCES	2,237,476,589	1,668,217,916	3,905,694,505	98,795,655	-	98,795,655	4	-	3
5324 URBAN RENEWAL AND HOUSING	22,431,551	231,500,000	253,931,551	-	-	-	-	-	-
5325 WARD PROGRAMMES	72,778,256	1,492,500,000	1,565,278,256	6,755,431	-	6,755,431	9	-	0
5327 LICENSING BOARD	200,000,000	50,000,000	250,000,000	72,360,828	-	72,360,828	36	-	29
5328 NAIROBI METROPOLITAN SERVICES	5,236,639,977	-	5,236,639,977	4,557,232,909	-	4,557,232,909	87		87
TOTAL	27,651,422,267	11,962,494,012	39,613,916,279	9,593,911,248	927,334,931	10,521,246,179	35	8	27

