BCA/BSA/04/2016/15

REPUBLIC OF KENYA

COUNTY ASSEMBLY OF BOMET

FIRST ASSEMBLY- ~~THIRD~~ FOURTH SESSION

BUDGET AND APPROPRIATION COMMITTEE

REPORT

ON THE BOMET COUNTY MEDIUM TERM COUNTY FISCAL STRATEGY PAPER 2016

Tabled on 15/3/2016

Table of Contents

1 PREFACE

1.1 Background

Mr. Speaker Sir,

On behalf of the Members of the Budget Committee and as required under standing order No. 190, I take this opportunity to present to the House, the Committee's Report on the Medium Term County Fiscal Strategy Paper (CFSP) 2016 as submitted to the County Assembly by the Executive Committee Member for Finance.

Mr. Speaker sir,

The Budget and Appropriation committee as currently constituted comprises of the following Honorable members:

1. Hon. Benard Ngeno – Chair person
2. Hon. Reuben Langat- vice chairperson
3. Hon. Leah Kirui
4. Hon. Robert Serbai
5. Hon. John Molel
6. Hon. Samwel Bor
7. Hon Samson Towett
8. Hon. Phillip Siele
9. Hon. Wilson Keter
10. Hon. Julius Korir
11. Hon. Josphat Kirui
12. Hon. Leonard Kirui

1.2 Mandate of the Committee

The standing order No. 190 establishes the Budget and Appropriation Committee with specific mandate 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 Budget Policy Statement presented to the County Assembly;
d) Examine Bills related to the national budget, including Appropriations Bills; and
e) Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.

Mr. Speaker Sir,

In line with the provision of the PFM Act, 2012 the County Treasury is required to submit the approved Fiscal Strategy Paper to the County Assembly by the 28th February of each year. The Act further states that, not later than fourteen days after submitting the County Fiscal Strategy Paper to the County assembly, the County Assembly shall consider and may adopt it with or without amendments.

1.3 Examination of the Medium Term Fiscal Strategy Paper

Mr. Speaker sir,

In line with the provision of the PFM Act, 2012 the County Treasury is supposed to submit the approved Fiscal Strategy Paper to the County Assembly by the 28th February of each year. The Act further states that, not later than fourteen days after submitting the County Fiscal Strategy Paper to the County assembly, the County Assembly shall consider and may adopt it with or without amendments.

Mr. Speaker sir,

In reviewing the County Fiscal Strategy Paper, the Budget and Appropriation Committee held five sittings. During these meetings the Committee managed to get the clarifications of the County Executive Member of Finance including his views on the proposed recommendations as the committee finalized its report. The views were required to allow the Committee members to make an informed judgment on the paper.

The Committee also held five public hearing with organized groups and the general public at the five Sub Counties (Sotik, Bomet East, Bomet Central, Konoin and Chepalungu) in line with section 117 of the PFM Act 2012

1.4 Acknowledgement

Mr. Speaker sir,

The Committee is grateful to the Offices of the Speaker and the Clerk of County Assembly for the support received as it discharged its mandate of reviewing the Medium Term County Fiscal Strategy Paper, (CFSP) 2016.

The committee is also grateful to the members of the public and interest groups who took their time to participate in the public forums and whose views have helped this Committee to prepare their report within the shortest timeframe given. It was however a concern that the various public forums organized by the County Assembly were "stormed" by the Executive arm of government. The details have been explained in the report.

For the members of Budget and appropriation committee, somebody once said "when you give something your twenty percent, you finish a core. When you give it your fifty percent, you finish a task. But when you give it your hundred percent, you do a good job. You have done a good job Hon. Members. A particular case in point is when the members of the committee demonstrated dignity, decorum and professionalism when one of their key events, public participations were almost hijacked. Furthermore, despite the budget process being a technically involving and tedious process, you came out successfully and delivered within the seemingly unachievable timelines. Indeed, I feel deeply indebted to you.

Mr. Speaker sir,

I also wish to thank the C.E.C for Finance for observing the legal deadlines in preparing and submitting this Medium Term County Fiscal Strategy Paper. The document was submitted on 26th February 2016. However, it is the committee wish that the C.E.C for Finance submits the document as early as January every year so as to give the committee adequate time to interrogate and process the document owing to its critical nature in the budget making process and so as to cure the challenge of the short timelines in which the Assembly is required to process.

Mr. Speaker sir,

It is therefore my pleasant duty and privilege, on behalf of the Budget Committee to table this Report and commend it to the House for adoption.

Signed--

THE HON. BENARD NGENO

CHAIRPERSON, BUDGET AND APPROPRIATION COMMITTEE

Date 15/3/2016 --

We, honorable members of the Budget and Appropriation Committee, do hereby affix our signatures to this report to affirm our approval and confirm its accuracy, validity and authenticity:-

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No.	Name	Position	Signature
1.	Hon. Benard Ngeno	Chairperson	
2.	Hon. Reuben Langat	Vice Chairperson	
3.	Hon. Leonard Kirui	Member	
4.	Hon. Samwel Bor	Member	
5.	Hon. Josphat Kirui	Member	
6.	Hon. Philiph Siele	Member	
7.	Hon. Wilson Keter	Member	W'K
8.	Hon. John Molel	Member	
9.	Hon. Leah Kirui	Member	
10.	Hon. Samson Towett	Member	
11.	Hon. Julius Korir	Member	
12.	Hon. Robert Serbai	Member	

2 ANALYSIS OF THE BOMET COUNTY FISCAL STRATEGY PAPER FOR COUNTY 2016 AND THE MEDIUM TERM

Mr. Speaker sir,

Overview

The County Fiscal Strategy Paper (CFSP) is an important document in the budget cycle that is prepared by the County Treasuries. It sets out the broad objectives, policy goals and strategic priorities that guide the County Governments in preparing their budgets both for the following financial year and over the medium term. The county fiscal strategy paper contains four key elements as explained below:

Budget performance in the previous year and the first six months of the current year:

As the document is produced in February, it should contain data on revenue and expenditure from June to December. Performance data is important for making decisions about what is realistic going forward. This data allows us to ask questions like: are our revenue estimates realistic? If we give more money to the health sector, can it actually spend it?

Projections of the total budget (revenue, expenditure and deficit) for the coming financial year:

While the projections is at a highly aggregate level, it should include broad categories for revenue (National Revenue Allocation, County Own Revenue, Conditional grants, etc.) and expenditure for both Recurrent and development.

Priorities in the budget. The narrative section on priorities in the CFSP should explain the choices made in the coming budget year among different sectors, for example why education is prioritized more than the health sector. We can then examine the budgets for each sector to see if the narrative and the numbers match. It should be possible to then link these narrative explanations to the numbers in the ceilings section.

Ceilings are the maximum amount of funds going to each sector. The CFSP determine the final distribution of funds across sectors. The sector ceilings, and how it is changing over time, is useful for understanding which sectors will be prioritized in the coming year.

2.1 Review of Compliance of the County Fiscal Strategy Paper 2016

Section 117 of the PFM Act 2012 requires the County Treasury to prepare and submit to the County Executive Committee the County Fiscal Strategy Paper for approval and the County Treasury shall submit the approved Fiscal Strategy Paper to the county assembly, by the 28th February of each year. With regard to the contents, the County Fiscal Strategy Paper should include the following:

I. Financial outlook with respect to county revenues, expenditures and borrowing for the next financial year and over the medium term.
II. The County Fiscal Strategy Paper should align itself with the national objectives in Budget Policy Statement(BPS)
III. The proposed expenditure ceilings for sectors of the county
IV. The fiscal responsibility principles and financial objectives over the medium term including limits on total annual debt.
V. The total resources to be allocated to individual programmes and projects within sector, ministries, departments and agencies indicating outputs expected during the period.

2.2 Legal compliance of the County Fiscal Strategy Paper for Bomet

The table below shows an assessment on the extent to which the County Fiscal Strategy Paper for Bomet 2016 budget has complied.

Item	PFM Section	% Level of Compliance	Comment
Submission of the County Fiscal Strategy Paper by 28th February every year	117(1)	5 out of 5 100%	Submitted on 26th February, 2016 thus within the timeline
The County Fiscal Strategy Paper should align with national objectives in the Budget Policy Statement 2016.	117(2)	4 out of 5 80%	The Fiscal strategy paper has outlined the national objectives. The CFSP has prioritised investment in infrastructure, healthcare services and social safety net being some of the key objectives in the Budget Policy Statement.
Financial outlook with respect to county government revenues, expenditures and borrowing for the next financial year and over the medium term	117(4)	4 out of 5 80%	The paper outlines that county will operate in a balanced budget in the medium term. It has also indicated that there will be short term borrowing for cash management purposes only. However the paper did not clearly outline the management of those short term borrowing.
The total resources to be	-	3 out of 5	CFSP has partly complied with

allocated to individual programmes and projects within departments for the period identified indicating outputs expected from such programme or project during the period.		60%	the requirement. However Information on sector programmes has not been clearly stated, programmes have been provided for the development expenditure only in most of the departments.
The principle of public participation and other stakeholders is a requirement in the Constitution.	117(5)	3 out of 5 60%	Information received indicates that the County Treasury held Public hearing at the County Headquarters. However there is no clear information to show how the views of the different stakeholders were incorporated.
Total Level of Compliance	-	**19 out of 25 76%**	-

A compliance rate of **76%** is an improvement from **72%** in the CFSP, 2015 and implies that the information required was availed. However, the information on programmes was inadequate since the CFSP indicated the programmes to be undertaken on development expenditure only. The document points out that public participation was held but the views from public participation were not indicated or attached as part of the annexures. Lack of this information hinders the Budget and Appropriations and other Departmental Committees from making informed decisions.

2.3 Detailed Analysis on County Own Revenue

Own Revenue By Source	2013/2014 Actual revenue	2014/2015 Actual Revenue	2015/2016 projected revenue	2016/2017Projected Revenue	% for 2016/17 using 2014/15 As The Base Year
Rates[1]	10,860,570	15,022,716	97,549,815	107,304,797	614%
Single Business permits	43,791,122	39,173,567	49,476,215	54,423,837	39%
Cess[2]	3,137,266	3,933,240	4,967,682	5,464,450	39%
Fees[3]	41,193,886	64,580,897	81,793,013	89,972,314	39%
Water[4]	7,040,325	2,944,279	-	-	0%
Market, Slaughter house	11,206,718	13,834,625	17,473,131	19,220,444	39%
Rental Income[6]	3,037,738	3,527,411	4,455,120	4,900,632	39%
Others	83,525,906	62,775,157	79,285,024	87,213,526	39%
Total	**203,793,531**	**205,791,892**	**335,000,000**	**368,500,000**	**79.02**
			129,208,108	33,500,000	

Table 2.3 shows that the revenue projections for 2016/17 are expected to grow by 79.02% using the actual revenue collected in 2014/15 as the base year. The revenue projected is unrealistic and it might not be achieved. The implication of unrealistic revenue targets is that some programmes end up not being implemented as a result of a budget deficit. Table 2.3 further shows that most of the revenue sources have ben grouped as either fees, rates etc. this implies that revenue performance per source cannot be easily determined hence hindering the committee from making informed decisions. Table 2.3 also shows that revenue from the water sector has not been declared and the explanation given in the document is that the revenue is spent at Bomet Water Company. Revenue authorized to be spend at source rather than surrendering it to the revenue fund is known as Appropriation in Aid (A.I.A). Revenue can be spent at source only if it complies with section 109 of the PFM Act 2012.Even if the revenue is spent at source it should still be declared as part of county own revenue.

2.4 Analysis on CFSP Vs CBROP Ceilings

Spending Units	CBROP	CFSP	VARIANCE CFSP CEILINGS AND CBROP CEILINGS
COUNTY EXECUTIVES	**331,842,597**	401,091,982	69,249,385
ADMINISTRATION	**408,328,463**	472,791,629	64,463,166
FINANCE AND ECONOMIC PLANNING	307,368,270	326,619,450	19,251,180
PUBLIC HEALTH & ENVIRONMENT	149,654,848	118,175,717	(31,479,131)
SOCIAL SERVICES	617,228,594	529,011,759	(88,216,835)
MEDICAL SERVICES	1,072,521,415	1,036,422,580	(36,098,835)

LANDS, HOUSING AND URBAN PLANNING	215,030,083	207,030,083	(8,000,000)
AGRI-BUSINESS,COOPERATIVES AND MARKETING	494,851,094	388,018,856	(106,832,238)
WATER SERVICES	480,462,081	648,513,978	168,051,897
EDUCATION AND VOCATIONAL TRAININGS	531,623,813	484,513,978	(47,109,835)
ROADS AND PUBLIC WORKS	633,454,032	520,408,191	(113,045,841)
ICT, TRAINING AND INDUSTRY	79,131,078	127,898,244	48,767,166
COUNTY ASSEMBLY	490,672,600	542,291,042	51,618,442
TOTAL	**5,812,168,968**	**5,802,787,489**	**(9,381,479)**

Table 2.4 shows that the variance of the total revenue available for the financial year 2016/17 as projected in the CFSP is less by (9,381,479). This shows that the CBROP projections were almost accurate. However, the ceilings per department have been varied, The Roads sector was reduced by approximately 113 million, whereas the water department was the highest beneficiary with an increased allocation of Kshs 168 million. The agriculture sector was also reduced by 106 million, despite the fact that both CBROP and CFSP indicated that agriculture is the major economic activity of the county.

2.5 Detailed Analysis of the budget for 2015/16 and 2016/17 ceilings

VOTE	APPROVED BUDGET 2015/16	BUDGET CEILINGS 2016/17		PERCENTAGE CHANGE
County Executive	371,005,984	401,091,982	30,085,998	8%
Administration	436,187,694	472,791,629	36,603,935	8%
Finance And Economic Planning	342,394,804	326,619,450	(15,775,354)	-5%
Public Health And Sanitation	113,809,592	118,175,717	4,366,125	4%
Social Services	487,296,903	529,011,759	41,714,856	9%
Medical Services	948,579,468	1,036,422,580	87,843,112	9%
Lands Housing And Urban Planning	195,073,882	207,566,436	12,492,554	6%
Agri Business Cooperatives And Marketing	359,121,537	388,018,856	28,897,319	8%
Water Services	595,743,710	648,303,246	52,559,536	9%
Education And Vocational Training	446,844,375	484,513,978	37,669,603	8%
Roads And Public Works	479,475,478	520,408,191	40,932,713	9%
ICT Training And Industry	83,557,344	127,898,244	44,340,900	53%
County Assembly	499,368,979	542,291,042	42,922,063	9%

	5,358,459,750	5,803,113,110	444,653,360	8%

Table 2.5 shows the total expenditure for the county government is expected to increase by 8% i: e Kshs 444 million. The ceiling to most a sectors within the county executive and the county assembly have increased on average by 8% as compared to the approved budget for 2015/2016, except the department of finance and economic planning which has reduced by 5% and the ICT, training and Industry which has increased by 53%. The CFSP has not given any reason on the changes in the ceilings of the two departments.

2.6 Detailed Analysis of Personnel Emoluments

VOTE	2015/2016 personnel emoluments in kshs'000,000 '	2016/17 personnel emoluments in kshs'000,000 '	Change in Kshs.'000,000 '	Percentage change 2015/16 as the base year
County Executive	187.8	202.6	14.8	8%
Administration	262.6	284.5	21.9	8%
Finance And Economic Planning	168.7	158.7	-10	-6%
Public Health And environment	85	89.6	4.6	5%
Social Services	38.6	38.5	-0.1	0%
Medical Services	448.8	489.8	41	9%
Lands Housing And Urban Planning	57.3	59.1	1.8	3%
Agri Business Cooperatives and Marketing	145.4	156	10.6	7%
Water Services	36.7	36.5	-0.2	-1%
Education And Vocatioal	160.6	172.7	12.1	8%

Training				
Roads And Public Works	54.8	56.4	1.6	3%
ICT Training And Industry	9.7	28.7	19	196%
County Assembly	275.1	275.09	-0.01	0%
TOTAL	**1931.1**	**2048.19**		

Table 2.6 shows that some departments had their salaries revised downwards from the previous financial year. These included finance, social and water while that of County Assembly remained constant. How could this be possible when there were annual wage increments? Are their staff being retrenched in 2016/17? Table 2.6 shows that some departments had their salaries rising drastically namely; ICT training and industry, office of governor, administration, medical, agribusiness, and education. Are they increasing their staff? It also raises questions on the criteria used to allocate funds for personnel emoluments. Allocations to personnel emoluments, worldwide, increase on annual basis by a certain percentage due to annual salary increments.

2.7 Detailed Analysis of Development Expenditure for 2016/17 As Compared to 2015/16

VOTE	2015/16 Development Expenditure in Kshs '000,000'	2016/17 Recurrent Expenditure Kshs '000,000'	Change in Kshs '000,000'	Percentage change 2015/16 as the base year
County Executive	0	0	0	
Administration	95	102.9	7.9	8%
Finance And Economic Planning	29.7	16	-13.7	-46%
Public Health And environment	22	22.6	0.6	3%

Social Services	443.4	486.1	42.7	10%
Medical Services	490.3	537.7	47.4	10%
Lands Housing And Urban Planning	131	142.5	11.5	9%
Agri Business Cooperatives And Marketing	205.3	224.2	18.9	9%
Water Services	554.3	608.1	53.8	10%
Education And Vocatioal Training	281.7	308.2	26.5	9%
Roads And Public Works	388.5	425.7	37.2	10%
ICT Training And Industry	62.8	82.5	19.7	31%
County Assembly	10	19.4	9.4	94%
TOTAL	**2714**	**2975.9**		

Table 2.7 shows that the total allocation for development expenditure in the financial year 2016/17 is Kshs 2975.9 **Million.** However, some of the programmes perceived to be development are recurrent in nature for instance the cash transfer to older persons, lease of ambulances, purchase of pharmaceuticals and non-pharmaceuticals etc. Hence the allocation to development will be reduced. However, the reduction of the development expenditure will not affect the department ceilings.

2.8 Comparison analysis of allocation for Development per sector

SECTOR	ADP AMOUNT (KSHS)	CFSP AMOUNT (KSHS)	DEVIATION	% DEVIATION
County Executive				
Administration	502,400,000	102,881,706	-399,518,294	-80%
Finance and Economic Planning	34,200,000	16,027,631	-18,172,369	-53%
Public Health and Environment	50,480,000	22,581,706	-27,898,294	-55%
Social Services	725,420,000	486,115,854	-239,304,146	-33%
Medical Services	595,000,000	537,721,255	-57,278,745	-10%
Lands Housing and Urban Planning	195,410,000	142,498,912	-52,911,088	-27%
Agri-Business Cooperatives And Marketing	336,010,000	224,159,617	-111,850,383	-33%
Water Services	418,971,473	608,145,979	189,174,506	45%
Education and Vocational Training	373,726,000	308,207,706	-65,518,294	-18%
Roads and Public Works	816,750,000	425,720,771	-391,029,229	-48%
ICT Training and Industry	104,312,000	82,505,706	-21,806,294	-21%
County Assembly	484,234,000	19,381,706	-464,852,294	-96%
Total	4,636,913,473	2,975,948,549	-1,660,964,924	-36%

It can be deduced from the table 2.8 that the approved allocations for development expenditure in the Annual Development Plan 2016/2017 amounted to **Ksh. 4,636,913,473**. However CFSP, a document which is almost certain with County resource envelope indicates that it can support development programmes to a tune of **Ksh. 2,975,948,549** a reduction of **Ksh. 1,660,964,924** equivalent to 36%.

3 VIEWS AND OPINIONS OF THE PUBLIC AND OTHER INTEREST GROUPS

Mr. Speaker Sir,

The committee on Budget & Appropriation organized and conducted public participation forums in each of the five Sub-Counties on Thursday, 10th March, 2016. Specifically, public hearing forums were held in Kembu Market in Bomet East; Silibwet AGC in Bomet Central; Mogogosiek Market in Konoin; Sotik Market in Sotik and Siongiroi Market in Chepalungu. The impressive turn out and active participation was commendable.

The committee however, **Mr. Speaker Sir,** wishes to register its displeasure on the way the Executive arm of government conducted itself during the above stated public hearings. The county executive in a well thought strategy mobilized its resources and "stormed" the public participation forums. The County executive deployed County Executive Committee members, directors and all administrators including Sub-County administrators, Ward administrators, and Community administrators to attend and participate in the forums. The executive team had parallel recording materials including video cameras, and attendance registers. They also had their own secretaries to record minutes and proceedings.

Whereas the committee notes that it was not illegal for the county officers to attend and assist in the stated forums, the same should not have been done in a way to influence the independent views of the public participants. The Assembly noted that the Executive arm facilitated a number of public participants to attend. Such actions could influence the views and perspective of the public thus affecting the quality of their contributions. Majority of the public dwelled on the county assembly allocations giving indications that their independent views might have been compromised. In some other instances, the administrators tried to prevail upon the committee to alter the venues identified by the County Assembly. A case in point is Siongiroi Market where the committee had to conduct its public forum under a tree as the sub-county administrator had directed for tents to be erected in their preferred venue other than the one identified by the Assembly.

Such actions, **Mr. Speaker Sir,** surmounts to interference by the executive arm of government on the county assembly's independence. The executive should therefore desist from such actions as it will erode the gains already made in ensuring meaningful public participation as required by law. I however, commend the committee members for demonstrating dignity, decorum and professionalism throughout the process. The committee, despite the above challenges delivered its constitutional mandate.

The views and opinions of the public and other interest groups as registered during the Public hearings were as follows;

GENERAL COMMENTS

i. Previous allocations should be accounted for and publicised. Evaluation should be carried out to establish if the objectives and targets were achieved.

ii. Final copy of the document after it has been approved by the County Assembly should be availed to the public

iii. The public recommended that there is need to carry out comprehensive classification of roads to differentiate the ones being maintained by National with those of County government

iv. The county Assembly should ensure that members of the public get access to passed bills and approved policy documents

v. Allocations for development should be increased from to more than 56%

vi. Assembly should provide advance copies of the materials/documents to the public for meaningful engagements

vii. In future the assembly should consider use of power point presentation so as to reduce paper work. Participants should be provided with writing materials for notes taking

viii. The County Government of Bomet should enhance revenue collection strategies so as to raise local revenue from 6% to at least 12%

ix. The County Government should come up with regulations to ensure that multinational companies i.e. in Konoin Sub-county were were meeting their taxes and fees obligations

Submissions on Administration and Public Service

The majority of the public recommended as follows;

i. That County Executive and Administration should be merged into one department and their budget allocations be reduced and re-allocated to key sectors such as Roads and Public Works, Water services & Education

Submissions on the Finance, ICT and Economic Planning

The majority of the public recommended as follows;

i. The County residents proposed for the reduction of allocations to this sector. Majority of the public felt that the roles of the sector were not clearly defined.

ii. The members of the public recommended that 3% should be slashed from O&M and be re-allocated to development. Further reduction be done on PE and moved to development

iii. The allocations to improve ICT Infrastructure should be increased

Submissions on Agribusiness and Cooperatives

The majority of the public recommended as follows;

i. Increase allocations to 13% as the sector was the backbone of the County's economy

Submissions on Water and Irrigation

The majority of the public recommended as follows;

i. Increase allocations for development of water supply infrastructure
ii. Clarify and critically review allocations to Bomet Water Company
iii. Increase allocation for the department to enhance access to clean drinking water
iv. The public were concerned about the revenue on water department as the Fiscal Strategy Paper did not indicate any figure yet the county government is imposing charges on connection of water and also aware that water boozers were supplying water to individuals at ksh. 4,000.

v. The issues of water revenue should be clarified and the method of collection of revenue should be improved.

Submissions on Roads, Public Works and Transport

The majority of the public recommended as follows;

i. Increase allocation to improve roads network in the county

Submission ICT Training & Industry

The majority of the public recommended as follows;

i. The members of the public noted that allocations to the sector was inadequate and should be increased.
ii. Increase allocations to improve ICT infrastructure such as WIFI and internet connectivity
iii. The county to accord protection of both consumers & producers.

Submissions on Culture and Social Services

The majority views recommended as follows;

i. Reduce allocations to this sector and move to Education sector, Public Health & Environment
ii. Allocations to cash transfers to the aged and elderly should capture 12 months to avoid inconveniences

Submissions on Education and Vocational Training

The majority views recommended as follows;

i. Increase allocation to this sector
ii. Priority should focus on construction of ECDE classrooms and equipping polytechnics which were devolved functions

Submissions on Medical services

The majority views recommended as follows;

i. The allocation for health sector should be increased because it is the core department in the county government.
ii. Medical Health services should be given priority and essential services should be provided to the health centres

Submissions on Public Health & Environment

The majority view recommend as follows;

i. Allocations for Bomet Integrated Development Programme should be clarified
ii. Increase allocation to this department

Submissions on Lands, Housing and Urban Planning

The majority views recommended as follows;

i. Clarity was required on all the allocations for various programmes and sub-programmes in the department
ii. Reduce allocations to this sector

Submissions on County Assembly

The majority view recommend as follows;

i. The allocation to Bomet County Assembly should be reduced and instead increase the allocations to Roads and Education sector.
ii. The county assembly to look for a development partner to construct county assembly chambers- under PPP
iii. Development of the county assembly should be done in phases

4 COMMITTEE FINDINGS AND OBSERVATION

Speaker Sir,

The committee made the following findings and observation;

i. The paper outlined the legal basis for publication of the County Fiscal Strategy Paper including section 117 (5) (a) of PFM Act, 2012 which states that the County Treasury shall seek and take into account the views of the Commission for Revenue Allocation. However, the committee did not find any evidence in the paper of the County Treasury having sought the views of the Commission on Revenue Allocation as required by law. Also there was no indication that the views of the CRA, public and other interested persons or groups were taken into consideration when finalizing the CFSP.

   The C.E.C during his appearance before the committee responded that CRA, Members of the Public, Members of the County Budget Economic Forum were consulted two weeks prior to the publication of the document. The C.E.C submitted a letter from CRA on their comments, copies of attendance registers and unsigned minutes as evidence of public participation.

ii. The CFSP should provide information for the preliminary performance of the previous FY 2014/15, the budget of the current FY 2015/16 the projections for the next three FY 2016/17, 2017/18 and 2018/19. Information for 2014/15 was not provided anywhere.

   The C.E.C member for Finance submission acknowledged that performance of FY 2014/15 was not provided in the CFSP indicating that information was provided in CBROP. However review of CBROP reveals that the information were not provided

iii. The document indicated Cash transfers for the elderly as development yet it was clearly a recurrent expenditure.

   The C.E.C member for Finance during his appearance before the committee acknowledged that monthly stipend for the aged (county safety net) were a recurrent expenditure and should be reflected as so. The committee however noted that this anomaly was not corrected even after the C.E.C resubmitted his proposed ceiling. The C.E.C also agreed with the committee that hiring of motor vehicles and purchase of drugs were equally recurrent expenditure.

iv. Allocations for O&M are used for training, travel, holding workshops, fuel and maintenance of ambulances, purchase of stationery, purchase of motor vehicles, payment of utilities (electricity, water, telephone, etc) among others. Quite a number of departments have little resources for O&M raising concerns on whether these ministries have any operations being undertaken or whether the monies was being voted under the development estimates. These departments include medical services, education, agribusiness, environment, and lands.

The C.E.C member for Finance written submission indicates that projections were based on the financial year 2015/16 budget.

v. Some departments had their salaries revised downwards from the previous financial year. These included finance, social and water while that of County Assembly remained constant. The committee noted with concern that the CFSP seeks to retain the personnel emoluments for the County Assembly at **275 million** without any justification. It also raises questions on the criteria used to allocate funds for personnel emoluments since information received indicates that the county assembly service board was not consulted during the preparation of the CFSP on the performance of the assembly in the first half of the current financial year 2015/16. How could this be possible when there were annual wage increments? The committee wondered whether some staffs were being retrenched in 2016/17. Allocations to personnel emoluments, worldwide, increase on annual basis by a certain percentage due to annual salary increments.

The C.E.C member for Finance submission stated that the County Assembly personnel emoluments were retained at Ksh. 275M since gratuity for 2013/14 was factored in the current financial year and therefore will not be factored in the next financial year 2016/17. Reasons provided for salary adjustments were due to shifts in staff between departments. P.E for ICT, Training and Industry increased due to ICT division being moved to the department.

vi. The equitable share provided in the CFSP 2016/17 of Kshs.5, 170,521,981 do not tally with the equitable share in the National Budget Policy Statement 2016/17 of Kshs. 5,078,797,925.

The C.E.C member for Finance provided evidence indicating that total revenue anticipated to be received from national equitable share was Kshs.5, 170,521,981

vii. The committee established that the Paper correctly stated that Agriculture was a major economic activity of the County. The committee however noted that 19% allocations of the total budget to the Agriculture sector were not reflective of the statement.

viii. It was further established that some of the county own revenue sources had been lumped as rates, fees etc. For instance Hospital charges and parking fees had been grouped as fees hence making it impossible for the committee to make informed decisions on the revenue projections. Further revenue breakdown should be submitted.

ix. The committee noted with concern that the revenue from the Water sector was not indicated with reasons given that the revenue was being used by Bomet Water Company. This contravenes section 109(2) which states that the County Treasury for each county government shall ensure that all money raised or received by or on behalf of the county government is paid into the County Revenue Fund, except money that;

a. is excluded from payment into that Fund because of a provision of this Act or another Act of Parliament, and is payable into another county public fund established for a specific purpose
b. may, in accordance with other legislation, this Act or County legislation, be retained by the county government entity which received it for the purposes of defraying its expenses; or
c. is reasonably excluded by an Act of Parliament as provided in Article 207 of the Constitution.

x. The committee noted that CFSP indicated that the County Assembly was allocated Kshs 19 million for development. It was not clear what the funds were meant for since the county assembly priorities were not indicated in the document.

xi. The committee also noted that the department of social services did not clearly indicate the priorities for 2016/17.

xii. The achievements of the Health sector for the financial year 2014/15 are the same as the achievements for the financial year 2013/14. This gives an indication that the allocation to the health sector in the year 2014/15 did not have any significant impact since the statistics provided did not change. The other departments which provided the same achievements in the two financial years include;
    - Department of Lands, Housing and Urban Development
    - Department of Agribusiness, Cooperatives and Marketing
    - Department of Roads and Public Works

xiii. The achievements provided by the ministry of roads were not consistent in terms of the number of KMs of roads that the county has constructed since 2013. This shows that there is no proper monitoring and evaluation of the projects undertaken by the department.

xiv. The committee commends the department of water and health which indicated and explained clearly their departments priorities

COUNTY ASSEMBLY

The committee established that the County Assembly Clerk was never consulted for his views on the CFSP, 2016. The committee noted with concern that the County Treasury set the County Assembly ceiling at **Kshs. 542.5 Million without consulting the County Assembly Clerk.** This is against the provisions of the law as the County assembly needs were clearly **NOT** taken into account.

The C.E.C member for Finance submitted that the County Assembly delayed in submitting its proposal for incorporation in the CFSP. He however confirmed that there was email correspondence which he treated as intentions by the County Assembly to communicate officially to the County Treasury. The C.E.C further submitted that in the absence of Assembly's proposal, the County Treasury set the County Assembly Ceiling at Ksh. 542,291,042 comprising of Ksh. 522,909,336 for recurrent expenditure and Ksh. 19,381,706 for development. The Committee further established that the Assembly's proposal amounted to Ksh. 1.194 billion and were in accordance with the approved Annual Development Plan for FY 2016/17. The committee noted that the County Assembly's proposal of Ksh. 1.194 billion could not be accommodated in the CFSP 2016. The committee advised the County Assembly Service Board to revise its budgetary requirements by reducing the number of motor vehicles planned for acquisition and the number of staff to be recruited. The committee specifically reviewed allocations for purchase of motor vehicles to Ksh. 8 million and allowed recruitment of staff but not exceeding Ksh. 15 million. The committee however advised the CASB to prioritize recruitment of Director Finance, Hansard editors, security officers and committee clerks.

The committee later received a proposal from the C.E.C for Finance seeking to revise County Assembly ceiling among others to Ksh. 431,186,539 comprising of Ksh. 275,100,000 for personnel emoluments, Ksh. 106,086,539 for operations and maintenance and Ksh. 50 million for development. He stated that the changes were occasioned by new PFMA regulations.

Upon close scrutiny, the committee established that if such a proposal was to be adopted then it will severely halt the county assembly operations. The County Treasury seemed to have been aware of this fact since they had initially proposed county assembly ceiling at Ksh. 542,291,042.

The committee also received an advisory from County Assembly's forum advising County Assemblies to ignore amendments in the PFM regulations in considering the financial year 2016/17 budget process and refer to the County Allocation of Revenue Act, 2015 which provides for budget ceilings recommended by the senate in the financial year 2015/16 budget.

The Committee takes note that in the course of its deliberation, communication was made to the Clerk of the Assembly by the CEC Finance on the 14th of March 2016 whose upshot was that the Assembly ceiling is Kshs. 431,186,539 which in his estimation was equivalent to 7% of the total county revenue. From the outset the Committee considers that the figure is erroneous, even if it were to be based on the total county revenues, it must be inclusive of grants. Nonetheless, the Committee has deliberated and sought the opinion of the legal officer within the Assembly and outside, through the auspices of the County Assemblies Forum. The Committee has been advised, advice it believes to be sound, that circumstances presently exist that would justify a departure from the set ceiling of 7%.

The Committee was advised that the ceiling prescribed at 7% by the regulations is directly in conflict with Section 107 of the Public Finance Management Act as was amended by the County Allocation of Revenue Act of 2014. Furthermore the Committee was further advised that the nature of the budget envisioned under the Public Finance Management Act relies on medium term framework, ergo. The budget will always be on a growth trajectory unless extraneous circumstances exist to warrant a decline. It is noteworthy that Bomet County budgetary allocation has always been on an incline, thus no circumstances exist to warrant a decline.

For the reasons above, the Committee concluded that it was justified in deviating from the ceiling.

5 RECOMMENDATIONS OF THE BUDGET AND APPROPRIATION COMMITTEE

Mr. Speaker Sir,

1. The Committee recommends that the ceilings for the two arms of government be set as follows:

   A. County Executive: **Ksh 5,066,822,067** comprising of **Ksh 2,604,615,224** for recurrent and **Ksh 2,462,206,843** for development

   B. County Assembly: **Ksh 636,291,043** comprising of **Ksh. 522,909,336** for recurrent and **Ksh 113,381,707** for development

2. The expenditure will be funded from revenues amounting to **Ksh. 5,703,113,110** of which **Ksh. 5,170,521,981** is from national equitable share of resources, **Ksh. 268,500002** from local revenues and **Ksh. 264,091,127** from donor funding and conditional allocations by the National Government.

3. The C.E.C should ensure in the medium term that the ceiling for personnel emoluments does not exceed 35% while that of development should rise above 50% of total revenues.

4. In future, all adjustments in the supplementary budgets should be done before April in any given year to allow for addressing issues of pending bills occasioned by late approvals.

5. County Public Service Board has been allocated Ksh. 33,000,000 to finance its operations and maintenance.

6. The committee allocated additional Ksh. 100,000,000 to the department of Public Health and Environment. This increment was apportioned to both personal emoluments & development each getting Ksh. 60 million and 40 million respectively. The amount is to cater for recruitment of community health workers, nutritionists and enhancement of preventive health services. This is in line with the public views that the county should focus in preventive so as to reduce pressure and cost of curative services.

7. The committee further allocated Ksh. 61,000,000 to the department of Agribusiness, cooperatives and marketing for cash crop development and value addition. This was also in line with the public views that allocations for the department needed to be increased as Agriculture was the backbone of the County's economy.

8. The committee recommends that the County Treasury should only release funds in accordance with projects and programmes approved in the Annual Development Plan for the financial year 2016/17. A list of the approved projects for implementation in the Annual Development Plan for the financial year 2016/17 has been attached to this report. Furthermore, the County Treasury should undertake a comprehensive assessment of all ongoing and pending projects highlighted in the CIDP and provide the county assembly with a status of the projects and a plan of action on how they will be completed. A schedule containing this should be provided as an accompaniment to the annual estimates to be tabled in this House in April 2016.

9. No new projects should be introduced in the budget after adoption of this CFSP. Any additional funds availed above the approved funds should be used to complete ongoing project.

10. The County Treasury should correctly reflect hire of ambulances, purchase of pharmaceuticals and non-pharmaceuticals as recurrent expenditure in the budget estimates.

11. Water revenues received through A.I.A should be disclosed. Income and expenditure statement should be availed to the Assembly.

Mr. Speaker Sir,

The committee approved the following ceilings for both the County executive departments and the county Assembly;

APPROVED EXPENDITURE CEILING				
SECTOR	**PERSONNEL EMOLUMENTS**	**O&M AND OTHER RECURRENT**	**DEVELOPMENT**	**TOTAL**
County Executive	202,550,000	178,541,982	-	381,091,982
Administration	284,500,000	22,409,923	62,881,706	369,791,629
County Public Service Board	23,803,652	9,196,348	-	33,000,000
Finance And Economic Planning	158,645,874	101,945,944	16,027,631	276,619,449
Public Health And Sanitation	149,550,000	6,044,011	62,581,706	218,175,717
Social Services	38,500,000	344,755,905	145,755,854	529,011,759
Medical Services	489,800,000	8,901,325	437,721,255	936,422,580
Lands Housing And Urban Planning	59,100,000	5,967,523	127,498,912	192,566,435
Agri Business Cooperatives and Marketing	156,000,000	7,859,239	285,159,617	449,018,856
Water Services	36,500,000	3,657,268	508,145,979	548,303,247
Education and Vocational Training	172,700,000	3,606,272	308,207,706	484,513,978
Roads And Public Works	56,400,000	38,287,420	425,720,771	520,408,191
ICT Training And Industry	28,700,000	16,692,538	82,505,706	127,898,244
County Assembly	286,104,000	236,805,336	113,381,707	636,291,043
Total	2,142,853,526	984,671,034	2,575,588,550	5,703,113,110
	37%	17%	45%	

Mr. Speaker Sir,

In conclusion, the above proposed new areas of funding and re-allocations do not add an extra burden to the Fiscal framework. Indeed, the Committee has adhered to the total gross revenue projections of **Kshs. 5,703,113,110.** Therefore, the recommendations by the Committee do not create an additional financing gap.