

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF LAIKIPIA

DEPARTMENT OF FINANCE AND ECONOMIC PLANNING

COUNTY BUDGET REVIEW AND OUTLOOK PAPER

SEPTEMBER 2016

COUNTY VISION, MISSION AND CORE VALUES

Vision Statement

A Peaceful and Prosperous Model County

Mission Statement

To facilitate equitable sustainable development through improved service delivery, technological adoption and advancement and effective resources management

Core Values

People-centeredness

Equity

Accountability

Efficiency

Professionalism

Integrity

Innovativeness

Passion

FOREWORD

The 2016 County Budget Review and Outlook Paper (C-BROP) is prepared to focus on enhanced resource mobilization and on enhancing efficiency in budget implementation. This is achieved through pragmatic allocation of resources to ensure that resources by the County Government go to the full length in meeting the needs of the citizenry.

In this regard, the expenditure and revenue policy framework for the 2016/17 financial year and the medium term is prepared around the following fiscal principles;

- (i) Entrenching fiscal discipline in the management of Public Finances,
- (ii) Ensuring public participation in the selection and implementation of projects to ensure equity in service provision,
- (iii) Continued support to the growth of the economy to provide employment opportunities for the citizens, and
- (iv) Aligning Laikipia County development agenda with the National Development Goals.

Fiscal discipline will seek to ensure that each spending agency in the county is able to keep and support sustainable economic growth. The implementation of the County budget will focus on reducing poverty levels by bringing the essential services to the people such as improving the access to healthcare, universal early childhood education and public infrastructure.

The County Government remains committed to maintaining the trend of economic growth and development in line with the needs and commitments made to the people of Laikipia County. Towards this end, the County Government will ensure that there is transparency and accountability by engaging the public in development planning, implementation and monitoring as required by the Constitution and the Public Finance Management Act, 2012.

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ABBREVIATIONS

BPS	Budget Policy Statement
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Intergrated Development Plan
CSWGs	County Sector Working Groups
DANIDA	Danish International Development Agency
FY	Financial Year
HFIF	Health Facility Improvement Fund
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
MTEF	Medium Term Expenditure Framework
PFM	Public Finance Management
PFMA	Public Finance Management Act
PBB	Programme Based Budgeting
GDP	Gross Domestic Product
EAC	East Africa Community
NSE	Nairobi Securities Exchange
AGPO	Access to Government Procurement Opportunities
KRA	Kenya Revenue Authority

CHAPTER ONE

1.0 INTRODUCTION

Section 118 of the Public Finance Management Amendment Act (PFMA), 2015 provides for the preparation of the CBROP by the County Treasury. The Act states that a County Treasury: shall prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and submit the paper to the County Executive Committee by the 30th September of that year. The significance of the paper is to ensure that the government reviews its previous financial performance; outlook on the level of future revenues; and set preliminary sector ceilings in the light of reviewed performance and projected revenues. The C-BROP is also key document in linking policy formulation, development annual planning and budgeting.

The County Government is implementing the First County Integrated Development Plan and Second Medium Term Plan that guide budget preparation and implementation in the County. The C-BROP is embedded on the MTEF priorities and takes into account priority needs of the citizenry in the devolved system of government. The Sector Working Groups will formulate programmes for the Medium Term Expenditure Framework period focusing on priority programmes.

The core objectives of CBROP are as listed:

- (i) To provide details of the actual fiscal performance of the financial year 2015/16, and deviations from the approved 2016/2017 Budget.
- (ii) To specify the updated economic and financial forecasts in relation to the changes from the forecasts in the County Fiscal Strategy Paper, 2016.
- (iii) To provide information on any changes in the forecasts compared with the CFSP,2016
- (iv) To specify how actual financial performance for the year 2015/16 may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP.
- (v) To point out reasons for any deviation from the financial objectives in the CFSP, 2016 together with proposals and timelines to address the deviations.

This paper is organized into five sections. Section one introduces the C-BROP, Section two details the review of the County fiscal performance for the year 2015/16 and its implications. Section three focuses on the recent economic developments and the outlook for period 2016/17 and the medium term. Section four sets out the resource allocation framework across government departments by setting preliminary expenditure limits or ceilings for each government department. Section five provides a conclusion on previous year's fiscal outcome, updated macroeconomic forecast that indicate changed circumstances and their implications on the financial objectives as elaborated in County Fiscal Strategy Paper, 2016. The section also contains relevant attachments that will guide county departments during the preparation of annual budgets.

CHAPTER TWO

2.0 REVIEW OF FISCAL PERFORMANCE IN 2015/16

2.1 Performance Overview

The fiscal performance in the year 2014/15 was generally average with varying trends in both local revenue collection and expenditure. The targeted budget in 2014/15 was of Ksh. 4,323,813,247.75. The total cumulative revenue in 2014/15 to County Government was Ksh. 4,031,408,216 with total expenditure amounting to Ksh. 3,483,575,796 representing a growth of -13.6 % in total expenditure. The underperformance in expenditure was attributed to lengthy delay in disbursement of funds by the National Government which in turn led to lengthy time in effecting payments for service providers in civil works. In addition, some conditional grants provided for in the budget were never received.

In 2015/16 the County Government had a supplementary budget of Ksh.5,188,879,602 with total expenditure as at 30th June, 2016, amounting to Kshs 4,101,551,736. This represents a deviation of Ksh.1,087,327,866 or -21% of total expenditure. The significant amount of under expenditure is attributed to delays in exchequer releases and implementation of development projects resulting to pending bills which will be fully settled in 2016/17.

2.2 Fiscal Performance in 2015/16

Revenues to the county continued on an upward trend in 2015/16 in comparison to revenues in 2014/15. The revenue performance in 2015/16 is depicted in Table 2.2.1 that summarizes revenue and grants for the FY 2015/16 and the deviations from the approved revenue estimates. Annex 3 further details the local revenue collections for financial 2014/15 and 2015/16.

Table 2.2.1 County Revenue Performance

Total Revenue and Grants	Financial year 2014/15	Financial Year 2015/16		Deviation (Ksh)	% Growth
	Actual (Ksh)	Actual (Ksh)	Targets (Ksh)		
National Revenue Allocation	3,009,697,543	3,449,548,893	3,449,548,893	0	0%
County Local Revenue	347,533,845	533,973,516	550,000,000	-16,026,484	-3%
Grants	674,176,828	118,029,327	1,189,010,709	-1,070,981,406	-90%
Total Revenue	4,031,408,216	4,101,551,736	5,188,559,602	-1,087,007,866	-21%

The total cumulative revenue collection was Ksh. 4,101,551,736 against the target in the supplementary budget of Ksh. 5,188,559,602. This represents a revenue deficit of Ksh. 1,087,007,866 which is 21% deviation from the approved budget. The local revenue collection for the period amounted to Ksh 533,973,516 against a target of Ksh. 550,000,000 reflecting an under collection of Ksh. 16,026,484 or -3.%. This under performance in local revenue collection was mainly attributed to unrealized collections in selected revenue streams, court cases, and inadequate collection compliance systems. Further details are provided in Annex 3.

Expenditure performance in 2015/16 continued on an upward trend compared to the performance in 2014/15. The overall expenditure performance in 2015/16 is depicted in Table 2.2.2 that details actual expenditure and the deviations from the approved estimates.

Table 2.2.2 County Expenditure Performance

Expenditure	Financial year 2014/15 Actual (Ksh)	Financial year 2015/16		Deviation (Ksh)	% growth
		Actual (Ksh)	Targets (Ksh)		
(1) Recurrent Expenditure					
County Executive	2,171,071,960	2,404,291,211	2,639,252,014	234,960,803	-8.9
County Assembly	333,270,115	379,649,983	380,490,113	840,130	-0.2
Total	2,504,342,075	2,783,941,194	3,019,742,127	235,800,933	-7.8
(2) Development Expenditure					
County Executive	923,879,020	1,286,538,776	2,138,066,409	851,527,633	-40
County Assembly	55,354,701	31,071,766	31,071,766	0	0
Total	979,233,721	1,317,610,542	2,169,138,175	851,527,633	-39
Total Expenditure	3,483,575,796	4,101,551,736	5,188,880,302	1,087,328,566	-21

The total expenditure was Ksh. 4,101,551,736 against a target of Ksh. 5,188,880,302 representing an under spending of Ksh. 1,087,328,566 or -21% growth. The growth in total recurrent expenditure stood at (-7.8%) compared to total development expenditure which performed dismally with a growth of (-39%). The sectoral expenditures were utilized by the County Assembly as well as 8 departments of the County Executive. The sectoral expenditures performance in 2015/16 is depicted in Table 2.2.3

Table 2.2.3 2015/16 Sectoral Expenditure

County Departments	Recurrent Expenditure (Ksh)	Development Expenditure (Ksh)	Total (Ksh)
County Assembly Services	379,649,983.00	31,071,766.00	410,721,749.00
Public Service and County Administration	2,071,937,773.00	129,194,274.00	2,201,132,047.00
Finance and Economic Planning	105,850,543.00	405,237,463.00	511,088,006.00
Lands, Housing and Urban Development	18,429,398.00	274,256,289.00	292,685,687.00
Agriculture, Livestock and Fisheries Development	20,838,618.00	69,078,641.00	89,917,259.00
Education, ICT and Social Services	20,217,216.00	73,255,452.00	93,472,668.00
Health and Sanitation	133,993,122.00	192,671,140.00	326,664,262.00
Trade, Tourism and Co-operative Development	19,258,663.00	66,761,435.00	86,020,098.00
Water, Environment and Natural Resources	13,765,878.00	76,084,082.00	89,849,960.00
Total	2,783,941,194.00	1,317,610,542.00	4,101,551,736.00

All departments recorded under absorption of both recurrent and development expenditure except the County Assembly which had a fully utilised development budget. The low performance in development expenditure is mainly attributed to delays in disbursement of funds by the National Government.

Overall, the expenditure analysis for FY 2015/16 will be made conclusive after the completion of statutory audit by Office of the Auditor General on the county accounts after every financial year. This is because external auditors opinions on qualification of financial status plays a significant role in public finance management. This may necessitate adjustments of the final figures.

2.3 Overall Balance and Financing

In 2014/15 there was an under absorption of Kshs 547,832,420 of the total budget. The fiscal deficit in the year 2015/16 was Ksh. 1,087,328,866 which is a shortfall in total expenditure against the budgeted amount. This generally indicates a significant decline of 21 % in absorption of the county cumulative revenues compared to 13.6 % in 2014/15. This deficit was committed into pending bills to be spent in the 2016/17 financial year.

2.4 Implication of 2015/16 Fiscal Performance on Financial Objectives Contained in the 2016/17 Approved Budget

In the view of revenue performance of 2015/16, the local revenue projections for 2016/17 need to be adjusted to conform to the realities on revenue collections. There is therefore need for strengthened operations in revenue collection systems to enhance efficiency in selected revenue streams.

In the view of expenditure performance of 2015/16, there is need for timely disbursements of national transfers, timely reporting on use of exchequers, and speedy conclusion of procurements procedures in order to ensure high absorption of development expenditure in 2016/17 financial year.

CHAPTER THREE

3.0 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

This section seeks to analyze national macroeconomic variables such as GDP growth rate and inflation and their impact on the implementation of 2016/17 County budget.

3.1 Recent Economic Developments

Diverse economic activities have continued in the County including infrastructure improvement, expansion of hospitality services, livestock production, horticulture production, and provision of social services. These will be affected by various developments which include:

a) Macroeconomic Environment

According to First Quarter 2016 GDP report by Kenya National Bureau of Statistics, Kenya's economy is estimated to have maintained the growth momentum that started during the second quarter of 2015. All sectors of the economy posted positive growths resulting to an expansion of 5.9 per cent in real Gross Domestic Product (GDP) during the first quarter of 2016 compared to 5.0 per cent in a similar quarter of 2015. This was attributed to expansion in accommodation and food services, improved growths in: agriculture, forestry and fishing; transport and storage; mining and quarrying while construction, finance and insurance registered slowed but robust growths with manufacturing sector remaining depressed over the same period.

The Kenya Shilling exchange rate weakened against the 4 major international currencies but appreciated against the Euro in July 2016. The currency depreciated against the US dollar to Ksh 101.332 in July 2016 from Ksh 101.145 in June 2016. In the second week of September, the Ksh registered a marginal appreciation to 101.184 against the US dollar. In comparison to the Sterling Pound, the Shilling strengthened to Ksh 133.419 in July 2016 from Ksh 144.316 in June 2016 but marginally depreciated to 133.6228 by second week of September. The shilling appreciated against the Euro to Ksh 112.099 in July 2016 from Ksh 113.688 in June 2016. By the second week of September, the shilling had weakened to 133.6564 against the Euro. Against the Japanese Yen, the Kenya Shilling depreciated to Ksh 97.274 in July 2016 from Ksh 95.847 in June 2016 and weakened further to Ksh 98.3471 by the second week of September.

In the East African Community (EAC) region, the Kenya Shilling marginally appreciated against the Uganda Shilling and Burundian Franc to Ksh 33.34 in July 2016 from 33.269 in

June 2016 and Ksh16.449 in July 2016 from 16.016 in June 2016 respectively. During the second week of September, the Kenya Shilling further appreciated to Ksh.33.40 and Ksh.16.45 against the Uganda Shilling and Burundi Franc respectively. Against Tanzania shilling, the Kenya Shilling depreciated to Ksh 21.608 in July 2016 from 21.67 in June 2016. The Kenya shilling further depreciated to Ksh. 21.58 against Tanzania shilling during the second week of September. The shilling depreciated against Rwandese Franc to Ksh7.450 in July 2016 from 7.591 in June 2016. However, the Kenya shilling strengthened to Ksh. 7.94 against the Rwandese Franc during the second week of September.

The overall Consumer Price Index increased by 0.08 % from 170.84 points in July 2016 to 170.97 in August 2016. The average monthly retail price of a kilogram of dry maize at Nanyuki market reduced to Ksh. 38.26 in June 2016 from Ksh. 38.47 in May 2016. Similarly, the average monthly retail price of a kilogram of dry beans at Nanyuki market reduced to Ksh72.56 in June 2016 from Ksh.76.53 in May 2016. In contrast, the average monthly retail price of a kilogram of dry maize at Nyahururu market maintained at Ksh. 28.64 in May and June 2016. The average monthly retail price of a kilogram of dry beans at Nyahururu market reduced to Ksh.71.59 in June 2016 from Ksh.73.98 in May 2016. The overall inflation rate contracted to 6.26 per cent in August 2016 from 6.39 percent in July 2016.

The average interest rate for the 91-day Treasury bills dropped from 8.609 per cent in week four of August 2016 to 8.087 per cent in week two of September 2016. Similarly, the average interest rate for the 182-day Treasury Bills dropped from 11.02 per cent during Week four of August 2016 to 10.943 per cent in week two of September 2016. Further the average interest rate for the 364-day Treasury Bills dropped to 11.129 per cent during week two of September 2016 from 11.865 per cent in week three of August 2016. The overall inter-bank rate decreased to 3.0623 percent in week two September 2016 from 4.1191 per cent in week four August 2016.

The Nairobi Securities Exchange (NSE) 20 share index contracted from 3,641 points in June 2016 to 3,489 points in July 2016, while the total number of shares traded decreased from 601 million shares to 544 million shares during the same period. The total value of NSE shares traded dropped from KSh 17.25 billion in June 2016 to KSh 13.61 billion in July 2016.

b) Weather Patterns

Laikipia County is dominantly rural with a significant population in the agriculture sector and associated linkages. The county received below normal rainfall during March-May 2016

period with exception in Rumuruti which received enhanced rainfall. This generally affected agricultural output as most of the farmers depend on rain fed agriculture. During period June-August 2016 the county experienced sunny and dry weather conditions except areas of Laikipia West which received some rains accompanied by low temperatures especially in Nyahururu town. The dry weather conditions were also reported in Daiga, Umande and Ethi areas but with higher temperatures. Despite these weather variations, the county government has put in place interventions such as desilting of water dams, water tracking, and vaccination of livestock and relief supplies to ensure minimal disruption of economic activities in most vulnerable parts that experienced low rainfall. The climate outlook for the short rain season during October to December 2016 indicates generally depressed rainfall mainly due to the evolving La Nina conditions. The distribution of rainfall in time and space is therefore expected to be generally poor over most of the places thus having adverse effects on agricultural production.

The county government will continue with interventions such as promotion of drought escaping crops, water harvesting and storage and distribution of hay seeds to farmers in order to cope with undesirable weather conditions. Long rains are expected in the period March-May 2017.

c) Tourism

Laikipia County is richly endowed with wildlife, which is widely distributed in the semi-arid lands extending to Aberdares, Samburu, Meru and Mt. Kenya wildlife corridors/ecosystems. The County receives a large number of tourists both locally and internationally due to various attraction sites. The major sites (features/facilities) include scenic view of Mt. Kenya peaks, Thompson Falls in Nyahururu, Yaaku museum, proximity to Mt Kenya Game Park, expansive savannah landscape, game lodges and restaurants, conservancies and a rich Maasai culture.

d) Trade and Investment

This sector has continued to expand through increased investment in construction industry; finance and insurance; wholesale and retail trade; and agriculture. The County has diverse investment opportunities especially in agriculture and tourism sectors. Some of these include value addition in agricultural products, horticultural farming, hotels and conference facilities, eco-tourism and conservancies, tours and travel services, artefacts and sports tourism among others. The County government has invested in promotion of groups/co-operative societies,

installation of milk coolers, market infrastructure development & maintenance, road network improvement and policy formulation to promote joint ventures with development partners.

3.2 Progress Report on Budget Implementation

The implementation of the County Budget 2016/17 is progressing well despite delays in exchequer releases from the national government during the months of July and August. The County Annual Procurement Plan 2016/17 and Two Year Prequalification Plan (2016/17-17/18) are in place and aligned with IFMIS requirements. In addition the adoptions of AGPO and e-procurement system are expected to ensure inclusivity and efficiency in supply chain management. The up scaling of revenue automation systems is also in good progress in supporting financial management.

The revenue projection for the months of July and August 2016 was Ksh 112,000,000 representing 16.7 % of targeted annual revenue. The revenue collection estimates during this period recorded Ksh. 63,208,233. This represents 56 % realization of the targeted revenue projections during the period. In addition, it represents 9.4 % realization of projected annual revenue.

As the first quarter ends, three exchequer releases were effected in August and September 2016. The County Government received a total of Ksh. 698,500,000 with the recurrent expenditure receiving Ksh. 339,500,000 for personnel emoluments and Ksh. 100,500,000 for operations and maintenance. The development expenditure received Ksh. 258,500,000 for settlement of pending bills.

3.3 County Economic Outlook and Policies

Despite the National Government efforts, Kenya growth rate is still below the target of 10 per cent as per Kenya Vision 2030. The County Government has put in place policies aimed at enhancing productivity amongst priority sectors. Continued growth will be supported by increased production in agriculture, horticulture, wholesale and retail trading, communication and ICT, tourism, construction and transport industry.

The County Government is committed to enhance agricultural sector output through promotion of drought resistant crops, grain storage facilities, irrigation farming and extension services. Breed improvement, hay production, milk coolers installation and slaughter houses construction will also be supported to boost livestock production. The government has also introduced enterprise development fund and co-operative revolving funds to support

enterprise growth and co-operative movement which shall significantly contribute to improved livelihoods through job creation, marketing and access to financial services. In addition financial, hospitality, wholesale, retail and communication enterprises have increasingly set base within the county due to conducive business environment and this generally indicates a positive growth prospects in the medium term.

Due to inadequacy of resources, the County Government will aim to tap on joint ventures to meet the economy's resource requirements while at the same time developing the appropriate investment environment. Local revenue collection in the year is projected at Ksh 670 Million and the County Finance Bill 2016 is expected to be fully implemented.

3.4 Medium Term Fiscal Framework

The County Government will continue to pursue prudent fiscal policy to assure economic stability. In addition, the county fiscal policy objectives will provide an avenue to support economic activities while allowing for implementation of the programmes within sustainable public financing.

With respect to revenue, the County Government hopes to maintain strong revenue collection mechanisms that will realize 100 per cent of estimated revenue in 2016/2017 and higher in subsequent years. Measures in place to enhance local collections include; automation of revenue collection streams, automating weigh bridges, diversification of revenue sources, improved tax compliance, strengthened operations of Laikipia County Revenue Board and partnerships with KRA. It is expected that the amount of revenue collected will be 25.4 percent higher in year 2016/2017 than in 2015/2016.

The County government will continue engaging with stakeholders in the implementation of tourism policies and legislations for sustainable use of the tourism related resources. This will ensure local benefits from conservancies, reserves and heritage sites including Thompson Falls among others.

On expenditure, the County Government will continue with rationalization of expenditure to improve efficiency and reduce wastages. Expenditure management will be strengthened with enhanced use of the Integrated Financial Management Information System (IFMIS) and e-procurement across the county level. The various provisions in PFM Act, 2015 and its regulations shall continue to be entrenched towards accelerating reforms in expenditure

management system. The fiscal standing envisages no borrowing from domestic sources. Joint venture initiatives with development partners will be pursued to support increased public expenditure on capital projects.

3.5 Risks to the Outlook

External factors such as Kenya Shilling exchange rates and inflation may contribute towards negative variances on the performance of the economy posing a challenge on local revenue collections and economic activities within the county. The exchange rate of the Kenyan Shilling is also expected to be maintained against major world currencies and East African countries. The inflation rate is anticipated to stabilise at 6.2 percent posing no foreseeable threat. Another risk is the underperformance of economic growth of 5.9 per cent in 2016 against the targeted levels of over 10 per cent. In addition the preparations related to 2017 general elections may raise political activities and therefore lower investors' confidence.

Another risk is the anticipated depressed rainfall levels due to evolving La Nina conditions expected in the period October-December 2016. Laikipia County being dominantly semi arid with a significant population in the agriculture sector, there is likelihood of strain on the livelihoods of households dependent on this sector.

Delays in passage of the finance legislations and exchequer releases during the budget implementation may hinder timely realization of development projects.

CHAPTER FOUR

4.0 RESOURCE ALLOCATION FRAMEWORK

This section highlights the projections for county revenue and recurrent and development expenditures for various county departments.

4.1 Adjustment to the 2016/17 Budget Estimates

Laikipia County will get an equitable share of Ksh. 3,722,107,267 in 2016/17. In addition, the County government will raise revenue from local collections at Ksh. 670,000,000. This makes the shareable revenues expected for the FY 2016/17 amount to Ksh. 4,392,107,267. Conditional allocations of Ksh. 9,305,967 for compensation of user charges will also be received for support in health services. Other conditional allocations include Ksh. 63,640,000 for free maternal health care, Ksh. 57,190,153 for road maintenance, Ksh. 95,744,681 for lease of medical equipment, and Ksh 5,765,000 DANIDA support on health facilities. Extra budgetary provisions also include HFIF to the tune of Ksh. 190,000,000. This makes the total revenues in the FY 2016/17 amount to Ksh. 4,813,753,068.

Recurrent expenditure represents 71.3% whereas development expenditure represents 28.7% of the total shareable budget. In addition, recurrent expenditure represents 45% whereas development expenditure represents 55 % of the total conditional budget. Overall, recurrent expenditure represents 69% whereas development expenditure represents 31% of the total budget.

Major adjustments are expected under Laikipia County Revenue Board towards generating targeted local collections including collection enhancement plans, automation up scaling and enhanced implementation of the finance bill.

In the view of low absorption of development expenditure at -39% in 2015/16, elaborate mechanisms are called for in ensuring that programmes and projects are completed on time to surpass development expenditure at over 80% and the medium term in 2016/17.

Close collaboration and consultations with national institutions and organs shall be maintained to ensure that funding is well timed in line with sector programmes. These institutions and organs include; Office of the Controller of Budget, the National Treasury, the Summit, Intergovernmental Budget and Economic Council and the Central Bank.

4.2 Medium Term Expenditure Framework

The County Integrated Development Plan, Annual Development Plans and Annual Procurement Plans will continue to guide resource allocations in the medium term. The County Sector Working Groups will work closely with the County Budget and Economic Forum in prioritizing core areas of financing and public investment. Focus will be towards optimal funding of infrastructure development, social services, productive sectors and supportive services.

The sectoral ceilings targeting various county departments in the year 17/18 and the medium term are detailed in Table 4.2

Table 4.2: Total Sector Ceiling for the MTEF Period 2017/2018-2018/2019

Expenditure, Ksh.		Total	Projections		% Share of Total Expenditure		
County Sector	Approved Estimates 2016/2017(Ksh)		2017/2018(Ksh)	2018/2019 (Ksh)	Estimates	Projections	Projections
					2016/2017	2017/2018	2018/2019
County Assembly	431,466,518		474,613,170	522,074,487	10%	10%	10%
Agriculture Livestock and Fisheries	124,263,000		136,689,300	150,358,230	3%	3%	3%
Education and ICT and Social Services	155,643,000		171,207,300	188,328,030	4%	4%	4%
Public Service and County Administration	2,536,009,751		2,789,610,726	3,068,571,799	58%	58%	58%
Lands, Housing and Urban Planning	295,623,000		325,185,300	357,703,830	7%	7%	7%
Trade, Tourism and Co-operatives	111,824,000		123,006,400	135,307,040	3%	3%	3%
Finance and Economic Planning	250,505,000		275,555,500	303,111,050	6%	6%	6%
Health	292,409,000		321,649,900	353,814,890	7%	7%	7%
Water Environment and Natural Resources	194,364,000		213,800,400	235,180,440	4%	4%	4%
Total	4,392,107,269		4,831,317,996	5,314,449,795	100.00%	100.00%	100.00%

NB: Conditional grants for 2016/17, 2017/18 and 2018/19 are excluded

4.3 Proposed Budget 2017/18 Framework

(a) Revenue Projections

In the financial year 2016/17 the county is estimated to receive revenue of Ksh. 4,392,107,269 inclusive of Ksh. 670,000,000 raised as local collections. The revenues are projected to grow to Ksh. 4,831,317,996 inclusive of Ksh.700,000,000 raised locally in 17/18. In the year 18/19, the revenues are projected at Ksh. 5,314,449,795 inclusive of 750,000,000 raised locally.

The key sources of local revenue include: hospital collections, land rates, business permits, cess, parking fees, natural resource exploitation, garbage dumping fees, lease changes, market fees, technical services and building approvals.

(b) Expenditure Forecasts

In the financial year 2016/17 the approved budgets total expenditure is estimated to be Ksh. 4,813,753,068 which includes conditional grants expenditures of Ksh 421,645,801. Pending bills for the financial year 15/16 totalling to Ksh.1,087,327,866 will also be appropriated in 16/17. The FY 2016/2017 expenditure represents a 15 % increase compared to the expenditure in the financial year 2015/2016 which was Ksh 4,101,551,736.

(i) Recurrent and Development Expenditure

The overall county recurrent expenditure is expected to increase in FY 2016/17 to 69% of the total budget from 58.2 % of the total budget in FY 2015/16. The estimated amount for FY 2016/17 is Ksh. 3,409,168,269 from Ksh. 3,019,742,127 in 2015/16. Pending bills for the year 15/16 amounting to Ksh.88, 000,000 will be spent for recurrent expenditure. The major spending departments in recurrent expenditure include: the County Assembly; Public Service and Administration; and Finance and Economic Planning.

In FY 2016/2017, overall development expenditures is expected at Ksh.1,495,156,040 representing 31% compared to Ksh 2,169,137,475 representing 41.8% in 15/16 budget. Pending bills for the year 15/16 amounting to Ksh. 1,038,814,676 will be spent for development expenditure. The major spending departments in development expenditure include: Lands Housing and Urban Development; Health; and Water, Environment and Natural Resources.

(ii) Wage Obligation

The salaries, wages and expenses of the county administration services for 2016/17 is estimated at Ksh. 2,175,000,000 compared to Ksh. 1,944,889,000 in 2015/16. This represents 11.8% increment attributed to employment of additional staff in the health, agriculture, lands and housing departments. Other considerations for the increment include replacement of retired staff, recruitment of section heads, salary annual increments, job promotions, hardship allowances adjustments, house allowances adjustments and staff health insurance. The

increment spending in salaries and wages is expected to be on a steady growth over the medium term as the county strengthens the matching of staff skills and functions.

(c) Projected Fiscal Balance (Deficit)

To ensure fiscal discipline, the 2016 BPS and 2016 CFSP have maintained that the County governments do not include deficits in their budgets in 2016/17 and medium term. It is in this regard that the county government allocated resources for spending that are commensurate to the revenues expected in the 2016/17 and the medium term.

During the 2016/17 fiscal year, the resource framework is fully financed through transfers from the national government and own revenue collected from local sources such as fees and charges, rates, among others as allowed by the governing Acts. In addition, conditional grants will add to resource envelope and spent within the provisions of the Appropriation Act.

CHAPTER FIVE

5.0 CONCLUSION AND NEXT STEPS

The set of policies outlined in this C-BROP reflect the changed circumstances and are broadly in line with the County Integrated Development Plan and the fiscal responsibility principles outlined in the PFM Act. They are also consistent with the national strategic objectives pursued by the County Government as a basis of allocation of public resources. Details of the strategic objectives are provided in the first CIDP 2013-2017. The policies and sector ceilings in Annex 5 will guide the County Sector Working Groups and line departments in preparation of the 2017/18 budget. This will be further guided by the provisions in the Annual Development Plan 2017/18 whose summary expenditure is detailed in Annexes 4(a) and 4(b).

As budgetary resources are finite, it is critical that CSWGs and county departments prioritize their programmes within the available ceilings to ensure that use of public funds is in line with county government priorities. There is also need to ensure that recurrent resources are utilised efficiently and effectively before funding is considered for programmes. CSWGs need to carefully consider detailed costing of projects, strategic significance, deliverables (output and outcomes), alternative interventions, administration and implementation plans in allocation resources. The budget calendar in Annex 1 therefore requires to be adhered to in line with the Budget Circular of August 2016.

In pursuit of this, effective budget implementation at the county level will be facilitated through capacity building and the development of systems for close monitoring and evaluation of spending entities to ensure that resource application bears the most fruit to the taxpayer. Involvement of all stakeholders in budget execution is also key in enhancing overall budget implementation and the priority public needs will be key in shaping the final budget policies and allocations for the 2017/18 financial year.

The county will also strengthen its revenue collecting and management systems with the goal of generating more revenues to strive towards budgetary self-reliance while ensuring the stability of the fiscal framework and financial health of the County. This way, the various projections for revenue streams provided in Annex 2 will be realized.

Annex 1: 2017/18 Budget Calendar

S/ No	Activity	Due Date
1	Issue County Treasury Budget Circular	30 th August, 2016
2	Submit County Annual Development Plan to the County Executive Committee	15 th September, 2016
3	Submit County Annual Development Plan to the County Assembly	30 th September, 2016
4	Submit the County Budget Outlook Paper (CBROP) to the County Executive Committee	30 th September, 2016
5	Submit the County Budget Outlook Paper (CBROP) to the County Assembly	7 th October, 2016
6	Launch Sector Working Groups	4 th October, 2016
7	Hold retreats to Draft Sector Working Group Reports	11 th -13 th October, 2016
8	Submit Sector Working Groups Reports	31 st October, 2016
9	Submission of Budget Proposals and Feasibility Study data by County Departments to County Sectors Heads/Chief Officers.	11 th November, 2016
10	Submission of Budget Proposals and Feasibility Study data by County Sectors to County Treasury	25 th November, 2016
11	Conduct Public Participation Fora on County Fiscal Strategy Paper	5 th -9 th December , 2016
12	Review and Analysis of Annual Budget Proposals by County Budget Team	28 th November, 2016 up to 20 th January, 2017
13	Submit the County Fiscal Strategy Paper (CFSP) to the County Executive Committee	16 th December ,2016
14	Submit the County Debt Management Strategy Paper (CDMSP) to the County Executive Committee	16 th December ,2016
15	Submit the County Fiscal Strategy Paper (CFSP) to the County Assembly	23 rd December, 2016
16	Submit the County Debt Management Strategy Paper (CDMSP) to the County Assembly	23 rd December, 2016
17	Dispatch of Approved Annual Budget Ceilings to Sectors	20 th January, 2017
18	Conduct Public Participation Fora on Annual Budget Estimates	30 th January-3 rd February 2017
19	Submit finalized Sector Annual Budget Estimates to the County Treasury	10 th February ,2017
20	Submit finalized County Annual Budget Estimates to the County Executive Committee	17 th February, 2017
21	Submit finalized County Annual Budget Estimates to the County Assembly	24 th February, 2017
22	Submit Annual Procurement Plans to the Supply Chain Unit	24 th March, 2017
23	Submit County Annual Cash Flow Projections to CRA and copied to IBEC and National Treasury	14 th April, 2017
24	Preparation and Approval of County Appropriation Act	31 st March, 2017
25	Preparation and Approval of Finance Act	30 th September, 2017
26	Quarterly /Cumulative Compliance Reports of Revenue and Expenditure	Within two weeks after the end of each quarter

Annex 2: Revenue Projections for 2016/17 and 2017/18

Revenue Streams	2015/16	2016/17	2017/18
	Target (Ksh)	Target (Ksh)	Target (Ksh)
Land Rates and related charges	121,550,000	148,070,000	154,700,000
Business Permits and related charges	110,440,000	134,536,000	140,560,000
Various Cesses	65,637,000	79,957,800	83,538,000
Plot Rent and related charges	19,800,000	24,120,000	25,200,000
Administrative Services fees.	10,890,000	13,266,000	13,860,000
Various fees and court fines	2,123,000	2,586,200	2,702,000
Natural Resources Exploitation	34,452,000	41,968,800	43,848,000
Sale of County Government Old Assets	770,000	938,000	980,000
Lease/Rental of County Government Infrastructure Assets and Social Premises Use Charges	9,625,000	11,725,000	12,250,000
Market/Trade Centre Fees	15,400,000	18,760,000	19,600,000
Enclosed Bus Park Fees and Other Parking Charges	73,265,500	89,250,700	93,247,000
Housing Estate Monthly Rent and Related Charges	23,375,000	28,475,000	29,750,000
Education institutions fees	990,000	1,206,000	1,260,000
Public Health and Sanitation Fees including slaughters houses	15,152,500	18,458,500	19,285,000
Land Survey and Building Fees	12,980,000	15,812,000	16,520,000
Right-of-Way/Way-Leave Fees (KPLC, Telkom, etc.)	8,800,000	10,720,000	11,200,000
Fire -Fighting Service	2,200,000	2,680,000	2,800,000
Other Miscellaneous Revenues	22,550,000	27,470,000	28,700,000
Total	550,000,000	670,000,000	700,000,000

Annex 3: Local Revenue Collection Statement For FY 2014/15 and 2015/16

Local Revenue Collection	FY 2014/15	FY 2015/16	Variance
Land Rates Current Year	43,621,569	39,150,585	(4,470,984)
Land Rate Penalties	4,637,398	4,650,357	12,959
Land Rates Other Years	4,589,414	39,155,154	34,565,740
Other Property Charges	500,928	814,350	313,422
Change of user	127,380	-	(127,380)
Encroachment	743,300	-	(743,300)
Subdivision fee	372,050	-	(372,050)
Allotment	176,000	-	(176,000)
BUSINESS PERMITS	-	-	-
Business Permits, Current Year	55,940,578	61,195,292	5,254,714
Bus Permits Late Payment Penalties, Current Yr	761,032	1,189,417	428,385
Business Permits, Other Years (Including Penalties)	155,785	454,585	298,800
Bank charges	1,200	-	(1,200)
Business registration fee	6,800	-	(6,800)
Business other years	97,200	-	(97,200)
By-Laws fines and penalties	205,650	-	(205,650)
Conservancy	5,805,775	-	(5,805,775)
Occupational license	42,300	-	(42,300)
CESSSES	-	-	-
Wheat & Maize Cess	7,307,864	10,466,719	3,158,855
Fruits & Vegetables / Produce Cess	3,924,150	4,726,370	802,220
Log Cess	4,100	-	(4,100)
Charcoal Cess	36,405	202,200	165,795
Livestock Cess/Veterinary Services	877,765	7,211,143	6,333,378
Cattle cess	790,650	-	(790,650)
Ballast	115,500	-	(115,500)
Forest by products	22,500	-	(22,500)
Goat/Sheep	2,578,175	-	(2,578,175)
Hardcore cess	2,300	-	(2,300)
Horticulture	63,000	-	(63,000)
Livestock Cess/Veterinary Services	14,800	-	(14,800)
leases of assets	700,000	-	(700,000)
Murram	80,200	-	(80,200)

Local Revenue Collection	FY 2014/15	FY 2015/16	Variance
Produce cess	649,180		(649,180)
Sand cess	15,860,300		(15,860,300)
Sand cess collection C/F to Dec	498,000		(498,000)
PLOT RENTS	-	-	-
Plot Rent - Current Year	784,467	10,412,706	9,628,239
Plot rent penalties	10,500	-	(10,500)
Ground Rent - Other Years	6,643,734	2,416,640	(4,227,094)
Stand Premium	-	-	-
Temporary Occupation License (TOL)?TOP	137,300	311,400	174,100
Ground rent other years	1,338,923		(1,338,923)
House and stall rent	17,547,625		(17,547,625)
OTHER LOCAL LEVIES	-	7,597,124	7,597,124
MISCELLANEOUS FEES & CHARGES	-	936,163	936,163
ADMINISTRATIVE SERVICES FEES	158,900	1,277,000	1,118,100
Debts Clearance Certificate Fee	1,495,500	2,218,200	722,700
Application Fee	2,097,855	2,113,050	15,195
Plot Transfer Fee	488,550	516,450	27,900
Plot Subdivision Fee	63,000	2,149,100	2,086,100
Business Subletting / Transfer Fee	725,400	644,750	(80,650)
Clearance fee	98,000	-	(98,000)
Motor Cycle Seasonal Tickets	350,450		(350,450)
Document Search Fee	7,700	34,900	27,200
Annual Renewal Certificate	2,601,250	2,544,200	(57,050)
Cheque Clearance Fee/bank charges	22,200	22,550	350
Ambulant Hawkers Licences(Other than BSS Permits)	7,000	-	(7,000)
Court Fines/Bonds	142,300	284,400	142,100
Impounding Charges	139,450	118,800	(20,650)
Sales of County's Minutes / Bylaws	10,000	238,350	228,350
Tender Documents Sale	62,800	-	(62,800)
Grave fee recovery	4,000	-	(4,000)
Hire of central park	35,000	-	(35,000)
Transfer fee	120,650	-	(120,650)
Training recovery	650,000	-	(650,000)
Training/Learning centre fee	24,000	-	(24,000)
Water and sewer dividends	781,945		(781,945)
Sand, Gravel, and Ballast Extraction Fees	-	16,337,630	16,337,630
Quarry Extraction Fees	308,720	26,960	(281,760)
Sales of Flowers, Plants, Firewood, Produce, etc.	947,500	842,445	(105,055)
Garbage Dumping/Conservancy Fee	5,930,730	16,325,015	10,394,285
Game and Nature Park Fee	7,652,580	8,379,250	726,670
Lease of Water Distribution Network	-	175,450	175,450
OTHER MISCELLANEOUS REVENUES	588,540	1,059,360	470,820
OTHER MISCELLANEOUS REVENUES	-	227,024	227,024
Miscellaneous income	7,554,805	-	(7,554,805)
Consent to Charge Fee/Property Certification fee (Use as collateral)	602,000	-	(602,000)
fee (use as collateral)	-	4,073,420	4,073,420
Market Entrance / Gate Fee	6,395,620	4,420,665	(1,974,955)
Market Plots Rent	150,700	376,700	226,000
Market Kiosks Rent	374,430	336,550	(37,880)
Enclosed Bus Park Fee	24,797,900	30,871,230	6,073,330
Other Vehicles Enclosed Park/Reserved Fees (Cars, Lorries, etc.)	39,100	2,348,545	2,309,445
Street Parking/ Motorbike Fee	27,121,825	17,126,060	(9,995,765)
Clamping Fee	828,250	2,215,500	1,387,250
Locking and Unlocking fee	129,000	-	(129,000)
booking office per month	12,000	-	(12,000)
Meat Inspection	205,435	-	(205,435)
Clamping Tampering		1,521,300	1,521,300
property certification	5,095,280	-	(5,095,280)
Registration/occupation fee	194,000	-	(194,000)
Road cutting per metre	96,600	-	(96,600)
Tourist attraction sites- Thompsons	648,100	-	(648,100)
Housing Estates Monthly Rent	-	13,836,522	13,836,522
NHC Loan Repayments	80,448	-	(80,448)

Local Revenue Collection	FY 2014/15	FY 2015/16	Variance
Advertisement Charges Recovery	677,700	1,003,900	326,200
Social Hall Hire /stadium	169,000	232,700	63,700
EDUCATION FEES	65,200	-	(65,200)
Nursery Schools Fee	79,350	208,600	129,250
Promotion fee	425,200	-	(425,200)
Salary refund	427,258	-	(427,258)
PUBLIC HEALTH & SANITATION SERVICES FEES	3,660,665	6,900,745	3,240,080
Other health and sanitation Revenues	6,100	-	(6,100)
Food Quality Inspection Fee	527,520	642,600	115,080
Food Preparation Premises Hygenization Services Fee	38,700	103,000	64,300
Public Toilets Fee	15,630	32,645	17,015
Burial Fees	165,069	146,650	(18,419)
Slaughtering Fee	7,003,425	6,675,375	(328,050)
Hides & Skins Fee	36,235	3,870	(32,365)
Manure Sale	222,255	357,700	135,445
public works and utility charges	384,600	-	(384,600)
Slaughter Houses Inspection Fee	-	654,395	654,395
Beacon Search Pointing Fee	197,400	356,000	158,600
Survey Fee	41,400	-	(41,400)
Buildings Plan Preparation Fee	-	552,528	552,528
Buildings Plan Approval Fee	6,010,341	5,647,940	(362,401)
Buildings Inspection Fee	1,966,789	1,620,660	(346,129)
Building plans preparation fee	1,504,194	-	(1,504,194)
Sign Boards & Advertisement/promotion Fee	4,216,587	3,899,577	(317,010)
Structure fee	24,400	-	(24,400)
EXTERNAL SERVICES FEES	-	252,140	252,140
Fire-Fighting Services	1,574,900	2,533,520	958,620
Weight & Measures	700,300	86,180	(614,120)
liquor license	-	8,012,500	8,012,500
Unreceipted	2,743,956	8,652,065	5,908,109
hospital revenue	90,581,072	161,802,245	71,221,173
TOTAL	401,076,556	533,973,516	132,896,960

Annex 4(a): Annual Development Plan 2017/18 Estimates

Sector/Department	Programme/Sub Programme	Estimated Cost (Ksh)
Public Service and County Administration Sector	Administration, Planning and Support Services	250,000,000
	County Administration Services	133,000,000
	County Executive Committee Support Services	110,000,000
	Human Resource Management and Development	192,000,000
	Security and Policing Support Services	73,000,000
	Public Safety, Enforcement and Disaster Management	102,000,000
	Sub Total	860,000,000
Health	Curative and Rehabilitative Health	313,000,000
	Preventive Promotive Health	47,000,000
	General Administrative and Planning Services	1,398,000,000
	Sub Total	1,758,000,000
Agriculture , Livestock and Fisheries	Crop Development and Management	208,000,000
	Administration Planning and Support Services	320,000,000
	Livestock Resources Management and Development	117,000,000
	Fisheries Development and Management	17,000,000
	Veterinary Services Management	57,000,000
	Sub Total	719,000,000
Water, Environment and Natural Resources	Administration and support services	159,000,000
	Water supply management	202,000,000
	Natural Resources Management	85,000,000
	Environment Management and Protection	63,000,000
	Sub Total	509,000,000
Finance and Economic Planning	Administrative services	20,000,000
	Infrastructural Facilities	6,000,000

Sector/Department	Programme/Sub Programme	Estimated Cost (Ksh)
	Personnel services	275,000,000
	Accounting Services	7,000,000
	Internal Audit Services	10,000,000
	Supply Chain Management Services	9,000,000
	County Treasury Administration	25,000,000
	Revenue Collection and Revenue Board Services	30,000,000
	Budget Management	3,000,000
	Laikipia County Emergency Fund	20,000,000
	Accountable Documents services	5,000,000
	Financial Automation Services	20,000,000
	County Integrated Development Planning Services	5,000,000
	Research, Statistics and Documentation	2,000,000
	County Integrated Monitoring and Evaluation Services	6,000,000
	Household Economic Empowerment	10,000,000
	Ward Development Fund	5,000,000
	County Development Authority	5,000,000
	Policy Management and Public Participation	10,000,000
	Sub Total	483,000,000
Trade Tourism and Co-operatives	Administration Services, Personnel Services, Finance Services and policy formulation	55,000,000
	Tourism Infrastructure development and Promotion,	25,000,000
	Trade Infrastructure Development and Promotion	81,000,000
	Co-operative Development and promotion	5,000,000
	Co-operative Revolving Fund	30,000,000
	Sub Total	196,000,000
Education, ICT and Social Services	Administration, Planning and Support Services.	140,000,000
	Vocational Training Development	15,000,000
	ICT infrastructure Development	10,000,000
	ECDE Development	133,000,000
	Education Empowerment programme	50,000,000
	School Infrastructure Support	35,000,000
	Sports Development and Promotion	18,000,000
	Social Development and Promotion	30,000,000
	Child Care Services	8,000,000
	Sub Total	442,000,000
Lands, Housing and Urban Development	Administration ,Planning and Support Services	152,000,000
	Road network improvement & urban development	504,000,000
	Public Works Services Delivery Improvement	10,000,000
	Physical Planning Services	50,000,000
	Housing	4,000,000
	Sub Total	720,000,000
	Grand Total	5,746,000,000

Annex 4(b): Personnel Emoluments Projections 2017/18

Sector/Department	Estimated Cost (Ksh)
Public Service and County Administration	230,000,000
Finance and Economic Planning	275,000,000
Health	1,300,000,000
Agriculture , Livestock and Fisheries	300,000,000
Education, ICT and Social Services	120,000,000
Lands, Housing and Urban Development	127,000,000
Trade Tourism and Co-operatives	35,000,000
Water, Environment and Natural Resources	130,000,000
Total	2,517,000,000

Annex 5: Sector Ceilings in 2016/17 and Medium Term

County Sector	2016/2017 Approved Estimates		2017/2018 Projections		2018/2019 Projections	
	Recurrent	Development	Recurrent	Development	Recurrent	Development
County Assembly	391,466,518	40,000,000	430,613,170	44,000,000	473,674,487	48,400,000
Agriculture Livestock and Fisheries	16,907,000	107,356,000	18,597,700	118,091,600	20,457,470	129,900,760
Education, ICT and Social Services	41,843,000	113,800,000	46,027,300	125,180,000	50,630,030	137,698,000
Public Service County Administration	2,406,153,751	129,856,000	2,646,769,126	142,841,600	2,911,446,039	157,125,760
Lands, Housing and Urban Development	31,409,000	264,214,000	34,549,900	290,635,400	38,004,890	319,698,940
Trade, Tourism , Co-operatives	23,824,000	88,000,000	26,206,400	96,800,000	28,827,040	106,480,000
Finance and Economic Planning	144,362,000	106,143,000	158,798,200	116,757,300	174,678,020	128,433,030
Health	45,981,000	246,428,000	50,579,100	271,070,800	55,637,010	298,177,880
Water, Environment and Natural Resources	29,222,000	165,142,000	32,144,200	181,656,200	35,358,620	199,821,820
Total	3,131,168,269	1,260,939,000	3,444,285,096	1,387,032,900	3,788,713,605	1,525,736,190

NB. Conditional Grants not included in the 2016/2017 Departmental Estimates; County Infrastructure Rural Electrification – 57,190,153; Health Services -367,026,887;