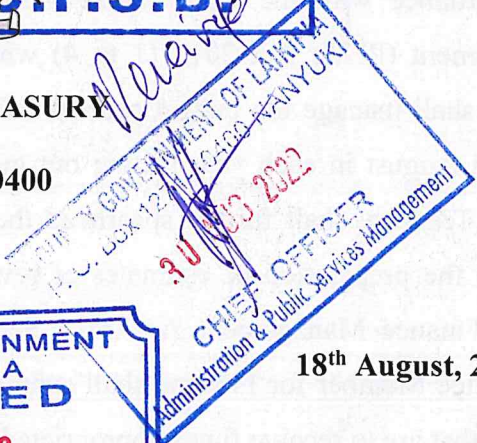




THE COUNTY TREASURY

P.O. Box 1271-10400

NANYUKI



Ref: LKP/TREASURY/CIR/Vol.1 (1) 2022

18th August, 2022.

To: The County Secretary,
The Clerk, County Assembly,
All Chief Officers, Laikipia County,
All Accounting Officers, Laikipia County,
The Secretary, County Public Service Board,
The Chief Executive Officer, Revenue Board,
The Chief Executive Officers, County Funds



RE: COUNTY BUDGET CIRCULAR NO.1 /2022

The PFM Act 2012, section 128 outlines the budget making process as managed by my office.

Further, the PFM Arrangement of Regulations (county) section 30(1) reads, *'the budget preparation process for the following financial year(N+1) shall start not later than the 30th August of the current financial year (N) with the issuance of the annual budget circular by the County Executive Committee Member and in compliance with formats and recommendations contained in the annual budget preparation circular or guidelines, instructions and the financial manual'*.

Attached is a copy of County Budget Circular No. 1/2022 requiring all Chief Officers, Directors and Chief Executive Officers to offer leadership in the 2023/24 budget process.

To ensure the implementation of the circular, kindly refer to the guidelines provided and adhere to the set timelines.

Murungi Ndai,
County Executive Committee Member,
Finance and Economic Planning.
LAIKIPIA

Cc: H. E The Governor
H.E The Deputy Governor
All CECM



1.0 INTRODUCTION

1.1 Background

In accordance with the Constitution (Article 220(2b)) and to the Section 128 of Public Finance Management (PFM) Act 2012 (1 to 4) which states; the County Executive Committee Member for finance shall manage the budget process of the county and subsequently issue a circular not later than the 30th August in each year setting out guidelines to be followed in county budgetary process. The County Treasury shall further spearhead the preparation of the annual budget for the county and coordinate the preparation of estimates of revenue and expenditure of the county government. Further, Public Finance Management Act 2012 Section 130 (1) (b) (i), requires that the County Executive Committee Member for Finance shall submit to the County Assembly a list of all County government entities that are to receive funds appropriated from the budget of the County Government.

Not later than the 30th August in each year, the County Executive Committee Member for Finance shall issue a circular setting out guidelines to be followed by all of the county government's entities in the budget process.

1.2 Purpose

The purpose of this Circular is to provide guidance on the processes and procedures to be followed when preparing the Medium-Term Budget for 2023/24. The guidelines are issued in accordance with Section 128 (2) of the Public Finance Management Act, 2012 and apply to all County Departments.

The guidelines provide the following information:

- a) Key policies guiding the policy framework underpinning the budgets for 2023/24-2025/26 MTEF period
- b) Process of undertaking Programme Performance Reviews (PPRs) and projections of the revenue and undertaken expenditures
- c) The relevant documents, form and content required to support the budget formulation and resources required
- d) Communicate the agreed upon Programmes for the period 2023/24-2025/26 and the cost of the projects to be funded;
- e) Give clear guidance on public participation in the budget process; and
- f) Key timelines and deadlines for activities in the budget preparation process budget

1.3 Exchequer Funding

County departments whose proposed expenditure and investment Programme are to be financed from the County exchequer should be in line with the County Integrated Development Plan **2022-2026** and Annual Development Plan **2023/2024**. Further requirements on the exchequer funding as prescribed by the Controller of Budget must be adhered to.

1.4 Expenditure Management

The programme performance expenditure review process will be used to determine MTEF budgetary allocations by assessing whether value for money has been obtained in previous allocations, which programmes are to be given priority in terms of funding and whether it will be prudent to discontinue some projects. This is expected to contribute towards an efficient and effective way of allocating resources towards the realization of the objectives of CIDP.

In this regard, all departments are urged to be efficient and effective in the management and utilization of resources entrusted to them with a view to deliver services in a cost-effective manner. It is emphasized that County departments should not enter into commitments or initiate new programmes, projects or activities in excess of funds allocated to them under the County budgetary provisions or funds available to them from other sources including internally generated revenues. This also requires adherence to the Annual Procurement Plans in order to achieve the required outputs and desired policy outcomes.

1.5 Financial Management of County Departments

Accounting officers are reminded to adhere to PFM Act 2012 and that they shall be held liable in case of any breach of the law. It is also important to note that they might be called in to appear before the relevant departmental committees of the county assembly to justify their programmes and budgets. In this connection, they are reminded to familiarize themselves with the requirements of the PFM Act 2012 and the County Assembly Standing Orders and comply with them accordingly.

County departments with outstanding liabilities arising from default and non-payment of non-lent/guaranteed loans, or non-remittance of taxes, pension, NSSF, NHIF and other statutory obligations as well as employees' contribution to co-operative societies should put in place plans and initiate remedial measures to settle these liabilities. It is further emphasized that: -

- All County departments should take debt service and statutory obligations as a first charge on their revenues in consultation with the Human Resource Management Section.

- County Treasury will adhere to the provisions of section 140, 141 and 143 of the PFM Act 2012.

1.6 Fiscal Responsibility

The County departments should ensure that they allocate a minimum of thirty (30) percent of their total budgetary estimates to development expenditure in the medium term as stipulated in public Finance Management Act 2012 section 15(2) (a). The County departments should also ensure that their recurrent expenditure do not exceed revenues collected by the respective county department or amounts allocated by the County Treasury.

1.7 Public Participation

In accordance with the Articles 10 and 35 of the Constitution, section 126(2) of the Public Finance Management Act and Section 91(c) of the County Governments Act 2012 public participation in the budgetary process is both essential and a constitutional requirement. The public and all other stakeholders should be actively involved in all stages of the MTEF budget process. Sector working groups should identify stakeholders in their sector and engage them in programmes review and prioritizations of projects and programmes. Proposals and memorandum from the public should be considered in the budgeting process and relevant documents saved for future references. Public participations fora deliberations should also be incorporated in to the process.

Reviewed and consolidated Draft Estimates shall be posted to the County website and submitted to the members of the public through Sub County Administrators for scrutiny before public hearings and meetings. The Public shall also be notified through newspapers, local radio and posters on time and respective venues of the meetings. The materials from the forums like Minutes, written proposals, recordings and photos of shall be conveyed to departments for consideration.

In addition, close consultations should be held by the county sectors with the County Budget and Economic Forum (CBEF).

Towards realizing this objective, public hearings will be held to deliberate on the County's priorities and programmes in December, 2022 and January, 2023. The hearings will be guided by the Laikipia County Public Participation Act, 2014 which facilitates the implementation of Constitution provisions on public participation. Section 17 and 18 of the Act gives effect to public participation framework under the County Government Act, 2012.

2.0 GENERAL GUIDELINES

2.1 Comprehensive Estimates Breakdown

County departments should provide foreseen annual overall expenditure broken into both recurrent and development expenditure. Recurrent expenditure should include the non-discretionary expenditure (debt service, wages and other related items).

1.2 Returns on Capital Projects

Completion of the on-going projects and programmes must be accorded priority. In this regard, capital expenditure must be applied towards the funding of on-going projects and programmes that are near completion and have under gone due process.

County departments should ensure that all capital projects generate a reasonable rate of return which should be benchmarked with, and be comparable to the industry they operate in. However, in cases where these may not be quantifiable in financial terms, adequate justification should be provided in terms of other criteria such as socio-economic impact. Feasibility studies duly conducted on capital projects should be shared with the County Treasury.

1.3 Programme Based Budget (PBB)

The Public Finance Act, 2012 requires the County Government to implement Programme Based Budget. Programme based budgeting will improve the linkage between planning and implementation and enhance Monitoring and Evaluation. All Sector Working Groups are required to provide inventories for their Development Expenditure Proposal indicating the specific projects and locations.

The main purpose of the PBB is;

- i. Prioritizing expenditure in the budget to ensure adequate resources are allocated to the Programmes that are of high benefit to the community.
- ii. PBB structures allow for the identification of necessary inputs to produce core operations and projects required to contribute to strategic objectives. This are then rolled up to produce Programme and sub-Programme costs.
- iii. Improve efficiency and effectiveness in service delivery

In view of this, county entities are expected to define programmes with clear objectives (which usually refer to outcomes), and linked to outputs, performance indicators and targets. In designing programmes, the structure should match up to the main lines of service delivery in the County entities

Programme performance targets should be specific, measurable, achievable, realistic, and time bound. Targets should be set only for those key performances which are considered reasonably controllable and for which baseline performance has been reliably measured. It is emphasized that each programme should be confined within a single departmental agency and all functions should fall within programmes.

Accounting Officers should ensure that in designing programmes, each and every function or activity undertaken by the departmental agency is included in relevant programmes. All entities should ensure that:

- a) There are no cross-cutting activities or functions which are not assigned to respective programmes;
- b) Each programme has a distinctive name that reflects the overall objective of a programme
- c) There should be no duplication of programme names proposed by other entities
- d) Minimize the number of programmes and sub-programmes as much as possible and broaden activities under various programmes.

2. Inter Governmental Relations

The county departments should ensure that matters arising from the Intergovernmental Budget and Economic Council and other intergovernmental forums are incorporated in the budget proposals.

3. Internal Audit

Accountability and transparency in resource utilization is a critical requirement of the Constitution of Kenya 2010 and the PFM 2012 where the appointing authority has appointed and operationalized the audit committee. They will be preparing reports and making recommendations to the governor and county assembly regarding prudent use of public resources.

All accounting officers are required to cooperate with the said committee in providing additional information on certain expenditure.

In the same breath, all accounting officers are hereby notified that the fight against graft is on and therefore, misappropriation of public resource will be met with full force of the law.

4. Distribution of projects in the county

For even distribution of County Development Projects, County Entities are called upon to ensure that Programmes and projects are evenly distributed to at least all the fifteen wards in the County.

5. Budgeting for fees and taxes

Payment of statutory fees and taxes is mandatory to all entities. The resultant budget for this requirement should be in-built in the cost of the project.

However, a Development Partner is exempted from paying duty/taxes/fees for project related input by a financing agreement, and in this case the county departments will be required to pay duty on behalf of the development partner. In such instances, county departments are required to seek the advice of the county treasury in such matters.

6. Revenue

With the ever-increasing operationalization cost and sometime decline in Equitable Share from the National Treasury, there is need to increase our own source of revenue to finance the current expenditure. In this regard, County Departments are tasked to deepen and expand their revenue base and institute strategies for revenue generation.

7. Expenditure Review

Expenditure reviews are an integral part in the budget process since they provide an analysis of budget performance in the past. These in turn provides a basis for future budget decisions by assessing the challenges, strengths and weakness which are used to map the way forward.

Departments will therefore be required to carry out a comprehensive expenditure review which will determine which programmes to be given priority, which ones to be discontinued and whether in the previous allocations programmes achieved the intended objective(s)

8. Prioritization and allocation of resources

The county treasury will ensure there is rationalization of expenditure in order to ensure that programmes funded are core and are in line with the medium-term expenditure plan of Laikipia County as well as the vision

The following criteria will serve as a guide to the Accounting Officers for allocating resources:

- a) Linkage of the programme with the Objectives of the County Integrated Development Plan (CIDP) 2022-2026 and County Annual Development Plan 2023/24
- b) The degree to which a programme addresses core poverty interventions
- c) The degree to which the programme is addressing the core mandate of the County entity

- d) Expected outputs and outcomes from a programme and linkage of a programme with other Programmes
- e) Budget ceilings allocated by Commissions on Revenue Allocation (CRA)
- f) Equitable share of revenue allocation from the National government
- g) The degree at which the Programme is addressing the core functions and responsibilities of the county
- h) Cost effectiveness and sustainability of the programme
- i) Immediate response to the requirements of the implementation of the constitution
- j) On-going capital projects of the Government flagship projects

3.0 FORMAT AND PRESENTATION OF ANNUAL BUDGET FOR FY 2023/2024

3.1 Introduction

The annual budget estimates should include: -

- i. Statement on the department's short-term objectives, performance review, and outlook;
- ii. Staffing levels by category/cadres and related costs;
- iii. Medium and long term programmes and sub programmes to be implemented; and
- iv. Expected outputs, outcomes and performance indicators
- v. A summary of the expected county revenue
- vi. Concise explanatory notes to the annual budgets

***NB:** A checklist of minimum requirements for the annual budget proposals is given in Annex 1 and a detailed deadline for submissions is given in Annex 2.*

3.2 Statement of Comprehensive Income/Revenue for FY 2023/2024

The County departments should give a comprehensive total income that will be realized during the financial year as illustrated in **Form 1**.

3.3 Annual Recurrent Budget for FY 2023/2024

The proposed annual recurrent budgets must contain a three-year financial summary (the latest forecast for the current year i.e. 2022/2023 FY and the proposed budget for 2023/2024 FY with projections in the medium term. This is illustrated in **Form 2**.

The following guidelines should be taken into account when preparing the recurrent budget;

- i. All estimates of revenue and expenditure should be realistic;
- ii. County departments are required to ensure funds are directed to achieving the department's/sector's core mandate in line with department's/sector's strategic objectives;
- iii. The annual recurrent budget for FY 2023/2024 must be prepared in detail clearly indicating all the sources of revenue earmarked to settle recurrent expenditure; and
- iv. In the event that a county department will use operating surplus brought forward from previous years or grants from development partners to settle its recurrent expenditure, this should be clearly indicated. Letters of agreement from partners should be provided in such circumstances.

3.4 Annual Development (Capital) Budget

- i. County departments should provide summary of the project feasibility study report for all capital projects listed in order of priority. There should be clear indications of how each project links to one or more objectives of Kenya Vision 2030, MTP III priorities, CIDP priorities, department's/sector's strategic objectives and the department's/sector's strategic plan.
- ii. The annual capital budget should clearly indicate the total amount of investment proposed (total project cost), expected return on such investments, and other justifications. It should also contain project implementation report clearly indicating the level of completion for ongoing projects and expected remaining works and time frame to complete the project as illustrated in **Form 3**.
- iii. The line department's/sector's shall appraise **the feasibility studies and the capital budget** to ensure consistency with Kenya Vision 2030, MTP III priorities, CIDP, sector/ministry strategic objectives and submit its recommendations to the County Treasury for consideration.
- iv. Implementation of any new project should only commence once the source of financing of the project has been clearly identified and approved by the line department/sector with the concurrence of the County Treasury.

3.5 Quarterly /Cumulative Reports

The Public Financial Management Act, 2012 section 166(1, 2 and 3) requires that the accounting officer prepare quarterly reports for a County government entity. This should be provided not later than fifteen days after the end of each quarter to the County Treasury. In this regard therefore, all county departments should submit in the prescribed format a report of revenue and expenditure for each

respective quarter and cumulative figures for previous quarters for the Financial Year under consideration. The Public Financial Management Act 2012, prescribed format is summarized in **Form 4**.

3.6 Revision of Budgets

As County departments submit their proposed annual budgets in the month of November, 2022 for the year commencing on 1st July 2023, it is possible that unforeseen events can change the scale of operations of the County department and the revision of the budget will be necessary. The revised budget resulting not in excess of 10% of the approved annual budget shall be submitted for review by respective Accounting Officer/Executive Committee Member for Approval by the County Treasury and County Executive Committee Member for Finance. The submission of the revised budget **must precede** the submission of the annual budget for the succeeding year and should be done at the earliest possible time when the unforeseen events emerge. The County Treasury shall not approve revision of any expenditure which has already been incurred.

4.0 DEADLINES FOR SUBMISSION OF ANNUAL BUDGET 2023/2024

4.1 Introduction

In line with the Public Finance Management Act, 2012 section 128(3) (a), all County departments should submit the proposed annual budgets for 2023/2024 FY to the County Treasury not later than 25th November, 2022. A soft copy must also be submitted to the Head of Treasury and Accounts and should contain name and contact of the person to be contacted in case the County Treasury requires more information. Other detailed deadlines are provided in **Annex 2**.

4.2 Responsibility for Submissions

Responsibility for ensuring that County departments comply with the guidelines and instructions in this circular and submission of annual budget proposals accurately and promptly lies solely with Chief Officer of the sector concerned. The County Treasury will not consider for approval the proposed annual budgets by County departments which do not comply with the guidelines in this circular in form and content specified. No County department shall commence the implementation of the annual budget for the financial year where approval has not been granted as required by law.

Kindly ensure circulation to relevant Accounting Officers, Chief Officers, Directors and CEOs.



Murungi Ndai,

County Executive Committee Member-Finance and Economic Planning

COUNTY GOVERNMENT OF LAIKIPIA

FORM 1: Statement of Comprehensive Income in Kenya Shillings

		Allocated 2022/2023	Budgeted 2023/2024	Forecast 2024/2025	Forecast 2025/2026
Kshs		'000'	'000'	'000'	'000'
	Recurrent Revenue:				
1	Internally generated revenue				
2	Government Grants-Recurrent				
3	Grants, Dev't Partner-Recurrent				
4	Other Incomes-Recurrent (specify)				
5	Total Recurrent Revenue				
	Development Revenue:				
6	Internally generated revenue				
7	Government Grants-Development				
8	Grants, Development Partner-Development				
9	Other Incomes-Development (specify)				
10	Total Development Revenue				
11	Total Revenue (NB:5+9)				



COUNTY GOVERNMENT OF LAikipia

FORM 2: Recurrent Annual Budget

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases						
Proceeds from Domestic and Foreign Grants						
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Reimbursements and Refunds						
Returns of Equity Holdings						
County Own Generated receipts						
Return CRF issues						
TOTAL						
PAYMENTS						
Compensation of Employees						
Use of goods and services						
Subsidies						

FORM 2: Recurrent Annual Budget

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Transfers to Other Government Units						
Other grants and transfers						
Social Security Benefits						
Acquisition of Assets						
Finance Costs, including Loan Interest						
Repayment of principal on borrowings						
Other Payments						
TOTAL						
SURPLUS/(DEFICIT)						

Form 3: Capital Budget in Kenya Shillings (Projects Study Data)						
	Project in order of Priority and Justification	Allocated 2021/2022	Budgeted 2022/2023	Forecast 2023/2024	Forecast 2024/2025	Source of Funds: GoK, AIA, Dev.Partners etc.
	KShs	'000'	'000'	'000'	'000'	'000'
1						
2						
3						
4						
5						
6						
7	Total Capital Cost/Budget					
8	A.I.A	Current Year				
		Previous Years				
9	Government Grants-Development					
10	Grants from Development Partner-Dev't					
11	Borrowings, Both Current year and Previous years					
12	Other Incomes-Development (Specify)					
13	Total Funds					

NB: County Departments should clearly indicate the source of funds for the Capital budgets whether from Appropriations in Aid (A.I.A) or other incomes from Development Partners earmarked to finance capital projects.

Form 4. Quarterly Reports

Ref	Entity	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Amount transferred KShs	Amount Confirmed as received KShs	difference	explanation
1	County Assembly								
2	Xxx fund								
3	Xxx project								
4	Xxx board								
5	Xxx corporation								
6	Xxx								
7	Xxx								
8	Xxx								
9	Total								

NB: The Quarterly Reports of Revenue and Expenditure must be submitted to county Treasury not later than two weeks after the end of each quarter for annexing and the compliance report to be presented before the County Assembly each quarter by the County Executive Committee Member for Finance and Economic Planning.

ANNEX 1: Check List for Submission of County Annual Budget Estimates:

1. Statement of Comprehensive Income, **Form 1**
2. Recurrent Annual Budget, **Form 2**
3. Capital Budget (Project Feasibility Study Data) **Form 3**
4. Annual Budgets in Programme Based Budget Format and related Notes
5. Concise explanatory notes to the Annual Budgets
6. Extracts of stakeholder budget validation meeting(s) minutes/reports.
7. Procurement Plans in stipulated Formats
8. Extracts from various budget output papers including but not limited to: Annual Development Plan, County Budget Review and Outlook Paper, Sector Working Group Reports, County Fiscal Strategy Paper and Debt Management Strategy Paper.

ANNEX 2: Deadlines for Submission of Annual Budgets and Feasibility Study Data

S/No	Activity	Due Date
1	Issue County Treasury Budget Circular	30 th August, 2022
2	Submit County Annual Development Plan to the CECM-Finance	22 nd August, 2022
3	Submit County Annual Development Plan to the County Executive Committee	26 th August, 2022
4	Submit County Annual Development Plan to the County Assembly	1 st September, 2022
5	Submit the County Budget Outlook Paper (CBROP) to the County Executive Committee Member-Finance	22 nd September, 2022
6	Submit the County Budget Outlook Paper (CBROP) to the County Executive Committee	30 th September, 2022
7	Submit the County Budget Outlook Paper (CBROP) to the County Assembly	21 st October, 2022
8	Launch/Convene Sector Working Groups	7 th November, 2022
9	Submit Sector Working Groups Reports to the County Treasury	30 th November, 2022
11	Submission of Budget Proposals and Feasibility Study data by County Sectors to County Treasury	22 nd December, 2022
12	Review and Analysis of Annual Budget Proposals by County Budget Team	16 th January, 2023 up to 20 th April, 2023
14	Public Participation Meetings on CFSP	23 rd – 27 th January, 2023
15	Submit the County Fiscal Strategy Paper (CFSP) to the County Executive Committee Member-Finance	10 th January, 2023
16	Submit the County Fiscal Strategy Paper (CFSP) to the County Executive Committee	17 th February, 2023
17	Submit the County Debt Management Strategy (CDMS) to the County Executive Committee	17 th February, 2023
18	Submit the County Fiscal Strategy Paper (CFSP) to the County Assembly	28 th February, 2023
19	Submit the County Debt Management Strategy (CDMS) to the County Assembly	28 th February, 2023
20	Dispatch of Reviewed Annual Budget Proposals to Sectors	15 th March, 2023
21	Conduct Public Participation Fora on Annual Budget Estimates	27 th -31 st March, 2023
22	Submit Finalized Sector Annual Budget Estimates to the County Treasury	7 th April, 2023
23	Submit Finalized County Annual Budget Estimates to the County Executive Committee	14 th April, 2023
24	Submit Finalized County Annual Budget Estimates to the County Assembly	28 th April, 2023
25	Submit Proposed Annual Procurement Plans to the Supply Chain Unit	30 th May, 2023
26	Submit County Annual Cash Flow Projections to CRA and copied to IBEC and National Treasury	15 th June, 2023
27	Debate and Approval of County Annual Budget Estimates	30 th June, 2023
28	Submission of Finance Bill to the County Assembly	30 th August, 2023
29	Approval of Finance Bill by the County Assembly	30 th September, 2023
30	Quarterly /Cumulative Compliance Reports of Revenue and Expenditure	Within two weeks after the end of every quarter