

COUNTY GOVERNMENT OF LAIKIPIA



THE COUNTY TREASURY
P.O. Box 1271-10400,
Nanyuki

Ref. LKP/TREASURY/BDT/ CIR/ (1) 2018

28th August, 2018.

To: The County Secretary,
All C.E.C.M s, Laikipia County,
All Chief Officers, Laikipia County,
The Clerk, County Assembly,
The C.E.OS all County Boards,

RE: COUNTY TREASURY BUDGET CIRCULAR NO.1 /2018

Attached herewith is a copy of County Treasury Circular No. 1/2018 requiring Accounting Officers, Directors, Chief Executive Officers, Sub County Administrators and Section Heads to offer leadership in the 2019/2020 budget process.

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

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



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

1.0 INTRODUCTION

1.1 Background

In accordance with the Constitution (Article 220(2b)) and the Public Finance Management Act, 2012 section 128 (1,2,3 and 4), the County Executive Committee Member for finance shall manage the budget process of the county and subsequently issue a circular setting out guidelines to be followed in county budgetary process. Further, the County Treasury shall spearhead the preparation of the annual budget for the county and co-ordinate the preparation of estimates of revenue and expenditure of the county government.

1.2 Purpose

The purpose of this circular is to provide guidelines for the preparation and submission of annual budgets for the county departments/sectors for 2019/2020 Financial Year (FY). It contains budget calendar of mandatory timelines by which required budget activities must be accomplished, required formats and templates for reporting and submitting the required information. **The annual budgets for respective departments should be based on priority proposals submitted through the line sectors and the broad fiscal parameters set out both in the Kenya Vision 2030, The big Four, Medium Term Plan (MTP) III, Medium Term Expenditure Framework (MTEF) priorities, Integrated County Development Plan 2018-2022 and Annual Development Plan 2019/2020.**

1.3 Exchequer Funding

County departments whose proposed expenditure and investment programmes are to be financed from the County exchequer should be inline with the County Integrated Development Plan 2018-2022 and Annual Development Plan 2019/2020. Further requirements on the exchequer funding as prescribed by the Controller of Budget must be adhered to.

1.4 Expenditure Management

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

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.
- County Treasury will also ensure adherence to the provisions of section 140 to 144 of the PFM Act 2012 on borrowing.

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 a requirement. Subsequently, annual budget proposals must be discussed and approved by the respective stakeholders in the sector before submission to the County Treasury. The County sector(s) should hold stakeholder fora to discuss agree and validate respective proposed budgets. 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 the fourth Week of January, 2019 and in the third Week of March, 2019. 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).

2.2 Returns on Capital Projects

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.

2.3 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.

3.0 FORMAT AND PRESENTATION OF ANNUAL BUDGET FOR 2019/2020 FY

3.1 Introduction

The annual budget estimates should include: -

- i. Statement on the department's 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. 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 2019/2020

County departments should give comprehensive (total) income that will accrue during the financial year as illustrated in **Form 1**.

3.3 Annual Recurrent Budget for FY 2019/2020

The proposed annual recurrent budgets must contain a three year financial summary (the latest forecast for the current year i.e. 2018/2019 FY and the proposed budget for 2019/2020 FY with projections in the medium term. This is illustrated in **Form 2**.

The following guidelines should be taken into account in 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 2019/2020 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, The big four, 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, The big four, 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 January 2019 for the year commencing on 1st July 2019, 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 2019/2020

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 2019/2020 FY to the County Treasury not later than 12th January, 2019. Soft copies must also be submitted to the Head Budget unit 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 Directors, CEOs and Section Heads.



Boniface Murungi Ndai,

County Executive Committee Member-Finance and Economic Planning

COUNTY GOVERNMENT OF LAIKIPIA



FORM 1: Statement of Comprehensive Income in Kenya Shillings

		Allocated 2018/2019	Budgeted 2019/2020	Forecast 2020/2021	Forecast 2021/2022
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)				

Form 2: Recurrent Annual Budget in Kenya Shillings

	Allocated 2018/2019	Budgeted 2019/2020	Forecast 2020/2021	Forecast 2021/2022
KShs	'000'	'000'	'000'	'000'
Recurrent Revenue:				
Internally Generated revenue from fees, charges, levies, cost sharing etc.				
Government Grants-Recurrent				
Grants Development Partners-Recurrent				
Other Incomes-Recurrent (Specify)				
Total Recurrent Revenue				
Operating Expenses:				
Utilities Supplies and Services				
Communication, Supplies and Services				
Domestic Travel and Subsistence, and Other Transportation Costs				
Printing, Advertising and information supplies				
Training expenses				
Purchase of Office Furniture and General Equipment				
Number of Employees:				
Management				
Technical				
Others				

Form 3: Capital Budget in Kenya Shillings (Projects Study Data)

Project in order of Priority and Justification		Allocated 2018/2019	Budgeted 2019/2020	Forecast 2020/2021	Forecast 2021/2022	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 of Revenue and Expenditure in Kenya Shillings

		Cumulative Previous Quarter(s) for the FY	Actual for Current Quarter	Cumulative for all Quarters for the FY
KShs		'000'	'000'	'000'
Income:				
Internally Generated Income				
<i>Government Resources</i>	Grants			
	Loans			
<i>Other Incomes</i>	Grants			
	Loans			
Total Income				
Expenditures:				
Recurrent Expenditure				
Capital Expenditure				
Total Expenditures				

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	28 th August 2018
2	Submit County Annual Development Plan to the CECM-Finance	29 th August, 2018
3	Submit County Annual Development Plan to the County Executive Committee	30 th August, 2018
4	Submit County Annual Development Plan to the County Assembly	1 st September, 2018
5	Submit the County Budget Outlook Paper (CBROP) to the County Executive Committee Member-Finance	24 th September, 2018
6	Submit the County Budget Outlook Paper (CBROP) to the County Executive Committee	28 th September, 2018
7	Submit the County Budget Outlook Paper (CBROP) to the County Assembly	15 th October, 2018
8	Launch/Convene Sector Working Groups	6 th November, 2018
9	Submit Sector Working Groups Reports to the County Treasury	30 th November, 2018
10	Submission of Budget Proposals and Feasibility Study data by County Departments to County Sectors Heads/Chief Officers	7 th December, 2018
11	Submission of Budget Proposals and Feasibility Study data by County Sectors to County Treasury	12 th January, 2019
12	Review and Analysis of Annual Budget Proposals by County Budget Team	15 th January to 20 th April, 2019
14	Public Participation Meetings on CFSP	25 th -31 st January, 2019
15	Submit the County Fiscal Strategy Paper (CFSP) to the County Executive Committee Member-Finance	9 th February, 2019
16	Submit the County Fiscal Strategy Paper (CFSP) to the County Executive Committee	13 th February 2019
17	Submit the County Debt Management Strategy (CDMS) to the County Executive Committee	13 th February, 2019
18	Submit the County Fiscal Strategy Paper (CFSP) to the County Assembly	28 th February 2019
19	Submit the County Debt Management Strategy (CDMS) to the County Assembly	28 th February 2019
20	Dispatch of Reviewed Annual Budget Proposals to Sectors	15 th March, 2019
21	Conduct Public Participation Fora on Annual Budget Estimates	20 th - 25 th March, 2019
22	Submit Finalized Sector Annual Budget Estimates to the County Treasury	10 th April, 2019
23	Submit Finalized County Annual Budget Estimates to the County Executive Committee	15 th April, 2019
24	Submit Finalized County Annual Budget Estimates to the County Assembly	25 th April, 2019
25	Submit Proposed Annual Procurement Plans to the County Treasury	30 th May, 2019
26	Submit County Annual Cash Flow Projections to CRA and copied to IBEC and National Treasury	15 th June, 2019
27	Debate and Approval of County Annual Budget Estimates	30 th June, 2019
28	Submission of Finance Bill to the County Assembly	30 th August, 2019
29	Approval of Finance Bill by the County Assembly	30 th September, 2019
29	Quarterly /Cumulative Compliance Reports of Revenue and Expenditure	Within two weeks after the end of every quarter