NAIROBI CITY COUNTY

FINANCE AND ECONOMIC PLANNING

SECTOR REPORT FY 2017/2018-2018/2019

OCTOBER 2016

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LIST OF ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
CBA	Collective Bargaining Agreement
CBEF	County Budget and Economic Forum
CBROP	County Budget Review Outlook Paper
CDSP	County Debt Strategy Paper
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
DANIDA	Danish International Development Agency
FEP	Finance and Economic Planning
FY	Financial Year
GOK	Government of Kenya
ICT	Information Communication and Technology
M&E	Monitoring and Evaluation
MTEF	Medium Term Expenditure Framework
NGOs	Non-Governmental Organizations
PFMA	Public Finance Management Act 2012
SDGs	Sustainable Development Goals

EXECUTIVE SUMMARY

The Finance and Economic Planning (FEP) Sector was previously referred to as Finance, Administration and Economic Planning. Previously it was composed of four departments: Administration; Treasurer; Procurement and Internal Audit. The sector was reconstituted and it comprises of the following five departments: Accounting; Budget and Expenditure; Asset Management; Revenue and Economic Planning. Administration, Supply Chain Management (Procurement) and Internal Audit departments were hived off to Governor's Office Sector in 2014.

The FEP Sector is charged with the responsibility of ensuring prudent financial management of financial resources, formulating fiscal economic and fiscal policies to facilitate socio –economic development ,resource mobilization and control of public financial resources. The FEP sector goal is to be a leading sector in public policy formulation, implementation, coordination, supervision and prudent resource management. The sector goal is to be a leading sector in public policy formulation, implementation, coordination, supervision and prudent resource management. The key strategic objectives of the sector include: Enhance revenue collection; establish the net worth of the county; ensure timely preparation and approval of the county budget; ensure compliances with budget cycle, timeliness and milestone; establish the county specific economic status; conduct demand driven specialized sector specific studies; provide basis for evidence based planning and budgeting; interlink planning, budgeting expenditure management and control, accounting, auditing and reporting; carry out quarterly and annual monitoring and evaluation exercise; align sector policies to county mandate; ensure projects are completed on time and communities derive intended utility; provide working space for sector staff; and develop capacity of staff.

The key sector's programmes in the current financial year 2016/17 include: General, administration, planning and support services; Public Financial Management; and Economic, policy, formulation and Management. Public Financial Management Programme has six (6) sub-programmes namely: resource mobilization; budget formulation and implementation; audit services; supply chain management services; and asset management services. These programmes are directly linked to the strategic objectives of the sector.

At the end of the fiscal year 2015/2016, Ksh 1,298,023,441 (100% of programme allocation) was utilized in General Administration and Support Services programme andKsh1,689,510,701 (95% of programme allocation) was utilized in Public Financial Management programme. Ksh 49,453,930(93% of programme allocation) was spent in Economic Policy & Financial Policy Formulation and Management programme. The

total revenues are projected to be at Kshs.33.915 billion in fiscal year 2018/2019, with Kshs.17.476 billion (51.53%) from external sources whereas Kshs.16.439 billion (48.47%) from internal sources.

The sector requires Kshs. 3.921 Billion in the next financial year 2017/18 to undertake its priority programmes. Further, the sector will require Kshs. 3.869 billion for FY 2018/19 to undertake its programmes. These programs will address the challenges of low revenue collection, high debt level, low budgetary absorption, inadequate legal and policy framework, implementation of IFMIS and inadequate funding of key service delivery sectors. Kshs 3.765 Billion and Kshs 156 Million is required in FY 2017/2018 for recurrent and development expenditure respectively. A provision of Kshs 1.684 Billion is required for debt resolutions and Kshs 280 Million for general insurance. For the FY 2018/2020, Kshs 3.699 Billion and Kshs 170 Million will be required for recurrent and development expenditure respectively.

CHAPTER 1

1.1 Background

The Finance and Economic Planning Sector is charged with the responsibility of ensuring prudent financial management of financial resources, formulating fiscal economic and fiscal policies to facilitate socio –economic development ,resource mobilization and control of public financial resources. The sector has three programmes to achieve its mandate. These programmes are namely: General Administration and Support Services; Public Finance Management; and Economic Policy Formulation and Management. Staff establishment in the sector is 726 and the departments in the sector are namely: Revenue; Economic Planning; Asset Management; Budget & Expenditure; and Accounting and Financial Reporting.

Nairobi City County has adopted and currently using Medium Term Expenditure Framework in its budgeting. Budgeting based on MTEF has improved the efficiency of utilization of resources with regard to programs within the Finance and Economic Planning sector. Budget & Expenditure department has reformed the structure of the budget including the classification.

The IFMIS system has been fully implemented and e-payment system is fully operational in the county. The Statistical Database Management System is being developed by Economic Planning department. County Integrated Development Plan (CIDP) is being reviewed and mainstreaming of Sustainable Development Goals (SDGs) in CIDP is ongoing. A draft asset management policy has been developed, revenue services have been devolved and 17 sub county revenue officers have been recruited. Budget estimates for F/Y 2016/17 were approved and the total budget is Kshs. 34.55 B. Kshs. 23.16 B and Kshs. 11.39 B were set for recurrent and development expenditure respectively. Sector Working Groups (SWGs) were constituted and are operational, the sector has been monitoring budget implementation in the county.

The sector continues to play a critical role in management and control of public finances and in creation of enabling economic environment for rapid economic growth and development of the county.

This report is divided into five chapters. Chapter one highlights sector vision, mission, strategic goals and objectives. It also gives a highlight of budget making process in the county. Chapter two reviews sector programmes activities and covers the sector performance on recurrent and development expenditures for FY 2015/16. Chapter three outlines medium term priorities and financial plan for the period 2016/2017-

2017/2018. Chapter four gives cross sector linkages and emerging issues and challenges. Chapter five gives conclusion and recommendations based on sector performance.

1.2 Sector Vision and Mission

Vision

To be a leading sector in public policy formulation, implementation, coordination, supervision and prudent resource management.

Mission

To provide overall leadership and policy direction in resource mobilization, management and accountability for quality public service delivery.

1.3 Strategic Goals/Objectives

The goals of the sector are to:

- Promote prudent resource management;
- Promote evidence based planning and budgeting
- Formulate and implement policy guidelines for economic growth and development;
- Promote resource mobilization;
- Coordinate implementation of development policies and programmes; and
- Monitor and evaluate development programmes and activities.

Strategic Objectives

The objectives of the sector are to:

- Enhance revenue collection;
- Establish the net worth of the county;
- Ensure timely preparation and approval of the county budget;
- Ensure compliances with budget cycle, timeliness and milestone;
- Establish the county specific economic status;
- Conduct demand driven specialized sector specific studies;
- Provide basis for evidence based planning and budgeting;
- Interlink planning, budgeting expenditure management and control, accounting, auditing and reporting;

- Carry out quarterly and annual monitoring and evaluation exercise;
- Align sector policies to county mandate;
- Ensure projects are completed on time and communities derive intended utility;
- Provide working space for sector staff; and
- Develop capacity of staff.

1.4 Departments and their Mandates

1.4.1 Revenue

The key mandates of revenue department are:

- To collect all the county revenue;
- Formulate sustainable Revenue Mobilization strategies to enhance all collections of the County;
- Coordinate annual revenue projections across all sectors for budget purposes;
- Coordinate the compilation of finance bill;
- Compile and follow up on the county debts and debtors; and
- Prepare revenue reports for incorporation in the financial statement

1.4.2 Economic Planning

The key mandates of economic planning department are:

- Coordinate development planning, policy formulation and budgeting;
- Track implementation of development projects and programmes;
- Development of County Integrated Development Plan (CIDP), strategic plans and sector plans;
- Ensure availability of county statistics;
- Research and development; and
- Coordination of public participation in public expenditure and programming.

1.4.3 Asset Management

The key mandates of asset management department are:

- Develop and review of policies of assets acquisition and disposal;
- Custodian of inventory of county government assets;
- Maintenance of county government movable and immovable assets; and
- Develop and review asset depreciation and appreciation policies.

1.4.4 Budget and Expenditure

The key mandates of budget and expenditure department are:

- Budget coordination, implementation and control;
- Debt management;
- Formulation of county economic, fiscal and monetary policies;

- Coordination of Medium Term Expenditure Framework(MTEF) process;
- Development of framework for external resources including bilateral and inter-county partnerships
- Development of a framework for Public Private Partnership; and
- Maintenance of investment opportunities inventory;

1.4.5 Accounting and Financial Reporting (Treasury)

The key mandates of accounting and financial reporting department are:

- Enforcing compliance with accounting standards;
- Bank reconciliation statements;
- Custodian of county bank statement;
- Implementation and maintenance of IFMIS;
- Consolidation of sectoral appropriation accounts;
- Management accounting including cash flow statements and projections
- Management of accounts payable;
- Provision of sectoral accounting services;
- Technical assistance and implementation of finance policy
- Banking services

1.5 Role of Sector Stakeholders

The sector has a number of key stakeholders that play a big role in resource mobilization, capacity building in IFMIS and programme based budgeting, provision of statistical data and approving of county budget. The key stakeholders are the National Treasury, Commission of Revenue Allocation (CRA), Controller of Budget (COB), and County Assembly (CA) among others.

Stakeholder	Nature of Collaboration	Level of Collaboration
GOK	Financial support and mobilization of resources for development interventions; Formulation and review of national financial and economic policies	High
National Treasury	Providing exchequer ; Capacity building county treasury staff on IFMIS and e-procurement	High
Commission of Revenue Allocation(CRA)	Make recommendation concerning the basis for the equitable sharing of revenue raised by the national government	High
Controller of Budget (COB)	Oversee the implementation of budget by authorizing withdrawal of County Revenue Funds	High
County Assembly	Approving county budget; Passing county finance bills	High
The Public	Give feedback on service delivery; Support government on service delivery; Prepare community action plans; Project Identification, Management and Implementation; Participate in MTEF consultative forums and development committees	High

Stakeholder	Nature of Collaboration	Level of Collaboration
Donors & NGOs	Finance various projects; Participate in implementation of projects and programmes; Provision of technical support and capacity building	Medium
County Sectors/Departments	Provision of revenue and expenditure reports; Provision of project implementation reports; Revenue collections; Participate in budget making process	High
Kenya National Bureau of Statistics (KNBS)	Provision of statistical data	High
Media	Promoting transparency and accountability Advocating and creating awareness to the public on sector issues	High

CHAPTER TWO

PROGRAMME PERFORMANCE REVIEW FOR FY 2015/2016

2.0 Introduction

This chapter reviews key achievements of the sector, it highlights performance of the sector programmes and sub-programmes in terms of delivery outputs, revenues, recurrent and development expenditures during the period 2015/2016.

2.1 Performance of Sector Programmes/sub programmes-Delivery Outputs

In the FY 2015/16, Revenue, Accounting, Supply Chain departments refurbished their offices. Budget and Accounting Departments purchased computers and IT equipment. Internal audit and Revenue department purchased motor vehicles. Debt Strategy Management Paper 2015/16 was prepared and approved. Economic planning department carried out customer satisfaction survey and produced three monitoring and evaluations (M&E) reports. These reports enhanced tracking of results in all the sectors in the county. Statistical Database Management System was initiated in the FY 2015/16. CFSP, CBROP and budget estimates for FY2016/17 were produced and approved. CIDP review was also undertaken in FY 2015/16. Finalization of the FY 2014/15 final accounts was achieved in FY 2015/2016.

Annual Development Plan for FY 2015/16 was prepared in accordance with Article 220(2) of the Constitution. The sector ensured that the county budget for FY 2015/16 adhered to fiscal responsibility principles set in the PFM Act 2012. The budget estimates for FY 2016/17 was prepared and submitted on time to the County Assembly as provided under section 125 of the PFM Act, 2012. The estimates were prepared in accordance with the objectives of the Medium Term Expenditure Framework (MTEF) as provided for under section 130(1) (b) (ii) of the Public Finance Management Act, 2012. Quarterly Budget Implementation reports for FY 2015/16 was prepared and forwarded on time to the Controller of Budget as it is provided in the PFM Act 2012. Medium Term Expenditure Framework (MTEF) budget making process was carried out during the review period and this increased public participation in budget making process in the county. The public consultative forums culminated to the preparation of CFSP 2016/17.

Table 1 gives a summary of sector programme performance in 2015/16.

Table 1: Sector Programmes Performance-Delivery Outputs 2015/2016

Programme	Sub-Programme	KO	KPI	2015/2016		Remarks
				Planned Targets	Achieved	
General Administration and Support Services	General Administration and Support Services	Workshop reports/Capacity building reports	No. of capacity building meetings held	6	4	Planned targets were not met due financial constraints
Public finance management	Accounting Services	Compliance/adherence to Public Finance Management Act 2012	% of adherence to Public Finance Management Act	100	100	Accounting documents were prepared and audited to ensure transparency and accountability
	Resource Mobilization	Decentralized revenue services; Revenue officers	No. of revenue officers recruited	17	17	12 Officers reported and 5 others failed to take appointment
		Additional revenue streams on E-payment platform;	No. of revenue streams added to E platform	2	0	The target streams were not added due to planned Single Business Permit
	Budget Formulation, coordination and Management	Fiscal Strategy papers; County Budget Review Outlook Paper; and Budget Estimates	No. of approved Fiscal Strategy papers,	1	1	The documents were prepared in time and submitted for approval before the deadlines
			No. of approved CBROP;	1	1	
			No. of approved budget estimates	1	1	
		Fiscal Strategy Paper	Fiscal strategy paper prepared and tabled	1	1	Fiscal strategy papers prepared on time
		County Budget Review Outlook Paper	CBROP prepared and tabled	1	1	Budget Outlook paper prepared on time
		Quarterly Budget Implementation Reports	No. of Quarterly Budget Implementation Reports	4	4	Budget implementation report prepared on time

Programme	Sub-Programme	KO	KPI	2015/2016		Remarks
				Planned Targets	Achieved	
	Asset Management services	Asset management policy	Complete asset management policy	1	1	Draft asset management policy was prepared but not yet approved
		Asset register	Complete asset register	1	1	Development of asset register ongoing
Economic Policy Formulation and Management	Economic Policy Formulation and Management	Customer satisfaction survey report	No. of surveys conducted	1	1	
		Quarterly Progress reports	No. of progress reports produced	3	3	Reports from the sectors were not submitted on time
		Annual Progress reports	No. of progress reports produced	1	1	Annual Progress reports were timely prepared
		Annual Development Plan	ADP prepared and tabled	1	1	ADP was timely prepared. PFM Act 2012 needs to be interpreted well on the period in which plan is to be tabled
		MTEF reports	No. of MTEF forums conducted	85	85	The meetings were conducted successfully in all the 85 wards

Source: Finance and Economic Planning, 2016

2.2 Analysis of Expenditure

2.2.1 Analysis of Overall Expenditure

In the financial year 2015/2016, the total approved budget allocation in the county amounted to Ksh 30.8 Billion. Ksh 19.8 Billion and Ksh 11 Billion were allocated to recurrent and development expenditures respectively. In the revised budget, the total budget allocation was reduced by 5.6% to Ksh 29 Billion. From this, Ksh 21.2 Billion and Ksh 7.8 Billion was channeled to recurrent and development expenditure respectively. In the revised budget, recurrent expenditure was increased by 6.6% and development expenditure was reduced by 28%. The actual expenditure incurred at the end of the fiscal year was Ksh 23.9 Billion. Ksh 19.7 Billion and Ksh 4.1 Billion was spent on recurrent and development expenditure

respectively. The overall county budget absorption rate stood at 82% and recurrent absorption rate (93%) was higher than the development absorption rate of 53% **(Table 1 and Figure 1**).

Finance and Economic planning sector was allocated a total of Ksh 2.9 Billion in the approved budget, which was 9.4% of the total county budget. From this amount, Ksh 2.7 Billion was directed to recurrent expenditure taking up 14% of the county`s total recurrent expenditure; whereas, Ksh 127 Million was directed to development expenditure, taking up 1.2% of the total county`s development expenditure. In the revised budget (Supplementary budget), the sector budget allocation was increased to Ksh 3.103 Billion. Ksh 3.01 Billion for recurrent expenditure and Ksh 93.28 Million for development expenditure. The actual expenditure incurred by the sector in FY 2015/2016 was Ksh 3.01 Billion. Ksh 2.950 Billion and Ksh 59.884 Million was spent on recurrent and development expenditure respectively. The overall absorption rate in the financial year 2015/2016 for the Finance and Economic Planning sector was 97%. Recurrent expenditure absorption rate was 98% while development expenditure absorption rate was 64% (**Table 1 and Figure 2**).

Table 1: Sectorial Recurrent and Development Expenditure for Fy 2015/2016 (in Millions)

	Approved			Revised			Payments and Commitments			% Absorption		
Sector	**Recurrent**	**Development**	**Total**	**Recurrent**	**Development**	**Total**	**Recurrent**	**Development**	**Total**	**Recurrent**	**Development**	**Total**
County Public Service Board	80	20	100	75	8	83	47		47	63	-	57
Governor's Office	4,489	379	4,868	4,662	151	4,813	4,437	137	4,574	95	90	95
ICT,E-Government & Public Communications	144	150	294	145	350	495	109	317	426	75	91	86
Finance & Economic Planning	2,773	127	2,900	3,011	93	3,104	2,950	60	3,010	98	64	97
Health	5,038	1,760	6,798	5,068	1,238	6,306	4,376	529	4,905	86	43	78
Physical Planning, Lands & Housing	375	320	695	381	172	553	352	138	489	92	80	88
Public Works & Infrastructure	1,355	6,205	7,560	1,287	4,318	5,604	1,195	1,817	3,011	93	42	54
Education ,Youth Affairs Social Services	1,534	436	1,970	1,567	311	1,878	1,522	234	1,756	97	75	93
Trade, Co-operative, Industrialization	279	700	979	347	411	758	287	371	658	83	90	87
Public Service Management	1,017	30	1,047	1,465	12	1,477	1,431	7	1,438	98	60	97

Agriculture, Livestock & Fisheries Development	288	50	338	288	32	320	251	30	280	87	93	88
Water, Energy Environment Forestry & Natural Resources	894	688	1,582	1,412	455	1,867	1,395	219	1,614	99	48	86
County Assembly	1,554	144	1,698	1,502	328	1,830	1,435	309	1,743	96	94	95
Total	**19,819**	**11,009**	**30,829**	**21,209**	**7,879**	**29,088**	**19,785**	**4,166**	**23,951**	**93**	**53**	**82**

Source: County Treasury, 2016

Figure 1: Actual Recurrent and Development Expenditure-Fy 2015/2016

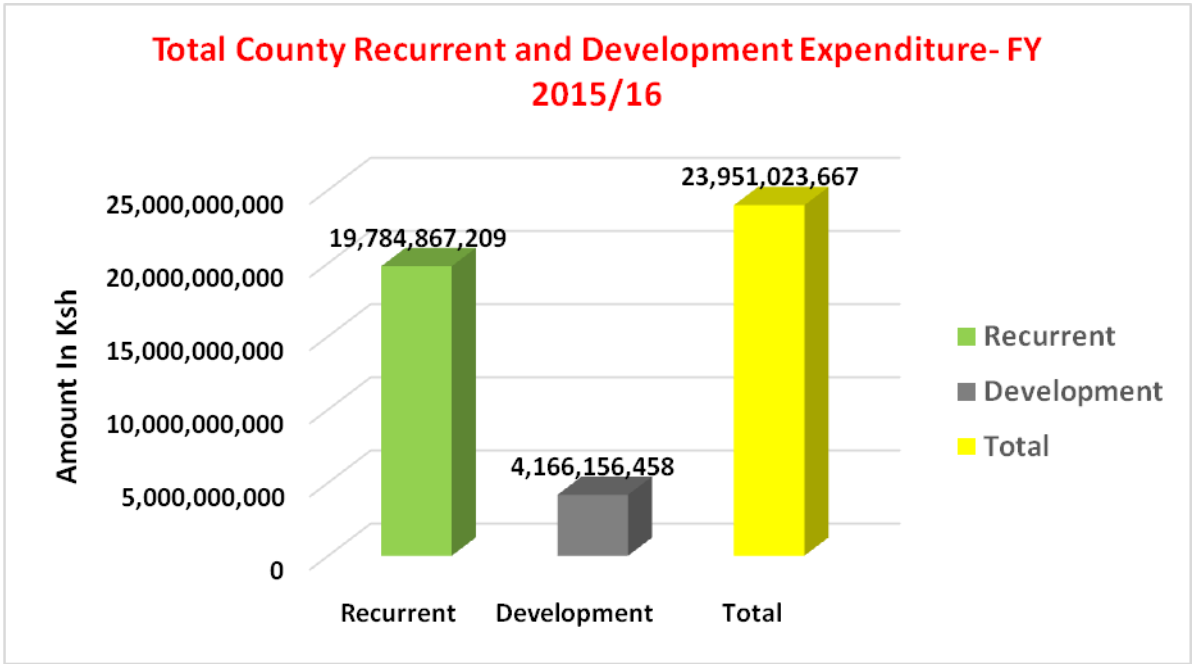
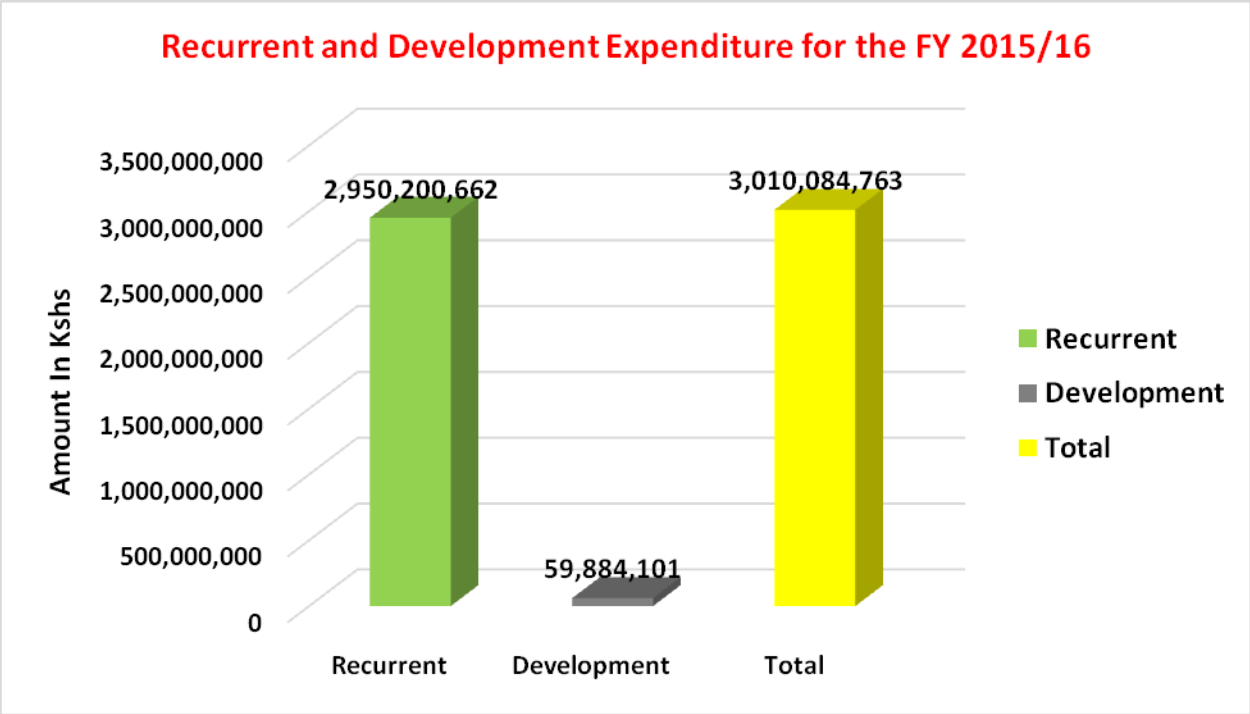


Figure 2: Finance and Economic Planning Recurrent and Development Expenditure-Fy 2015/2016



2.2.2 Analysis of Programme Expenditure

The sector has three programmes namely: General Administration and Support Services; Public Financial Management; and Economic Policy & Financial Policy Formulation and Management. In the revised budget (Supplementary budget) of FY 2015/16, Ksh 1,298,907,223 was allocated to General Administration and Support Services programme and Ksh 1,775,673,357to Public Financial Management programme. Ksh 54,008,973 was allocated to Economic Policy & Financial Policy Formulation and Management programme **(Table 2)**.

At the end of the fiscal year 2015/2016, Ksh 1,298,023,441 (100% of programme allocation) was utilized in General Administration and Support Services programme andKsh1,689,510,701 (95% of programme allocation) was utilized in Public Financial Management programme. Ksh 49,453,930(93% of programme allocation) was spent in Economic Policy & Financial Policy Formulation and Management programme.

Table 2: Revised Budget Allocation and Actual Expenditures per programme

Programme	Sub-programme	Revised Budget 2015/2016	Actual Expenditure 2015/2016	Remarks (% Utilization)
P1:General Administration and Support Services	SP1: Administrative Services	1,298,907,223	1,298,023,441	100
P2:Public Financial Management	SP2: Accounting Services	1,061,138,251	1,029,011,031	97
	SP3: Budget Formulation & Management	78,735,955	74,562,183	95
	SP3: Resource Mobilization	182,480,807	153,894,196	84
	SP4:Audit Services	111,021,806	101,904,570	92
	SP5: Procurement Services	86,196,538	85,818,945	99
	SP6:Asset Management	256,100,000	244,319,776	95
P2: Economic Policy & Financial Policy Formulation and Management	SP1: Fiscal Policy Formulation, Development and Management	54,008,973	49,453,930	93
TOTAL		3,148,059,674	3,036,988,072	97

2.2.3: Analysis of programme expenditure by economic classification

Economic Classification	2015/2016	
	Approved Estimates	Actual Expenditure
Programme 1: Public Finance Management		
Current Expenditure		
Compensation to Employees	**1,014,561,684**	1,010,033,265
Use of goods and services	658,110,673	633,366,151
Interest Expenses		
Subsidies		
Current transfers to govt agencies		
Other expenses	1,298,907,223	1,298,023,441
Non-financial assets		
Financial Assets		
Total Recurrent Expenditures	2,971,580,580	2,914,422,857
Capital Expenditure		
Non-financial assets	112,000,000	46,111,285
Financial Assets		
Total Capital Expenditure	112,000,000	46,111,285
Total for the Programme 1	**3,083,580,580**	**2,987,534,142**
Programme 2:Economic Planning & Policy Formulation		
Current Expenditure		
Compensation to Employees	10,470,121	10,418,157
Use of goods and services	39,008,973	25,262,957
Interest Expenses		

Economic Classification	2015/2016	
	Approved Estimates	Actual Expenditure
Other expenses		
Non-financial assets		
Financial Assets		
Total Recurrent Expenditures	49,479,094	35,681,114
Capital Expenditure		
Non-financial assets	15,000,000	13,772,816
Financial Assets		
Total Capital Expenditure	15,000,000	13,772,816
Total Expenditure Programme 2	**64,479,094**	**49,453,930**
Total Expenditure for VOTE…..	**3,148,059,674**	**3,036,988,072**

2.2.4: Analysis of Capital Projects FY 2015/2016

In the financial year 2015/2016, the sector undertook several capital projects. These projects included: The Purchase of Vehicles, Refurbishment of offices, Purchase of Computer & other IT equipment, Purchase of Furniture and Prefeasibility studies. As at the end of the fiscal year, the following projects were Ongoing: Purchase of vehicles, Refurbishment of offices, and purchase of furniture and Prefeasibility studies; whereas, the Purchase of computer & other IT equipment was completed.

Project	Contract Sum	Start Date	Completion date	Budgeted Amount	Amount Spent as at 30.06.2016	Stage of completion
2015-2016						
Purchase of Vehicles	**9,400,000**	**July 2015**	**June 2015**	**14,300,000**	**9,400,000**	**Ongoing**
Refurbishment of offices	**7,464,595**	**July 2015**	**June 2015**	**20,000,000**	**7,464,595**	**Ongoing**
Purchase of computer and other IT equipment	**15,526,445**	**July 2015**	**June 2015**	**20,000,000**	**15,526,445**	**Complete**
Purchase of Furniture	**4,569,850**	**July 2015**	**June 2015**	**5,000,000**	**4,569,850**	**Ongoing**
Prefeasibility Studies	**7,423,500**	**July 2015**	**June 2015**	**10,000,000**	**7,423,500**	**Ongoing**

2.2.5 Analysis of Revenues

The total approved estimated revenue for the FY 2015/2016 amounted to Ksh 30.8 Billion. The approved estimated revenue was reduced by 5.8% to Ksh 29 Billion in the revised budget estimates. These amounts were generated from the respective internal and external sources of County revenue. However, the actual revenue generated in this period was Ksh 25 Billion which was 13.5% short of the revised estimated revenues. Ksh 4.4 Billion, Ksh 7.2 Billion, Ksh 8 Billion and Ksh 5.5 Billion were realized in Quarter 1, Quarter 2, Quarter 3 and Quarter 4 that respectively (**See Table 3 and Figure 3**).

The expected approved revenue from internal sources was Ksh 17.5 Billion, but upon budget revision, it was reduced by 12.8% to 15.2 Billion. However, the actual revenue generated from internal sources dropped by 23.4% to 11.7 Billion. Ksh 2.2 Billion, Ksh 2.7 Billion, Ksh 4.6 Billion, Ksh 2 Billion was in Quarter 1, Quarter 2, Quarter 3 and Quarter 4 respectively.

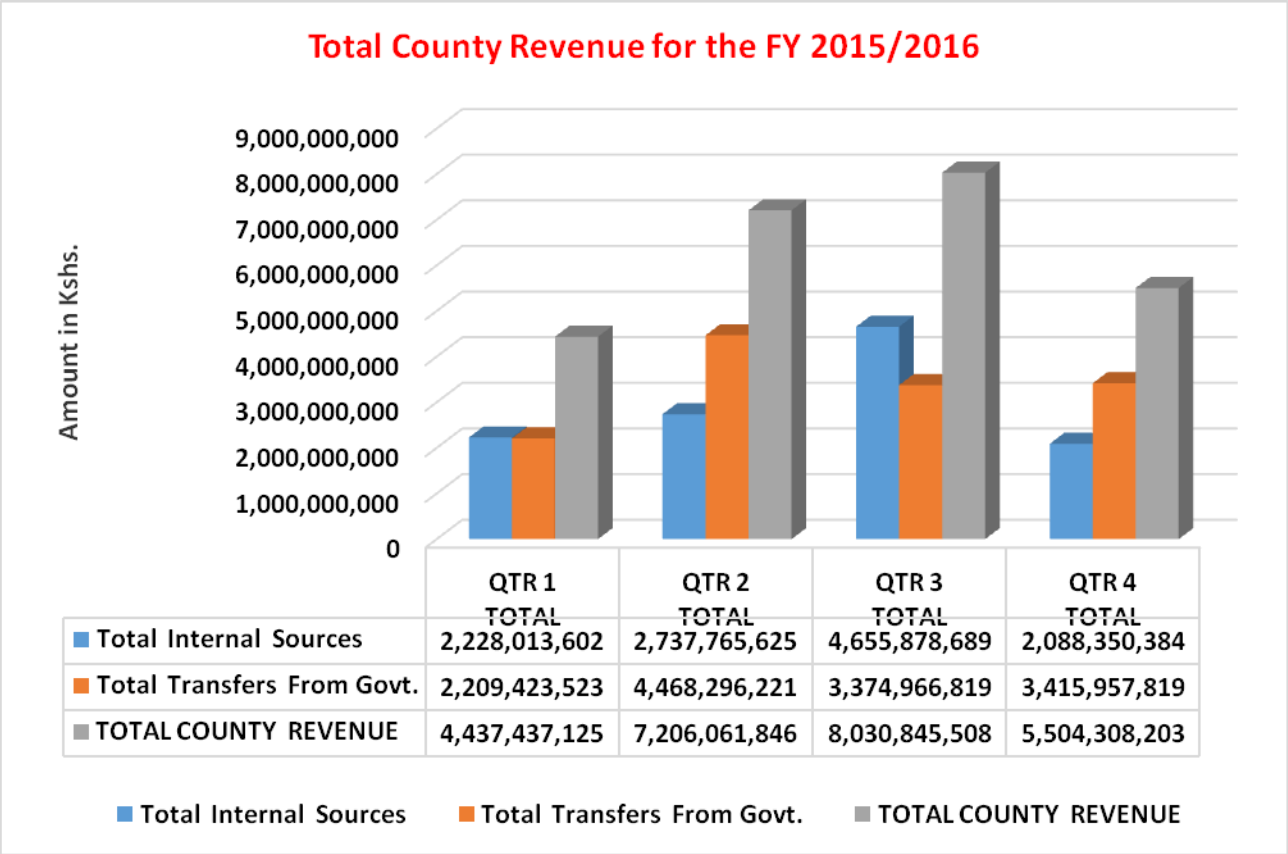
The estimated approved revenue from external sources (Government transfers) was Ksh 13.3 Billion. The revised external revenue increased by 3.2% to Ksh 13.8 Billion after the budget was revised. However, the actual revenue generated in this period, from external sources dropped by 2.4% to Ksh 13.4 Billion. Ksh 2.2 Billion, Ksh 4.4 Billion, Ksh 3.3 Billion and Ksh 3.4 Billion was accrued from Quarter 1, Quarter 2, Quarter 3 and Quarter 4 respectively (**See Table 3 and Figure 3).**

Table 5: Nairobi City County Total Internal and External Revenues-FY 2015/2016

Revenue By Sector	Estimates 2015/2016	Revised Estimates 2015/2016	QTR 1	QTR 2	QTR 3	QTR 4	ACTUAL TOTAL
Total Internal Sources	17,528,000,000	15,289,917,527	2,228,013,602	2,737,765,625	4,655,878,689	2,088,350,384	11,710,008,300
Total Transfers From Govt.	13,370,000,000	13,808,254,802	2,209,423,523	4,468,296,221	3,374,966,819	3,415,957,819	13,468,644,382
Total County Revenue	30,898,000,000	29,098,172,329	4,437,437,125	7,206,061,846	8,030,845,508	5,504,308,203	25,178,652,682

Source: County Treasury, 2016

Figure 3: Total Quarterly Internal and External Revenue for Fiscal Year 2015/2016



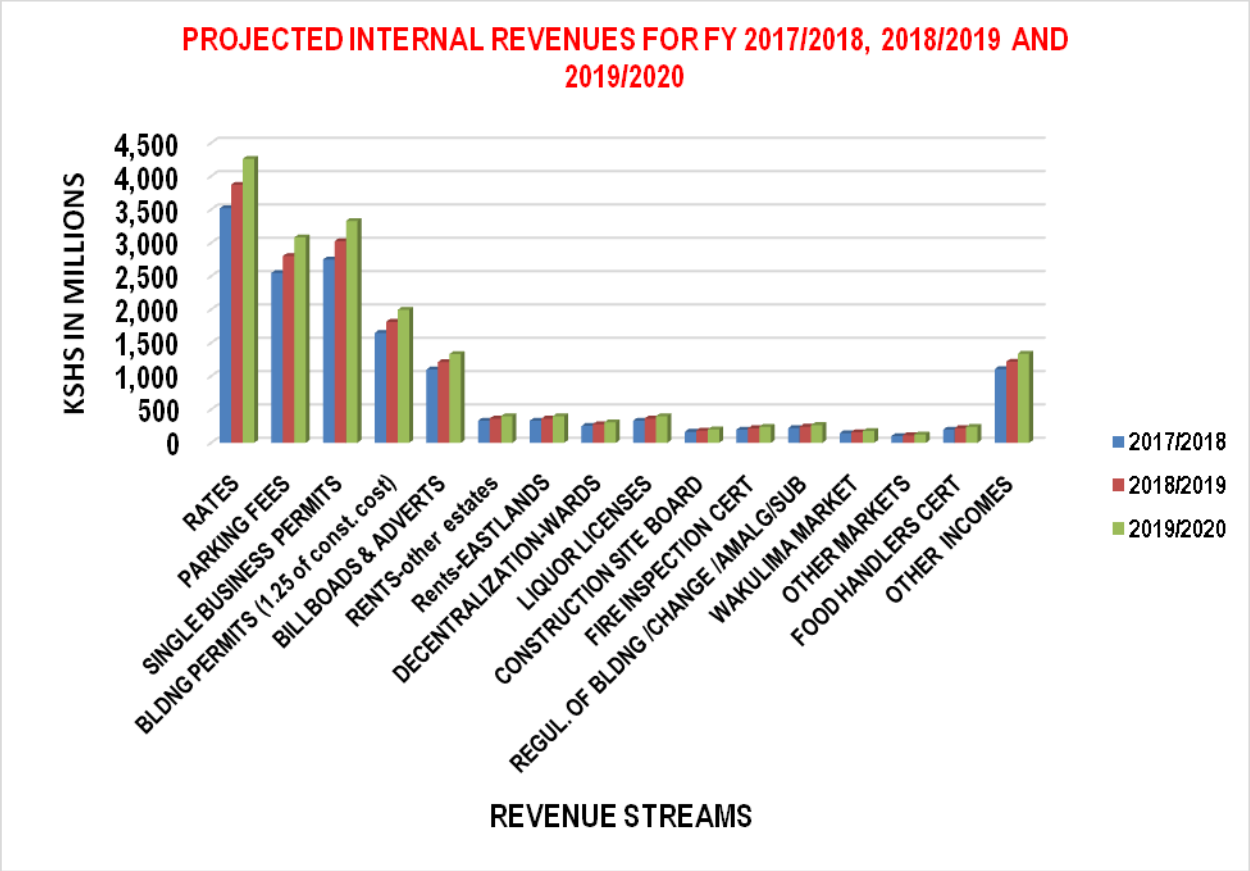
2.2.5.1 Revenue Projections

In the fiscal year 2015/2016, the total actual revenue collected was Kshs. 25.179 Billion. Kshs. 13.469 Billion (53.5%) was received from external sources and Kshs. 11.710 Billion (46.5%) was from internal sources. In the current fiscal year 2016/2017, the total revised revenue projections are at Kshs.28.117 Billion, out of which Kshs.14.531 Billion (51.68%) will be from external sources while Kshs.13.586 Billion (48.32%) from internal sources.

For the fiscal year 2017/2018, the external revenue projections are expected to be Kshs.15.933 Billion (51.60%) while internal projections will be Kshs.14.945 Billion (48.40%). The total revenues are therefore projected to be at Kshs.30.878 Billion, an increment of Kshs. 2.761 Billion (9.82%) from the fiscal year 2016/2017. Kshs. 3.520 Billion, Kshs. 2.548 Billion, Kshs. 2.750 Billion, Kshs. 1.650 Billion, Kshs. 1.1 Billion and Kshs. 1.106 Billion are expected to be collected from rates, parking fees, single business permits, building permits, billboards & advertisements and other incomes respectively.

The total revenues are projected to be at Kshs.33.915 billion in fiscal year 2018/2019, with Kshs.17.476 billion (51.53%) from external sources whereas Kshs.16.439 billion (48.47%) from internal sources. See Annex I for county revenue projections for the financial years 2016/2017, 2017/2018 and 2018/2019.

Figure 4: Projected Internal Revenues for FY 2017/2018 and Medium Term Period



2.2.6 Analysis of Pending Bills FY 2015-2016

Pending bills arising in the financial year 2015/2016 amounted to Kshs 60,341,983. This was generated from the Recurrent and Development expenditure, which amounted to Ksh 20,099,943 and Ksh 40,242,040 respectively. These bills resulted from the following departments: Revenue department, internal audit department, Supply Chain department and the Accounting Budget & Economic Planning department.

Department	Recurrent Ksh	Reason	Development Ksh	Reason	Total in Ksh
Revenue	4,652,306	1.25% Commission on revenue collected for the month of June 2016	5,200,000	Purchase of one station wagon	**9,852,306**
	5,447,637	1.25% Commission	4,760,000	Supply of	**10,207,637**

		on revenue collected for the month of May 2016		computers, printers and laptop to revenue department	
Internal Audit	10,000,000	Supply of accountable documents	3,091,000	Supply of Computers and furniture to internal audit	**13,091,000**
Supply Chain			7,464,595	Refurbishment of offices- Supply chain department	**7,464,595**
Accounting, Budget and Economic Planning			7,183,945	Supply of computers and other IT equipment Accounting, Budget and Economic departments	**7,183,945**
			8,342,500	Supply of computers and other IT equipment Accounting, Budget and Economic departments	**8,342,500**
			4,200,000	Purchase of 4*4 double cab pickup	**4,200,000**
TOTAL	**20,099,943**		**40,242,040**		**60,341,983**

CHAPTER 3

MEDIUM TERM PRIORITIES AND FINANCIAL PLAN FOR THE MTEF PERIOD 2017/18 AND 2018/19

3.1 Introduction

Nairobi City County strategic plan 2015-2025 has outlined key performance areas to achieve its vision of "The city of choice to invest, work and live in". Among the key performance areas are financial sustainability and planning and economic development. Key focus areas in financial sustainability are: revenue management; expenditure and cost management; asset management; budget and capital prioritization; funding; and supply chain management. The F&EP Sector has prioritized key projects that need to be implemented to support realization of county's vision. The sector priorities are:

1. To enhance revenue collection through efficient and effective revenue collection system and increased enforcement and compliance.
2. To strengthen policy formulation,planning,budgeting and implementation of CIDP and Nairobi City County Strategic Plan 2015-2025.
3. To enhance evidence based decision making for socioeconomic development through conducting feasibility studies, economic surveys and development of county statistical data management system.
4. To improve tracking of implementation of development policies, strategies and programmes.
5. To improve debt management through development of county debt management strategy.
6. To improve linkage between planning and budgeting.
7. To acquire and operationalize an asset management system.
8. To increase devolution of finance functions in sub-county and ward levels through establishment and construction of finance offices.
9. To increase resource mobilization through PPP framework.
10. To develop and maintain human resource capacity to adequately respond to the needs of the sector.

3.1.1 Prioritization of the Programmes and Sub-Programmes

The sector has three priority programmes and the ranking of the programmes is as follows:

1. Public Financial Management
2. Economic Planning and Coordination
3. General Administration and Support Services

3.1.2 Programmes and Objectives

The following are the programmes and their respective strategic objectives.

Programme	Objective
General Administration and Support Services	To enhance efficient and effective service delivery and improve working environmentwithin the sector
Public Financial Management	To improve public finance management in the county through efficient and effective budget formulation and control, appropriate asset management, enhanced revenue collection and preparation of quality financial statements
Economic Planning and Coordination	To promote public policy formulation, planning, coordination, implementation, monitoring and evaluative of public projects and programmes for county development

3.1.3 Programmes, Sub-programmes, expected outputs, key performance indicators and targets for the Sector

Strategic Objectives	Programme	Sub-programmes	Delivery units (s)	Description of Activities	Outputs	KPIs	Baseline 2015/2016	Targets		
								2017 / 2018	2018 / 2019	2019 / 2020
To enhance efficient and effective service delivery and improve working environment	General Administration and Support Services	Administrative Services	Administration Department	Carrying out training on leadership, supervisory and senior management courses, Performance Contracting, Customer Care, ADA and Anti-Corruption; Carrying out capacity building	Trained staff; Trained staff on records management; Renovated offices; Departmental registry Appraised staff; Digitized records	No. of trainings conducted; No. of staff trained; No. of staff trained on records management; No. of offices renovated; Operational departmental registry; No. of staff	300 officers trained on different programmes; -Two department offices were renovated -Computers were bought for Revenue,	60 staff to be trained on other different programmes; Training of 10 staff on records management; Renovation of offices; Departmental registry; Digitalization of office	100 staff to be trained on other different programmes - Renovation of offices -Carry out performance	100 staff to be trained on other different programmes - Renovation of offices to create more working

Strategic Objectives	Programme	Sub-programmes	Delivery units (s)	Description of Activities	Outputs	KPIs	Baseline 2015/2016	Targets		
								2017 / 2018	2018 / 2019	2019 / 2020
				on records management; Renovation of offices and setting up of a departmental registry; Carry out Performance appraisal ; Digitization of records		meetings conducted; Performance contracts signed; Digitized records management	Accounting, Budgeting and Economic Departments	records	appraisals - Digitalization of office records	space -Carry out performance appraisal - Digitalization of office records
Enhancement of Revenue Collection	Public Finance Management	Revenue Mobilization	Revenue Department	Carrying out publicity campaigns; Conducting Capacity building; Conducting Workshops on Revenue enhancement; Conducting Annual Revenue Conference; Hire of Vehicles; Purchase of motor vehicles; Rates waiver; Inspection &Enforcement; Issuing demand notices; Developing county finance bill; Renovation of offices; Installation of alarm system at Cash Office; Automation of revenue services; Data collection, capture and data analysis for updating of rates records; Collection of data and data analysis for review of valuation roll; Staff motivation; Enactment of County rates Act; Posting of revenue staff; Opening register for all revenue streams	Increase in revenue collection from one period to the other; Trained staff; Revenue Conference Appropriation and Finance bill; Renovated offices; Alarm system; Automated services; Updated rates records; Valuation roll; Motivated staff and increased revenue collection; County Rates Act; Increased revenue collection; Revenue streams registers	Reports on revenue performance Meetings on revenue performance; No. of publicity campaigns conducted; No. of revenue enhancement workshops conducted; Revenue Conference held; No. of vehicles hired; No. of vehicles procured; No. of awareness campaigns conducted; No. of inspection and enforcement exercises conducted; Approved Finance bill; No. of offices renovated; No. of alarm systems installed; No. of computers and equipment purchased; Updated rates records; Updated valuation roll; Allowances for revenue staff; Enacted County Rates Act; No. of revenue staff posted to cover all	Daily, weekly, monthly and yearly revenue reports Weekly meeting on revenue performance; 3 workshops were held on revenue enhancement; Finance Act 2015 was enacted	Daily, weekly, monthly and yearly revenue reports Weekly meeting on revenue performance; 4workshops to be Upheld on revenue enhancement; Finance Act 2017; Office renovated; Alarm system at Cash office; Purchase computers and IT equipment; Enactment of County Rates Act; Revenue Officers to be posted in all revenue streams; 85 revenue streams registers	Daily, weekly, monthly and yearly revenue reports Weekly meeting on revenue performance; 4 workshops to be held on revenue enhancement; Finance Act 2018; Office renovated; Purchase computers and IT equipment; Revenue Officers to be posted in all revenue streams	Daily, weekly, monthly and yearly revenue reports Weekly meeting on revenue performance; 4 workshops to be held on revenue enhancement; Finance Act 2019; Office renovated; Purchase computers and IT equipment; Revenue Officers to be posted in all revenue streams

Strategic Objectives	Programme	Sub-programmes	Delivery units (s)	Description of Activities	Outputs	KPIs	Baseline 2015/2016	Targets		
								2017 / 2018	2018 / 2019	2019 / 2020
						revenue streams; No. of revenue streams registers				
Effective and efficient budget formulation and management	Public Finance Management	Budget Formulation and Management	Budget & Expenditure Department	Preparation of the following documents as per budget circular ADP CBROP MTEF report CFSP DSMP Budget estimates; Budget and Expenditure reports; Preparation of county cash flow projections; Convening Sector Working Groups; Workshops on review of budget documents; Holding annual Budget Conference; Holding CBEF meetings	Yearly Budget estimates and expenditure reports; CBROP MTEF report; MTEF consultative forums; CFSP DSMP Budget and Expenditure reports; Cash flows projections report; Sector Working Group reports; Reviewed budget documents; Budget conference; CBEF meetings	Approved ADP, Approved CBROP ,Approved CFSP and Approved DSMP; MTEF report; No. of MTEF consultative forums held; Approved Budget estimates; No. of Budget and Expenditure reports; Complete Cash flows projection report; No. of Sector Working Group reports; No. of workshops held; Budget conference held; No. of CBEF meetings held	2015/2016 ADP CBROP MTEF report CFSP DSMP Budget estimates; 85 MTEF forums held; 4 Quarterly Budget and Expenditure reports; 1 cash flows projection report produced; 10 Sector Working Group Reports produced	2017/2018 ADP CBROP MTEF report CFSP DSMP Budget estimates; 85 MTEF consultative forums; 4 Quarterly Budget and Expenditure reports; 1 cash flows projection report; 10 SWGs reports; 4 workshops on budget documents review; 1 Budget Conference; 4 CBEF meetings	2018/2019 ADP CBROP MTEF report CFSP DSMP Budget estimates; 85 MTEF consultative forums; 4 Quarterly Budget and Expenditure reports; 1 cash flows projection report; 10 SWGs reports; ; 4 workshops on budget documents review; 1 Budget Conference; 4 CBEF meetings	2019/2020 ADP CBROP MTEF report CFSP DSMP Budget estimates; 85 MTEF consultative forums; 4 Quarterly Budget and Expenditure reports; 1 cash flows projection report; 10 SWGs reports; ; 4 workshops on budget documents review; 1 Budget Conference; 4 CBEF meetings
Effective and efficient Financial Reporting and Accounting	Public Finance Management	Accounting Services	Accounting Department	Preparation of Financial Statement; Debt management Bank reconciliation Accountable documents control Preparation and Examination of payments Training of staff on IFMIS; Conducting annual stock taking; Updating	Yearly financial statements; Trained staff; Annual stock records; Creditors register; Partly paid debts; Audit queries response; Cash flow management reports	Report on bank reconciliation Report on debt management Reports on accounting processes; No. of trained staff on IFMIS modules; Stock records/stores ledgers; Updated creditors register; Amount of debts paid/Debt	2015/2016 financial statement Reports on Bank reconciliation Debt strategy paper; 20 staff were trained on IFMIS modules; 1 annual stock taking exercise conducted;	2015/2016 financial statement Reports on Bank reconciliation Debt strategy paper; 35 staff to be trained on IFMIS modules; 1 annual stock taking exercise conducted; Creditors register; Kshs. 1.684 Billion	2015/2016 financial statement Reports on Bank reconciliation Debt strategy paper; 40 staff to be trained on IFMIS modules; 1 annual stock taking	2015/2016 financial statement Reports on Bank reconciliation Debt strategy paper; 40 staff to be trained on IFMIS modules; 1 annual stock taking

Strategic Objectives	Programme	Sub-programmes	Delivery units (s)	Description of Activities	Outputs	KPIs	Baseline 2015/2016	Targets		
								2017 / 2018	2018 / 2019	2019 / 2020
				of creditors register; Debt resolution updates; Responding to audit queries; Cash flow management		repayment; No. of management meetings held on audit queries; No. of cash flow management reports produced	Kshs. 1 Billion debt paid	debt repayment; Audit queries management meetings; 4 cash flow management reports	exercise conducted; Creditors register; Kshs. 1.684 Billion debt repayment; Audit queries management meetings; 4 cash flow management reports	exercise conducted; Creditors register; Kshs. 1.684 Billion debt repayment; Audit queries management meetings; 4 cash flow management reports
Updating and maintenance of the asset register	Public Finance Management	Asset Management Services	Asset Management Department	Sensitization on asset management Valuation of assets Asset tagging Progress reports Workshops on asset management Insuring of County assets; Procurement of asset management system; Provision of insurance covers; Sensitization forums on Work Injury Benefits Act of 2007	Updated Asset Register; Asset management system Assets Insured; Quarterly reports; Informed staff on work injury benefits;	Updated Asset Register; Sensitization forums Valued assets Number of workshops ; No. of asset insured; No. of staff insured; No. of quarterly reports; No. of sensitization forums held on work injury benefits	3 sensitization forums were held; All assets insured; All county staff; 4 quarterly reports on updated asset register	3 sensitization forums; All assets insured; All county staff; 4 quarterly reports on updated asset register; 4 sensitization forums on Work Injury Benefits Act of 2007	3 sensitization forums; All assets insured; All county staff; 4 quarterly reports on updated asset register; ; 4 sensitization forums on Work Injury Benefits Act of 2007	3 sensitization forums; All assets insured; All county staff; 4 quarterly reports on updated asset register; ; 4 sensitization forums on Work Injury Benefits Act of 2007
Promote public policy formulation, planning, coordination, implementation, monitoring and evaluative of public projects and programmes for county development	Economic Planning and Coordination	Development Planning Coordination	Economic Planning Department	Data collection Data analysis Report writing Holding of workshops on Sustainable Development Goals(SDGs) and other workshops; Capacity building;Review of policy documents and dissemination; Preparation of CIDP,ADP and	CIDP	Reviewed CIDP;	75%	100% review of CIDP		
						No. of documents distributed and disseminated;	2,000	3,000	3,000	3,000
					End Term Review Reports	No. of End Term Reviews conducted;		1	-	-
					ADP	Approved ADP;	1	1	1	1
					CFSP	Approved CFSP;	1	1	1	1

Strategic Objectives	Programme	Sub-programmes	Delivery units (s)	Description of Activities	Outputs	KPIs	Baseline 2015/2016	Targets		
								2017 / 2018	2018 / 2019	2019 / 2020
				CFSP; Conducting public participation on CIDP and ADP	Trained staff	No. of staff trained;		5	5	5
					Workshop reports	No. of workshops held;		2	4	4
					Public participation report on CIDP and ADP	No. of public participation forums held		17 public participation forums on ADP and other planning issues	17 public participation forums on ADP and other planning issues	17 public participation forums on ADP and other planning issues
		Statistics Research and Development	Economic Planning Department	Data collection Data analysis Report writing Holding of workshops; Capacity building; Preparation of statistical abstract; Development of statistical system; Conducting specialized studies and surveys; P preparing county statistical plan	Trained staff	No. of staff trained		10	10	10-
					Workshop reports	No. of workshops held		2	2	2
					Statistical Abstract	Complete statistical abstract	1	1	1	1
					Statistical system	Operational system		100%	-	-
					Specialized studies report	No. of specialized studies conducted	2	4	4	4
					Survey report	No. of surveys	2	2	2	4
					County statistical plan	County statistical plan		1	1	1
		Sectoral Planning	Economic Planning Department	Data collection Data analysis Report writing Holding of workshops; Capacity building; Preparation of sector plans, SIRs reports, sector working groups reports and MTEF reports	Trained staff	No. of staff trained;		10	10	10
					Workshop reports	No. of workshops held;		2	1	1
					Sector plans	No. of sector plans developed;		10	-	-
					SIRs reports	No. of SIRs produced	4	5	5	5
					Sector Reports	No. of sector reports produced	10	10	10	10
					MTEF reports	No. of MTEF reports produced	1	1	1	1
		Project	Econ	Data collection Data analysis	Trained staff	No. of staff trained		5	5	5

Strategic Objectives	Programme	Sub-programmes	Delivery units (s)	Description of Activities	Outputs	KPIs	Baseline 2015/2016	Targets		
								2017 / 2018	2018 / 2019	2019 / 2020
		Planning, Monitoring and Evaluation	omic Planning Department	Report writing; Holding of workshops; Capacity building; Preparation of Quarterly Progress Report, Annual Progress and Project appraisals report; Purchase of motor vehicle	Workshop reports	No. of workshops held		1	2	2
					Quarterly Progress reports	No. of quarterly reports	3	3	3	3
					Annual Progress reports	No. of annual reports	1	1	1	1
					Project Appraisal reports	No. of project appraisals reports		1	1	1
					Double Cabin motor vehicle	No. of motor vehicle		1	-	-

3.2 Analysis of Resource Requirement

The sector requires **Kshs. 3.921 Billion** in the next financial year 2017/18 to undertake its priority programmes. Further, the sector will require Kshs. 3.869 billion for FY 2018/19 to undertake its programmes. These programs will address the challenges of low revenue collection, high debt level, low budgetary absorption, inadequate legal and policy framework, implementation of IFMIS and inadequate funding of key service delivery sectors.

Kshs 3.765 Billion and Kshs 156 Million is required in FY 2017/2018 for recurrent and development expenditure respectively. A provision of Kshs 1.684 Billion is required for debt resolutions and Kshs 280 Million for general insurance. For the FY 2018/2020, Kshs 3.699 Billion and Kshs 170 Million will be required for recurrent and development expenditure respectively.

3.2.1 Sector Recurrent and Development (Kshs.)

	Printed Estimates	Requirement Estimates		
	2015/2016	2016/2017	2017/2018	2018/2019
Recurrent	3,010,589,543	2,991,605,976	3,765,000,000	3,699,000,000
Development	127,000,000	190,000,000	156,000,000	170,000,000
Total	**3,137,000,000**	**3,181,605,976**	**3,921,000,000**	**3,869,000,000**

3.2.2 Resource requirements and allocation by programme and sub-programmes

Programme	Sub-Programme	Resource Requirements			Allocation		
		2016/17	2017/18	2019/20	2016/17	2017/18	2019/20
P1:General Administration and Support Services	SP1:Administrative Services	**2,004,600,000**	**1,025,000,000**	**2,651,083,500**	**2,004,600,000**		
P2:Public Financial Management	SP1:Resource Mobilization	266,100,000	459,000,000	351,917,250	266,100,000		
	SP2:Budget Formulation and Management	89,150,000	85,000,000	117,900,875	89,150,000		
	SP3: Accounting Services	189,500,000	1,936,000,000	250,613,750	189,500,000		
	SP4:Asset Management Services	322,550,000	340,000,000	426,572,375	322,550,000		
	Total Prog. 2	**2,871,900,000**	**3,845,000,000**	**3,798,087,750**	**2,871,900,000**		
P3:Economic Policy & Financial Policy Formulation and Management	SP1:Fiscal Policy Formulation, Development and Management	49,100,000	76,000,000	64,934,750	49,100,000		
	Total Prog. 3	49,100,000	76,000,000	64,934,750	49,100,000		
	Grand Total	**2,921,000,000**	**3,921,000,000**	**3,863,022,500**	**2,921,000,000**		

3.2.3 Resource Requirement and allocation by Programmes/Sub programmes and Economic Classification

Programme	Sub-Programme	Economic Classification	Resource Requirements			Allocation		
			2016/17	*2017/18*	2019/20	2016/17	2017/18	2019/20
P1: General Administration and Support Services	SP1:Administrative services	Current Expenditure						
		Compensation to employees	**970,618,416**	**1,000,000,000**	**1,015,000,000**	**970,618,416**		
		Use of goods and services	**40,500,000**	**20,000,000**		**28,494,024**		
		Other Recurrent			**2,500,000,000**	**1,000,487,560**		
		Capital Expenditures						
		Other Developments	**10,00000,0**	**5,000,000**	**15,000,000**	**5,000,000**		
		Total for SP 1…….	**1,011,118,416**	**1,025,000,000**	**3,530,000,000**	**2,004,600,000**		
P2: Public Financial Management	SP1:Revenue Mobilization	Current Expenditure						

		Compensation to employees						
		Use of goods and services	**350,000,000**	**374,000,000**	**450,000,000**	**216,100,000**		
		Capital Expenditures						
		Other Developments	**100,000,000**	**85,000,000**	**85,000,000**	**50,000,000**		
		Total for SP 1…….	**450,000,000**	**459,000,000**	**535,000,000**	**266,100,000**		
	SP2: Budget Formulation & Management	**Current Expenditure**						
		Compensation to employees						
		Use of goods and services	**90,000,000**	**85,000,000**	**90,000,000**	**89,150,000**		
		Capital Expenditures						
		Other Developments						
		Total for SP 2…….	**90,000,000**	**85,000,000**	**90,000,000**	**89,150,000**		
	SP3:Accounting Services	**Current Expenditure**						
		Compensation to employees						
		Use of goods and services	**180,000,000**	**232,000,000**	**300,000,000**	**174,500,000**		
		Other Recurrent	**1,000,487,560**	**1,684,000,000**	**1,684,000,000**			
		Capital Expenditures						
		Other Developments	**20,000,000**	**20,000,000**	**30,000,000**	**15,000,000**		
		Total for SP 3…….	**1,200,487,560**	**1,936,000,000**	**2,014,000,000**	**189,500,000**		
	SP4:Asset Management Services	**Current Expenditure**						
		Compensation to employees						
		Use of goods and services	**60,000,000**	**20,000,000**	**40,000,000**	**52,550,000**		
		Other Recurrent	**250,000,000**	**280,000,000**	**270,000,000**	**250,000,000**		
		Capital Expenditures						
		Other Developments	**50,000,000**	**40,000,000**	**30,000,000**	**20,000,000**		
		Total for SP 4…….	**360,000,000**	**340,000,000**	**340,000,000**	**322,550,000**		
P3: Economic Policy & Financial Policy Formulation and Management	**SP1: Fiscal Policy Formulation, Development and Management**	**Current Expenditure**						
		Compensation to employees						
		Use of goods and services	**50,000,000**	**70,000,000**	**120,000,000**	**39,100,000**		
		Other Recurrent						
		Capital Expenditures						
		Other Developments	**10,000,000**	**6,000,000**	**10,000,000**	**10,000,000**		

		Total Prog. 3	**60,000,000**	**76,000,000**	**130,000,000**	**49,100,000**		
		Grand Total	**3,171,605,976**	**3,921,000,000**	**6,639,000,000**	**2,921,000,000**		

3.2.4 Capital Projects for FY 2017/2018

	Strategic Objectives	Programme	Sub-programmes	Delivery units	Project Name	Period of Implementation (Years)	Project Cost	2016/17	2017/18	2018/19	2019/20
1		General Administration and Support Services	Administration	Administration Department	Refurbishment of offices	2	15,000,000	5,000,000	-5,000,000	5,000,000	
2	To improve working condition	Public Financial Management	Accounting Services	Accounting and Reporting	Refurbishment of offices	2	30,000,000	15,000,000	10,000,000	5,000,000	
	To improve working condition				Purchase of office furniture and fittings	2	20,000,000		10,000,000	5,000,000	
4	To enhance revenue collection		Resource Mobilization	Revenue Department	Purchase of Motor Vehicles	2	100,000,000	45,000,000	85,000,000	15,000,000	
5	To enhance revenue collection				Preparation of Valuation Roll	2	5,000,000	5,000,000			
	To improve working condition				Refurbishment of offices	2	20,000,000	0		10,000,000	
	To improve working condition				Purchase of office furniture and General office equipment	2	20,000,000	0		10,000,000	
	To computerize asset management		Asset Management Services	Asset Management	Installation of Asset Management Software	3	100,000,000	20,000,000	20,000,000	40,000,000	20,000,000
	To improve working condition				Refurbishment of offices and purchase of office equipment	2	30,000,000	0	20,000,000	10,000,000	
	To improve working condition	Economic Policy & Financial Policy Formulation & Management	Fiscal Policy Formulation, Development and Management	Economic Planning Department	Purchase of furniture and general office equipment	1	10,000,000	10,000,000			
	To enhance monitoring and evaluation activities				Purchase of Double Cabin Motor Vehicles	1	6,000,000	-	6,000,000		
		TOTAL					**350,000,000**	**100,000,000**	**156,000,000**	**100,000,000**	

3.2.5 Resource Allocation Criteria

Finance and Economic Planning sector will continue to rationalize expenditure with a view to shifting resources from none core areas to core priority programme areas. The following have guided resource allocation within programmes and sub-programmes: Linkage of programmes with the objectives of CIDP, County Strategic Plan 2015-2025, Medium Term Plan (MTP) II of Kenya Vision 2030; Degree to which the programme is addressing the core mandate of the county entity; Expected outputs and outcomes from the programme; Linkage of a programme with other programmes; Cost effectiveness and sustainability of the programme; mandatory/obligatory payments like debt repayment resolutions; and ongoing activities of the sector flagship projects.

CHAPTER FOUR

CROSS-SECTOR LINKAGES, EMERGING ISSUES AND CHALLENGES

4.0 CROSS SECTOR LINKAGES

The Sector collaborates with other sectors by offering economic policy direction and providing an enabling environment. F&EP facilitates resource mobilization for all the sectors and the overall county development planning and public expenditure management. Further, the sector is crucial as it provides macroeconomic policy which is essential for the performance of sectors in the county.

All the sectors in the county support F&EP through revenue collection, provision of goods and services. F & EP sector offers general insurance services to the county personnel and properties and it is the sole custodian of county assets and liabilities.

4.1 EMERGING ISSUES AND CHALLENGES

4.2.1 EMERGING ISSUES

Some of the emerging issues affecting the Finance and Economic Planning (F&EP) sector include;

i) Information Communication Technology (ICT)

ICT presents the sector with opportunities for increased revenue collection, increased accountability and transparency and increased innovative financial services. It further presents an opportunity of effective and efficient service delivery. The challenge is how to optimally harness ICT in the sector.

ii) Devolved Functions

Devolved functions have presented opportunities for increased revenues and high demand of county services. However, it has increased resource requirement by the sectors. F&EP sector is challenged by the high budgetary demand.

4.2 CHALLENGES

1. IFMIS Implementation

Some of the county revenue streams are not fully integrated in the IFMIS system unlike in the LAIFOMS. This has made compliance to the use of IFMIS difficult as per the requirement of PFM Act of 2015.

2. Lack of Inter-sectoral support in revenue collection

Some of the sector work independently on revenue collections without involving revenue department thus it plays little role in these sectors. This has led to inefficient and ineffective revenue collection.

3. Inadequate funding

Funding in the sector is inadequate though the sector is critical in resource mobilization. Inadequate logistical facilitation and lack of working tools such as clamps, breakdowns and phones have resulted in low revenue collection. Acquisition of additional clamps and breakdowns will be carried by Revenue department.

4. Legal challenges

County government faces several cases of court injunctions challenging increase in levies e.g. Rates, Parking and billboards, betting control and lotteries revenues. This has led to delays in implementation of policies and programmes. The sector liaises with Legal department and stakeholders to address the issues.

5. Low Budgetary Absorption

Low budgetary absorption in the sector and all other sectors has had implication on budgetary execution in the county. Service delivery in some of the key sectors in the county has been hampered. Recurrent budgets in all the sectors are well absorbed unlike the development budgets. Low development budget absorption is occasioned by long procurement process, inadequate funds and untimely preparation of bill of quantities.

6. Delay in GOK Transfers and Remittances

County government has experienced delayed in remittances from national government. Reimbursement for free maternity charges has not been received. This has led to under performance in revenue collection. County government will engage National Treasury and make arrangements on funds remittances.

7. Inadequate legal framework

There is inadequate legal framework for enforcement of rates & parking fees. Lengthy legal processes in formulation of finance bills have led to inefficiency in revenue collection. Processes of legal framework formulation will be fast tracked.

8. Lack of Awareness of E-Payment System

There is low public awareness of E-Payment system in the county. Public not versed with all county levies and consequences thereof e.g. penalties, arrests & prosecutions. The sector will create awareness through provision of IEC materials to the public.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

The F&EP sector is one of the crucial sectors that facilitate service delivery in the county through resource allocation, revenue mobilization, asset management, economic planning and coordination of overall development of the county.

The key emerging issues and challenges affecting the sector include ICT; devolved functions; IFMIS implementation; low budgetary absorption; legal challenges; inadequate legal framework; lack of awareness of E-payment system; lack of inter-sectoral support in revenue collection; system failures; and delay in GOK transfers and remittances.

Some of the challenges faced by the county in revenue mobilization in FY 2015/16 and previous fiscal years include: Inaccurate and/or Lack of Data; Inadequate vehicles and working tools; Lengthy and bureaucratic processes in enforcement of revenue collection; Non-payment of debts by National Government & its Agencies; Resistance from traders to pay county fees and charges; Inadequate personnel; and Integrity issues which has hampered collection and enforcement efforts.

For the county government to increase and enhance its revenue in the medium term period the following resource mobilization strategies will be employed:Segregation of duties and roles by sectors as per their core mandate to enhance transparency through checks and balances; Automation of all County processes and records to enhance transparency of revenue collection processes with control mechanism, easy & quick payment options, data security and reliability; Provision of adequate resources (logistics like working tools, transport & security for the collectors; Public awareness campaign to citizen on all the County dues, amount payable, when to pay and the consequences for not being compliant; Enactment and amendment of laws to ease the process of revenue collection; Cooperating with other regulatory bodies and agencies to enhance compliance e.g. KRA, NTSA, Registrar of Companies; Enactment of County Rates Act & preparation a new valuation roll; Regularisation of buildings without approvals; Sensitization of members of the county assembly on their crucial role in revenue mobilization ; Establish a proper revenue management structures down to the sub county and ward levels; Posting of adequate and appropriate staff to cover all revenue streams; Open register for all revenue streams at ward level to establish full potential hence obtaining & maintaining accurate and responsible database of revenue sources and customers; and Timely billing and issuance of demand notices upon identifying defaulters & minimize defaults.

For the sector to achieve planned outputs and outcomes more efficiently and effectively during MTEF periods 2017/18, 2018/19 and 2019/20, the sector makes the following recommendations.

1. Integrate IFMIS and LAIFOMS systems to address the issue of county revenue streams.
2. Foster closer collaboration between sectors and other stakeholders to ensure increased revenue collection and economic growth;
3. Increase budgetary absorption capacity in all the sectors.
4. Formulation of relevant County laws for all revenue streams to enhance compliance.
5. Tailor the cost centres and budget lines in IFMIS to conform to the unique ones in county government. This will enhance comparability with past performance
6. Support the LAN connectivity across all counties to reduce the inconveniences associated with network failure.
7. Fast track implementation of the county policies and Constitution;
8. County government to engage National Treasury and make arrangements on timely funds remittances.
9. Procurement of vehicles and outsourcing of other services e.g. clamping.
10. Carry out vigorous and continuous public awareness campaign e.g. recent publicity on Rates waiver
11. Having alternate channels and offline gadgets to ensure continuous revenue collections.
12. Setting of targets for all revenue streams for all devolved units and use of sub-county officers for inspection to ensure compliance.
13. Develop communication infrastructure at sub-county levels for improved service delivery.

Annex I: Revenue Projections for 2017/2018 and Medium Term Period

REVENUE PROJECTIONS FOR 2017/2018 AND MEDIUM TERM							
	ACTUALS		2016/2017		PROJECTIONS		
REVENUES	2014/2015	2015/2016	Approved	Revised (Proposed)	2017/2018	2018/2019	2019/2020
Equitable Share	**11,340**	**12,997**	14,277	14,023	15,425	16,968	18,665
CONDITIONAL GRANTS	**0**	**-**					
Free Maternal Health Care	0	**234**	303	199	199	199	199
Compensation For User Fees Forgone	0	**73**	73	80	80	80	80
Road Maintenance Levy	0	**165**	214	215	215	215	215
DANIDA-HEALTH SECTOR SUPPORT	**25**	**-**	28	14	14	14	14
TOTAL EXTERNAL REVENUES	**11,365**	**13,469**	**14,895**	**14,531**	**15,933**	**17,476**	**19,172**
LOCAL SOURCES	**0**	**-**					
RATES	2,593	**3,110**	5,500	3,200	3,520	3,872	4,259
PARKING FEES	2,016	**2,038**	3,540	2,316	2,548	2,802	3,083
SINGLE BUSINESS PERMITS	1,814	**1,786**	3,600	2,500	2,750	3,025	3,328
BLDNG PERMITS (1.25 of const. cost)	1,349	**1,171**	1,700	1,500	1,650	1,815	1,997
BILLBOADS & ADVERTS	676	**663**	1,200	1,000	1,100	1,210	1,331
RENTS-other estates	296	**292**	300	300	330	363	399
Rents-EASTLANDS	291	**290**	300	300	330	363	399
DECENTRALIZATION-WARDS	243	**221**	240	230	253	278	306
LIQUOR LICENSES	210	**208**	379	300	330	363	399

	REVENUE PROJECTIONS FOR 2017/2018 AND MEDIUM TERM						
	ACTUALS		**2016/2017**		**PROJECTIONS**		
REVENUES	**2014/2015**	**2015/2016**	**Approved**	**Revised (Proposed)**	**2017/2018**	**2018/2019**	**2019/2020**
CONSTRUCTION SITE BOARD	137	**167**	200	150	165	182	200
FIRE INSPECTION CERT	148	**163**	180	180	198	218	240
REGUL. OF BLDNG /CHANGE /AMALG/SUB	130	**135**	260	200	220	242	266
WAKULIMA MARKET	115	**113**	144	132	145	160	176
OTHER MARKETS	105	**99**	144	93	102	113	124
FOOD HANDLERS CERT	89	**64**	217	180	198	218	240
OTHER INCOMES	**1,370**	**1,188**	1,662	1,005	1,106	1,216	1,338
SUB-TOTAL (LOCAL SOURCES)	**11,583**	**11,710**	**19,566**	**13,586**	**14,945**	**16,439**	**18,083**
TOTAL	**22,949**	**25,179**	**34,461**	**28,117**	**30,878**	**33,915**	**37,255**