

REPUBLIC OF KENYA



THE COUNTY ASSEMBLY OF SIAYA

FIRST ASSEMBLY – THIRD SESSION

THE BUDGET, APPROPRIATIONS AND FINANCE

COMMITTEE REPORT ON

THE FIRST SIAYA COUNTY SUPPLEMENTARY BUDGET

ESTIMATES FOR FY 2015/2016

DECEMBER, 2015

PREFACE

On behalf of the members of the Budget, Appropriations, Finance, Planning and Vision 2030 Committee, and pursuant to provisions of Section 135(2) of the Public Finance Management Act, 2012 which states that, “... *a County Government shall submit a supplementary budget in support of the additional expenditure for authority for spending*”, it is my pleasant privilege and honour to present to this County Assembly, the Committee’s report on the first Siaya County Supplementary Budget Estimates for 2015/2016.

COMMITTEE MEMBERSHIP

Mr. Speaker, Sir, the Committee on Budget, Appropriations and Finance, as was constituted by this Assembly, and pursuant to the County Assembly of Siaya Standing Order 187(2), comprises of the following Members:-

- | | |
|-------------------------------------|---------------------|
| 1. Hon. Jack Odinga, MCA | - Chairperson. |
| 2. Hon. Peter Muhula, MCA | - Vice Chairperson. |
| 3. Hon. Joseph Kawuor, MCA | - Member. |
| 4. Hon. Jared Abayo, MCA | - Member. |
| 5. Hon. Sylvester Madialo, MCA | - Member. |
| 6. Hon. Margaret Oketch, MCA | - Member. |
| 7. Hon. William Owiti Angul, MCA | - Member. |
| 8. Hon. Nicholas Ochieng Aneme, MCA | - Member. |
| 9. Hon. James Obiero Otare, MCA | - Member. |

COMMITTEE MANDATE

Mr. Speaker, Sir, the Committee on Budget, Appropriations and Finance was established under County Assembly of Siaya Standing Order No. 187(3) and is mandated to do the following:-

- 1) Investigate, inquire into and report on all matters related to coordination, control and monitoring of the of the county budget;
- 2) Discuss and review the estimates and make recommendations to the County Assembly;
- 3) Examine the County Fiscal Strategy Paper, as presented to the County Assembly;
- 4) Examine Bills related to the budget, including Appropriations Bills; and
- 5) Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.

COMMITTEE MEETINGS

In reviewing this first Siaya County Supplementary Budget Estimates for Financial Year 2015/2016, the Committee held fifteen meetings, from Friday 27th November, 2015 to Wednesday 16th December, 2015, with a team from both arms of the county government i.e. the Executive and the Assembly. These teams were led by the CEC Finance and the County Assembly Clerk respectively. The two arms gave clarity on specific issues contained in the said Supplementary Budget Estimates. These presentations by the County officers were also backed up by documents as to the projects which had been implemented and those lined up for implementation. The recommendations arising from these deliberations are included in this report.

ACKNOWLEDGEMENTS

Mr. Speaker, Sir, the Committee extends its gratitude to the office of the Controller of Budget, Siaya County and all representatives from the Executive and Assembly arms of the county government who appeared before it. The Committee is also particularly grateful to the offices of Siaya County Assembly Speaker and the Siaya County Assembly Clerk for the support received as it discharged its mandate of examining and reviewing the first Siaya County Supplementary Budget Estimates for Financial Year 2015/2016.

Special appreciation also goes to the Clerk to the Committee together with the other staff members attached to this Committee who, on several occasions, had to go beyond the normal call of duty. The commitment and devotion to duty of all those involved in this noble task made the work of the Committee and production of this report a success. We thank each one of them.

It is therefore my pleasant duty and privilege, on behalf of the Budget, Appropriations and Finance Committee, to table this report and recommend it to the Assembly for adoption.

Signed

Hon. Jack Odinga, Chairman,

Budget, Appropriations and Finance Committee,

County Assembly of Siaya.

Date

EXECUTIVE SUMMARY

In line with the provisions of Section 135 (2) of the Public Finance Management Act, 2012, the budget estimates and related documents for the two arms of the county government, namely, the County Executive and the County Assembly were tabled in this County Assembly on Tuesday, 24th November, 2015. The Budget and Appropriations Committee was therefore required to discuss and review the estimates and make recommendations to the County Assembly for consideration.

This first Supplementary Budget Estimates for 2015/2016, has been necessitated by the following major factors; to incorporate the additional revenue to the County pursuant to Section 5 of the County Allocation of Revenue Act (CARA), 2015; to roll over projects worth Ksh 636,592,606 which were not rolled over by 30th June, 2015; and to review the budget estimates in order to finance the budget deficit of Ksh 358,773,642.

The composition of the deficit arising from rolling over of projects to FY 2015/2016

Mr. Speaker, Sir, a total of Ksh 3,253,000,000 was allocated for the development projects. By the end of the financial year on 30th June, 2015, projects worth Ksh 800,336,616 were rolled over to FY 2015/2016. During the Committee meetings with the County Executive, this Committee was informed that as a result of the collapse of the system towards the end of the financial year as well as the fact that some projects were not done to completion as was anticipated by the County Executive, projects worth Ksh 636,592,606 budgeted for in the FY 2014/2015 were not rolled over to the FY 2015/2016 budget. This created a need to absorb these unrolled over projects into the budget. Further, considering that the cash brought forward (cash available to finance the projects not rolled over) was Ksh 277,818,964, this implies that there is a deficit of **Ksh 358,773,642.**

Mr. Speaker, Sir, while engaging the County Executive regarding the composition of the deficit above, the Committee was informed that this was due to the cumulative revenue shortfall of Ksh 211,000,000 for the last two financial years. Also contributing to this deficit, as the Committee learnt is the variation in projects between the budgeted amounts and the contracted amounts, the cumulative variations being Ksh 147,773,642.

HIGHLIGHTS OF THE FIRST 2015/2016 SUPPLEMENTARY BUDGET ESTIMATES

1. The County Revenue

The total revenue estimates for fiscal year 2015/2016 is Ksh 6,946,327,312. This is an increase of Ksh 688,352,048 as compared Ksh 6,257,975,264 approved in this County Assembly on 29th June, 2015 as summarized in table 1 below:-

Table 1

	Revenue Item	Approved Budget Estimates (Ksh)	Effect of the Supplementary Budget (Ksh)	Revised Budget Estimates (Ksh)
	CRA Equitable Share	4,995,298,722	-	4,995,298,722
	Local Revenue	230,000,000	-	230,000,000
	Facility Improvement Fund (FIF)	113,309,926	-	113,309,926
	Health Sector Support Fund (HSSF) by the World Bank	91,500,000	-	91,500,000
	DANIDA (Danish Government)	27,530,000	-	27,530,000
	B/F 2014/2015	800,336,616	287,818,964	1,088,155,580
	User Fees Forgone	-	19,634,077	19,634,077
	Maternal Health Care	-	128,080,400	128,080,400
	Leasing of Medical Equipment	-	95,744,681	95,744,681
	Fuel Levy Fund	-	63,456,905	63,456,905
	County Emergency Fund	-	93,617,021	93,617,021
	TOTAL	6,257,975,264	688,352,048	6,946,327,312

Mr. Speaker, Sir, the last five items of revenue in table 1 above are allocations from the national government as conditional grants to the Counties pursuant to Section 5 of the County Allocation of Revenue Act, 2015. Out of the conditional grants, the county is only allowed a free hand budget with the User Fee Forgone of Ksh 19,634,077.

2. The County New Proposed Expenditure Priorities

In their submission, the County Executive had proposed certain expenditure items to be considered into the budget and those to be deducted from the budget as explained below;

The proposed additions

The new priorities as proposed by the County Executive are as summarized in Table 2 below;

Table 2

Item		Amount (Ksh)
1.	Siaya County Referral	27,000,000
2.	Boreholes	12,951,760
3.	Yala Resource Centre	3,000,000
4.	Bursary	3,000,000
5.	Social Empowerment Fund	15,000,000
6.	Roads	40,000,000
7.	Emergency Fund (El Nino)	15,000,000
8.	Solar	19,634,077
9.	Additional Recurrent (see details in Table 3)	155,672,000
10.	Roll Over Projects 2014/15	636,592,606
	TOTAL	927,850,443

As proposed by the County Treasury, the composition of the Additional Recurrent is as summarized in Table 3 below:-

Table 3

Department	Item	Amount (Ksh)
Finance	Development of Economic Blue Print for the Regional Counties Economic block	10,000,000
	Contracted guards	10,000,000
	Contracted professional services	2,748,000
Executive	Rents & rates – no-residential (the Nairobi Office)	1,600,000
	Contribution to the Council of Governors	13,000,000 0
	Purchase of firefighting engine	45,000,000
Education	Daily subsistence	2,000,000
	Maintenance of buildings and stations – non-residential	3,500,000
	Purchase of ECD Equipment	15,000,000
	Purchase of ECD furniture	38,000,000
Lands	Boards, committees and seminars	3,400,000
	Maintenance of buildings and stations – residential (government houses)	1,480,000
	Preparation of county spatial plans	5,944,000
Roads	Renovation of governor's office	4,000,000
Totals		155,672,000

1. Financing the Expenditure Priorities (the deductions)

Mr. Speaker, Sir, in order to finance the new priorities, the County Treasury had made proposals that the items listed in table 4 below be deducted from the budget:-

Table 4

Item		Amount (Ksh)
1.	Roads	139,438,435
2.	ECDEs	137,700,000
3.	Water	10,000,000
4.	Construction of Urenga Dispensary	10,000,000
5.	Purchase of seed and fertilizer	10,000,000
6.	Construction of staff quarters at Got Ramogi	5,000,000
7.	Construction of offices in Gem and Rarieda	10,000,000
8.	Construction of Ward Offices	60,000,000
9.	Irrigation	52,600,000
10.	Siaya Stadium	50,000,000
11.	County Assembly projects	26,304,941
12.	Equipping Bondo District Hospital	5,000,000
13.	Renovation of Yala hospital	3,000,000
14.	Migwena Sports Ground	5,000,000
15.	Renovation of various hospitals	9,000,000
16.	PWDs	10,000,000
17.	Siaya – Bondo water supply	3,000,000
18.	User fees forgone	19,634,077
19.	O&M	78,093,958
20.	Completion of Ugunja Hall	3,000,000
21.	Contingency fund	5,000,000
	Sub total	651,771,411
	Balance B/F	277,818,964
	TOTAL	929,590,375

Justifications, observations and recommendations

Mr. Speaker, Sir, in the course of the Committee deliberations and in considering the views of the CECM, for Finance as provided for in Section 131 (2) of the Public Finance Management Act, 2012, the following came out as the justifications for the new proposed priorities. The Committee also made observations and has come up with the recommendations for the respective project as reported below:-

1) Siaya County Referral Hospital

Justifications

A total of Ksh 92 million was initially allocated for the refurbishment of this hospital. During the Department of Public Works' assessment of the works to be done, there was need to include the renovation of the mortuary block as well as the hospital gate. Considering the condition of the patients, there was further need for the refurbishment works of this hospital to be done once and for all so as to avoid any sense of disturbance to the patients.

According to the County Engineer's estimates, the renovation, if done at once, would cost a total of Ksh 128,817,910. However, during the procurement process, the lowest bidder quoted Ksh 119,000,000.

Committee observations

The Committee learnt that so far, the works for the earlier allocated funds had not begun.

Committee recommendations

This Committee therefore dropped the proposed Ksh 27 million and recommends that the Ksh 92 million be exhausted before any further allocation may be proposed for the facility.

2) The Boreholes and roads (Ksh 52,951,760)

Justifications

In their presentations, the County Executive informed the Committee that in the 2 financial years preceding, upon requests from the community, it had undertaken, as additional priority, projects worth Ksh 12,951,760 and Ksh 40,000,000 on boreholes and roads respectively, as attached in appendix 1.

Committee recommendations

Therefore, in order to capture the above boreholes and roads in the budget, this Committee recommends that upon verification of the projects, the Ksh 52,951,760 be rationally charged against the allocations to the respective wards.

3) Construction of Yala Resource Centre

Justifications

Mr. Speaker, Sir, Members of this County Assembly will be aware that, in the FY 2015/2016, Ksh 3 million had been allocated for the completion of the slaughter house in Yala. The National Environmental Management Authority (NEMA), following its assessment, disapproved the project given its proximity to the river.

Due to the above technical challenge, the County Government sought the views of the residents of the area who led by the local leadership, resolved that the project be modified into a resource center. To successfully do this, including fencing, there is need of Ksh 3 million. In the meantime, the locals will look for an alternative land for the construction of a slaughter house.

Committee recommendations

Mr. Speaker, Sir, public money having been spent on this project to the level it has reached, this Committee recommends that the Ksh 3 million be sustained as was proposed by the County Executive for the completion of the project.

4) The Bursary and the Social Empowerment Fund

Justifications

Mr. Speaker, Sir, during the consideration of the 2015/2016 budget estimates in June, 2015, these two expenditure items were indeed proposed by the County Executive. However, this Committee had in its recommendations passed by this Assembly on 29th June, 2015, opined that no further budgetary allocation should be made unless regulations and/or policy is in place to aid its accessibility and disbursement.

Committee Observations

In interaction with the CECM, Education, the Committee learnt that this proposal for bursary would go towards making payments for the school/college fee commitments that had been made by the County Government. On the other side, the earlier allocation of Ksh 9 million, for Social Empowerment Fund, approved by this Assembly on 29th June, 2015 had not been spent.

Committee Recommendations

In view of the above, this Committee recommends that the proposed Ksh 15 million and Ksh 3 million for Social Empowerment Fund and bursary respectively, be shelved until such a time as there will be regulations or legal structures to operationalize the implementation of the programme.

5) Emergency Fund (El Nino)

Justifications

The County Executive had proposed Ksh 15 million in preparedness for mitigation of any damages to life, or to property or destruction of people's daily livelihood by the rains

Committee Observations

Important to note is that, pursuant to the Second Schedule of the County Allocation of Revenue Act, 2015, Siaya County has been allocated Ksh 93,617,021 towards the County Emergency Fund.

Committee Recommendations

Noting the above, this Committee therefore recommends that this allocation for the El Nino rains be employed towards reduction of the deficit.

6) Solar

Committee Observations

Mr. Speaker, Sir, during the financial years 2013/2014 and 2014/2015, Ksh 14,800,000 million and Ksh 33 million respectively were allocated for the supply and installation of solar lights.

However, this Committee in its interaction with the County Executive team learnt that the distribution of these lights was so unbalanced that some of the wards which had provided for this in their budgets did not receive the solar lights while some of those which did not provide for the solar lights ended up with several.

Further to the above, this Committee observed that the County Government has so far not commenced the procurement process for the solar lights already having an allocation of Ksh 37 million in FY 2015/2016 budget estimates

Committee Recommendations

In view of the above, this Committee therefore recommends that no further funds should be allocated for solar lights until and when the Ksh 37 million is spent and equitable distribution of the procured solar lights is demonstrated and/or otherwise justified.

In addition to the above development projects, the Committee recommends that the following Departmental Reallocation Recurrent Expenditure items be approved in this Supplementary Budget.

Table 5

	Item	Amount (Ksh)
1.	Contracted Guards	5,000,000
2.	Contracted Professional Services	2,748,000
3.	Rents & Rates - Non-Residential	1,600,000
4.	Contribution to Council of Governors	13,000,000
5.	Purchase of Fire Extinguisher	45,000,000
6.	Education Department - Daily Subsistence Allowance	2,000,000
7.	Purchase of ECDE Equipment	10,000,000
8.	Purchase of ECDE Furniture	20,000,000
9.	Lands- Boards, Committees & Seminars	3,400,000
10.	Lands - Maintenance Of Buildings – Residential	1,480,000
	TOTAL	104,228,000

In summary, Table 6 below shows the priorities into the budget as recommended by this Committee:-

Table 6

	Item	Amount (Ksh)
1.	The Deficit	358,773,642
2.	Yala Resource Centre	3,000,000
3.	Addition Recurrent Expenditure	104,228,000
	TOTAL	446,001,642

Mr. Speaker, Sir, in its meetings, the Committee observed that the County Executive had proposed to reduce some projects earlier approved to be done at the ward level, i.e. the ECDE blocks, the roads, the ward offices and the water projects. Similarly, the County Executive had proposed to reduce some allocations earlier approved for the renovation of various hospitals. However, this Committee recommends that the proposed deductions of the wards projects mentioned above and the allocations for the renovations of the various health facilities be dropped. For the Ward offices, this Committee recommends that Ksh 200,000 be allocated, because these are projects that had been awarded, as it awaits enhancement in the next budget making process. During the engagement with the County Executive, this Committee was informed that in the next financial year, 2016/2017, a substantial amount of money shall be allocated for the construction of the ward offices.

Having deliberated on and considered the views of the CECM for Finance, this Committee therefore recommends that the following expenditure items (as captured in Table 7 below) contribute towards financing the priority areas summarized in Table 6 afore-captured.

Table 7

	Item	Amount (Ksh)
1.	Purchase of Seeds and Fertilizers	10,000,000
2.	Construction of Offices in Rarieda and Gem	10,000,000
3.	Irrigation	52,600,000
4.	Siaya Stadium	50,000,000
5.	County Assembly Projects (Rolled Over)	26,304,941 15m
6.	Migwena Sports Ground	5,000,000
7.	Siaya - Bondo Water Supply	3,000,000
8.	O&M	78,093,958
9.	Completion of Ugunja Hall	3,000,000
10.	Contingency Fund	5,000,000
11.	User Fees Forgone	19,634,077
12.	Establishment of Vocational Training Structures at ATC	20,000,000
13.	Agricultural Revolving Fund and Agri-Business Initiatives	5000000
14.	Construction Of Perimeter Wall Around IFAD	3,000,000
15.	County Land Bank	10,000,000
16.	Preparation of Valuation Roll	2,095,800
17.	Materials Laboratory and Equipment for Roads	4,700,700
18.	Social Empowerment Fund	15,000,000
19.	Ward Offices	60,000,000
20.	County Assembly Projects/Recurrent expenditure	40,000,000 12m

21.	Recruitment of ECDE Teachers	40,809,819
22.	House Allowance for (ECDE)	1,020,000
23.	Travel Costs (ECDE)	300,000
24.	Daily Subsistence Allowance (ECDE)	300,000
25.	Travel & Accommodation (ECDE)	400,000
26.	Education And Library Supplies (ECDE)	400,000
27.	Administration Allowance (ECDE)	342,347
		466,001,642

GENERAL COMMITTEE OBSERVATIONS

Mr. Speaker, Sir, in the course of the Committee's deliberations with the Executive on the first Siaya County Supplementary Budget Estimates for 2015/2016, the following general observations were made:-

1. The Committee noted that some projects for FY 2013/2014 have not been done to completion. This indicates the inefficiency in the project implementation system within the County. In essence, this has delayed the intended benefits of these projects to the residents of this County. This delay, as indicated by the County Executive, arose as a result of challenges like introduction of e-procurement system and the stringent conditions attached thereto with obvious impact on project implementation.
2. The County Government, in its revenue projections, expects to collect Ksh. 7,500,000 and Ksh. 555,000 from liquor license and trade respectively in this financial year 2015/2016. This is despite the fact that to date, the County Assembly is yet to receive the Liquor Licensing and Trade License Bills from the County Executive for consideration and enactment.
3. The County Government of Siaya had proposed to collect a total of Ksh 3,500,000 during the FY 2015/2016 from the *bodaboda* operators. However, there is no tangible evidence of a strategy to realize these revenues.
4. The Committee was notified that the Counties within the Western region of Kenya had formed an economic bloc namely, the Lake Basin Regional Economic Bloc, whose main objective is to promote socio-economic development activities within the region. A copy of the Memorandum of Understanding (MoU) signed by the regional offices of the County Governors was availed to the Committee which then advised that this be ratified formally through this County Assembly.
5. This Committee notes that there are variations in development projects undertaken by the County Executive cumulatively in the last two financial years. In particular, the Committee observed that there inadequate data about the ECDE blocks across the County. This unclear data is specifically about the number of completed blocks since FY 2013/2014 to date, the work in progress and their status report to date.

GENERAL COMMITTEE RECOMMENDATIONS

Mr. Speaker, Sir, the Budget, Appropriations and Finance Committee having examined and discussed the first 2015/2016 Supplementary Budget Estimates as was laid in this House on 24th November, 2015, and in consideration of the views of the County Executive Committee (CEC) Member for Finance, the Members of this County Assembly, the Siaya County Assembly Service Board and all interested parties, wishes to make the following recommendations;

1. For the residents of this County to get the intended benefits of the budgeted projects, the County Government should ensure that the development projects are implemented within the estimated time, probably within the financial year.
2. Mr. Speaker, Sir, in the last two financial years, allocations for the construction of ECDE has been limited to the blocks. To ensure seamless learning in such institutions, this Committee recommends that in future, budgeting for the ECDE should incorporate a full package including a modern toilet, furniture, equipment, water tank among other necessities.
3. The Committee noted various discrepancies relating to projects more so with roads some of which were; description and naming of the roads; location of the roads; length and costing of the roads; among others. The Committee therefore recommends that an exercise of verification in respect of highlighted areas be undertaken with a view to correcting discrepancies. The Committee further recommends that upon completion of verification exercise, any variations if properly solved be captured in the subsequent supplementary and/or financial year budget estimates.
4. In complying with Section 166 of the Public Management Act, 2012, various accounting officers shall include in their quarterly reports briefs on the implementation of the projects. This Committee urges various Sectoral Committees to be pro-active and where necessary, demand, in line with the above provision of law, the quarterly reports for their deliberations and laying before the House.

Conclusion

Mr. Speaker, Sir, the Committee therefore requests this Assembly to adopt this first Siaya County Supplementary Budget Estimates for Financial Year 2015/2016 and further resolve that the proposed recommendations as contained in this Committee Report be adopted.