

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF LAIKIPIA

THE COUNTY TREASURY

P.O. Box 1271-10400

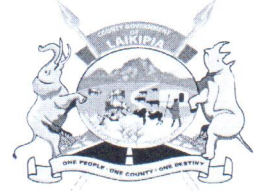
NANYUKI

THE COUNTY BUDGET CIRCULAR 2020

COUNTY GOVERNMENT OF LAIKIPIA



THE COUNTY TREASURY  
P.O. BOX 1271-10400, NANYUKI  
[info@laikipia.go.ke](mailto:info@laikipia.go.ke)



Ref. LKP/TREASURY/ CIR/ NO.1/2020

12<sup>th</sup> August, 2020.

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

**RE: COUNTY BUDGET CIRCULAR NO.1 /2020**

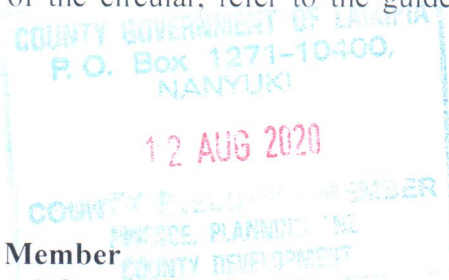
The PFM Act 2012, section 128, outlines the budget making process as managed by my office.

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

Attached is a copy of County Budget Circular No. 1/2020 requiring all Accounting Officers, Chief Officers, Chief Executive Officers to offer leadership in the budget process for the year 2021/2022.

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

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



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

## **1.0 INTRODUCTION**

### **1.1 Background**

In accordance with the Constitution (Article 220(2b)) and 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 the 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. The office of the County Secretary will mediate whenever any issues requiring external interventions arise.

### **1.2 Purpose**

The aim of this circular is to inform and give a roadmap to county departments in the preparation of the county budget for the period 2021/2022. This circular is issued pursuant to the section 128(2) of the public finance act (PFMA), 2012. The main purpose of this circular is to:

- 1) Reiterate the policy framework underpinning the budgets for 2021/22-2023/24 MTEF period.
- 2) Give clear guidance on the form and content of the budget proposals and the cost of the Programmes to be funded
- 3) Guide on the procedure for the review and projections of the revenue and expenditures;
- 4) Provide the procedure to be followed in Public participation and citizen engagements.
- 5) Communicate the agreed upon Programmes for the period 2021/22-2023/24.
- 6) Provide the relevant documents required to support the budget formulation and resources required; and
- 7) Give the timelines and requirements for key activities in the budget preparation process.



### **1.3 Exchequer Funding.**

County departments to be financed from the County exchequer proposed expenditure and investment Programs should be in line with the County Integrated Development Plan 2018-2022 and Annual Development Plan **2021/2022**. 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 any supplies done, services rendered and works done and any other bills relating to electricity, water and related or in case of the administration department : default and non-payment 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 as first charge. It is further emphasized that: -

- All County departments should take debt service and statutory obligations as a first charge on their expenditures.
- County Treasury will adhere to the provisions of section 140, 141 and 143 of the PFM Act 2012 on authority on borrowing by county government and persons who are authorized to execute loan documents at county government level.
- New projects will not be initiated before clearing all pending bill items of the previous year

### **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, and with the impending COVID 19 challenge, a controlled public hearing will be held to a few locations to deliberate on the County's priorities and programs. 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. The county public participation directorate will play a key role in facilitating the public participation fora.

Public participation will highly be conducted virtually with the departments encouraged to use the existing for a established by the county treasury in conjunction with the public participation department

## **2.0 GENERAL GUIDELINES**

### **i. 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).

### **ii. 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.

### **iii. Programme Based Budget (PBB)**

The Public Finance Act, 2012 requires the County Government to implement Programme Based Budget. The main purpose of the PBB is;

- i. Prioritizing expenditure in the budget to ensure adequate resources are allocated to the Programmes that are of high benefit to the community.



- ii. PBB structures allow for the identification of necessary inputs to produce core operations and projects required to contribute to strategic objectives. These are then rolled up to produce Programme and sub-Programme costs.
- iii. Improve efficiency and effectiveness in service delivery.

When preparing the PBB all accounting officers should ensure that each and every function or activity undertaken by the county department is included in relevant programmes. All entities should ensure that:

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

#### **iv. 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.

In particular, the departments should ensure there is a collaboration with the CEREB (Central region Economic Bloc) and the AMAYA relations particularly relating to enterprises, agriculture, water, infrastructure, capacity building, administration among others.

#### **v. Internal Audit**

Accountability and transparency in resource utilization is a critical requirement of the constitution of Kenya 2010 and the PFM act 2012. The county has operationalized the audit committee. They have been preparing reports and making recommendations to the Governor and County assembly regarding prudent use of public resources. All Accounting Officers are required to cooperate with the said committee in all matters relating to their expenditures and policy implementation.

In the same breath all accounting officers are reminded that the fight against graft is ongoing and high levels of integrity must be maintained, any cases misappropriation of public resources will be dealt with in accordance with the applicable laws.

#### **vi. Distribution of projects in the county**

To ensure equitable distribution of County Development Projects, County Entities are called upon to ensure that Programmes and projects are properly identified and balanced based on available data, needs and priorities ensuring that all citizens in the fifteen wards in the County benefit from these investments.

### **vii. Budgeting for fees and taxes**

Payment of statutory fees and taxes is mandatory to all entities. The resultant budget for this requirement should be in-built in the cost of the project. However, a Development Partner is exempted from paying duty/taxes/fees for project related input by a financing agreement, and in this case the county department will be required to pay duty on behalf of the development partner. In such instances, county departments are required to seek the advice of the county treasury in such matter.

### **viii. Revenue**

With the ever-increasing operating costs and sometime unstable remittances from the National Treasury in form of Equitable Share, there is need to increase our own source of revenue to finance the current expenditure. In this regard, County Departments are tasked to deepen and expand their revenue base and institute strategies for revenue generation. This should be in consultation with the county revenue board which has the overall mandate on revenue collection.

### **ix. Expenditure Review**

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

Departments will therefore be required to carry out a comprehensive expenditure review which will determine which programmes should be given priority and those to be discontinued.

### **x. Prioritization and allocation of resources**

The county treasury will ensure there is rationalization of expenditure in order to ensure that programmes funded are core and are in line with the medium-term expenditure plan of Laikipia County, vision 2030 and other emerging issues e.g. COVID-19 Pandemic, Locust invasion among others that has caused stagnation in our growth trajectory. Accounting officers therefore shall be guided by the following criteria when prioritizing and allocating resources;

- a) Programmes prioritized by County Integrated Development Plan (CIDP)2018-2022 and Annual Development Plan (ADP) 2020
- b) Ongoing and rolling over capital projects
- c) Budget ceilings allocated by Commissions on Revenue Allocation (CRA)
- d) Equitable share of allocation by the National government
- e) Degree to which the Programme addresses the vision of the county and the Governors manifesto
- f) The expected output and outcome of the Programme and the linkage with other Programmes
- g) The extent to which the Programme is addressing the core functions of the department
- h) Cost effectiveness and sustainability of the Programme.



## **xi. Laikipia County Priority and the The 'Big Four' Agenda**

The medium-term budget will support the on-going county priorities for the achievement of the county's agenda of reviving enterprises, businesses and tourism, supporting manufacturing and mining, expanding agriculture production and preparedness in the health sector.

Specific Plan which should include:

- a) Proving affordable housing: - Laikipia County has set up policies to the ensure that same has been followed in the housing sector.
- b) Enhancing Food and Nutrition security to all Kenyans: - expanding food production through irrigated agriculture and support livestock production, improved seed and genetic variety, enhanced extension officers, support in contract farming, provision of capital, training among others.
- c) Supporting Value addition and raising the manufacturing sector share to GDP to15%: - in light with the agenda Laikipia county has been on the forefront in supporting innovators by allocating mostly human for expertise, capacity building and related certification, marketing of their products e.g. BJ50
- d) Providing Universal health coverage: - the county has set aside funds to subsidize NHIF payments for its citizens, improvement of preventive health among others.

Furthermore, due to the outbreak of COVID-19: - Laikipia County has put up measures to mitigate the negative effects of the virus. In fulfillment of the Big Four Agenda, Laikipia County has done the following;

- ❖ Providing food to vulnerable families through the Lisha Jamii initiative
- ❖ Set aside 73Million shillings to stimulate business.
- ❖ Setting up of Isolation centers across the County.
- ❖ Hongera Mama Kit initiative supporting expectant mothers.
- ❖ Establishment of screening centers at county entry points.
- ❖ Opening of the Critical care unit at Nanyuki Referral Hospital.



## **3.0 FORMAT AND PRESENTATION OF ANNUAL BUDGET FOR 2021/2022 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. A summary of the expected county revenue
- vi. Concise explanatory notes to the annual budgets

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

### **3.2 Statement of Comprehensive Income/Revenue for FY 2021/2022**

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

### **3.3 Annual Recurrent Budget for FY 2021/2022**

The proposed annual recurrent budgets must contain a three-year financial summary (the latest forecast for the current year i.e. 2020/2021 FY and projections in the medium term. This is illustrated in **Form 2**.

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

- i. All estimates of revenue and expenditure should be realistic;
- ii. County departments are required to ensure funds are directed to achieving the department's/sector's core mandate in line with department's/sector's strategic objectives;
- iii. The annual recurrent budget for FY 2021/2022 must be prepared in detail clearly indicating all the sources of revenue earmarked to settle recurrent expenditure; and
- iv. In the event that a county department will use operating surplus brought forward from previous years or grants from development partners to settle its recurrent expenditure, this should be clearly indicated. Letters of agreement from partners should be provided in such circumstances.

### **3.4 Annual Development (Capital) Budget**

- i. County departments should provide summary of the project feasibility study report for all capital projects listed in order of priority. There should be clear indications of how each project links to one or more objectives of Kenya Vision 2030, MTP III priorities, CIDP priorities, department's/sector's strategic objectives and the department's/sector's strategic plan.
- ii. The annual capital budget should clearly indicate the total amount of investment proposed (total project cost), expected return on such investments, and other justifications. It should also contain

project implementation report clearly indicating the level of completion for ongoing projects and expected remaining works and time frame to complete the project as illustrated in **Form 3**.

- iii. The line department's/sectors shall appraise **the feasibility studies and the capital budget** to ensure consistency with Kenya Vision 2030, MTP III priorities, CIDP, sector/ministry strategic objectives and submit its recommendations to the County Treasury for consideration.
- iv. Implementation of any new project should only commence once the source of financing of the project has been clearly identified and approved by the line department/sector with the concurrence of the County Treasury.

### **3.5 Quarterly /Cumulative Reports**

The Public Financial Management Act, 2012 section 166(1, 2 and 3) requires that the accounting officer prepare quarterly reports for a County government entity. This should be provided not later than fifteen days after the end of each quarter to the County Treasury. In this regard therefore, all county departments should submit in the prescribed format a report of revenue and expenditure for each respective quarter and cumulative figures for previous quarters for the Financial Year under consideration. The Public Financial Management Act 2012, prescribed format is summarized in **Form 4**.

### **3.6 Revision of Budgets**

It is possible that unforeseen events can change the scale of operations of a 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. This 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 2021/2022**

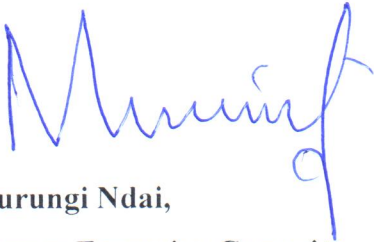
### **4.1 Introduction**

In line with the Public Finance Management Act, 2012 section 128(3) (a), all County departments should submit the proposed annual budgets for 2021/2022 FY to the County Treasury not later than 12<sup>th</sup> January, 2021. Soft copies must also be submitted to the Head of Budget and should have the name and contacts of the person to liaise with 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, provided by the circular. Submission of annual budget proposals accurately and promptly lies solely with the 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 all Directors and Section Heads.



**Murungi Ndai,**

**County Executive Committee Member-Finance and Economic Planning**

**COUNTY GOVERNMENT OF LAIKIPIA**



**FORM 1: Statement of Comprehensive Income in Kenya Shillings**

		Allocated 2020/2021	Budgeted 2021/2022	Forecast 2022/2023	Forecast 2023/2024
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:				
5	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**

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilizations Difference	% of Utilization
	A	b	c=a+b	D	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Exchequer releases						
Proceeds from Domestic and Foreign Grants						
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Reimbursements and Refunds						
Returns of Equity Holdings						
County Own Generated receipts						
Return CRF issues						
TOTAL						
<b>PAYMENTS</b>						
Compensation of Employees						
Use of goods and services						
Subsidies						
Transfers to Other Government Units						
Other grants and transfers						
Social Security Benefits						
Acquisition of Assets						
Finance Costs, including Loan Interest						
Repayment of principal on borrowings						
Other Payments						
TOTAL						
SURPLUS/(DEFICIT)						

Form 3: Capital Budget in Kenya Shillings (Projects Study Data)						
	Project in order of Priority and Justification	Allocated 2020/2021	Budgeted 2021/2022	Forecast 2022/2023	Forecast 2023/2024	Source of Funds: GoK, AIA, Dev.Partners etc.
	KShs	'000'	'000'	'000'	'000'	'000'
1						
2						
3						
4						
5						
6						
7	Total Capital Cost/Budget					
8	A.I. A	Current Year				
		Previous Years				
9	Government Grants-Development					
10	Grants from Development Partner-Dev't					
11	Borrowings, Both Current year and Previous years					
12	Other Incomes-Development (Specify)					
13	Total Funds					

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



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

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

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

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

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

S/No	Activity	Due Date
1	Issue County Treasury Budget Circular	26 <sup>th</sup> August, 2020
2	Submit the County ADP to the County Treasury	27 <sup>th</sup> August, 2020
2	Submit County Annual Development Plan to the County Executive Committee	28 <sup>th</sup> August, 2020
3	Submit County Annual Development Plan to the County Assembly	30 <sup>th</sup> August, 2020
4	Submit the County Budget Outlook Paper (CBROP) to the County Executive Committee	22 <sup>nd</sup> September, 2020
5	Submit the County Budget Outlook Paper (CBROP) to the County Assembly	28 <sup>th</sup> September, 2020
6	Launch/Convene Sector Working Groups	6 <sup>th</sup> November, 2020
7	Submit Sector Working Groups Reports to the County Treasury	30 <sup>th</sup> November, 2020
8	Submission of Budget Proposals and Feasibility Study data by County Sectors to County Treasury	12 <sup>th</sup> January, 2021
9	Public Participation Meetings on CFSP	19 <sup>th</sup> -28 <sup>th</sup> January, 2021
10	Submit the County Fiscal Strategy Paper (CFSP) to the County Executive Committee	12 <sup>th</sup> February 2021
11	Submit the County Debt Management Strategy (CDMS) to the County Executive Committee	12 <sup>th</sup> February, 2021
12	Review and Analysis of Annual Budget Proposals by County Budget Team	15 <sup>th</sup> January, 2021 up to 13 <sup>th</sup> April, 2021
13	Submit the County Fiscal Strategy Paper (CFSP) to the County Assembly	22 <sup>nd</sup> February 2021
14	Submit the County Debt Management Strategy (CDMSP) to the County Assembly	22 <sup>nd</sup> February 2021
15	Conduct Public Participation Fora on Annual Budget Estimates	22 <sup>nd</sup> - 26 <sup>th</sup> March, 2021
16	Submission of final sector budget estimates, itemized budgets and procurement plans to County treasury	2 <sup>nd</sup> April 2021
17	Submit Finalized County Annual Budget Estimates to the County Executive Committee	15 <sup>th</sup> April, 2021
-18	Submit Finalized County Annual Estimates, itemized budget and public participation reports to the County Assembly	23 <sup>rd</sup> April, 2021
19	Submit Proposed Annual Procurement Plans to the Supply Chain Unit	23 <sup>rd</sup> April, 2021
20	Submit County Annual Cash Flow Projections to CRA and copied to IBEC and National Treasury	13 <sup>th</sup> June, 2021
21	Approval of County Annual Budget Estimates	30 <sup>th</sup> June, 2021
22	Submission of Finance Bill to the County Assembly	30 <sup>th</sup> August, 2021
23	Approval of Finance Bill by the County Assembly	30 <sup>th</sup> September, 2021
24	Submission of Quarterly /Cumulative Compliance Reports of Revenue and Expenditure	Within two weeks after the end of every quarter