

COUNTY GOVERNMENT OF LAIKIPIA



**THE COUNTY TREASURY
P.O. Box 1271-10400
NANYUKI**

Ref. LKP/TREASURY/ CIR/ NO.1/2019

20th August, 2019.

To: The County Secretary,
The Clerk, County Assembly,
All Chief Officers, Laikipia County,
The Secretary, County Public Service Board,
The C.E.O County Revenue Board
The C.E.O County Development Authority

RE: COUNTY BUDGET CIRCULAR NO.1 /2019

Attached herewith is a copy of County Budget Circular No. 1/2019 requiring Chief Officers, Chief Executive Officers, Sub County Administrators and Section Heads to offer leadership in the 2020/21 budget process.

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

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



**Cc.... H.E The Governor
H.E The Deputy Governor
ALL C.E.C.MS
County Controller of Budget**

1.0 INTRODUCTION

1.1 Background

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

1.2 Purpose

The purpose of this circular is to provide guidelines for the preparation and submission of annual budgets for the county departments/sectors for 2020/2021 Financial Year (FY). It contains budget calendar of mandatory timelines by which required budget activities must be accomplished, required formats and templates for reporting and submitting the required information. **The annual budgets for respective departments should be based on priority proposals submitted through the line sectors and the broad fiscal parameters set out both in the Kenya Vision 2030, Medium Term Plan (MTP) III especially the big four agenda, Sustainable Development Goals, Medium Term Expenditure Framework (MTEF) priorities, County Integrated Development Plan 2018-2022 and Annual Development Plan 2020/2021.**

1.3 Exchequer Funding

County departments whose proposed expenditure and investment programmes are to be financed from the County exchequer should be inline with the County Integrated Development Plan 2018-2022 and Annual Development Plan **2020/2021**. Further requirements on the exchequer funding as prescribed by the Controller of Budget must be adhered to.

1.4 Expenditure Management

All departments are urged to be efficient and effective in the management and utilization of resources entrusted to them with a view to deliver services in a cost-effective manner. **It is emphasized that County departments should not enter into commitments or initiate new programmes, projects or activities in excess of funds allocated to them under the County budgetary provisions or funds available to them from other sources including internally generated revenues. This also requires**

adherence to the Annual Procurement Plans in order to achieve the required outputs and desired policy outcomes.

1.5 Financial Management of County Departments

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

- **All County departments should take debt service and statutory obligations as a first charge on their revenues in consultation with the Human Resource Management Section.**
- **County Treasury will adhere to the provisions of section 140, 141 and 143 of the PFM Act 2012.**

1.6 Fiscal Responsibility

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

1.7 Public Participation

In accordance with the Articles 10 and 35 of the Constitution, section 126(2) of the Public Finance Management Act and Section 91(c) of the County Governments Act 2012 public participation in the budgetary process is a requirement. Subsequently, annual budget proposals must be discussed and approved by the respective stakeholders in the sector before submission to the County Treasury. The County sector(s) should hold stakeholder fora to discuss agree and validate respective proposed budgets. In addition, close consultations should be held by the county sectors with the County Budget and Economic Forum (CBEF).

Towards realizing this objective, public hearings will be held to deliberate on the County's priorities and programmes in August 2019, January and March, 2020. The hearings will be guided by the Laikipia County Public Participation Act, 2014 which facilitates the implementation of Constitution provisions on public participation. Section 17 and 18 of the Act gives effect to public participation framework under the County Government Act, 2012.

2.0 GENERAL GUIDELINES

2.1 Comprehensive Estimates Breakdown

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

2.2 Returns on Capital Projects

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

2.3 Inter Governmental Relations

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

3.0 FORMAT AND PRESENTATION OF ANNUAL BUDGET FOR 2020/2021 FY

3.1 Introduction

The annual budget estimates should include: -

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

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

3.2 Statement of Comprehensive Income/Revenue for FY 2020/2021

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

3.3 Annual Recurrent Budget for FY 2020/2021

The proposed annual recurrent budgets must contain a three year financial summary (the latest forecast for the current year i.e. 2019/2020 FY and the proposed budget for 2020/2021 FY with projections in the medium term. This is illustrated in **Form 2**.

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

- i. All estimates of revenue and expenditure should be realistic;
- ii. County departments are required to ensure funds are directed to achieving the department's/sector's core mandate in line with department's/sector's strategic objectives;
- iii. The annual recurrent budget for FY 2020/2021 must be prepared in detail clearly indicating all the sources of revenue earmarked to settle recurrent expenditure; and
- iv. In the event that a county department will use operating surplus brought forward from previous years or grants from development partners to settle its recurrent expenditure, this should be clearly indicated. Letters of agreement from partners should be provided in such circumstances.

3.4 Annual Development (Capital) Budget

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

From 1st July 2020, it is possible that unforeseen events can change the scale of operations of the County department and the revision of the budget will be necessary. The revision of the budget should be based on o the PFM Act 2012 Section 154(2). resulting not in excess of 10% of the approved annual budget and shall be submitted for review by respective Accounting Officer/Executive Committee Member for Approval by the County Treasury. The County Treasury shall not approve revision of any expenditure which has already been incurred.

4.0 DEADLINES FOR SUBMISSION OF ANNUAL BUDGET 2020/2021

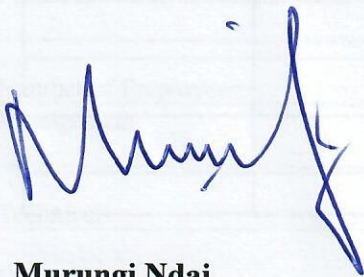
4.1 Introduction

In line with the Public Finance Management Act, 2012 section 128(3) (a), all County departments should submit the proposed annual budgets for 2020/2021 FY to the County Treasury not later than 30th March, 2020. Soft copies must also be submitted C.E.C.M Finance and Economic planning with copies to the Chief Officer Finance and Head of Budget and should contain name and contact of the person to be contacted in case the County Treasury requires more information. Other detailed deadlines are provided in **Annex 2**.

4.2 Responsibility for Submissions

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

Kindly ensure circulation to relevant Directors, Section Heads and other Staff.



Murungi Ndai,

County Executive Committee Member-Finance and Economic Planning

COUNTY GOVERNMENT OF LAIKIPIA



FORM 1: Statement of Comprehensive Income in Kenya Shillings

		Allocated 2019/2020	Budgeted 2020/2021	Forecast 2020/2021	Forecast 2021/2022
	Kshs	'000'	'000'	'000'	'000'
	Recurrent Revenue:				
1	Internally generated revenue				
2	Government Grants-Recurrent				
3	Grants, Dev't Partner-Recurrent				
4	Other Incomes-Recurrent (specify)				
5	Total Recurrent Revenue				
	Development Revenue:				
6	Internally generated revenue				
7	Government Grants-Development				
8	Grants, Development Partner-Development				
9	Other Incomes-Development (specify)				
10	Total Development Revenue				
11	Total Revenue(NB:5+9)				

Form 2: Recurrent Annual Budget in Kenya Shillings

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

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

	Project in order of Priority and Justification	Allocated 2019/2020	Budgeted 2020/2021	Forecast 2020/2021	Forecast 2021/2022	Source of Funds: GoK, AIA, Dev.Partners etc.
	KShs	'000'	'000'	'000'	'000'	'000'
1						
2						
3						
4						
5						
6						
7	Total Capital Cost/Budget					
8	A.I. A	Current Year				
		Previous Years				
9	Government Grants-Development					
10	Grants from Development Partner-Dev't					
11	Borrowings, Both Current year and Previous years					
12	Other Incomes-Development (Specify)					
13	Total Funds					

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

Form 4: Quarterly Reports of Revenue and Expenditure in Kenya Shillings

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

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

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

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

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

S/No	Activity	Due Date
1	Issue County Treasury Budget Circular	30 th August 2019
2	Submit County Annual Development Plan to the County Executive Committee	29 th August, 2019
3	Submit County Annual Development Plan to the County Assembly	30 th August, 2019
4	Submit the County Budget Outlook Paper (CBROP) to the County Executive Committee	23 rd September, 2019
5	Submit the County Budget Outlook Paper (CBROP) to the County Assembly	27 th September, 2019
6	Submit Sector Working Groups Reports to the County Treasury (by SECTORS)	30 th November, 2019
7	Submission of Feasibility Study data on proposals captured in the sector working group reports by County Sectors to County Treasury	13 th January, 2020
8	Review and Analysis of Sector working Group Proposals by County Treasury	20 th January, 2020 up to 24 th January, 2020
9	Public Participation Meetings on CFSP	3 rd - 7 th February , 2020
10	Preparation and finalization of the CFSP and DMSP and its public participation report	10 th – 14 th February, 2020
11	Submit the County Fiscal Strategy Paper (CFSP) and Debt Management strategy report (DMSP) to the County Executive Committee	17 th February 2020
12	Submit the County Fiscal Strategy Paper (CFSP) and Debt Management strategy report (DMSP) to the County Assembly	24 th February 2020
13	Dispatch Approved Ceilings and Public Participation Reports to the Sectors for preparation of the Budget Proposals .	23 rd March, 2020
14	Submit budget proposals for 2020-2021 by sectors to county treasury (program Based and itemized)	30 th March 2020
15	Consolidation of the Program based budget 2020-2021 and its public participation report by County Treasury	1 st – 3 rd April, 2020
16	Conduct Public Participation Fora on Annual Budget Estimates.	6 th - 10 th April,2020
17	Review of Annual Budget Estimates and Compilation of public participation report	13 th -17 th April 2020
18	Submit Finalized County Annual Budget Estimates to the County Executive Committee	20 th April, 2020
19	Submit Finalized County Annual Budget Estimates(PBB and Itemized) to the County Assembly	27 th April, 2020
20	Submit Proposed Annual Procurement Plans to the Supply Chain Unit	30 th April, 2020
21	Submit County Annual Cash Flow Projections to CRA and copied to IBEC and National Treasury	12 th June, 2020
22	Debate and Approval of County Annual Budget Estimates	30 th June,2020
23	Submission of Finance Bill to the County Assembly	28 th August,2020
24	Approval of Finance Bill by the County Assembly	30 th September,2020
25	Quarterly /Cumulative Compliance Reports of Revenue and Expenditure	Within two weeks after the end of every quarter