

# KISII COUNTY GOVERNMENT

## FINANCE AND ECONOMIC PLANNING

Telephone:  
Email:  
Website: [www.kisii county.go.ke](http://www.kisii county.go.ke)



Kisii County Treasury  
P.O. Box 4550 – 40200  
Kisii, Kenya.

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Ref: **KSI/C/TR/8/2015/107**

**Date: 24<sup>th</sup> August, 2015**

**County Treasury Circular No. 3/2015**

**TO: ALL CECs**

**CHIEF OFFICERS**

### **GUIDELINES FOR THE PREPARATION OF THE BUDGET FOR THE 2016/2017 FINANCIAL YEAR.**

#### **A. PURPOSE**

1. These circular is issued pursuant to Section 128 of the Public Finance Management Act (PFMA), 2012 and are intended to provide clear instructions on the processes and procedures for preparing the 2016/17 Financial Year Budget. It lays emphasis on efficiency, effectiveness and transparency of county public spending.

The guidelines provide the following information:

- i). The constitutional timelines and requirements indicated in the attached budget calendar. (Annex I)
- ii). The procedures for the review and projections of the revenue and expenditures;
- iii). Key policy areas and issues to be taken into consideration when preparing the budget.
- iv). The procedures to be followed by members of the public who wish to participate in the budget.

- v). The format in which information and documents relating to the budget are to submitted.

## **B. BACKGROUND**

1. The 2016/17 Financial Year budget is anchored on the County government's economic and transformation agenda premised on the county's vision of prosperity and high quality of life for all its residents.
2. The budget preparation and subsequent implementation is therefore geared towards improving the livelihood of the people of Kisii County through improved incomes and social welfare. This is only possible if we enhance service delivery in the County government and our ability to implement decisions and policies effectively and efficiently. The Kisii County Government is in this regard, committed to ensuring that the poor residents receive better services from all county government departments. This is only possible if we invest in broad based infrastructure programmes that are aimed at increasing economic development of the County. The focus of the 2016/17 Financial Year budget will therefore be on programmes aimed at achieving high levels of investment in economic and social infrastructure which promote rapid economic development, support employment and broaden economic activity in the county.

## **C. GUIDELINES**

3. The following will guide the preparation of 2016/17 Financial Year budget proposals.

### **I. County Integrated Development Plan (CIDP).**

4. The priorities outlined in the First County Integrated Development Plan of Kenya Vision 2030 for 2013-2017 will continue to guide the development of departmental priorities, policies, plans and monitoring and evaluation processes for FY 2016/17 Financial Year budget, with a view of achieving prosperity and high quality of life for all the county residents. The County Integrated Development Plan will also continue to provide the framework for updating the County Fiscal Strategy Paper and prioritization of the County priorities.
5. When preparing the budget proposals, departments are therefore expected to focus on the County priorities contained in the Annual Development Plan. The 2016/2017 Financial Year Budget should therefore, cover the following five broad pillars;
  - i) Infrastructure development (roads, transport, public works, energy sewerage system, market development and ICT);

- (ii) Health Care (investing in quality, affordable and accessible preventive and curative healthcare services);
- (iii) Water Reticulation and Environmental Preservation;
- (iv) Social Protection (education promotion and Affirmative Action);
- (v) Economic Development (Promotion of value addition; Support to Agricultural activities; Promotion of Trade and Tourism).

6. Departments should in this regard, ensure that budget proposals give priority to Programmes/projects that address the County priorities and objectives of the County Integrated Development Plan and the annual development Plans; especially those that invest in priority areas that support social development and County economic development and transformation.

## **(II) Alignment of the County Fiscal Strategy Paper to the Budget Policy Statement**

7. The Budget Policy Statement is anchored on the Vision 2030 and its five year medium term plans. It therefore articulates the National Policy priorities that will impact on the citizenry at both the National and County Level. To ensure consistency and focus in the implementation of these policies, as a County Government, we are expected to align our Fiscal Strategy Paper to the national objectives contained in the Budget Policy Statement in accordance to 117 (2) of the PFMA, 2012.

## **(III) 2014/2015 County Budget and Review Outlook Paper**

8. The County Budget and Outlook Paper is prepared annually in line with Section 118 of the PFM Act 2012. The Macro Working Group is therefore expected to have commenced the preparation of the County Review and Outlook Paper which reviews progress for the previous Financial Year's budget. This entails undertaking a detailed appraisal of the composition, allocation and utilization of departmental expenditures during the 2014/2015 Financial Year. The expenditure review in the County Budget and Review Outlook Paper (CBROP) is a critical factor in successful budgeting. It helps in realizing the County Government's strategic and policy priorities and it encourages accountability within the County government departments. The review focuses on the efficiency and effectiveness of expenditure and whether spending is focused on the highest priorities and therefore using the lessons learnt for making decision on future expenditure decisions.

9. Further, the CBROP review findings will determine budgetary allocations by assessing whether value for money has been achieved, which programmes to be given priority for funding

and projects to be discontinued. This is expected to contribute towards an efficient and effective way of allocating resources in the County towards the realization of the objectives of the CIDP.

#### **(D) SPECIFIC GUIDELINES**

##### **(a) Recruitment and Replacement of staff in the County Public Service Board**

10. The County Government acknowledges the need to motivate and retain its workforce as essential ingredient in ensuring efficient and effective delivery of services and the realization of the overall ADP objectives.

11. To exercise essential controls and ensure prudent management of the county wage bill, the following guidelines have been issued:

- Departments will only recruit staff to cater for:

( i) Natural attrition,

( ii) Retirement,

( iii) Critical technical areas.

- Departments will budget for all their human resource requirements based on human resource plans which should clearly show the requirements for in-post and others.

##### **(b) Programme-Based Budget (PBB)**

12. The submission of the budget to the County Assembly and its subsequent approval shall continue to be programme based in accordance with Section 130 (b) (v) of the Public Finance Management Act (PFM) 2012. The standard format for the preparation and presentation of the Programme Based Budgets is as indicated in **annex I**.

13. Programme performance indicators should mainly be indicators of programme outputs and outcomes, Programme performance targets should be Specific, Measurable, Achievable, Realistic, and Time- bound (SMART).

##### **(c) Prioritization and Allocation of Resources**

14. In order to achieve the targets envisaged in the ADP for 2016/17 FY, it is important that adequate resources are availed to support projects/programmes outlined in the ADP. This calls for establishment of clear criteria for allocating resources amongst priority programmes. The following criteria will serve as a guide for allocating:

- Provision for mandatory expenditures such as salaries, rent, utilities, etc.
- Resources required for sustaining or completing on-going programmes in each department.

- Linkage of the projects/ programmes with ADP objectives.
- Degree to which a projects/programme addresses core poverty interventions.
- Linkage with other projects/programmes
- Cost effectiveness and sustainability of the projects/programmes.

15. Departments are required to undertake a prioritization exercise which must address the following:

- **Identification of “one-off” expenditure**

This refers to amounts for “one –off projects” or activities where spending is supposed to take place over a defined period say one financial year.

- **Slow spending programmes:** Programmes that may not have met targets due to procurement problems, lack of human resources, poor planning, legal and other challenges should be identified so that the resources are directed to other priority programmes.
- **Efficiency savings:** The efficiency saving initiative is intended to ensure that funds are directed to key service delivery rather than non-essential spending.

16. Based on the broad guidelines, each county department is expected to develop and document the criteria for resource allocation. Further, the Chief Officers with their respective departmental heads shall undertake a prioritization exercise which must address the following:

- i). The Chief Officers with respective departmental heads should thoroughly analyze the base line expenditure and remove all the one-off expenditure for the previous years;
- ii). The Chief Officer with their respective departmental heads should identify the programmes/projects that are of low priority in their departments in order to realize savings which should be directed to high priority programmes that promote social-economic development;
- iii). The Chief Officers and departmental heads are required to introduce mechanism of efficiency savings in their budgets through reducing operating costs and non-service delivery activities;

**(d) Current Expenditure**

17. Current expenditure is essential in the implementation of the capital projects, departments should, while allocating resources for capital projects in their budget proposals, ensure that the critical supporting current expenditure is provided. while allocating current expenditure, Chief Officers and respective departmental heads should ensure that utilities are budgeted for accordingly. The format for presenting the current expenditure is provided in **Annex II**.

**(e) Capital Projects**

18. Completion of the on-going projects and programmes must be accorded priority. In this regard, capital expenditure must be applied towards the funding of on-going projects and programmes that are near completion and have undergone due process. Reference should be made to the projects captured in the e-procurement.

19. Any proposal for additional allocation of resources must be presented to the County Treasury in writing during the supplementary as provided in Section 135 of the Public Finance Management Act (PFM Act 2012). The format for capturing capital projects is provided in **Annex III**.

#### **(f) Public Participation and Stakeholder Involvement**

20. Public participation and involvement of other stakeholders in the budget process is essential and a constitutional requirement. This is provided by the PFM Act 2012 Section 125 (2).

The County Budget and Economic Forum will be the main team during the public participation. The County will adopt the following as a mode of engagement with the public:

- Notice Boards
- Media both printed and radio
- Brochures
- Barazas
- Posters
- County website ([www.kisiicounty.go.ke](http://www.kisiicounty.go.ke)) whereby comments, posts will be promptly responded to.

21. There are many reasons for including all stakeholders in the deliberations on the budget. These include among others:

- Better informed public about budgets including revenues, expenditures and challenges;
- Highlight the trade –offs associated with allocating limited resources.
- Provide important information to policy makers about the kind of goods and services that citizens value.
- To avoid situations where important issues may be overlooked or under prioritized due to poor and weak involvement.
- Minimize or eliminate instances of designing projects and programmes that do not address the concerns and priorities of people; and
- Enhanced transparency of the County Government budget making process.

### **D. BUDGET CALENDER**

22. The attached budget calendar outlines the timelines for the budget process in accordance to the requirements of the Public Finance Management Act 2012. Accounting Officers are required to

strictly adhere to the timelines provided in order to ensure timely preparation, submission, approval and implementation of the budget. The budget calendar is provided in **Annex IV** of these guidelines.

## **E. CONCLUSION**

23. Finally, Chief Officers are required to ensure strict adherence to these guidelines and to bring the contents of this Circular to the attention of all Officers working under them.

**DR. KODEK M. OMWANCHA**

**COMMITTEE EXECUTIVE MEMBER FOR FINANCE AND PLANNING**

Cc.

**H.E THE GOVERNOR**

**H.E THE DEPUTY GOVERNOR**

## ANNEX I: FORMAT FOR PRESENTATION OF PROGRAMME-PERFORMANCE BASED BUDGETS (PBB)

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### VOTE:

**A. Vision**

**B. Mission**

**C. Context for Budget Intervention;**

*This section should briefly discuss expenditure trends, major achievements for 2014/15 constraints and challenges and how they are being addressed; and also major services/outputs to be provided in 2015/16 (the context within which the budget is required)*

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**D. Programmes and their Objectives** (*List all the programmes and their strategic objectives. Please note that each programme must have only one strategic objective*)

**E. Summary of Expenditure by Programmes, 2015/2016-2017/2018 (KShs. Millions)**

Sub Programme (SP)	Estimates 2015/16	Projected Estimates	
		2016/17	2017/2018
SP 1. 1			
SP 1. 2.			
<b>Total Expenditure of Programme 1</b>			
Sub Programme (SP)	Estimates 2015/16	Projected Estimates	
		2016/17	2017/2018
SP 2. 1			



SP 2. 2.			
... N			
<b>Total Expenditure of Programme 2</b>			
<b>Total Expenditure of Vote -----</b>			

**F. Summary of Expenditure by Vote and Economic Classification<sup>1</sup> (KShs. Million)**

Expenditure Classification	Estimates 2015/16	Projected Estimates	
		2016/17	2017/2018
<b>Current Expenditure</b>			
Compensation to Employees			
Use of goods and services			
Current Transfers Govt. Agencies			
Other Recurrent			
<b>(2) Capital Expenditure</b>			
Acquisition of Non-Financial Assets			
Capital Transfers to Government Agencies			
Other Development			
<b>Total Expenditure of Vote .....</b>			

**G. Summary of Expenditure by Programme, Sub-Programme and Economic Classification<sup>2</sup> (Kshs. Millions)**

Expenditure Classification	Estimates 2015/16	Projected Estimates	
		2016/17	2017/2018

<sup>1</sup> The total current expenditure and capital expenditure must be equal the total expenditure vote given in tables E, F, & G.

<sup>2</sup> The total current and capital expenditure for each programme in G, must add up to the total expenditure of the programme given in Table E. Please note further that The Total Current and Capital expenditures given in Table G, must add up to the one given in Table F. i.e. Expenditure by Economic classification. **Ensure consistency in all the figures in the Tables**

G, must add up to the one given in Table F. i.e. Expenditure by Economic classification. **Ensure consistency in all the figures in the Tables**

<b>Current Expenditure</b>			
Compensation to Employees			
Use of goods and services			
Current Transfers Govt. Agencies			
Other Recurrent			
<b>Capital Expenditure</b>			
Acquisition of Non-Financial Assets			
Capital Transfers to Govt. Agencies			
Other Development			
Total Expenditure			
<b>Current Expenditure</b>			
Compensation to Employees			
Use of goods and services			
Current Transfers Govt. Agencies			
Other Recurrent			
<b>Capital Expenditure</b>			
Acquisition of Non-Financial Assets			
Capital Transfers to Govt. Agencies			
Other Development			
Total Expenditure			

- **Repeat as above in cases where a Department has more than one programme and/or sub-programmes**

### **Summary of the Programme Outputs and Performance Indicators**

***PROGRAMME 1: (Name of Programme)***

***Programme Outcome: (Each programme should have one outcome)***

<i>Sub Programme (SP)</i>	<i>Delivery Unit</i>	<i>Key Outputs (KO)</i>	<i>Key Performance Indicators (KPIs)</i>
<i>SP1.1</i>			
<i>SP.2</i>			
<i>...</i>			
<i>SP.N</i>			

***PROGRAMME 2.....N: (Repeat as above in cases where a Department has more than one programme)***

**ANNEX II: FORMAT FOR PRESENTATION OF RECURRENT BUDGET**

<b>Department Recurrent FY 2016/2017</b>		
<b>CODE</b>	<b>CHART OF ACCOUNTS -RECURRENT</b>	
	<b>Salaries and wages</b>	
	Basic salaries	
	House allowances	
	Leave allowance	
	Responsibility Allowance	
	Commuter allowance	
	Special duty allowance	
	Telephone allowance	
	other allowances	
	Gratuity	
	<b>Total Gross Salary</b>	
	<b>Utilities Supplies and Services</b>	
	<b>Sub Total:</b>	
	<b>Communication, Supplies and Services</b>	

		<b>Sub Total:</b>	
		<b>Domestic Travel and Subsistence, and Other Transportation Costs</b>	
		<b>Sub Total:</b>	
		<b>Foreign Travel and Subsistence, and other transportation costs</b>	
		<b>Sub Total:</b>	
		<b>Printing , Advertising and Information Supplies and Services</b>	
		<b>Sub Total:</b>	
		<b>Rentals of Produced Assets</b>	
		Rents and Rates -Residential	

		Hire of Transport	
		<b>Sub Total:</b>	
		<b>Training Expense (including capacity building)</b>	
		<b>Sub Total:</b>	
		<b>Hospitality Supplies and Services</b>	
		<b>Sub Total:</b>	
		<b>Office and General Supplies and Services</b>	
		<b>Sub Total:</b>	
		<b>Fuel Oil and Lubricants</b>	
		<b>Sub Total:</b>	
		<b>Other Operating Expenses</b>	

		<b>Sub Total:</b>	
		<b>Routine Maintenance - Vehicles and Other Transport Equipment</b>	
		<b>Sub Total:</b>	
		<b>Routine Maintenance - Other Assets</b>	
		<b>Sub Total:</b>	
		<b>TOTAL OPERATIONS &amp; MAINTENANCE</b>	
		<b>TOTAL RECURRENT</b>	

## ANNEX III: FORMART FOR PRESENTATION OF CAPITAL PROJECTS

<b>COUNTY EXECUTIVE</b>	
<b>OFFICE OF THE GOVERNOR AND DEPUTY GOVERNOR</b>	
<b>COUNTY ADMINISTRATION</b>	
TOTAL COUNTY EXECUTIVE	
<b>FINANCE AND ECONOMIC PLANNING</b>	
SUB TOTAL	
TOTAL FINANCE AND ECONOMIC PLANNING	
<b>AGRICULTURE</b>	
TOTAL AGRICULTURE	
<b>ENERGY,WATER, ENVIRONMENT &amp; NATURAL RESOURCES</b>	
TOTAL ENERGY,WATER, ENVIRONMENT & NATURAL RESOURCES	
<b>EDUCATION</b>	
TOTAL EDUCATION	
<b>COUNTY HEALTH SERVICES</b>	
TOTAL HEALTH	
<b>LANDS, PHYSICAL PLANNING &amp; URBAN DEVELOPMENT</b>	
TOTAL LANDS, PHYSICAL PLANNING & URBAN DEVELOPMENT	
<b>PUBLIC WORKS</b>	



TOTAL PUBLIC WORKS	
<b>TRADE</b>	
TOTAL TRADE	
<b>CULTURE AND SOCIAL SERVICES</b>	
TOTAL CULTURE AND SOCIAL SERVICES	
<b>KISII TOWN</b>	
TOTAL KISII TOWN	
<b>TOTAL DEVELOPMENT BUDGET</b>	

## ANNEX IV: BUDGET CALENDAR

ACTIVITY	DEADLINE
CEC – Finance to prepare and issue a circular setting out guidelines to be followed by all County Government entities in the budget process.	30 <sup>th</sup> August each year
Submission of Development Plan to the County Assembly for approval  (Section 126 (3) of PFM Act)	1 <sup>st</sup> September each financial year
County Treasury to prepare and submit County Budget Review and Outlook Paper (CBROP) to County Executive Committee for approval  ( Section 118 (1) of PFM Act)	30 <sup>th</sup> September each year
County Treasury to submit to County Assembly the County Budget Review and Outlook Paper (CBROP) approved by County Executive Committee  ( Section 118 (4) of PFM Act)	7 days after the approval by CEC.
County Treasury to prepare and submit County Fiscal Strategy Paper (CFSP) to County Executive Committee for approval  ( Section 117 (1) of PFM Act)	Before 28 <sup>th</sup> February Each Year
County Treasury to submit to County Assembly the County Fiscal Strategy Paper (CFSP) approved by County Executive Committee  ( Section 117 (1) of PFM Act)	28 <sup>th</sup> February each year
County Treasury to prepare and submit to the County Assembly the debt management strategy of the County Government over the medium term.  (Section 123 (1) of PFM Act)	28 <sup>th</sup> February each year

CEC Member for Finance to Submit to County Assembly budget estimates, supporting documents and any other Bills required implementing the budget, except Finance bill.  (Section 129 (2) (a) of PFM Act)	30 <sup>th</sup> April each year
Preparation of County annual cash flow projections for next financial year and submission to Office of the Controller of Budget with copies to IBEC and National Treasury  (Section 127 (1) of PFM Act)	15 <sup>th</sup> June each financial year
Approval of County Government Budget estimates and appropriation bill  (Section 131 (1) of PFM Act)	30 <sup>th</sup> June each year

