

KISII COUNTY GOVERNMENT

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OFFICE OF THE COUNTY EXECUTIVE COMMITTEE MEMBER TREASURY AND ECONOMIC PLANNING

Date: 28th, August, 2020

County Treasury Circular No.8/2020

TO: ALL CECs

CHIEF OFFICERS

CLERK TO THE COUNTY ASSEMBLY

Ag. SECRETARY, PUBLIC SERVICE BOARD

BUDGET PREPARATION GUIDELINE FOR FY 2021/2022

1. INTRODUCTION

1.1 Purpose

1. The purpose of this circular is to provide guidelines for the preparation and submission of the departmental annual budgets for the Financial Year 2020/2021

1.2 Background

- 2 In accordance with the Public Finance Management Act 2012 (PFM Act, 2012), Section 129(1), the County Governments are required to prepare and submit their Annual Estimates of Revenue and Expenditure (budget proposals) to the County Assembly for approval.
- 3 Further, Public Finance Management Act 2012 Section 130 (1) (b) (i), requires that the County Executive Committee Member for Finance shall submit to the County

Assembly a list of all County government entities that are to receive funds appropriated from the budget of the County Government.

2. General Guidelines

- 4 The core objective of this circular is to guide Accounting Officers of various departments on the preparation and submission of their budgets for FY 2020/21.
- 5 These guidelines are issued in accordance with Section 128 of the Public Finance Management Act 2012 and the county government departments will be required to make informed decisions in line with the Public Finance Management Act 2012 (PFM Act 2012) Section 107 on Fiscal Responsibility Principles which will promote development in the county.

3. Specific Guidelines

- 6 When preparing the budget submissions, the following policy guidance should be taken into account:

i) Recurrent Expenditure

- 7 The allocation of Personnel Emoluments (PE) estimates to departments and Public Entities shall be based on five cost items, which are: existing employees, annual increments, promotions, new employees to be recruited and statutory contributions.
- 8 In preparation of the PE budget estimates, Accounting Officers should compute those items correctly and adhere to instructions issued by the County Secretary's office and the County Public Service Board as appropriate. In preparing PE budget estimates, the following should be observed: -
 - i. Budgeting for all their human resource requirements based on human resource plans which should clearly show the requirements for in-post and others.
 - ii. Budgeting for acting allowances as an integral part of PE and not part of other charges budget to avoid double counting. Payment of acting allowances will be made through the payroll.
 - iii. Correctly budgeting for statutory contributions including gratuity for contractual employees.
- 9 In the 2019/20, priority for new recruitments will be on departments with shortage of staffs. These departments are: education (teachers for Early Years Education and instructors in youth polytechnics); health (doctors and nurses for the new facilities); agriculture and livestock (extension officers).New recruitment in other departments

will depend on the availability of financial resources and vacancies arising due to attrition and retirement reasons.

ii) Development Budget

10 In preparing development budget estimates, the County departments should align their budget proposals to the priority areas indicated in the Annual Development Plan 2020.

11 Accounting Officers are required to ensure that the following criteria is observed for allocating resources amongst priority programmes:

- i. Completion of ongoing development projects before embarking on new projects so as to minimize the risks of cost overruns;
- ii. Settlement of outstanding commitments to contractors so as to minimize costs accruing from interest and penalty;
- iii. Strategic projects prepared in line with the County Integrated Development Plan.
- iv. Provision for mandatory expenditures such as salaries, rent, utilities, etc.
- v. Degree to which a projects/programme addresses core poverty interventions.
- vi. Degree to which the project/ programme is addressing the core mandate of the department.
- vii. Cost effectiveness and sustainability of the projects/programmes.
- viii. Linkage with other projects/programmes

iii) Donor Funded Projects

12 With regard to donor funded projects and programmes, departments shall prepare development budgets based on confirmed donor funding. Accounting Officers are required to ensure that:-

- i) Counterpart funds are fully budgeted for;
- ii) Donor funded projects (including direct, reimbursable and cash categories) are reflected in the budget estimates; and
- iii) All projects receiving donor financial support should have contracts and submitted to the County Treasury and
- iv) Report of cash, equipments and technical assistance received through the donor requirements should be submitted to the County Treasury on quarterly basis.

v) **Key Dates in the Budget Preparation Process**

The budget process involves the preparation of key documents for approval by the County Executive Committee and the County Assembly. To finalize the Budget and submit it for approval, County departments will be required to undertake a number of activities as provided in the Budget calendar for FY 2019/2020 which is indicated in **Annex I**. Accounting Officers are, therefore, required to ensure budget is prepared and submitted to the County Assembly within the required time.

a) **Presentation of Budget proposals**

13 Each department will be required to present detailed proposals for projects/ programmes they intend to undertake during the FY 2019/2020 clearly itemized. These itemized budget proposals will then be translated to a Programme Based Budget (PBB) with clearly defined outcomes, outputs and performance indicators of the respective departments. The format for presentation of your itemized budget proposals for both recurrent and development expenditures is indicated in **Annex II** of this circular.

14 The primary budget submission of a county department must be:

- Submitted by the Accounting Officer and accompanied by a covering letter confirming that the submission is the expression of the department's strategic direction, which results from the budget deliberation of its executive management.
- Comprised of two elements:
 - (a) A narrative report which explains the context for the budget and provides the department's rationale for expenditure recommendation in a clear and concise manner with a view towards enabling decision makers reach conclusions on the basis of evidence and the evaluation of performance.
 - (b) A data submission which provides the department's estimates of the expenditures by programme and main economic classification.
 - (c) Comprehensive coverage of all expenditure appropriated against a vote including transfer to entities and other spheres of government within the budget vote. The appropriated expenditure must be based on key performance indicators, in line with strategic plans and annual performance plans and also prepared under the

guidance of the county government, in collaboration with the relevant sectors/directorates or institutions that report to the same executive authority.

b) Prioritization and Allocation of Resources

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.

- **Rescheduling of projects or activities:** Where implementation of projects or activities has been rescheduled, departments should provide a detailed explanation for the rescheduling. Departments should also indicate the savings and financial implications of rescheduling projects and activities.

16 Any proposal for additional allocations of resources must be justified. The proposed additional expenditure will have to be aligned with the department and should be subject to the available fiscal space.

c) Accumulation of Pending Bills

17 In order to avoid accumulation of pending bills, Accounting Officers are required to comply with Section 107 of the Public Finance Management Act 2012 on Fiscal Responsibility Principles. In this regard, Accounting Officers are obliged to:

- i. Accord priority in budgeting for verified pending bills;
- ii. Ensure that no pending bills are created;
- iii. Committing all financial obligations through IFMS;
- iv. Identify existing pending bills and ensure they are included in the financial statements; and
- v. Ensure all pending bills are verified by the Internal Auditor and included in the respective vote’s financial statement.

d) Expenditure Control and Cost Reduction Measures

18 Accounting Officers should continue to implement cost reduction measures under their jurisdictions without compromising the quality of service delivery. Thus, they are instructed to:

i. Continue reducing unnecessary expenditure and minimize costs in areas such as, sitting allowance, printing of T-shirts, caps, bags, foreign travels, overseas short term training and imported office furniture;

ii. Use Government's and Public facilities in conducting meetings including board meetings, training, seminars and workshops;

iii. Procure service such as insurance, courier, internet, telephone, media and transport from Public Entities as long as this is cost effective;

iv. Control procurement of goods services and works to achieve the desired value for money through appropriate procedures including use of bulk procurement, competitive bidding and direct local market;

v. Conduct periodic audits of public utility systems (water, telephone and electricity) to avoid unnecessary expenditure;

vi. Ensure that salaries are paid to eligible employees only;

e) Mainstreaming Cross-cutting Issues into Plans and Budgets

All Accounting Officers are required to integrate cross-cutting issues into their 2019/20 plans and budgets and ensure effective implementation. Accordingly, all departments are urged to make budgetary allocations for implementation of cross cutting interventions. These include gender issues, physically challenged people, nutrition, environment and climate change as well as combating new HIV infections. In addition, Accounting Officers should give priority on the issues pertaining to people with special needs particularly employment, health, water and construction of user friendly infrastructure for physically challenged people.

f) Departmental Ceilings

19 The County Fiscal Strategy Paper sets the ceilings for all departments. Each department is, therefore, required to prepare their proposals within the budget ceilings allocated to them in the County Fiscal Strategy Paper (CFSP).

g) Involvement of Stakeholders

20 Stakeholders are actors in the budget process with specific interests in the development of policy frameworks and could be organizations or individuals.

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.
- Accounting Officers are expected to ensure that key stakeholders are consulted; Sub-County/ward requirements are prioritized and received within the specified time frame.

h) Public Fora

22 Public participation meetings should be held in easily accessible venues which are convenient to county residents. The venues should be centrally placed in all the Sub counties with provision for persons with disabilities, senior citizens, politically, religious and socially neutral.

23 Public participation fora should be directed in a structured way with facilitators being people who are well versed with the policy, legislation or development policy up for discussion.

24 Facilitators of public participation sessions should ensure that all participants have equal opportunity to air their views bearing in mind age, gender, disability and marginalised persons and any conflict arising out of the discussions is mitigated.

i) Expenditure Management

25 The County government departments are urged to improve efficiency in the management and utilization of resources entrusted to them with a view to deliver quality services achieve their respective mandates in the most effective manner and avoid wastage of public resources.

j) Revision of Budgets

26 As county departments submit their proposed annual budget in January for the subsequent financial year, it is possible that unforeseen and unavoidable events may change the scale of operations of the County government departments and a revision of the budget may be necessary. Consequently, it is a requirement by the PFM Act 2012, Section 135 (7), that a revision to or from a program or sub-vote shall not exceed 10% of the amount appropriated by the county assembly for that year unless that county assembly has, in special circumstances, approved a higher percentage.

IV. Conclusion

27 Finally, Accounting Officers are requested to ensure strict adherence to these guidelines and to bring the contents of this Circular to the attention of all officers working under them.

John B. Momanyi

CEC Finance and Economic Planning

ANNEX I: BUDGET CALENDAR: SCHEDULE OF 2019/20 FY BUDGET

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 th August each year
Submission of Development Plan to the County Assembly for approval (Section 126 (3) of PFM Act)	1 st 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 th 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 th 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 th 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 th 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 th 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 th June each financial year
Approval of County Government Budget estimates and appropriation bill (Section 131 (1) of PFM Act)	30 th June each year

ANNEX I I: FORMAT FOR PRESENTATION OF RECURRENT AND DEVELOPMENT BUDGET PROPOSALS

CHART OF ACCOUNTS -RECURRENT		
	Basic Salaries - Permanent Employees	
2110101		Basic Salaries
	Basic Wages - Temporary Employees	
2110201		Contractual Employees
2110202		Casual Labour-Others
	Personal Allowance Paid as Part of Salary	
2110301		House Allowance
2110303		Acting Allowance
2110304		Overtime - Civil Service
2110308		Medical Allowance
2110309		Special Duty Allowance
2110311		Transfer Allowance
2110312		Responsibility Allowance
2110314		Transport Allowance
2110315		Extraneous Allowance
2110318		Non- Practicing Allowance
2110320		Leave Allowance
2110322		Risk Allowance
2110405		Telephone Allowance
	Employer Contributions to Compulsory National Social Security Schemes	
2120101		Employer Contributions to National Social Security Fund
2120103		Employer Contribution to Staff Pensions Scheme
2120201		Employer Contributions to National Social and Health Insurance Scheme
2120301		Employer Contributions to Private Social Security Funds and Schemes
	Utilities Supplies and Services	
2210101		Electricity
2210102		Water and sewerage charges
2210103		Gas expenses
2210104		Electricity expenses(Pending Bills)

2210105	Water and Sewerage expenses(Pending Bills)
	Communication, Supplies and Services
2210201	Telephone, Telex, Facsimile and Mobile Phone Services
2210202	Internet Connections
2210203	Courier and Postal Services
2210204	Leased Communication Lines
2210205	Satellite Access Services
2210206	Licencing fees forCommunication
	Domestic Travel and Subsistence, and Other Transportation Costs
2210301	Travel Costs (airlines, bus, railway, mileage allowances, etc.)
2210302	Accommodation - Domestic Travel
2210303	Daily Subsistence Allowance
2210304	Sundry Items (e.g. airport tax, taxis, etc...)
2210305	Shipment of Personal and Household Effects
2210306	Repatriation Costs
2210307	Passage and Transfer Expenses
2210308	Local Presidential Visits
2210309	Field Allowance
2210310	Field Operational Allowance
	Foreign Travel and Subsistence, and other transportation costs
2210401	Travel Costs (airlines, bus, railway, etc.)
2210402	Accommodation
2210403	Daily Subsistence Allowance
2210404	Sundry Items (airport tax, taxis, etc...)
2210405	Shipment of Personal and Household Effects
2210406	Repatriation Costs
2210407	State Visits Abroad
	Printing , Advertising and Information Supplies and Services
2210501	International News Services
2210502	Publishing and Printing Services
2210503	Subscriptions to Newspapers, Magazines and Periodicals
2210504	Advertising, Awareness and Publicity Campaigns
2210505	Trade Shows and Exhibitions

2210506	Purchase of Curios
	Rentals of Produced Assets
2210601	Rent of Vehicles
2210602	Payment of Rents and Rates - Residential
2210603	Rents and Rates - Non-Residential
2210604	Hire of Transport
2210605	Contribution in Lieu of Rates
2210606	Hire of Equipment, Plant and Machinery
2210607	Contribution in Lieu of Rates(Pending Bills)
	Training Expense (including capacity building)
2210701	Travel Allowance
2210702	Remuneration of Instructors and Contract Based Training Services
2210703	Production and Printing of Training Materials
2210704	Hire of Training Facilities and Equipment
2210705	Field Training Attachments
2210706	Book Allowance
2210707	Project Allowance
2210708	Trainer Allowance
2210709	Research allowance
2210710	Accommodation Allowance
2210711	Tuition Fees Allowance
2210712	Training Allowance
2210714	Gender Mainstreaming
2210715	Kenya School of Government
2210716	Human Resource Reforms
	Hospitality Supplies and Services
2210801	Catering Services (receptions), Accommodation, Gifts, Food and Drinks
2210802	Boards, Committees, Conferences and Seminars
2210803	State Hospitality Costs
2210804	Tribunals Costs
2210805	National Celebrations
2210806	Expenses of Governor's Household
2210807	Medals, Awards and Honors
2210808	Purchase of Coffins
2210809	Board Allowance
	Insurance Costs
2210901	Group Personal Insurance

2210902		Buildings Insurance
2210903		Plant, Equipment and Machinery Insurance
2210904		Motor Vehicle Insurance
2210905		Aircraft, Boats and Other Transport Equipment Insurance
2210906		Insurance for Board Members
2210907		Insurance for cash
2210908		Insurance of Exhibits
2210909		Insurance of Spare Parts
2210910		Medical Insurance
	Specialised Materials and Supplies	
2211001		Medical Drugs
2211002		Dressings and Other Non-Pharmaceutical Medical Items
2211003		Veterinarian Supplies and Materials
2211004		Fungicides, Insecticides and Sprays
2211005		Chemicals and Industrial Gases
2211006		Purchase of Workshop Tools, Spares and Small Equipment
2211007		Agricultural Materials, Supplies and Small Equipment
2211008		Laboratory Materials, Supplies and Small Equipment
2211009		Education and Library Supplies
2211010		Supplies for Broadcasting and Information Services
2211011		Purchase/Production of Photographic and Audio-Visual Materials
2211012		Purchase of Police, Prisons, and NYS Small Equipment and Supplies
2211015		Food and Rations
2211016		Purchase of Uniforms and Clothing - Staff
2211020		Uniform and Clothing Allowances
2211021		Purchase of Bedding and Linen
2211023		Supplies for Production
2211026		Purchase of Vaccines and Sera
2211028		Purchase of X-Rays Supplies
2211029		Purchase of Safety Gear
	Office and General Supplies and Services	
2211101		General Office Supplies (papers, pencils, forms, small office equipment etc)
2211102		Supplies and Accessories for Computers and Printers

2211103		Sanitary and Cleaning Materials, Supplies and Services
		Fuel Oil and Lubricants
2211201		Refined Fuels and Lubricants for Transport
2211202		Refined Fuels and Lubricants for Production
2211203		Refined Fuels and Lubricants -- Other
2211204		Other Fuels (wood, charcoal, cooking gas etc...)
		Other Operating Expenses
2211301		Bank Service Commission and Charges
2211302		School Examination and Invigilation Fees
2211304		Medical Expenses
2211305		Contracted Guards and Cleaning Services
2211306		Membership Fees, Dues and Subscriptions to Professional and Trade Bodies
2211307		Transport Costs and Charges (freight, loading/unloading, clearing and shipping charges)
2211308		Legal Dues/fees, Arbitration and Compensation Payments
2211309		Management Fees
2211310		Contracted Professional Services
2211311		Contracted Technical Services
2211312		Confidential Expenditures
2211313		Security Operations
2211320		Temporary Committees Expenses
2211322		Binding of Records
2211323		Laundry Expenses
2211324		Registration of Land
2211328		Counselling Services
2211329		HIV AIDS Secretariat workplace Policy Development
2211330		Administration of Superannuation Pension Scheme
		Routine Maintenance - Vehicles and Other Transport Equipment
2220101		Maintenance Expenses - Motor Vehicles and cycles
		Routine Maintenance - Other Assets
2220201		Maintenance of Plant, Machinery and Equipment (including lifts)
2220202		Maintenance of Office Furniture and Equipment
2220203		Maintenance of Medical and Dental Equipment
2220204		Maintenance of Buildings -- Residential

2220205	Maintenance of Buildings and Stations -- Non-Residential
2220206	Maintenance of Civil Works
2220207	Maintenance of Roads, Ports and Jetties
2220208	Maintenance of Aerodromes and Airstrips
2220209	Minor Alterations to Buildings and Civil Works
2220210	Maintenance of Computers, Software, and Networks
2220211	Maintenance of Police and Security Equipment
2220212	Maintenance of Communications Equipment
2220213	Maintenance of Civil Works Equipment

CHART OF ACCOUNTS -DEVELOPMENT

	Purchase of Buildings
3110101	Purchase of Residential Buildings
3110102	Purchase of Non-Residential Buildings
	Construction of Buildings
3110201	Residential Buildings (including hostels)
3110202	Non-Residential Buildings (offices, schools, hospitals, etc..)
	Refurbishment of Buildings
3110301	Refurbishment of Residential Buildings
3110302	Refurbishment of Non-Residential Buildings
	Construction of Roads
3110401	Major Roads
3110402	Access Roads
	Construction and Civil Works
3110501	Bridges
3110502	Water Supplies and Sewerage
3110504	Other Infrastructure and Civil Works
3110599	Other Infrastructure and Civil Works

	Overhaul and Refurbishment of Construction and Civil Works	
3110601	Overhaul of Roads and Bridges	
3110602	Overhaul of Water Supplies and Sewerage	
3110604	Overhaul of Other Infrastructure and Civil Works	
3110699	Overhaul of Other Infrastructure and Civil Works	
	Purchase of Vehicles and Other Transport Equipment	
3110701	Purchase of Motor Vehicles	
3110704	Purchase of Bicycles and Motorcycles	
3110705	Purchase of Trucks and Trailers	
3110706	Purchase of Tractors	
3110707	Purchase of Ambulances	
3110708	Purchase of Minibuses and Buses	
	Overhaul of Vehicles and Other Transport Equipment	
3110801	Overhaul of Vehicles	
	Purchase of Household Furniture and Institutional Equipment	
3110901	Purchase of Household and Institutional Furniture and Fittings	
3110902	Purchase of Household and Institutional Appliances	
	Purchase of Office Furniture and General Equipment	
3111001	Purchase of Office Furniture and Fittings	
3111002	Purchase of Computers, Printers and other IT Equipment	
3111003	Purchase of Airconditionners, Fans and Heating Appliances	
3111004	Purchase of Exchanges and other Communications Equipment	
3111005	Purchase of Photocopiers	
3111006	Purchase of Cash Boxes	
3111008	Purchase of Printing Equipment	
3111009	Purchase of other Office Equipment	
3111010	Purchase of Weights and Measures Equipments	
3111011	Purchase of Lighting Equipment	
	Purchase of Specialised Plant, Equipment and Machinery	
3111101	Purchase of Medical and Dental Equipment	

3111102		Purchase of Boilers, Refrigeration and Air-conditioning Plant	
3111103		Purchase of Agricultural Machinery and Equipment	
3111104		Purchase of Instrumentation and Calibration Equipment	
3111107		Purchase of Laboratory Equipment	
3111109		Purchase of Educational Aids and Related Equipment	
3111110		Purchase of Generators	
3111111		Purchase of ICT networking and Communications Equipment	
3111112		Purchase of Software	
3111114		Purchase of Survey Equipment	
3111115		Purchase of Drilling Rig	
3111116		Purchase of Graders	
		Rehabilitation and Renovation of Plant, Machinery and Equipment	
3111201		Overhaul of Plant, Machinery and Equipment	
		Purchase of Certified Seeds, Breeding Stock and Live Animals	
3111301		Purchase of Certified Crop Seed	
3111302		Purchase of Animals and Breeding Stock	
3111305		Purchase of tree seeds and seedings	
		Research, Feasibility Studies, Project Preparation and Design, Project Supervision	
3111401		Pre-feasibility, Feasibility and Appraisal Studies	
3111402		Engineering and Design Plans	
3111403		Research	
3111404		Research Allowance	
		Rehabilitation of Civil Works	
3111501		Bridges	
3111502		Water Supplies and Sewerage	
3111504		Other Infrastructure and Civil Works	
		Acquisition of Strategic Stocks	
3120101		Maize and Beans	
3120102		Purchase of Milk	
		Acquisition of Land	

3130101		Acquisition of Land
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