

**REPUBLIC OF KENYA  
COUNTY GOVERNMENT MACHAKOS  
COUNTY ASSEMBLY MACHAKOS**



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**THIRD ASSEMBLY**

**SECOND SESSION**

**BUDGET AND APPROPRIATIONS COMMITTEE**

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**THE BUDGET AND APPROPRIATIONS COMMITTEE FIRST REPORT ON THE  
SUPPLEMENTARY BUDGET ESTIMATES NO.1 FOR THE FY 2023/2024**

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**NOVEMBER, 2023**

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# MACHAKOS COUNTY SUPPLEMENTARY BUDGET NO.1 FY 2023/24

## 1.0 OVERVIEW

Hon Speaker,

1. The FY 2023/24 1<sup>st</sup> Supplementary Budget was tabled before the House on 15<sup>th</sup> November, 2023 and committed to the Budget and Appropriation Committee. The Supplementary Budget is prepared in accordance with section 135(2) of the Public Finance Management Act 2012 which stipulates that a County Government shall submit a Supplementary Budget in support of the additional expenditure to seek authority for spending, through the County Assembly. The law provides that an Appropriation Act can only be amended through a supplementary budget.
2. The Machakos County 1<sup>st</sup> supplementary budget for FY 2023/24, seeks to amend the FY 2023/24 Appropriation Act to accommodate the following;
  - a) Adjusting the equitable share from Kshs. 9,547,295,309.00 to Kshs. 11,003,296,347.00 being an accommodation of balances carried forward for fy 2022/2023 of Kshs. 1,456,001,038.00
  - b) Equalization fund of Kshs. 12,923,347.00
  - c) Adjusting the conditional grants from Kshs. 1,092,827,676.00 to Kshs. 1,452,177,756.00, additional grants of Kshs. 359,350,080.00
  - d) Accommodate internal vote re-alignments.

### 1.1 Mandate of the Committee

3. The Budget and Appropriation committee derives its mandate from standing order No. 186 (3) (a) which states that: -

“There shall be a select Committee to be known as the County Budget and Appropriations Committee which is mandated to, investigate, inquire into and report on all matters related to coordination, control and monitoring of the County budget”.

4. Further, the standing order mandates the committee to; Investigate, inquire into and report on all matters related to coordination, control and monitoring of the county budget; discuss and review the estimates and make recommendations to the Assembly; Examine the County Budget Policy Statement presented to the Assembly; Examine Bills related to the county budget, including Appropriations Bills; and evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays. The main objective of the committee is

to ensure that public funds are well utilized and that the public realizes value for money in all government expenditures.

## 1.2 Committee membership

5. The Committee of Budget and Appropriation as constituted by this honorable Assembly comprises of the following members: -

- |                          |                    |
|--------------------------|--------------------|
| 1. Hon. Dominic Ndambuki | - Chairperson      |
| 2. Hon. Justus Mutuku    | - Vice Chairperson |
| 3. Hon. Judas Ndawa      | - Member           |
| 4. Hon. Phoebe Koki      | “                  |
| 5. Hon. Peter Kilonzo    | “                  |
| 6. Hon. Nicholas Nzioka  | “                  |
| 7. Hon. Stephen Mwanthi  | “                  |
| 8. Hon. Margaret Ndalana | “                  |
| 9. Hon. Winfred Mutua    | “                  |

## SECRETARIAT

1. Ms. Evelyn Kimote -Senior Clerk Assistant
2. Ms. Mary Nzembi -Clerk Assistant
3. Mr. Sylvester Nzangi - Senior Fiscal Analyst
4. Mr. Shadrach Mbithi -Fiscal Analyst
5. Ms. Margaret Wania – Legal Officer
6. Ms Ruth Mwikali - Hansard Officer
7. Ms Abigael Mulei - SAA

## 1.3 Overview of the 1<sup>st</sup> supplementary budget estimates

6. The 1<sup>st</sup> Supplementary Budget Estimates for financial year 2023/2024 is proposing an increase in the approved budget by Kshs.1,828,274,465.00. The development budget has increased by Kshs. 812,464,915.00 while on the other hand the recurrent spending has increased by Kshs 1,015,809,550.00.
7. The Committee notes that this Supplementary Budget has subjected the County Budget to expenditure increases;
  - Development budget by Kshs. 812,464,915.00
  - Recurrent budget by Kshs. 1,015,809,550.00

## 1.4 Adherence to legal provisions

8. The format, structure and content of the supplementary budget is as stipulated in legal documents i.e the Kenya Constitution 2010, Article 201 the PFM Act, 2012 Section 135(2) Regulations. Some gaps have been observed in the First Supplementary Budget for fy 2023/2024. Particularly, in regard to format, content and structure of the documents. These are as follows: -
  - i Section 135 of the PFM Act, 2012 limits the County Assembly reallocation in a Supplementary Budget to not more than 10% of the approved budget estimates of a program of some votes unless it is for unforeseen and unavoidable need as defined in section 112 of the PFM Act, 2012. PFM Regulation 39(9) further expounds on this legal provision. The County Treasury has not adhered to this legal provision.
  - ii Some new items have been introduced in the supplementary budget contrary to Regulation 40(8) of PFM Regulations, 2015 for instance legal and compensation payments in the Department of Trade amounting to ksh 47.5M, current transfers for youth training of ksh 19M.

## 1.5 Key proposed changes

9. The key proposed changes in the supplementary budget 1 are: -
  - i Increase the resource envelope from Kshs. 14,747,002,447.00 to Kshs. 16,575,276,912.00.
  - ii Increase the recurrent budget from Kshs. 9,588,286,517.00 to Kshs. 10,604,096,067.00.
  - iii It further proposes to increase the development expenditure from Kshs. 5,158,715,930.00 to Kshs. 5,971,180,845.00.
10. Under the recurrent budget the major changes are coming from the following;
  - a) Office of the Governor - increase by Kshs.10M
  - b) Department of Roads, Transport and Public Works – increase by Kshs. 3,070,000.00
  - c) Department of Health – increase by Kshs. 214,021,080.00
  - d) Department of Finance, Economic Planning and Revenue Management – increase by Kshs. 338,810,617.00
  - e) Department of Gender, Youth, Sports and Social Welfare – increase by Kshs.100M
  - f) Department of Trade, Industry, Tourism and Innovation – increase by Kshs 19.7M
  - g) Department of Education – increase by Kshs. 90,593,322.00
  - h) Department of Devolution -increase by Kshs. 284,514,531.00.
  - i) Department of Water – Increase by Kshs. 12.1M
  - j) Department of Agriculture, Food Security and Co-operative Development – increase by Kshs.10.5M

11. Under the development budget the major changes are coming from the following Departments:

- a) County Public Service Board – decrease by Kshs. 17M
- b) Roads, Transport and Public Works – decrease by Kshs. 62.5M
- c) Health – increase by Kshs.188,605,091.00
- d) Water, Irrigation, Environment and Climate Change– Increase by Kshs. 103,175,584.00
- e) Agriculture, Food Security and Cooperative Development – Increase by Kshs. 43,892,729.00
- f) Finance, Economic Planning and Revenue Management– increase by Kshs. 374,727,111.00
- g) Devolution –increase by Kshs. 49,923,347.00
- h) Gender, Youth, Sports and Social Welfare – increase by Kshs. 160M
- i) Trade, Industry, Tourism and Innovation – decrease by Kshs. 10M
- j) Education– decrease by Kshs. 75M
- k) Land, Housing, Urban Development and Energy- increase by Kshs. 96,640,253.00.

## **1.6 Financing the 1<sup>st</sup> Supplementary Budget Estimates 2023/2024**

### **1. Own source Revenue**

10. The County Government has retained its own source revenue at Kshs. 2,998,879,462.00.

### **2. Equitable share**

11. Pursuant to Article 202 (1) of the Constitution, the equitable share allocated to the County Government of Machakos in the FY 2023/2024 based on the revenue raised nationally has increased by Kshs. 1,456,001,038.00, being an accommodation of previous financial year's balances, to Kshs. 11,003,296,347.00.

### **3. Conditional Grants**

12. The conditional grants have increased from Kshs. 1,092,827,676.00 to Kshs. 1,452,177,756.00. This will be applied to fund both recurrent and development expenditures.

### **4. Hospital Revenues**

13. The County Government has retained the Hospital Revenues at Kshs. 1,008,000,000.00

### **5. Equalization Fund**

14. The County Government has factored in an equalization fund share of Kshs. 12,923,347.00

### **6. Asset Disposal**

15. The County Government has provided for Kshs. 100M from disposal of assets.

## **1.7 Expenditures**

16. Hon Speaker, with the proposed increase of the total revenue by Kshs. 1,828,274,465.00, the total expenditure for the County Government of Machakos stands at Kshs. 16,575,276,912.00 consisting of: -

- a) Recurrent expenditure of Kshs.10,604,096,067.00 to cater for personnel emoluments of Kshs. 6,715,240,150.00, operations and maintenance expenses of Kshs. 3,772,869,870.00 and current transfers of Kshs. 115,986,047.00. The resultant effect is an increase by Kshs. 1,015,809,550.00 from the approved budget for the FY 2023/2024.
- b) Development expenditure of Kshs. 5,971,180,845.00 constituting capital transfers/grants of Kshs. 1,336,191,709.00 and acquisition of assets amounting to Kshs. 4,634,989,136.00, the effect being an increase by Kshs. 812,464,915.00 from the approved budget estimates for fy 2023/2024. This translates to a development ratio of 36% while the personnel emolument ratio stands at 41%. The development ratio complies with fiscal responsibility principle which requires the same to be at least 30% while the ratio on personnel emoluments is more than the set threshold of 35% of the total revenue.

## **2.0 COMMITTEE BUDGET HIGHLIGHTS AND RECOMMENDATIONS**

21. Hon Speaker,

The Committee hereby highlights the main Supplementary Budget proposals per each department and recommends as follows:

### **2.1 Office of the Governor**

17. The Office of the Governor has an approved budget of Kshs. 600,452,324.00 which constitutes of Kshs. 19,578,170.00 for development and Kshs. 580,874,154.00 for recurrent.
18. The County Treasury proposes to increase the recurrent budget by Kshs. 10,000,000.00 from Kshs 580,874,154.00 to Kshs. 590,874,154.00 being the effect P01: (Coordination and supervisory services – Office of the Governor Hqs) increase by Kshs. 5M, P04: ICT Services decrease by Kshs 1M, P05: Hospitality Services, decrease by Kshs. 5M and P08: Office of the County Secretary, increase by Kshs. 11M.
19. Further, the County Treasury proposes to retain the Development Budget at Kshs. 19,578,170.00.
20. The CRA Recurrent budget ceilings for the county executive (Office of the Governor and County Public Service Board is Kshs. 618,887,863.00). This allocation is above the set CARA allocation by Kshs. 10M.

21. The committee **recommends** that the office of the Governor be allocated Kshs. 19,578,170.00. for development and Kshs. 590,874,154.00 for recurrent expenditure respectively.

## 2.2 Office of the County Attorney

22. The approved budget for the Office of the County Attorney is Kshs. 92,864,716.00 which constitutes of Kshs. 9.3M for development and Kshs. 83,564,716.00 for recurrent.
23. The County Treasury proposes to retain both the recurrent and development budgets.
24. The Committee **recommends** that the recurrent expenditure be set at Kshs. 83,564,716.00 and Kshs. 9.3M for development expenditure as per the County Treasury's proposal.

## 2.3 Department of Trade, Industry, Tourism and Innovation

25. The Department of Trade, Industry, Tourism and Innovation has an approved budget of Kshs. 687,062,847.00 which constitutes of Kshs. 508,778,732.00 for development and Kshs. 178,284,115.00 for recurrent.
26. The County Treasury proposes to increase the total recurrent budget estimates for the department by Kshs. 19.7M from Kshs. 178,284,115.00 to Kshs. 197,984,115.00 being an effect of program 7: Heritage and Culture increase of Kshs. 5M, P08: liquor Management, increase of Kshs. 4.8M, P09: Tourism Development and Marketing, increase by Kshs. 1.2M, P011: Machawood increase by Kshs 5M and P13: Digital Economy which is a new program increase by Kshs 3.7M
27. In the development budget the County Treasury proposes to reduce the budget by Kshs. 10M from Kshs. 508,778,732.00 to Kshs. 498,778,732.00 being an effect of an increase in P04: Small and Medium Size Enterprises, by Kshs. 41,084,984,00, P05: Industrialization and Innovation decrease by Kshs. 41,084,984.00, P06: Tourism Administrative and Support Services a decrease by Kshs. 3M, P08: Liquor Management a decrease by Kshs. 1.5M, P09: Management Recreational Facilities a decrease by Kshs. 3M and P010: Machawood a decrease by Kshs. 2.5M.
28. The committee **recommends** that recurrent expenditure in the department be revised to Kshs. 197,984,115.00 and reduce development expenditure to Ksh 498,778,732.00 as per the County Treasury's proposal.



## 2.4 Department of Finance, Economic Planning and Revenue Management

29. In the department of Finance, Economic Planning and Revenue Management the approved budget is Kshs. 1,458,230,172.00 constituting of Kshs. 474,976,422.00 for development and Kshs. 983,253,750.00 for recurrent.
30. The County Treasury proposes to increase the total recurrent budget estimates for the department by Kshs. 338,810,617.00 from Kshs. 983,253,750.00 to Kshs. 1,322,064,368.00 being effect of increases in programs: P01: Revenue Management by Kshs. 98,996,000.00, P02: Budget Formulation, Coordination and Implementation by Kshs. 23M, P03: Supply Chain Management by Kshs. 4M, P04: Audit Services by Kshs. 7,920,360.00, P05: Accounting Services by Kshs. 105,594,257.00, P06: Human Resources Management and Support Services by Kshs. 4,155,000.00, P07: Economic Planning and Statistical Services by Kshs. 34M, P08: Monitoring and Evaluation by Kshs. 6.5M, P11: ICT, General Administration and Support Services by Kshs. 5M and P14: Public Communication which is a new program by Kshs. 49,645,000.00.
31. In the development budget, the County Treasury proposes to increase the budget by Kshs. 374,727,111.00 from Kshs. 474,976,422.00 to Kshs. 849,703,533.00 being an effect of decrease in programs: P01: Revenue Management by Kshs. 35M, P02: budget formulation coordination and implementation decrease by Kshs. 21,872,000.00, P04: Accounting Services, increase by Kshs. 393,727,111.00, P05: Economic Planning and Statistical Services, decrease by Kshs. 3M and P06: ICT Services and Infrastructure, increase by Kshs. 40,872,000.00
32. The committee **recommends** that the recurrent budget of the department be revised to Kshs. 1,322,064,368.00 and development budget to Kshs 849,703,533.00.

## 2.5 Department of Devolution

33. In the department of Devolution, the approved budget is Kshs. 1,025,103,833.00 constituting of Kshs. 45,934,618.00 for development and Kshs. 979,169,215.00 for recurrent.
34. The County Treasury proposes to increase the total recurrent budget estimates for the department by Kshs. 284,514,531.00 from Kshs. 979,169,215.00 to Kshs.1,263,683,746.00 being an effect of increase in P01: Public Service – General Administration and Coordination Services by an increase of Kshs. 250,614,531.00, P04: County Administration and Decentralized Units increase by Kshs.34.8M and P06: Administration and Coordination Services decrease by Kshs. 900,000.00.
35. In the development budget, the County Treasury proposes to increase the budget by Kshs. 49,923,347.00 from Kshs. 45,934,618.00 to Kshs. 95,857,965.00 being an increase in P01:

Administration and coordination Services which is a new programme by Kshs. 49,923,347.00.

36. The committee **recommends** that the recurrent budget of the department be revised to Kshs. 1,263,683,746.00 and development budget to Kshs. 95,857,965.00.

## 2.6 Department of Agriculture, Food Security and Cooperative Development

37. The department of Agriculture, Food Security and Cooperative Development has an approved budget of Kshs.1,210,210,225.00 which constitutes of Kshs.830,637,413.00 for Development and Kshs.379,572,812.00 for Recurrent.
38. The County Treasury proposes that the total recurrent budget estimates for the department be increased by Kshs. 10.5M from Kshs. 379,572,812.00 to Kshs. 390,072,812.00 being an effect of decrease of P01: General Administration and Support Services by Kshs. 1,650,000.00, P02: Crop Development and Management by Kshs. 25,000.00, and Increases in P03: Livestock Resources Management and Development by Kshs. 850,000.00, P05: Veterinary Services by Kshs. 500,000.00, P06: ATC by Kshs. 25,000.00 and P07: Cooperatives Development and Marketing by Kshs.10M.
39. The County Treasury proposes to increase the development budget by Kshs. 43,892,729.00 from Kshs. 830,637,413.00 to Kshs. 874,530,142.00 being an effect of increase of P01: General Administration and Support Services by Kshs. 78,392,729.00, P02: Crop Development and Management a decrease by Kshs. 40M, P03: Livestock Resources Management and Development a decrease by Kshs. 8,043,403.00, P05: Veterinary Services an increase by Kshs. 8,043,403.00, P06: ATC an increase by Kshs. 500,000.00, P07: Cooperative Development and Marketing which is a new programme an increase by Kshs. 10M and P08: Promotion of Cooperative Marketing and Value Chain a decrease by Kshs. 5M.
40. The committee **recommends** that recurrent expenditure in the department be increased to Kshs. 390,072,812.00 and the development expenditure be increased to Kshs. 874,530,142.00

## 2.7 Department of Health

41. The approved budget for the department of Health is Kshs. 5,056,980,576.00 constituting of development expenditure of Kshs. 994,139,145.00 and Kshs. 4,062,841,431.00 for recurrent.
42. The County Treasury is proposing to increase the recurrent budget estimates for the department by Kshs. 214,021,080.00 from Kshs. 4,062,841,431.00 to Kshs. 4,276,862,511.00 being an effect of an increases in programmes: P01: General Administration by Kshs.

109,021,080.00, P02: Machakos Level 5 by Kshs. 8.5M and P13: Public Health by Kshs. 96.5M.

43. In the development budget, the County Treasury proposes to increase the budget by Kshs. 121,105,891.00 from Kshs. 994,139,145.00 to Kshs. 1,115,245,036.00 being an effect of an increase in P01: General Administration by Kshs. 241,840,820.00, P02: Machakos Level 5 a decrease by Kshs. 110M, P03: Kangundo Level 4 an increase by Kshs. 7M, P04: Matuu Level 4 an increase by Kshs. 14M, and Decreases in programmes: - P05: Kathiani Level 4 by Kshs. 734,929.00, P06: Mwala Level 4 by Kshs. 10M, P07: Kimiti level 4 by Kshs. 6M, P08: Masinga level 4 by Kshs. 6M, P09: Athiriver Level 4 by Kshs. 6M, P10: Mutituni level 4 by Kshs. 7M, P12: Kalama level 4 by Kshs. 6M and decrease in P13: Public Health by Kshs. - 10M.
44. The committee **recommends** that the recurrent expenditure of the department be increased to Kshs. 4,276,862,511.00 and development expenditure to Kshs. 1,095,245,036.00.

## 2.8 Department of Roads, Transport and Public Works

45. The department of Roads, Transport and Public Works has an approved budget of Kshs. 959,168,023.00 which constitutes of Kshs. 711,731,765.00 for Development and Kshs. 247,436,258.00 for recurrent.
46. The County Treasury proposes to increase the total recurrent budget estimates for the department by Kshs. 3,070,000.00 from Kshs. 247,436,258.00 to Kshs. 250,506,258.00 being an effect of an increase in P01: General Administration and Support Services of Kshs. 3,920,000.00 and a decrease in P02: Road Development and Management by Kshs. 850,000.00.
47. In the development budget the County Treasury proposes to reduce the budget for the Department by Kshs. 62,500,000.00 from Kshs. 711,731,765.00 to Kshs. 649,231,765.00 being an effect of an increase in P01: General Administration and Support Services of Kshs. 9M and Decrease in Programmes: - P02: Road Development and Management by Kshs. 20M, P03: County Government Buildings Services by Kshs. 49.5M and P04: County Fleet Management by Kshs. 2M.
48. The committee **recommends** that the recurrent expenditure of the department be increased to Kshs 250,506,258.00 and that the development expenditure be reduced to Kshs. 649,231,765.00

## 2.9 Department of Education

49. The Department of Education has an approved budget of Kshs. 719,515,483.00 which constitutes of Kshs. 172,729,112.00 on development and Kshs. 542,786,371.00 for recurrent expenditure.
50. The County Treasury proposes to increase the total recurrent budget estimates for the department by Kshs. 90,593,322.00 from Kshs. 546,786,371.00 to Kshs.637,379,693.00 being an effect of an increase in programmes: - P01: General Administration, Planning and Support Services by Kshs. 17M, P02: Basic Education by Kshs. 1,493,322.00 and P03: Vocational Training Services which is a new programme by Kshs. 12.1M.
51. In the development budget the County Treasury proposes a decrease in the budget by Kshs. 75M from Kshs.172,729,112.00 to Kshs. 97,729,112.00 being a decrease in P01: General Administration, Planning and Support Services by Kshs. 75M.
52. The committee **recommends** that recurrent expenditure for the department be revised to Kshs. 637,379,693.00 and further recommends that development expenditure be revised to Kshs. 97,729,112.00.

## 2.10 Department of Lands, Housing, Urban Development and Energy

53. The department of Lands, Housing, Urban Development and Energy has an approved budget of Kshs 408,521,820.00 which constitutes of Kshs. 167,755,550.00 for development and Kshs. 240,766,270.00 for recurrent.
54. The County Treasury proposes to retain the total recurrent budget estimates for the department at Kshs 240,766,270.00.
55. In the development budget the County Treasury proposes to increase the budget by Kshs. 96,640,253.00 from Kshs. 167,755,550.00 to Kshs. 264,395,803.00 being an effect of increase in programmes: - P04: Mavoko Municipality by Kshs. 1,128,536.00, P05: Machakos Municipality by Kshs. 89,217,607.00 and P06: Tala-Kangundo Municipality by Kshs. 6,294,110.00.
56. The committee **recommends** that the recurrent expenditure for the department be retained to Kshs. 240,766,270.00 and further recommends that development expenditure be revised to Kshs. 264,395,803.00

## 2.11 Department of Gender, Youth, Sports and Social Welfare

57. Hon Speaker, the department of Gender, Youth, Sports and Social Welfare has an approved budget of Kshs. 317,294,772.00 which constitutes of Kshs. 192,655,003.00 on development and Kshs. 124,639,769.00 on recurrent expenditure.

58. The County Treasury proposes to increase the total recurrent budget estimates for the department by Kshs. 95M from Kshs. 124,639,769.00 to Kshs. 219,639,769.00 being an effect of increase in programs: - P01: Youth and Sports - Administrative Services by Kshs. 70M and P02: Gender and Social Welfare by Kshs. 25M.
59. The County Treasury proposes to increase the development budget by Kshs. 145M from Kshs. 192,655,003.00 to Kshs. 337,655,003.00 being an effect of increase in programs: - P02: Sports Management by Kshs. 75M and P03: Youth Empowerment by Kshs. 70M.
60. The committee **recommends** that recurrent expenditure for the department be revised to Kshs.124,639,769.00 and further **recommends** that development expenditure for the department be revised to Kshs. 337,655,003.00

## 2.12 Department of Water, Irrigation, Environment and Climate Change

61. The department of Water, Irrigation, Environment and Climate Change has an approved budget of Kshs. 852,588,120.00 which constituted of Kshs. 718,500,000.00 for development and Kshs. 134,088,120.00 for recurrent.
62. The County Treasury proposes that the total recurrent budget estimates for the department be increased by Kshs. 12,100,000.00 from Kshs.134,088,120.00 to Kshs. 146,188,120.00 being an effect of increase in programs: - P01: Water Resources Management by Kshs. 10M and P03: General Administrative and Support Services by Kshs. 2.1M.
63. Under development budget the Treasury proposes to increase by Kshs. 103,175,584.00 from Kshs. 718,500,000.00 to Kshs. 821,675,584.00 being an effect of an increase in P05: Climate change by Kshs. 103,175,584.00.
64. The committee **recommends** that recurrent expenditure in the department be increased to Kshs. 146,188,120.00 and development expenditure in the department be increased to Kshs. 821,675,584.00.

## 2.13 County Public Service Board

65. The County Public Service Board, has an approved budget of Kshs 58,013,709.00 which constituted of Kshs 20M on development and Kshs. 38,013,709.00 on recurrent.
66. The County Treasury proposes that the recurrent budget estimates for the Board be retained at Kshs. 38,013,709.00 and the development be decreased by Kshs. 17M from Kshs. 20M to Kshs. 3M being an effect of a decrease in P01; Human Resource and Administration by Kshs. 17M.

67. The Committee **recommends** that recurrent expenditure of the County Public Service Board be retained at Kshs. 38,013,709.00 and the Development be revised to Kshs.3M.

## **2.14 County Assembly**

68. The County Assembly has an approved budget of Kshs. 1,300,995,826.00 which constitutes of Kshs 292M for development and Kshs 1,008,995,826.00 for recurrent expenditure.

69. The County Treasury proposes to retain both the recurrent and development budgets estimates but with some realignment in the vote lines.

70. The committee **recommends** that the County Assembly development budget be retained at Kshs. 292M and the Recurrent budget at Kshs. 1,008,995,826.00.

## **3.0 EFFECTS OF THE SUPPLEMENTARY BUDGET**

71. Hon. Speaker, the overall effects of these proposed changes are a revision of the approved budget from Kshs. **14,747,002,447.00** to Kshs. **16,575,276,912.00**.

72. A further analysis shows that the recurrent expenditure will increase by Kshs. 1,015,809,550.00 while development expenditure will increase by Kshs. 812,464,915.00. This translates to recurrent expenditure of 64% and development expenditure of 36%. Compensation to employees stands at Kshs. 6,715,240,150.00 translating to 41% of the total revenue. This supplementary budget is therefore in compliance with fiscal responsibility principles set out under section 107(2) (b) of the PFM Act, 2012 except on compensation to employees which exceeds the 35% set threshold.

73. In accommodating the recommendations by the Budget and Appropriations Committee, the expenditure framework shall be Kshs. 5,971,180,845.00 (36%) development, Recurrent Kshs. 10,604,096,067.00 (64%) and Compensation to Employees shall be Kshs. 6,715,240,150.00 translating to 41% of the total revenue.

## **3.1 GENERAL COMMITTEES OBSERVATIONS**

74. In processing the Supplementary budget, the Committee made the following observations:

- a) The County Own Contribution for various donor funded programmes/projects which were not captured in the main budget have now being included in the Supplementary Budget.
- b) The proposed construction of silos total budget of Kshs. 50M has been reallocated.
- c) Provision for Kshs. 90M for establishment of the Machakos Youth Empowerment Centre.

- d) The Feeding programme budget Kshs. 75M has been moved from the development budget to recurrent budget which violates Section 154(b) of the PFM Act, 2012 and PFM Regulation, 2017 Section 47(d).
- e) Provision for compensation of employees exceeds the set legal limit of 35% and stands at 41%.
- f) Reallocations in some departments are more than the stipulated 10% in the Public Finance Management Regulations 39(9) which states that “in approving any estimates, under Section 135 and 154 the County Assembly approval shall not exceed 10% of the approved budget estimates of a program, of a sub vote unless it is for an unforeseen and unavoidable need.” For instance, in the following departments under development; Devolution; Gender, Youth, sports and Social welfare; Lands, Urban Development, Housing and Energy; Education and Health. Under recurrent expenditure Department of Finance, Economic Planning and Revenue Management; Health, Education, Devolution and Gender, Youth, Sports and Social Welfare. The law allows the County Assembly to approve a higher percentage in particular on special circumstance as stipulated under section 135 (7) of the PFM Act.
- g) The committee observed a major reduction in the development budgets for County Public Service Board by Kshs. 17M, department of Roads, Transport and Public Works by Kshs. 50M, Department of Health (Mwala Level 4 Hospital by Kshs. 10M, Kimiti Level 4 by Kshs. 6M, Masinga Level 4 by Kshs.6M, Athiriver Level 4 by Kshs.6M, Mutituni Level 4 by Kshs. 7M and Kalama Level 4 by Kshs. 6M).
- h) Reduction of the Emergency Fund budget by Kshs. 20M from Kshs. 90M to Kshs.70M, which translates to 1% against the recommended 2% of the total revenue.
- i) A provision for payment of tax arrears amounting to Kshs. 170,305,824.64.
- j) A provision for outstanding payments for the last FY 2022/2023 of Kshs. 223,421,286.65 and other current transfers (procured and not paid) of Kshs.103,565,923.00.
- k) Allocation of a recurrent budget in the Office of the Governor and CPSB exceeding the CARA set ceiling by Kshs. 10M.
- l) The budget for the purchase of fire fighting vehicles and equipment of Kshs.40.5M has been reallocated and Kshs. 20.5M provided for the same but under other capital transfers.
- m) A provision of Kshs.10M under other current transfers for SEKEB.
- n) An increase of Kshs.138,021,080.00 in the Department of Health and Kshs. 63,996,000.00 in the Department of Finance for basic salaries.
- o) A provision of Kshs. 10M for a Water Taskforce.

- p) Under the Department of Trade, industry, Tourism and Innovation, there is a provision of Kshs. 5M for other current transfers (Children Party).
- q) Major provisions for other current transfers and other operating expenses across all the departments.
- r) The Committee noted introduction of new programs which were not in the initial approved budget and creation/enhancement of current and capital transfers.

#### **4.0 SUBMISSION FROM CECM**

The committee invited the Officer from the CECM Department of Finance, Economic Planning and Revenue Management to respond on concerns raised during the interrogation of the 1<sup>st</sup> Supplementary Budget Estimates 2023-2024. The following were the submission;

- a) This reallocation was to cater for County own contribution to meet the conditions set by donor.
- b) The Chief Officer informed the committee that the project has been deferred and the Kshs. 50M was reallocation for purchase of certified seeds and fertilizer.
- c) The Chief Officer informed the Committee that the funds were allocation to cater youth empowerment through training, purchase of materials, equipment and rehabilitation facilities
- d) The feeding program budget of Kshs. 75 M which was moved from the development budget to recurrent budget was as a result of an advisory from OCOB.
- e) On the reallocation in some departments exceeding the stipulated 10% were as a result of unforeseen happening e.g El-nino rains.
- f) On the reduction of development budgets in some departments e.g CPSB, the Chief Officer responded that the funds were allocated to ICT for acquiring common user items and Reduction of development funds from Transport, Health departments amounting to Kshs 138,021,080 has been reallocated for construction of Machakos Hospital. Further plans for upgrading of Kangundo and Matuu to Level V are underway in order to decongest the Machakos Level V.
- g) On reduction of emergency fund, the Chief Officer responded adhered to the legal provision in Section 113 PFM Act 2012 which requires an institution to budget at least 2%.
- h) The Chief Officer provided documentary evidence on reallocation for payment of tax arrears amounting to Kshs. 170,305,824.64 and Outstanding payments for FY 2022/2023 of Kshs. 223,421,286.65 and other current transfers of Kshs. 103,565,923.00



- i) The Chief Officer also informed the Committee that the reallocation of Kshs 10M in the Office of the Governor is a non-ceiling item
- j) The Kshs 40.5 for purchase of firefighting vehicles and Equipment were removed and a new vote for capital transfer of Kshs. 20.5 created to cater for repair and maintenance of firefighting engines.
- k) In department of Health there was increase of Kshs. 138,021,080 for payment of basic salaries. This amount was to cater stipend for Community Health Promoter. In the Department finance an increase of Kshs. 63,996,000 was to cater for basic salaries for the new recruited revenue clerks. Members were concerned on the arrears for CHP which had not been allocated any funds and after consultation with the Chief Officer Finance, the committee has allocation Kshs. 67,500,000.00
- l) On the introduction of new programs e.g digital Economic (SME) under the department of Trade, and Public Communication under Finance were created to improve on efficiency and effectiveness.
- m) On compensation to CHP the Chief Officer stated that they are waiting for an advisory from COB so as to have a common provision countrywide.

## **5.0 COMMITTEE RECOMMENDATIONS**

75. Hon. Speaker, the committee recommends that;

- a) The Committee was not provided with year to date actual expenditure reviews and IFMIS vote book to ascertain the need for reallocations in the departments. The expenditure details/ column is ever missing in budgetary documents forwarded and never availed as required. The same provides details on spending and reason for reallocations to the committee. The committee lacks details to explain to this honorable assembly on how much the executive has spent to date. The committee recommends that the County Treasury adheres to Article 183 (3) of the Constitution of Kenya that provides that the County Executive Committee member shall provide the County Assembly with full and regular reports on matters relating to the County.
- b) The committee recommends that the procurement process for development projects be initiated early enough at the start of the financial year in order to achieve the desired development budget uptake and ensure completion of the earmarked projects before the financial year ends.

- c) The committee recommends that personnel emolument ratio for staff be reduced from the current 41% to 35% as required in the PFM Act, 2012. The County Treasurer needs to come with strategies of overcoming this violation.
- d) The Committee recommends that the County Treasury avoids reallocation which are more than 10% of the approved budget and in case of any unavoidable reason, authority be sought for such movements.
- e) The Committee further recommends that the PBB be resubmitted including all the missing information as per the budget circular.
- f) The Committee recommends priority be given to the on-going and stalled projects before initiating new ones.
- g) The County Treasury needs to provide a list of the items procured and not paid.

## **6.0 CONCLUSION**

76. Hon. Speaker, with the approval of the FY 2023/24 this 1<sup>st</sup> Supplementary budget the County should increase the absorption rate and avoid carrying forward balances that have been witnessed in the previous years.

## **7.0 ACKNOWLEDGEMENT**

77. Hon. Speaker, the Budget and Appropriations Committee acknowledges the Office of the Speaker and the Clerk of the County Assembly for facilitating the Committee to undertake this exercise.

78. I wish to express my appreciation to the Honorable Members of the Committee who sacrificed their time to participate in the meetings and in preparation of this report.

79. Hon. Speaker, it is therefore my privilege, on behalf of the Budget and Appropriations Committee to table the FY 2023/24 First Supplementary Budget before this Honorable House for consideration and approval.

Thank you, Hon. Speaker.

**SIGNED** \_\_\_\_\_ **DATED:** \_\_\_\_\_

**HON. DOMINIC NDAMBUKI (MCA KATHIANI CENTRAL WARD)**  
**CHAIRMAN BUDGET AND APPROPRIATION COMMITTEE**

