

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



**County Hall
Along Mwatu WA Ngoma Rd
P.O BOX 1168-90100
MACHAKOS**



Email: assemblymks@gmail.com

THIRD ASSEMBLY

THIRD SESSION

BUDGET AND APPROPRIATIONS COMMITTEE

**THE BUDGET AND APPROPRIATIONS COMMITTEE SEVENTH REPORT ON THE
SUPPLEMENTARY BUDGET ESTIMATES NO. 3 FOR THE FY 2023/2024**

JUNE, 2024

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MACHAKOS COUNTY SUPPLEMENTARY BUDGET NO. 3 FOR FY 2023/24

1.0 OVERVIEW

Hon. Speaker,

1. The 3rd Supplementary Budget for FY 2023/24 was tabled before the House on 18th June, 2024 and committed to the Budget and Appropriations 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 3rd supplementary budget for FY 2023/24, seeks to amend the FY 2023/24 Appropriation Act to 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 3rd supplementary budget estimates

6. The Committee notes that this Supplementary Budget has subjected the County Budget to; -
 - Decrease in Development budget by Kshs. 674,593,402.00
 - Retain Recurrent budget by Kshs 10,774,235,045.00 but with reallocations.

1.4 Adherence to legal provisions

7. 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 3rd Supplementary Budget for FY 2023/2024.
8. Particularly, in regard to format, content and structure of the documents, 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.

1.5 Key proposed changes

9. The key proposed changes in the supplementary budget 3 are: -

- i Decrease in OSR by Kshs. 674,593,402.00
- ii Decrease in development expenditure from Kshs. 5,708,812,578.00 to Kshs. 5,034,219,176.00

10. Under the development budget the major changes are coming from the following departments;

- a) Roads, Transport and Public Works decrease of Kshs. 12.9M
- b) Health decrease of Kshs. 128,199,173.00
- c) Finance, Economic Planning and Revenue Management – decrease by Kshs. 10M
- d) Gender, Youth, Sports and Social Welfare – decrease by Kshs. 110.2M
- e) Trade, Industry, Tourism and Innovation – decrease by Kshs. 200M
- f) Education – decrease by Kshs. 294,229.00
- g) County Assembly – decrease by Kshs. 213M.

1.6 Financing the 3rd Supplementary Budget Estimates FY 2023/2024

1. Own source Revenue

11. The County Government has reduced its own source revenue by Kshs. 674,593,402.00 from Kshs. 2,998,879,462.00 to Kshs. 2,324,286,060.00

2. Equitable share

12. 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 is Kshs. 11,003,296,347.00.

3. Conditional Grants

The conditional grants remain Kshs. 1,359,948,467.00.

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, the proposed expenditure for the County Government of Machakos reduces to Kshs. 15,808,454,221.00 consisting of: -
- a) Recurrent expenditure of Kshs.10,774,235,045.00 to cater for personnel emoluments of Kshs. 6,722,620,150.00, operations and maintenance expenses of Kshs. 3,935,628,847.00 and current transfers of Kshs. 115,986,048.00.
 - b) Development expenditure of Kshs. 5,034,219,176.00 constituting capital transfers/grants of Kshs.1,229,386,680.00 and acquisition of assets amounting to Kshs. 3,804,832,496.00, the effect being a decrease of Kshs. 674,593,402.00 from the approved budget estimates for FY 2023/2024. This translates to a development ratio of 31.82% while the personnel emolument ratio stands at 42.53%. 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

17. Hon Speaker, the Committee hereby highlights the 3rd Supplementary Budget proposals per department and recommends as follows:

2.1 Office of the Governor

18. The Office of the Governor has an approved budget of Kshs. 610,452,324.00 which constitutes of Kshs. 19,578,170.00 for development and Kshs. 590,874,154.00 for recurrent. The County Treasury proposes to retain the recurrent budget at Kshs. 590,874,154.00 but with reallocations within the office. Further, the County Treasury proposes to retain the Development Budget at Kshs. 19,578,170.00.
19. 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

20. 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. The County Treasury proposes to retain both the recurrent and development budgets.
21. 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

22. The Department of Trade, Industry, Tourism and Innovation has an approved budget of Kshs. 846,762,847.00 which constitutes of Kshs. 648,778,732 for development and Kshs. 197,984,115.00 for recurrent. The County Treasury proposes to reduce the development by Kshs. 200M to Kshs 448,778,732.00 and retain the recurrent budget as it is.
23. The committee **recommends** that recurrent expenditure in the department be set at Kshs. 197,984,115.00 and development expenditure at Kshs 448,778,732.00 as per the County Treasury's proposal.

2.4 Department of Finance, Economic Planning and Revenue Management

24. In the department of Finance, Economic Planning and Revenue Management the approved budget is Kshs. 2,070,284,960.00 constituting of Kshs. 729,804,553.00 for development and Kshs. 1,340,480,407.00 for recurrent.
25. The County Treasury proposes to retain the total recurrent budget estimates for the department at Kshs. 1,340,480,407.00. In the development budget, the County Treasury proposes to decrease the budget by Kshs. 10M from Kshs. 729,804,553.00 to Kshs. 719,804,553.00 being an effect of decrease in programs: P02: Budget Formulation Coordination and Implementation (Emergency Fund) by Kshs. 10M.
26. The committee **recommends** that the recurrent budget of the department be retained at Kshs. 1,340,480,407.00 and development budget reduced to Kshs. 719,804,553.00.

2.5 Department of Devolution

27. In the department of Devolution, the approved budget of the department is Kshs. 1,372,041,711.00 constituting of Kshs. 108,357,965.00 for development and Kshs. 1,263,683,746.00 for recurrent. The County Treasury proposes to retain both the recurrent and the development budgets as they are.
28. The committee **recommends** that the recurrent budget of the department be retained at Kshs. 1,263,683,746.00 and development budget at Kshs. 108,357,965.00.

2.6 Department of Agriculture, Food Security and Cooperative Development

29. The department of Agriculture, Food Security and Cooperative Development has an approved budget of Kshs.1,186,223,626.00 which constitutes of Kshs.796,150,814.00 for Development and Kshs. 390,072,812.00 for Recurrent. The County Treasury proposes to retain both the recurrent and development budgets as they are but with reallocations.

30. The committee **recommends** that recurrent expenditure in the department be retained at Kshs. 390,072,812.00 and the development expenditure at Kshs. 796,150,814.00.

2.7 Department of Health

31. The approved budget for the department of Health is Kshs. 5,310,183,576.00 constituting of development expenditure of Kshs. 964,802,809.00 and Kshs. 4,345,380,767.00 for recurrent. The County Treasury is proposing to retain the recurrent budget and reduce the development budget by Kshs. 128,119,173.00 to Kshs. 836,603,636.00.
32. The committee **recommends** that the recurrent expenditure of the department be retained at Kshs. 4,345,380,767.00 and reduce the development expenditure to Kshs 836,603,636.00.

2.8 Department of Roads, Transport and Public Works

33. The department of Roads, Transport and Public Works has an approved budget of Kshs. 829,720,962.00 which constitutes of Kshs. 578,231,765.00 for Development and Kshs. 251,489,197.00 for recurrent. The County Treasury proposes to retain the recurrent budget estimates for the department and reduce the development budget by Kshs 12.9M being an effect of reduction in program 003: County Government Buildings Services.
34. The committee **recommends** that the recurrent expenditure of the department be retained at Kshs. 251,489,197.00 and that the development expenditure be reduced to Kshs. 565,331,765.00

2.9 Department of Education

35. The Department of Education has an approved budget of Kshs. 786,590,549.00 which constitutes of Kshs. 122,729,112.00 on development and Kshs. 663,861,437.00 for recurrent expenditure. The County Treasury proposes to retain both the recurrent Kshs. 663,861,437.00 and reduce the development expenditure by Kshs. 294,229.00 to Kshs. 122,434,883.00 being an effect of decrease in program 003: Youth Development Services.
36. The committee **recommends** that recurrent expenditure for the department be retained at Kshs. 663,861,437.00 and further recommends that development expenditure be revised to Kshs. 122,434,883.00.

2.10 Department of Lands, Housing, Urban Development and Energy

37. The department of Lands, Housing, Urban Development and Energy has an approved budget of Kshs 505,162,073.00 which constitutes of Kshs. 264,395,803.00.00 for development and Kshs. 240,766,270.00 for recurrent. The County Treasury proposes to retain both the recurrent and development budget estimates for the department.

38. The committee **recommends** that the recurrent expenditure for the department be retained at Kshs. 240,766,270.00 and development expenditure at Kshs. 264,395,803.00.

2.11 Department of Gender, Youth, Sports and Social Welfare

39. Hon. Speaker, the department of Gender, Youth, Sports and Social Welfare has an approved budget of Kshs. 529,534,772.00 which constitutes of Kshs. 316,655,003.00 on development and Kshs. 212,879,769.00 on recurrent expenditure.

The County Treasury proposes to retain the recurrent budget estimates for the department at Kshs. 212,879,769.00 and reduce the development budget by Kshs. 110.2Million to Kshs. 206,455,003.00 being an effect of decreases in programme: P03- Youth Empowerment by Kshs.17.5M and P04; Gender and Social services by Kshs. 92.7M.

40. The committee **recommends** that recurrent expenditure for the department be retained at Kshs. 212,879,769.00 and further **recommends** that development expenditure for the department be revised to Kshs. 206,455,003.00.

2.12 Department of Water, Irrigation, Environment and Climate Change

41. The department of Water, Irrigation, Environment and Climate Change has an approved budget of Kshs. 1,001,215,972.00 which constituted of Kshs. 855,027,852.00 for development and Kshs. 146,188,120.00 for recurrent. The County Treasury proposes that the recurrent and Development budget estimates for the department be retained as proposed.

42. The committee **recommends** that recurrent expenditure in the department be retained at Kshs. 146,188,120.00 and development expenditure in the department be retained at Kshs. 855,027,852.00.

2.13 County Public Service Board

43. The County Public Service Board, has an approved budget of Kshs 41,013,709.00 which constitutes of Kshs 3M on development and Kshs. 38,013,709.00 on recurrent. The County Treasury proposes that the recurrent and development budget estimates for the Board be retained as proposed.

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

2.14 County Assembly

45. 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.

46. The committee **recommends** that the County Assembly development budget amounting to Kshs 213M be moved from the County Assembly development vote to the Executive. This was necessitated by County Assembly Service Board's failure to utilize the same. The County Assembly Service Board was only able to commit Kshs. 79M for development. Therefore, the County Assembly development budget be set at Kshs. 79M and retain the Recurrent budget at Kshs. 1,008,995,826.00 but with reallocations.

3.0 GENERAL COMMITTEES' OBSERVATIONS

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

- a) Provision for compensation of employees exceeds the set legal limit of 35% and stands at 42.53%.
- b) A reduction in the overall development budget amounting to Kshs. 674,593,402.00.
- c) All the Emergency Fund budget of Kshs. 10M has been reallocated.
- d) Reallocations of Wikwatyo Fund, Youth Fund and Table banking.
- e) That the County Assembly development budget amounting to Kshs 213M was moved from the County Assembly development vote to the Executive. This was occasioned by County Assembly Service Board's failure to utilize the same. The County Assembly Service Board was only able to commit Kshs. 79M for development out of the budgeted Kshs 292M.

4.0 SUBMISSION FROM CECM FINANCE

The committee met the CECM for Finance, Economic Planning and Revenue Management on 19th June, 2024 to respond on concerns raised during the interrogation of the 3rd Supplementary Budget Estimates 2023/2024. The following were his submissions;

- a) On reduction of emergency fund, the CECM responded that the Machakos County Disaster Management Plan was not in place and therefore need to reallocate the funds to other vote lines.
- b) On major reduction under development budget both on the Executive and the Assembly, the CECM informed the committee that this was necessitated by failure to achieve Own Source Revenue target.
- c) The reduction in the Health and Gender departments, the CECM informed members the projects were ongoing and there was no possibility of raising a payment certificate before the close of the year.

- d) On reallocations of the Wikwatyo Fund, Youth Fund and Table banking the CECM informed the committee that there were no regulations in place to operationalize the said funds.

5.0 COMMITTEE RECOMMENDATIONS

48. Hon. Speaker, the committee recommends that;

- a) 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.
- b) The committee recommends that personnel emolument ratio for staff be reduced from the current 42.53 % to 35% as required in the PFM Act, 2012. The County Treasurer needs to come with strategies of overcoming this violation.
- c) The County Assembly Service Board to give written explanation on the failure to utilize the development budget amounting to Kshs. 213M.

6.0 CONCLUSION

49. Hon. Speaker, with the approval of the 3rd Supplementary budget for FY 2023/24 the County, should increase the absorption rate and avoid carrying forward balances that have been witnessed in the previous years.

7.0 ACKNOWLEDGEMENT

50. 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.
51. 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.
52. Hon. Speaker, it is therefore my privilege, on behalf of the Budget and Appropriations Committee to table the 3rd Supplementary Budget for FY 2023/24 before this Honorable House for consideration and approval.

Thank you, Hon. Speaker.

SIGNED _____



DATED: 20-06-2024

HON. DOMINIC NDAMBUKI (MCA, KATHIANI CENTRAL WARD)

CHAIRMAN: BUDGET AND APPROPRIATIONS COMMITTEE



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County Hall
assemblymks@gmail.com
P O Box 1168 – 90100
MACHAKOS – KENYA
Third Assembly

Along Mwatu wa Ngoma Rd

Email:

**Adoption schedule for Report of the Budget and Appropriations Committee
on 3rd Supplementary budget estimates FY 2023/2024.**

The report was adopted by the following Members:

Date: 20th June, 2024

	COMMITTEE MEMBERSHIP	SIGNATURE
1.	Hon. Dominic Ndambuki –Chair	
2.	Hon. Justus Mutuku – Vice Chair	
3.	Hon. Judas Ndawa - Member	
4.	Hon. Phoebe Koki - “	PK
5.	Hon. Peter Kilonzo – “	
6.	Hon. Nicholas Nzioka – “	
7.	Hon. Stephen Mwanthi – “	
8.	Hon. Margaret Ndalana – “	
9.	Hon. Winfred Mutua – “	SW