

1. Introduction

Mr. Speaker Sir,

It is yet another auspicious occasion in the calendar of the county assembly and in the budget cycle that I am pleased to present to this august House, the Committee on Finance, Budget and Appropriations report on the annual budget estimates of the county government which includes the county assembly.

The annual budget estimates document is a key policy document which encapsulates the fiscal goals and strategies of the county government in financial terms over the course of a period of 12 months. The budget estimates were submitted to the county assembly as required by the law by April 30, 2018.

This year's budget estimates more than ever before were thoroughly scrutinized by the committee for their value and worth towards the realization of His Excellency the Governor's policy agenda and the aspirations of our people who are our constituents.

Let me take this opportunity to thank members who we patiently worked together in interrogating the budget estimates, the county executive committee who are charged with ensuring the same are in order, the county treasury who were our partners and gave much needed technical support and the County Assembly Service Board who also proved very supportive of the Committee and their explanations on the county assembly budget.

Mr. Speaker Sir, with those few remarks let me hereby present the findings, conclusions and recommendations of the Committee on the *Mombasa County Budget Estimates for the FY 2018/2019* for consideration and adoption by the Assembly.

2. Observations and Findings

Legal Framework

- 2.1 The budget process in county governments is clearly set out in article 220 and 224 of the Constitution of Kenya, 2010, the County Governments Act, 2012, sections 125 to 136 of the Public Finance Management Act, 2012, the Public Finance Management Regulations, 2015, standing orders 206 and 207 of the county assembly and regulations 25 and 56 of the Public Finance Management Regulations, 2015.
- 2.2 Section 131 of the Public Finance Management Act, 2012 and standing order 207 of the county assembly provide among other things, the framework and authority to the county assembly to interrogate the budget estimates and approve them with or without amendments after taking into account the views of the county executive

committee member for Finance and the public arising from recommendations of the relevant county assembly committee.

- 2.3 In preparing the budget estimates, the county government is required to prepare the county intergrated development plan and the county fiscal strategy paper among other documents. These documents provide the basis upon which the annual budget estimates will be anchored on. For example, the CIDP contains among other things the projects to be undertaken over the five year term while the county fiscal strategy paper annually provides the priorities and the departmental ceilings and the fiscal direction over the medium term. The ceilings in the county fiscal strategy paper unless amended by the county assembly must be adhered with by departments in preparation of the budget estimates.
- 2.4 Among the requirements for budgeting is the preparation of programme-based budgets, annual cash flow projections for of the county government for the next financial year and consideration and approval of an Appropriation Bill by the county assembly by June 30 of each year. This is preceded by the preparation and submission to the county assembly of an Annual Development Plan pursuant to section 126 of the Public Finance Management Act,2012. All these requirements were complied with.
- 2.5 Last but not least is the subjection of the budget to public participation. This is a principle contained in the constitution and various statutes including sections 87 to 92 and 115 of the County Governments Act,2012 and section 131(2) of the Public Finance Management Act,2012. This was conducted by both the county executive and the county assembly. The public participation report conducted by the county executive was submitted to the committee for consideration and is hereby annexed..
- 2.6 The county assembly published a notice in the papers for submission of memoranda on the budget estimates. Hon. Faith Mwendu of Kipevu Ward,Hon. Tobias Samba and his constituents of Tudor Ward and an organisation known as Scaling Up Nutrition did submit their memoranda which were considered by the Committee but could not be admitted on technical grounds. Hon. Faith Mwendu's letter purportedly sought to summarize submissions by her constituents on proposed development projects which they wanted included in the budget estimates to be financed. The Committee could not approve them due to the fact that they had not been included in the CIDP (2018-2022) and would overshoot departmental ceilings in the County Fiscal Strategy Paper 2018. Futhermore, the Committee was unsure if the views were the member's own or those of her constituents as no accompanying signatures or memoranda were attached as purported. On the purported memorandum from Scaling Up Nutrition organization it was rejected since it was not signed by anyone. The third memorandum was from Tudor Ward constituents under Hon. Tobias Samba. Similar to the earlier memorandum by Hon. Faith

Mwende, the proposed projects were not included in the CIDP (2018-2022) and CFSP – 2017 and would exceed departmental budgetary ceilings. Two of the proposed projects had already been included in the budget estimates.

Budget Estimates Review and Highlights

- 2.7 Under standing order 2017(3) and (4), after being laid, the budget estimates were deemed to have been committed to each sectoral committee to scrutinize, discuss and make recommendations to the Budget Committee on their respective departmental budgets. No reports were received from sectoral committees on the same.
- 2.8 In view of the failure by sectoral committees to submit recommendations on their departmental budgets, the Committee held multiple sittings with chief officers of all county executive departments, the County Public Service Board and the County Assembly Service Board. It sought documents and explanations on their respective budgets and justifications for the figures set. They were interrogated on achievements, absorption of funds and failures where any to complete projects as scheduled. They were also asked if their respective budgets were in compliance with the expenditure ceilings in the county fiscal strategy paper 2018, how they planned to collect more revenue among other things.
- 2.9 All departments were required to bring the following documents and failure to complete or bring the same resulted in them being sent back in compliance thereof:
- a. Departmental programme-based budgets.
 - b. Departmental cash-flow projections.
 - c. Departmental Annual Work plans.
 - d. Departmental Procurement plans.
 - e. Departmental Project Progress/Status reports.
 - f. Departmental Line budgets outlining all budget votes.
- 2.10 Briefly, the Mombasa County Government budget estimates for the FY 2018/2019 comprise of a total amount of **Kshs.13,591,771,891/=**, development expenditure being **Kshs.4,965,647,037/=** while recurrent expenditure being **Kshs.8,626.124,854/=**. Of the recurrent estimates, **Kshs.3,281,135,163/=** has been set aside for operating expenses while **Kshs.5,344,989,691/=** has been allocated for salaries and emoluments.
- 2.11 The burgeoning wage bill remains a challenge being at 39.3% of the total county government budget way above the 35% stipulated in the Public Finance Management Regulations 2015. However, this is partly occasioned by payments of emoluments and salary increments to health workers as a result of the collective bargaining agreement entered with their trade union nationwide. The county

government has taken some serious measures to control the wage bill by stopping overtime, reducing extraneous allowances by half, stopping new recruitments except for the Department of Health to staff the three new hospitals, the Department of Education to recruit nursery school teachers and Department of Lands to employ much beeded technical officers like valuers and quantity surveyors.

- 2.12 Coupled with an expansive wage bill is the problem of limited exchequer issues to finance the budget. In the current financial year since January very limited funds have been received from the National Treasury as our equitable share to enable us finance our operations and complete development projects.
- 2.13 Pending bills some dating to the defunct Mombasa Municipal Council stand at a whopping Kshs.4 billion and the register on the same is not constantly updated thus threatening the financial and fiscal stability of the county. The County Treasury needs to take firm measures to keep the same in check by seeking a special audit on the same and clearing genuine ones.
- 2.14 Local revenue collection suffered immeasurably during last year's general elections. The climate of uncertainty and subdued business environment was a set back to the county government's revenue collection efforts. The situation has improved in the last half of the financial year which ends in a few day's time though we do not expect to meet our targets.
- 2.15 Total projected revenue for FY 2018/2019 is **Kshs.13,591,771,891/=** split into **Kshs.8,226,800,000/=(60.5%)** for equitable share, **Kshs.3,935,278,542/=(29%)** for local revenue and **Kshs.1,429,693,349/=(10.5%)** for conditional grants. The county government also expects to receive **Kshs.216 million** from the Fuel Levy fund of the National Government to construct designated roads, **Kshs.53 million** under the Devolution Support programme, **Kshs.600 million** from donors to support water projects, **Kshs.39 million** for the Department of Education and **Kshs.30.6 million** to the Department of Agriculture.
- 2.16 In terms of development projects, these are numerous across all departments and all 30 wards notable being road construction and repair projects, building of sub-county offices, installation and maintenance of street lighting bulbs, purchase of fire-fighting vehicles among other which are annexed to this report. The Committee has ensured that all 30 wards have development projects earmarked for implementation during the financial year. We would like to commend the Departments like Trade, Tourism and Investments that are spearheading efforts to collect more revenue through new technologically savvy methods of netting more taxpayers. During the financial year, the Department is expected to bring in new previously untapped revenue streams and strengthening existing ones amounting to **Kshs.1.5 billion**.

- 2.17 In the county assembly, the Assembly will get a facelift through repairs of the building. Most importantly, members and staff will receive car and mortgage loans amounting to a total of Kshs.200 million during the financial year. We have enhanced elected members monthly office payments from **Kshs.110,000/=** to **Kshs.140,000/=** in recognition to the inflationary situation. **Kshs.90,000/=** will be for operational expenses while **Kshs.50,000/=** will go towards remuneration of three staff to each member to be employed on contract by the county assembly service board. In addition we have budgeted for nominated members' two employees each one being a personal assistant and a driver as approved by the Salaries and Remuneration Commission.
- 2.18 Finally, the County Treasury should ensure the due and proper implantation of the budget estimates reviewed and ensure linkage is maintained between the planning documents such as CIDP,ADP,CFSP between them and the budget estimates and revenue collection is enhanced to finance expenditure in the financial year.

3. Conclusions

That having considered and interrogated the *Mombasa County Budget Estimates for FY 2018/2019* the Committee accepts the same with necessary amendments as highlighted appropriately in this report and therefore at its meeting held on Tuesday, 26th June 2018 pursuant to standing order 207((5) resolved to recommend the same to the county assembly for approval.

4. Recommendations

- 4.1 That this Honourable House approves the *Mombasa County Budget Estimates for the FY 2018/2019 with amendments*.
- 4.2 Mr.Speaker Sir, I beg to move that the honourable members of this Assembly do adopt this report.

Signed:

Hon. Mohamed Hatimy

Chairman – Committee on Finance, Budget and Appropriations

Dated this Tuesday, 26th of June 2018