COUNTY ASSEMBLY OF BOMET

BUDGET OFFICE

ANALYSIS REPORT

ON THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER, 2025

Disclaimer

The County Assembly Budget Office (CABO) is a non-partisan professional office of the County Assembly of Bomet. The primary function of the office is to provide professional advice and objective analysis in respect to budget and finance.

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1 INTRODUCTION

1.1 County Assembly Budget Office

The County Assembly Budget Office (CABO) is an independent non-partisan office that provides an analytical support to the legislature to help inform their decisions when examining the budget and other policy proposals submitted to Assembly by the Executive. This role can include participation in drafting, approval, implementation and scrutiny of the County Budget. There is a significant potential for CABO's units to assist members of the County Assembly in understanding the budget processes, the broad fiscal challenges facing county government, expenditure control and budgetary trade-offs that affect present and future spending.

The office provides broad spectrum of professional technical support on matters relating to Public Financial Management (PFM) and financial oversight to members of the County Assembly, Sectoral committees and select committees.

1.2 Brief overview of the County Budget Review and Outlook Paper (CBROP)

The law requires County Treasury to prepare and submit CBROP to the county executive committee for approval by **30th September.** The law further requires the County Treasury to make arrangements for it to be laid before the County Assembly by **21st October** each year.

C-BROP should outline:

- Actual fiscal performance in the previous year compared to the budget appropriation for that year.
- Updated economic and financial forecasts from the recent County Fiscal Strategy Paper;
- Provide indicative available resources (i.e. ceilings) to fund CG priorities-in consultation with CRA and the National Treasury;

1.3 Legal Framework

Section 118 of the PFM Act, 2012 states as follows;

(1) A County Treasury shall —

(a) prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and

(b) submit the paper to the County Executive Committee by the 30th September of that year.

(2) In preparing its county Budget Review and Outlook Paper, the County Treasury shall specify—

(a) the details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;

(b) the updated economic and financial forecasts with sufficient information to show changes from the forecasts in the most recent County Fiscal Strategy Paper;

(c) information on—

(i) any changes in the forecasts compared with the County Fiscal Strategy Paper; or

(ii) how actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that financial year; and

(d) reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.

(3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.

(4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall—

(a) arrange for the Paper to be laid before the County Assembly; and

(b) as soon as practicable after having done so, publish and publicise the Paper.

2 LEGAL COMPLIANCE OF THE DOCUMENT

The following is an assessment of the extent to which the document complies with the provisions of the law;

Item	% Level of Compliance	Comment
Timely submission	0 out of 5	The Assembly received on 29th November,2024 clearly outside the legal deadline of 21st October 2024 according to PFM Act 118 (4)
Publication and publicization	4 out of 5	The County Treasury publicised the document on the official website by the time of compiling this report and therefore it is available to the general public.
Detailed comparison of actual fiscal performance and Budget estimates	5 out of 5	The information has been clearly outlined in **table 5**.
Information on changes in forecast with respect to County Fiscal Strategy Paper and reasons for deviations	3 out of 5	Information provided. However, explanations provided do not accurately compare the performance of the two subsequent FYs. Arguments are largely defensive.
Information on the effects of actual performance on compliance to Fiscal Responsibility Principles	2 out of 5	Information provided argues on improvement of allocations rather than the effects of actual performance or underperformance. Focus should be on the amount utilized at the end of FY. Whereas 28% were allocated for development expenditure, which is below the minimum 30% requirement set out in the PFM Act 2012. Same case is observed in the wages and salaries which exceeded the 35% threshold as it was pegged at 49% Therefore the objective of the principle was not met.
Total Level of Compliance	**14 out of 25 (56%)**	

Analysis of the above table reveals that the County Treasury needs to observe legal deadlines and enhance publicity of the document. County Treasury should also focus its explanation to the actuals rather than planned estimates. The document should also outline the effects of unmet objectives on actual compliance to fiscal responsibility principles.

3 DETAILED ANALYSIS OF THE DOCUMENT

S/ No	Item	Issue	Remarks
3.1	**Analysis of the Total and County Own Revenue (Table 1&2)**		
	Balances B/F	Balances b/f **137,096** for FY 2023/2024 was significantly low against a projected budgeted figure of **Ksh.640,875,126**, it therefore means the over projection in excess of **ksh.640,738,030** which likely to have led to increased pending bill	The over projection of the b/f to an extent inflated the subsequent budget. The figure be merely for balancing the budget deficit. The CECM Finance should give out he correct figure and explain measures that the County government has taken to address the issue and avoid reoccurrence
	Property rates, market dues, kiosk Cess collections, Market & Slaughter Fees, vet services, Group registration fee, Tractor services,	In comparison with the actuals for FY 2022/2023, revenues from these sources unexpectedly significantly deep with Raphael Kittur tea farm not paying any fee, Kipsigis Highlands dropped by 88%, market dues by 36% and Kiosks cess by 22 %	The CECM Finance should provide explanation of the deep in revenue and measures taken to address the issue.
	Property rates, Market dues & Slaughter fees, Parking charges, liquor	Each of this revenue source missed its target	The CECM Finance should provide an explanation.

	licence, liquor application fee, produce cess, quarry cess and Embomos Tea farm		
3.2	**Analysis of Exchequer Releases (Table 3)**		
	Equitable share revenue	92% of the equitable share revenue was received out of the expected budgeted amount of KES 6.9 billion, only KES 6.4 billion were received.	The CECM Finance should shed more light on the issue.
	Conditional allocations to County governments from loans and grants from development partners	The actual amount received was KES 792 M which was higher than the budgeted amount of KES 570M	The CECM finance, ICT and Economic planning should give out a disaggregated information detailing each conditional allocation and absorption separately as opposed to a lumped figure.
3.3	**Analysis of General Expenditure Performance (Table 4)**		
	Salaries and Wages	Actual expenditure for salaries stood at KES 3.6 billion. There was a variance of KES 600,571,598 of unutilized funds.	The unutilized funds of **KES 600,571,598** are quite big. Ideally, salaries and wages should be predictable and absolute and therefore, the deviation should be negligible. The CECFM should shade light on this anomaly. Also, the salaries and wages accounted for 49% of the total expenditure which is way above the recommended ceiling of 35% of the total revenue according the PFM Act. The CECM for Finance, ICT and Economic planning should put in place measure to address the wage bill issue and keep the wage bill within the recommended threshold.
	Development Expenditure	Funds meant for development expenditure were not	The committee needs to engage the CECM Finance and other County Leaders generally in a round table

		fully utilized. 79% of the funds were utilized. This resulted in missed opportunities for key service delivery.	discussion on how to curb the issue going forward. On the allocation for the development, it falls below the recommended amount of at least 30% of the total budget. It was at 28% of the total budget and again the allocation could not be fully utilised as only 79% of it was absorbed. It means a lot of opportunity cost were lost which translates to deny development to the people of Bomet County. It behoves the CECM for Finance, ICT and Economic planning to ensure they develop a balanced budget.
	Operation and Maintenance	Operation and maintenance had the highest deviation from the planned performance with a deviation of 0.545 billion. Only 77.8 % of the budget was absorbed	The CECFM attributes the unutilized funds to delay in disbursement of equitable share from the national treasury and lengthy procurement process
3.4	**Analysis of Departmental Expenditure Performance (Table 5)**		
	County Executives	9.03% of allocations to O&M were unspent at the close of the FY	Details of non-absorbed funds should be obtained and reviewed by the relevant committee so as to inform future funding
	Administration	24.6% of development allocation were unutilized	Relevant committee to establish the reasons for under absorption/undue performance
	ICT	10.08% and 53.6% of development and operation and maintenance allocations respectively were unspent	Relevant committee to establish the reasons for under absorption/undue performance
	Finance	4.5% of the operation and maintenance allocation were unspent	Relevant committee to establish the reasons for under absorption/undue performance

	Economic Planning	28.9% and 2.52% of the allocations for development and operations and Maintenance respectively were unspent	Relevant committee to establish the reasons for under absorption
	Lands and Urban Planning	70% ,44.96% and 17.55% of the allocations for personal emoluments, operations and Maintenance and development respectively were unspent	Relevant committee to establish the reasons for under absorption
	Agriculture, Livestock and Cooperatives	32.20% and 72.97% of the allocations for development and operation and maintenance were unspent	Relevant committee to establish the reasons for under absorption
	Medical Services and public health	39.60% of the allocations for development were unspent	The committee on Health and Sanitation should urgently take up the matter to establish and address underlying reasons for under absorption and underperformance
	Water, Sanitation and Environment	14.85% of the allocations for development were unspent	Relevant committee to establish the reasons for under absorption
	Education and Vocational Training	20.81% of the allocations for development were unspent	The issue should be addressed by the relevant Committee
	Roads, Public Works and Transport	7.69% of the allocations for development were unspent.	Relevant committee to establish the reasons for under absorption
	Trade, Energy, Tourism and Industry	69.23% of the allocations for development were unspent.	Relevant committee to establish the reasons for under absorption

	Cooperatives and Enterprise Development	20.47% of the allocation for development were not utilised.	Relevant committee to establish the reasons for under absorption
	County Assembly	The document indicates that the County Assembly overspend for its PE by 5.40% and 3.38% the allocations for personnel emoluments and development respectively.	The Committee on Budget and Appropriation should also establish and address underlying issues relating to over absorption of P.E and development funds. They should ensure that there is a fiscal discipline.

Source: *CBROP 2024*

4 COMPARISON OF THE CBROP WITH THE CONTROLLER OF BUDGET REPORT FOR FY 2023/24

Table 3.8: Bomet County, Revenue Performance in the FY 2023/24

S/No.	Revenue Category	Annual Budget Allocation (Kshs)	Actual Receipts (Kshs.)	Actual Receipts as Percentage of Annual Budget Allocation (%)
A	**Equitable Share of Revenue Raised Nationally**	6,977,924,070.00	6,419,690,145.00	92.0
	Subtotal	**6,977,924,070.00**	**6,419,690,145.00**	**92.0**
B	**Additional Allocations/Conditional Grants**			
	KDSP (Level 1) B/F-Recurrent	3,622,576.00	-	-
	KDSP (Level 2 Grant) B/F-Development	28,000,000.00	-	-
	WASH - Health & Water - Dig Deep Africa (DDA)	41,552,260.00	1,108,205.00	2.7
	Nutritional International	22,884,446.00	10,498,200.00	45.9
	IDA Kenya/Climate Change Resilience Invest (CCRI)	136,000,000.00	193,583,212.00	142.3
	IDA (World Bank) Credit (Financing Locally – Led Climate Action (FLLoCA) Program County Climate Institutional Support (CCIS) Grant	11,000,000.00	11,000,000.00	100.0
	IDA (World Bank) Credit Agricultural Value Chain Development Project (NAVCDP)	327,200,000.00	199,379,687.00	60.9
	Sweden - Agricultural Sector Development Support Programme (ASDSP)	-	2,716,655.00	-
	Subtotal	**570,259,282.00**	**418,285,959.00**	**73.4**
C	**Own Source Revenue**			
	Ordinary Own Source Revenue	187,592,587.00	158,317,549.00	84.4
	Facility Improvement Fund (FIF)	144,449,243.00	80,612,871.00	55.8
Subtotal		**332,041,830.00**	**238,930,420.00**	**72.0**
D	**Other Sources of Revenue**			
	Unspent balance from FY 2022/23	640,875,126.00	640,875,126.00	100.0
	Sub total	**640,875,126.00**	**640,875,126.00**	**100.0**
Grand Total		**8,521,100,308.00**	**7,717,781,650.00**	**90.6**

Source: Controller of Budget report

A comparison between the two documents reveals glaring inconsistencies reporting the same happenings of the FY 2023/2024. The reports from the CECFM and OCOB are reading from the different scripts;

In the balances b/f the controller of budget reported that **KES 640,875,126** as budgeted and the actual received was the same amount of **KES 640,875,126,** they reported a 100% of the amount received**.** However, the CECMF reported the same budgeted figure but the actual reported was **KES 137,096, a** deviation of **KES 640,738,030.** The big question is, which is the right figure? The CECFM should clarify.

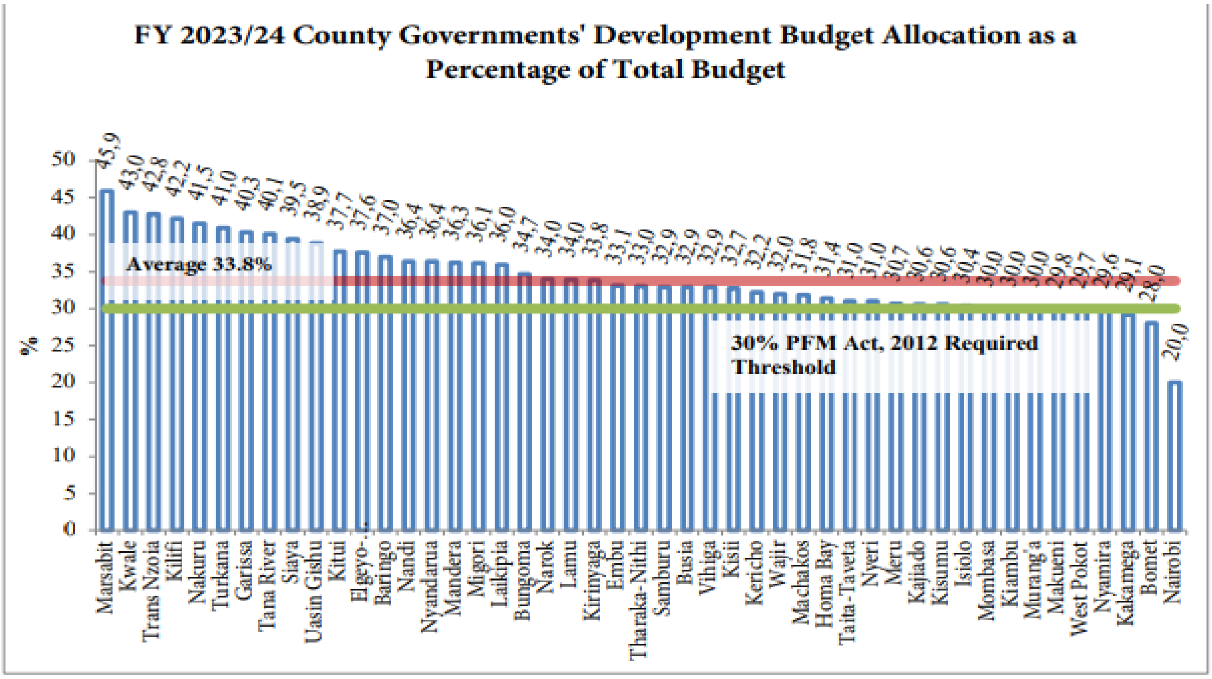
The controller of Budget has disaggregated the amount for the conditional allocations to County Governments from Loans and Grants from development partners as opposed to the lumped figure reported by CECFM.

Again, the actual amount reported by the CECFM for the conditional allocations to County Governments from loans and grants shows a variance of **KES 221,772,139,** whereas the Controller of budget reported **KES 418,285,959** as actual received the CECFM reported **KES 792,031,421** as the actual amount received.

5 FISCAL PERFORMANCE FOR FY 2023/2024 IN RELATION FISCAL RESPONSIBILITY PRINCIPLES AND FINANCIAL OBJECTIVES

The wages and salary accounted for 49.2% of the total actually expenditure. Clearly, this is above the fiscal responsibility set by PFM ACT which stipulates that it should not exceed 35% of the total budget. This had led to increased wage bill and subsequently this has had profound effect in development funds allocation. The CECFM reported that the County Government has put in place measures to have salaries and wages fall within the recommended ratio of 35% so as to free additional resources towards development spending. However, she failed to enumerate those measures that have been put in place.

In the same vein the allocation for the development fell below the recommended figure of at least 30% of the total budget. It was gotten wrong from the beginning since during the budget estimate 28% were allocated for the development of which 71% were absorbed. According to the Controller of budget reports the allocation, it puts Bomet County as the last County in the allocation of resources for the development.



Source: controller of budget

Revenue collection has been under-performing way below the potential that the County government should be collecting. Also, the CECMF has been over projecting unrealistic revenues collection which has been an impediment since the projections budgeted for but they are not realized leading the accumulation of the pending bill. A case example of FY 2023/2024 under review, there was a projection of KES 456 M but a paltry KES 238 M was realized, clearly a far cry from the projected amount.

The CECFM is alive to the challenges and has proposed the following measures:

i. Full automation of revenue collection
ii. Mapping of all revenue streams
iii. Capacity –building of revenue collectors
iv. Decentralization of all revenue streams;

Clearly, the CECFM is aware of the challenges bedeviling revenue collection and has a proposed a raft of solution to enhance its collection. The same measures had been recommended by the Budget and appropriation committee. However, no tangible and practical intervention has been put in place to address these shortcomings that has continued to make revenue as just a mirage and far from reach. This is akin to shooting oneself in the leg, the CECFM knows what's ailing the sector but choose to do nothing about Using the controller of budget reports as hindsight, the performance of the top stream of the own source revenue for the FY 2023/2024 is follows;

Stream	**Amount**	**Percentage**
Vehicle parking fees	9,421,849	4%
Cess	4,044,249	1%
Business permits	26,041,463	11%
Health/Hospital fees/FIF	80,612,871	34%
Property Income	100,210,980	42%
Other sources	18,599,008	8%
Total	238,930,420	

Source: Controller of Budget

Property income is the largest contributor to revenue streams contributing to 42%. However, there is a huge potential which if tapped can bring about a paradigm shift. Here lies a major solution. This can be realized by actualizing the valuation roll which has been pending for some years now. The aim of the valuation roll is to enable the county government to optimize its revenue through documenting all parcels of land that are ratable whereby the owners are supposed to pay land tax. The existing valuation roll was done long time ago that means most of the property are outside the fold and not paying taxes leading to under collection of revenue as many of the property owners are outside the tax contributing bracket.

Despite substantial budgetary allocation for the preparation of valuation roll, no report has been submitted to the County assembly pursuant to the provisions for the valuation for rating Act CAP 266, section 9(2) laws of Kenya which provides that a draft valuation roll should be laid before a meeting of the assembly.

5.1 Analysis of Budgetary Allocations for Preparation of Bomet County Valuation Roll

FACTSHEET			
FY	**Approved Budget Estimates (KES)**	**Approved Supplementary B. E (KES)**	**Proposed allocation in ADP (KES)**
2018/2019	2,000,000	22,497,100	3,000,000
2019/2020	15,497,100	2,369,000	-
2020/2021	950,151	950,151	1,000,000
2021/2022	1,400,000	882,000	-
2022/2023	5,000,000	-	-
2023/2024	7,000,000	-	-
2024/2025	2,000,000	-	-
Total	**33,847,251**	**26,698,251**	

From the table above, clearly for the FYs under review the allocation has been to tune of **KES 33,847,251** towards the preparation of valuation roll. Really huge allocations but nothing to write home about as there is no draft report that has been tabled in the County Assembly.

Loose ends need to be tied in collection of vehicle parking fees, cess and market fees as there is a lot of pilferages and leakages. The situation is exacerbated by uncompensated revenue staff running to several months.

Automation and mode of collection needs to be enhanced, revenues are collected but not remitted because the process is still manual. The weak administrative system, weak administrative capacities and insufficient enforcement mechanism often leads to uncollected revenue. The adoption of technology can significantly enhance revenue collection efficiency, improve transparency, streamline payment processes and minimize corruption.

The CECFM should look for a solution to sort out the issue of revenue officers to motivate them to carry out their mandate. The unresolved labour disputes of the revenue officers has continued to impact negatively on revenue collection.

6 COUNTY DEBT MANAGEMENT

The County Government of Bomet during the **FY 2023/2024** pending bills stood at **13%** of the total budget under review totaling to **KES 1,021,785,351,** comprising of

KES 372 M in the department of Roads, Public works and Transport, followed by department of Lands, Housing, Urban and Municipalities accounted for **KES 140,951,198** and department of Medical Services and Public Health at **KES 107,918,603**. This is huge amounts and continue to negate the budget executions.

According to the controller of Budget reports, In FY 2023/24, the County settled pending bills amounting to **Kshs.449.16 million**, which consisted of Kshs.68.23 million for recurrent expenditure and Kshs.380.93 million for development programmes. Therefore, as of the end of FY 2023/24, the outstanding amount was **Kshs.448.77 million**.

The County Assembly did not report any outstanding pending bills as of 30th June 2024.

The pending bills menace portrays county government existential threat as imprudent in managing public funds, despite the existence of legal frameworks governing public finance management.

Persistent gaps hindering effective implementation of existing public finance management policies that will eliminate pending bills include lack of proactive enforcement mechanisms, incongruence between adherence to the procurement cycle and timely disbursement of funds, and largely due to unrealistic revenue targets which impedes counties from adequately financing their projected budgetary responsibilities which has subsequently led to postponements in processing and paying bills, worsening the pending bills criteria.

The extent to which the County Government manage pending bills severely affects their ability to timely deliver on the pledges and priorities in specific County budgets. The CECMF should address the already identified existing gaps for socioeconomic prosperity of the County.

7 CONCLUSION AND RECOMMENDATION

The County Budget Review and Outlook Paper (CBROP) for FY 2023/2024 under review provides critical insights into the financial performance and fiscal discipline of the County Government of Bomet. The document reveals several challenges related to revenue collection, expenditure performance, and the management of the County's wage bill. These issues need to be addressed for improved fiscal responsibility and effective service delivery to the citizens of Bomet.

Key Conclusion Points:

1. **Legal Compliance:** The County Treasury has not fully complied with legal deadlines for submitting the CBROP to the County Assembly, and the explanations provided on fiscal performance lack detailed comparisons with previous financial years. This limits the document's usefulness in evaluating fiscal performance and making informed decisions. The non-compliance with the Public Finance Management (PFM) Act provisions on budget execution and reporting is a critical area that needs to be addressed.
2. **Revenue Performance:** There has been significant underperformance in revenue collection, particularly from key streams such as property rates, market dues, and business permits. The overestimation of revenue projections has led to the accumulation of pending bills. The proposed solutions, including full automation of revenue collection and capacity-building of revenue collectors, should be implemented without delay to address these persistent challenges.
3. **Expenditure and Wage Bill:** The County's expenditure has shown deviations from the planned budget, particularly in wages and development spending. The wages and salary bill, which accounted for 49.2% of total expenditure, exceeds the 35% threshold set by the PFM Act. This has constrained funding for essential development projects. Development expenditure allocation is also below the recommended 30% of the total budget, with only 25.2% allocated. There is a need for immediate corrective measures to manage the wage bill and ensure balanced development funding.

4. **Pending Bills:** The County's pending bills remain a significant concern, accounting for 13% of the total budget, which further hinders timely execution of development projects. The County Treasury and relevant departments must strengthen procurement processes, ensure timely disbursement of funds, and implement stricter controls on revenue collection to prevent the accumulation of future pending bills.

Recommendation

Engage Relevant Committees: Sectoral committees should urgently engage with the County Executive Committee Members (CECMs) responsible for Finance, ICT, and Economic Planning to seek clarifications on the discrepancies and underperformance highlighted in the CBROP. Specific focus should be on:

- Addressing the wage bill, which exceeds the recommended 35% ceiling.
- Reviewing the measures proposed for revenue enhancement and ensuring they are effectively implemented.
- Investigating the reasons for underutilized development funds and exploring ways to improve absorption rates.

2. **Detailed Review of Departmental Performance:** Committees should scrutinize the departmental expenditure performance in detail, particularly the reasons for under absorption of allocated funds, especially in key departments such as Roads, Agriculture, and Health. Actionable recommendations should be made to improve fund absorption and align spending with service delivery needs.

3. **Preparation for the County Fiscal Strategy Paper (CFSP):** The Budget and Appropriations Committee (BAC) should begin reviewing the attached annexes, focusing on provisional departmental expenditure ceilings. The review should ensure that the County Fiscal Strategy Paper, which is expected to be submitted to the County Assembly by 28th February 2025, aligns with both the fiscal responsibility principles and the County's development priorities.

4. **Debt Management and Pending Bills:** The County Government must take immediate steps to address pending bills and improve its debt management practices. A clear roadmap for clearing existing pending bills and managing new liabilities should be developed, with timelines for settlement. The CECM for Finance should report regularly on the status of pending bills and take corrective measures to prevent a recurrence.
5. **Implementation of Revenue Collection Reforms:** The proposed automation and decentralization of revenue collection must be fast-tracked to eliminate the leakages and inefficiencies identified in the CBROP. A detailed action plan with timelines and responsibilities should be developed, and the County Treasury should report on progress in implementing these reforms.

In summary, the CBROP highlights significant gaps in both revenue generation and expenditure management that require urgent attention. By focusing on corrective actions across revenue collection, expenditure control, and debt management, Bomet County can strengthen its fiscal position and ensure better service delivery to its residents.