



COUNTY GOVERNMENT OF KIRINYAGA

2ndQuarter Report

FY 2015/2016

(October – December 2015)

January 2016

County Treasury
Kirinyaga County
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EXECUTIVE SUMMARY:

This is the budget implementation review report for the Second Quarter of the Financial Year 2015/16 and reviews the period of budget execution between October and December of the specific FY. It provides the status of the County Budget implementation, by analyzing the revenue received and collected by the County Government and the expenditure against budgeted estimates. Expenditure analysis is based on the actual expenses reported during the period against the budget which is mainly recurrent for this period.

During the period of the Financial Year under review, the County Government prepared the Supplementary budget which slightly altered the budget, allocating the recurrent estimate a sum of Kshs 3,266,192,608 while the Development allocation stood at Kshs 1,511,300,101. The supplementary budget totals to Kshs. 4,777,492,709 which is inclusive of the envisioned Kshs 500 Million to be sourced locally in **County Local Revenue**.

During the period under review, total revenue collected amounted to Kshs 53.019Million against a target of Kshs 102.5 million. This collection represents 51.7% of the revenue target for the quarter. Under a similar period in 2014/15 FY, total revenue collected amounted to Kshs 63.44Million. By comparison of similar period, FY 2015/16 has witnessed a shortfall in collection by 16.4% while on Quarter to Quarter comparison, this quarter (Q2) realized a negative variance of Kshs 12.089 Million from the quarter ending September (Q1) which had revenue collections amounting to Kshs 65.108 Million.

The Quarter under review has witnessed a short fall of 51.7% .This Shortfall has been incurred owing to: (1) reduced Market Gate fees (MG) due to the on-going construction and refurbishment of Kagio Market, the major source of the MG fee, and (2) the changing of the calendar that regulates collection of Alcohol licensing Revenue. The County however, envisions to recover this shortfall (especially from the Liquor licensing) within the third quarter by deploying the below listed measures.

In the Spirit of improving local revenue collection, the County Government has undertaken several measures which include: Installation of automated revenue collection system (which is on-going), Employment of forty Additional Enforcement Officers and provision of Technical Assistance, by the recently recruited ICT officers, to the Automated Revenue System. In addition

to these measures, the county is also enhancing revenue collection by: setting up teams to follow up on Rates and Rents, Introducing Spikes/Barriers to enforce Cess collection, Zoning towns/Urban centers into Major urban towns, Medium Urban Centers and Other centers in the Finance Bill and introducing equitable charges and fees for services offered in those Zones/centers, as well as bringing onboard a legislation that allows introduction of street parking charges in all the major urban centers in the county unlike in the past where street parking was only charged in Kerugoya.

Further, the county is determined to ensuring that all revenues are declared and deposited in the designated collection accounts and swept regularly to the County Revenue Fund Account. The county Government is capturing transactions into the IFMIS on a day to day operations to ensure that the County comply with the legal provisions that require that financial transactions are implemented through the system prescribed by the National Treasury as stipulated in Section 12(e) of the PFM Act, 2012 for transparent and standard financial reporting. Finally, the County Government endeavors to comply with all directions/circulars issued by relevant constitutional offices for prudent and responsible use of public resources as articulated in Article 201 of the Constitution of Kenya, 2010.

1.0 INTRODUCTION:

The preparation of this report is based on the requirement of section 166 (4) of the Public Finance Management Act 2012. The act requires that, not later than one month after the end of each quarter, the County Treasury shall—

- (a) Consolidate the quarterly reports and submit them to the county assembly;
- (b) Deliver copies to the Controller of Budget, National Treasury and the Commission on Revenue Allocation; and
- (c) Publish and publicize them.

The consolidated quarterly reports are derived from quarterly reports prepared by various accounting officers in various county departments. This second quarter report covers period from October to December 2015.

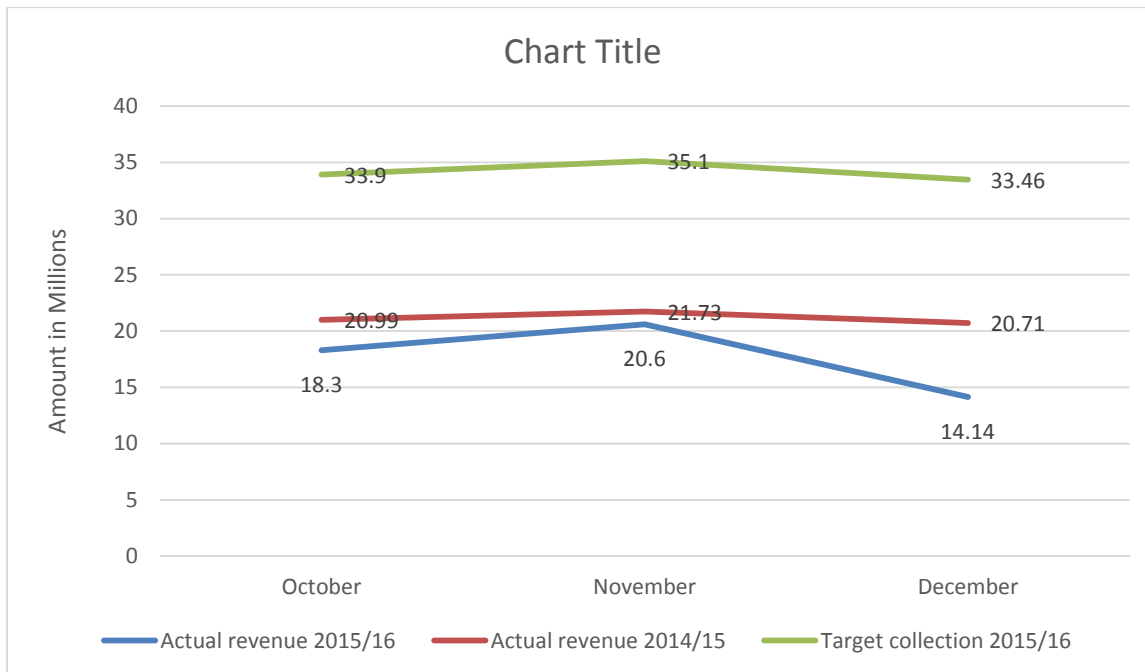
This report is divided into two sections, with the first section being based on Revenue inflows, with only local revenue collection being included while section two is based on expenditure review of the spending patterns of the County Government of Kirinyaga, as disaggregated by departments.

2.0 REVENUE ANALYSIS

Revenue collected in Q2 of the 2015/16 FY amounted to Kshs 53,019,014 against a target of Kshs 102,475,043. This collection accounts for 52.74% of the envisioned target hence a deviation of 48.26% from the target..

To trace growth in local revenue collection without bias, it is paramount that comparison be done on similar period’s basis rather than on Quarter to Quarter basis since different quarters are bundled with different revenue collection related activities.

The similar period to one under review, in 2014/15 FY, recorded a collection of Kshs 63,440,233 against a target of Kshs. 75,820,808 which accounted for 83.67% while this year lags slightly behind with the collection representing 52.74%. Measures to close this gap are already in place as earlier addressed and recovery of the quarters’ shortfall expected to be realized within the third quarter.



1.1 Overall revenue for second quarter 2014/2015 and 2015/16 FY against 2015/16 target.

Inception of County Governments came with a fair share of teething problems. In revenue collection, the department maintained its former revenue collection system and sort to gradually change the system to one that best suits the Devolved Government. The analysis of local revenue continued to be done in terms of: (1) Revenue from devolved units and (2) Revenue from Former local authorities. However, the County Revenue Department has now evolved and currently links revenue sources to their specialized department e.g linking Single Business Permit to Trade department, for easy traceability and accountability. This new system of collecting revenue also ensures informed decision making since the relevant department advices the revenue collection department accordingly.

2.1 Classification of Revenue by departments.

FY 2015/16 REVENUE COLLECTION PROGRESS REPORT				
	OCTOBER	NOVEMBER	DECEMBER	TOTAL
LANDS, PHYSICAL PLANNING AND URBAN DEVELOPMENT	2,172,943.00	2,334,039.00	2,513,004.00	7,019,986.00
Land rates current year	338,181.00	337,040.00	568,681.00	1,243,902.00
Land rates penalties	90,239.00	97,007.00	240,688.00	427,934.00
Land rate other years	52,821.00	58,688.00	145,727.00	257,236.00
other property charges	4,720.00	2,300.00	27,800.00	34,820.00
ground rent current year	198,686.00	110,056.00	253,267.00	562,009.00
ground rent -other years	111,057.00	68,509.00	27,643.00	207,209.00
land subdivision	160,200.00	134,200.00		294,400.00
plot subdivision fee			45,800.00	45,800.00
change of user			5,000.00	5,000.00
change of ownership	1,000.00	5,000.00		6,000.00
Withdrawal from Ownership		16,000.00		16,000.00
plot transfer fee	28,000.00	127,350.00	92,600.00	247,950.00
housing estates monthly rent	332,200.00	407,562.00	340,000.00	1,079,762.00
canopy rent	200.00		200.00	400.00
beacon search pointing fee	1,000.00	33,500.00	44,000.00	78,500.00
resurvey fee	53,000.00	80,500.00	28,000.00	161,500.00
survey fee	80,200.00	76,000.00		156,200.00

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buildings plan preparation fee			61,523.00	61,523.00
buildings plan approval fee	357,439.00	411,477.00	130,656.00	899,572.00
building inspection fee			152,442.00	152,442.00
document search fee	500.00	1,000.00		1,500.00
sales of council minutes/bylaws	13,000.00	7,000.00	3,000.00	23,000.00
Minutes Extract	121,500.00	50,000.00	44,000.00	215,500.00
settlement of disputes	7,500.00	7,500.00	5,000.00	20,000.00
sign boards & advertisement fee	46,300.00	79,300.00	57,000.00	182,600.00
Advertisement Charges Recovery		6,000.00		6,000.00
Advertisement Small Shopping Center	23,200.00	21,500.00	7,500.00	52,200.00
Advertisement large Shopping Center		11,000.00		11,000.00
Stand premium	5,400.00	3,000.00	4,100.00	12,500.00
				0.00
temporary occupation licence(Tol)	600.00	300.00	3,200.00	4,100.00
Sub-let Fees	73,800.00	55,650.00	14,900.00	144,350.00
Consent fees	47,500.00	68,800.00	203,877.00	320,177.00
Sales Promotion Fee			4,000.00	4,000.00
Council premises occasional hire	15,000.00	57,000.00		72,000.00
poll rates other				0.00
Mileage	9,700.00	800.00	2,400.00	12,900.00
TRADE & INDUSTRIALISATION	6,680,780.00	4,210,755.00	3,835,375.00	14,726,910.00
fruit/vegetables-produce cess	159,180.00	132,550.00	123,300.00	415,030.00
market entrance/gate fee	3,958,620.00	3,198,760.00	3,299,530.00	10,456,910.00
market stalls rent	56,300.00	8,300.00	24,500.00	89,100.00
Coffee Cess	893,950.00			893,950.00
produce inspection fee	8,630.00	12,480.00	7,180.00	28,290.00
business permits current year	1,075,320.00	649,000.00	207,000.00	1,931,320.00
business permits other years	54,400.00	100.00		54,500.00
underpayment of business permit				0.00

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business permits penalties	14,300.00	41,305.00	29,285.00	84,890.00
Application fee	149,000.00	58,900.00	52,000.00	259,900.00
Registration renewal fees	57,900.00	28,500.00	10,700.00	97,100.00
business subletting/transfer fee	107,700.00	4,000.00	2,000.00	113,700.00
Isolation Fee(surcharge on business permit)	500.00	2,000.00	1,500.00	4,000.00
TRADE-WEIGHTS	144,980.00	74,860.00	78,380.00	298,220.00
GENDER	1,673,000.00	5,755,453.00	231,500.00	7,659,953.00
GROUP REGISTRATION/RENEWAL FEES		880,500.00	127,500.00	1,008,000.00
social hall hire				0.00
Liquor license	1,673,000.00	4,874,953.00	104,000.00	6,651,953.00
ENVIRONMENT	856,384.00	488,075.00	477,915.00	1,822,374.00
quarry cess	655,000.00	413,900.00		1,068,900.00
quarry extraction fee	0.00		380,200.00	380,200.00
burial fees	1,500.00	1,250.00	2,750.00	5,500.00
exhauster services charge	38,595.00	14,660.00	8,665.00	61,920.00
refuse collection fee	161,289.00	58,265.00	26,780.00	246,334.00
Water			59,520.00	59,520.00
AGRICULTURE	195,415.00	190,745.00	271,400.00	657,560.00
slaughtering fee	6,350.00	14,660.00	15,250.00	36,260.00
Vet Kirinyaga Central	49,920.00	34,070.00	58,610.00	142,600.00
Vet. Kirinyaga East	42,650.00	46,175.00	62,575.00	151,400.00
vet mwea west	15,400.00	35,665.00	23,900.00	74,965.00
Vet Mwea East	49,600.00	45,875.00	61,125.00	156,600.00
VET. Kirinyaga west	31,495.00	14,300.00	49,940.00	95,735.00
HEALTH	5,318,555.00	5,729,150.00	4,923,521.00	15,971,226.00
kianyaga hospital	313,410.00	317,480.00	338,280.00	969,170.00
kimbimbi hospital	846,670.00	650,470.00	713,970.00	2,211,110.00
kerugoya hospital	3,380,725.00	2,944,440.00	3,179,381.00	9,504,546.00
PHO kirinyaga east	116,000.00	131,500.00	135,100.00	382,600.00
PHO Kirinyaga central	136,800.00	481,100.00	82,000.00	699,900.00
PHO Kirinyaga West	137,300.00	149,000.00	56,800.00	343,100.00
PHO Mwea East	191,200.00	390,500.00	47,450.00	629,150.00
PHO Mwea West	83,600.00	322,700.00	45,400.00	451,700.00
Sagana Hospital	112,850.00	341,960.00	325,140.00	779,950.00
TRANSPORT	1,325,115.00	1,848,545.00	1,826,995.00	5,000,655.00
parking fee	1,238,495.00	1,813,145.00	1,826,995.00	4,878,635.00
impounding fee	86,620.00	35,400.00		122,020.00

EDUCATION	2,500.00		0.00	2,500.00
Nursery schools fee	2,500.00			2,500.00
FINANCE	52,320.00	35,840.00	69,690.00	157,850.00
Search of Lost Bill	2,500.00	4,000.00	2,000.00	8,500.00
Cheque clearance fee				0.00
tender documents sale				0.00
Others	49,820.00	31,840.00	67,690.00	149,350.00
TOTAL COLLECTION	18,277,012.00	20,592,602.00	14,149,400.00	53,019,014.00
Target Collection	33,910,886.36	35,104,927.83	33,459,228.94	102,475,043.13
Performance rate% (actual/ target revenue)	53.90%	58.66%	42.29%	51.74%
Actual Revenue Collection for same Period in FY2014/2015	20,993,546.00	21,732,753.00	20,713,934.00	63,440,233.00
variance from same period last year (Current FY-Last FY)	(2,716,534.00)	(1,140,151.00)	(6,564,534.00)	(10,421,219.00)

The performance of departments as far as revenue collection is concerned remains relative to the departments' revenue sources.

	TOTAL COLLECTION	QUARTERLY DEPARTMENTAL TARGET	PERCENTAGE PERFORMANCE
LANDS, PHYSICAL PLANNING AND URBAN DEVELOPMENT	7,019,986.00	10,102,557.01	69.49%
TRADE & INDUSTRIALISATION	14,726,910.00	16,112,363.16	91.40%
EDUCATION	2,500.00		
TRANSPORT	5,000,655.00	5,752,957.18	86.92%
ENVIRONMENT	1,822,374.00	3,308,049.08	55.09%
GENDER	7,659,953.00	36,410,355.81	21.04%
AGRICULTURE	657,560.00	1,323,745.68	49.67%
FINANCE	157,850.00		
HEALTH	15,971,226.00	27,781,625.02	57.49%

The table above shows the performance rating of various departments in comparison to the departmental quarterly revenue targets. It is notable that most of the departments have an above average performance rating of above 50% with departments of Lands, Transport and Trade taking the lead with 69.49%, 86.92% and 91.40% performance respectively. The department of Gender, youths and Social services and Culture lags slightly behind with a performance of 21.04%. This low revenue collection from the said department is attributed to by the recently changed liquor licensing calendar as earlier highlighted.

3.0 EXPENDITURE ANALYSIS

3.1 Development Expenditure analysis

Total development expenditure in Q1 amounted to Kshs 73.05 million. This represented 4.85% of the total development expenditure budget estimates of Kshs1.507 billion. The Second Quarter displayed a significant absorption of the development estimates compared to Q1. The development expenditure in Q2 amounted to Kshs 202.0 Million therefore the cumulative expenditure for the first half of the financial year adds up to about Kshs 275.1 Million.

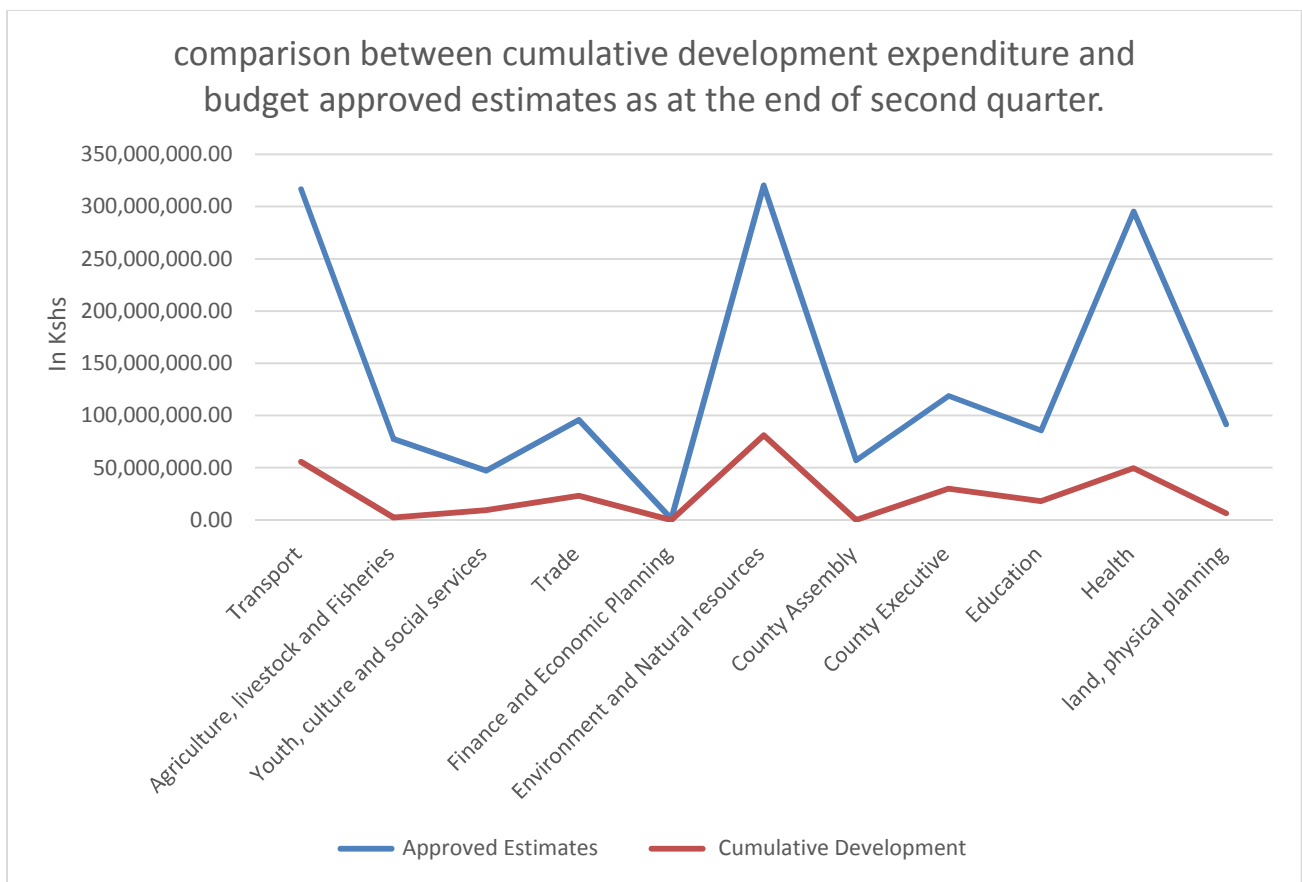
During the second Quarter, The County Assembly and Finance and Economic Planning retained zero expenditure in Development as was the case in Q1. County department of Agriculture did not incur any development expenditure during the period under review thus its relative cumulative expenditure to approved estimates remained low at 2.95%. Other departments with relative low development expenditure are: lands 6.82% and Health 16.72%. County department of Environment was the highest development expenditure incurring department with a cumulative 25.31% of its total expenditure budget used as at the end of second Quarter. Other departments with relatively higher expenditure includes; County Executive 25.12%, Trade 24.23% and Education at 20.79%.

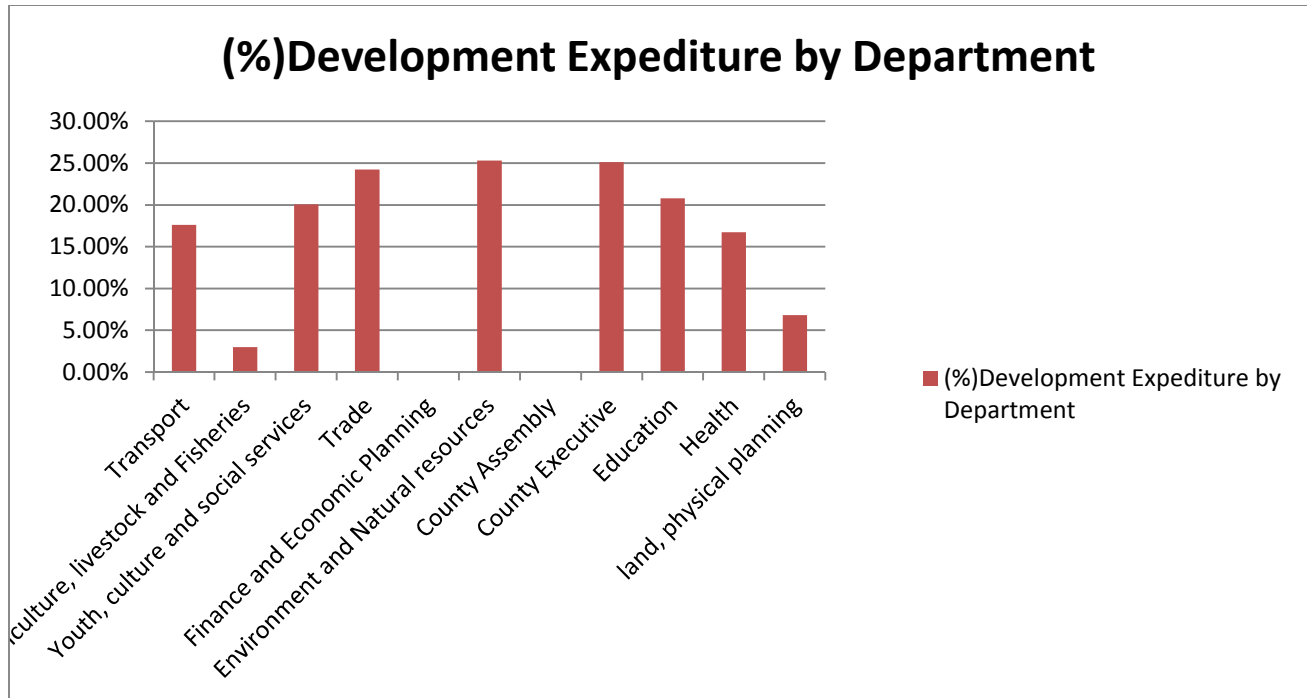
Department	Approved Estimates	Cumulative Development	Q1 recurrent	Q2 Recurrent	% of cumulative exp. To Approved est
Transport	316,691,289.00	55,762,305.00	8,220,872.00	47,541,433.00	17.61%
Agriculture, livestock and Fisheries	77,302,727.00	2,295,273.00	2,295,273.00	-	2.97%
Youth, culture and social services	47,173,205.00	9,462,903.00	473,200.00	8,989,703.00	20.06%
Trade	95,804,179.00	23,209,488.00	6,026,143.00	17,183,345.00	24.23%
Finance and Economic Planning	970,000.00	-	-	-	0.00%

Environment and Natural resources	320,338,627.00	81,077,303.00	36,996,887.00	44,080,416.00	25.31%
County Assembly	57,208,258.00	-	-	-	0.00%
County Executive	118,693,000.00	29,820,076.00	-	29,820,076.00	25.12%
Education	85,724,472.00	17,824,237.00	341,000.00	17,483,237.00	20.79%
Health	295,213,120.00	49,359,778.00	18,252,669.00	31,107,109.00	16.72%
land, physical planning	91,500,179.00	6,244,318.00	441,800.00	5,802,518.00	6.82%
Total	1,506,619,056.00	275,055,681.00	73,047,844.00	202,007,837.00	18.26%

Figure 2: Development Expenditure in Q2

Below is a graph showing departmental comparison of cumulative absorption of development budget relative to the departments' approved estimates



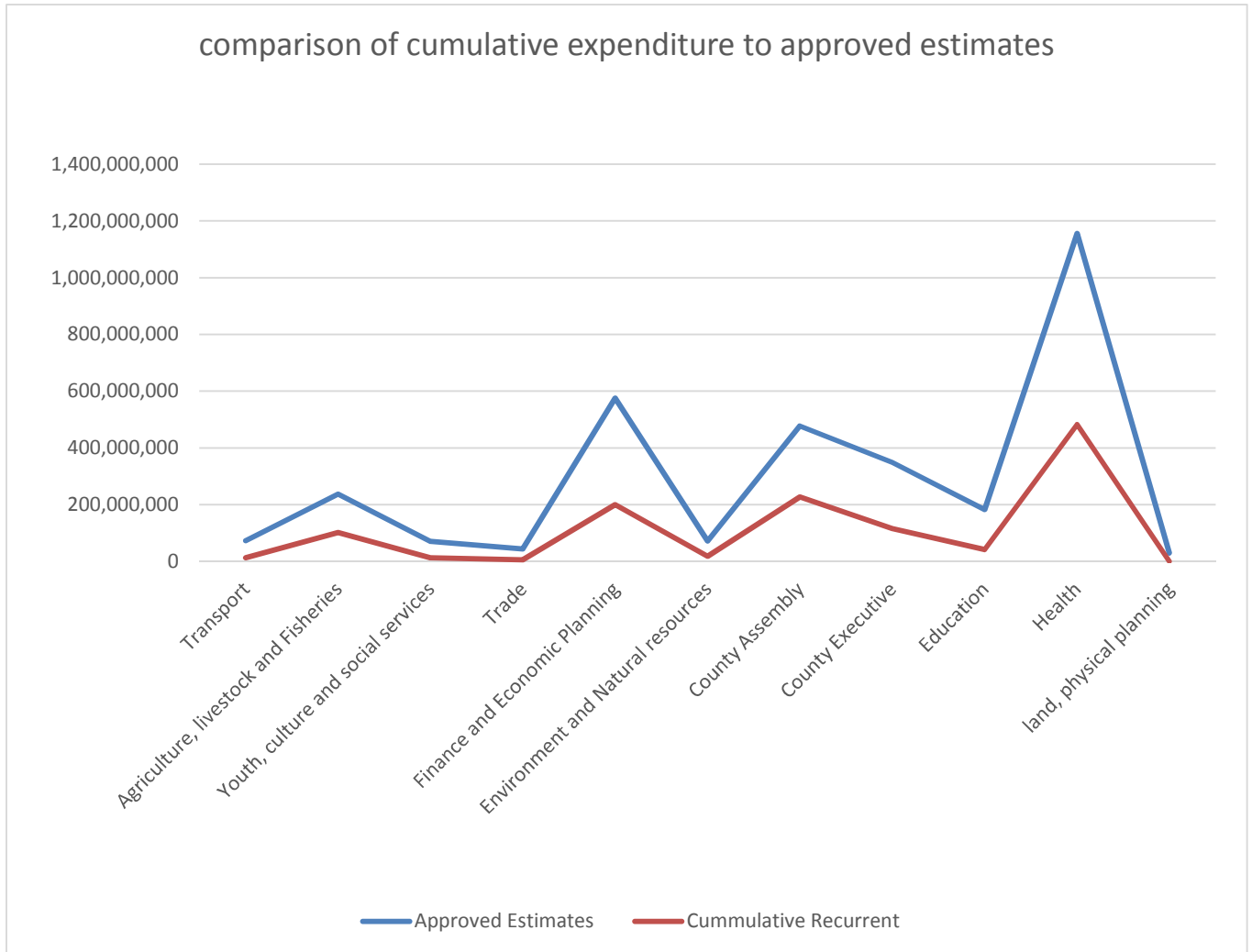


Development Expenditure

3.2 Recurrent Expenditure analysis

The overall recurrent expenditure for the first quarter amounted to Kshs 358.02 million against total budget estimates of Kshs 3.266 billion. This expenditure amounted to 10.96% of the budgeted recurrent expenditure estimates. The cumulative recurrent expenditure as at the end of the Second Quarter amounted to Kshs 1.219 billion indicating that the second Quarter expenditure was about Kshs 891.2 million. During this second quarter, all departments showed increased expenditure compared to the first Quarter with the highest- increased spenders being Agriculture, Finance and Health departments while the least- increased spenders were Environment, Education, Lands and Transport departments.

Cumulative expenditure for the two quarters is on track with no department at risk of exhausting approved estimates before the end of the fourth quarter (end of Financial Year). This is explained by, among other factors, the below 50% expenditure by all departments. The total recurrent expenditure constitutes 37.33% of the budgeted estimates.



County Assembly is the highest recurrent expenditure incurring department with 47.52%. Other departments with relatively higher expenditure includes Health (41.79%), County Department of Agriculture (42.81%) and Finance and Economic Planning (34.74%). Department with lower expenditure are Transport (18.94%), Trade (13.98) while Lands & Physical Planning recorded the lowest recurrent expenditure with 1.84%.

Department	Approved Estimates	Cumulative Recurrent	Q1 Recurrent	Q2 Recurrent
Transport	72,859,083	13,218,112.00	5,504,027.00	7,714,085.00
Agriculture, livestock and Fisheries	237,194,113	101,533,235.00	23,527,922.00	78,005,313.00
Youth, culture and social services	70,580,913	12,721,069.00	4,364,395.00	8,356,674.00
Trade	43,982,257	6,146,701.00	2,390,426.00	3,756,275.00
Finance and Economic Planning	575,908,463	200,058,801.00	47,335,117.00	152,723,684.00
Environment and Natural resources	71,668,667	18,342,368.00	8,600,366.00	9,742,002.00
County Assembly	477,253,272	226,806,427.00	64,207,466.00	162,598,961.00
County Executive	349,382,064	115,273,608.00	39,087,668.00	76,185,940.00
Education	182,631,550	41,694,845.00	17,938,206.00	23,756,639.00
Health	1,155,404,604	482,855,728.00	114,839,238.00	368,016,490.00
land, physical planning	29,327,622	539,000.00	222,800.00	316,200.00
Total	3,266,192,608	1,219,189,894.00	328,017,631.00	891,172,263.00

Figure 3: Recurrent Expenditure

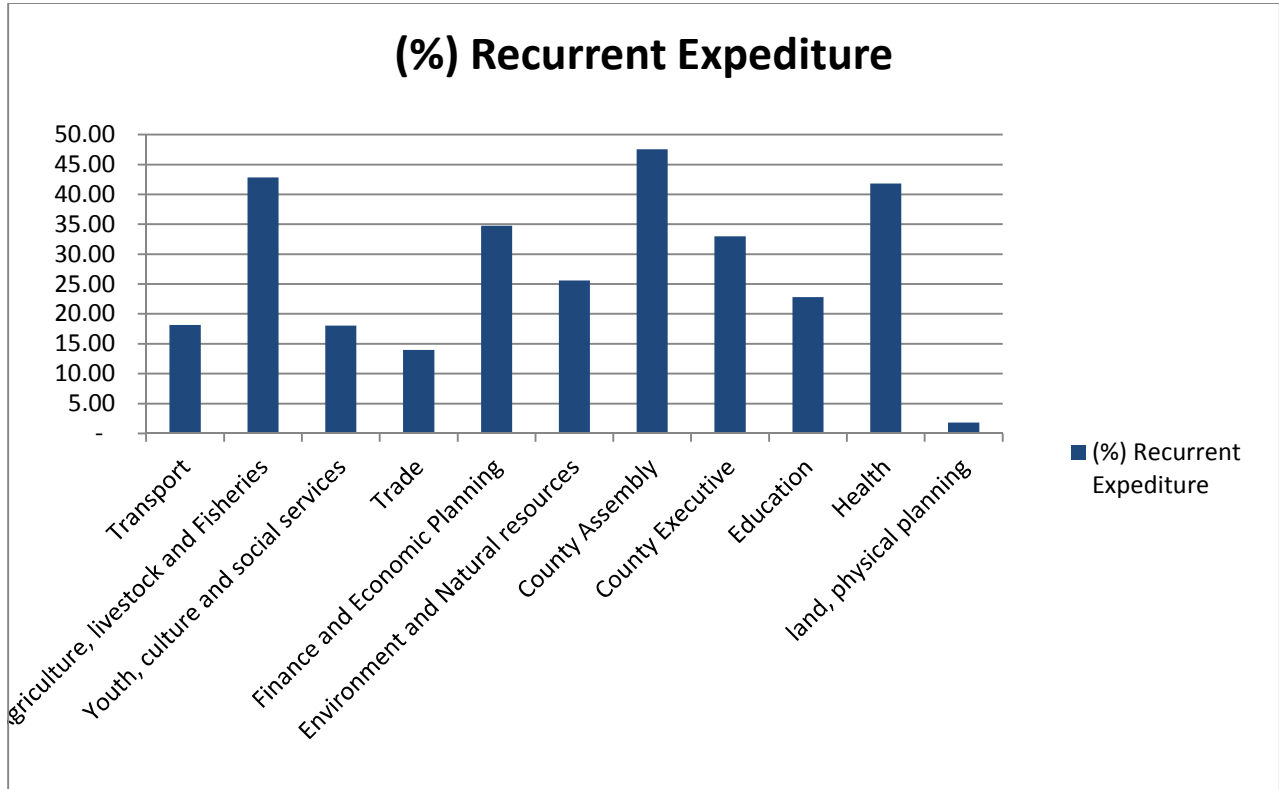


Figure 4: Recurrent Expenditure