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## **BACKGROUND**

**Mr. Speaker Sir**, on behalf of the Members of the Finance, Budget and Appropriations Committee and as required under Standing Order 206 as well as the Public Finance Management Act (2012) Section 117, I hereby present to the House, the County Fiscal Strategy Paper committee report on the 2017 County Fiscal Strategy Paper presented by the County Executive Member for Finance, Strategy and Economic Planning on 10<sup>th</sup> January 2017 and tabled on 11<sup>th</sup> January 2017.

**Mr. Speaker Sir**, it is worth mentioning that once approved, the report on the CFSP will inform the preparation of the annual estimates and by extension, it should form the basis of evaluating the 2016/2017 budget estimates for various spending areas. This is therefore a very important stage in the budget making cycle as it not only provides recommendations to be considered when finalizing the budget, but also sets the expenditure ceilings for various spending areas which must be adhered to.

## **COMMITTEE MEMBERSHIP**

**Mr. Speaker Sir**, the Finance, Budget and Appropriations Committee as currently constituted include the following members:

1. Omar M. S. Lali	Chairperson
2. Monica Marubu	Vice-Chairperson
3. Azhar Mbarak	Member
4. Abdu Kassim Ahmed	Member
5. Paul Kimani	Member
6. Anthony Njomo Maina	Member
7. James N. Komu	Member
8. Ali Bakari	Member
9. Abbas Famau	Member
10. Athman Amin	Member
11. Mohammed Delo	Member
12. Zahara Shee	Member
13. Amina Kale	Member
14. Edith Wakuthii	Member

## **COMMITTEE MANDATE**

The Finance, Budget and Appropriation Committee is established under the Standing Order 187 and its main function is to:

- 1) investigate, inquire into and report on all matters related to coordination, control and monitoring of the of the county budget,
- 2) discuss and review the estimates and make recommendations to the County Assembly;
- 3) examine the County Budget Policy Statement presented to the County Assembly;
- 4) examine Bills related to the national budget, including Appropriations Bills; and
- 5) evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.

## **REVIEW OF THE COUNTY FISCAL STRATEGY PAPER.**

**Mr. Speaker Sir**, in reviewing the Fiscal Strategy Paper 2017 submitted by the County Executive Committee Member for Finance and Economic Planning, the Committee held 2 Committee Sittings and in depth consultation with the respective Sectoral Committees on sector allocations and subsequent departmental expenditure ceilings amendments were unanimously agreed by all Sectoral Committees.

## **ACKNOWLEDGEMENT.**

**Mr. Speaker Sir**, Lastly the Committee is very grateful to the Office of the Speaker for its leadership and the Office of the Clerk through Legislative Services Directorate and Financial Services Directorate for the technical and professional advices that were very critical for the Committee in coming up with recommendations that are aimed at improving the livelihood of the Lamu residents and ensure quality service delivery.

**Mr. Speaker Sir**, it is therefore my pleasant duty and privilege, on behalf of the Finance, Budget and Appropriations Committee, to table this report and recommend it to the Assembly for adoption.

Signed.....

**OMAR M.S LALI, M.C.A.**

**CHAIRMAN, FINANCE, BUDGET AND APPROPRIATIONS COMMITTEE.**

**COUNTY ASSEMBLY OF LAMU**

**DATE: 24<sup>TH</sup> JANUARY, 2016.**

## ANALYSIS OF THE COUNTY REVENUE.

**Mr. Speaker Sir**, the supplementary budget 2016/17 that was presented to this house by the CEC Finance in November 2016 and approved had targeted revenue of 100 million from the local sources. Sadly enough from the County Fiscal Strategy Paper being reviewed now, the County Government have only been able to raise 22 Million for the first 6 Months of the financial year 2016/17.

This is an indication of over inflating of the revenue in order to enlarge the total revenue whilst understanding fully that we cannot achieve such amount of domestic revenue. The projected local revenue sources from the Fiscal Strategy Paper is 80 Million, this is the same Government that has raised 22 Million of Revenue in 6 Months and again over inflating the revenue.

**Mr. Speaker sir**, in every CFSP and the budget estimates that were presented to the assembly, any amount of money as an addition to the revenue is included from the funds that will remain in that financial year. The balance brought forward for the 2016/17 budget was 100 Million and for the supplementary budget 2016/17 the amount brought forward was 677,063,806. We expect that funds will be brought forward considering the absorption rate as per the CFSP is 30% and 12% for recurrent and development respectively which have not been taken into consideration.

Table 1: HALF YEAR LOCAL REVENUE PERFORMANCE 2016/17

Revenue Line	July	August	September	October	November	December	Total Half Year
Hosp -King Fahad	109,601	529,821	445230	44,1490	510,600	381,030	2,417,772
Hosp -Faza	0	0	23610	54,110	43,795	59,065	180,580
Hospitals	0	0	12430	11,300	4,350	17,685	45,765
Hosp -Mpeketoni	84,774	332,636	321338	316,216	308,240	226,160	1,589,364
Open Air Market	71,205	103,083	132680	96,800	90,724	80,395	574,887
Agriculture Produce	68,410	199,510	80429	12,1344	47,980	26,361	544,034
Slaughter House	45,300	74,900	56800	42,400	45,000	48,000	312,400
Fisheries daily revenue	30,360	46,810	40900	66,350	39,060	61,150	284,630
Parking and transport	27,900	65,180	71850	64,140	69,680	69,130	367,880
Agriculture (Lake Kenyatta ATC)	21,200	149,840	188940	151,900	252,640	246,080	1,010,600
Meat inspection	11,250	71,055	63735	51915	55,550	40,875	294,380

Agri-Equipment and Service	8,000	50,500	166950	197000	134,500	49,140	606,090
Hides and Skins	1,000	500	1000	500	500	1,500	5,000
Livestock auction fee	350	3,700	16200	7250	5,000	13,100	45,600
Animal movements	100	3,800	10500	27930	9,400	15,530	67,260
Stalls revenue	0	38,200	86700	154100	128,000	72,300	479,300
Sales of vaccines	0	4,790	15885	4080	480	1,670	26,905
Artificial insemination	0	4,400	0	3300	2,700	1,650	12,050
Single business permit	0	0	2400	36000	55,200	71,000	164,600
Health certification	0	0	800	0	-	-	800
Grazing fees	0	0	1500	0	-	-	1,500
Advertisement	0	0	0	4000	24,000	20,000	48,000
Market cess	146289	179035	242729.5	453468.5	227,319	271,046	1,519,887
Land revenues	0	0	61500	176200	127,945	25,600	391,245
Land rates	0	0	329771.44	1918461.12	1,173,527	3,638,453	7,060,212
<b>Total</b>	<b>625,739</b>	<b>1,857,760</b>	<b>2,373,878</b>	<b>4,400,255</b>	<b>3,356,190</b>	<b>5,436,920</b>	<b>18,050,742</b>

However, the amount in the county revenue fund as at 31<sup>st</sup> December 2016 was Kshs 22,855,483.30 which is an increase of Kshs 6,195,619.50 from the same period in 2015 which was Kshs 16,659,863.75

The discrepancy of the amount in the CRF and the amount indicated in the above table is due to the fact that some of our revenue clients still deposit money directly to the bank and do not bring the deposit slips to the revenue department for recording. The other reason for discrepancy is that the amount in the CRF includes revenue for 2015/16 which was swooped in July after the close of Financial Year.

## **ANALYSIS OF THE DEPARTMENTAL/SECTOR CEILING FOR FINANCIAL YEAR 2017/18.**

The County Government should continue with strategic interventions to accelerate growth and improve competitiveness. Specifically, the following strategies will be implemented:

- **Health and Sanitation**

The county government should be committed to improve access to and quality of health services in the county through promotion and provision of integrated and high quality curative, preventive and rehabilitative services that are equitable, responsive, accessible and accountable to everyone. The most common causes of morbidity in the county are other disease of respiratory system, disease of the skin, clinical Malaria, diarrhea and confirmed Malaria. The health sector faces numerous challenges, which include inadequate infrastructure for service delivery, shortage of qualified health personnel. In the medium term, the sector will seek to address these challenges through continued investment in service delivery, health workforce, health infrastructure, health products and technologies, health information, health financing and leadership governance. Some of the key interventions will include increasing immunization coverage, health education and screening services, procuring essential medical supplies, procuring and/ leasing equipment and furniture, construction and equipping health facilities through the proposed Accelerated health service programme, refurbishment of existing health facilities, strengthening the Health management information system (HMIS). The resources required under the Health Department are captured under budget estimates and guided by the core mandates of the sectors. The resources allocated will be used to implement projects aimed at achieving accessibility, affordability of health services, and reduction of health inequalities and optimal utilization of health services. These resources will, therefore, target to improve access, quality and equity in the provision of health services.

- **Land, Physical Planning Infrastructure, Water**

To enhance economic growth the county government will continue to invest in key infrastructural projects. These programs are vital in attaining the county development objectives, employment creation and poverty reduction. Private-sector participation will be encouraged in these sectors. The County Government will place priority in this sector by

ensuring that at a substantial amount of the development budget is allocated to this critical sector. There will be a continued focus on road infrastructure improvement through maintaining the already existing road networks while also opening up new access roads so as to restore confidence of residents and making the cost of doing business and farming favourable.

The County the department of water has the role of ensuring that every citizen has access to portable water in a clean and secure environment. Currently the water demand is quite high compared to the supply. The county will continue rolling out solid waste management; preparation of requisite legislation and policies; Lamu water company turn around and; water and sanitation services improvement project. The county will continue to replace the dilapidated water pipes and expansion and lay of water pipes, coupled with creation of more reservoirs and an option of drilling more boreholes.

The department is in charge of management of land use and ownership; Physical Planning, provision of adequate, clean, affordable and quality housing. The County will continue working closely with the National Government in issuing of title deeds allocation so as to ensure that investors and the residents are able to benefit from land as a factor of production. In the financial year 2017/2018 and over the medium term, the objectives of the department are to ensure proper management of land use and ownership, promote the provision of adequate and affordable housing and promote management. This will be attained through promotion of sustainable land use, planning, provision of secure land tenure and management. The county is in the process of finalizing the Preparation of Lamu County Spatial plan which will guide future the planning and developments.

- **Education, Youth, Gender and Sports Empowerment**

Lamu County Government should be committed to providing quality education services. The sector was created in line with Schedule 4 of the Kenya Constitution 2010 whereby the County Government was given responsibility for Libraries, Village Polytechnics (City Polytechnics), Home Craft (Master Craft) Centres, Child Care Centres and Pre-Primary Education. The goal of this department is to have a family focused and a child centred county. This shall be attained through preparing every child for school, career and life. In the financial year 2017/2018 and over the medium term the department intends; To improve transition rate from home to ECE,

from ECE to Basic Education, from Basic Education to Tertiary and from Tertiary into the global economy; This will be done through employment of more ECDEs Care Givers, construction of more ECD classes, Bursary fund, common stand seven and eight exams, Common form three and four exams, construction and equipping of polytechnics and public libraries.

Lamu county government is committed to addressing social and economic issues affecting the vulnerable groups in the county through empowerment programs targeting the youth, women and people living with disabilities. Currently the sector is involved in training of youth in entrepreneurial skills and livelihood skills, refurbishment of sports facilities, gender mainstreaming, Provision of Sports equipment's for various clubs in the county and Promotion of talents (Art and music). In the FY 17/18 Lamu county government will continue to; nurture & Promote local talents; improve a number social halls in the county, improve sports facilities, empower youth, women and people living with disabilities through development programs, conduct Sports training/ capacity building initiatives and facilitation of sports equipment to all sports disciplines.

In the FY 17 the department will continue rolling out Governor's football tournament while exploring other sports disciplines which can be harnessed to the benefits of youths in the county. The county will also partner with the Kenya Red Cross to construct a drug rehabilitation centre which will also have a vocation training centre so that the rehabilitated youth can be trained on critical skills which will help them after rehabilitation.

- **Fisheries, Livestock, Veterinary & Cooperative Development:**

productivity of this sector should be enhanced by provision of increased and relevant extension services, enhanced surveillance and control of pests and crop and animal diseases, and availability of sufficient quality and affordable inputs. Modern fishing methods will be adopted to increase productivity.

## **RECOMMENDATIONS.**

1. The Committee recommends the projected local revenue totaling to kshs 80 million for the financial 2017/18, however the Committee is doubtful as to whether the County Treasury will meet this target based on the previous performance in collection of revenue from local sources. Table 1 below shows the revenue estimate for financial year 2017/18.



<b>Item</b>	<b>Original</b>	<b>Supplementary</b>	<b>Estimates 2017/18</b>
<i>National Government Transfer</i>	<i>2,214,008,743</i>	<i>2,214,008,743</i>	<i>2,452,916,512</i>
<i>Local Sources</i>	<i>100,000,000</i>	<i>100,000,000</i>	<i>80,000,000</i>
<i>Danida Grant to supplement Health Facilities</i>	<i>7,640,000</i>	<i>3,820,000</i>	
<i>World Bank Loan to supplement Health Facility</i>	<i>14,528,378</i>	<i>23,484,716</i>	<i>33,892,447</i>
<i>Free maternal health care</i>	<i>15,372,820</i>	<i>19,797,520</i>	<i>8,815,513</i>
<i>Compensation for User fees foregone</i>	<i>2,366,871</i>	<i>2,481,810</i>	<i>2,451,034</i>
<i>Road Maintanance fuel levy</i>	<i>34,018,227</i>	<i>46,341,432</i>	<i>64,575,000</i>
<i>Word Bank Grant for Capacity Building</i>	<i>20,567,352</i>	<i>20,567,352</i>	
<i>Special purpose Grant- Emergency</i>	<i>100,000,000</i>	<i>100,000,000</i>	
<i>Supplementary for Construction of County Headquarters</i>			<i>121,000,000</i>
<i>Balance b/d</i>	<i>100,000,000</i>	<i>677,063,806</i>	
<b><i>Grand Total</i></b>	<b><i>2,604,797,330</i></b>	<b><i>3,214,262,879</i></b>	<b><i>2,763,650,506</i></b>

2. **Mr. Speaker Sir**, the Conditional grant totaling to kshs 121 million for construction of the County Headquarters shall be shared equally between the County Assembly and the County Executive. The 50 million allocated for construction of the Assembly chambers is inadequate to complete the chambers and the County Executive Headquarters is almost complete.

3.0 Thirdly **Mr. Speaker sir**, the proposed sector ceilings for the financial year 2016/17 has been reviewed and amended as shown in table 2 below.

#### **Proposed Departmental Ceilings**

VOTE TITLE	Printed estimate 2016/2017			Proposed ceilings 2017/2018			Gross Estimates 2017/2018
	Compensation to Employees	Operations and Maintenance	Development	Compensation to Employees	Operations and Maintenance	Development	
County Assembly	180,668,897	166,331,103	70,000,000	180,668,897	177,000,000	110,000,000	467,668,897
County Executive	169,652,377	185,128,121	75,000,000	172,000,000	185,000,000	136,000,000	493,000,000
Finance, Strategy & Economic Planning	49,415,135	43,709,343	18,000,000	54,478,249	45,000,000	10,000,000	109,478,249
Agriculture & Irrigation	47,470,494	22,007,738	38,000,000	50,793,429	23,000,000	60,000,000	133,793,429
Land, Physical Planning, Infrastructure, water	36,081,304	22,064,000	202,800,000	39,689,434	25,000,000	180,000,000	244,689,434
Education, Gender, Sports, Youth & Social services	51,288,880	75,080,000	68,700,000	53,853,324	78,131,355	106,000,000	237,984,679
Health & Sanitation	414,585,580	160,472,334	205,500,000	455,314,859	180,513,565	145,598,124	781,426,548
Trade, Culture, Tourism & Investment Development	10,967,720	20,231,898	41,425,000	11,516,106	15,243,493	30,000,000	56,759,599
Information, Communication & Public Participation	9,380,387	27,605,550	15,000,000	9,849,406	18,485,828	15,000,000	43,335,234
Fisheries, Livestock, Veterinary & Cooperative Development	49,976,720	23,889,994	60,400,000	52,475,556	25,038,431	65,000,000	142,513,987
Public Service Board	31,515,174	12,499,600	0	36,000,000	17,000,000	0	53,000,000
<b>TOTAL</b>	<b>1,051,002,668</b>	<b>759,019,681</b>	<b>794,825,000</b>	<b>1,113,639,260</b>	<b>789,412,672</b>	<b>857,598,124</b>	<b>2,763,650,056</b>

<sup>1</sup> Kshs 121 Million conditional grant for construction of county headquarters has been shared between the County Executive and the County Assembly. The County Executive has been allocated 61Million and the County Assembly 60Million

<sup>2</sup> This amount includes Kshs 60 Million for county bursary fund