

KISII COUNTY GOVERNMENT

Telephone: +254-020-8029160
Email: treasury@kisii.go.ke
Fax: 058-30796



Gusii County Council Building
P.O. Box 4550 – 40200
Kisii, Kenya.

OFFICE OF THE COUNTY EXECUTIVE COMMITTEE MEMBER TREASURY AND ECONOMIC PLANNING

Date: 28th, August, 2017

County Treasury Circular No.4

TO: ALL CECs

CHIEF OFFICERS

BUDGET PREPARATION GUIDELINE FOR FY 2018/2019

1. INTRODUCTION

1.1 Purpose

2. The purpose of this circular is to provide guidelines for the preparation and submission of the 2018/2019 financial year budget for the county government departments.

2.1 Background

3. In accordance with the Public Finance Management Act 2012 (PFM Act, 2012), Section 129, the County Executive Committee Member for Finance is required to prepare and submit its Annual Estimates of Revenue and Expenditure (budget proposals) to the County Assembly for approval.
4. Further, Public Finance Management Act 2012 Section 130 (1) (b) (i), requires that the County Executive Committee Member for Finance shall submit to the County Assembly a list of all County government entities that are to receive funds appropriated from the budget of the County Government.

2.0 GENERAL GUIDELINES

5. This budget circular provides the County departments with guidance on preparing budget submissions and the medium term expenditure estimates for the 2018/19 FY budget.
6. These guidelines are issued in accordance with Section 128 of the Public Finance Management Act 2012 and the county government departments will be required to make informed decisions in line with the Public Finance Management Act 2012 (PFM Act 2012) Section 107 on Fiscal Responsibility Principles which will promote development in the county.

III. Specific Guidelines

7. When preparing the budget submissions the following policy guidance should be taken into account:

(a) Recruitment and Replacement of staff in the County Public Service Board

8. To exercise essential controls and ensure prudent management of the county wage bill, the following guidelines have been issued:
 - Departments will only recruit staff to cater for natural attrition, retirement and critical technical areas.
 - Departments will budget for all their human resource requirements based on human resource plans which should clearly show the requirements for in-post and others.

(b) Budget proposals

9. Each department will be required to present detailed proposals for projects/ programmes they intend to undertake during the FY 2018/2019 clearly itemized. These itemized budget proposals will then be translated to a Programme Based Budget (PBB) with clearly defined outcomes, outputs and performance indicators of the respective departments. The format for presentation of your itemized budget proposals for both recurrent and development expenditures is indicated in **Annex I** of this circular.
10. The primary budget submission of a county department must be:
 - Submitted by the Accounting Officer and accompanied by a covering letter confirming that the submission is the expression of the department's strategic

direction, which results from the budget deliberation of its executive management.

- Comprised of two elements:
 - (a) A narrative report which explains the context for the budget and provides the department's rationale for expenditure recommendation in a clear and concise manner with a view towards enabling decision makers reach conclusions on the basis of evidence and the evaluation of performance.
 - (b) A data submission which provides the department's estimates of the expenditures by programme and main economic classification.
 - (c) Comprehensive coverage of all expenditure appropriated against a vote including transfer to entities and other spheres of government within the budget vote. The appropriated expenditure must be based on key performance indicators, in line with strategic plans and annual performance plans and also prepared under the guidance of the county government, in collaboration with the relevant sectors/directorates or institutions that report to the same executive authority.

(c) Prioritization and Allocation of Resources

11. The County Government will continue to observe the fiscal responsibility principles so as to ensure prudence in expenditure management with a view of funding only core services and reducing costs through the elimination of wastages and inefficiencies.
12. In order to achieve the targets envisaged in the Annual Development Plan (ADP) for 2018/19 FY, it is important that adequate resources are availed to support projects/programmes outlined in the ADP. This therefore calls for establishment of clear criteria for allocating resources amongst priority programmes. The following criteria will serve as a guide for allocation of resources:
 - (i) Provision for mandatory expenditures such as salaries, rent, utilities, etc.
 - (ii) Resources required for sustaining or completing on-going programmes in each department.
 - (iii) Linkage of the projects/ programmes with Annual Development Plan (ADP) objectives.
 - (iv) Degree to which a projects/programme addresses core poverty interventions.
 - (v) Degree to which the project/ programme is addressing the core mandate of the department.

- (vi) Linkage with other projects/programmes
- (vii) Cost effectiveness and sustainability of the projects/programmes.

13. Departments are required to undertake a prioritization exercise which must address the following:

- **Identification of “one-off” expenditure**

This refers to amounts for “one-off projects” or activities where spending is supposed to take place over a defined period say one financial year.

- **Slow spending programmes:** Programmes that may not have met targets due to procurement problems, lack of human resources, poor planning, legal and other challenges should be identified so that the resources are directed to other priority programmes.
- **Efficiency savings:** The efficiency saving initiative is intended to ensure that funds are directed to key service delivery rather than non-essential spending.
- **Rescheduling of projects or activities:** Where implementation of projects or activities has been rescheduled, departments should provide a detailed explanation for the rescheduling. Departments should also indicate the savings and financial implications of rescheduling projects and activities.

14. Any proposal for additional allocations of resources must be justified. The proposed additional expenditure will have to be aligned with the department and should be subject to the available fiscal space.

(d) Capital Projects

15. Accounting Officers should ensure that adequate funding is allocated to development projects. Proposed capital projects will be evaluated in the context of the following:

- Priority should be given to those projects that are in full compliance with the Government regulations and priorities outlined in the CIDP; and
- Departments should indicate how their proposed projects will contribute to county development in terms of job creation and increased citizen’s welfare.

(e) Departmental Ceilings

16. The County Fiscal Strategy Paper sets the ceilings for all departments. Each department is therefore required to prepare their proposals within the budget ceilings allocated to them in the County Fiscal Strategy Paper (CFSP).

(f) Involvement of Stakeholders

17. Stakeholders are actors in the budget process with specific interests in the development of policy frameworks and could be organizations or individuals.

18. There are many reasons for including all stakeholders in the deliberations on the budget. These include among others:

- Better informed public about budgets including revenues, expenditures and challenges;
- Highlight the trade –offs associated with allocating limited resources.
- Provide important information to policy makers about the kind of goods and services that citizens value.
- To avoid situations where important issues may be overlooked or under prioritized due to poor and weak involvement.
- Minimize or eliminate instances of designing projects and programmes that do not address the concerns and priorities of people; and
- Enhanced transparency of the County Government budget making process.
- Accounting Officers are expected to ensure that key stakeholders are consulted; Sub-County/ward requirements are prioritized and received within the specified time frame. (See Budget Calendar in **Annex II**, and incorporated within the departmental budget proposals accordingly.

(g) Public forums

19. Public participation meetings should be held in easily accessible venues which are convenient to county residents. The venues should be centrally placed in all the Sub counties with provision for persons with disabilities, senior citizens, politically, religious and socially neutral.

20. Public participation forums should be directed in a structured way with facilitators being people who are well versed with the policy, legislation or development policy up for discussion.

21. Facilitators of public participation sessions should ensure that all participants have equal opportunity to air their views bearing in mind age, gender, disability and marginalised persons and any conflict arising out of the discussions is mitigated.

(g) Expenditure Management

22. The County government departments are urged to improve efficiency in the management and utilization of resources entrusted to them with a view to deliver quality services achieve their respective mandates in the most effective manner and avoid wastage of public resources.

(h) Revision of Budgets

23. As county departments submit their proposed annual budget in January for the subsequent financial year commencing July 1st, it is possible that unforeseen and unavoidable events may change the scale of operations of the County government departments and a revision of the budget may be necessary. Consequently, it is a requirement by the PFM Act 2012, Section 135 (7), that a revision to or from a program or sub-vote shall not exceed 10% of the amount appropriated by the county assembly for that year unless that county assembly has, in special circumstances, approved a higher percentage.

IV. Conclusion

24. Finally, Accounting Officers are requested to ensure strict adherence to these guidelines and to bring the contents of this Circular to the attention of all officers working under them.

John B. Momanyi
CEC Finance and Economic Planning

ANNEX I: FORMAT FOR PRESENTATION OF RECURRENT AND DEVELOPMENT BUDGET PROPOSALS

CHART OF ACCOUNTS -RECURRENT		
	Basic Salaries - Permanent Employees	
2110101		Basic Salaries
	Basic Wages - Temporary Employees	
2110201		Contractual Employees
2110202		Casual Labour-Others
	Personal Allowance Paid as Part of Salary	
2110301		House Allowance
2110303		Acting Allowance
2110304		Overtime - Civil Service
2110308		Medical Allowance
2110309		Special Duty Allowance
2110311		Transfer Allowance
2110312		Responsibility Allowance
2110314		Transport Allowance
2110315		Extraneous Allowance
2110318		Non- Practicing Allowance
2110320		Leave Allowance
2110322		Risk Allowance
2110405		Telephone Allowance

	Employer Contributions to Compulsory National Social Security Schemes	
2120101	Employer Contributions to National Social Security Fund	
2120103	Employer Contribution to Staff Pensions Scheme	
2120201	Employer Contributions to National Social and Health Insurance Scheme	
2120301	Employer Contributions to Private Social Security Funds and Schemes	
	Utilities Supplies and Services	
2210101	Electricity	
2210102	Water and sewerage charges	
2210103	Gas expenses	
2210104	Electricity expenses(Pending Bills)	
2210105	Water and Sewerage expenses(Pending Bills)	
	Communication, Supplies and Services	
2210201	Telephone, Telex, Facsimile and Mobile Phone Services	
2210202	Internet Connections	
2210203	Courier and Postal Services	
2210204	Leased Communication Lines	
2210205	Satellite Access Services	
2210206	Licencing fees forCommunication	
	Domestic Travel and Subsistence, and Other Transportation Costs	
2210301	Travel Costs (airlines, bus, railway, mileage allowances, etc.)	
2210302	Accommodation - Domestic Travel	
2210303	Daily Subsistence Allowance	
2210304	Sundry Items (e.g. airport tax, taxis, etc...)	
2210305	Shipment of Personal and Household Effects	
2210306	Repatriation Costs	
2210307	Passage and Transfer Expenses	
2210308	Local Presidential Visits	
2210309	Field Allowance	
2210310	Field Operational Allowance	
	Foreign Travel and Subsistence, and other transportation costs	
2210401	Travel Costs (airlines, bus, railway, etc.)	

2210402	Accommodation
2210403	Daily Subsistence Allowance
2210404	Sundry Items (airport tax, taxis, etc...)
2210405	Shipment of Personal and Household Effects
2210406	Repatriation Costs
2210407	State Visits Abroad
	Printing , Advertising and Information Supplies and Services
2210501	International News Services
2210502	Publishing and Printing Services
2210503	Subscriptions to Newspapers, Magazines and Periodicals
2210504	Advertising, Awareness and Publicity Campaigns
2210505	Trade Shows and Exhibitions
2210506	Purchase of Curios
	Rentals of Produced Assets
2210601	Rent of Vehicles
2210602	Payment of Rents and Rates - Residential
2210603	Rents and Rates - Non-Residential
2210604	Hire of Transport
2210605	Contribution in Lieu of Rates
2210606	Hire of Equipment, Plant and Machinery
2210607	Contribution in Lieu of Rates(Pending Bills)
	Training Expense (including capacity building)
2210701	Travel Allowance
2210702	Remuneration of Instructors and Contract Based Training Services
2210703	Production and Printing of Training Materials
2210704	Hire of Training Facilities and Equipment
2210705	Field Training Attachments
2210706	Book Allowance
2210707	Project Allowance
2210708	Trainer Allowance
2210709	Research allowance
2210710	Accommodation Allowance
2210711	Tuition Fees Allowance
2210712	Training Allowance
2210714	Gender Mainstreaming
2210715	Kenya School of Government
2210716	Human Resource Reforms

	Hospitality Supplies and Services	
2210801	Catering Services (receptions), Accommodation, Gifts, Food and Drinks	
2210802	Boards, Committees, Conferences and Seminars	
2210803	State Hospitality Costs	
2210804	Tribunals Costs	
2210805	National Celebrations	
2210806	Expenses of Governor's Household	
2210807	Medals, Awards and Honors	
2210808	Purchase of Coffins	
2210809	Board Allowance	
	Insurance Costs	
2210901	Group Personal Insurance	
2210902	Buildings Insurance	
2210903	Plant, Equipment and Machinery Insurance	
2210904	Motor Vehicle Insurance	
2210905	Aircraft, Boats and Other Transport Equipment Insurance	
2210906	Insurance for Board Members	
2210907	Insurance for cash	
2210908	Insurance of Exhibits	
2210909	Insurance of Spare Parts	
2210910	Medical Insurance	
	Specialised Materials and Supplies	
2211001	Medical Drugs	
2211002	Dressings and Other Non-Pharmaceutical Medical Items	
2211003	Veterinarian Supplies and Materials	
2211004	Fungicides, Insecticides and Sprays	
2211005	Chemicals and Industrial Gases	
2211006	Purchase of Workshop Tools, Spares and Small Equipment	
2211007	Agricultural Materials, Supplies and Small Equipment	
2211008	Laboratory Materials, Supplies and Small Equipment	
2211009	Education and Library Supplies	
2211010	Supplies for Broadcasting and Information Services	
2211011	Purchase/Production of Photographic and Audio-Visual Materials	

2211012		Purchase of Police, Prisons, and NYS Small Equipment and Supplies
2211015		Food and Rations
2211016		Purchase of Uniforms and Clothing - Staff
2211020		Uniform and Clothing Allowances
2211021		Purchase of Bedding and Linen
2211023		Supplies for Production
2211026		Purchase of Vaccines and Sera
2211028		Purchase of X-Rays Supplies
2211029		Purchase of Safety Gear
		Office and General Supplies and Services
2211101		General Office Supplies (papers, pencils, forms, small office equipment etc)
2211102		Supplies and Accessories for Computers and Printers
2211103		Sanitary and Cleaning Materials, Supplies and Services
		Fuel Oil and Lubricants
2211201		Refined Fuels and Lubricants for Transport
2211202		Refined Fuels and Lubricants for Production
2211203		Refined Fuels and Lubricants -- Other
2211204		Other Fuels (wood, charcoal, cooking gas etc...)
		Other Operating Expenses
2211301		Bank Service Commission and Charges
2211302		School Examination and Invigilation Fees
2211304		Medical Expenses
2211305		Contracted Guards and Cleaning Services
2211306		Membership Fees, Dues and Subscriptions to Professional and Trade Bodies
2211307		Transport Costs and Charges (freight, loading/unloading, clearing and shipping charges)
2211308		Legal Dues/fees, Arbitration and Compensation Payments
2211309		Management Fees
2211310		Contracted Professional Services
2211311		Contracted Technical Services
2211312		Confidential Expenditures
2211313		Security Operations
2211320		Temporary Committees Expenses
2211322		Binding of Records
2211323		Laundry Expenses

2211324		Registration of Land
2211328		Counselling Services
2211329		HIV AIDS Secretariat workplace Policy Development
2211330		Administration of Superannuation Pension Scheme
		Routine Maintenance - Vehicles and Other Transport Equipment
2220101		Maintenance Expenses - Motor Vehicles and cycles
		Routine Maintenance - Other Assets
2220201		Maintenance of Plant, Machinery and Equipment (including lifts)
2220202		Maintenance of Office Furniture and Equipment
2220203		Maintenance of Medical and Dental Equipment
2220204		Maintenance of Buildings -- Residential
2220205		Maintenance of Buildings and Stations -- Non-Residential
2220206		Maintenance of Civil Works
2220207		Maintenance of Roads, Ports and Jetties
2220208		Maintenance of Aerodromes and Airstrips
2220209		Minor Alterations to Buildings and Civil Works
2220210		Maintenance of Computers, Software, and Networks
2220211		Maintenance of Police and Security Equipment
2220212		Maintenance of Communications Equipment
2220213		Maintenance of Civil Works Equipment
CHART OF ACCOUNTS -DEVELOPMENT		
		Purchase of Buildings
3110101		Purchase of Residential Buildings
3110102		Purchase of Non-Residential Buildings
		Construction of Buildings
3110201		Residential Buildings (including hostels)
3110202		Non-Residential Buildings (offices, schools, hospitals, etc..)

	Refurbishment of Buildings	
3110301	Refurbishment of Residential Buildings	
3110302	Refurbishment of Non-Residential Buildings	
	Construction of Roads	
3110401	Major Roads	
3110402	Access Roads	
	Construction and Civil Works	
3110501	Bridges	
3110502	Water Supplies and Sewerage	
3110504	Other Infrastructure and Civil Works	
3110599	Other Infrastructure and Civil Works	
	Overhaul and Refurbishment of Construction and Civil Works	
3110601	Overhaul of Roads and Bridges	
3110602	Overhaul of Water Supplies and Sewerage	
3110604	Overhaul of Other Infrastructure and Civil Works	
3110699	Overhaul of Other Infrastructure and Civil Works	
	Purchase of Vehicles and Other Transport Equipment	
3110701	Purchase of Motor Vehicles	
3110704	Purchase of Bicycles and Motorcycles	
3110705	Purchase of Trucks and Trailers	
3110706	Purchase of Tractors	
3110707	Purchase of Ambulances	
3110708	Purchase of Minibuses and Buses	
	Overhaul of Vehicles and Other Transport Equipment	
3110801	Overhaul of Vehicles	
	Purchase of Household Furniture and Institutional Equipment	
3110901	Purchase of Household and Institutional Furniture and Fittings	
3110902	Purchase of Household and Institutional Appliances	
	Purchase of Office Furniture and General Equipment	
3111001	Purchase of Office Furniture and Fittings	
3111002	Purchase of Computers, Printers and other IT Equipment	

3111003		Purchase of Airconditionners, Fans and Heating Appliances
3111004		Purchase of Exchanges and other Communications Equipment
3111005		Purchase of Photocopiers
3111006		Purchase of Cash Boxes
3111008		Purchase of Printing Equipment
3111009		Purchase of other Office Equipment
3111010		Purchase of Weights and Measures Equipments
3111011		Purchase of Lighting Equipment
		Purchase of Specialised Plant, Equipment and Machinery
3111101		Purchase of Medical and Dental Equipment
3111102		Purchase of Boilers, Refrigeration and Air-conditioning Plant
3111103		Purchase of Agricultural Machinery and Equipment
3111104		Purchase of Instrumentation and Calibration Equipment
3111107		Purchase of Laboratory Equipment
3111109		Purchase of Educational Aids and Related Equipment
3111110		Purchase of Generators
3111111		Purchase of ICT networking and Communications Equipment
3111112		Purchase of Software
3111114		Purchase of Survey Equipment
3111115		Purchase of Drilling Rig
3111116		Purchase of Graders
		Rehabilitation and Renovation of Plant, Machinery and Equipment
3111201		Overhaul of Plant, Machinery and Equipment
		Purchase of Certified Seeds, Breeding Stock and Live Animals
3111301		Purchase of Certified Crop Seed
3111302		Purchase of Animals and Breeding Stock
3111305		Purchase of tree seeds and seedings
		Research, Feasibility Studies, Project Preparation and Design, Project Supervision
3111401		Pre-feasibility, Feasibility and Appraisal Studies
3111402		Engineering and Design Plans

3111403		Research
3111404		Research Allowance
	Rehabilitation of Civil Works	
3111501		Bridges
3111502		Water Supplies and Sewerage
3111504		Other Infrastructure and Civil Works
	Acquisition of Strategic Stocks	
3120101		Maize and Beans
3120102		Purchase of Milk
	Acquisition of Land	
3130101		Acquisition of Land

ANNEX II: BUDGET CALENDAR: SCHEDULE OF 2018/19 FY BUDGET

ACTIVITY	DEADLINE
CEC – Finance to prepare and issue a circular setting out guidelines to be followed by all County Government entities in the budget process.	30 th August each year
Submission of Development Plan to the County Assembly for approval (Section 126 (3) of PFM Act)	1 st September each financial year
County Treasury to prepare and submit County Budget Review and Outlook Paper (CBROP) to County Executive Committee for approval (Section 118 (1) of PFM Act)	30 th September each year
County Treasury to submit to County Assembly the County Budget Review and Outlook Paper (CBROP) approved by County Executive Committee (Section 118 (4) of PFM Act)	7 days after the approval by CEC.
County Treasury to prepare and submit County Fiscal Strategy Paper (CFSP) to County Executive Committee for approval (Section 117 (1) of PFM Act)	Before 28 th February Each Year
County Treasury to submit to County Assembly the County Fiscal Strategy Paper (CFSP) approved by County Executive Committee (Section 117 (1) of PFM Act)	28 th February each year
County Treasury to prepare and submit to the County Assembly the debt management strategy of the County Government over the medium term. (Section 123 (1) of PFM Act)	28 th February each year

<p>CEC Member for Finance to Submit to County Assembly budget estimates, supporting documents and any other Bills required implementing the budget, except Finance bill. (Section 129 (2) (a) of PFM Act)</p>	<p>30th April each year</p>
<p>Preparation of County annual cash flow projections for next financial year and submission to Office of the Controller of Budget with copies to IBEC and National Treasury (Section 127 (1) of PFM Act)</p>	<p>15th June each financial year</p>
<p>Approval of County Government Budget estimates and appropriation bill (Section 131 (1) of PFM Act)</p>	<p>30th June each year</p>