

1. INTRODUCTION

The Office of the Controller of Budget (OCoB) is an oversight institution established under Article 228 of the Constitution of Kenya, 2010, to oversee and report on the implementation of the budgets of the National and County Governments. Article 228 (6) of the Constitution and Section 9 of the Controller of Budget (COB) Act, 2016 require the Controller of Budget to submit to each house of Parliament a report on the implementation of the budgets of the National and County Governments every four months. This County Budget Implementation Review Report (CBIRR) covers the first quarter of FY 2023/24 in line with the above legal requirements and covers the period from July 2023 to September 2023.

The CBIRR presents the status of budget execution by the county governments. The report analyses information on own source revenue raised, transfers received from the National Treasury as an equitable share of revenue, receipts of additional allocations and conditional grants from the National Government and Development Partners, and the total expenditure of the first quarter of the financial year (FY) 2023/24. The CBIRR is based on quarterly financial reports submitted to the OCoB by County Treasuries in line with Sections 166 and 168 of the Public Finance Management (PFM) Act 2012, data obtained from the Integrated Financial Management System (IFMIS), and information obtained by the OCoB in the course of overseeing budget implementation.

This reporting structure is as follows: Chapter One captures the introduction part, and Chapter Two analyses the counties' budget performance during the first quarter of FY 2023/24. Chapter Two discusses details of the County government's own-source revenue and actual expenditure against the set budget estimates for recurrent and development expenditures. Further spending is categorised into Personal Emoluments (PE) and Operations and Maintenance (O&M). In addition, a summary report on the County governments' pending bills as of 30th September 2023 is provided in this chapter. The absorption rate is used to measure performance and is computed as a percentage of actual expenditure against the approved annual budget estimates.

A detailed report by the individual Counties is provided in Chapter Three. Information on budget performance and the allocations for recurrent and development expenditures, exchequer issues, and actual spending (classified into Employee Compensation, Operation and Maintenance, and Development Expenditure) are discussed in Chapter Three. Programmes and sub-programmes budget execution for each department is analysed, and information on development projects undertaken in the first quarter of FY 2023/24 is also covered in Chapter Three.

Chapter Four summarises the critical challenges observed by OCoB in budget implementation in the first quarter of FY 2023/24 by each County. The report further provided recommendations to ensure effective and efficient budget implementation and to promote best practices. The Conclusion of this report is provided in the last chapter.

2. FINANCIAL ANALYSIS OF OVERALL BUDGET IMPLEMENTATION

2.1. Introduction

This chapter presents the financial analysis of aggregated County budget implementation for the first quarter of FY 2023/24 and covers the period from July to September 2023.

2.2. Revenue Analysis

The combined County governments' budgets approved by the County Assemblies amounted to Kshs.534.63 billion and comprised Kshs.188.13 billion (35.2 per cent) allocated to development expenditure and Kshs.346.51 billion (64.8 per cent) for recurrent expenditure.

To finance the budgets, County governments expect to receive Kshs.385.42 billion as the equitable share of revenue raised nationally, generate Kshs.78.61 billion from their own revenue sources, utilise Kshs.27.96 billion unspent cash balance from the previous financial year, and Kshs.42.64 billion as additional allocations. However, the County Governments Additional Allocations Bill, 2023, which provides allocation for conditional grants, had not been approved by Parliament as of 30th September 2023.

2.2.1 Revenue Out-turn

The total funds available to the County Governments in the first quarter of FY 2023/24 amounted to Kshs.99.28 billion, comprised of Kshs.61.11 billion as the equitable share of revenue raised nationally, Kshs.27.96 billion cash balance from FY 2022/23, and Kshs.10.21 billion raised from own revenue sources.

2.2.2 Own-Source Revenue

During the reporting period, County governments generated a total of Kshs.10.21 billion from their own-source revenue (OSR), which was 13 per cent of the annual target of Kshs.78.61 billion. The realised revenue is an improvement compared to Kshs.6.17 billion generated in a similar period in FY 2022/23. The reported revenue of Kshs.9.53 billion comprised of Kshs.6.89 billion from ordinary own-source revenue and Kshs.3.32 billion as Facility Improvement Fund (FIF) and Appropriation in Aid (A-I-A). Analysis of own-source revenue collection for July 2023 to September 2023 is shown in Table 2.1.

Table 2.1: Own Source Revenue Collection for the period July to September 2023 of FY 2023/24

County	Ordinary OSR Target (Kshs.)	FIF/A-I-A Target (Kshs.)	Total Target	OSR Actual	FIF/AIA Actual	Total Actual	Performance (%)
	A	B	C=A+B	D	E	F=D+E	G=F/C*100
Baringo	300,719,215	149,378,181	450,097,396	53,691,381	51,334,043	105,025,424	23.3
Bomet	187,592,587	144,449,243	332,041,830	7,673,700	22,815,830	30,489,530	9.2
Bungoma	918,701,471	1,124,665,392	2,043,366,863	60,668,204	172,519,954	233,188,158	11.4
Busia	396,793,350	152,222,283	549,015,633	38,308,576	33,556,054	71,864,630	13.1
Elgeyo-Marakwet	70,327,132	150,000,000	220,327,132	12,370,736	53,543,596	65,914,332	29.9
Embu	382,801,875	367,198,125	750,000,000	70,923,117	71,997,790	142,920,907	19.1
Garissa	139,000,000	91,000,000	230,000,000	21,336,938	21,708,805	43,045,743	18.7
Homa Bay	490,895,690	1,888,053,228	2,378,948,918	56,196,929	235,364,297	291,561,226	12.3
Isiolo	267,634,395	3,573,785	271,208,180	64,769,001	33,696,799	98,465,800	36.3
Kajiado	1,200,000,000	315,702,515	1,515,702,515	85,380,796	-	85,380,796	5.6
Kakamega	1,881,730,000	318,270,000	2,200,000,000	120,678,453	35,776,783	156,455,236	7.1
Kericho	530,071,600	743,350,000	1,273,421,600	32,019,182	34,167,418	66,186,600	5.2
Kiambu	6,021,825,729	1,958,314,988	7,980,140,717	517,411,864	313,115,841	830,527,705	10.4