



COUNTY GOVERNMENT OF NANDI

COUNTY TREASURY

QUARTER ONE NANDI COUNTY BUDGET IMPLEMENTATION REVIEW REPORT

FINANCIAL YEAR 2024/2025

OCTOBER, 2024



1.1 County Government of Nandi

1.1.1 Overview of FY 2024/25 Budget

The Nandi County approved FY 2024/25 budget was Kshs.9.20 billion. It comprised Kshs.2.99 billion (33 per cent) and Kshs.6.21 billion (68 per cent) allocations for development and recurrent programmes, respectively. The budget estimates represent a decrease of Kshs.160.91 million (2 per cent) from the FY 2023/24 budget, which comprised a development budget of Kshs.3.20 billion and a recurrent budget of Kshs.6.16 billion.

The Nandi County Government budget will be financed from different sources of revenue. These include Kshs.7.60 billion (83 per cent) expected from the National Government as the equitable share of revenue raised nationally, Kshs.972.38 million as additional allocations/conditional grants, and Kshs.607.32 million (4 per cent) generated as gross own source revenue. The own source revenue includes Kshs.306.10 million (3 per cent) as ordinary own source revenue, Kshs.301.23 million (3 per cent) as Facility Improvement Fund (revenue from health facilities), and Kshs.17.91 million (0.2 per cent) as other revenue. A breakdown of the additional allocations/conditional grants is shown in Table Error! No text of specified style in document.1.

1.1.2 Revenue Performance

In the first quarter of FY 2024/25, the County received Kshs.1.28 billion to fund recurrent and development activities. The equitable share from the national government was Kshs.1.21 billion, and own source revenue (OSR) collection of Kshs.75.95 million. The County had a balance of Kshs.584.42 million being June 2024 Equitable Share that was disbursed in July 2024.

Analysis of the total OSR collection of Kshs.75.95 million indicates that it included Facilities Improvement Financing (FIF) of Kshs.35.31 million and Kshs.40.64 million as ordinary OSR. Table Error! No text of specified style in document.1 summarises the total revenue available to the county government during the first quarter of FY 2024/25.

Table Error! No text of specified style in document.1: Nandi County, Revenue Performance in the First Quarter of FY 2024/25

S/No	Revenue	Annual Budget Allocation (in Kshs)	Actual Receipts (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
A.	Equitable Share of Revenue Raised Nationally	7,604,787,567	620,949,993	8
Sub Total		7,604,787,567	620,949,993	8
B	Conditional Grants			
1	KDSP II - World Bank	37,500,000	-	-
2	IDA (WORLD BANK). -National Agricultural Value Chain Development Project (NAVCDP)	151,515,152	-	-
3	Kenya Urban Support Project (KUSP)- UIG	35,000,000	-	-
4	KISIP-Kenya Informal Settlements Improvement Project	208,354,058	-	-

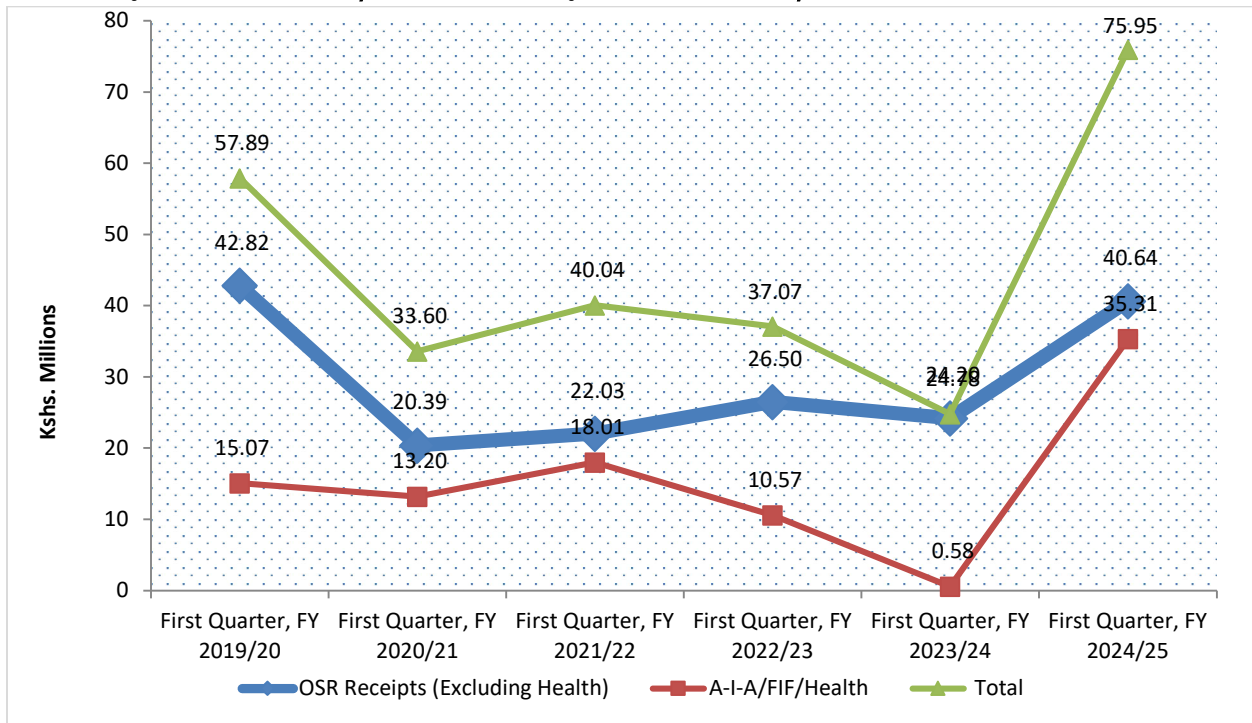
S/No	Revenue	Annual Budget Allocation (in Kshs)	Actual Receipts (in Kshs.)	Actual Receipts as Percentage of Annual Allocation (%)
5	DANIDA- Primary Healthcare in Devolved Context	8,238,750	-	-
6	Kenya Urban Support Project (KUSP)- UDG	33,993,380	-	-
7	Sweden- Kenya Agriculture Business Development Project	10,918,919	-	-
8	Nandi County HIV/AIDS Programme	15,419,690	-	-
9	Establishment of the Industrial Park-2022/2023 Balances	187,500,000	-	-
10	Road Maintenance Fuel Levy Fund	187,283,794	-	-
11	Community Health Promoters	96,660,000	-	-
Sub-Total		972,383,743	-	-
C	Other Sources of Revenue			
1	Ordinary Own Source Revenue	306,096,685	40,635,509	13
2	Balance b/f from FY2023/24	-	584,423,520	-
3	Facility Improvement Fund (FIF)	301,231,711	35,314,738	12
4	Other Revenues	17,907,661	-	-
5	Appropriation in Aid (AIA)	-	-	-
Sub Total		625,236,057	660,373,767	105
Grand Total		9,202,407,366	1,281,323,760	13.9

Source: Nandi County Treasury

The County has governing legislation on the operation of ordinary A-I-A and FIF.

Figure Error! No text of specified style in document.1 shows the trend in own-source revenue collection from the First Quarter of FY 2018/19 to the First Quarter of FY 2024/25.

Figure Error! No text of specified style in document..1: Trend in Own-Source Revenue Collection from the First Quarter of FY 2018/19 to the First Quarter of FY 2024/25



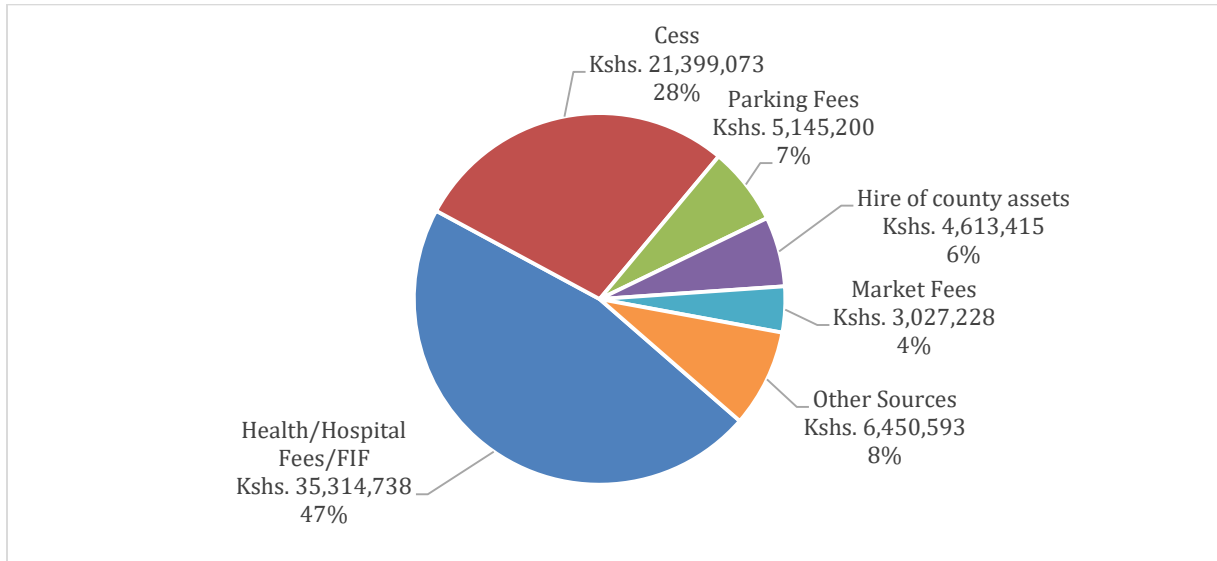
Source: Nandi County Treasury

During the first quarter of FY 2024/25, the County generated Kshs.75.95 million from its revenue sources, including AIA and FIF. This amount was an increase of 206 per cent compared to Kshs.24.78 million realised in a similar period in FY 2023/24. This was 13 per cent of the annual target and 6 per cent of the equitable revenue share disbursed.

The increase in OSR can be attributed to a robust collection of FIF.

The revenue streams which contributed the highest OSR receipts are shown in Figure Error! No text of specified style in document..2.

Figure Error! No text of specified style in document..2: Top Streams of Own Source Revenue in the First Quarter FY 2024/25



Source: Nandi County Treasury

The highest revenue stream, Kshs.35.31 million, was from Health/Hospital Fees, which contributed 47 per cent of the total OSR receipts during the reporting period.

1.1.3 Exchequer Issues

The Controller of Budget approved withdrawals of Kshs.1.09 billion from the CRF account during the reporting period, which comprised Kshs.29.40 million (3 per cent) for development programmes and Kshs.1.06 billion (97 per cent) for recurrent programmes in the first quarter of FY 2024/25. Analysis of the recurrent exchequers released in the first three months of FY 2024/25 indicates that Kshs.902.50 million was released towards employee compensation and Kshs.153.29 million for operations and maintenance expenditure.

As of September 30, 2024, the County Government's cash balance in the CRF account was Kshs. 610.47 million.

1.1.4 County Expenditure Review

The County spent Kshs.1.22 billion on development and recurrent programmes in the reporting period. The expenditure represented 113 per cent of the total funds released by the CoB and comprised of Kshs.50.71 million and Kshs.1.17 billion on development and recurrent programmes, respectively. Expenditure on development programmes represented an absorption rate of 2 per cent, while recurrent expenditure represented 19 per cent of the annual recurrent expenditure budget. One of the reasons the expenditure exceeded the exchequer issues due to the spending of Facility Improvement Funds (FIF) at source at the health facilities, which is in line with FIF regulations

1.1.5 Settlement of Pending Bills

The county reported that the outstanding bills totalling as of 30th June 2024 were Kshs. 612.63 million. Of this amount, Kshs. 612.63 million was owed to the County Executive, while no funds were

owed to the County Assembly. As of September 30, 2024, the County Executive had outstanding bills totalling Kshs.569.33 million. This amount comprised Kshs.322.10 million for recurrent expenses and Kshs.290.52 million for development projects. During the reporting period, the County Executive settled Kshs.43.30 million in outstanding bills, including Kshs. 38.20 million for recurrent expenses and Kshs.5.10 million for development programs. The County Assembly reported no outstanding bills.

1.1.6 Expenditure by Economic Classification

During the first quarter of FY 2024/25, the County Executive spent Kshs.725.10 million on employee compensation, Kshs.314.83 million on operations and maintenance, and Kshs.50.71 million on development activities. Similarly, the County Assembly spent Kshs.88 million on employee compensation and Kshs.42.27 million on operations and maintenance, as shown in Table Error! No text of specified style in document..2.

Table Error! No text of specified style in document..2: Summary of Budget and Expenditure by Economic Classification

Expenditure Classification	Budget (Kshs.)		Expenditure (Kshs.)		Absorption (%)	
	County Executive	County Assembly	County Executive	County Assembly	County Executive	County Assembly
Total Recurrent Expenditure	5,329,072,079	881,813,047	1,039,932,197	130,268,090	19.5	14.8
Compensation to Employees	3,664,792,587	434,385,867	725,102,591	87,998,420	19.8	20.3
Operations and Maintenance	1,664,279,492	447,427,180	314,829,606	42,269,670	18.9	9.4
Development Expenditure	2,871,522,240	120,000,000	50,707,406	-	1.8	-
Total	8,200,594,319	1,001,813,047	1,090,639,603	130,268,090	13.3	13

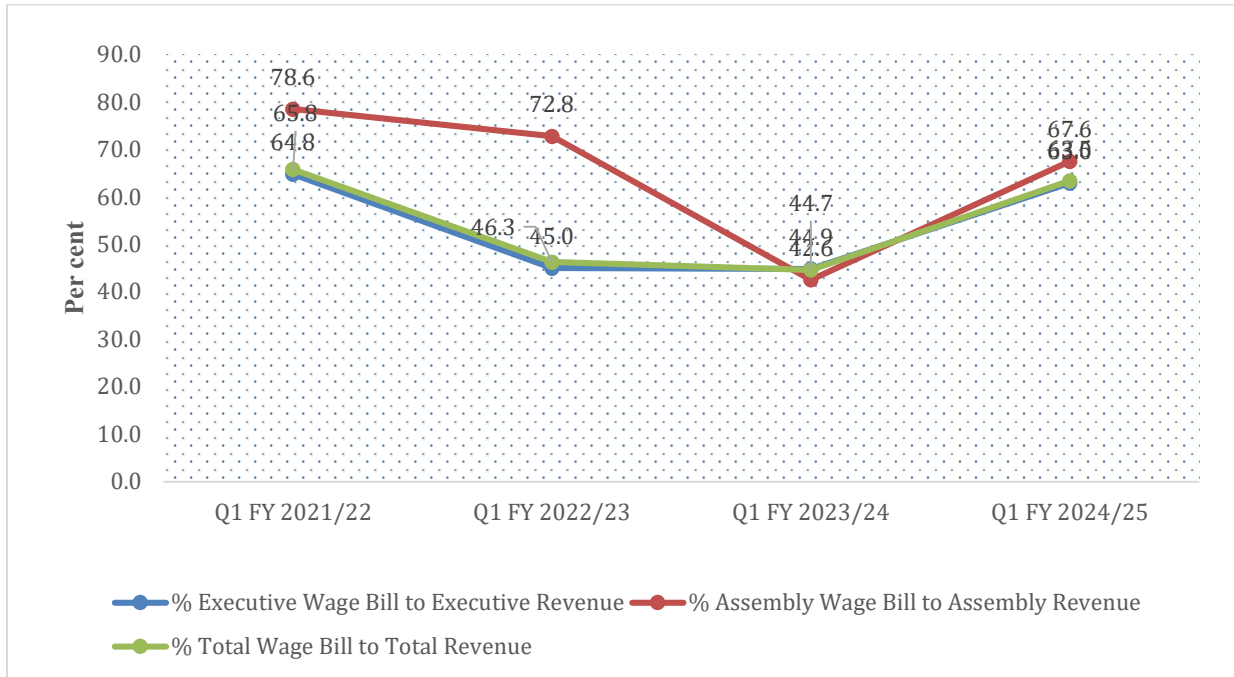
Source: Nandi County Treasury

1.1.7 Expenditure on Employees' Compensation

In the first quarter of FY 2024/25, expenditure on employee compensation was Kshs.813.10 million, or 64 per cent of the available revenue of Kshs.1.28 billion. This expenditure represented a decrease from Kshs.916.42 billion reported in a similar period in FY 2023/24. The wage bill included Kshs.494.03 million paid to the health sector employees, translating to 61 per cent of the total wage bill.

Figure Error! No text of specified style in document..3 shows the trend of personnel expenditures as a percentage of total revenue from the first quarter of FY 2017/18 to the first quarter of FY 2024/25.

Figure Error! No text of specified style in document..3: Percentage of Wage Bill to Total Revenue from the First Quarter of FY 2018/19 to the First Quarter of FY 2024/25



Source: Nandi County Treasury

Further analysis indicates that PE costs amounting to Kshs.773.16 million were processed through the Integrated Personnel and Payroll Database (IPPD) system while Kshs.39.94 million was processed through manual payrolls. The manual payrolls accounted for 5 per cent of the total PE cost.

The County Assembly spent Kshs.2 million on committee sitting allowances for the 45 MCAs against the annual budget allocation of Kshs.27.46 million. The average monthly sitting allowance was Kshs.14,810 per MCA. The County Assembly had 21 House Committees.

1.1.8 County Emergency Fund and County-Established Funds

Section 116 of the PFM Act 2012 allows County governments to establish other public funds with approval from the County Executive Committee and the County Assembly. The County allocated Kshs.227 million to County-established funds in FY 2024/25, or 3 per cent of the County's overall budget. Further, the County allocated Kshs.57 million to the Emergency Fund (0.6 per cent of the total budget) in line with Section 110 of the PFM Act, 2012.

Table Error! No text of specified style in document..3 summarises each established Fund's budget allocation and performance during the reporting period.

Table Error! No text of specified style in document..3: Performance of County Established Funds in the First Quarter of FY 2024/25

S/No.	Name of the Fund	Approved Budget Allocation in FY 2024/25 (Kshs.)	Exchequer Issues (Kshs.)	Actual Expenditure (Kshs.)	Submission of Financial Statements as of 30 th September 2024 (Yes/No.)
County Executive Established Funds					
1.	Nandi County Executive Car Loan and Mortgage Scheme Fund	6,000,000	-	-	Yes
2.	Nandi County Emergency Fund	57,000,000	-	-	Yes
3.	Nandi County Bursary Fund	164,000,000	-	-	Yes
County Assembly Established Funds					
4.	Nandi County Assembly Car Loan and Mortgage Scheme Fund	-	-	-	No
	Total	227,000,000			

Source: *Nandi County Treasury*

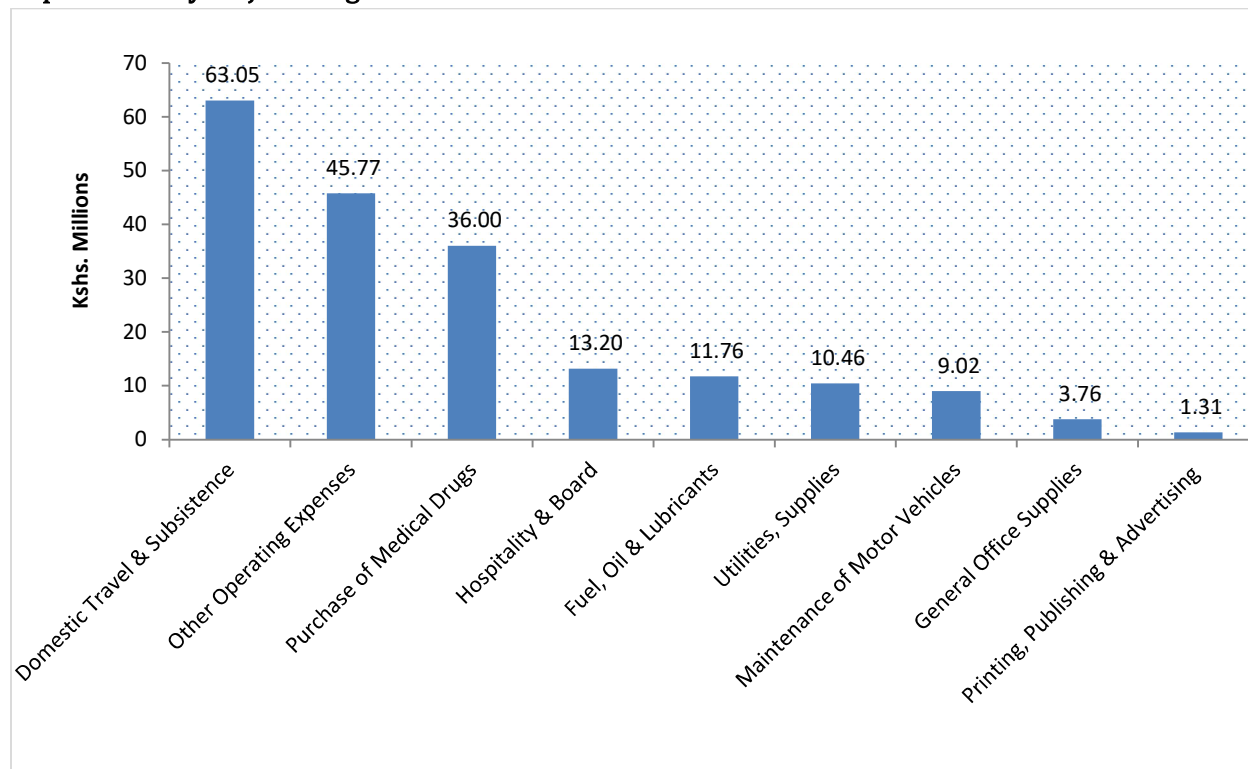
During the reporting period, the CoB did not receive quarterly financial reports from Nandi County Assembly Car Loan and Mortgage Scheme Fund Administrators, as indicated in Table Error! **No text of specified style in document..3**, contrary to the requirement of Section 168 of the PFM Act, 2012.

The County Government uses commercial bank accounts to operate the above-established Funds contrary to Regulations 82(1)(b) of the PFM (County Governments) Regulations, 2015, which requires that County Government bank accounts must be opened and maintained at the Central Bank of Kenya.

1.1.9 Expenditure on Operations and Maintenance

Figure Error! **No text of specified style in document..4** summarises the Operations and Maintenance expenditure by major categories.

Figure Error! No text of specified style in document.4: Nandi County, Operations and Maintenance Expenditure by Major Categories



Source: Nandi County Treasury

A total of Kshs. 63.05 million was spent on domestic travel, with the County Assembly accounting for Kshs. 49.21 million, and the County Executive for Kshs. 13.85 million. Additionally, Kshs. 1.24 million was spent on foreign travel, entirely by the County Executive. The County Assembly did not incur any foreign travel expenses. Expenditure on foreign travel is summarised in Table Error! No text of specified style in document.4

Table Error! No text of specified style in document.4: Summary of Highest Expenditure on Foreign Travel in the First Quarter of FY 2024/25

Arm of County Government	No. of Officers Travelled	Date travelled	Purpose of the travel	Destination	Total Costs of the Travel (Kshs.)
County Executive	1	21-August 2024	A workshop on Emergency Fire Response	United Kingdom	875,136
County Executive	1	30 August 2024	Forum on Food Syatems	Rwanda	250,000

1.1.10 Facility Improvement Financing

During the period under review, the county reported a collection of 35.31 million Kshs as FIF, which was 12 per cent of the annual target of Kshs.301.23 million. The collected amount was retained and utilised at source in line with the Facility Improvement Financing Act, 2023. The County has not

developed regulations to operationalise the FIF Act of 2023., although there exists and Nandi County FIF Act

The expenditure by the health facilities amounted to Kshs.27.42 million, as shown in the Table Error! No text of specified style in document..5

Table Error! No text of specified style in document..5: Breakdown of Expenditure by Health Facilities in the First Quarter of FY 2024/25

No.	Name Of The Health Facility	Approved Budget for the Facility	Actual Expenditure of the Facility	Absorption rate (%)
1.	Kapsabet County Referral Hospital	140,000,000	16,296,942	12
2.	Nandi Hills Sub-County Hospital	28,000,000	6,287,368	22
3	Meteitei Sub-county Hospital	10,150,000	1,253,260	12
4.	Kaptumo Sub-county Hospital	8,750,000	956,492	11
5.	Mosoriot Sub-county Hospital	5,600,000	1,363,037	24
6.	Kabiyet Sub-county Hospital	6,300,000	903,789	14
7.	Chepterwai Sub-county Hospital	4,200,000	362,824	9
	Total	203,000,000	27,423,712	14

Source: Nandi County Treasury

The Health Facility with the highest absorption rate was Mosoriot Sub-county Hospital, which absorbed 24 per cent of its budget.

1.1.11 Development Expenditure

In the first quarter of FY 2024/25, the County reported spending Kshs.50.71 million on development programmes. a decrease of 65 per cent compared to a similar period in FY 2023/24, when the County spent Kshs.143.44 million. Table Error! No text of specified style in document..6 summarises development projects with the highest expenditure in the reporting period.

Table Error! No text of specified style in document..6: Nandi County, List of Development Projects with the Highest Expenditure

S.No	Sector	Project Name	Project Location	Budget (Kshs)	Amount Paid to Date	Implementation Status (%)
1	Roads and Infrastructure	Construction of Cheptuingeny Culvert	Ollessos	2,000,000	1,191,682	100
2	Roads and Infrastructure	Supply of Fuel	County-wide	2,500,000	2,456,897	100
3	Roads and Infrastructure	Spot Improvement of Mulango Road	Ngechek Lelmokwo	4,000,000	3,670,259	100

Source: Nandi County Treasury

1.1.12 Budget Performance by Department

Table Error! No text of specified style in document..7 summarises the approved budget allocation, expenditure and absorption rate by departments in the first three months of FY 2024/25.

Table Error! No text of specified style in document.7: Nandi County, Budget Allocation and Absorption Rate by Department (Kshs. Million)

Department	Budget Allocation (Kshs.)		Exchequer Issues (Kshs.)		Expenditure (Kshs.)		Expenditure to Exchequer Issues (%)		Absorption rate (%)	
	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev	Rec	Dev
County Executive	503.69	118.00	81.42	4.30	114.75	4.30	140.9	100.0	23	4
Health and Sanitation	2,651.69	334.10	467.68	-	559.88	-	119.7	-	21	-
Public Service and Labour	62.66	-	-	-	-	-	-	-	-	-
County Assembly	881.81	120.00	130.27	-	130.27	-	100.0	-	15	-
Kapsabet Municipality	65.88	48.99	-	-	1.10	-	-	-	2	-
Office of the County Attorney	89.43	-	-	-	-	-	-	-	-	-
Finance and Economic Planning	452.90	48.00	72.43	-	113.36	-	156.5	-	25	-
Administration, Public Service and E-Government	363.41	30.50	56.70	6.50	38.02	-	67.0	-	11	-
Agriculture and Co-operatives Development	233.65	300.47	70.00	-	50.84	-	72.6	-	22	-
Sports, Youth Affairs, Culture and Heritage	126.64	42.86	-	-	0.40	-	-	-	0.3	-
Education and Vocational Training	439.72	379.81	112.62	-	113.50	-	100.8	-	26	-
Lands, Environment, Natural Resources and Climate Change	112.48	484.36	24.00	11.00	40.67	4.81	169.4	43.7	36	1
Transport, Public Works and Infrastructure Development	153.41	821.38	40.67	7.60	7.28	11.50	17.9	151.3	5	1
Trade, Tourism, Industrialization and Enterprise Development	73.53	263.05	-	-	0.14	30.10	-	-	0.2	11
Total	6,210.89	2,991.52	1,055.79	29.40	1,170.20	50.71	110.8	172.5	19	2

Source: Nandi County Treasury

Analysis of expenditures by departments shows that the Department of Trade, Tourism, Industrialization and Enterprise Development recorded the highest absorption rate of the development budget at 11 per cent, followed by the Department of County Executive at 4 per cent. The Department of Lands, Environment, Natural Resources and Climate Change had the highest percentage of recurrent expenditures to budget at 36 per cent.

1.1.13 Budget Execution by Programmes and Sub-Programmes

Table Error! No text of specified style in document.8 summarises the budget execution by programmes and sub-programmes in the First Quarter of FY 2024/25.

Table Error! No text of specified style in document..8: Nandi County, Budget Execution by Programmes and Sub-Programmes

Programme	Sub Programme	Description	Original Budget (Kshs)	Expenditure (Kshs)	Absorption
101003000			1,475,235,494	243,027,232	16
	101014410	Administration and support services	1,475,235,494	243,027,232	16
201003000			637,765,416	12,090,472	2
	201014410	General Administration and support services	637,765,416	12,090,472	2
202003000			821,375,920	11,501,484	1
	202024410	Road-works	821,375,920	11,501,484	1
301003000			73,526,480	135,000	-
	301014410	General Administration & Support Services	73,526,480	135,000	-
302003000			263,054,332	30,100,000	11
	302014410	Trade Development & Promotion	263,054,332	30,100,000	11
401003000			2,985,788,332	559,879,655	19
	401014410	Health Service Delivery Administration Services	2,985,788,332	559,879,655	19
501003000			379,810,000	-	-
	501014410	General Administration & Support Services	379,810,000	-	-
701003000			1,234,642,226	235,605,761	19
	701024410	General Administration and Support Services	1,234,642,226	235,605,761	19
717003000			48,000,000	-	-
	717024410	Revenue Collection and Management Phase 1	48,000,000	-	-
721003000			157,090,562	-	-
	721014410	Administrative Support Services	157,090,562	-	-
726003000			48,993,380	-	-
	726024410	Infrastructure and Development	48,993,380	-	-
902003000			75,312,182	400,000	1
	902014410	Sports Infrastructure Development	42,860,000	-	-
	902024410	Sports Activities and Programs	32,452,182	400,000	1
725004410		County Assembly Service Board	1,001,813,048	130,062,071	13
	725014410	Personnel services	1,001,813,048	130,062,071	13
		Grand Total	9,202,407,366	1,092,739,604	12

Source: Nandi County Treasury

The sub-programmes with the highest implementation levels based on absorption rates were Health Service Delivery Administration Services, at 19 per cent, General Administration and Support Services, at 19 per cent, and Administration and Support Services, at 16 per cent of budget allocation.

1.1.14 Accounts Operated Commercial Banks

The County government operated ten accounts with commercial banks, as shown in Table Error! No text of specified style in document..9.

Table Error! No text of specified style in document..9: Bank Accounts Operated at Commercial Banks

No	Name of Bank Account	Purpose of the Bank Account
1.	Kaimosi ATC Revenue Account	Revenue from Kaimosi ATC operations
2.	Nandi County Imprest	Imprest Account
3.	NARIGP	Account for the National Agricultural and Rural Inclusive Growth Project
4.	Nandi County KDSP	Account for the County Development Support Programme
5.	Kapsabet Municipality-UDG	Account for the Urban Development Grant
6.	Nandi County UIG	Account for the Urban Infrastructure Grant
7.	Nandi County Youth Service	Account for youth service programs and initiatives
8.	Nandi County Imprest	Imprest Account
9.	Nandi County Health Operations	Account for health operations and services
10	Nandi County Deposit and Retention	Account for deposits and retentions

Source: Nandi County Treasury

This is contrary to Regulations 82(1)(b) of the PFM (County Governments) Regulations, 2015, which requires that County government bank accounts be opened and maintained at the Central Bank of Kenya. The only exemption is for imprest bank accounts for petty cash and revenue collection bank accounts.

1.1.15 Key Observations and Recommendations

In the course of overseeing and reporting on the implementation of the County budget, the COB identified the following challenges which hampered effective budget implementation;

1. Late submission of financial reports by the County Treasury to the Controller of Budget affected the timely preparation of the budget implementation report. The report was received on 31 October, 2024.
2. The underperformance of own-source revenue at Kshs.75.95 million against an annual target of Kshs.607.32 million, representing 13 per cent of the yearly target.
3. High pending bills amounted to Kshs.569.32 billion as of 30th September 2024.
4. Use of manual payroll. Personnel emoluments amounting to Kshs.39.94 million were processed through manual payroll, accounting for 5 per cent of the total payroll cost. Manual payroll is prone to abuse and may lead to the loss of public funds where there is a lack of proper controls.

The County should implement the following recommendations to improve budget execution:

1. *The County Treasury should ensure timely preparation and submission of financial reports to the Office of the Controller of Budget in line with the timelines prescribed in Section 166 of the PFM Act, 2012.*
2. *The County should address its own-source revenue performance to ensure the approved budget is fully financed. Appropriate austerity measures should be implemented to ensure expenditure commitments are aligned with available revenue.*
3. *The County leadership should address the situation of pending bills to ensure that genuine bills are paid promptly in the remaining financial year. Further, compliance with the payment plan should be enforced.*
4. *The Government requires that salaries be processed through the IPPD system, and the County is advised to fast-track the acquisition of Unified Personnel Numbers for their staff. The County Public Service Board should regulate staff engagement on contract and casual workers as provided under Section 74 of the County Governments Act 2012. Further, strict compliance with the approved staff establishment should be maintained.*