

MURANG'A COUNTY GOVERNMENT

ALL CORRESPONDENCE TO BE ADDRESSED:
THE COUNTY SECRETARY



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OUR REF: MCG/FIN&PLN/2/38

August 31, 2023

Murang'a County Government Budget Circular No.01/2023

All County Executive Committee Members

All Accounting Officers

Clerk of the County Assembly

Secretary Public Service Board

Municipal Manager

All County Directors

**RE: GUIDELINES FOR THE PREPARATION OF BUDGET ESTIMATES FOR THE
2024/2025 FINANCIAL YEAR**

1. PURPOSE

In accordance with section 128 of the Public Management Act (PFM) 2012, this circular is issued to guide the budget and planning process and also to ensure compliance with the following requirements:

- (a) A schedule for preparation of the budget should be circulated specifying the key dates by which the various processes are to be completed.
- (b) The methodology for the review and projection of revenues and expenditures should be provided.
- (c) Key policy areas and issues to be taken into consideration when preparing the budget should be outlined.

(d) The procedures to be followed by members of the public who wish to participate in the budget process should be provided.

(e) The format in which information and documents relating to the budget are to be submitted should be provided.

(f) The information should be in conformity with standard budget classification systems as prescribed by regulations.

(g) Any other information relevant to the budget process.

2. BACKGROUND

The 2024/2025 fiscal year shall be the first to implement the CIDP of 2023-2027. To this end, county entities and departments shall assess their past ability to absorb the budget allocated in the previous fiscal years and request for allocations based on their capacity to absorb. Flagship and ongoing budgeted projects shall be given first priority before consideration of any other projects. The County Treasury encourages departments to find novel and transformative ways of raising and collecting revenues that fall within their departments.

3. SPECIFIC GUIDELINES

In preparing the budget for the 2024/2025 Financial Year, accounting officers shall ensure that their proposed budget estimates are prepared in conformity with the Constitution, the PFM Act 2012 and PFM Regulations 2015. Specifically, an accounting officer is responsible for ensuring that:

- All services which can be reasonably foreseen are included in the estimates and that they are within the capacity of the department to implement.
- The estimates prepared are complete, accurate and costed using activity-based costing method.
- The estimates have been framed with regard to economy and efficiency.
- The requisite authority has been obtained, where necessary, before provision is made in the estimates; and
- The budget must be programme based and should be derived from the CIDP of 2023-2027 and the ADP of 2023. Further, the plans and the estimates from those

plans may cover three years rolling planning framework - (Medium Term Expenditure Framework – MTEF).

- All finalized departmental budget proposals should be received by the County Treasury **by 5th of December 2023**. These proposals should include the budget for 2023/2024, 2024/2025, and the two outer years, namely 2025/2026 and 2026/2027.
- The budget should detail expenditure by vote and by programme, clearly identifying both recurrent and development expenditure.
- Members of the public will be invited to forward written budget proposals before **15th of January 2024** so as to allow enough time for consideration of proposals by the respective departments and the county executive committee members.
- After this, the County Treasury shall prepare budget ceilings for inclusion in the County Fiscal Strategy paper (CFSP).
- Upon adoption and approval of the CFSP by the County Assembly before 15th of March 2024, departments shall be notified of their newly approved ceilings. Consequently, departments shall be required to adjust their budget estimates to comply with the approved ceilings. They shall later submit their estimates to the County Treasury by 10th April 2024 for compiling and submission to the County Executive Committee.
- The compiled budget will be submitted to the County Assembly by **30th of April 2024**.
- For each accounting department, all effort should be made to ensure that the development budget is at a minimum of 30%. However, exception shall be made to departments that offer services, such as the County Public Service Board.
- The proposal for capital expenditure shall be in conformity with the departmental annual development plan and CIDP.
- The budgets shall be prepared in a consultative manner and there shall be public participation forums with oral and written submissions.
- Before forwarding the proposal to the Executive Committee Member in charge of the department, the Accounting Officer in charge of a department shall analyze the budget proposals to ensure that they are realistic, accurate, complete and economical.

- The Executive Committee Member in charge of a department shall make comments on the departmental budget before forwarding the same to the Executive Member in charge of Finance and Economic Planning for inclusion in the draft budget estimate.
- Submitted budget proposals should be accompanied by a work plan for both recurrent and development expenditures highlighting the activities to be undertaken for each project. It should be noted that reallocations between programmes or votes during the budget implementation period are highly discouraged. The Accounting Officer will be solely responsible for any unauthorized spending and should, therefore, create structures within the department as guided by the law and various circulars to ensure compliance with the approved estimates.

3.1 Donor Funds and Other Conditional Grants

Donor grants and other conditional grants are crucial sources of revenue for the County Government. County departments are, therefore, encouraged and required to ensure that they maximize utilization and benefits that accrue from this source of revenue.

As such, for any donor funded project proposal requiring counter funding or any other budgetary requirement or commitment from the County Government, the accounting officer of the department shall notify the Executive Member in charge of Finance and Economic Planning as soon as the information becomes available to the CEC or the Accounting officer. This will ensure that such requirements or conditions are taken into consideration during the budget making process. Such information should be forwarded through the County Executive Committee Member in charge of the relevant department.

NB. It is a strict requirement that the Government Financial Statistics (GFS) code is indicated against the Revenue/Expenditure name as guided by the template. The preparation of estimates shall be done exclusively through the prescribed automated integrated financial management (IFMIS).

3.2 Personnel Costs

All personnel cost must be budgeted in full as gross, but not as net salaries. The total amount budgeted for personnel should be consistent with the personnel costs as indicated in the staff bio data and human resource records. The submitted budget expenditures on personnel should include only those personnel positions previously approved and filled. Departments should also plan for any expected promotions or new employment.

Budgetary provisions should be linked to the expected date from which a new person will be in post as guided by the date of planned hiring and applicable salary as per the scheme of service and guidelines of the Salary and Remuneration Commission.

3.3 Operational Costs

All operational costs shall be properly rationalized based on work plans/ programmes for each year. The rationalization shall be independent of the previous year's cost.

An increment in recurrent budget exceeding 10% of the previous year allocation (2023/2024) will require a detailed justification.

3.4 Development Budgets

Developmental budget proposals should only contain capital projects that involve the creation or rehabilitation of infrastructure, such as new roads, ECDE centres, and markets, factories etc. In preparing a developmental budget, a thorough review of service delivery commitments and priorities as set out in county plans/departmental plan/strategic plans and broad strategic objectives should be the guiding principle for each project/programme. The likely outcomes and impacts over the medium term should be clearly highlighted alongside the cost proposals.

Developmental expenditures approved in the 2023/2024 budget, but not likely to be fully implemented should be included again in the 2024-2025 budget; any explanation for the underfunding/non-completion should accompany the additional funding request.

A department is at liberty to decide on the number of sub-programmes to implement as long as they are within the CIDP programmes for 2023-2027 and the ADP of 2023. The budgeted expenditures shall not exceed the ceilings outlined in the County Fiscal Strategy Paper of 2024.

It is expected that a request for funding to any programme will be **realistically costed** and **Key Performance Indicators** developed. As highlighted above, each programme must clearly show the expected **outputs, outcomes** and the **targeted impact**. Spending of funds without proof of measurable outputs is not in line with PBB principles.

3.5 Own Source Revenue

The County Government is making all the requisite effort to ensure that it maximizes on revenue collection and thus ensure it meets its revenue targets. This shall be achieved by diversifying the revenue base and sealing revenue leakages. To this end, county government entities that generate revenue should ensure that they maximize on generation and collection of the said revenues. Accounting officers should ensure that all revenue collected or generated from their department is accounted for as guided by section 63 of the PFM Regulations 2015.

3.6 Pending Bills

As the budget of 2023-2024 gets implemented, it is expected that various projects will run over to the 2024-2025 fiscal year. This could happen as a result of various unforeseen factors, such as contractor or vendor challenges, delays in exchequer releases and unfavourable weather conditions. County entities shall be required to make a first charge of these pending bills in their budgetary allocations. They shall also be required to prove that the challenges delaying the project implementation shall be resolved or have been resolved and that the projects are beneficial to the citizenry.

3.7 Murang'a Municipality

Pursuant to section 175 (3) of the PFM Act 2012, the County Treasury is required to issue budget instructions to the urban areas or cities. As such, these guidelines apply to Murang'a Municipality. Further, the Municipality shall remain guided by section 175 (3) of the PFM

Act 2012 and provisions of the Urban Areas and Cities Act 2011. The Municipality should also develop an Integrated Development Plan as envisaged by section 36-42 of the Urban Areas and Cities Act.

3.8 Public Participation

In accordance with the national values, principles of governance, and Article 201(a) of the Constitution of Kenya 2010, the County Treasury shall ensure that the public contributes to the budget making process. To this end, the County Treasury shall seek the input of the public at every stage of the budget making process. Further, it shall consider, incorporate and implement public views. To achieve this, communication shall be sent out to the public indicating the dates, venues, times for public participation, and how to participate through electronic means.

3.9 Conclusion

We look forward to receiving budgetary plans prepared within the guidelines set out above. This will not only ensure that we are in compliance with the law, but will also ensure that we achieve the transformative agenda of the county.



**PROF. KIARIE MWAURA
CECM – FINANCE AND ECONOMIC PLANNING
MURANG'A COUNTY GOVERNMENT**

Copy to:

H.E Governor

Hon. Speaker, County Assembly

County Secretary

*The dates below are deadlines for finalization of the various documents.

ANNEX I: BUDGET CALENDAR FOR THE FY 2024/2025-2026/27 MTEF BUDGET PROCESS

	ACTIVITY	RESPONSIBILITY	DEADLINE
1.	Preparation and issuance of a Budget circular setting out guidelines to be followed by all County Government entities in the budget process.	CECM Finance and Economic Planning	31 st August 2023
2.	Preparation of the Annual Development Plan (FY 2023/2024)	County Treasury	25th August, 2023
3.	Submission of the ADP to County Executive Committee (CEC) for approval	CECM Finance and Economic Planning	28 th August 2023
4.	Submission of the Annual Development Plan (FY 2023/2024) to the County Assembly for approval	County Treasury	1st September, 2023
5.	Draft County Budget Review and Outlook Paper (CBROP)	County Treasury	15th September, 2023
6.	Submission of the CBROP to the County Executive Committee for approval	CECM Finance and Economic Planning	25th September, 2023
7.	Submission of the CBROP to the County Assembly for approval	County Treasury	30th September, 2023
8.	Drafting of Departmental reports and budget proposals by programme	Departments/ County Entities.	20th November, 2023
9.	Submission of detailed draft departmental reports and budget proposals to County Treasury.	Departments/ County Entities.	5th December, 2023
10.	Public participation on County Fiscal Strategy Paper (CFSP) 2024, and budget for FY 2024/2025 (public hearings)	County Treasury	15th January, 2024
11.	Finalize preparation of the CFSP 2024 and debt management strategy paper, FY 2024/25	County Treasury	17th February, 2024
12.	Submission of CFSP and debt management strategy paper to CEC for approval	CECM Finance and Economic Planning	22nd February, 2024
13.	Submission of the County Fiscal Strategy Paper (CFSP) to the County Assembly	County Treasury	28th February, 2024
14.	Submission of the debt management strategy paper of the County Government over the medium term to the County Assembly	County Treasury	28th February, 2024
15.	Departmental Submission of budget proposals (PBB and Itemized) to County Treasury	Departments (Chief Officers/Accounting officers)	15th March, 2024
16.	Consolidation of the Draft Budget Estimates	County Treasury	27th March, 2024
17.	CEC approval of the Draft Budget Estimates Planning	CECM Finance and Economic Planning	15th April, 2024
18.	Submission of draft County Budget estimates for FY 2023/2024 to the County Assembly	CECM Finance and Economic Planning	30th April, 2024
19.	Report of draft Budget estimates from the County Assembly to the CECM Finance and Economic Planning	The Clerk, County Assembly	15th May 2024
20.	Consolidation of the final County Budget Estimates	County Treasury	30th May 2024
21.	Submission of Appropriation Bill to the County Assembly	CECM Finance and Economic Planning and Clerk County Assembly	9th June, 2024
22.	Budget Statement and submission of the Finance Bill, 2021	CECM Finance and Economic Planning	20th June, 2024
23.	Appropriation Bill passed	County Assembly	30 th June 2024

ANNEX II: Format on Program Based Budget.

Vote No: Vote Title.

Part A: Vision of Department.

Part B: Mission of Department.

Part C: Performance Overview and Rationale Funding

- Brief Description of Mandate
- Expenditure Trends – Approved Budget against actual expenditure for the year 2022-2023-2023-2024 Budget.
- Major Achievements based on planned outputs/services for year 2023-2024 Budget.
- Constraints and challenges in budget implementation and how they will be addressed.
- Major Services /outputs to be provided in the medium term 2024/25-25/26-26/27 budget.

Part D: Strategic Objective

List all the Programmes and their strategic objectives. Please note that each programme must have only one strategic objective/outcome which must be linked to the Strategic Plan and Vision 2030.

Part E: Summary of the Programme Key outputs, Performance Indicators and Targets for FY2023/24-2026/27¹

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Target 22/23	Actual 22/23	Target Baseline 23/24	Target 24/25	Target 25/26	Target 26/27
Name of Programme Outcome									
SP 1.1									
SP 1.2									
... etc									

Part F: Summary of Expenditure by Programme and Sub-Programmes 2023/24 - 2026/27

Programme	Approved Budget 2022/2023	Actual Expenditure 2022/2023	Baseline Estimates 2023/2024	Estimates 2024/2025	Projected Estimates	
					2025/26	2026/27
Programme 1: (State Name of Programme)						
Sub Programme (SP)						
SP 1.1						

¹ NB: Repeat as shown in the table under Section “E” above for all programmes. Provide total expenditure for each programme and their summation **must equal total expenditure of the vote.**

SP 1.2						
.... N						
Total Expenditure of Programme 1						
Programme 2: (State Name of Programme)						
Sub Programme (SP)						
SP 2.1						
SP 2.2						
.....N						
Total Expenditure of Programme 2						
Total Expenditure of Vote						

PART G: SUMMARY OF EXPENDITURE BY VOTE AND ECONOMIC CLASSIFICATION (KES. Millions)

Programme	Approved Budget 2022/2023	Actual Expenditure 2022/2023	Baseline Estimates 2023/2024	Estimates 2024/2025	Projected Estimates	
					2025/26	2026/27
Current Expenditure						
Compensation of Employees						
Use of Goods and Services						
Interest						
Subsidies						
Current Transfers to other Govt Agencies						
Social Benefits						
Other Expense						
Non-Financial Assets						
Financial Assets						
CAPITAL EXPENDITURE						

Compensation to Employees						
Use of Goods and Services						
Interest						
Subsidies						
Capital Transfers to Govt Agencies						
Non-Financial Assets						
Financial Assets						
Total Expenditure Vote						

Part H: Summary of Expenditure by Programme, Sub-Programme and Economic Classification (KShs. Millions)

Programme	Approved Budget 2022/2023	Actual Expenditure 2022/2023	Baseline Estimates 2023/2024	Estimates 2024/2025	Projected Estimates	
					2025/26	2026/27
Programme 1: (State the Name of the Programme here)						
Current Expenditure						
Compensation of Employees						
Use of Goods and Services						
Interest						
Subsidies						
Current Transfers to other Govt Agencies						
Social Benefits						
Other Expense						
Non-Financial Assets						
Financial Assets						
CAPITAL EXPENDITURE						
Compensation to Employees						

Use of Goods and Services						
Interest						
Subsidies						
Capital Transfers to Govt Agencies						
Non-Financial Assets						
Financial Assets						
Sub-Programme 1: (State the name of the Sub-Programme here)						
Current Expenditure						
Compensation of Employees						
Use of Goods and Services						
Interest						
Subsidies						
Current Transfers to other Govt Agencies						
Social Benefits						
Other Expense						
Non-Financial Assets						
Financial Assets						
CAPITAL EXPENDITURE						
Compensation to Employees						
Use of Goods and Services						
Interest						
Subsidies						
Capital Transfers to Govt Agencies						
Non-Financial Assets						
Financial Assets						

- Repeat as above in cases where ministry /Department has more than one Programme and/or Sub-Programmes.

Part I: Summary of Human Resource Requirements

Programme Code	Programme Title	Designation / Position Title	Authorized Establishment	In Post as at 30 th June 2023	2023/24	2024/25	2025/26 Projection	2026/27 Projections
					Funded Positions	Positions to be Funded	Positions to be Funded	Positions to be Funded
XX1	General Admin. & Management							
XX2								
XX3								
Total Funded Positions								