Republic of Kenya



County Government of Siaya
The County Treasury

TREASURY CIRCULAR NO 1/2022 **24th August, 2022**

TO: ALL EXECUTIVE COMMITTEE MEMBERS

ALL COUNTY ACCOUNTING OFFICERS

GUIDELINES FOR THE PREPARATION OF 2023/2024 – 2025/2026 MEDIUM TERM BUDGET

A. PURPOSE

1. The purpose of this circular is to provide guidelines to all Siaya County Government departments and entities on the processes and procedures for preparing the 2023/2024-2025/2026 MTEF Budget in accordance with the Public Financial Management Act 2012. The guidelines are intended to highlight:

i. Key policy issues to guide the preparation of the Medium-Term Budget;
ii. Programme Performance Reviews;
iii. The framework for public participation in the budget process; and
iv. The timelines for key activities in the budget process

B. BACKGROUND

2. Implementation of the FY 2021/2022 budget has just been concluded and implementation of FY 2022/2023 begun. The policies which will guide the preparation and implementation of the FY 2023/2024 Budget and in the Medium Term will be aligned to the policies that guided the preparation and subsequent implementation of the FY 2022/2023 Budget and in the Medium Term. It is envisaged that this will continue improving the livelihood of the people through improved incomes, enhanced agricultural

productivity and social welfare. The county government will be committed to offering better services to its citizenry more efficiently.

3. The aim of the 2023/2024-2025/2026 MTEF Budget is to deepen the impacts of devolution on service delivery to the citizens of the County by striking an appropriate balance between infrastructure development, maintenance, operationalization of completed infrastructure and continued fiscal discipline while providing room for the implementation of devolution as enshrined in the constitution. Specifically, the 2023/2024 budget will aim at achieving efficiency and improving the productivity of expenditure while at the same time ensuring that adequate resources are available for operations and maintenance, personnel emolument and implementation of our development agenda.

4. In this regard, public spending should not be seen as an end in itself but the basis for achieving development objectives outlined in the Third Medium Term Plan of Kenya Vision 2030 and the County's annual plans. The focus of the 2023/2024-2025/2026 MTEF Budget will therefore be on programmes aimed at increasing service delivery to the citizens.

C. THE GUIDELINES

5. The following will guide the preparation of 2023/2024-2025/2026 Siaya MTEF County budget proposals.

I. Medium Term Development Strategy

6. The priorities not fully implemented in the County Integrated Development Plan 2018-2022 and those contained in the 2022-2027 CIDP will guide the development of sector priorities, policies, plans and monitoring and evaluation processes for FY 2023/2024-2025/2026 Siaya County MTEF budget.
7. When preparing the budget proposals, Siaya County government entities are expected to focus on:
   a) County priorities pending from the 2018-2022 CIDP and those contained in the 2022-2027 Siaya County Integrated Development Plan, the 2023/2024 County Annual Development Plan and the departmental strategic plans 2021/2022-2024/2025 specifically the priorities for the third year of the strategic plan.
   b) Programmes/projects that address the national priorities and objectives of the Vision 2030 and the Third Medium Term Plan.

c) Programmes/projects that invest in priority areas that support social development and economic growth and transformation

d) Adequate provision for mandatory expenditures

8. County government entities are expected to ensure that proposed programmes and projects are in line with the Siaya County Integrated Development Plan. Specifically, the entities will be expected to:

i. Review County objectives and strategies in line with the overall goals outlined in the 2023/2024 annual development plan.

ii. Identify the programmes and the necessary policy, legal and institutional reforms required;

iii. Analyse cost implications of the proposed programmes, projects and policies for the MTEF period;

iv. Prioritize County Programmes and allocate resources appropriately in accordance with an agreed criteria and justification for the prioritization;

v. Coordinate and document activities leading to the development of County entity indicative Budget proposals

II. County Integrated Development Plan

9. The third generation County Integrated Development Plan (CIDP)-2022-2027 is being developed and will set out the development priorities for the county for the next five year period ending in financial year 2026/2027. This CIDP when completed and approved will be accessed from the County website (www.siaya.go.ke).

III. Programme-Based Budgeting (PBB)

10. It is expected that the 2023/2024 MTEF programme-based Budget will be presented and approved in accordance with Section 130 of the Public Financial Management Act (PFM Act) 2012. The format for the presentation is attached to this circular as annex II.

11. In view of this, county entities are expected to define programmes with clear objectives (which usually refer to outcomes), and linked to outputs, performance indicators and targets. In designing programmes, the structure should match up to the main lines of service delivery in the County entities. Programme performance indicators should mainly be indicators of programme outputs (services provided) and outcomes (effectiveness),

12. Programme performance targets should be specific, measurable, achievable, realistic, and time bound. Targets should be set only for those key performances which are considered reasonably controllable and for which baseline performance has been reliably measured. It is emphasized that each programme should be confined within a single departmental agency and all functions should fall within programmes.

13. Accounting Officers should ensure that in designing programmes, each and every function or activity undertaken by the departmental agency is included in relevant programmes. In particular, care should be taken to ensure that:

    i. There are no crosscutting activities or functions which are not assigned to respective programmes;
    ii. Each programme has a distinctive name that reflects the overall objective of a programme; and
    iii. There is no duplication of programme names used by other County entities.

14. In cases where a County entity has more than one programme, an additional programme should be created to cater for management and administration overhead costs which cannot be attributed to only one programme. Such a programme should be confined to common services such as general administration, financial services, accounting, internal audit, procurement, planning services, human resource management and ICT services which are not programme-specific.

15. In preparing the narrative justification portion of the programme budget (context for budget intervention), County entities are required to include a description of the main services (outputs) provided by the programme, a statement of the programme's overarching objective, a brief discussion of programme achievements for the last financial year, and a brief description of the achievements expected in the next year. A description of important issues, concerns, and summary of implementation plans should also be included. The format for presentation of PBB is indicated in Annex II.

IV. Performance Review of the Expenditure

16. The Performance Overview and Background for funding should include: a brief description of mandate; expenditure trends; major achievements based on the planned outputs for the period under review; constraints and challenges experienced in implementing the budget and how they are being addressed; and major services/outputs to be provided in the next Medium-Term Budget.

17. The programme performance expenditure review process will be used to determine MTEF budgetary allocations by assessing whether value for money has been obtained in previous allocations, which programmes are to be given priority in terms of funding and whether it will be prudent to discontinue some projects. This is expected to contribute towards an efficient and effective way of allocating resources towards the realization of the objectives of CIDP.

18. Programme performance expenditure review is an annual exercise carried out between July and mid-September. County Departments and Agencies are therefore expected to have commenced the Programme performance expenditure reviews. This entails undertaking a detailed appraisal of the composition, allocation and utilization of its expenditure during the period July 2021 to June 2022. County departments and agencies will only be allowed to bid for resources in the sector after the finalization of the review of programme expenditures.

V. Prioritization and Allocation of Resources

19. The County government will continue with its policy of expenditure prioritization with a view to funding core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies. These decisions will have implications in the budget ceilings to be provided in the Budget Review and Outlook Paper.

20. The following criteria will serve as a guide for allocating resources:

- Linkage of the programme with the objectives of the 2023/2024 County annual development plan.
- Degree to which a programme addresses core poverty interventions
- Degree to which the programme is addressing the core mandate of the County entity
- On-going activities of the County Government, flagship projects

21. Based on the broad guidelines, each entity is expected to develop and document the criteria for resource allocation. Further, the Sector Working Groups (SWGs) should prioritize programmes based on the following:

- Analysis of the base line expenditure after removing all the once off expenditure for the previous years;

- Identification of low priority activities in order to realize savings which should be directed to high priority programmes.
- Allocation of resources to projects that have been fully processed i.e., feasibility study done, with detailed designs, necessary approvals, and land secured. The SWGs should also pay attention to the estimated requirements for each of the stages of the project cycle.
- The County government entities are also required to introduce mechanism of efficiency savings in their budgets. This can be achieved through reducing operating costs and non-service delivery activities and should be considered for all programmes;
- The County government entities are also expected to provide a detailed explanation for the rescheduling of projects where the rescheduling has been done.
- County Corporations whose proposed expenditure and investment programmes are to be financed from the Budget of the parent Ministry should indicate so and ensure that their proposals are accommodated within the respective Sector ceilings.

VI. Specific Guidelines

Wages & Salaries

22. The County government is committed to implementing an affordable pay policy within the Public Sector which provides for a harmonized and unified framework for determining pay while eradicating wage discrepancies.

23. While we appreciate the need to improve remuneration for public servants, any pay adjustments must be consistent and guided by the following principles:

a) Pay increases should be geared towards supporting efficient delivery of public services.

b) Pay increases should be affordable. The growth in the earnings in the public sector should be in line with what is being experienced in the economy as a whole.

c) Pay increases should be fair, equitable and just across the entire public service. Selective pay awards to specific sectors in the service is not only unfair but has the

potential of demoralising other staff not benefiting from the awards and justifies counter demands from the other sectors not considered.

24. The number of public sector employees is not expected to increase except where County Treasury has given specific approval on availability of funds for new recruitment.

25. Accounting officers should not award any adjustment to salaries, remuneration and benefits. Such requests for salary and allowances reviews in the public sector should be channelled to Salaries and Remuneration Commission for guidance.

Use of Goods and Services

26. The County government will undertake such austerity measures to scale down non-core operational expenditures mainly in the use of goods and services. Savings identified should be directed towards investment and other development needs of the County. County Treasury will critically review budget proposals and where necessary make reallocations from the less productive items in order to direct the savings toward capital investment and other priority areas. Departments are required to fully provide for fixed costs and other mandatory requirements based on the trend or existing agreements and that requests for additional funding beyond the provided ceiling must be justified.

Consultancies and Professional Services

27. While the County government acknowledges the contribution of consultants and professional service providers to the delivery of public services, there are concerns over the long-term nature and cost of many of these consultancy arrangements. Moving forward, any funding factored in the budget for consultancies, contracted professional services, contracted technical services and feasibility studies, will have to be fully justified. In view of this, County entities requesting such funds will be required to provide the following to justify such expenditures:

(i) Details of the specific task and timeframe the consultant is expected to undertake;

(ii) Why the task cannot be undertaken by County Department / Agencies (DA's) staff;

(iii) Details of steps being taken by the County DA to address skills gap so as to reduce the reliance on external consultants; and

(iv) Details (including duration and cost) of all consultancy or professional service contracts, entered into by the County DAs in the last two financial years.

Capital Projects

28. Completion of the on-going projects and programmes must be accorded priority. In this regard, capital expenditure must be applied towards the funding of on-going projects and programmes that are near completion and have under gone due process. County government entities should provide adequate information to support the existence of on-going projects which should include a list of the on-going projects with details of total cost, start and end date, cumulative expenditure to date, balance to completion, and amount required over the medium term.

29. Any proposal for additional allocation of resources must be accompanied by a cost benefit analysis. The proposed additional or new expenditure will have to be aligned with the entity's mandate and should be subject to the available fiscal space. In addition, departments are required to furnish full information on the projects that require GOK counterpart funding.

Capital expenditures

30. It is reiterated that funding to capital projects should be based on realistic costing. Proposed capital projects should be evaluated in the context of the following (see annex II on PBB)

31. Preference for financing should be given to those projects which are in full compliance with the Government priorities reflected in Sector Plans and which are fully justified for financing.

32. Priority should be given to completion of on-going projects before embarking on new ones

33. County departments should indicate how the proposed projects will contribute in economic growth, job creation and increased citizen's welfare;

34. Resources to projects should be strictly apportioned in accordance with the actual financial requirement over the medium term;

Resource Envelope

35. The key national policy document that informs the budgets of the National and County Governments is the Budget Policy Statement (BPS) which provides a framework for the Government to manage its fiscal resources. BPS outlines the fiscal rules to assist the Government with achieving sustainable economic growth through correct management

of its resources which includes keeping on-going expenditure in line with normal and sustainable revenues.

36. The 2023 BPS will provide the framework for determining how much to spend on planned investments and programmes aimed at enhancing economic growth in line with Vision 2030. In particular, the BPS will set out the sector strategies, targets, deliverables and projected cost of implementation. It provides the basis for effective monitoring of the inputs, outputs, outcomes and impact of sector performance.

37. Accounting Officers are urged to familiarize themselves with the 2023 Budget Policy Statement when it is formally adopted.

Public Participation and Stakeholder Involvement

38. Public participation and involvement of other stakeholders in the MTEF budget process is important and a constitutional requirement. County government entities are required to identify and involve the stakeholders throughout the budget preparation process and information of their involvement documented. In the same light the County Government will engage the public using platforms which will be guided and compliant to COVID-19 protocols. These channels will include virtual meeting with stakeholders and also provide an official website for online submission of memoranda.

D. COUNTY BUDGET PROCESS

39. The county budget process will be as set out in Section 125 of the PFM Act, 2012. Accounting Officers are therefore urged to familiarize themselves with the content of that section of the Act.

E. PREPARATION AND SUBMISSION OF BUDGET PROPOSALS

40. Accounting Officers and SWGs are requested to ensure that all activities of County government sectors/entities are completed on scheduled timelines, including drafting of entities budget proposals. The proposals should be ready for submission to the County Treasury not later than 20th October 2022

41. The attached budget calendar outlines the timelines for the budget process in accordance to the requirements of the Public Financial Management Act 2012.

42. Accounting Officers are required to strictly ensure adherence to the timelines provided in order to ensure timely preparation and implementation of the budget.

F. CONCLUSION

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

Cleophas Ombogo
County Executive Committee Member
Finance and Economic Planning

Copy to:

- H.E. James Orengo
  Governor
  County Government of Siaya
  SIAYA

- Hon. George Okode
  The Speaker
  County Assembly of Siaya
  SIAYA

Annex I: The Budget Calender for FY 2023/2024 MTEF Budget Process

DATE	Activity	Action by
24th August 2022	Budget guidelines released	CEC member for finance
1st September 2022	County Development Plan (CADP) submitted to the County Assembly	CEC member for finance
7th Sept. 2022	The CEC member for finance to publish and publicize the annual development plan	CEC member for finance
30th Sept 2022	The County Budget Review and Outlook Paper (CBROP) for FY 2021/22 submitted to the County Executive Committee for approval	CEC member for finance
15th Oct 2022 – 15th Feb 2023	Public participation forums held and preparation of sector working group reports	The County Treasury
21st October 2022	The CEC approved copy of the CBROP for FY 2021/22 submitted to the County Assembly	CEC member for finance
28th February 2023	The County Fiscal Strategy Paper (CFSP) for FY 2023/24 and Medium-Term Debt Management Strategy (CDMSP) for the period 2023/24-2025/26 submitted to the County Assembly for approval	CEC member for finance
30th April 2023	Budget estimates for FY 2023/24 submitted to the County assembly for approval	CEC member for finance
May – June 2023	Budget and Appropriation committee to hold public forums on budget estimates for FY 2023/24	County Assembly committee
30tht June 2023	Approval of the budget estimates and appropriation bill for FY 2023/24 by the County Assembly	County Assembly
30th June 2023	Finance Bill for FY 2023/24 submitted to the	CEC member for finance

	County Assembly for approval	
30th September 2023	Approval of the Finance Bill for FY 2023/24 by the County Assembly	County Assembly

ANNEX II: FORMAT FOR PRESENTATION OF PROGRAMME-PERFORMANCE BASED BUDGETS (PBB)

Vote No:

Vote Title:

Part A: Vision

Part B: Mission

Part C: Performance Overview and Background for Programme(s) Funding

- *Brief description of mandates*
- *Expenditure trends – approved budget against the actual expenditure for the 2019/2020 – 2021/2022 Budget*
- *Major achievements based on the planned outputs/services for 2019/2020 – 2021/2022 budget*
- *Constraints and challenges in budget implementation and how they are being addressed; and*
- *Major services/outputs to be provided in the 2023/2024 – 2025/2026 budget*

Part D: Strategic Objectives

(List all the programmes and their strategic objectives. Please note that each programme must have only one strategic objective/*outcome*)

Part E: Summary of the Programme Key Outputs, Performance Indicators and Targets for FY 2023/2024-2025/2026

Programme	**Delivery Unit**	**Key Outputs**	**Key Performance Indicators**	**Target (Baseline) 2022/2023**	**Target 2023/2024**	**Target 2024/2025**	**Target 2025/2026**
Name of Programme Outcome							
SP1.1							
SP1.2							

….etc.							

Part F: Summary of Expenditure by Programmes 2023/2024-2025/2026

Programme	**Baseline Estimates 2022/2023**	**Estimates 2023/2024**	**Projected Estimates**	
			2024/2025	**2025/2026**
Programme 1 (Name)				
Total Expenditure of Programme 1				
	Baseline Estimates 2022/2023	**Estimates 2023/2024**	**Projected Estimates**	
			2024/2025	**2025/2026**
Programme 2 (Name)				
Total Expenditure of Programme 2				
Total Expenditure of Vote -------				

Part G. Summary of Expenditure by Vote and Economic Classification (Kshs. Million)

Code	**Expenditure Classification**	**Baseline Estimates 2022/2023**	**Estimates 2023/2024**	**Projected Estimates**	
				2024/2025	**2025/2026**
	Current Expenditure				
2100000	Compensation to Employees				
2200000	Use of goods and services				
2400000	Interest				
2500000	Subsidies				
2600000	Current Transfers Govt. Agencies				
2700000	Social Benefits				
2800000	Other Expenses				
3100000	Non-Financial Assets				
3200000	Financial Assets				
	Capital Expenditure				
2100000	Compensation to Employees				

2200000	Use of goods and services				
2400000	Interest				
2500000	Subsidies				
2600000	Current Transfers Govt. Agencies				
2700000	Social Benefits				
2800000	Other Expenses				
3100000	Non-Financial Assets				
3200000	Financial Assets				
	Total Expenditure of Vote ……				

Part H. Summary of Expenditure by Programme, Sub-Programme and Economic Classification (Kshs. Million)

	Expenditure Classification	**Baseline Estimates 2022/2023**	**Estimates 2023/2024**	**Projected Estimates**	
				2024/2025	**2025/2026**
Programme 1: (state name of programme)					
Code	**Current Expenditure**				
2100000	Compensation to Employees				
2200000	Use of goods and services				
2400000	Interest				
2500000	Subsidies				
2600000	Current Transfers Govt. Agencies				
2700000	Social Benefits				
2800000	Other Expenses				
3100000	Non-Financial Assets				
3200000	Financial Assets				
	Capital Expenditure				
2100000	Compensation to Employees				
2200000	Use of goods and services				
2400000	Interest				
2500000	Subsidies				
2600000	Current Transfers Govt. Agencies				
2700000	Social Benefits				

2800000	Other Expenses				
3100000	Non-Financial Assets				
3200000	Financial Assets				
Code	**Current Expenditure**				
2100000	Compensation to Employees				
2200000	Use of goods and services				
2400000	Interest				
2500000	Subsidies				
2600000	Current Transfers Govt. Agencies				
2700000	Social Benefits				
2800000	Other Expenses				
3100000	Non-Financial Assets				
3200000	Financial Assets				
	Capital Expenditure				
2100000	Compensation to Employees				
2200000	Use of goods and services				
2400000	Interest				
2500000	Subsidies				
2600000	Current Transfers Govt. Agencies				
2700000	Social Benefits				
2800000	Other Expenses				
3100000	Non-Financial Assets				
3200000	Financial Assets				

- Repeat as above in cases where a Ministry/Department has more than one programme and/or sub-programmes

ANNEX III: SECTOR WORKING GROUP REPORT FORMAT
TABLE OF CONTENTS

(Please ensure that Headings and Subheadings are identical to those in the report)

Chapters 1 – 5 should form the main body of the report and should be divided into logical sections and subsections, using appropriate headings and numbering. Its purpose is to explain the conclusions and to justify the recommendations

EXECUTIVE SUMMARY

(Restate conclusions for each section and summarize findings and recommendations under this section)

CHAPTER ONE:
1. INTRODUCTION

1.1. Background

1.2. Sector Vision and Mission

1.3. Strategic goals/Objectives of the Sector

1.4. Sub–Sectors and their Mandates

1.5. Autonomous and Semi-Autonomous Government Agencies

1.6. Role of Sector Stakeholders

(The introduction should briefly describe context; identify general subject; describe the problem or issue to be reported on; define the specific objective for the report; outline the scope of the report; and comment on any limitations of the report)

CHAPTER TWO

2. PERFORMANCE REVIEW 2019/2020 – 2021/2022

2.1. Performance of Programmes

2.2. Review of Key indicators of Sector Performance

2.3. Expenditure Analysis

2.3.1. Analysis of recurrent expenditure

2.3.2. Analysis of Development Expenditure

2.3.3. Analysis of Externally Funded Programmes

2.3.4. Expenditure Review by Programmes

2.4. Review of Pending Bills

2.4.1. Recurrent Pending Bills

2.4.2. Development Pending Bills

CHAPTER THREE

3. MEDIUM TERM PRIORITIES AND FINANCIAL PLAN FOR THE MTEF PERIOD 2023/2024-2025/2026

3.1. Prioritization of Programmes and Sub-Programmes

3.1.1. Programmes and their Objectives

3.1.2. Programmes, Sub-Programmes, Expected Outcomes, Outputs, and Key Performance Indicators for the Sector

3.1.3. Programmes by Order of Ranking

3.2. Analysis of Resource Requirement versus allocation by:

3.2.1. Sector (recurrent and development)

3.2.2. Sub-Sectors (recurrent and development)

3.2.3. Programmes and Sub-programmes

3.2.4. Semi-Autonomous Government Agencies

3.2.5. Economic classification

3.2.6. Resource Allocation criteria

CHAPTER FOUR

4. CROSS-SECTOR LINKAGES AND EMERGING ISSUES CHALLENGES

CHAPTER FIVE

5. CONCLUSION

This section should summarize the key findings of the report, as outlined in the discussion under the chapters 1-5 of the report. The Conclusions should relate specifically to the report's objectives (as set out in the introduction); identify the major issues; be arranged in order of importance; be specific, and to the point; and be a list of numbered points

CHAPTER SIX

6. RECOMMENDATIONS

This section should outline future actions. The Recommendations should be action orientated, and feasible; Relate logically to the Conclusions; be arranged in order of importance; and be to the point