3 Questions to Ask About Each Key County Budget Document

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Introduction

• Every budget year the County executive will table a set of budget documents in the County Assembly.
• Each document should have certain key information as described by the PFM Act.
• This information is key for the assembly to play its oversight role effectively.
Some Key Documents

• Annual Development Plan (September)
• County Budget Review and Outlook Paper (November)
• County Fiscal Strategy Paper (February)
• Budget Estimates (April)
• Supplementary Budget (January)
• Implementation Reports (Quarterly)
Annual Development Plan
1. Does the ADP describe major programmes within each sector and the status of projects within them?

- The ADP should follow the format of the budget in describing major programmes in each sector.
- It should also provide information about the status of ongoing projects, including how much money is needed to finish these and in what time period.
- It should then explain how much money will be available for “new” projects after accounting for all ongoing spending.
2. Does the ADP explain how projects/programmes are being prioritized from the CIDP?

- The ADP is an annual extract from the 5-year CIDP.
- This means that the ADP should explain how and why certain projects/programmes were selected for the upcoming year.
- The Assembly should discuss whether these are indeed the priorities for the upcoming year and whether this is the best way of using limited funds.
3. Does the ADP contain performance indicators and targets linked to the priority programmes and projects?

- One way to assess the value of different projects is to look at what the sector wants to achieve and see whether the projects are linked to that.
- For example, if an objective is to provide housing to health workers, and there are indicators of houses built and a target, then we can see whether the projects prioritized are actually going to allow us to meet our target.
County Budget Review and Outlook Paper (CBROP)
1. Does it contain information on actual spending compared to the approved estimates for the year?

• The “Review” part of CBROP is a review of actual fiscal performance against the full year budget as approved by the County Assembly for the previous year (e.g., 2014 CBROP in November looks at budget implementation in FY 2013/14)

• Any substantial deviations should be explained

• Assembly must weigh the comprehensiveness and reasonableness of these explanations and request additional information as needed
2. Are there any updates to the CFSP?

• This paper comes out about 6 months after the County Fiscal Strategy Paper.

• It is therefore designed to provide an update after the first quarter of the current budget year on projections and plans that were in the CFSP.

• For example, did we get our estimates of revenue and spending right? Do we need to adjust our sector focus from what we decided in the CFSP?
3. Are provisional sector ceilings provided and are they consistent with county priorities as laid out in Annual Development Plan?

- The “outlook” part of the CBROP is looking ahead to the next budget.
- It should propose ‘ceilings’ (maximums) that guide sectors as they prepare their proposals for the coming budget.
- These ceilings should be consistent with county plans.
- These are a precursor to the ceilings that will be set in the CFSP in February.
County Fiscal Strategy Papers (CFSPs)
1. Are the revenue and expenditure projections for the coming year provided and are they realistic?

- The CFSP should have details of what the county expects to take in from all sources for the coming year.
- It also should have details of expenditure projections for the year per sector.
- The Assembly should ask whether the total revenue and expenditure projections are realistic based on past performance.
- If there is any deficit, there must be evidence that it is funded and that the funding has been approved by national government.
2. Does the CFSP show the sector ceilings and are they in line with county priorities?

- The CFSP should give details of the resources available for each sector/ministry/department to spend in the coming year.
- These ceilings should also be broken up into recurrent and development expenditure.
- These ceilings should reflect proposals from sectors and the public that were given during sector hearings in December/January.
- The Assembly should ask whether changes in ceilings from the CBROP are consistent with changing circumstances or inputs received since November.
3. Are sector priorities for the year provided?

- The CFSP should give narrative details of priority projects/sectors that the government plans to invest more in during the year.
- This should also include departments/sectors that it plans to reduce funding to.
- This narrative information should match the tables and be consistent with changes in the shares of different sectors over time (e.g., a sector that is a priority should get a rising share of the total budget)
County Budget Estimates
1. Are the sector allocations aligned to the CFSP ceilings approved by the County Assembly

- Once the ceilings are set in the approved CFSP, these are the limits within which all ministries/sectors/department should spend.
- Neither the Executive nor the Assembly should change these ceilings except in case of unexpected events between March and April.
- Where events between March and April require such changes, sufficient narrative explanation must be provided.
2. Are the main projects and spending areas under each sector consistent with the priorities of the county as expressed in the ADP/CIDP?

- The focus of the review of the estimates is the spending within each sector, since the ceilings were set in March.
- The PFMA requires all budgets to be prepared based on a development plan.
- The budget estimates should be based on an approved Annual Development Plan and the level of information should be enough to make the connection.
- The budget should make adequate provision to maintain basic services and finish incomplete projects.
3. Are there a small set of useful targets and indicators for what the county is trying to achieve under each sector/ministry?

• Indicators should help us measure whether we are achieving what we set out to achieve through the county budgetary allocations.

• They should be clear, specific, measurable with available data sources, timebound and start from a recognized baseline.

• Over time, the Assembly should ask if these targets are being met and if not, why not? Poor implementation? Wrong measures? Etc.
Supplementary Budget
1. Are there links between the supplementary budget and budget implementation data?

- Supplementary budgets give a county government the opportunity to make adjustments to its fiscal obligations for the year.
- They generally are done around the mid-point of the year and should come with a mid-year review of budget performance and explanations for proposed changes.
- Any changes should be informed by revenue and expenditure trends in the year that are captured in quarterly implementation reports (for example, underspending ministries might have their budgets reallocated to high performing ministries).
2. Is the total amount in the supplementary within the 10% of the approved budget limit set in law

- Counties should not prepare supplementary budgets that are above 10% of the amount originally appropriated by their assemblies.
- Only under special circumstances and with the approval of the assemblies can that threshold be breached.
3. Does the supplementary adjust to unexpected circumstances while trying to maintain overall policy objectives?

- A supplementary is a tool for dealing with unexpected changes in economy and capacity of government.
- It should not be used to change the overall priorities unless there are good reasons provided for doing so.
- It should also not be used to radically alter the share of the budget going to recurrent, wages, debt or other broad areas unless this is needed to respond to crisis.
Quarterly Budget Implementation Reports
1. Does the report provide explanations of variance between actuals and approved budget?

- The main purpose of these reports is to identify major deviations from the budget and try to correct these before the year ends.
- The Assembly should look for major deviations and explanations of these deviations.
- If the explanations are not adequate, it should demand further information and call executive officers to make timebound commitments to resolve issues impeding budget execution.
- This also applies to the revenue side and the Assembly should be looking at both revenue and spending against the county’s cash flow plan to see if they are on target.
2. How does performance compare across time, sectors, etc.?

- To know whether performance is good or bad, we must compare it to something.
- One comparison is with cash flow plans.
- Another is with the trends during previous periods (Q1 of this year and last year).
- We can also compare across sectors and even across counties.
- If challenges were identified last year and recommendations were given, were they implemented and is the issue continuing in the current year?
3. Are the expenditure and revenue details broken down below the department/programme level?

- When reporting on expenditure or revenue collected the county should give information using the same codes, departments, programmes and format as the budget itself.
- This information should be broken down to a low enough level to permit oversight.
- Percentages should be provided for all figures to allow comparison across types of spending, programmes, and items.