REPUBLIC OF KENYA
THE NATIONAL TREASURY

www.treasury.go.ke
FAX NO. 310833
Telephone: 2252299
When replying please quote:

The National Treasury
P.O. Box 30007
NAIROBI.

Ref: DGIPE/A/1/10 **Date:** December 18th, 2015

THE NATIONAL TREASURY CIRCULAR NO. 19/15

All Principal Secretaries/Accounting Officers

All Chief Executive Officers State Corporations,

All Heads of Semi-Autonomous Government Agencies/Programmes,

All Heads/Administrators of Fund Accounts.

GUIDELINES FOR PREPARATION OF 2016/2017 – 2018/2019 MEDIUM TERM BUDGET FOR STATE CORPORATIONS, SEMI-AUTONOMOUS GOVERNMENT AGENCIES/PROGRAMMES, PUBLIC FUNDS AND WATER & SEWERAGE COMPANIES:

1.0 INTRODUCTION:

1.1 Purpose:

The purpose of this Circular is to provide guidelines for the preparation and submission of the **2016/2017 – 2018/2019 Medium Term Budget** for State Corporations, Semi-Autonomous Government Agencies/ Programmes, Public Funds and Water & Sewerage Companies.

1.2 Background:

i. In accordance with the State Corporations Act (Cap 446) Section 11 and 12, State Corporations are required to prepare and submit their respective Corporation's/Entity's Annual Estimates of Revenue and Expenditure (budget proposals) to the line Ministry and The National Treasury for approval.

ii. Further, Public Finance Management Act, 2012, Section 38 (1) (b) (i), requires that the National Government Annual Estimates of Revenue and

Expenditure shall include a list of all entities that are to receive funds appropriated from the budget of the National Government.

2.0 GENERAL GUIDELINES:

Basis for Preparation of 2016/2017 – 2018/2019 Medium Term Budget:

2.1 Estimates of Revenue and Expenditure for 2016/2017 – 2018/2019 Medium Term Budget of the respective State Corporations and other Government entities should be based on the relevant budget proposals submitted to the line Ministry, Department and Agencies (MDAs) for the 2016/2017 FY National Annual Estimates of Revenue and Expenditure and broad fiscal parameters. The proposed Annual Estimates of Revenue and Expenditure for respective State Corporations and other Government entities should be geared towards:-

i. Realization of **Key Result Areas (KRAs)** identified in your respective sectors as articulated in the **Second Medium Term Plan (MTP II) 2013 – 2017**, and **Sector Performance Standards;** and

ii. Delivery of **Vision 2030 Flagship Projects.**

National Exchequer Funding:

2.2 State Corporations and other Government entities whose proposed expenditure and investment programmes are to be financed from the National Exchequer through the line Ministry will have already indicated so in their Annual Estimates of Revenue and Expenditure and **Medium Term Expenditure Framework (MTEF)** submissions for the FYs 2016/2017 – 2018/2019. State Corporations and other Government entities should participate in their respective Sector Working Groups during the sector hearings for the National Government resource bidding and allocation based on the sector ceilings as contained in the Budget Review and Outlook Paper (BROP), and the Budget Policy Statement (BPS) 2016. The proposed Annual Estimates of Revenue and Expenditure for respective State Corporations and other Government entities should therefore be within the sector/ministerial ceilings as per the BROP and the BPS 2016 and budgetary allocations to the respective State Corporation and other Government entities.

Expenditure Management:

2.3 State Corporations and other Government entities are urged to improve efficiency in the management and utilization of resources entrusted to them with a view to deliver quality services, achieve their respective mandates in the most cost effective manner, and avoid wastage of public resources.

2.4 No State Corporation and other Government entities should enter into commitments or initiate new programmes, projects or activities in excess of funds allocated to them under the National Government budgetary allocations or funds available to them from other sources such as internally generated funds.

Dividends:

2.5 All commercial State Corporations are expected to generate reasonable returns and should declare and pay dividends to the National Treasury and other shareholders. In this regard all commercial State Corporations should have approved dividend policy of which a copy should be submitted to the National Treasury. All commercial State Corporations should declare and pay dividends in accordance with their respective approved dividend policy.

Cash Flow Management:

2.6 The National Treasury continues to release budgetary allocations to State Corporations and other Government entities funded through the National Exchequer even though those State Corporations and other Government entities have huge surplus funds held in short term bank deposits or funds invested in Treasury bills/bonds. This has resulted in the National Government incurring huge borrowing costs due to failure to synchronize National Government cash flow requirements (cash inflows versus cash outflows).

2.7 To enable the National Treasury synchronize National Government cash flow requirements with cash inflows and to ensure smooth budget execution across all Government Ministries, Departments and Agencies, all State Corporations and other Government entities are required to provide details of all bank accounts opened and operated for purposes of; conducting the day to day operations of the corporation/entity, short term investments of surplus funds in fixed deposits, on-call deposits or treasury bonds/bills, and any other related purposes. **Please note that: -**

i. In accordance with Public Finance Management (PFM) Act 2012 Section 28, NO State Corporation and other Government entities should open and operate bank accounts without prior approval of the National Treasury; and

ii. No State Corporation and other Government entities should invest surplus funds in any financial institutions/bank without prior approval of the National Treasury.

Debt Service and Statutory Obligations:

2.8 As directed in previous years' circulars, State Corporations and other Government entities with outstanding liabilities arising from default and non- payment of on-lent, guaranteed loans, OR non-remittance of dividends, taxes, pension contributions, NSSF, NHIF and other statutory deductions, as well as employees' deductions and contributions to co-operative societies, should put in place measures to settle these obligations. State Corporations and other Government entities should give a status report on remedial measures undertaken or proposed to settle all outstanding liabilities, including dividends and loan repayment arrears to the National Treasury.

2.9 In this regard therefore: -

i. All State Corporations and other Government entities must prioritize debt service and statutory obligations as a first charge on their revenues; and

ii. The National Treasury will not give concurrence for borrowings or, where applicable, make recommendations to Parliament for National Government guarantees for State Corporations and other Government entities in default of loan repayments and other statutory obligations.

Staff Retirement (Pension) Schemes:

2.10` The Government, through Treasury Circular No. 18/2010 of November 24, 2010, required that all public entities (State Corporations and other Government entities) that operated Defined Benefit (DB) Pension Schemes convert to Defined Contribution (DC) Pension Schemes. State Corporations and other Government entities should, therefore, provide: -

i. Status of implementation of the conversion from DB to DC of the staff retirement benefits (Pension) schemes;

ii. The current level of funding/deficit, if any, of the staff retirement benefits (Pension) scheme; and

iii. Remedial measures which have been put in place to clear the deficit, if any, and ensure full compliance with the Retirement Benefits Act requirements.

Remuneration and Benefits to Employees:

2.11 It is National Government policy to contain and manage the public wage bill. In view of this, State Corporations and other Government entities should not allocate resources for new recruitment and upgrading of staff or sign new Collective Bargaining Agreements (CBAs) unless they have prior approval from the Salaries and Remuneration Commission, in consultation with the National Treasury. State Corporations and other Government entities should adhere to the provisions of Treasury Circular No. 8/2015 of 10th June 2015 and No. 13/2015 of 27th July 2015 and therefore should **NOT** provide budgetary allocations to implement new terms and conditions of service or for new recruitments.

Allocation for personnel emoluments must be supported by detailed analysis of the payroll data for current and last financial years. It is mandatory that each State Corporation and other Government entities should provide this information to support their requirement. Accounting officers are required to carry out regular staff and payroll audits to ascertain payroll accuracy and integrity.

Capital Budgets:

2.12 Preparation of capital budget for the FYs 2016/2017 – 2018/2019 by State Corporations and other Government entities should be geared towards delivery of **Vision 2030 Flagship Projects** as set out in **MTP II 2013 - 2017** priority areas. Proposed capital budgets for respective State Corporations and other Government entities should be consistent with sector/ministry strategic objectives, realistic and based on resources that are available from internally generated revenues, borrowings and/or funds allocated under the sector /ministerial ceilings. No State Corporation and other Government entities should enter into financial commitments without confirming source of funding to avoid accumulation of pending bills.

2.13 External resources form a significant component in financing development project. However, the absorption capacity and implementation of development projects funded by the National Government and development partners is very low.

2.14 The Government is committed to improving the implementation and absorption capacity of development projects. Capital budgets/projects implemented by State Corporations and other Government entities should include detailed individual projects regardless of the source of financing.

2.15 State Corporations and other Government entities should obtain the National Treasury approvals through their respective line Ministry/Department to undertake development projects financed by development partners whenever financing agreements are reached in the course of the financial year.

2.16 State Corporations and other Government entities should ensure that all capital projects generate a reasonable rate of return which should be within the norms of the industry in which they operate. However, where this cannot be quantified in financial terms, an adequate justification should be provided in terms of other criteria, such as socio-economic impact.

Domestic or External Borrowings by State Corporations and other Government entities:

2.17 It is the National Government policy not to guarantee loans to State Corporations and other Government entities from domestic banks. In accordance with the State Corporations Act, Section 5(2), the National Treasury concurrence for domestic or external borrowings by State Corporations other Government entities will only be granted for investments/projects that clearly demonstrate commercial viability and satisfy the rate of return criteria. There shall be clear demonstration from the business plan that the investment / project should be able to generate sufficient revenue to repay the loan(s) in full without recourse to the National Treasury for bailout.

2.18 Where interpretation in respect of terms and conditions of outstanding loans to Government or on-lent/guaranteed loans by National Government is not clear, clarification should be sought from the ***Director General, Public Investment and Portfolio Management in The National Treasury.***

2.19 Further, under the PFM Act, Section 51 provides that: -

i. A National Government entity may borrow in accordance with the PFM Act or any other Act of Parliament.

ii. A National Government entity shall obtain the approval of the Cabinet Secretary to The National Treasury for its intended program of borrowing, refinancing and repayment of loans — (a) over the medium term; and (b) for the forthcoming financial year, prior to the beginning of that financial year.

iii. A National Government entity shall also obtain the approval of the Cabinet Secretary to The National Treasury before making any changes to its program of borrowing, refinancing and repayment during a financial year.

iv. The National Government is not liable to contribute towards payment of any debt or liability of a National Government entity, unless the National Government has guaranteed the debt or liability.

3.0 FORMATS AND PRESENTATION OF 2016/2017 – 2018/2019 MEDIUM TERM BUDGET:

3.1 The proposed 2016/2017 – 2018/2019 Medium Term Budget should include: -

i. Statement on the Corporation's/entity's short-term objectives, performance review, and outlook as approved by the Board;

ii. Main assumptions including key economic parameters;

iii. Staffing levels by category/cadres; and

iv. Concise explanatory notes to the Annual Estimates of Revenue and Expenditure (budgets).

NB: A check list of minimum **requirements for the** *2016/2017 – 2018/2019 Medium Term Budget Proposals is given in Annex 1 and a detailed deadline for submissions is given in Annex 2.*

Statement of Total Funds:

3.2 State Corporations and other Government entities should indicate the total actual revenue for FYs 2013/2014 & 2014/2015, the latest forecast for 2015/2016 FY, the proposed and projected estimates of revenue for 2016/2017 FY and the two outer FYs for 2017/2018 and 2018/2019 respectively as illustrated in *Appendix I.*

Statement of Financial Performance:

3.3 The Statement of Financial Performance should contain two years audited financial performance for FYs 2013/2014 & 2014/2015, the latest forecast for 2015/2016 FY, the proposed and projected annual estimates of revenue and expenditure (budget) for 2016/2017 FY and two outer FYs for 2017/2018 and 2018/2019 respectively

NB: State Corporations **and other Government entities** *should customize their statement of financial performance into: -*

i. *Statement of Financial Performance Not for Profit State Corporations as illustrated in Appendix II; OR,*

ii. *Statement of Income and Expenditure, (Statement of Comprehensive Income) for Commercial State Corporations as illustrated in Appendix III;*

The following guidelines should be taken into consideration while preparing the statement of financial performance:-

i. All estimates of revenue and expenditure should be realistic and based on resources that are available from internally generated revenues OR budgetary allocations from the National Exchequer within the sector/ministerial ceilings.

ii. State Corporations and other Government entities should ensure that funds are prioritized towards the achievement of the Corporation's/entity's core mandate and realization of Key Result Areas (KRAs) identified in their respective sectors as articulated in the MTP II (2013 – 2017).

iii. The Statement of financial performance for the period must be prepared in detail clearly indicating all sources of revenue earmarked for recurrent expenditure.

iv. In the event that a State Corporation and other Government entities have budgeted to use surpluses brought forward from previous years to meet its recurrent expenditure, this should clearly be indicated in the explanatory notes.

3.4 Annual Capital (Development) Budget

State Corporations and other Government entities should provide a summary of the respective capital project's feasibility study reports in order of priority. There should be clear indications of how each project links to the Corporation's core mandate and strategic plan in line with sector/ministry strategic objectives, MTP II (2013 - 2017) priorities, and delivery of Vision 2030 Flagship Projects.

The proposed annual capital budget should clearly indicate the total project cost, expected return from such investments, and other justifications.

All capital projects shall be classified into one of the following four categories: -

Category 1 - Mega Projects;

These are projects estimated to cost more than Kshs. 1.0 billion by the time they are completed and handed over in the medium-term (within 3 years)

Category 2 - Large Projects;

These are projects estimated to cost between Kshs. 500 million and Kshs. 1.0 billion by the time they are completed and handed over in the medium-term (within 3 years)

Category 3 - Medium Projects;

These are projects estimated to cost between Kshs. 100 million and Kshs. 500 million by the time they are completed and handed over in the medium-term (within 3 years).

Category 4 – Other Projects;

These are projects estimated to cost less than Kshs. 100 million by the time they are completed and handed over in the medium-term (within 3 years).

There should be: -

i. Project(s) implementation schedule clearly indicating the level of completion for on-going projects, projected work(s) to completion and time frame to complete the project as well as sources of funding as illustrated in **Appendix IV**.

ii. The line Ministry shall appraise the **feasibility studies** and **capital budget** to ensure consistency with Corporation's/Entity's core mandate and strategic plan, sector/ministry strategic objectives, MTP II (2013 – 2017) priorities, and delivery of Vision 2030 Flagship Projects and submit its recommendations to the National Treasury for incorporation in the review and analysis of the proposed capital budget.

iii. The recommendations by the line Ministry to the National Treasury on the **feasibility studies** and **capital budget** should include budgetary allocation/Government grants to the respective State Corporation and other Government entities for development budget as determined in the Sector Working Group during resource bidding and sharing.

iv. Implementation of any new project should only commence once the source of financing of the project has been clearly identified and approved by the line Ministry with the concurrence of the National Treasury.

v. The detailed capital budget should include the sources of funding for the projects being implemented by a State Corporation and other Government entities that fall under the following funding categories or combination of various sources: -

- Purely GoK financed projects through Government grants;
- Donor financed projects with GoK counterpart funding;
- Internally generated funds including retained earnings from previous years;
- Borrowings;
- Purely Donor financed projects; and
- Projects financed under the Public Private Partnership arrangement and all related attendant costs.

vi. State Corporations are required to ensure that all capital projects are captured in the **Plan-to-Budget** in **IFMIS** and **e-ProMIS** as appropriate. This will improve on the project database (record keeping) and enhance monitoring and evaluation.

3.5 Statement of Financial Position:

The proposed budget should include the actual audited financial position for two prior years as at June 30th, 2014 and 2015 respectively, the latest forecast as at June 30th, 2016 and projected financial position as at June 30th, 2017, 2018 and 2019 respectively as illustrated in **Appendix V.**

3.6 Cash Flow Statement and Projections:

The proposed budget for State Corporations and other Government entities should include cash flow statement and projections as per the format in **Appendix VI.** The cash flow statement and projections should not reflect any overdrawn position unless with prior approval by the line Ministry, with the concurrence of the National Treasury.

3.7 Investments of Surplus Funds:

The proposed budget for State Corporations and other Government entities should include a schedule of investments of surplus funds as per the format in **Appendix VII.**

3.8 Details of Bank Accounts:

State Corporations and other Government entities should provide details of all bank accounts including the balances in each bank account as summarized in **Appendix VIII.**

3.9 Annex of the Annual & Medium Term Budget for FYs 2016/2017 - 2018/2019 for State Corporations and Other Government Entities

i. On the recommendations of the Budget and Appropriation Committee of the National Assembly, The National Treasury is required to submit to National Assembly, an Annex detailing itemized budgets for all State Corporations and other Government entities containing two years audited financial performance for FYs 2013/2014 & 2014/2015, the latest forecast for 2015/2016 FY, the proposed and projected annual estimates of revenue and expenditure (budget) for 2016/2017 FY and the two outer FYs for 2017/2018 and 2018/2019 respectively.

ii. The approved itemized budgets for all State Corporations and other Government entities should be annexed to the National Annual Estimates of Revenue and Expenditure laid before the National Assembly each year. To ensure authenticity of the Annex, State Corporations and other Government entities requesting Government funding must liaise with their respective parent ministries or department to determine the likely level of funding/budgetary allocation/Government grants for recurrent and development budgets.

iii. State Corporations and other Government entities should only reflect in their Annual Budgets allocated Government recurrent and development grants as per the sector/ministry's ceiling.

4.0 REVISION OF BUDGETS:

4.1 As State Corporations and other Government entities submit their proposed annual budget in January for the subsequent financial year commencing July 1st, proposed and projected annual estimates of revenue and expenditure for the two outer FYs, it is possible that unforeseen and unavoidable events may change the scale of operations of the State Corporation and other Government entities and a revision of the budget may be necessary. Consequently, it is a requirement that a revision to or from a program or sub-vote exceeding 10% of the approved budget or in case of entirely new expenditure item(s), shall be submitted for review and approval by the line Ministry and the National Treasury or responsible line Ministry, Department and Agency.

4.2 The submission of the revised budget must precede the submission of the annual budget for the succeeding year and should be done at the earliest time possible when the unforeseen or unavoidable events emerge. The National Treasury or responsible line Ministry, Department and Agency shall not approve any expenditure which has already been incurred, except in very special justifiable circumstances.

5.0 DEADLINES FOR SUBMISSION OF 2016/2017 - 2018/2019 MEDIUM TERM BUDGET:

5.1 In order to enhance public financial management and ensure comprehensiveness of the National Estimates of Revenue and Expenditure as stipulated under the Public Finance Management Act, 2012, Section 38 (1) (b) (i), requires that the National Government Annual Estimates of Revenue and Expenditure shall include a list of all entities that are to receive funds appropriated from the budget of the National Government.

5.2 Annual Estimates of Revenue and Expenditure (budget proposals) for 2016/2017 - 2018/2019 FY Medium Term Budget for State Corporations as listed in **ANNEX 3 "A"** should be submitted to the respective Line Ministries, Departments and Agency and a copy to the Director General/Public Investment and Portfolio Management, The National Treasury not later than January 31st, 2016 with a soft copy to "dgipescbudgets@treasury.go.ke". Details (telephone number and e-mail address) of the person(s) to be contacted for any clarification should also be included.

5.3 The Respective Line Ministries, Departments and Agency should review the submitted Annual Estimates of Revenue and Expenditure (budget proposals) for State Corporations and forward their comments & recommendations to The National Treasury for incorporation in the review, analysis and approval of respective budgets.

5.4 Annual Estimates of Revenue and Expenditure (budget proposals) for 2016/2017 - 2018/2019 FY Medium Term Budget for Public Funds, other agencies and programmes monitored under respective Ministries, Departments and Agencies (MDAs) as listed in **ANNEX 3 "B"** should be submitted to the respective MDAs.

5.5 The respective MDAs should review and analysis the submitted budgets for Public Funds, other agencies and programmes and grant approval of respective budgets.

5.6 The MDAs should prepare and submit to the National Treasury an Annex detailing itemized budgets for all Public Funds, other agencies and programmes under their respective dockets containing two years audited financial performance for FYs 2013/2014 & 2014/2015, the latest forecast for 2015/2016 FY, the proposed and projected annual estimates of revenue and expenditure (budget) for 2016/2017 FY and the two outer FYs for 2017/2018 and 2018/2019 respectively ***not later than April 15th, 2016.***

5.7 Annual Estimates of Revenue and Expenditure (budget proposals) for 2016/2017 - 2018/2019 FY Medium Term Budget for Water & Sewerage Companies monitored under county governments as listed in **ANNEX 3 "C"** should be submitted to the respective County Government Executive Committee Member responsible for matters relating to water and finance for review, analysis and approval.

6.0 RESPONSIBILITY FOR SUBMISSIONS:

i. The Board of Directors/governing organ and the Chief Executives/Head/Administrator of respective State Corporations and other Government entities should ensure compliance with the requirements of this Circular.

ii. The proposed Annual Estimates of Revenue and Expenditure (Budget) **must be discussed and approved by the respective Board of Directors/governing organs** for respective State Corporations and other Government entities before submission to the line Ministries, Departments, Agencies and the National Treasury Or to respective county governments for the case of Water & Sewerage Companies.

iii. Authenticated extracts of minutes of the Board of Directors'/governing organs' meeting approving the annual estimates of revenue and expenditure (budget) should be attached.

iv. The Chief Executives/Heads/Administrators of respective State Corporations and other Government entities should ensure compliance with the requirements of this Circular in order to avoid offences of financial misconduct as provided for in the Public Finance Management Act, 2012 Section 197 and sanctions/penalties thereon as per section 199.

7.0 CONCLUSION:

The National Treasury, line Ministry, Department, Agency and county government should not consider for approval the proposed 2016/2017 - 2018/2019 Medium Term Budget for State Corporations and other Government entities which do not comply with the guidelines in this Circular in form and content. No State Corporation and other Government entity shall commence the implementation of programmes OR incur expenditure for the financial year where approval of the proposed budget has not been granted by The National Treasury, line Ministries, Departments, Agencies and county governments as may be applicable.

HENRY ROTICH
CABINET SECRETARY/THE NATIONAL TREASURY

Copied to: All Cabinet Secretaries.

The Hon. Attorney General,
Office of the Attorney General and Department of Justice.
NAIROBI.

The Chief of Staff and Head of Public Service,
Executive Office of the President
Harambee House
NAIROBI.

The Auditor-General,
Kenya National Audit Office,
NAIROBI.
The Controller of Budget,
Office of the Controller of Budget,
NAIROBI.

The Inspector-General Corporations
Inspectorate of State Corporations,
Office of the Deputy President,
NAIROBI.

All County Government Executive Committee Members,
Responsible for Water and Finance.

APPENDIX I: Statement of Total Funds in Kenya Shillings:							
State Corporations and Other Government Entities.		**Actual 2013/2014**	**Actual 2014/2015**	**Forecast 2015/2016**	**Budget 2016/2017**	**Projection 2017/2018**	**Projection 2018/2019**
	Kshs.	**'000'**	**'000'**	**'000'**	**'000'**	**'000'**	**'000'**
Recurrent Revenue:							
1	Internally Generated Revenue						
2	Governments Grants for Recurrent						
3	Grants, Dev't Partner for Recurrent						
4	Other Incomes for Recurrent (Specify)						
5	Total Recurrent Revenue						
Development Revenue:							
6	Governments Grants for Development						
7	Grants, Development Partner for Dev't						
8	Other Incomes for Dev't (Specify)						
9	Total Development Revenue						
10	Total Revenue						

NB: State Corporations and other Government entities should clearly indicate:

i. All sources of internally generated revenue including but not limited to income from sales, fees, charges, levies, cost sharing, etc;

ii. Grants or income from development partners or other sources earmarked to defray or finance recurrent / operating expenses; and

iii. Grants or income from development partners or other sources earmarked to finance capital projects.

APPENDIX II: Statement of Financial Performance in Kenya Shillings:							
Not For Profit State Corporations and Other Government Entities		Actual	Actual	Forecast	Budget	Projection	
		2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
	Kshs.	'000'	'000'	'000'	'000'	'000'	'000'
	Recurrent Revenue:						
1	Internally Generated revenue from fees, charges, levies, cost sharing etc.						
2	Governments Grants for Recurrent						
3	Grants, Dev't Partner for Recurrent						
4	Other Incomes for Recurrent (Specify)						
5	Total Recurrent Revenue						
	Operating Expenses:						
6	Personnel Emoluments						
7	Boards Expenses						
8	Operating/Administrative Expenses						
9	Repairs and Maintenance						
10	Depreciation						
11	Total Operating Expenses						
12	Operating Surplus/(Deficit)						
13	Finance Charges (Interest on Loans)						
14	Retained Operating Surplus						
15	Ratios:						
	i. Operating Surplus Margin						
	ii. Personnel Costs to Recurrent Costs						
	iii. Personnel Costs to Recurrent Revenue						
	Number of Employees:						
	i) Management						
	ii) Technical						
	iii) Others						

NB: State Corporations and other Government Entities using operating surpluses (retained earnings) from previous years to finance recurrent/operating expenses should clearly indicate the amounts to be expensed in the explanatory notes.

APPENDIX III: Statement of Income and Expenditure in Kenya Shillings:								
Commercial Entities			**Actual**	**Actual**	**Forecast**	**Budget**	**Projection**	
			2013/2014	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**
		Kshs.	**'000'**	**'000'**	**'000'**	**'000'**	**'000'**	**'000'**
Recurrent Revenue:								
1	Gross Sales Income							
2	Cost of Sales							
3	Gross Profit							
4	Other Income & Grants - Recurrent							
5	Total Recurrent Revenue							
	Operating Expenses:							
6	Personnel Emoluments							
7	Boards Expenses							
8	Operating/Administrative Expenses							
9	Repairs and Maintenance							
10	Depreciation							
11	Total Operating Expenses							
12	Operating Surplus / (Deficit)							
13	Finance Charges (Interest on Loans)							
14	Corporation Tax							
15	Net Earnings							
16	Distribution	Dividends						
		Retained Earnings						
17	Ratios:							
	i. Gross Profit Margin							
	ii. Net Profit Margin							
	iii. Personnel Costs to Recurrent Costs							
	iv. Personnel Costs to Recurrent Revenue							
	Number of Employees:							
	i) Management							
	ii) Technical							
	iii) Others							

APPENDIX IV: Capital Budget (Project Feasibility Study Data) Figures in Kshs '000

Project in Order of Category, Priority and Justification		Expenditure to June 30th, 2016		Proposed Budget 2016/2017	% age of completion of ongoing project as at June 30th, 2016	Projection		Sources of Funds: GoK, A.I.A, Dev. Partners, Borrowings
		Actual Dec. 31st, 2015	Projection to June 30th, 2016			2017/2018	2018/2019	
1								
2								
3								
4								
5								
6								
7								
8								
9								
10	Total Capital Cost/Budget							

	Source of Funds for the Capital Budget:						
11	A.I.A - Retained Earnings	Current Year					
		Previous Years					
12	Governments Grants – Development						
13	Grants from Development Partner – Dev't						
14	Borrowings, Both Current Year and Previous Years (Including						
15	Other Incomes – Dev't (Specify)						
16	**Total Funds**						

NB: State Corporations and other Government entities should clearly indicate the source of funds for the capital budgets whether from Appropriation in Aid (A.I.A) including retained earnings, borrowings both current year and previous years including infrastructure bonds or other incomes from development partners earmarked to finance capital projects.

APPENDIX V: Financial Position in Kenya Shillings.							
Details		Actual 30.06.2014	Actual 30.06.2015	Forecast 30.06.2016	Budget 30.06.2017	Projections 30.06.2018	30.06.2019
	Kshs.	'000'	'000'	'000'	'000'	'000'	'000'
Assets							
Non – Current Assets:							
1	Land, Buildings & Plant						
2	Property & Equipment						
3	Motor Vehicles						
4	Computers						
5	Other (Specify)						
6	Total Non - Current Assets:						
Current Assets							
7	Inventories						
8	Accounts Receivables						
9	Prepayments						
10	Cash & Bank Balances						
11	Others (Specify)						
12	Total Current Assets						
13	Total Assets						
Financed by:							
14	Share Capital (Paid Up)						
15	Gov' Grants/Irredeemable Loans						
16	Capital Reserves						
17	Revenue Reserves (Profit & Loss Account)						
18	Shareholders' Funds (Total Equity)						
Non - Current Liabilities:							
19	Long Term Borrowing						
20	Non-Current Creditor (Specify)						
21	Total Non - Current Liabilities						
Current Liabilities:							
22	Accounts Payable						
23	Short Term Borrowings						
24	Statutory Obligations (Specify)						
25	Others						
26	Total Current Liabilities						
27	Total Equity & Liabilities						
28	Ratios:						
	i) Current Ratio						
	ii) Debt to Assets Ratio						
	iv) Total Assets Turnover						
	v) Return on Assets						

APPENDIX VI: Cash Flow Statement In Kenya Shillings.						
Details		Actual 2014/2015	Forecast 2015/2016	Budget 2016/2017	Projections 2017/2018	2018/2019
	Kshs.	'000'	'000'	'000'	'000'	'000'
Cash flows from Operating Activities:						
1	Operating Surplus / Net Income					
2	Add back depreciation					
3	Decrease (Increase) in receivables					
4	Decrease (increase) in inventories					
5	Increase (Decrease) in payables					
6	Interest paid					
7	Corporation tax paid					
8	Net cash from operating activities					
Cash flows from Investing Activities:						
9	Purchase of Non - Current Assets					
10	Interest Received					
11	Proceeds from Sale of Non - Current Assets					
12	Net Cash generated from (Used in) Investing Activities					
Cash Flows from Financing Activities:						
13	Repayment of Long Term Borrowings					
14	Proceeds from Long Term Borrowings					
15	Dividends Paid					
16	Net Cash generated from (Used in) Financing Activities					
17	Increase (Decrease) in Cash & Cash Equivalents					
18	Cash & Cash Equivalents at Beginning of Year					
19	Cash & Cash Equivalents at End of Year					
20	Overdraft Limit (As Approved by Government)					

APPENDIX VII: Schedule of Investments of Surplus Funds in Kenya Shillings.				
Details		Actual 2014/2015	Forecast 2015/2016	Budget 2016/2017
	Kshs.	'000'	'000'	'000'
1	Investment in Treasury Bills or Bonds			
	i.			
	ii.			
	iii.			
2	Sub Total			
3	Investment with Financial Institutions			
4	i.			
	ii.			
	iii.			
	Sub Total			
5	Other Forms of Investment (Specify)			
	i.			
	ii.			
	iii.			
6	Sub-Total			
7	Grand Total			

APPENDIX VIII: Details of All Bank Accounts:			
No.	Financial Institutions/Banks	Facility	Bank Balance as at Dec. 31st, 2015
1		Current Account	
		On – Call Deposits Account	
		Fixed Deposits Account	
		Staff Car Loan/Mortgage Account	
		Others *(Specify)*	
2		Current Account	
		On – Call Deposits Account	
		Fixed Deposits Account	
		Staff Car Loan/Mortgage Account	
		Others *(Specify)*	
3	Others *(Specify)*		

NB: State Corporations and other Government entities should provide details of all Financial Institutions/Banks where the Corporation has opened and operates bank accounts clearly indicating whether it is a Current Account; On–Call Deposits Account; Fixed Deposits Account; Staff Car Loan/Mortgage Account; etc.

Annex I – Check List

1. Statement of Total Revenue, **Appendix I.**
2. Statement of Income and Expenditure for Not for Profit State Corporations and Other Government Entities, **Appendix II.**
3. Statement of Income and Expenditure for Commercial Entities, **Appendix III.**
4. Capital Budget (Project Feasibility Study Data) if any, **Appendix IV.**
5. Statement of Financial Position, **Appendix V.**
6. Cash flow Statement, **Appendix VI.**
7. Schedule of Investments if any, **Appendix VII.**
8. Concise Explanatory Notes to the Annual Budgets (*should be placed at the relevant statement*).
9. Extracts of Boards Minutes Approving the Annual Budget (*should include a copy of the list of members present for the meeting*).
10. Parent Ministry's support for the Annual Budget proposals and Confirmation of the Budgetary Provision for Respective State Corporation and Other Government Entities as per the Ministry's Ceiling.
11. Details of Bank Accounts and Balances therein, **Appendix VIII.**