LAGOS STATE GOVERNMENT
MINISTRY OF ECONOMIC PLANNING & BUDGET

1ST QUARTER YEAR 2018 BUDGET PERFORMANCE APPRAISAL

By

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Honourable Commissioner

Ministry of Economic Planning and Budget

April, 2018

Outline

- 2018 Budget Overview
- 2018 Budget Focus and Priorities
- 2018 Key Implementation Strategies
- Review of Y2017 Budget Performance
- Review of Q1 2018 Performance
- Highlights of Cumulative Budget Performance Review (Jan. – March. 2018)
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  - Comparative Analysis
- Observations and Recommendations
- Summary/Conclusion(s)

Y2018 Approved Budget Overview

Y2018 Budget

SN	Details	2018 Budget (₦'bn)
1.	Total revenue	897.423
2.	Total recurrent expenditure (debt & non-debt)	**347.039**
	Recurrent debt	35.906
	Recurrent non-debt	311.133
	a. Personnel cost	112.242
	b. Overhead cost	198.892
3.	Recurrent surplus	550.384
4.	Capital expenditure	**699.082**
5.	Financing – (Surplus)/Deficit	148.699
	a. External loans	18.850
	i. World Bank - DPO	-
	ii. Others	18.850
	b. Internal loans	44.849
6.	Bond issuance	85.000
7.	**Budget size**	**1,046**

Y2018 Budget of N1.046trn was signed into law on Wednesday 26th February, 2018.

The State's Vision and Mission:

Vision

Africa's model megacity, a global economic and financial hub that is safe, secure, functional and productive.

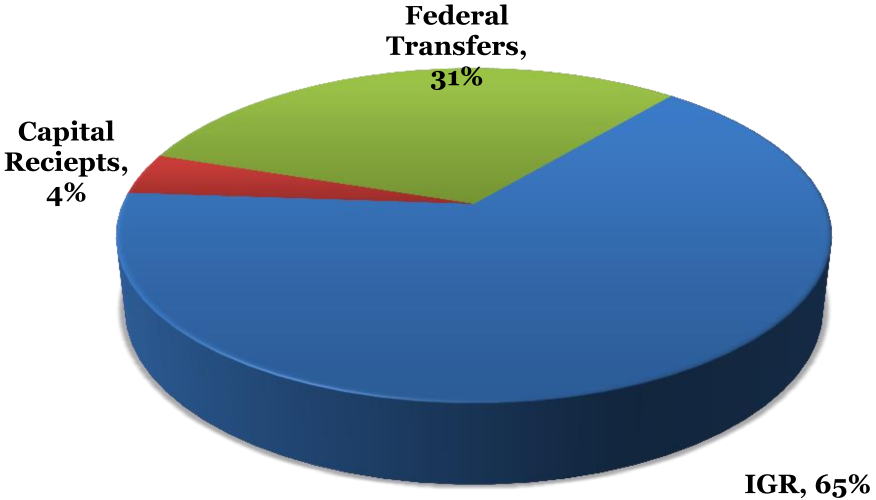
Mission

Eradicate poverty and promote economic growth through infrastructural renewal and development.

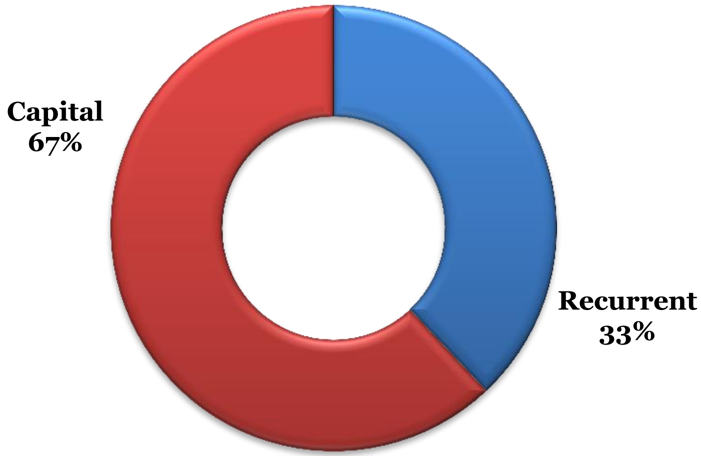
Y2018 Budget:
Details of Function Group Allocation

Function group	Recurrent N'bn	Capital N'bn	Total N'bn	Allocation %
General public service	84.562	84.658	169.220	**16.18**
Public order and safety	24.047	22.386	46.433	**4.44**
Economic affairs	61.938	415.675	477.613	**45.66**
Environmental protection	15.141	39.145	54.286	**5.19**
Housing & community amenities	6.966	52.607	59.573	**5.69**
Health	60.347	32.149	92.495	**8.84**
Recreation, culture & religion	4.357	8.089	12.446	**1.19**
Education	86.004	40.043	126.047	**12.05**
Social protection	3.677	4.331	8.008	**0.77**
Total	**347.038**	**699.082**	**1,046.121**	**100.00**

Y2018 Budget:
Projected Revenue Sources and Capital to Recurrent Ratio



Projected Revenue Sources



Capital / Recurrent Ratio

Y2018 Budget Focus

1. Transport/Traffic Management
2. Infrastructural Renewal Development (Physical and Social) especially Roads
3. Sustainable Environment(Cleaner Lagos Initiative)
4. Security
5. Health
6. Economy (including agriculture & tourism)
7. Power
8. Housing
9. Education
10. Skill Acquisition/Microfinance
11. e-Governance
12. Enhanced capacity building

Y2018 Budget Key Implementation Strategies

1. Benchmark performance set at 100%
2. Revenue Stakeholders' meeting as a vehicle for sustained revenue drive
3. Central billing, revenue automation, multi-channels revenue payment system
4. Quarterly budget performance appraisal
5. Tighter operational expenditure control
6. Strict adherence to the Y2018 Budget Operational Guidelines
7. Continuous Implementation of Treasury Single Account(TSA)
8. More effective and efficient project monitoring and evaluation
9. Ensuring Capital to Recurrent ratio of 67 : 33
10. Planned and systematic maintenance of existing/new infrastructural facilities and
11. Ensuring sustainable fiscal deficits

Highlights of Budget Performance Review

Y2017 Full Year Budget Performance (Recap)

Full Y2017 Year Budget Performance

Details	Full Year 2017		
	Prov. Jan. – Dec.	Actual Jan-Dec.	Perf. %
	N'm	N'm	
Total Revenue (a)	642.848	514.405	80
Total Capital Receipts (b)	25.441	15.949	63
Recurrent expenditure (debt & non-debt) (c) = (d) + (e) + (f)	**305.182**	**281.333**	**92**
a. Recurrent debt (d)	30.074	22.694	75
b. Recurrent non-debt	275.104	258.639	94
i. Personnel cost (e)	104.712	103.184	99
ii. Overhead cost (f)	170.393	155.455	91
Recurrent Surplus on CRF (g) = (a) – (C)	337.666	233.072	69
Capital Expenditure (h)	**507.817**	**387.596**	**71**
Financing - (requirement) / Surplus (i) = (g) - (h)	-170.151	-154.524	91
Budget Size (j) = (c) + (h)	**812.998**	**668.929**	**82**

Q1 Y2018 Budget Performance Review

Q1 Y2018 Budget Performance Review

Details	Y2018			Y2017		
N'bn	**Prov. Jan. - Mar.**	**Actual Jan. - Mar.**	**Perf %**	**Prov. Jan. - Mar.**	**Actual Jan. - Mar.**	**Perf %**
Total revenue (a)	224.356	141.957	63	160.712	124.141	77
Total capital receipts (b)	9.885	5.424	55	6.360	3.902	61
Recurrent expenditure (debt & non-debt) (c) = (d) + (e) + (f)	86.760	70.480	81	**76.296**	**73.464**	**96**
a. Recurrent debt (d)	8.799	6.227	69	7.520	5.585	74
b. Recurrent non-debt	77.783	64.253	83	68.776	67.878	99
Total Personnel cost (e)	28.061	24.688	88	26.178	23.962	92
Total Overhead cost (f)	49.723	39.566	80	42.598	43.916	103
Recurrent surplus (g)	137.596	71.477	52	84.416	50.677	60
Total Capital expenditure (h)	174.771	93.011	53	**126.954**	**46.743**	**37**
Financing – requirement/(surplus) (i) = (a) - (c) - (h)	(37.175)	(21.534	58	(42.537)	3.934	(9)
Budget size (j) = (a) +(i)	261.530	163.491	63	**203.249**	**120.206**	**59**

- Q1 Y2018 performed N163.491bn /63% higher than N120.206bn /59% for Y2017 by N43.285bn in absolute term.
- Capital Expenditure performed at N93.011bn/53% in Q1 Y2018 higher than N46.743bn/37% in Q1 Y2017.
- Total Revenue (TR) recorded N141.957bn/63% as against N124.141bn/77% in Q1 Y2017. The Y2018 Q1 is higher by N17.816bn in absolute term.

Comparative Analysis of Q1 Budget Performance from Y2016 to Y2018

Though there is marginal increase in Total Revenue recorded in absolute term for Q1 Y2018 compared to Q1 Y2017 and Q1 Y2016, there is need to make concerted efforts geared towards strategic revenue drive in the next quarter to be able to meet up with desire target to fund all our expenditures.

Details	Y2018			Y2017			Y2016		
N'bn	Prov. Jan-Mar.	Actual Jan-Mar.	Perf %	Prov. Jan-Mar.	Actual Jan-Mar.	Perf %	Prov. Jan-Mar.	Actual Jan-Mar.	Perf %
Total Revenue (a)	224.356	141.957	63	160.712	124.141	77	135.719	101.695	75
Total Capital Receipts (b)	9.885	5.424	55	6.360	3.902	61	8.585	1.189	14
Recurrent expenditure (debt & non-debt) (c) = (d) + (e) + (f)	86.760	70.480	81	**76.295**	**73.464**	**96**	**68.914**	**47.962**	**70**
a. Recurrent debt (d)	8.799	6.227	69	7.519	5.585	74	3.288	4.176	127
b. Recurrent non-debt	77.783	64.253	83	68.776	67.878	99	65.626	43.785	67
i. Personnel cost (e)	28.061	24.688	88	26.178	23.962	92	31.302	21.900	70
ii. Overhead cost (f)	49.723	39.566	80	42.598	43.916	103	34.324	21.885	64
Recurrent Surplus (g)	137.596	71.477	52	84.416	50.677	60	66.805	53.734	80
Capital Expenditure (h)	174.778	93.011	53	**126.954**	**46.743**	**37**	**96.733**	**48.884**	**51**
Financing - (requirement) / Surplus (i) = (a) - (c) - (h)	(37.175)	(21.534)	58	(42.537)	3.934	(9)	29.928	(4.850)	0
Budget Size (j) = (c) + (h)	261.530	163.491	63	**203.249**	**120.206**	**59**	**165.647**	**96.846**	**58**

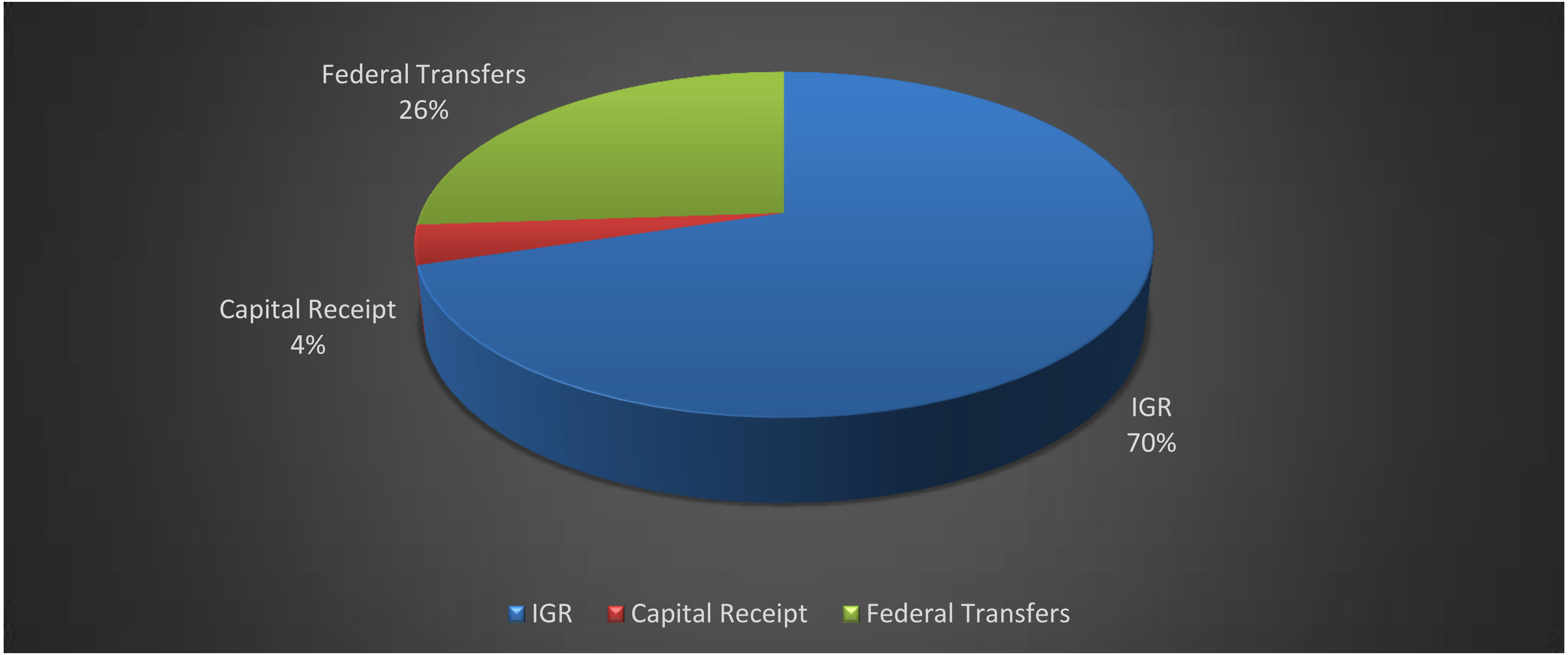
Q1 Y2018 Revenue Appraisal

Q1 Y2018 Revenue Appraisal

	Provision (Jan. – Mar. 2018) Nbn	Actual (Jan. – Mar. 2018) Nbn	Performance %
Total Revenue (A+B+C)	**224.356**	**141.975**	**63**
Total Internally Generated Revenue (A+B)	**180.031**	**103.476**	**57**
A. Internally Generated Revenue	**170.146**	**98.052**	**58**
I. L/S Internal Revenue Services (LIRS)	110.030	84.192	77
II. Internally Generated Revenue (Others)	52.339	9.567	18
III. Dedicated Revenue	6.526	4.294	66
IV. Investment Income	0.750	0	0
V. Extra Ordinary Revenue	0.500	0	0
B. Capital Receipts	**9.885**	**5.424**	**55**
C. Federal Transfers	**44.325**	**38.481**	**87**
I. Statutory Allocation	14.375	13.868	96
II. Value Added Tax	25.800	24.483	95
III Extra-ordinary Income	3.775	0	0
IV 13% Derivation	375	130	35

Q1 Y2018 Revenue Performance

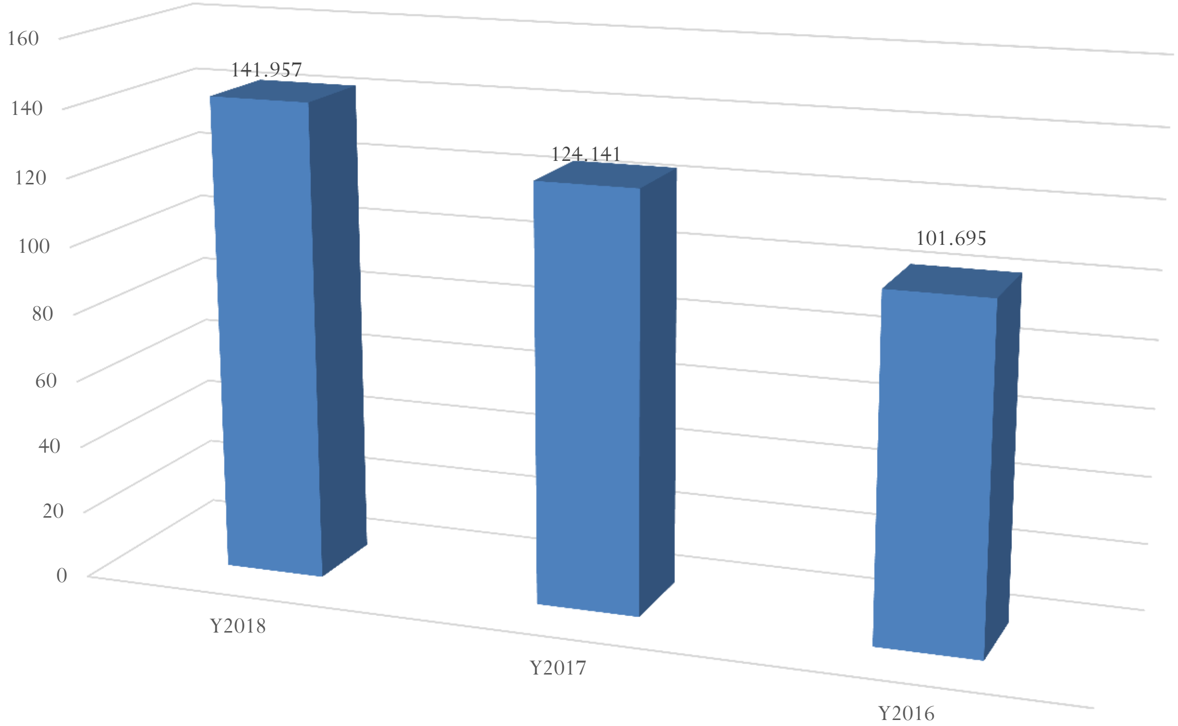
% of Actual Performance



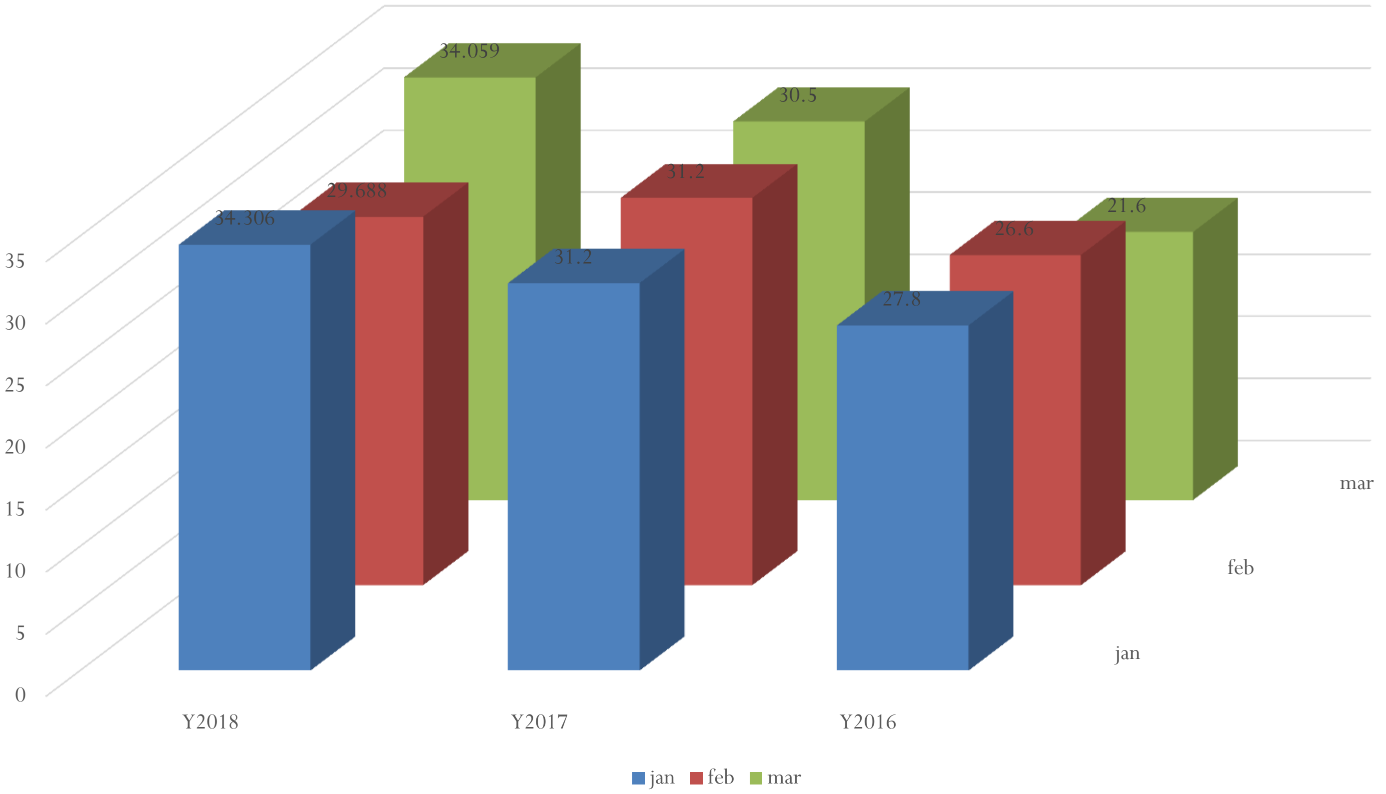
First Quarter Year 2018 Revenue Appraisal

Total Revenue	• Total Revenue ("TR") performed at N141.957bn/63% of target compared to N124.141bn/77% in Y2017; N17.816bn more in absolute terms due to partial implementation of revenue reforms.
Total IGR	• Total Internally Generated Revenue ("TIGR") was N103.476bn/57% as against N96.777/81% in Y2017 and represents 73% of TR in Y2018.
Dedicated Revenue	• Dedicated Revenue performance amounted to N4.294bn/66%, which is equivalent to 4.15% of TIGR and 3.02% of the TR.
LIRS	• LIRS performance of N84.192bn/77% accounted for 81% of the TIGR and 59% of the TR, compared to N74.547bn/83%; i.e 77% of TIGR and 60% of TR in Y2017; N9.645bn more in absolute terms.
Capital Receipts	• Capital receipts performed at N5.424bn/55%, 5.24% of TIGR and 3.82% of TR respectively.
Federal Transfers	• Federal transfers contributed N38.481bn/87%; 27.1% of the TR; Statutory Allocation (SA) contributed N13.868bn/96%, while VAT performed at N24.483bn/95% of provision.

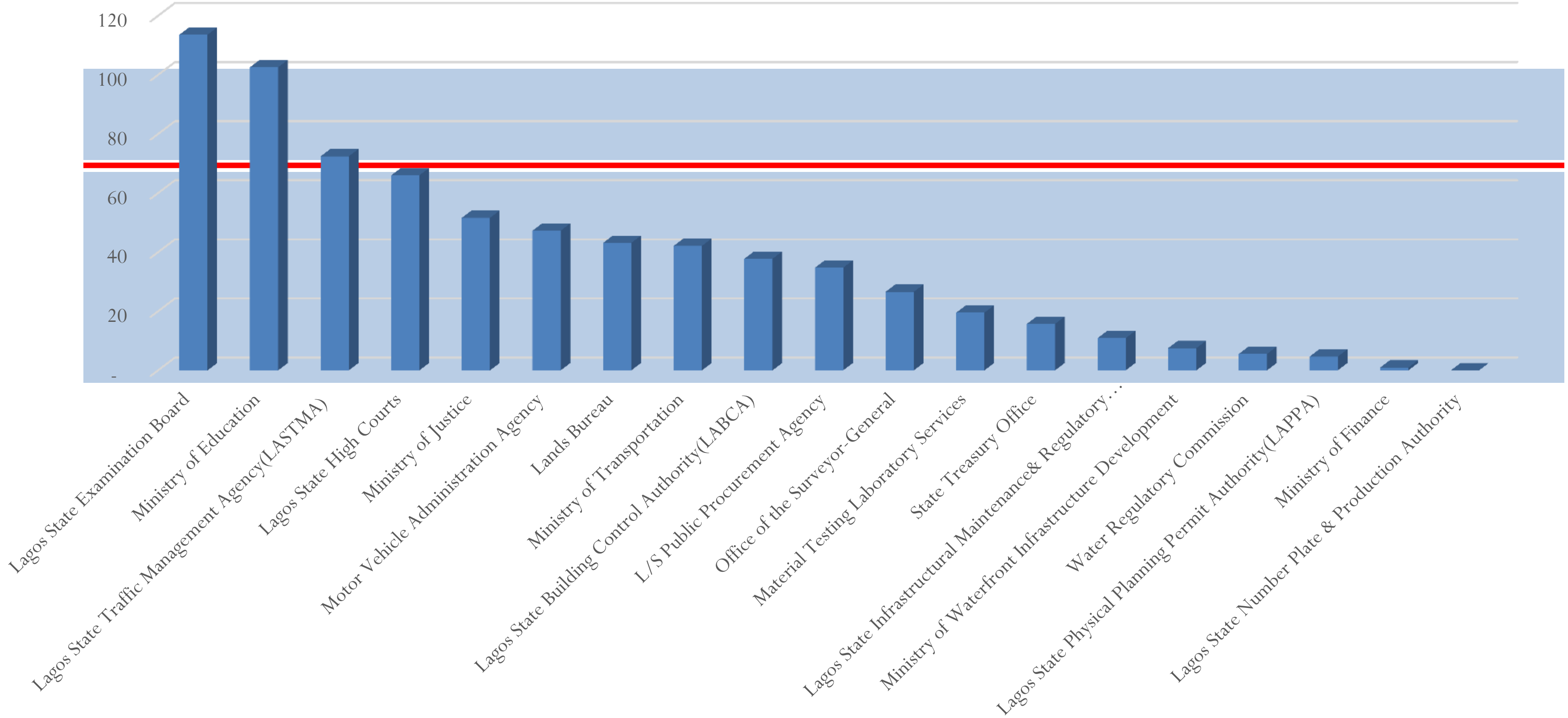
Comparative Analysis of Q1 Total Revenue Actuals 2016 - 2018



Comparative of IGR for Q1 Y2016 – Y2018



% Actual Revenue Performance of Major Revenue Generating Agencies as at 31 March 2018



Performance of Q1 Y2018 Capital Receipts

Details	Provision (Jan. – Mar. 2018) N’bn	Actual (Jan. – Mar. 2018) N’bn	Performance %
Grants (Donor agencies)	4.881	2.900	59
Other capital receipts	5.004	2.524	50
Total capital receipts	**9.885**	**5.424**	**55**

Q1 Capital Receipts Performance From Y2011 to Y2018

Year	Provision (Jan. – Mar.) N'bn	Actual (Jan. – Mar.) N'bn	Performance %
2011	4.815	1.267	26
2012	6.419	2.596	40
2013	5.728	1.034	18
2014	5.796	16.581	286
2015	5.244	1.001	19
2016	8.585	1.189	14
2017	6.360	3.902	61
2018	9.885	5.424	55

Q1 Y2018 Expenditure Appraisal

First Quarter Personnel Cost Performance from Y2011-Y2018

Year	Provision (Jan. – Mar.) N'bn	Actual (Jan. – Mar.) N'bn	Performance %
2011	17.057	18.788	110
2012	20.406	19.046	94
2013	22.240	19.750	89
2014	21.980	20.837	95
2015	28.325	22.404	79
2016	31.302	21.900	70
2017	26.178	23.962	92
2018	28.061	24.688	88

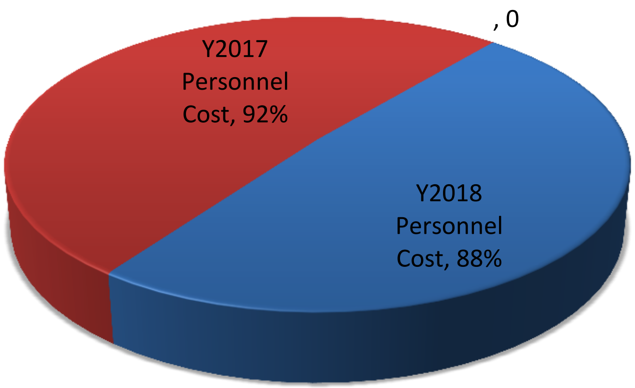
- Total Personnel Cost (TPC) was N24.688bn/88% as against N23.962bn/92% recording an increase of N0.726bn which can be attributed to the policy drive of this administration on Job Creation.
- TPC gulped 25% of IGR and 18% of TR and 35% of Total Recurrent Expenditure;
- TPC at 25% of IGR is within Wage Policy of maximum 25% of TR and 35% of IGR.

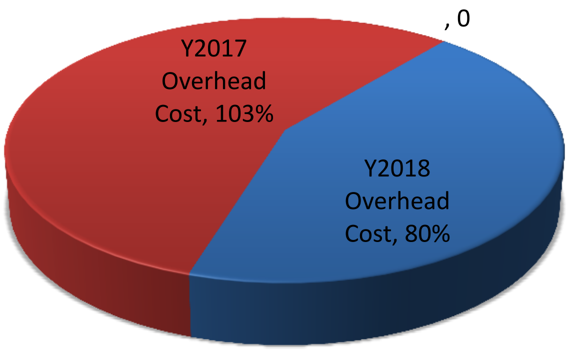
Q1 Overhead Costs Performance From Y2016 - Y2018

Details	2018			2017			2016		
	Prov. N'bn	Actual N'bn	Perf %	Prov. N'bn	Actual N'bn	Perf %	Prov. N'bn	Actual N'bn	Perf %
Total Overhead Costs	49.723	39.566	80	**42.598**	**43.916**	**103**	**34.324**	**21.885**	**64**
Overhead Costs	31.346	30.373	97	26.063	32.358	124	20.598	18.176	88
Dedicated Expenditure	6.526	4.294	66	5.931	5.257	89	5.355	0.049	1
Subvention	11.851	4.898	41	10.604	6.301	59	8.372	3.660	44

- Total overhead cost performed N39.566bn/80%; recording 56% of the Total Recurrent Expenditure and 39% of IGR compared with N43.916bn/103%%; recording 60% of the Total Recurrent Expenditure and 45% of IGR in 2017.
- Overhead subventions to parastatal organizations/tertiary institutions performed at **N4.898bn/41% as against N6.301bn/59%** in Y2017.
- Parastatal organizations, tertiary institutions should reduce their dependence on CRF.
- Holistic review of running cost and monthly Subventions is on-going.

Q1 Total Personnel Cost and Total Overhead Cost for Y2018 and Y2017





Q1 Y2018 Recurrent Expenditure From Y2011 - Y2018

Year	Provision (Jan. – Mar.) N'bn	Actual (Jan. – Mar.) N'bn	Performance %
2011	49.546	41.405	84
2012	58.405	50.736	87
2013	57.432	46.860	82
2014	58.666	49.686	85
2015	60.494	57.498	95
2016	68.914	47.962	70
2017	76.296	73.464	96
2018	86.760	70.480	81

Q1 Y2016 - Y2018 Capital Expenditure Performance

Details	2018			2017			2016		
	Prov. N'bn	**Actual N'bn**	**Perf %**	**Prov. N'bn**	**Actual N'bn**	**Perf %**	**Prov. N'bn**	**Actual N'bn**	**Perf %**
Core capital	108.415	52.919	49	98.579	24.225	25	67.453	30.876	46
Capital development	5.004	2.524	50	3.890	0	0	6.396	0.672	11
Risk Retention Fund	0.027	0	0	0.027	0	0	0.025	0.000	0
Special expenditure	28.922	2.951	10	1.750	2.349	134	0.850	0.790	92
Grants from Donor agencies	4.881	2.900	59	2.470	1.396	57	2.189	0.000	0
Counterpart Fund	1.636	0	0	1.549	332	21	1.524	0.000	0
Contingency Reserve	1.299	0	0	0.774	0	0	0.145	0.570	394
Staff Housing Fund	0.025	0	0	0.025	0	0	0.025	0.000	0
External Loans (principal repayments)	1.344	1.751	130	0.824	1.755	213	0.412	0.764	186
Internal loans (principal repayments)	6.148	8.635	140	5.948	4.785	80	5.000	2.500	50
Consolidated Debt Service Account	17.069	21.332	125	11.117	11.900	107	12.711	12.711	100
Total	174.771	93.011	53	**126.954**	**46.742**	**37**	**96.733**	**48.884**	**51**

Q1 Capital/Recurrent Performance Ratio from Y2011 - Y2018

Year	Budget projection	Actual performance
2011	56:44	30:70
2012	53:47	36:64
2013	54:46	38:62
2014	52:48	39:61
2015	51:49	21:79
2016	58:42	50:50
2017	62:38	39:61
2018	67:33	57:43

Financing Activities: Q1 Performance from Y2016 – Y2018

Details	2018			2017			2016		
	Prov. N'bn	Actual N'bn	Perf %	Prov. N'bn	Actual N'bn	Perf %	Prov. N'bn	Actual N'bn	Perf %
Financing requirement	(37.175)	(21.534)	(58)	(42.537)	3.934	(9)	29.920	(4.850)	(16)
Financing									
Financing (sources)	37.175	22.000	59	42.537	0.164	0	29.920	0.000	0
External loans				5.638	0.164	3	14.104	0.000	0
i. DPO	0	0	0	-	-	-	10.000	0.000	0
ii. Others	4.713	0	0	5.638	0.164	3	4.104	0.000	0
Internal loans	11.212	22.000	196	11.900	0.000	0	5.000	0.000	0
Bond issue	21.250	0	0	25.000	0.000	0	10.820	0.000	0
Repayments	24.562	31.718	129	17.889	18.440	103	0.000	0.000	0
External loans (principal repayments)	1.344	1.751	130	0.825	1.755	213	0.412	0.764	186
Internal loan (principal repayments)	6.148	8.635	140	5.948	4.785	80	5.000	2.500	50
Consolidated debt service accounts	17.069	21.332	125	11.117	11.900	107	12.711	12.711	100

First Quarter 2018 Capital Expenditure and Financing Activities Appraisal

Capital Expenditure

- Q1 performed at 93.011/53% as against N46.742bn/37% in Y2017;
- As at the Q1 2018, the Capital: Recurrent ratio closed at 57:43, as against 39:61 recorded same time in Y2017. This still fall short of projected 67:33 in Y2018.
- Efforts should be made to improve revenue to provide fund for capex.

Financing Activities

- The State repaid N31.718bn as debt obligation in the first quarter Y2018. This is 29% above the projection.
- Y2018 approved budget is to be supported by financing requirement of N37.175bn on quarterly basis

Observations/Recommendations (1/4)

1.0 **Revenue:**

1.1 Federal Allocation performance at 38.481/87% is improving compared to 27.364/66% during the same period of Y2017. However, the State should lean more on IGR

1.2 We will continue our efforts to operate discretionary expenditures in line with Revenue performance

Observations/Recommendations (2/4)

2.0 <u>**Recurrent Expenditure:**</u>

2.1 ***Personnel Costs:***

- Personnel Cost performance of 24.688/88% is higher compare to 23.962/92% for the same period last year.

2.2 ***Overhead Expenditure:***

- The Total Overhead Cost running at 39.566/80% in Q1 Y2018 against 43.916/103% in Q1 Y2017. This is a pointer that effort geared towards tighter control of overhead is beginning to yield result. However, more efforts is required to push it further.

Observations/Recommendations (3/4)

3.0 **<u>Capital Expenditure:</u>**

- The Total Capital Expenditure at 53% performance, revealing a Capex/Recurrent ratio (57:43) thus maintaining an imbalance in favour of Capital expenditure. We need to continue to support the delivery of infrastructure in critical areas such as road rehabilitation, transportation, security, environment, etc. to improve performance in remaining 3 quarters.
- MDAs must exhaust provision for capital expenditures in their budget before seeking for state wide votes from MEPB.
- Note that the Special Expenditure recorded low performance (10%), due to deliberate efforts to preserve it.

Observations/Recommendations (4/4)

4.0 **Financing:**

- The Bond issuance is yet to be drawn down. Efforts should be made to accelerate drawdown to enhance performance of capital expenditures.

Conclusion: The EXCO is Invited to Note:

Budget Size	• Y2018 Budget size was N1.046Trn, with a Q1 pro-rata size of N261.530bn
Q1 Performance	• In absolute term, Q1 performed N163.491bn/63%; compared with N120.206bn/59% for same period in Y2017;
Total Revenue	• Total Revenue performance in absolute term was N141.957bn/63% compared with N124.141bn/77% in Q1,2017
Capital Receipts	• Total Capital Receipts for the period amounted to N5.424bn/55% ;
Recurrent Expenditure	• Total Recurrent Expenditure for the period performed N70.480bn/81% (Total Personnel Cost N24.688bn/88%; Total Overhead Cost N39.566bn/80%)
Capital Expenditure	• Total Capital Expenditure performance was N93.011bn/53%;

Conclusion: The EXCO is Invited to Note:

Capital/ Recurrent	• Capital/Recurrent Expenditure Ratio closed at 57:43 vs 67:33 target for Y2018
Debt	• Internal Loan Performed N22.000bn, while there is no draw down on bonds and external loans

Consider all the issues, observations and recommendations; and finally approve the Q1 Y2018 Budget appraisal as presented

Itesiwaju Ipinle Eko Lo je wa l’ogun!

Thank you.

Comments, Observations & Questions?