LAGOS STATE GOVERNMENT
MINISTRY OF ECONOMIC PLANNING AND BUDGET

3rd QUARTER AND CUMULATIVE PERFORMANCE YEAR 2018 BUDGET APPRAISAL

By

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Honourable Commissioner, Ministry of Economic Planning and Budget

... October 2018

Outline

- Purpose of the Presentation
- 2018 Budget Overview
- 2018 Budget Focus and Priorities
- 2018 Key Implementation Strategies
- Review of Q1 2018 Performance
- Review of Q2 2018 Performance
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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.

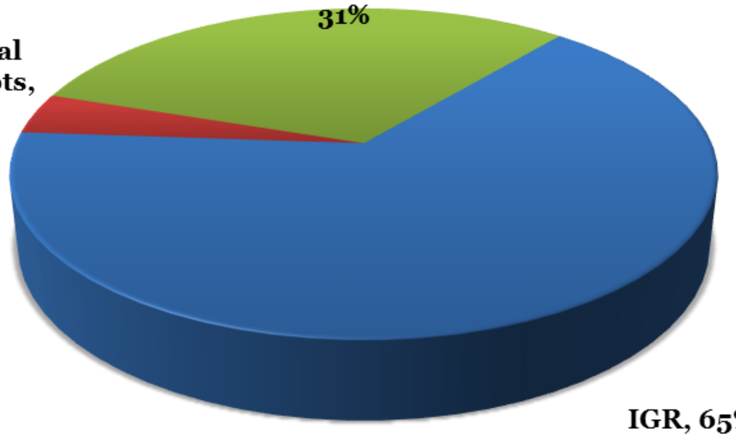
Mission

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

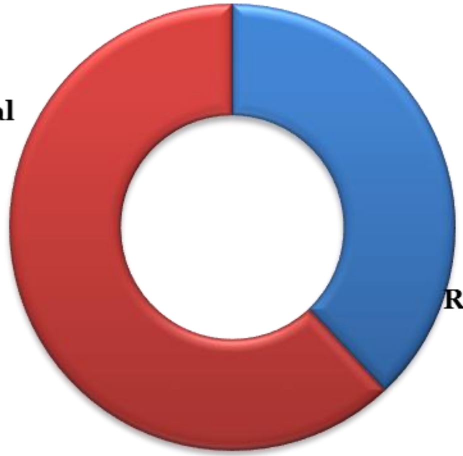
Y2018 Budget:
Details of Function Group Allocation

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

Q2 2018 Budget Performance (Recap)

Q2 2018 Budget Review
Highlights

- Overall Budget Performance for Q2 was **₦308.238**bn/59%;
- Total Revenue (TR) performed for Q2 was **₦**281.595bn/63%;
- Total Capital Receipts for Q2 was **₦7.844**bn/40%;
- Recurrent Expenditure for Q2 was:
  - Personnel Cost performed: **₦48.870**bn/89%;
  - Overhead Cost performed: **₦78.937**bn/79%;
- Recurrent Surplus was **₦140.140**bn/51%;
- Capital Expenditure performance was **₦166.782**bn/48%; and
- Capital/Recurrent performance ratio closed at 54:46 for Q2.

Q3 2018 Budget Performance Review

Q3 2018 Budget Performance Review
Comparative Analysis from Q1 to Q3 (1/2)

Details	Q3 2018			Q2 2018			Q1 Y2018		
₦'bn	**Prov. Jul. – Sept.**	**Actual Jul-Sept.**	**Perf. %**	**Prov. Apr.- June**	**Actual Apr.- June**	**Perf. %**	**Prov. Jan. – Mar.**	**Actual Jan. Mar.**	**Perf. %**
Total revenue (a)	224.356	133.402	59	224.356	138.802	62	224.356	141.957	63
Total capital receipts (b)	9.885	3.986	40	9.885	2.503	25	9.885	5.424	55
Recurrent expenditure (debt & non-debt) (c) = (d) + (e) + (f)	86.760	71.325	**82**	86.760	**68.289**	**79**	86.760	70.480	81
a. Recurrent debt (d)	8.977	6.294	70	8.977	5.105	57	8.799	6.227	69
b. Recurrent non-debt	77.784	65.030	84	77.784	63.184	81	77.783	64.253	83
Total Personnel cost (e)	28.061	26.528	95	28.061	25.183	90	28.061	24.688	88
Total Overhead cost (f)	49.723	38.503	77	49.723	38.001	76	49.723	39.566	80
Recurrent surplus (g)	137.596	62.077	45	137.596	70.513	51	137.596	71.477	52
Total Capital expenditure (h)	174.771	91.574	**52**	174.771	**74.510**	**43**	174.771	93.011	53
Financing – requirement/(surplus) (i) = (a) - (c) - (h)	(37.175)	(29.498)	79	(37.175)	(3.996)	11	(37.175)	(21.534	58
Budget size (j) = (a) +(i)	261.530	162.899	**62**	261.530	**142.798**	**55**	261.530	163.491	63

Q3 2018 Budget Performance Review
Comparative Analysis from Q1 to Q3 (2/2)

- Q3 Y2018 performance was 62%/₦162.899bn compared to Q2 55%/₦142.798bn and 63%/₦163.491bn for Q1.
- The Overhead Cost performed at ₦38.503bn/77% compared to ₦38.001bn/76% in Q2 and ₦39.566bn/80% in Q1
- Capital Expenditure performance was ₦91.574bn/52% against ₦74.510bn/43% in Q2 and ₦93.011bn/53% in Q1.
- Total Revenue (TR) recorded ₦133.402bn/59% higher than Q2 ₦138.802bn/62%, and lower than ₦141.957bn/63% in Q1 by ₦8.555bn in absolute terms.

Q3 2018 Budget Performance Review
Comparative Analysis from 2016 to 2018

- The Budget performance for Q3 2018 was 62% compared to 99% in Q3 2017 and 67% in Q3 2016.
- Capex was 52% in Q3 2018 compared to 91% in Q3 2017 and 53 % in Q3 2016.

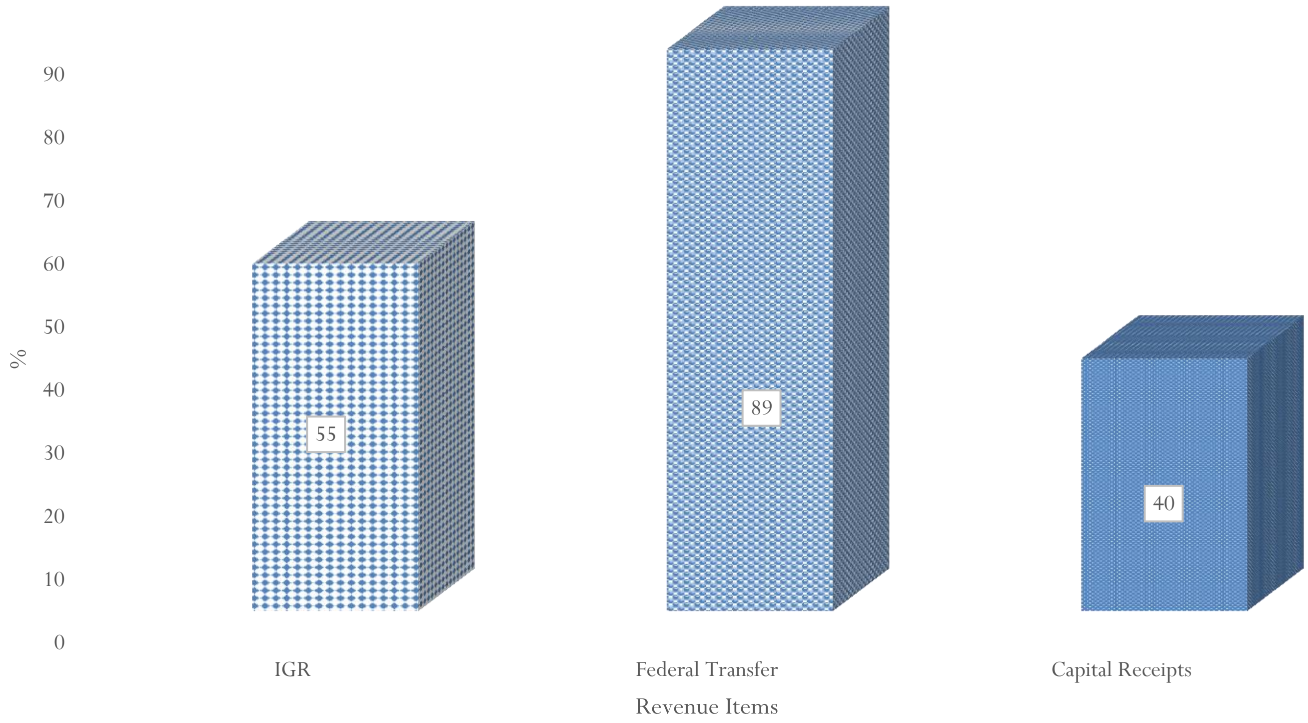
Details	2018			2017			2016		
₦'bn	**Prov. Jul.-Sept.**	**Actual Jul.-Sept.**	**Perf %**	**Prov. Jul-Sept.**	**Actual Jul.-Sept.**	**Perf %**	**Prov. Jul.-Sept.**	**Actual Jul.-Sept.**	**Perf %**
Total Revenue (a)	224.356	133.402	59	160.712	123.116	77%	135.719	97.324	72
Total Capital Receipts (b)	9.885	3.986	40	6.360	4.217	66%	8.585	0.878	10
Recurrent expenditure (debt & non-debt) (c) = (d) + (e) + (f)	86.760	71.325	**82**	**76.296**	**85.881**	**113%**	**68.914**	**58.996**	**86**
a. Recurrent debt (d)	8.977	6.294	70	7.520	5.158	69%	3.288	4.216	128
b. Recurrent non-debt	77.784	65.030	84	68.776	80.724	117%	65.626	54.780	83
i. Personnel cost (e)	28.061	26.528	95	26.178	26.654	102%	31.302	24.274	78
ii. Overhead cost (f)	49.723	38.503	77	42.598	54.069	127%	34.324	30.507	89
Recurrent Surplus (g)	137.596	62.077	45	84.416	37.235	44%	66.805	38.328	57
Capital Expenditure (h)	174.771	91.574	**52**	**126.954**	**116.128**	**91%**	**96.733**	**51.168**	**53**
Financing - (requirement) / Surplus (i) = (g) - (h)	(37.175)	(29.498)	79	(42.537)	(78.893)	185%	29.929	12.840	48
Budget Size (j) = (c) + (h)	261.530	162.899	**62**	**203.249**	**202.010**	**99%**	**165.647**	**110.164**	**67**

Q3 2018 Revenue Appraisal

Q3 2018 Revenue Review
Cumulative (Jan.-Sept.) 2018 Revenue Appraisal (1/3)

Details	Provision (Jan. – Sept. 2018) ₦'bn	Actual (Jan. – Sept. 2018) ₦'bn	Performance %
Total Revenue (A+B+C)	673.067	**415.597**	**62**
Total Internally Generated Revenue (A+B)	540.092	**297.740**	**55**
A. Internally Generated Revenue	510.437	**285.909**	**56**
I. Lagos State Internal Revenue Services (LIRS)	330.091	238.770	72
II. Internally Generated Revenue (Others)	157.018	34.433	22
III. Dedicated Revenue	19.579	11.556	59
IV. Investment Income	2.250	1.150	51
V. Extra Ordinary Revenue	1.500	0	0
B. Capital Receipts	29.655	**11.831**	**40**
C. Federal Transfers	132.975	**117.857**	**89**
I. Statutory Allocation	43.125	43.720	101
II. Value Added Tax	77.400	74.007	96
III. Extra Ordinary Revenue	11.325	0	0
III. 13% Derivation	1.125	130	12

Q3 2018 Revenue Review
Cumulative (Jan.-Sept.) 2018 Revenue Appraisal (2/3)

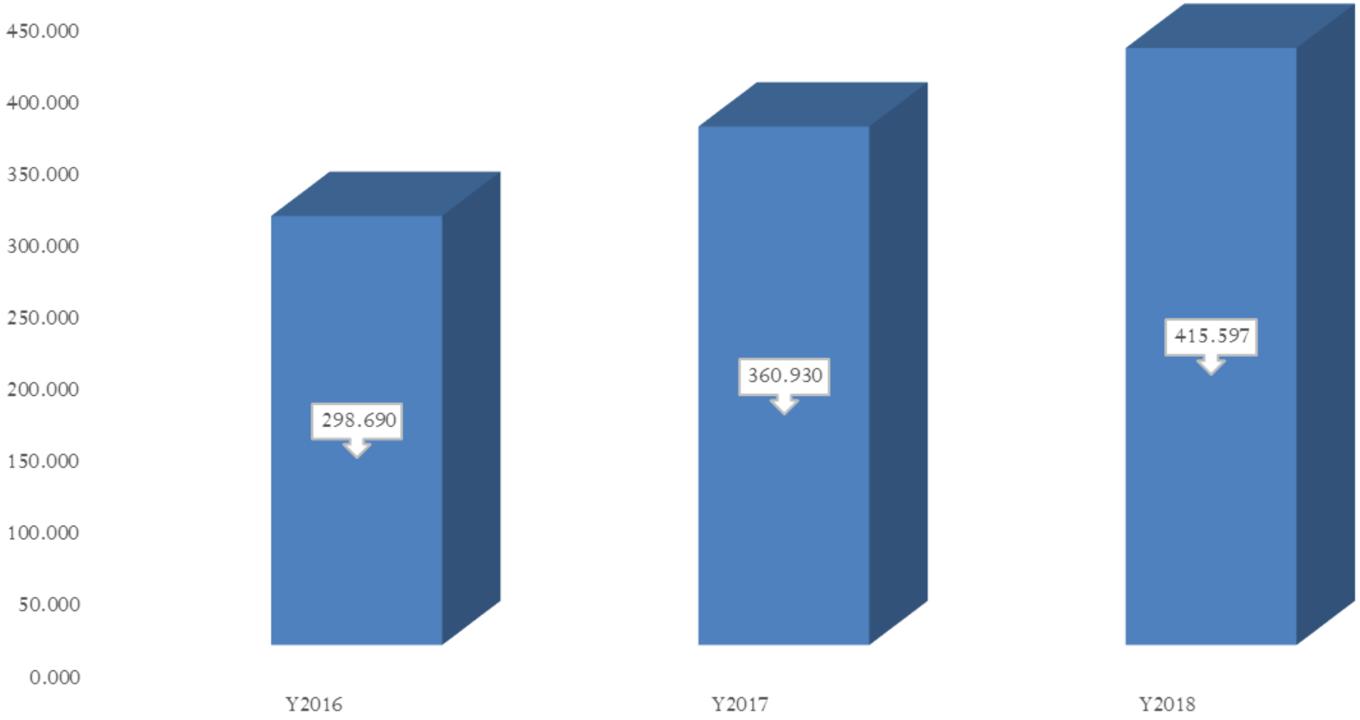


Q3 2018 Revenue Review

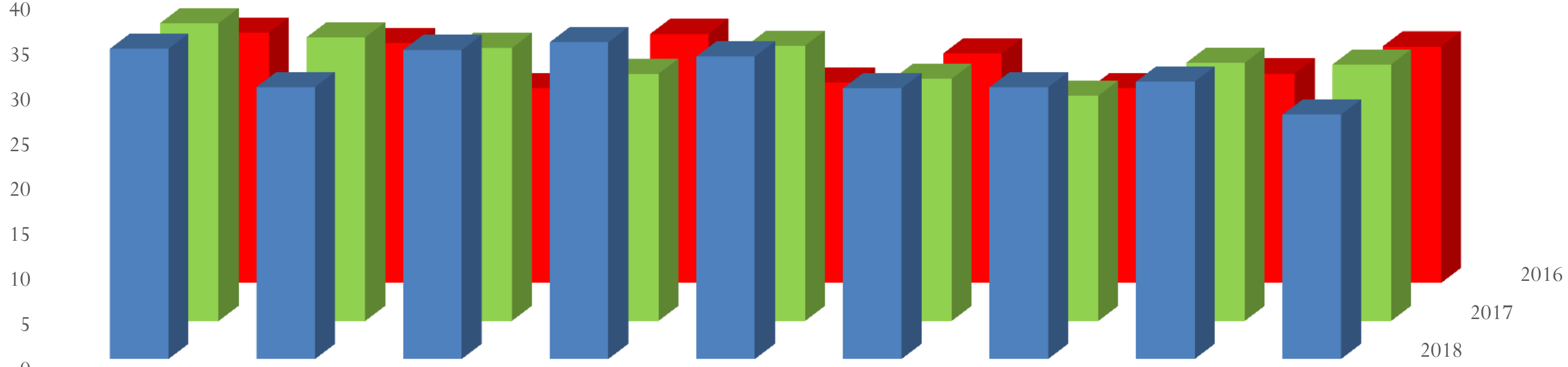
Cumulative (Jan.-Sept.) 2018 Revenue Appraisal (3/3)

Total Revenue	• Total Revenue ("TR") performed at ₦415.597**bn/62%** of target compared to **₦360.930bn/75%** in Cumulative Q3Y2017; **₦54.667**bn more in absolute terms due to ongoing reforms in revenue collection.
Total IGR	• Total Internally Generated Revenue ("TIGR") was **₦297.740**bn/55%, against ₦262.005bn/73% in Cumulative Q3Y2017 and represents 71.6% of TR vs 73 % in Cumulative Q3Y2017.
Dedicated Revenue	• Dedicated Revenue amounted to ₦11.556bn/59%, which is equivalent to 3.88% of TIGR and 2.78% of the TR.
LIRS	• LIRS performance of ₦238.770bn/72% accounted for 80% of the TIGR and 57.45% of the TR, compared to ₦203.860bn/76% accounted for 77.81% of the TIGR and 56.48% of the TR in 2017, ₦34.91bn more in absolute terms.
Capital Receipts	• Capital receipts performed at ₦11.831bn/40%, 3.97% of TIGR and 2.85% of TR respectively.
Federal Transfers	• Federal transfers contributed ₦117.857bn/89%; 28.4% of the TR; Statutory Allocation (SA) contributed ₦43.720bn/101%, while VAT performed at ₦74.007bn/96% of provision.

Q3 2018 Revenue Review
Cumulative (Jan-Sept) Total Actual Revenue for 2016 – 2018



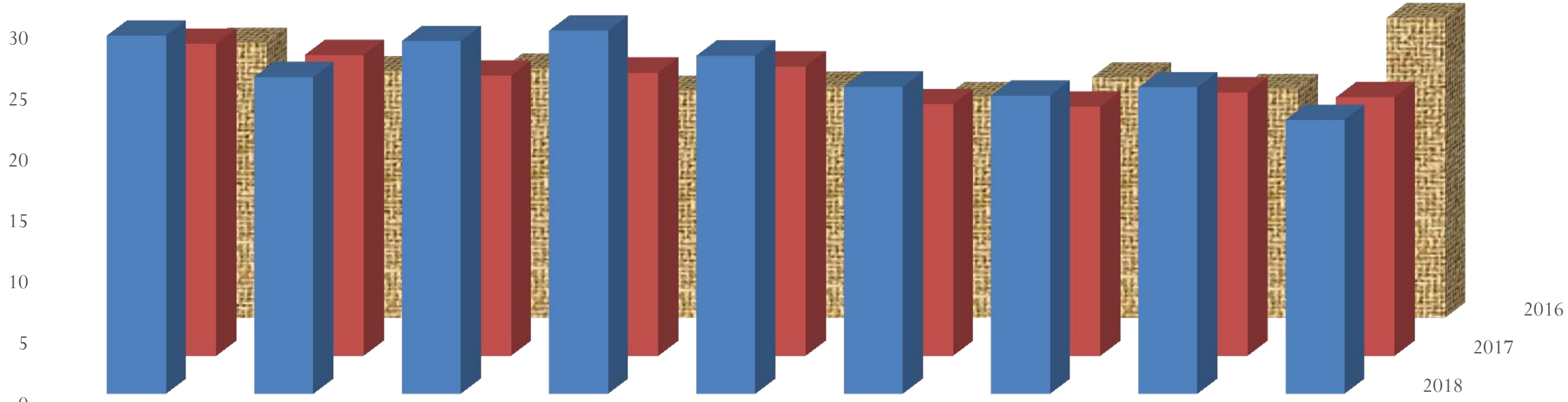
Q3 2018 Revenue Review
Comparative of Monthly IGR for 2016 – 2018



	January	February	March	April	May	June	July	August	September
2018	34.45	30.209	34.31	35.176	33.588	30.057	30.174	30.809	27.136
2017	33.067	31.508	30.31	27.456	30.579	26.903	25.020	28.674	28.489
2016	27.802	26.626	21.627	27.643	22.244	25.487	21.649	23.252	26.268

■ 2018 ■ 2017 ■ 2016

Q3 2018 Revenue Review
Comparative of LIRS Monthly Revenue for 2016 – 2018



	January	February	March	April	May	June	July	August	September
2018	29.351	25.952	28.889	29.740	27.696	25.157	24.428	25.100	22.457
2017	25.56	24.639	22.964	23.194	23.699	20.608	20.423	21.595	21.178
2016	22.515	20.205	20.417	18.591	18.92	18.079	19.682	18.713	24.525

2018 2017 2016

Q3 2018 Revenue Review

Cumulative (Jan.-Sept.) Revenue Performance from 2012 - 2018

Year	Provision (Jan. –Sept.) N'bn	Actual (Jan. – Sept.) N'bn	Performance %
2012	299.876	251.304	84
2013	325.371	282.777	87
2014	349.880	292.860	84
2015	367.267	300.836	82
2016	407.156	298.690	73
2017	482.136	360.930	75
2018	**673.067**	**415.597**	**62**

Q3 2018 Revenue Review
Cumulative (Jan.-Sept.) 2018 Capital Receipts Appraisal

Details	Provision (Jan. – Sept. 2018) ₦'bn	Actual (Jan. – Sept. 2018) ₦'bn	Performance %
Grants (Donor agencies)	14.644	4.793	33
Other capital receipts	15.011	7.038	47
Total capital receipts	**29.655**	**11.831**	**40**

Q3 2018 Revenue Review

Cumulative Capital Receipts Performance from 2012 – 2018

Year	Provision (Jan. –Sept.) ₦'bn	Actual (Jan. – Sept.) ₦'bn	Performance %
2012	19.258	8.097	42
2013	12.384	5.275	43
2014	17.388	19.311	111
2015	15.732	4.906	31
2016	25.756	7.084	28
2017	19.081	14.285	75
2018	**29.655**	**11.831**	**40**

Q3 2018 Expenditure Appraisal

Q3 2018 Expenditure Appraisal

Cumulative (Jan.-Sept.) 2018 Personnel Cost Performance Appraisal

Year	Provision (Jan. – Sept.) ₦'bn	Actual (Jan. – Sept.) ₦'bn	Performance %
2012	61.218	57.333	94
2013	66.72	59.996	93
2014	65.94	63.155	96
2015	84.975	74.301	87
2016	93.906	70.270	75
2017	78.534	75.795	97
2018	84.182	76.598	91

- Total Personnel Cost ("TPC") was ₦76.598bn/91%, recording an increase of ₦0.803bn in absolute terms over the same period in 2017 at ₦ 75.795bn
- TPC accounted for 26% of IGR, 18% of TR and 107% of Total Recurrent Expenditure.
- TPC remained within the State Wage Policy of 25% ceiling of TR and 35% of IGR

Q3 2018 Expenditure Appraisal

Q3 Overhead Costs Performance (Jan. Sept.) from 2016 – 2018

Details	2018			2017			2016		
	Prov. ₦'bn	Actual ₦'bn	Perf %	Prov. ₦'bn	Actual ₦'bn	Perf %	Prov. ₦'bn	Actual ₦'bn	Perf %
Total Overhead Costs	**149.169**	**117.439**	**79**	**127.795**	**141.803**	**111**	**102.972**	**90.905**	**88**
Overhead Costs	94.037	90.927	97	78.190	112.990	145	61.794	78.615	127
Dedicated Expenditure	19.579	11.556	59	17.792	14.206	80	16.064	49	0
Subvention	35.553	14.956	42	31.812	14.607	46	25.115	12.241	49
External Debt Charges	4.360	3.384	78	4.559	2.196	48	1.051	1.165	111
Internal Debt Charges	17.320	17.531	101	16.500	14.423	87	8.813	11.284	128

- Total Overhead Cost performed ₦117.439bn/79%; recording 55% of the Total Recurrent Expenditure and 39% of TIGR compared with ₦141.803bn/111%; recording 60.50 % of the Total Recurrent Expenditure and 54 % of TIGR
- Overhead subventions to parastatal organizations/tertiary institutions performed at **₦14.956bn/42% as against ₦14.607bn/46%** in 2017.

Q3 2018 Expenditure Appraisal

Q3 Recurrent Expenditure Performance from 2012 – 2018

Year	Provision (Jan. – Sept.) ₦'bn	Actual (Jan. – Sept.) ₦'bn	Performance %
2012	175.215	155.453	89
2013	166.297	152.503	92
2014	177.799	168.547	95
2015	181.482	174.978	96
2016	206.742	173.624	84
2017	228.887	234.217	102
2018	260.279	214.952	83

Q3 2018 Expenditure Appraisal

Q3 Capital Expenditure Performance from 2016 – 2018

Details	**2018**			**2017**			**2016**		
	Prov. ₦'bn	**Actual ₦'bn**	**Perf %**	**Prov. ₦'bn**	**Actual ₦'bn**	**Perf %**	**Prov. ₦'bn**	**Actual ₦'bn**	**Perf %**
Core capital	325.245	161.912	50	295.736	151.157	51	202.360	121.927	60
Capital development	15.011	7.038	47	11.671	0	0	19.188	0.672	4
Risk Retention Fund	80	0	0	0.080	0	0	0.075	0	0
Special expenditure	86.766	8.334	10	5.250	5.932	113	2.562	2.529	99
Grants from Donor agencies	14.644	4.793	33	7.410	9.273	125	6.568	12	0
Counterpart Fund	4.908	0	0	4.648	6.157	132	4.571	0	0
Contingency Reserve	3.898	3.575	92	2.325	0	0	0.434	570	131
Staff Housing Fund	75	0	0	0.075	0	0	0.075	0	0
External Loans (principal repayments)	4.032	3.404	84	2.474	5.123	207	1.235	2.718	220
Internal loans (principal repayments)	18.445	23.010	125	17.844	25.093	141	15.000	7.500	50
Consolidated service account	51.208	50.988	100	33.350	30.130	90	38.134	30.863	81
Total	679.157	263.054	**39**	**380.863**	**232.865**	**61**	**290.200**	**166.792**	**57**

Q3 2018 Expenditure Appraisal
Q3 Capital/Recurrent Expenditure Ratio from 2012 – 2018

Year	Budget projection	Actual performance
2012	53:47	41:59
2013	56:44	43:57
2014	51:49	46:54
2015	51:49	27:73
2016	58:42	49:51
2017	62:38	50:50
2018	67:33	55:45

Q3 2018 Expenditure Appraisal

Cumulative (Jan.-Sept.) Financing Activities Performance from 2016 – 2018

Details	2018			2017			2016		
	Prov. ₦'bn	Actual ₦'bn	Perf %	Prov. ₦'bn	Actual ₦'bn	Perf %	Prov. ₦'bn	Actual ₦'bn	Perf %
Financing requirement	(111.524)	(62.408)	56	(127.613)	106.152	83	(89.786)	39.526	44
Financing									
Financing (sources)	111.524	45.000	40	127.613	111.913	88	89.786	69.455	77
External loans	14.138	0	0	16.913	6.913	41	42.312	53.630	127
i. DPO	0	-	-	Nil	Nil	-	30.000	49.526	165
ii. Others	14.138	0	0	16.913	6.913	41	12.312	4.104	33
Internal loans	33.637	45.000	134	35.700	20.000	56	15.000	5.000	33
Bond issue	63.750	0	0	75.000	85,000	113	32.474	10.825	33
Repayments	73.685	77.401	105	53.668	60.346	112	54.368	41.801	76
External loans (principal repayments)	4.032	3.404	84	2.474	5.123	207	1.235	2.718	220
Internal loan (principal repayments)	18.445	23.010	125	17.844	25.093	141	15.000	7.500	50
Consolidated debt service accounts	51.208	50.988	100	33.350	30.130	90	38.134	30.863	81

Q3 2018 Expenditure Appraisal

Q3 2018 Capital Expenditure and Financing Activities Appraisal

Capital Expenditure

- Third Quarter Y2018 performed at ₦263.053bn/50% as against ₦232.865bn/61% the same period in 2017; ₦30.188bn more in absolute terms.

- As at the end of Third Quarter Y2018, the Capital : Recurrent ratio closed at 55:45, higher than what was recorded in Y2017 and shy of the projected 62:38 in 2017.

Financing Activities

- Third Quarter Y2018 showed a net revenue deficit of ₦62.408bn.

- The State repaid ₦77.408bn as debt obligation in the Third quarter 2017.

Observations/Recommendations (1/4)

1.0 **Revenue:**

1.1 Federal Allocation continues to rise monthly despite the irregularities of 13% derivations. The cumulative for the Third quarter shows 117.857/89%.

1.2 All MDAs will have to perform well over 100% to meet up with the shortfall due to decline in Federal Transfers.

1.3 There is need to ensure the expenditure approvals is commensurate with the revenue performance of each Agencies during the 4th quarter.

1.4 13% derivation fell below estimates as inflows only came in only in the month of March from royalties while we still await distributions from petroleum profit tax.

Observations/Recommendations (2/4)

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

2.1 ***Personnel Costs:***

- Personnel Cost performance of ₦76.598bn/91% is higher compared to ₦75.795bn/97% for the same period last year.

2.2 ***Overhead Expenditure:***

- The Total Overhead Cost running at ₦117.439bn/79% in Q3 2018 and ₦ 141.803bn/111% in Q3 2017 is a pointer that deliberate effort must be geared towards tighter control of overhead while ensuring improved funding of Capital projects.

Observations/Recommendations (3/4)

3.0 **Capital Expenditure:**

- The Total Capital Expenditure at 50% performance, revealing a Capex/Recurrent ratio (55:45). We need to support the delivery of infrastructure in critical areas such as road rehabilitation, transportation, security, environment, etc. to drive performance in 2018 (Q4).
- MDAs must exhaust avenues to accommodate proposed capital expenditures within their budgetary provisions before seeking for state wide votes from MEPB.
- Note that the Special Expenditure recorded huge performance (113%), an indication that it may not be available for use in the coming quarters. All MDAs to note this.

Observations/Recommendations (4/4)

4.0 **Financing:**

- The bond did not perform for the Q1, Q2 & Q3 in 2018 so far. Thereby, affecting the performance of CAPEX for the period negatively.
- The internal and external loans performed cumulatively at 101% and 78% respectively.

- The bond cumulatively performed at N85bn/113% (i.e N85bn of the expected N100bn was realized in 3rd quarter). Thereby, enhancing performance of CAPEX for the period.
- The internal and external loans performed cumulatively at 56% and 41% respectively.

Conclusion

The EXCO is Invited to Note:

Budget Size	• 2018 Budget size was ₦1,046,121bn, with a Q3 pro-rata size of ₦478.004bn
Third Quarter Performance	• Third Quarter performed ₦478.004bn/61%; compared with to N467.082bn/77% for same period in 2017
Total Revenue	• Total Revenue performance was ₦415.597bn/62% compared with ₦360.930bn/75% in Third Quarter 2017
Capital Receipts	• Total Capital Receipts for the period amounted to ₦11.831bn/40%
Recurrent Expenditure	• Total Recurrent Expenditure for the period performed ₦214.952bn/83% (Total Personnel Cost ₦76.598bn/91%; Total Overhead Cost ₦117.439bn/79%)
Total Capital Expenditure	• Total Capital Expenditure performance was ₦263.053bn/50%

Conclusion

The EXCO is Invited to Note:

Capital / Recurrent	• Capital/Recurrent Expenditure Ratio closed at 55:45 vs 67:33 target for Y2018
Debt	• The bond issuance was nil

Itesiwaju ipinle Eko lo je wa l'ogun!

Thank you.

Comments, Observations & Questions?