

Chapter IV

Financial Resources of Urban Local Bodies

Summary

The share of Own Revenue (₹ 2572.47 crore) in total financial resources (₹ 15256.23 crore) of the Urban Local Bodies is approximately 17 *per cent*. On the other hand, devolution of funds by the State Government to the Urban Local Bodies during 2015-2020 was short of the norms of the third State Finance Commission by ₹ 256.10 crore.

The average collection of Property Tax for the period 2015-20 was 63 *per cent* of total demand. The collection declined from 67 to 58 *per cent* during the period 2015-19. An amount of ₹ 41.74 crore was outstanding for collection as on March 2020 in the selected Urban Local Bodies. GIS Survey was conducted only in 10 (six *per cent*) of Urban Local Bodies.

Similarly, in case of Water Charges of 26 Urban Local Bodies, during 2016-20, collection has declined from 67 to 58 *per cent*. An amount of ₹ 30.09 crore of water tax was outstanding in selected Urban Local Bodies as of March 2020. Further, we noticed that none of the selected Urban Local Bodies except Korba had installed meters for water connections and only fixed water charges were being levied. Therefore, the collection of monthly water charges from the beneficiaries was insufficient against the expenses incurred on Operation and Maintenance of water supply. Shop Rent amounting to ₹ 3.52 crore was also outstanding against leaseholders/occupiers.

The Urban Local Bodies spent 17 to 40 *per cent* of budgeted amount in water supply and 61 to 86 *per cent* of budgeted amount in Public Health, Sanitation and Solid Waste Management respectively.

In terms of effectiveness of devolved functions on ground, Urban Local Bodies were generally effective in achieving the coverage of toilets and household level coverage of Solid Waste Management, but as far as other parameters are concerned, there were gaps.

Sustainable Financing is paramount to ensure discharge of any function. The devolved functions can be carried out effectively by Urban Local Bodies only when they are supported with sufficient financial resources. Such financial resources could take the form of predictable fiscal transfers or access to own revenue streams that are buoyant and commensurate with the expenditure obligations, accompanied by appropriate expenditure powers. Predictable fiscal transfers to Urban Local Bodies need to be ensured through a robust State Finance Commission mechanism and compliance with State and Central Finance Commission recommendations. Access to own sources of revenue would include both the power to levy and collect from specific revenue streams. Expenditure powers refer to reasonable delegation limits that allow the Urban Local Bodies to utilise their financial resources.

4.1 Sources of Revenue

The detail of revenue of Urban Local Bodies in the State during the period 2015-20 is indicated in **Table 4.1** below:

Table 4.1: Details of revenues of Urban Local Bodies during the period 2015-20

(₹ in crore)						
Year	Own Revenue	Assigned Revenue	Grants	Total Revenue	Percentage of Own Revenue to Total Revenue	Percentage of fiscal transfer to Total Revenue
2015-16	445.25	889.00	544.10	1878.35	23.70	28.97
2016-17	520.22	1071.46	1889.63	3481.31	14.94	54.28
2017-18	538.08	1351.26	1653.93	3543.27	15.19	46.68
2018-19	530.42	881.76	1542.20	2954.38	17.95	52.20
2019-20	538.50	1106.92	1753.50	3398.92	15.84	51.59
Total	2572.47	5300.40	7383.36	15256.23	16.86	48.40

(Source: Information by Urban Administration and Development Directorate)

The share of Own Revenue to total financial resources of the Urban Local Bodies is approximately 17 *per cent*. Thus, the Urban Local Bodies rely largely on other revenue streams, which are not under their control. Moreover, the share of own resources was falling over the period 2018-20.

Government stated (December 2021) that as the scope of source of revenue at Urban local Bodies level are very limited, Grants were provided for other development works under different schemes.

4.1.1 Own Revenue of Urban Local Bodies

Urban Local Bodies do not have a large independent tax domain. The Property Tax on land and buildings is the mainstay of Urban Local Bodies' Own Revenue. The own non-tax revenue of Urban Local Bodies comprises Water Charges, rent from commercial establishments, trade licences, fee for sanction of plans/mutations, *etc.* The share of Own Revenue to Total Revenue of Urban Local Bodies for the period 2015-20 in test checked Urban Local Bodies ranged from 16 to 29 *per cent* as shown in **Table 4.2** below:

Table 4.2: Details of total own revenue against total financial resources for 2015-20

(₹ in crore)					
Type of Urban Local Body	Assigned Revenue	Own Revenue	Government Grants	Total financial resources	Percentage of Own Revenue against financial resources (in per cent)
Nagar Nigam	523.07	1461.95	3106.73	5091.75	28.71
Nagar Palika Parishad	60.76	101.64	470.43	632.83	16.06
Nagar Panchayat	14.50	28.74	137.33	180.57	15.92

(Source: Information provided by the Urban Local Bodies)

It is evident from the above table that financial condition of the Nagar Palika Parishads and Nagar Panchayats is highly critical and they are totally dependent on the Government Grants. Even the Nagar Nigams are collecting only around 29 *per cent* of total revenue as their Own revenue. The details of Own tax revenue of Urban Local Bodies for the period 2015-20 in test checked Urban Local Bodies is shown in **Table 4.3**.

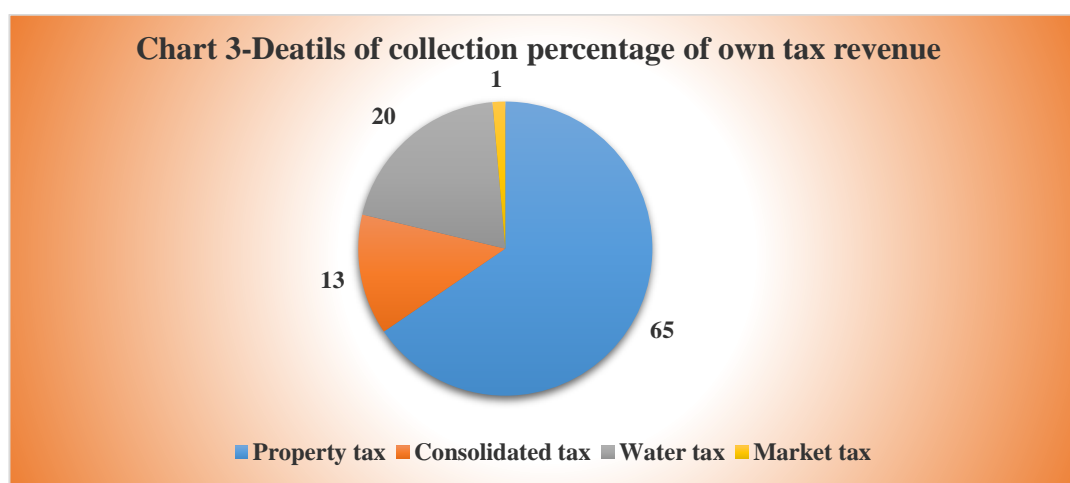
Table 4.3: Details of year wise own tax revenue for the period 2015-20 in test checked Urban Local Bodies

(₹ in crore)

Year	Type of own tax revenue				Total own tax revenue
	Property tax	Consolidated tax	Water tax	Market tax	
2015-16	90.48	23.84	35.86	5.00	155.18
2016-17	156.59	25.78	40.58	4.60	227.55
2017-18	141.57	28.73	40.02	4.14	214.46
2018-19	130.06	26.64	40.44	0.00	197.14
2019-20	129.87	26.59	40.96	0.00	197.42
Total	648.57	131.58	197.86	13.74	991.75

(Source: Information provided by the Urban Local Bodies)

The property tax is the major contributor of own tax revenue during the period 2015-20 in test checked Urban Local Bodies as depicted in **Chart 3**.



4.1.2 Transfer of funds to Urban Local Bodies

Funds were transferred to Urban Local Bodies by the Central and State Governments in the form of grants. Grants from Government based on the recommendations of the State Finance Commission, account for 48 *per cent* of revenue of Urban Local Bodies in the State during the period 2015-20.

a. Short release of divisible fund

Successive State Finance Commissions recommended (accepted by State Government in July 2013 and October 2019) that 1.85 to 2.09 *per cent* of divisible fund of the State Government should be devolved to Urban Local Bodies. The funds to be devolved and those actually devolved by the State Government are given in **Table 4.4** below:

Table 4.4: Details of short devolution of State Finance Commission Grant

(₹ in crore)

Year	Own tax revenue /divisible Fund of the State	Funds to be devolved as per second and third State Finance Commissions recommendation	Funds devolved to Urban Local Bodies by State Government	Short release
2015-16	17074.86	315.88	228.24	87.64
2016-17	18945.21	350.49	339.98	10.51
2017-18	19894.68	415.80	547.45	-131.65
2018-19	21427.26	447.83	299.76	148.07
2019-20	22117.85	462.26	320.73	141.53
Total	99459.86	1992.26	1736.16	256.10

(Source: State Finance Accounts and Urban Administration and Development Directorate)

It can be seen from the above table that devolution of funds by the State Government to the Urban Local Bodies was short by ₹ 256.10 crore as compared to the norms of the second and third State Finance Commission.

Government stated (December 2021) that to match the period of 15th Finance Commission, Government has extended the period of Second State Finance Commission up to 2019-20 and started the period of Third State Finance Commission from 2020-21. However, no reply was furnished regarding short devolution of funds to urban local Bodies.

b. Trend in growth of Assigned Revenue

Assigned Revenue constitutes 35 *per cent* of the total revenue during the period 2015-2020. The year wise break-up of the Assigned Revenue is given in **Table 4.5** below:

Table4.5: Year wise break-up of the Assigned Revenue

(₹ in crore)

Year	<i>Chungi</i> ¹² compensation	Stamp duty	Excise duty	Bar license	Entertainment tax	Passenger tax	Total assigned revenue
2015-16	767.16	65.44	13.19	19.20	16.01	8.00	889.00
2016-17	916.08	79.00	13.51	35.50	19.37	8.00	1071.47
2017-18	1204.20	69.00	14.46	35.50	20.10	8.00	1351.26
2018-19	791.52	49.02	14.46	12.76	6.00	8.00	881.76
2019-20	1000.00	71.35	10.47	17.10	0.00	8.00	1106.92
Total	4678.96	333.81	66.09	120.06	61.48	40.00	5300.40

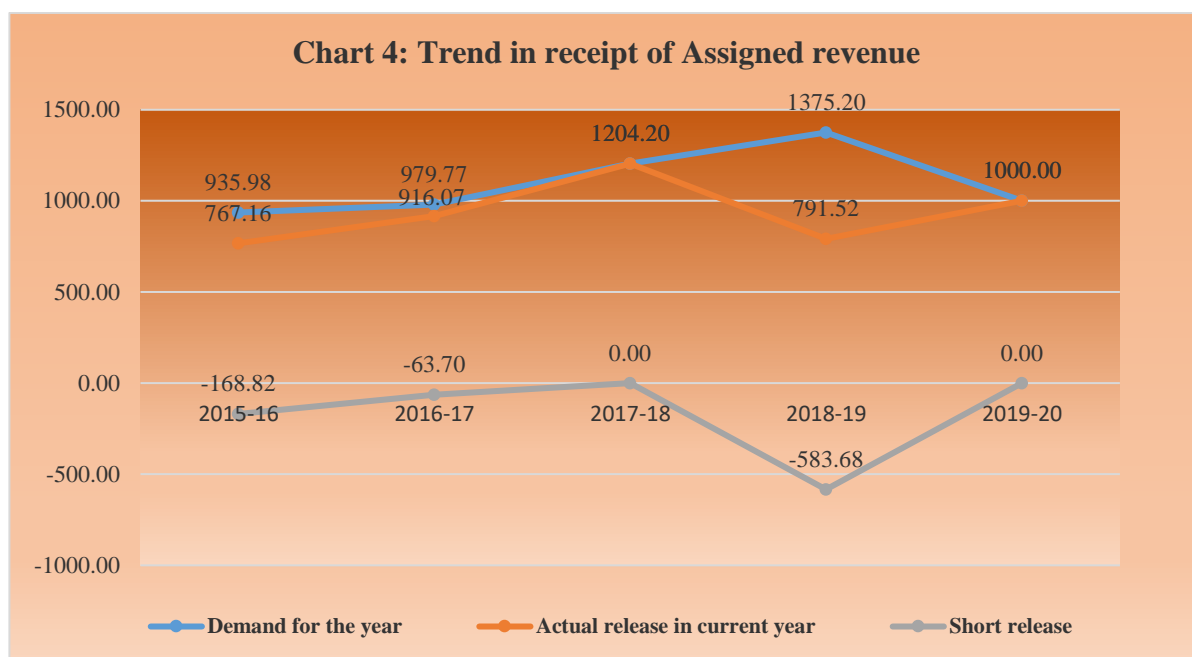
(Source: Urban Administration and Development Directorate)

c. *Chungi* compensation

Subsequent to withdrawal of power of levy and collection of *Chungi* compensation the third Finance Commission recommended that the Government will collect the tax and make it available to Urban Local Bodies on population basis as Assigned Revenue. Further, State Government fixed (2003) the rate of ₹ 26 as per population of Census 2001 and gradual increase at the rate of 10 *per cent* each year. The State Government abolished (September 2007) the criteria of increasing the *Chungi* compensation by 10 *per cent* each year, and decided that this rate would be increased as and when considered appropriate. Further, second State Finance Commission had recommended transfer of total amount of *Chungi* compensation to Urban Local Bodies without any conditions, State Government accepted the recommendation and decided to increase the rate (August 2014), but no action has since been taken. Hence, even after 17 years, the rate of *Chungi* compensation has not been revised by the State Government, despite rapid increase in population and establishment expenditure of the Urban Local Bodies.

Assigned Revenue in total should also gradually increase in terms of *Chungi* compensation, but we noticed negative growth in assigned revenue during the years 2015-20 except in 2017-18 and 2019-20, as depicted in **Chart 4** below:

¹² A duty levied on various goods entering a town or city. Government of erstwhile Madhya Pradesh withdrew the *Chungi* from Urban Local Bodies to avoid traffic congestion or unwanted delay in trade and business.



(Source: information received from Urban Administration and Development Directorate)

Government stated (December 2021) that in addition to *Chungi* compensation, additional funds were provided to Urban Local Bodies according to their demand for pending liability of pay and allowances. Further, the proposal for increase in the rate of *Chungi* compensation will be submitted for Cabinet decision.

d. Stamp Duty

Duty of one *per cent* is imposed on transactions relating to immovable property. The Inspector General Registration and Stamps (IGRS), Chhattisgarh, collected the amount on account of transfer of immovable properties.

We noticed that second State Finance Commission recommended to make the procedure of transfer of stamp duty easier and institute a system for timely transfer of stamp duty to Urban Local Bodies. However, no such procedure has been established by the Government.

We also noticed that transfer of total ₹ 47.88 crore of stamp duty to 33 Urban Local Bodies was delayed ranging from six months to 10 years (**Appendix 4**). Further, during the years 2015-16 and 2018-19 against the budgeted provision of ₹ 83.95 crore, Urban Administration and Development Directorate (UADD) withdrew only ₹ 58.06 crore for Urban Local Bodies. The remaining amount of ₹ 25.89 crore lapsed at year end as detailed in **Table 4.6**.

Table 4.6: Statement showing the lapsed amount of stamp duty during the year 2015-16 and 2018-19

(₹ in crore)

ULB	Year	Budget provision	Amount withdrawn	Lapsed amount
Nagar Panchayat	2015-16	12.60	9.04	3.56
	2018-19	12.60	5.76	6.84
Nagar Palika Parishad	2018-19	9.50	6.25	3.25
Nagar Nigam	2018-19	49.25	37.01	12.24
Total		83.95	58.06	25.89

(Source: Information compiled from records of UADD)

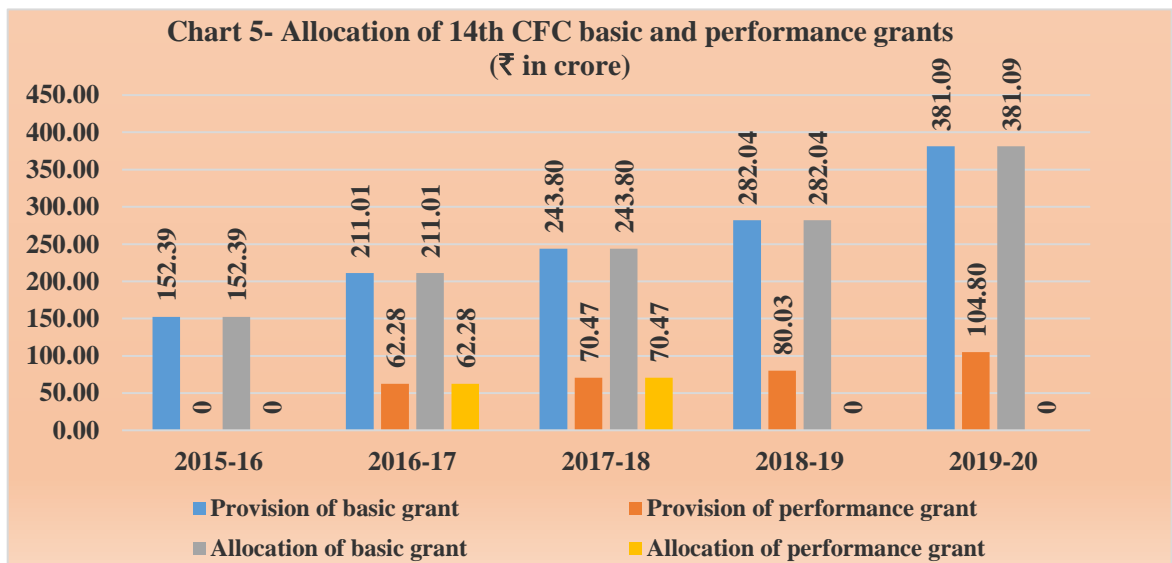
Government stated (December 2021) that a system will be developed for ensuring timely availability of data of stamp duty from the Director General, Registration & Superintendent of Stamp so that the actual budget provision could be made, and fund will be provided to Urban Local Bodies on time. Further, the budget provision of Stamp Duty lapsed due to non-clearance of bills by the Treasury in the month of March of respective years.

4.1.2.1 Central Finance Commission Grants

The Fourteenth Finance Commission recommended Basic Grant and Performance Grant to Urban Local Bodies as a percentage of divisible pool account.

On the recommendation of Fourteenth Finance Commission, the State Government fixed the following conditions for distribution of Performance Grant among Urban Local Bodies:

- i) The Municipality will have to submit audited account that relate to the year, not earlier than two years preceding the year, in which the municipality seeks to claim the Performance Grant.
- ii) The Municipality will have to show an increase in its own revenue over the preceding year as reflected in the audited accounts.
- iii) The Municipality must measure and publish the Service Level Benchmarks to basic urban services each year for the period of the award and make it publicly available.



(Source: Information received from Urban Administration and Development Directorate)

We observed that all 169 Urban Local Bodies received the Basic Grants of ₹ 1270.33 crore on the recommendations of Fourteenth Finance Commission during 2015-20 but did not receive Performance Grants for the period from 2018-20, amounting to ₹ 184.83 crore¹³ from the State Government. The reasons for non-receipt of Performance Grants were not furnished by the department.

¹³ ₹ 184.83 crore (₹ 80.03 crore for 2018-19 and ₹ 104.80 crore for 2019-20).

Government stated (December 2021) that proposals for release of funds have been forwarded to Ministry of Finance, GOI with due recommendations from Ministry of Housing & Urban Affairs, but funds are yet to be released.

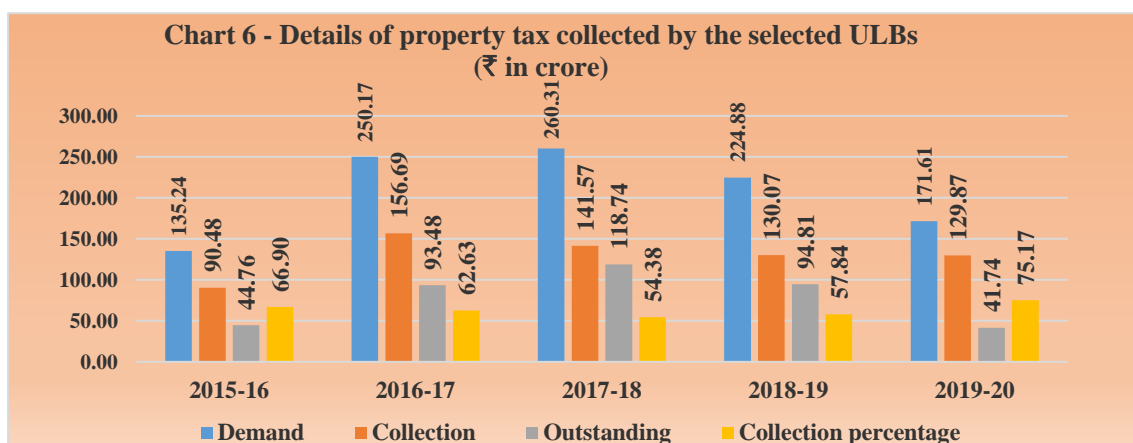
Based on the recommendation of the Fourteenth Finance Commission for Performance Grant to Urban Local Bodies, State Government fixed certain conditions like submission of audited accounts that relate to the year, showing an increase in its own revenue over the preceding year and measure and publish the Service Level Benchmarks to basic urban services each year for the period of the award. Although the audited accounts were being prepared on time, own revenue did not increase from previous years (refer *para 4.1.1*). Further, the performance of Urban Local Bodies against Service Level Benchmarks was also not satisfactory (refer *para 4.3.1*) and indicate that these may be the reasons for non-release of performance grants by the Ministry of Finance, GoI. State Government may make efforts to get the Performance Grants released at the earliest.

4.1.3 Property Tax

The Urban Local Bodies were empowered to levy Property Tax every year on all buildings or vacant lands or both situated within their jurisdiction. Every owner is to assess the Annual Letting Value of his land or building and deposit the amount of Property Tax along with a return in this behalf, in the prescribed form, on or before the date fixed by the Council on the basis of self-assessment. Following are our findings on property tax collection.

a. Short Realisation of Property Tax

We noticed in the test checked 27 Urban Local Bodies that the average collection of Property Tax for the years from 2015-20 was 63 *per cent* of total demand and it was declining in the year 2017-18 and 2018-19 (**Chart 6**). An amount of ₹ 41.74 crore of these selected Urban Local Bodies was outstanding as on March 2020. Details are given in the **Appendix 5**.



(Source: Information received from selected Urban Local Bodies)

b. Revision of Property Tax

As per Section 132 of Municipal Corporation Act, 1956, the Property Tax is levied at the rate not less than six percent and not more than 20 *per cent* of the Annual Letting Value,

as may be determined by the Corporation for each Financial Year as decided by State Government.

Out of 27 test checked Urban Local Bodies, in 24 Urban Local Bodies the last revision was in 2015-16, while three Urban Local Bodies¹⁴ did not provide the information.

c. Geographical Information System (GIS) survey for enhancing Property Tax

The Third State Finance Commission recommended use of GIS survey in levy of property tax.

We noted that GIS was conducted (2017-18) in only 10 Urban Local Bodies. Even in these Urban Local Bodies, 100 *per cent* demand on the basis of GIS survey was not being raised. Further, State Government accorded administrative approval (March 2020) for survey of property, collection of property tax, and GIS mapping in 46¹⁵ Urban Local Bodies.

However, the following deficiencies were noticed in assessment, imposition and collection of Property tax in test checked Urban Local Bodies: -

- Online property tax collection system has not been introduced in any of the Nagar Palika Parishads, and Nagar Panchayats, however, it is partially implemented in test checked Nagar Nigams.
- During test check it was found that demand and collection registers of tax were not maintained properly. During the years 2015-20 in Nagar Nigam, Raipur the amount of tax recovered was more than the demand raised for by 18 to 87 *per cent* indicating the amount of tax demand was not calculated properly.
- Among the test checked Urban Local Bodies, the property tax on vacant land was noticed in only one case in Nagar Nigam, Raipur, where tax of ₹ 8.72 lakh was assessed on two vacant lands in February and June 2019. However, the tax has not been collected. No property tax was assessed on vacant land in other test checked Urban Local Bodies.

Government stated (December 2021) that the Module for online property tax collection system has been prepared and will be rolled out. State Government has also notified the Chhattisgarh Municipality ‘Determination of Taxable Property Value of Building/land’ Rule in February 2021.

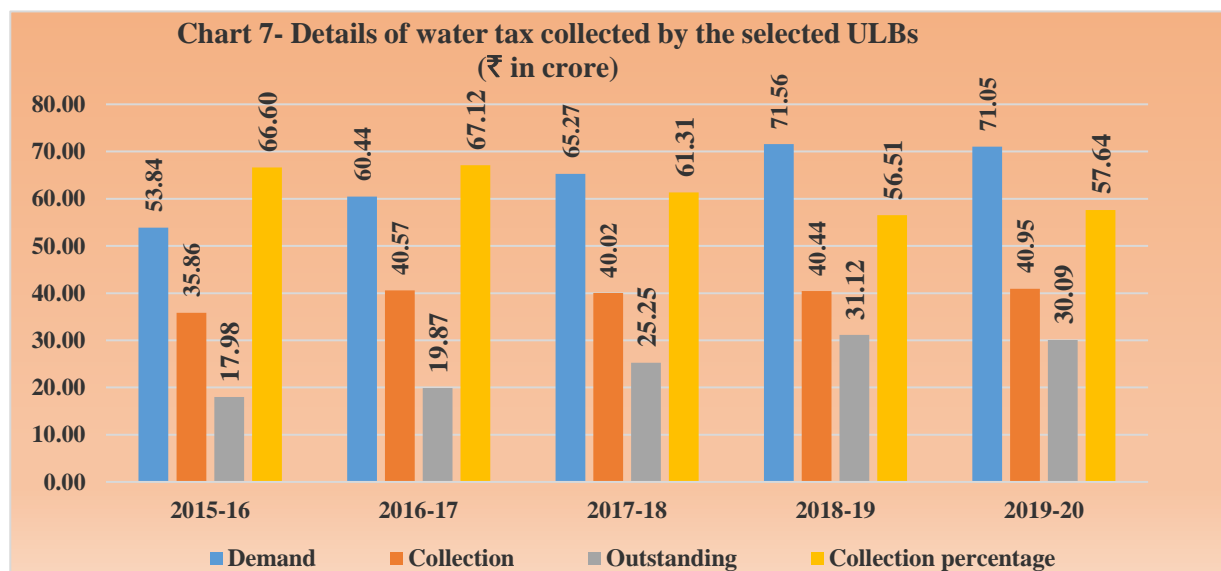
4.1.4 Water charges

As per Section 132 of Municipal Corporation Act, 1956, the Urban Local Bodies were empowered to levy water tax in respect of lands and buildings to which water supply is ensured or which are connected by means of pipeline under municipal water works according to the rates fixed by State Government.

¹⁴ Nagar Nigam Korba, Nagar Palika Parishad Khairagarh and Nagar Panchayat Keshkal have not provided data.

¹⁵ Three Nagar Nigam and 43 Nagar Palika Parishad

Test check of Water Charges in 26¹⁶ out of 27 Urban Local Bodies revealed that average collection for the period 2015-20 was only 61.65 *per cent* of the total demand (**Chart 7**). During the period 2016-20, the collection declined from 67.12 to 57.64 *per cent*. An amount of ₹ 30.09 crore of these selected Urban Local Bodies was outstanding as of March 2020. Details are at **Appendix 6**.



(Source: Information provided by the selected Urban Local Bodies)

- The water tax rates prescribed by the State Government have not been revised since January 2011.
- We also noted that none of the selected Urban Local Bodies except in Korba had installed meters with the water connections and generated bill as per actual reading on volumetric basis.
- The water charges collected could not meet the expenses incurred by the Urban Local Bodies on Operation and Maintenance and electricity bill of water supply. As a result, Urban Administration and Development Directorate provided separate fund for Operation and Maintenance to Urban Local Bodies and paid all the electricity bills on behalf of Urban Local Bodies.

Government stated (December 2021) that survey for laying of distribution pipeline has been completed in Tumgaon and the project will be completed soon. Water metering under AMRUT Mission will be completed by March 2022 in nine Nagar Nigams and in remaining Urban Local Bodies water meters will be provided under AMRUT 2.0. Necessary instructions will be issued to Urban Local Bodies for recovery of outstanding water Tax.

4.1.5 Solid Waste Management

According to Solid Waste Management Rules 2016, domestic waste should be collected by the Urban Local Bodies and the Urban Local Bodies have power to decide and levy user charges on Solid Waste Management. However, the Urban Administration and

¹⁶ Water supply pipeline has not been laid in Nagar Panchayat, Tumgaon till date.

Development Department had prescribed the rates of user charges to be collected by the Urban Local Bodies.

a. Non-levy of user charges for Solid Waste Management

We noticed that in test checked 25¹⁷ out of 27 Urban Local Bodies, ₹ 30.93 crore was collected as user charges during 2017-20. We also noted that survey of different categories of establishment was not done and Urban Local Bodies were charging user charges at a flat minimum slab rate, as a result of which in 18 out of 27 test checked Urban Local Bodies, user charges of ₹ 10.64 crore was set for collection instead of ₹ 14.93 crore as per slab rates applicable to different category of establishments of which ₹ 4.29 crore was outstanding as of March 2020 as detailed in **Appendix 7**.

Thus, there was lack of financial autonomy to Urban Local Bodies since they cannot determine the rates of property tax, water charges, user charges etc. on their own.

Government stated (December 2021) that the collection of user charges was increased gradually, and instructions has already been issued for collection of user charges according to the category of establishment. Further, public is not paying the full amount of user charges as due resulting in outstanding balances.

4.1.6 Other sources of revenue

Sub-Section 6 of the Section 132 of Chhattisgarh Municipal Corporation Act and Section 127 of the Chhattisgarh Municipalities Act, provides for urban local bodies to explore other sources of revenue by levying other kinds of taxes like water tax, general sanitary cess, drainage tax etc. We noticed that 25 Urban Local Bodies collected ₹86.34 crore from other sources during 2015-20. Our finding on other sources are as detailed below:

a. Levy on Outdoor Advertisement

Out of 27 selected Urban Local Bodies, only four¹⁸ levied tax on outdoor advertisement and collected ₹ 29.52 crore during 2015-20.

b. Levy on Mobile Tower

Twenty-three Urban Local Bodies collected ₹ 3.57 crore as levy on mobile towers. Out of 1298 mobile towers installed in the vicinity of the 23 Urban Local Bodies, 155 mobile towers located under the jurisdiction of four Urban Local Bodies¹⁹, were found to be unauthorised but no action for regularisation as well as levy of penalty was initiated by the Urban Local Bodies concerned. Further, renewal fee amounting to ₹ 6.62 crore of 1143 towers (22 Urban Local Bodies) was outstanding (August 2021) but action for recovery of renewal fee was not initiated by the Urban Local Bodies concerned as detailed in **Appendix 8**.

¹⁷ Data not provided by Arjunda and Jarahi

¹⁸ Bhilai, Durg, Korba and Raipur

¹⁹ Unauthorised mobile towers at Baikunthpur-2, Jarahi-5, Raipur-146 and Surajpur-2

c. Shop Rent

In 25²⁰ out of 27 sampled Urban Local Bodies, shop rent amounting ₹ 3.52 crore was outstanding as of March 2020 as shown in **Table 4.7**.

Table 4.7: Details of outstanding Shop Rent

(₹ in lakh)					
Year	2015-16	2016-17	2017-18	2018-19	2019-20
Opening Balance	494.50	479.52	447.46	450.56	513.52
Demand	783.35	878.32	995.89	1041.38	1062.32
Total Demand	1277.85	1357.84	1443.35	1491.94	1575.84
Total Collection	955.57	966.14	1179.23	1193.35	1224.34
Closing Balance	322.28	391.70	264.12	298.59	351.50

(Source: Information provided by the selected Urban Local Bodies)

4.2 Expenditure on services

Chhattisgarh Municipalities Act, 1961 is not in consonance with the spirit of the 74th Constitutional Amendment Act, as in the case of Nagar Palika Parishads and Nagar Panchayats, Budget is to be sent to the State Government for information, indicating the control of State Government on these tiers.

There was significant variation between Budget Estimates and actual income and expenditure (**Table 4.8**).

Table 4.8: Showing the details regarding preparation of unrealistic budget

(₹ in crore)								
Year	Revenue				Expenditure			
	Estimate	Actual	Difference	Percentage of actuals to budget	Estimate	Actual	Difference	Percentage of actuals to budget
2015-16	3052.28	928.09	2124.19	30.41	3382.60	936.44	2446.17	27.68
2016-17	3472.45	1210.85	2261.60	34.87	3744.79	1081.87	2662.92	28.89
2017-18	3775.81	1507.52	2268.30	39.93	4200.65	1289.27	2911.38	30.69
2018-19	4048.83	1339.17	2709.66	33.08	4337.31	1335.36	3001.95	30.79
2019-20	4332.40	1704.43	2627.97	39.34	4669.06	1690.89	2978.17	36.21

(Source: Information provided by the Urban Local Bodies)

The actual revenue of the Urban Local Bodies was on an average only 36 per cent of estimated revenue, which indicates that the budget preparation was unrealistic. There was over estimation of revenue by 64 per cent during 2015-20.

Government stated (December 2021) that due to non-availability of sufficient funds at Department under the schemes and funds being provided to Urban Local Bodies based on priorities, differences arise between amount of Grant proposed and actual Grant received.

4.3 Expenditure on selected services

We noticed in test checked 27 selected Urban Local Bodies that separate provision for Public Health, Sanitation and Solid Waste Management was not made by the Urban Local Bodies. Further, the requisite information in respect of Water Supply and Public Health and Solid Waste Management has not been provided by six²¹ Urban Local Bodies. In the

²⁰ No shops have been constructed by Nagar Panchayat Jarahi and Pathariya.

²¹ Arjunda, Dongargarh, Gunderdehi, Khairagarh, Pathariya and Rajnandgaon

remaining 21 Urban Local Bodies, we found that expenditure on selected services, viz. Water Supply, Public Health, Sanitation and Solid Waste Management fell short of the plan during the period 2015-20 (**Table 4.9**).

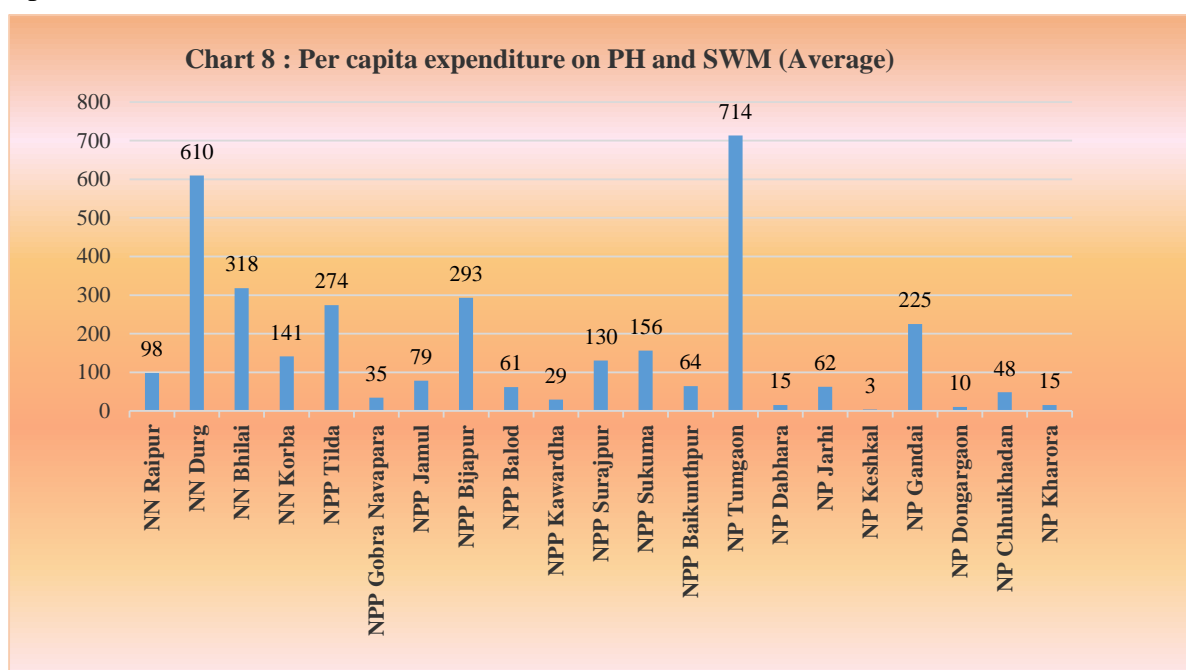
Table 4.9: Details of plan and expenditure of the selected services

(₹ in crore)

Services	Particulars	Years				
		2015-16	2016-17	2017-18	2018-19	2019-20
Water Supply	Planning	199.91	266.65	296.48	233.53	274.70
	Expenditure	73.26	107.39	88.12	65.10	45.80
	Difference percentage	63.35	59.73	70.28	72.12	83.33
Public Health, Sanitation and Solid Waste Management	Planning	39.38	42.05	49.97	88.65	92.50
	Expenditure	33.75	35.51	40.79	53.98	76.63
	Difference percentage	14.30	15.55	18.37	39.11	17.16

(Source: Information provided by the Urban Local Bodies)

The average per capita expenditure on these services varied significantly ranging from ₹ 3 to ₹ 714 for the period 2015-20 (**Chart 8**). The main reason for such huge variation is the difference in population density and the level of infrastructure development required in particular areas.



(Source: Information provided by the Urban Local Bodies)

The Urban Local Bodies incurred on an average 40 per cent of expenditure on these functions. As per the 74th Constitutional Amendment Act, the functions of Water Supply and Public Health were to be completely devolved to the Urban Local Bodies. It can be seen from **Table 4.10** below that in case of water supply the expenditure incurred by Urban Local Bodies have considerably increased over the period 2015-20, however, in the Public Health major expenditure/work is still being carried out by Public Health and Family Welfare Department during the period 2015-20 (**Table 4.10**).

Table 4.10: Expenditure incurred on urban and rural water supply and Public Health and Solid Waste Management

(₹ in crore)

Expenditure incurred on the Functions		2015-16	2016-17	2017-18	2018-19	2019-20
Water Supply	Urban Local Bodies	3.34	230.34	211.09	256.09	469.96
	Public Health Engineering Department	360.62	441.24	345.80	343.66	234.50
	Percentage of expenditure of Urban Local Bodies	0.93	52.20	61.04	74.52	200.41
Public Health, Sanitation and Solid Waste Management	Urban Local Bodies	44.73	260.88	217.18	156.86	38.91
	Public Health and Family Welfare Department	1767.96	2183.65	1614.74	2320.83	2187.80
	Percentage of total expenditure	2.53	11.95	13.45	6.76	1.78

(Source: Information provided by UADD and Appropriation Account)

4.3.1 Effectiveness of devolved functions

Benchmarking is an important mechanism for introducing accountability in service delivery. Recognising its importance, Ministry of Urban Development, Government of India prescribed Service Level Benchmarks since 2008 for performance management of basic services. Ministry of Urban Development had also issued Service Level Benchmarks Handbook prescribing the standardised framework for performance monitoring in respect of four basic municipal services, viz., water supply, sewerage, solid waste management and storm water drainage. SLB indicators include coverage of water supply connections, quality of water, cost recovery in water supply, coverage of toilets, coverage of sewage network service, household coverage of solid waste management, segregation and disposal of municipal solid wastes and coverage of storm water drainage network.

Handbook on Service Level Benchmarking developed by the Ministry of Urban Development, seeks to:

- (i) Identify a minimum set of standard performance parameters for the water and sanitation sector that are commonly understood and used by all stakeholders across the country;
- (ii) Define a common minimum framework for monitoring and reporting on these indicators; and
- (iii) Set out guidelines on how to operationalize this framework in a phased manner.

Urban Local Bodies are to generate performance reports on Service Level Benchmarks periodically and institutionalise systems for performance management.

Out of the 28 parameters under four heads (Water Supply, Sewerage and Solid Waste Management), we analysed 17 parameters under three heads of Water Supply, Sewerage and Solid Waste Management, in 24²² out of 27 Sampled Urban Local Bodies. **Table 4.11** indicates the Service Level Benchmarks set for these parameters.

²² Nagar Palika Parishad Bijapur, Khairagarh and Dongargarh have not provided the data.

Table 4.11: Details of indicators for Service Level Benchmark

Water Supply		
Sl. No.	Indicator	Benchmark
1.	Coverage of Water Supply Connections	100 %
2.	Per Capita Supply of Water	135 lpcd
3.	Continuity of Water Supplied	24 Hours
4.	Extent of metering	100 %
5.	Cost Recovery	100 %
6.	Efficiency in Collection of Water Charges	90 %
Sewerage		
1.	Coverage of Toilets	100 %
2.	Coverage of Sewage Network	100 %
3.	Adequacy of Sewage Treatment Capacity	100 %
4.	Cost Recovery	100 %
5.	Efficiency in Collection of Sewage Water Charges	90 %
Solid Waste Management		
1.	Household Level Coverage	100 %
2.	Efficiency in Collection of Solid Waste	100 %
3.	Extent of Segregation of Municipal Solid Waste	100 %
4.	Extent of Scientific Disposal of Municipal Solid Waste	100 %
5.	Cost Recovery	100 %
6.	Efficiency in Collection of Solid Waste Management Charges	90%

(Source: Handbook on Service Level Benchmarking)

a. Water Supply:

Nineteen Urban Local Bodies were yet to meet the target of achieving 100 *per cent* connection to households. Only Nagar Nigam Korba and four²³ Nagar Panchayats had provided connections to 100 *per cent* of the households. 18 Urban local Bodies had provided connections to 16 to 85 *per cent* of households. Further, 16 Urban Local Bodies are still not able to provide the per capita requirement of 135 lpcd of water. In case of continuity of water supply, Service level benchmarks provided for 24 hours water supply. Atal Mission for Rejuvenation and Urban Transformation and Jawaharlal Nehru National Urban Renewal Mission also prescribed the criteria of 24 hours water supply. However, only 16 Urban Local Bodies were able to provide water for two to six hours per day as against these parameters.

b. Sewerage:

Coverage of toilets has increased considerably over the period, with 15 Urban Local Bodies indicating 100 *per cent* coverage. However, coverage of sewage network is abysmal, with 13²⁴ Urban Local Bodies indicating nil capacity in sewerage treatment.

c. Solid Waste Management:

Household Level Coverage has improved considerably, with 17 Urban Local Bodies indicating 100 *per cent* coverage. Similarly, Collection Efficiency was also reported as 100 *per cent* by 16 Urban Local Bodies. 18 Urban Local Bodies reported 100 *per cent*

²³ Arjunda, Chhuikhadan, Gunderdehi and Jarahi

²⁴ Arjunda, Balod, Baikunthpur, Dabhara, Dongargaon, Gandai, Gunderdehi, Jarhi, Kawardh, Korba, Pathriya, Sukma and Tumgaon

segregation of solid waste and only four Urban Local Body reported upto 85 per cent segregation.

Recommendations:

1. *Devolution of funds to the Urban Local Bodies, as recommended by State Finance Commission, may be done in a timely manner so that Urban Local Bodies have adequate financial resources to carry out their developmental activities.*
2. *Monitoring mechanism for realisation of revenue due to the Urban Local Bodies may be strengthened so that receivable amounts are realised fully and in time.*
3. *The Government may ensure preparation of realistic budget estimates by ULBs in respect of receipts and expenditure.*
4. *The Government may provide adequate powers to the Urban Local Bodies in administrative and executive spheres to enable them to function effectively as institutions of self-government and to strengthen Municipal level governance in line with the provisions of 74th CAA.*