

Chapter IV

Financial Resources of Urban Local Bodies

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4.1 Financial Resources of ULBs

Sustainable financing is paramount to ensure discharge of any function. The devolved functions can be carried out effectively by ULBs 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 with appropriate financial powers of expenditure. Predictable fiscal transfers to ULBs 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 taxes/charges/duty/fee from specific revenue streams. Financial powers or expenditure powers refer to reasonable delegation limits that allow the ULBs to utilise their financial resources.

Source of revenue of ULBs consist of own revenues³⁴ included tax and non-tax receipts, assigned revenues³⁵ apportioned to ULBs, devolution at the instance of State and Central Finance Commissions, Central and State Government grants for maintenance and development purposes and other receipts³⁶. Summary of grants/receipts of ULBs for the years 2015-16 to 2020-21 are given in the **Table-4.1**.

Table-4.1: Details of grants/receipts of ULBs in the State during the period 2015-16 to 2020-21
(₹ in crore)

Year	Grants	Assigned Revenue*	Own Revenue	Total Revenue	Percentage of own revenue to total revenue	Percentage of fiscal transfers to total revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2015-16	592.83	118.86	451.46	1163.15	38.81	61.19
2016-17	860.55	115.61	504.89	1481.05	34.09	65.91
2017-18	665.62	100.24	540.32	1306.18	41.37	58.63
2018-19	668.99	152.74	697.99	1519.72	45.93	54.07
2019-20	1038.42	135.81	850.55	2024.78	42.01	57.99
2020-21	889.00	2.91	1068.17	1960.08	54.50	45.50
Average					42.78	57.22

Source: Information furnished by CDMA; () The amounts shown in column (3) include arrears of previous years*

The details of revenues of the 17 test-checked ULBs during the period 2015-16 to 2020-21 are indicated in **Table-4.2**.

³⁴ Property Tax, Advertisement Tax, Water Charges, Rents from markets, shops and other properties, auction proceeds etc.

³⁵ Surcharge on Stamp Duty, Entertainment Tax collected by Departments of 'Registration and Stamps' and 'Commercial Taxes' respectively

³⁶ Donations, Interest on Deposits, etc.

Table-4.2: Details of revenues in 17 test-checked ULBs during the period 2015-16 to 2020-21
(₹ in crore)

Year	Grants	Assigned Revenue	Own Revenue ³⁷	Total	Percentage of Own Revenue to Total Revenue	Percentage of fiscal transfers to Total revenue
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2015-16	115.62	59.14	118.77	293.53	40.46	59.54
2016-17	123.66	48.83	135.63	308.12	44.02	55.98
2017-18	62.69	34.56	155.91	253.16	61.59	38.41
2018-19	146.67	53.52	178.71	378.90	47.17	52.83
2019-20	196.68	30.96	190.84	418.48	45.60	54.40
2020-21	112.01	0.00	175.68	287.69	61.07	38.93
Average					49.98	50.02

Source: Information furnished by the ULBs

Note: 1) Grants includes 14th Finance Commission and State Government grants received by the test-checked ULBs. Information regarding 14th FC grants in respect of five³⁸ ULBs and information regarding State Government grants in respect of eight³⁹ ULBs is not furnished.

2) Assigned Revenue includes Stamp Duty (SD) and Entertainment Tax (ET) received by the ULBs. Information on SD was not furnished by three⁴⁰ ULBs for all the above years. ET is subsumed in GST from July 2017. Information on ET was provided by seven⁴¹ ULBs.

3) Own Revenue includes Property Tax (PT) and Water Charges (WC) only collected by the test-checked ULBs. Information on PT furnished partially in six⁴² ULBs. Information on Water Charges was not furnished by three⁴³ ULBs for all the years and eight⁴⁴ ULBs furnished partially.

4.1.1 Fiscal transfers of Government to ULBs

As per the recommendations of the Central Finance Commission and State Finance Commission, funds were devolved to ULBs through transfer by the Central and State Governments in the form of grants. As seen from the **Table-4.1** above, the fiscal transfers from Government constituted 57 *per cent* of the total revenue of ULBs in the State during the period 2015-16 to 2020-21. The year-wise fiscal transfer of funds ranged between 46 and 66 *per cent*. The shortcomings observed in fiscal transfers are discussed below.

4.1.2 State Finance Commission (SFC) Grants

Article-243Y read with Article-243I of the Constitution of India makes it mandatory for the State Government to constitute the Finance Commission within one year of the commencement of the 74th CAA and thereafter on expiry of every five years. The mandate of the SFC is to review the financial condition of the ULBs and to make recommendations to the Government.

³⁷ Revenues pertaining to Property Tax and Water charges

³⁸ 2015-16: Boduppal Municipal Corporation and Pedda Amberpet Municipality; 2020-21: Kamareddy, Medak and Wanaparthy Municipalities

³⁹ Municipalities of Bhongir (2020-21), Jangaon (2015-16), Kamareddy (2020-21), Medak (2020-21) and Pedda Amberpet (2015-16); Siddipet (2015-16, 2016-17) and Wanaparthy (2020-21); and Municipal Corporation: Boduppal (2015-16, 2017-18)

⁴⁰ Medak, Medchal and Wanaparthy Municipalities

⁴¹ Karimnagar, Nizamabad Corporations for 2015-16 to 2017-18; Ramagundam Corporation, Bhongir and Siddipet Municipalities for 2015-16 to 2016-17; and Jangaon and Kamareddy Municipalities for 2016-17

⁴² Boduppal, Jangaon, Medak, Medchal, Sadasivapet and Wanaparthy Municipalities

⁴³ Bodhan Municipality; and Boduppal and Meerpeta Corporations

⁴⁴ Siddipet and Wanaparthy Municipalities for 2015-16 to 2019-20; Shadnagar Municipality for 2015-16, 2016-17 and 2020-21; Kamareddy Municipality for 2015-16 and 2016-17; Medchal, Pedda Amberpet and Sadasivapet Municipalities for 2020-21; Medak Municipality for 2015-16

The State Government constituted the SFC in March 2015⁴⁵ without any Members. The Chairman, Member Secretary and Members were appointed only in January 2018, after three years of formation of the Commission. Thus, there were no recommendations for the period 2015-16 to 2019-20. State Government released funds taking the population as criterion⁴⁶ for the distribution of the funds. Further, the SFC submitted its Report in October 2020 and the same is yet to be accepted by Government (March 2022).

Timely constitution of SFC and taking swift actions on its recommendations is critical towards strengthening the financial position of Urban Local Bodies. State Government, however released funds of only ₹1,974 crore⁴⁷ (in lieu of SFC grants) (63 per cent) out of the allocation of ₹3,144 crore⁴⁸ during the years 2015-16 to 2020-21. The short releases against allocations during 2017-18 to 2019-20 ranged between 50 and 85 per cent. This adversely affected the financial position of the ULBs.

Government stated (March 2022) that it would provide a matching amount equal to the municipality-wise devolution under the Finance Commission, over and above the own resources of the Municipality, as per Section-107(2) of the TM Act, 2019. Any deficit in the matching grant contribution from the State Government shall be carried forward to the next year.

4.1.3 Central Finance Commission (CFC) Grants

Article-280(3)(c) of the Constitution of India mandates the CFC to recommend measures to augment the Consolidated Fund of a State to supplement the resource of Municipalities, based on the recommendations of the respective SFCs. The 14th Finance Commission (14th FC) recommended grants under Basic Grant⁴⁹ and Performance Grant⁵⁰ to ULBs in the ratio of 80:20. The allocation and release of 14th FC grants in the State during the period 2015-16 to 2019-20 are given in **Table-4.3**.

Table-4.3: Allocation and Release of 14th FC Grants during 2015-16 to 2019-20

Year	Amount allocated by GoI			Amount received by State Government			Balance to be received
	Basic Grant	Performance Grant	Total	Basic Grant	Performance Grant	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2015-16	325.23	0	325.23	291.95	0	291.95	33.28
2016-17	450.33	132.91	583.24	428.89	109.79	538.68	44.56
2017-18	520.32	150.41	670.73	474.61	126.01	600.62	70.11
2018-19	601.92	170.81	772.73	531.73	0	531.73	241.00
2019-20	813.32	223.66	1036.98	778.70	0	778.70	258.28
Total	2,711.12	677.79	3,388.91	2,505.88	235.80	2,741.68	647.23

Source: Information furnished by the CDMA

⁴⁵ vide G.O.Ms. No. 31 (PR&RD) dated 16 March 2015

⁴⁶ CDMA Lr.Roc.No.138990/2021/B3 dated 31 August 2021

⁴⁷ 2015-16: ₹300.88 crore, 2016-17: ₹321.87 crore, 2017-18: ₹65.00 crore, 2018-19: ₹137.26 crore 2019-20: ₹259.72 crore and 2020-21: ₹889.00 crore

⁴⁸ 2015-16: ₹300.88 crore, 2016-17: ₹321.87 crore, 2017-18: ₹198.79 crore, 2018-19: ₹911.92 crore, 2019-20: ₹521.74 crore and 2020-21: ₹889.00 crore

⁴⁹ Basic Grants are meant for basic services like water supply, solid waste management, sanitation including septage management, public health and sanitation, drainage, sewerage storm water drains, maintenance of community assets, maintenance of roads, footpaths, streetlights, burials and other basic services

⁵⁰ Performance Grants are released after satisfying the conditions like improvement of own revenues, submission of audited accounts within two years, relating to the preceding two years in which the ULB claims for performance grants, ULBs publish the Service Level Benchmarks (SLBs), submission of utilisation certificates for the grants etc.

As seen from the **Table-4.3** above, there was short release of ₹647.23 crore of Basic Grants and Performance Grants during the award period of 2015-16 to 2019-20.

Basic Grants are released in two installments, *i.e.*, June and October every year and Performance Grants relating to previous financial year are required to be released in October month of the succeeding financial year, along with the 2nd installment of Basic Grant. However, we observed that the Performance Grant of 2016-17 and first installment of Basic Grant for 2017-18, were released by State Government to ULBs with delays of 6 and 93 days respectively. As a result, the State Government had to pay penal interest of ₹3.76 crore to the ULBs. Further, there were delays⁵¹ in release of 1st and 2nd installments of Basic Grants from GoI to State Government, during 2018-19 and 2019-20.

Government accepted the audit observation and stated (March 2022) that 14th FC funds were released only to the ULBs with elected bodies. Further, delay in conduct of elections was attributed to delay in taking up of pre-election process such as delimitation of Wards, publication of electoral rolls, reservations, *etc.*, in Siddipet and Warangal ULBs.

4.1.4 Assigned Revenue

As per Section 105 A, B and C of TM Act, 2019 and Para-1.11.3(ii) of Manual of Municipal Administration in Telangana 2017, the duty on transfer of immovable property shall be levied in the form of Surcharge on Stamp Duty at the rate of 1.5 *per cent* of the value of instrument *i.e.*, sale, gift, mortgage, exchange and lease in perpetuity of immovable property situated within the limits of a Municipal area. The entire amount of Surcharge on Stamp Duty collected shall be passed on to ULBs in the State. This is one of the main sources of assigned revenue to ULBs.

Out of total amount of Surcharge on Stamp Duty collected (₹1,879.66 crore) during 2019-20 and 2020-21 by the Registration and Stamps Department, an amount of ₹57.17 crore was transferred to ULBs during 2019-20. However, the balance amount of ₹1,822.49 crore has not been transferred to the ULBs since May 2019.

Registration and Stamps Department replied that the amount was kept under abeyance⁵² based on the Treasuries & Accounts Department (TAD)'s instructions (January 2020). However, the TAD instructions referred to, were applicable to Panchayat Raj and Rural Development Department and not to MAUDD.

Further, Entertainment Tax (ET), which was another source of assigned revenue, was subsumed in GST, with effect from 1 July 2017. There was no arrangement to compensate/reimburse the loss of revenue to ULBs in lieu of the ET since 2017. Thus, the ULBs were deprived of all the assigned revenue sources *viz.*, Surcharge on Stamp Duty and Entertainment Tax, resulting in reduction of revenues of the ULBs.

Government accepted the audit observation and stated (March 2022) that the Surcharge on Stamp Duty was not received after May 2019 due to some technical reasons and it is in the process of releasing to the ULBs.

⁵¹ ranging from four to eight months

⁵² letter No.F4/827/2016, dated 08 January 2020 addressed to Finance Department by Director of Treasuries and Accounts, Telangana

4.1.5 Own Revenues

4.1.5.1 Revenue on Property Tax (PT)

Property tax is levied on all buildings or vacant land or both, for each half year under Section-85 and 91 of the TM Act, 1965 and Sections-92 and 100 of the TM Act, 2019. The PT is levied on the basis of Annual Rental Value⁵³ (ARV) and the tax so fixed together with the incidence of library and education cess shall not exceed 25 per cent and 33 per cent of the ARV of residential and non-residential buildings respectively. Alternatively, the Property tax can also be levied on the Capital Value method⁵⁴ or such basis as prescribed in the latest TM Act, 2019.

The share of Property tax revenue to total revenue in the 17 test-checked ULBs stood at 42 per cent during the period 2015-16 to 2020-21 as shown in **Table-4.4**.

Table-4.4: Revenue on Property Tax in the test-checked ULBs during 2015-16 to 2020-21

(₹ in crore)			
Year	Total Revenue	Property Tax	Percentage of Property Tax over Total Revenue
(1)	(2)	(3)	(4)
2015-16	293.53	96.85	33.00
2016-17	308.12	110.93	36.00
2017-18	253.16	131.79	52.06
2018-19	378.90	154.70	40.83
2019-20	418.48	164.36	39.28
2020-21	287.69	146.28	50.85
Average			42.00

Source: Information furnished by ULBs

Government stated (March 2022) that ULBs are in the process of converting to Capital Value system from Annual Rental Value system. For the purpose, an integrated software system⁵⁵ has been developed which would help to improve the revenue of ULBs and to have an accountable system.

We noticed the following constraints/deficiencies in levy and collection of Property tax and maintenance of records in the 17 test-checked ULBs.

4.1.5.2 Arrears in collection of Property Tax and User Charges in lieu of Property Tax

Property tax shall be levied every half year and shall be paid by the owner of the assessed premises within 30 days after commencement of the half year. In case of failure to pay the PT within the due date (by the end of June or December as the case may be), a simple interest at two per cent per month shall be charged.

⁵³ Deemed to be the gross annual rent reasonably be expected from letting with reference to its location, plinth area, age of the building, nature of use and such other criteria as may be prescribed

⁵⁴ The value fixed by Registration and Stamps Department for the purpose of registration of lands/buildings

⁵⁵ called *emunicipal.telangana.gov.in*

The total arrears of Property tax along with interest (as on 31 March 2021) was ₹786.71 crore in the State⁵⁶. Accumulated arrears of Property tax in the 17 test-checked ULBs⁵⁷ amounted to ₹54.58 crore out of the total assessed demand of ₹274.60 crore. The ULB-wise and year-wise details are given in **Appendix-4.1**. The total arrears constitute 20 per cent of the total demand.

Further, User charges (in lieu of Property Tax) shall be levied on properties of Central Government (CG) Departments for providing at 75 per cent (full services) or 50 per cent (partial services) or 33 1/3 per cent (nil services) of PT, as the case may be. There are no CG properties in four⁵⁸ ULBs. It was noticed that User Charges in five⁵⁹ test-checked ULBs are not being levied and two ULBs (Medchal and Shadnagar Municipalities) had not identified the CG properties. User charges amounting to ₹10.96 crore (96 per cent of total demand of ₹11.43 crore) in respect of CG properties situated in six⁶⁰ ULBs were in arrears, as of March 2021.

Government stated (March 2022) that ULBs are taking steps for collection of Property tax including arrears by conducting special drives. Multiple options are provided to citizens to enable them to make online payments and through UPI/QR Codes. Further, ULBs are taking up IT based initiatives under Smart Cities or through Bhuvan based Property Mapping (GIS platform). The activity will help to levy on not only the Central Government properties, but also tap the un-assessed/under-assessed properties.

4.1.5.3 Revenue on Water Charges

As per Section-138 of TM Act, 1965 and Section-82 (2)(b)(i) of TM Act, 2019, for all the water supplied, payment shall be made on such basis, at such times and such conditions laid down in the ULB Bye-laws and shall be recoverable in the same manner as the property tax.

We observed that the accumulated arrears of water charges in nine⁶¹ out of 17 test-checked ULBs to the end of March 2021 amounted to ₹37.54 crore⁶² (56 per cent out of the total demand of ₹66.97 crore).

4.1.5.4 Non-coverage of Operation and Maintenance (O&M) expenses of water charges

As per Section 2.1.8 of SLB issued by MoUD (GoI), cost recovery in respect of water supply services should be 100 per cent. However, we noticed that the O&M charges towards water supply incurred by the Municipalities was generally more than the actual receipt of water charges.

4.2 Estimation of requirement of funds/expenditure

The Council of the ULB shall, in each year, frame a budget showing the probable receipts and the expenditure which it proposes to incur during the following year and shall submit a copy of the budget to the Government before such date as may be fixed by them in that

⁵⁶ as per the information furnished by the CDMA

⁵⁷ Data of Jangaon, Medchal and Sadasivapet Municipalities pertaining to 2019-20 has been considered

⁵⁸ Boduppal and Meerpeta Municipal Corporations; and Pedda Amberpet and Wanaparthy Municipalities

⁵⁹ Municipal Corporations of Karimnagar (26) and Ramagundam (1); and Municipalities of Bodhan (13), Jangaon (82), Sadasivapet (3)

⁶⁰ Municipal Corporations of Nizamabad and Warangal; and Municipalities of Bhongir, Kamareddy, Medak, and Siddipet

⁶¹ eight ULBs did not furnish data for 2020-21

⁶² Municipal Corporations of Karimnagar: ₹0.90 crore, Nizamabad: ₹9.18 crore, Ramagundam: ₹1.65 crore and Warangal: ₹11.50 crore; Municipalities of Bhongir: ₹1.70 crore, Jangaon: ₹3.48 crore, Kamareddy: ₹0.62 crore, Medak: ₹2.89 crore and Siddipet: ₹5.62 crore

behalf. A copy of budget for the ensuing year shall be submitted to the Government at least a fortnight before the end of the financial year.

Further, if in the course of a year, the Council finds it necessary to modify the figures shown in the budget with regard to its receipts or to the distribution of the amounts to be expended on the different services it undertakes, it may submit a supplemental or revised budget, provided that no alteration shall be made without the consent of the Government or any agency, specified therefor.

4.2.1 Unrealistic Budget exercise

Expenditure estimation depends on services to be provided by the local government and the costs associated with the provisions of these services. Since the delivery of municipal services comes with a cost, it is necessary to realistically estimate the cost of each municipal service to assess the requirement and source of funds for efficient delivery. However, such an exercise was not undertaken either by ULBs or by State Government.

Statement showing the variation between budget and actuals noticed in two sampled units of ULBs, for the years 2015-2021 is given in **Table-4.5**.

Table-4.5: Details of Receipts and expenditure proposed in Budget estimates and actuals during 2015-2021

Name of the ULB	Year	Receipts			Expenditure		
		Budget Estimates	Actuals	Percentage of over estimation of Budget	Budget Estimates	Actuals	Percentage of over estimation of Budget
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Kamareddy Municipality	2015-16	24.21	20.92	13.60	21.92	12.22	44.25
	2016-17	52.62	15.26	70.99	45.27	12.09	73.29
	2017-18	43.62	15.88	63.58	43.18	16.58	61.61
	2018-19	42.56	21.67	49.10	41.51	17.41	58.06
	2019-20	45.78	37.27	18.60	43.17	34.48	20.14
	2020-21	54.81	29.62	45.97	53.21	27.42	48.46
Nizamabad Municipal Corporation	2015-16	76.13	70.66	7.19	76.06	45.51	40.17
	2016-17	167.21	48.54	70.97	167.12	48.87	70.76
	2017-18	133.96	121.48	9.31	133.77	109.36	18.24
	2018-19	454.33	138.00	69.63	626.48	159.82	74.49
	2019-20	494.72	186.50	62.30	566.99	155.43	72.59
	2020-21	341.79	151.89	55.56	341.47	123.66	63.78

Source: Budget Estimates and Annual Accounts of ULBs

The budget receipts were overestimated in all these years and the variation in actual receipts *vis-à-vis* the budget during 2015-16 to 2020-21 ranged between 14 and 71 per cent in Kamareddy Municipality and 07 and 71 per cent in Nizamabad Municipal Corporation. Further, the *budget* expenditure was also overestimated ranging from 20 per cent to 73 per cent in Kamareddy Municipality and 18 per cent to 74 per cent in Nizamabad Corporation.

4.2.2 Expenditure of Urban Local Bodies

The expenditure of ULBs can be categorised into five major categories of expenses such as Establishment, Administrative, O&M, Interest and finance charges and Programme

expenses. The details of expenditure incurred by 14 test-checked ULBs⁶³ in the State during the period 2015-16 to 2019-20 is exhibited in **Table-4.6**.

Table-4.6: Details of expenditure incurred by sampled ULBs during 2015-16 to 2019-20
(₹ in crore)

Year	Establishment expenses (percentage of total expenditure)	Administrative expenses (percentage of total expenditure)	Operations and Maintenance (percentage of total expenditure)	Interest and Finance Charges (percentage of total expenditure)	Programme Expenses (percentage of total expenditure)	Total Expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2015-16	72.36 (39)	35.58 (19)	75.04 (41)	0.12 (0)	1.55 (1)	184.67
2016-17	87.43 (41)	20.21 (10)	99.41 (47)	0.01 (0)	4.47 (2)	211.53
2017-18	88.00 (39)	17.56 (08)	115.98 (51)	0.18 (0)	5.4 (2)	227.12
2018-19	124.03(42)	20.94 (07)	139.61 (48)	0.57 (0)	6.84 (2)	291.99
2019-20	133.37 (35)	41.87 (11)	155.24 (41)	32.04 (8)	17.55 (5)	380.08
Total	505.19 (39)	136.16 (11)	585.28 (45)	32.92 (2)	35.81 (3)	1295.39

Source: Annual Accounts (Income and Expenditure statements)

The O&M expenses constituted about 45 *per cent* of the total expenditure followed by Establishment expenses at 39 *per cent*. The capital expenditure *i.e.*, Programme expenses incurred by ULBs from their own revenue sources (consisting of both Municipal General Fund and Capital Projects Fund) was merely three *per cent* of the total expenditure during the period 2015-2020. This indicates that ULBs attach least importance to developmental programmes in terms to expenses.

4.3 Conclusion

The State Government constituted the SFC in March 2015, however, Chairman and Members were appointed only in January 2018. In the absence of SFC recommendations, State Government released funds to ULBs taking the population as criterion⁶⁴, during the period 2015-16 to 2020-21.

The year-wise fiscal transfers from Government during the period 2015-16 to 2020-21 formed 46 to 66 per cent of total revenue of ULBs. The short releases against allocations of SFC grants during 2017-18 to 2019-20 ranged between 50 and 85 per cent affecting the financial position of the ULBs. Further, there was short release of ₹647.23 crore of 14th Finance Commission grants during the period 2015-16 to 2019-20.

Surcharge on Stamp duty of ₹1,822.49 crore collected on transfer of properties during 2019-20 and 2020-21 was not assigned to ULBs, by Registration and Stamps Department.

Property Tax and Water charges form a major share in the own revenue of ULBs. The share of Property Tax revenue to total revenue in ULBs stood at 42 per cent during the period 2015-16 to 2020-21. The arrears of Property Tax along with interest as on 31 March 2021 was ₹786.71 crore.

Accumulated arrears of water charges amounting to ₹37.54 crore was noticed in nine out of 17 test-checked ULBs up to the end of March 2021. The Operation and

⁶³ Annual Accounts was not furnished by Municipal Corporations of Boduppal and Meerpet; and Jangaon Municipality

⁶⁴ CDMA Lr.Roc.No.138990/2021/B3 dated 31 August 2021

Maintenance (O&M) charges towards water supply incurred by the Municipalities was generally more than the actual receipt of water charges.


Since the delivery of municipal services comes with a cost, it is necessary to estimate the cost of each municipal service to realistically assess the requirement and source of funds for efficient delivery. We noticed that the budget exercise in Nizamabad Corporation and Kamareddy Municipality was not based on realistic assessment as there was over estimation of receipts and expenditure in budget preparation during the years 2015 to 2021.

4.4 Recommendations

Finance and Budget management

- (i) Government may avoid delays in constitution of the State Finance Commission and ensure prompt implementation of their recommendations in timely manner.
- (ii) Government may ensure timely transfer of fiscal grants to Urban Local Bodies so that financial position of ULBs would be strengthened.
- (iii) Government may motivate Urban Local Bodies to prepare realistic budgets, taking into account their most probable income and expenditure.

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