

**Chapter-VII**  
**Conclusion**



The 74<sup>th</sup> Amendment introduced Part IX A (the Municipalities) containing Articles 243P to 243ZG in the Constitution. This amendment which came into effect on 1 June 1993 authorised State Legislatures to enact laws to endow local bodies with powers and authority as may be necessary to enable them to function as institutions of self-government and make provisions for devolution of powers and responsibilities (Article 243W). The 12<sup>th</sup> Schedule lists out the 18 functions to be carried out by ULBs.

- The **first** objective of PA was to check adequacy in coverage of provisions of 74<sup>th</sup> CAA in the State Legislation.
  - The State statutes (HPMC & HPM Acts 1994) complied with the provisions of the 74<sup>th</sup> CAA, however, the legal provisions were not backed by decisive actions with regard to actual implementation resulting in a situation in which the spirit of 74<sup>th</sup> CAA was not completely upheld. This was especially true in case of provisions pertaining to the devolution of functions and creation of appropriate institutional mechanisms for effective decentralisation.
- The **second** objective of the PA was to check the ‘**Empowerment of ULBs** by the State Government to discharge their functions/responsibilities effectively through creation of appropriately designed institutions/institutional mechanisms and their functions and **extent of devolution** of the functions to the ULBs by the State Government’.

The observations in respect of this objective are as under:

- **Formation of Councils:** Elections in all the ULBs in the State were held and councils formed in due time except in MC Shimla where election was held after a delay of 12 days only. Thereby, the democratic process was followed by the ULBs.
- **Mayoral tenure:** In the State, the term of office of Mayor and Deputy Mayor was two and a half years from the date of election while the term of the President and Vice President in the case of other ULBs was for a period of five years from the date of their election. Thus, the tenure of Mayor and Deputy Mayor was not coterminous with the duration of the Municipality.

- **Frequency of meetings of ULBs:** Meetings of ULBs were not held regularly. The percentage of number of meetings of ULBs held, ranged between 35 per cent and 95 per cent during 2015-20.
- **Standing Committees:** All the three Standing Committees were though formed in all the test-checked ULBs, no meetings were held by these standing committees in 11 ULBs and in three ULBs the required number of meetings were not held. Thus, these standing committees largely remained non-functional.
- **Ward Committees** were not constituted in any of the test-checked ULBs except MC Shimla.
- **District Planning Committee** though found constituted in all the districts, but the consolidated Draft Development Plans, involving matters of common interest between the panchayats and the municipalities, for the district were not prepared in any of the test-checked 14 ULBs.
- **State Finance Commission:** There were delays of 12, 24 & 06 months in constitution of 3<sup>rd</sup>, 4<sup>th</sup> & 5<sup>th</sup> SFC which further resulted in delay of submission of report by 17, 25 & 21 months by 3<sup>rd</sup>, 4<sup>th</sup> & 5<sup>th</sup> SFC. The State Government had not implemented many of the recommendations of SFC and undertook modifications of recommendations relating to fiscal devolution. This was a setback to the process of strengthening ULBs.
- **Property Tax Board:** State Level Property Tax Board was constituted by the State Government to assist the ULBs to put in place an independent and transparent procedure for assessing property tax but no recommendation was given by the Board.
- **Impact of parastatals on ULBs:** The functions of water supply & sewerage services in MC Shimla (SJPNL), development of infrastructure, provisioning the housing needs of underprivileged citizens (HIMUDA), infrastructure development in Industrial area (HPSIDC) and Area Based Development Projects (Smart City Mission) were discharged by these Parastatals. These parastatals (SJPNL and Smart City) had their own governing bodies which do include elected representative of ULBs but are not directly accountable to ULBs. The State did not amend the statutes to make the parastatals accountable to ULBs. This arrangement infringed on the ability of ULBs to


discharge their mandated functions and undermined the objective of accountability to the people.

- **Extent of devolution of the functions to the ULBs by the State Government:** It was observed that the State Government transferred 17 out of the 18 functions. Fire Services was not transferred. Out of the 17 functions, ULBs were solely responsible for only five functions. They had no role in two functions and had limited role/dual role in six functions. While the ULBs were mere implementing agencies for four functions.
- The **third** objective of the PA was to assess whether the ULBs have been empowered to **access adequate financial resources** for discharge of functions stated to be devolved to them.
- The fiscal transfers constituted about 78 *per cent* of the revenue of ULBs during the period 2015-16 to 2019-20. However, there was shortfall in release of the committed funds by the State Government. As against ₹ 551.94 crore to be released to ULBs as per SFC recommendations, ₹ 549.95 crore was released during the period 2015-16 to 2019-20.
  - The share of own revenue to total revenue of ULBs for the period 2015-16 to 2019-20 was only 22 *per cent*. The ULBs lacked autonomy in generating their own revenue. The authority to collect certain taxes like property tax, advertisement fee vested with ULBs, powers pertaining to the rates and revision thereof (advertisement fee), procedure of collection (property tax), method of assessment, exemptions, concessions (property tax, advertisement fee) etc., were vested with the State Government. Besides, omissions such as non-conducting of regular surveys, deficiencies in maintenance of demand, collection and balance registers, and non-maintenance of records regarding user charges of municipal Solid waste, huge non-revenue water and non-collection of sewerage charges (MC Solan) hampered the revenue generation of ULBs.
  - None of the ULBs except MC Palampur, Solan and Municipal Corporation, Shimla (SJPNL) had been devolved with function of water supply.
  - Non-Revenue Water ranging between 34 *per cent* and 47 *per cent* was noticed in MC Solan.

- Further, Jal Shakti Vibhag charged the MC Solan for supplying bulk water from source to tanks of ULB at commercial rates whereas the MC Solan distributed the water to consumers at two different rates i.e., domestic & commercial rates resulted in accrued liability of ₹ 26.29 crore during 2015-20 to MC Solan.
  - Sewerage management in the State was completely vested with the Jal Shakti Vibhag except MC Shimla (SJPNL) & MC Solan (devolved with function of only collecting sewerage charge).
  - Collection of user charges for door-to-door collection of garbage varied between 01 *per cent* and 60 *per cent* of amount collectible i.e., amount collected ₹ 21.85 crore (36 *per cent*) against amount collectible ₹ 60.43 crore.
  - Budget preparation exercise was flawed and unrealistic. Scientific estimation of cost of each municipal service was not carried out, leading to huge variations between estimates and actuals.
  - ULBs were able to generate own resources to the extent of only 62 *per cent* of revenue expenditure and had utilised on an average about 63 *per cent* of the total available funds.
  - The powers of ULBs were limited in respect of administrative approvals and technical sanctions.
- The **fourth** objective of the PA was to assess whether the ULBs have been empowered to **access adequate human resources** for discharge of functions stated to be devolved to them.
- The powers for recruitment of personnel for ULBs vested with the State Government.
  - The State had the powers to regulate method of recruitment, conditions of service, pay and allowances across ULBs.
  - Revision in the sanctioned strength of ULBs were not done in proportion to the increase in population.


- The ULBs lacked adequate manpower as there were substantial vacancies across all cadres affecting efficient delivery of services.
- No mechanism for capacity building of ULBs was in existence.

**Shimla**  
**Dated: 17 June 2022**

  
**(Ritu Dhillon)**  
**Principal Accountant General (Audit)**  
**Himachal Pradesh**

*Countersigned*

**New Delhi**  
**Dated: 28 June 2022**

  
**(Girish Chandra Murmu)**  
**Comptroller and Auditor General of India**

