

Chapter III: Financial management

This chapter covers various sources of funding for SWM in ULBs and their utilisation. The effort of ULBs for collection of user charges against door-to-door collection of waste is also discussed.

Brief Snapshot of the Chapter:

- Fund released to ULBs in SBM (Urban) scheme under SWM, Capacity Building and Administrative & Office Expenses (CB and A&OE) and IEC&PA component ranged between zero and 63 *per cent*, zero and 20 *per cent* and three and 62 *per cent* respectively during the period 2016-22 leaving a substantial balance at State Mission Director level.
- State Government had released funds of SBM (Urban) scheme to the State Mission Director with a delay ranging from 55 to 236 days and 11 to 1,098 days under SWM and CB and A&OE components respectively during the period 2017-21.
- Out of ₹ 1,378.83 crore released to ULBs in the State under SWM component of SBM (Urban) scheme during the period October 2014 to March 2022, utilisation certificates of only ₹ 307.17 crore (22 *per cent*) was received as on March 2022.
- Despite availability of fund, State Government could not implement action plan approved by the State High Power Steering Committee for decentralised waste management for the towns on the bank of river Ganga.
- Nagar Nigam Ghaziabad and Nagar Nigam Lucknow did not realise user charges of at least ₹ 71.50 crore for door-to-door collection of solid waste.

3 Source and utilisation of fund for solid waste management

Solid waste management activities in ULBs are funded by grants-in-aid received under Swachh Bharat Mission (Urban) (SBM (Urban)) scheme, the Central Finance Commission (CFC) and the State Finance Commission (SFC), besides own resources. Capital expenditure for solid waste management is mainly covered under grants-in-aid SBM (Urban) and the CFC, while SFC grants are primarily utilised for revenue expenditure. The funding of SWM under SBM (Urban) and other sources and their utilisation are discussed in succeeding paragraphs.

3.1 Funds for SWM activities under SBM (Urban)

The Government of India launched its flagship scheme of SBM (Urban) in October 2014 with SWM as one of its six components. Further, SWM related activities are covered under two other components of the SBM scheme, *viz.*, Information, Education & Communication and Public Awareness (IEC&PA) and Capacity Building and Administrative & Office

Expenses (CB and A&OE) for conducting public awareness and training programs regarding sanitation¹ respectively.

As per Paragraph 10.1(e) of SBM (Urban) scheme guidelines, State will contribute a minimum of 25 *per cent* funds towards all components of the scheme to match 75 *per cent* Central Share. Paragraph 10.4.6 of the guidelines further provides that the State Governments should establish a suitable mechanism to release funds, including the State share, to ULBs within 30 days of release of the Central share. The status of receipt and utilisation of fund for SWM, capacity building and IEC&PA under SBM (Urban) scheme during 2016-22 was as given in **Table 3.1**.

Table 3.1: Status of receipt and utilisation of funds for SWM, capacity building and IEC&PA components under SBM (Urban) scheme

		(₹ in Crore)					
Component	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
SWM	Total available fund	74.49	217.27	933.23	828.06	962.81	1650.67
	Fund released to ULBs	0.08	64.04	160.19	522.76	0.06	471.01
	Expenditure at SMD level	0.00	0.00	169.68	27.95	0.00	2.66
	Closing balance	74.41	153.23	603.36	277.35	962.75	1177.00
	Percentage of fund released to ULBs against total available fund	0.10	29	17	63	0.006	29
Capacity Building and Administrative & Office Expenses	Total available fund	1.87	47.80	40.28	30.05	24.70	26.98
	Fund released to ULBs	0.38	5.25	0.00	3.75	0.42	0.00
	Expenditure at state level	0.25	2.27	10.23	17.12	11.78	11.95
	Closing balance	1.24	40.28	30.05	9.18	12.50	15.03
	Percentage of fund released to ULBs against total available fund	20	11	0	12	2	0
IEC&PA	Total available fund	7.48	130.50	125.58	134.45	75.14	62.94
	Fund released to ULBs	1.49	4.15	77.58	81.08	10.72	37.51
	Expenditure at SMD level	0.18	0.77	11.65	4.81	1.48	2.29
	Closing balance	5.81	125.58	36.35	48.56	62.94	23.14
	Percentage of fund released to ULBs against total available fund	20	3	62	60	14	60

(Source: Information provided by Director LB)

It is evident from **Table 3.1** that the percentage of fund released to ULBs vis-a-vis available fund under SWM, Capacity Building and Administrative & Office Expenses (CB and A&OE) and IEC&PA components ranged between zero² to 63 *per cent*, zero to 20 *per cent* and three to 62 *per cent* respectively during the period 2016-22 leaving a substantial balance at State Mission Director (SMD) level. Further scrutiny revealed that the State Government released funds (central share along with state share) to SMD with delays ranging from 55 to 236 days for

¹ As per National Urban Sanitation Policy, sanitation is defined as safe management of human excreta including its safe confinement treatment, disposal and associated hygiene-related practices. It is recognised that integral solution need to take account of other elements of environmental sanitation, *i.e.*, solid waste management; generation of industrial and other specialized/hazardous wastes; drainage; as also the management of drinking water supply.

² 0.006 *per cent* during 2020-21.

SWM and 11 to 1,098 days for the CB and A&OE components during the period 2017-21. Consequently, central share ranging from ₹ 10.43 crore to ₹ 245.67 crore remained parked at the State Government level up to 172 days as detailed in **Appendix 3.1**.

The State Government stated (June 2023) that funds were not released proportionately to the ULBs due to non-submission of action plans and DPRs by the ULBs. The State Government further stated that funds were transferred to ULBs after submission of action plans and DPR from 2019 onwards.

The fact remains that State Government failed to monitor timely submission of action plan and DPRs by ULBs which affected SWM despite availability of fund at SMD level.

3.1.1 Utilisation of SBM (Urban) fund at the test-checked ULBs level

The details of total available fund and their expenditure in respect of various components under SBM (Urban) scheme in the test-checked ULBs during the period from 2016-22 are given in **Table 3.2**.

Table 3.2: Status of total available fund and expenditure under SBM (Urban) scheme in the test-checked ULBs as of March 2022

(₹ in crore)

Year	Component	Total available fund	Total expenditure/ utilisation	Closing Balance	Percentage of utilisation of fund
2016-17	SWM	0.00	0.00	0.00	-
	CB and A&OE	0.54	0.20	0.34	37
	IEC&PA	1.34	0.48	0.86	36
2017-18	SWM	5.30	0.00	5.30	0
	CB and A&OE	1.97	0.55	1.42	28
	IEC&PA	2.17	1.10	1.07	51
2018-19	SWM	20.16	3.62	16.54	18
	CB and A&OE	1.74	1.05	0.69	60
	IEC&PA	10.62	5.82	4.80	55
2019-20	SWM	81.74	13.34	68.40	16
	CB and A&OE	1.50	0.60	0.90	40
	IEC&PA	23.67	11.85	11.82	50
2020-21	SWM	68.63	17.09	51.54	25
	CB and A&OE	0.97	0.43	0.54	44
	IEC&PA	14.28	6.59	7.69	46
2021-22	SWM	98.30	23.86	74.44	24
	CB and A&OE	0.63	0.11	0.52	17
	IEC&PA	14.08	6.21	7.87	44

(Source: information furnished by test-checked ULBs)

It is evident from **Table 3.2** that the utilization percentage of funds under SWM, CB and A&OE and IEC&PA ranged from zero to 25 *per cent*, 17 to 60 *per cent*, and 36 to 55 *per cent* respectively. Since grants-in-aid under SWM component of SBM (Urban) scheme are mainly for capital expenditure on SWM, substantial balance during 2017-22 indicated that ULBs were deficient in implementation of SWM projects.

Audit further noticed that SMD released ₹ 1,378.83 crore to ULBs in the State under SWM component of SBM (Urban) scheme during the period

October 2014 to March 2022. Out of this, utilisation certificates of only ₹ 307.17 crore (22 *per cent*) were received by SMD and utilisation certificates of remaining amount of ₹ 1,071.66 crore were yet to be received (March 2022).

In case of test-checked ULBs, audit noticed that NP Chitbaragaon Ballia had not utilised ₹ 25.15 lakh³ released under SBM (Urban) in October 2018 and August 2019 for purchase of equipment and vehicles for collection and transportation of solid waste. NP had subsequently purchased (May 2020) transportation vehicles (20 tricycles with bins and two tippers) under 14th FC grants. However, the amount released under SBM (Urban) was neither utilised by the NP nor refunded to SMD resulting in blocking of fund.

The State Government stated (June 2023) that due to a lack of guidance regarding the amount released for SWM, the ULBs could not incur the expenditure proportionately between 2016-18. State Government also accepted that NP Chitbaragaon Ballia had not utilised ₹ 25.15 lakh for collection and transportation of solid waste.

The reply is not acceptable, as the utilisation of available fund even during the period 2019-22 was not encouraging and it ranged between 16 to 25 *per cent*.

3.2 Funding for SWM from other than SBM (Urban) grants

SWM activities in ULBs are also financed in ULBs through CFC and SFC grants. Release of fund under CFC and SFC grants to all ULBs in the State during 2016-22 was as detailed in **Table 3.3**.

Table 3.3: Details of fund released to ULBs in the State under CFC and SFC grants

(₹ in crore)						
Grant name	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
CFC	1167.42	2213.56	1817.65	2455.99	4338.00	1761.25
SFC	6085.46	6939.92	7312.50	8700.00	8525.00	9900.00

(Source: Information provided by Director LB)

The amount released to ULBs in the State for SWM activities out of total release of SFC/CFC grants was not provided by Director LB.

3.2.1 Expenditure on SWM in test-checked ULBs from other than SBM (Urban) grants

As per Rule 15(x) of the SWM Rules 2016, ULBs are required to allocate sufficient funds in the annual budget for capital investments, as well as the operation and maintenance of SWM services ensuring that funds for discretionary functions of the local body are allocated only after meeting the necessary funding requirements for SWM and other obligatory functions of the local body, as stipulated by these rules.

³ ₹ 5.25 lakh for purchase of twin bins with stand (October 2018) and ₹ 19.90 lakh for collection and transportation of equipment and vehicles (17 Tricycle with bins, two Mini tipper and 40 PPE kits) in August 2019.

Total fund available in 45 test-checked ULBs (excluding SBM-Urban grant) and SWM expenditure vis-à-vis overall expenditure during 2016-22 are given in **Table 3.4**.

Table 3.4: Details of overall expenditure vis-à-vis expenditure on SWM in test-checked ULBs as of March 2022 (excluding SBM – Urban grants)
(₹ in crore)

Year	Total available fund including own revenue of ULBs (excluding SBM – Urban grants)	Total expenditure	Expenditure on SWM	Expenditure on SWM as a <i>per cent</i> of total expenditure
2016-17	4006.10	2785.31	574.27	21
2017-18	4374.41	3041.49	660.62	22
2018-19	3874.04	2520.58	784.51	31
2019-20	4253.59	2794.09	789.83	28
2020-21	4976.82	3037.57	886.98	29
2021-22	5064.65	3480.41	1042.84	30
Total	26549.61	17659.45	4739.05	

(Source: information furnished by test-checked ULBs)

It is evident from **Table 3.4** that the expenditure on SWM ranged between 21 to 31 *per cent* as compared to the overall expenditure in test-checked ULBs during the period 2016-22. However, this expenditure remained inadequate in view of deployment of less than required number of human resources for SWM, less achievement in door-to-door collection and inadequate processing and disposal of solid wastes as discussed in this Report.

3.3 Release of funds to firm without entering into agreement and non-refund of ₹ 15 lakh by firm

State Government issued an order (May 2019) for disposal of legacy waste of 10,000 metric tonnes (MT) generated during Kumbh Mela 2019 held during 15 January 2019 to 4 March 2019. SMD released (May 2019) ₹ 95.28 lakh⁴ directly to M/s Hari Bhari Recycling Pvt Limited⁵ (firm) for disposal of legacy waste without entering into agreement with the firm. The released amount included ₹ 15.00 lakh as loan to the firm for packaging of compost which was to be refunded by the firm to SMD after sale of compost. Though, in an earlier reply (May 2020)⁶, State Government stated that after processing of Kumbh Mela waste, approximately 1,345 MT of compost was produced of which 604 MT was sold by the firm for ₹ 15.10 lakh. However, the amount (₹ 15 lakh) was

⁴ ₹ 35.00 lakh for disposal of legacy waste (May 2019), ₹ 40.00 lakh for making the plant functional (May 2019) and ₹ 15.00 lakh for compost packing (June 2019) and ₹ 5.28 lakh for GST (July 2019).

⁵ A concessionaire firm working in Prayagraj for solid waste management.

⁶ Paragraph 3.3 of Audit Report No. 2 of the year 2021 – Government of Uttar Pradesh (Audit of Kumbh Mela 2019).

still not recovered (June 2023). Further, the release of fund to the firm without agreement was in contravention of financial rules⁷.

State Government stated (June 2023) that correspondence with firm was being made and the amount would get refunded shortly.

3.4 SWM projects for ULBs located alongside river Ganga not executed

The State High Power Steering Committee (SHPSC) approved (November 2018) an action plan of ₹ 164.49 crore for decentralised waste management⁸ in 18 ULBs located alongside the river Ganga. For implementation of the action plan, SMD SBM (Urban) transferred ₹164.49 crore to State Mission for Clean Ganga (SMCG) in December 2018. The projects were to be implemented by respective ULBs.

Audit noticed that out of ₹164.49 crore, SMCG transferred ₹ 8.79 crore (February 2019) to four ULBs⁹ against total approved project cost of ₹ 22.14 crore for these ULBs¹⁰. Remaining balance of ₹ 155.69 crore was refunded (August 2019) to SMD anticipating delays in implementation of action plan by SMCG. The reason for these anticipated delays was not on record. Further, as per records of SMCG¹¹ (March 2022), interest amounting to ₹ 4.21 crore earned by SMCG was not transferred to SMD.

In reply (June 2023), the State Government stated that the process of obtaining comments from SMCG was in progress. SMD SBM (Urban) further informed (August 2023) that out of 18 ULBs located alongside the river Ganga, funds have been transferred to 14 ULBs after obtaining their proposal for collection and transportation of waste.

3.4.1 Failure of NP Saidpur, Ghazipur in implementation of action plan approved by SHPSC

Audit noticed that SMCG transferred (March 2019) ₹ 1.02 crore as mentioned in Paragraph 3.4 to one of the test-checked ULBs (NP Saidpur) for establishing two Solid Liquid Resource Management (SLRM) centres and bio-digester for gaushala/dairy, purchasing bins/tricycles and providing training. NP Saidpur awarded (August 2019) work for the construction of a SLRM facility at the cost of ₹25.03 lakh. However, NP subsequently started construction of a Material Recovery Facility (MRF) centre in place of SLRM. In this context, the NP informed (June 2022)

⁷ Paragraph 212 (vii) (4) of Uttar Pradesh Budget Manual and Paragraph 455 of Financial Handbook.

⁸ Capital cost ₹ 80.02 crore (for Household bins, Tricycle, Solid & Liquid Resource Management Centre, Bio digester, Leachate treatment plant, faecal sludge treatment, duck and duck shed units) and operational cost ₹ 84.47 crore.

⁹ NP Hastinapur Meerut, NPP Anupshahar Bulandshahr, NPP Gangaghat Unnao and NP Saidpur Ghazipur.

¹⁰ Hastinapur(Meerut)- Approved cost (₹ 3.95 crore)/ Transferred (₹ 1.10 crore); Anupshahar (Bulandshahr)- Approved cost (₹ 4.25 crore)/ Transferred (₹ 1.09 crore); Gangaghat (Unnao)- Approved cost (₹10.02 crore)/ Transferred (₹ 5.59 crore); Saidpur (Ghazipur)- Approved cost (₹ 3.92 crore)/ Transferred (₹ 1.02 crore).

¹¹ Ledger of Solid Waste Management maintained by SMCG.

Audit that MRF was being constructed in view of verbal instructions¹² given in a meeting held in February 2020. Further, the NP requested (October 2020) SMD for approval of extra expenditure of ₹ 13.34 lakh¹³ from the SWM component of SBM (Urban) for construction of the MRF, upon which no response was received from the SMD as of June 2022.

Audit further noticed that NP Saidpur had utilised ₹ 19.39 lakh on construction of MRF, ₹ 17.40 lakh on purchase of twin bins and ₹ 5.57 lakh on purchase of tricycles. The remaining amount (₹ 67.44 lakh¹⁴) out of the released fund (₹ 101.78 lakh) was neither utilized by the NP for its intended purpose¹⁵ nor returned to SMD. Thus, NP Saidpur Ghazipur failed to implement action plan approved (November 2018) by SHPSC for SWM under decentralised waste management approach in the towns situated on the banks of river Ganga.

In reply (June 2023), the State Government stated that a Detailed Project Report (DPR) amounting to ₹ 391.94 lakh was prepared by NP Saidpur for solid waste management, which was approved by SMCG Directorate and an amount of ₹ 101.78 lakh was transferred to the NP in April 2019. However, the reply did not address non-implementation of the action plan approved by SHPSC.

3.5 Irregular payment on account of GST to outsourcing firm

Notification No 12/2017 Central Tax (Rate) dated 28 June 2017 issued by Government of India, Ministry of Finance (Department of Revenue) provides that services (excluding work contract service or other composite supplies involving supplies of any goods) provided to the local authority by way of any activity in relation to any function entrusted to a municipality under article 243W of the Constitution are exempted from Goods and Services Tax (GST). Further, solid waste management is being performed by ULBs according to the functions entrusted to them under 12th Schedule of the Constitution.

Audit observed that three¹⁶ test-checked ULBs made payments to outsourcing agencies for the supply of manpower for SWM services which included payment of ₹ 60.09 lakh towards GST, though SWM is exempt from GST. This resulted in excess payment of ₹ 60.09 lakh to the contractors as detailed in *Appendix 3.2*.

The State Government did not furnish reply (June 2024) in respect of audit observation.

3.6 Recovery of user charges

Section 1.4.5.6.4 of the MSWM Manual, 2016 provides that ULBs are expected to strive for the recovery of 100 *per cent* of the service cost for

¹² NP did not mention on whose verbal instruction they had acted upon.

¹³ Estimated cost for MRF center (₹ 38.37 lakh) minus approved cost for SLRM centre (₹ 25.03 lakh) = ₹ 13.34 lakh.

¹⁴ Available fund (₹ 101.79 lakh being released amount *plus* ₹ 8.01 lakh being bank interest) *minus* utilised fund (₹ 42.36 lakh) = ₹ 67.44 lakh.

¹⁵ SLRM and ward level training; SLRM centre and Bio-gas digester; Toolkit.

¹⁶ NP Rudhauri Bazar Basti, NP Jewar GB Nagar and NP Kulpahar Mahoba.

door-to-door collection, transportation, processing and final disposal of waste at the landfill through the imposition of user charges based on the 'polluter pays' principle. Rule 15 (f) of the SWM Rules, 2016 provides that ULBs shall prescribe user fees as they deem appropriate and collect the fees from waste generators either directly or through an authorized agency. Rule 15 (zf) further provides that ULBs shall frame bye-laws and prescribe criteria for imposing spot fines for violations of the SWM Rules, 2016.

The collection of user charges ensures financial viability of MSWM services by the ULBs. However, as discussed in paragraph 2.5, only 10 ULBs¹⁷ (22 *per cent*) out of 45 test-checked ULBs framed bye-laws for recovery of user charges for door-to-door collection of waste. Further, in view of the resolution passed by the Executive Council, NN Lucknow was also collecting user fee despite bye-laws not having been framed.

In public survey involving 495 HHs conducted in test-checked ULBs, audit noticed that only eight *per cent* respondents were paying user charges for door-to-door collection of waste indicating inadequate efforts of ULBs for raising their revenue. Deficiencies in the recovery of user charges are discussed in the succeeding paragraphs.

3.6.1 Unrealised user charges in NN Lucknow

As per the Selectee Concessionaire Agreement (March 2017) for door-to-door collection (DTDC), transportation and processing of waste, the concessionaire¹⁸ was responsible to collect user charges on behalf of NN Lucknow. Concessionaire had to ensure minimum collection efficiency of the total amount of user charges billable on a monthly basis as prescribed in the agreement¹⁹. If the concessionaire fails to collect the user charges as required, NN Lucknow had the authority to withhold the shortfall from the tipping fee²⁰ payable to the concessionaire for that particular month.

Audit observed that the concessionaire presented the tipping fee bills to NN Lucknow for SWM in Lucknow city from April 2017 onwards. However, out of the total recoverable user charges of ₹ 49.15 crore for the period 2017-21 based on the minimum rates²¹ for residential and non-residential properties, the concessionaire recovered only ₹ 32.88 crore as detailed in **Appendix 3.3**. As a result, at least ₹ 16.27 crore user charges

¹⁷ NN Ghaziabad, NN Kanpur, NPP Bulandshahr, NPP Chitrakootdham Karwi Chitrakoot, NPP Deoria, NPP Hathras, NPP Loni Ghaziabad, NPP Muzaffarnagar, NPP Shahabad Hardoi and NP Khanpur Bulandshahr.

¹⁸ Eco Green Private Limited.

¹⁹ 50 *per cent*, 60 *per cent* and 75 *per cent* of total amount of user charges was billable on the monthly basis for first year, second year and third year respectively. The concessionaire was responsible for collection of minimum user charges with effect from 1 July 2017.

²⁰ Tipping fee is a fee or support price determined by the local authorities or any State agency authorised by the State Government to be paid to the concessionaire or operator of waste processing facility or for disposal of residual solid waste at the landfill.

²¹ Recoverable user charges were calculated in Audit on the basis of minimum rates for households (₹ 40/- per households per month) and other establishment (₹ 100/- per other establishment per month) during the period 2017-22.

remained unrealised. Further, tipping fee was paid to the concessionaire during this period without withholding the shortfall of user charges as provided under the agreement.

In reply (June 2023), the State Government stated that the concessionaire had failed to execute IEC&PA activity for the collection of user charges for which several notices were issued and few penalties were also imposed on the concessionaire. It was further stated that appropriate legal action would be taken against the concessionaire.

3.6.2 Short realisation of user charges in NN Ghaziabad

NN published (August 2017) bye-laws for the collection of user charges for DTDC services. The rates mentioned in the bye-laws were determined based on the plinth area of the building ranging from a minimum of ₹ 30 per month for pucca residential houses below the poverty line to a maximum of 14,000 per month for 3-star or other high-rated hotels with an area exceeding 1,000 square meter. The minimum rate of user charges for non-residential properties was set at ₹ 70 per month for small mohalla shops.

Audit observed that the number of residential houses in the area of NN Ghaziabad ranged from 2.93 lakh to 4.20 lakh whereas the number of non-residential properties ranged from 26,220 to 32,541 during 2018-22. In view of minimum rates prescribed in the bye-laws for residential and non-residential properties, user charges of ₹ 60 crore was recoverable against which only ₹ 4.77 crore was recovered (*Appendix 3.4*). Thus, NN fell short of realizing user charges amounting to at least ₹ 55.23 crore during the period of 2018-22.

In reply (June 2023), the State Government stated that NN Ghaziabad was continuously making efforts for increasing user charges which is evident from the details of collected user charge from year to year.

The reply is not acceptable, as NN Ghaziabad was not able to recover user charges as worked by applying minimum rates prescribed in the bye-laws for residential and non-residential properties. Thus, further efforts are required to realise user charges in compliance of related bye-laws to cover cost of providing DTDC.

To sum up, the State Government released funds to the State Mission Director under SBM (Urban) scheme with substantial delays up to 1,098 days. Further, audit noticed less utilisation of fund under SBM (Urban) scheme during the period 2016-22 indicating ULBs were deficient in implementation of SWM projects. The expenditure on SWM from other than SBM (Urban) grants ranged between 21 and 31 *per cent* as compared to the overall expenditure of test-checked ULBs during the period 2016-22. However, this expenditure remained inadequate as audit noticed less achievement in door-to-door collection, processing and disposal of solid waste. Further, proper recovery of user charges was not ensured for financial viability of SWM services. Only 22 *per cent* test-checked ULBs had framed bye-laws for recovery of user charges for door-to-door

collection of solid waste. Besides, there was less recovery of user charges by ULBs.

Recommendation 5: Funds earmarked by the State Government for SWM projects should be released to ULBs within the stipulated time and it should be ensured that the funds do not remain parked with the State Government.

Recommendation 6: State Government should ensure that ULBs incur adequate expenditure on SWM as per SWM Rules, 2016.