

# **Administrative and Financial Frame Work of ULBs**

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17.02.2016**

## ULBs in India

- The Oldest Municipal Institution in India is the Corporation of Chennai established on September 29, 1688.
- Till 1992 India functioned as a two tier structure (centre and states).
- The third tier (local bodies) came into recognition after the 73rd and the 74th amendments in 1992.
- The 74th Amendment added a new component pertaining to the ULBs to provide for

**Nagar Panchayats:** Areas in transition from rural to urban

**Municipal Councils:** Smaller urban areas

**Municipal Corporations:** Bigger urban areas

# Criteria for ULBs in Telangana

	Population
Nagar Panchayat	: 20,000 to 40,000
Municipality	: Above 40,000 upto 3.00 lakhs
Municipal Corp.	: 3.00 lakhs and above

# Grades of ULBs in Telangana

Third Grade Municipality	Annual income of more than one crore or less than two crores of rupees
Second Grade Municipality	Annual income of more than two crores and less than four crores of rupees
First Grade Municipality	Annual income of more than four crores and less than six crores of rupees
Special Grade Municipality	Annual income of more than six crores and less than eight crores of rupees
Selection Grade Municipality	Annual income of more than eight crores of rupees and above

## MUNICIPAL FUNCTIONAL CLASSIFICATION

- **Regulatory Functions** – Development planning; urban planning; construction permits - Environment protection - Commercial and health regulations - Traffic management.
- **Community Services & Their Infrastructure** - Economic development (trade fairs, enterprise zones, tourism, Social services (family care, social work, social housing...) - Health centres and sanitation - Cultural services, facilities and events (theatres, festivals, libraries, sports activities...) - Communal police; fire service; rescue / civil protection - Registers (civil status, population; property / cadastre), certifications.
- **Public Utilities & Their Infrastructure** - Water supply and distribution; sewerage - Waste management (collection, disposal, treatment / recycling) - Urban heating; energy supply - Public transport; roads and lighting; car parks - Public gardens and green areas.
- **Indirect Functions** - Human resources management and development - Procurement of goods and services, legal advice - Budgeting; tax collection; accountancy and bookkeeping; internal audit - Maintenance of buildings and equipment; catering and cleaning - Electronic data processing.

## **Financial perspective of ULBs**

- The urban local bodies are sometimes not even aware of the opportunities and avenues of generating revenues through taxes and non-tax charges.
- Even if they are aware they do not have the skill to optimize tax collection.
- The urban bodies, specially the smaller ones, find it difficult to demonstrate their credit worthiness and therefore would require help and assistance in designing financial instruments for mobilizing resources from the market.

## Urbanisation in India

- Urbanisation is a global trend
- In India – Urbanisation is not preceded by Industrialisation – only in-migration
- As per 2011 Census – there are 4041 ULBs
- In general, financial resources of urban local bodies are scarce and unable to meet the expenditure requirements
  - dependence on other two upper tiers of government
  - The constitution of India specifies the taxes to be divided between the centre and state governments but does not specify the revenue base for urban and local bodies.
  - Even the 74th amendment is not specific about the type of taxes that urban local bodies should have.

# Municipal Financial Framework

- The resource base of ULBs typically consists of
  - their own sources,
  - state revenue,
  - government grant,
  - loans from state governments, and
  - market borrowings.
- Some important revenue sources of ULBs are
  - Tax revenue:** property tax, vacant land tax, octroi, tax on animals, taxes on carriages and carts, advertisement tax, Trade License
  - Non-tax revenue:** municipal fees, sale and hire charges, user charges, lease amounts.
  - Other receipts:** sundry receipts, lapsed deposits, fees, fines and forfeitures, Law charges costs recovered, rent on tools and plants, miscellaneous sales.
  - Assigned (shared) revenue:** profession tax, surcharge on stamp duty, entertainment tax, motor vehicles tax.



## **Grants-in-aid:**

- **Plan grants** - transfers from Government under various projects, programmes and schemes
- **Non-plan grants** - to compensate against the loss of income and some specific transfers.

## **Borrowings:**

- Loans undertaken by the local authorities for capital works etc., mainly from
  - LIC,
  - State and Central Governments,
  - banks and municipal bonds in select cases.

## **Central Finance Commissions:**

- **10<sup>th</sup> Finance Commission**

- First FC to have recommended grants for rural and urban local bodies - Provided Rs. 1,000 crore to ULBs

- **11<sup>th</sup> Finance Commission**

- The annual grant during this period was Rs. 400 crore for the ULBs.
- for functions like audits, maintenance of civic facilities and operations of the local bodies

- **14<sup>th</sup> Finance Commission**

- Recognised that one of the major difficulties local bodies need to deal with is insufficiency of finances.
- Commissioned a study on finances of municipalities through ASCI, which identified insufficient finances, weak institutional framework and lack of capacity for service delivery in LBs
- The amount of grant for local government has increased to 53.5 % (27.5 % the 13th FC & 17.5 % by the 12th FC)
- recommended distribution of grants to states using population data (Census 2011) with a weight of 90 per cent and area with a weight of 10 per cent
- Recommended grants in two parts: basic grants and performance grants on 80:20 basis
- Recommended a grant of Rs.87,144 crore to the municipalities

## **The 14<sup>th</sup> FC suggested following additional revenue sources to ULBs**

- Share in land conversion charges from the state government
- Levy of betterment tax on the residents
- Advertisement tax on buses, cars, compound walls, etc.
- Tax on new types of entertainments like boat ride, cable television and internet café, etc.
- observed that the market for municipal bonds is insignificant in India and these bonds have played a limited role as a source of finance for funding urban infrastructure projects.
- Recommended that local bodies and states should explore the issuance of municipal bonds as a source of finance with suitable support from the Union Government.
- Regarding the larger municipal corporations, it mentions that the states may allow such corporations to directly approach the markets.

## State Finance Commissions (SFCs)

Status of different State Finance Commissions is as follows, as per the Fourteenth Finance Commission (Government of India, 2014):

- Fifth SFC: Constituted by two states
- Fourth SFC: Constituted by eleven states
- Third SFC: Constituted by six states
- Second SFC: Set up by six states; one is yet to do so

Only a few states like Karnataka have devised a formula for devolvment of resources to ULBs

## Municipal Bonds

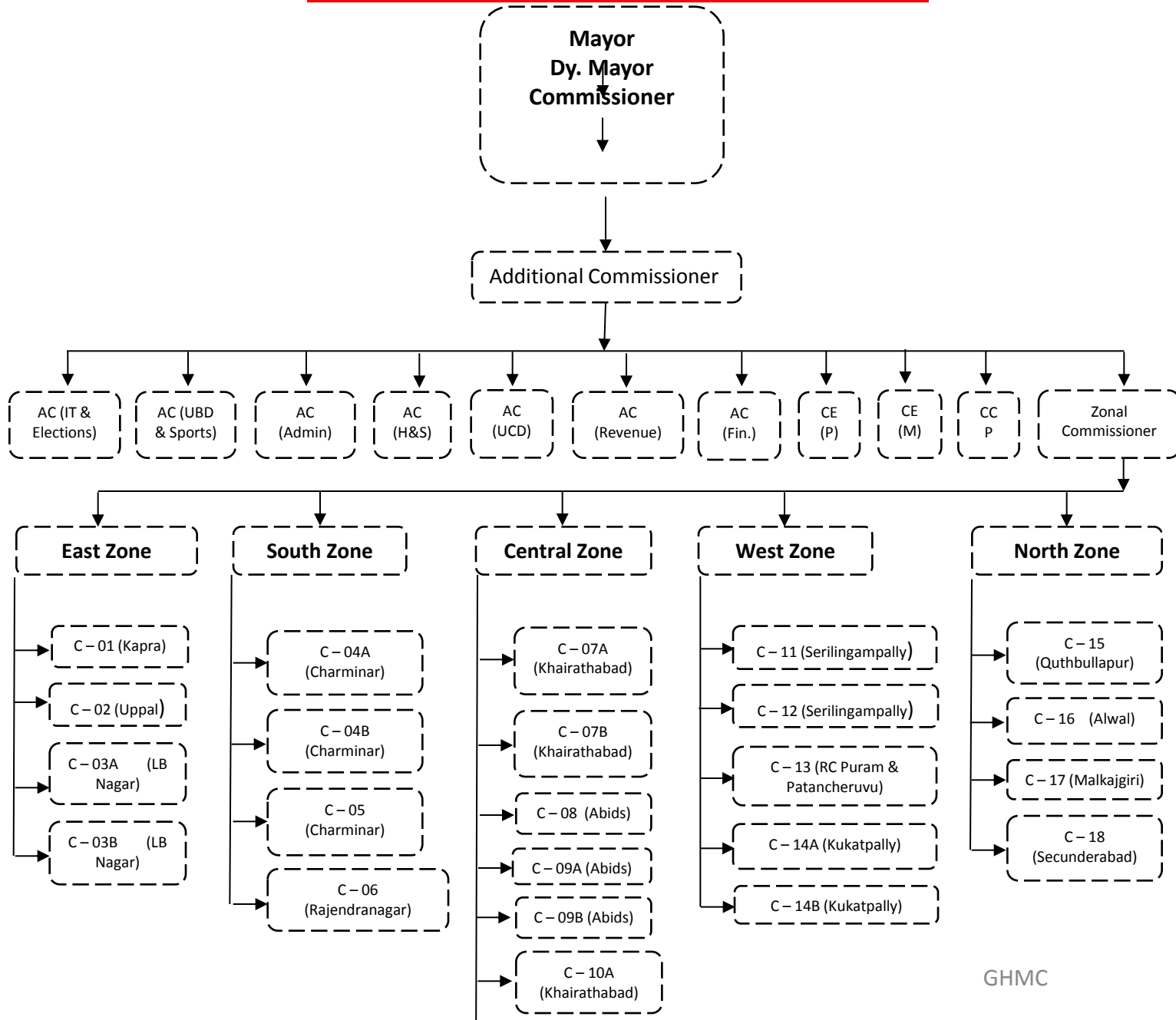
- one of the modern sources of financing infrastructure projects is through the capital markets
- The concept of municipal bonds is in its nascent stage in India, compared to other advanced countries where this is an important source of financing urban infrastructure.
- In India, 28 municipal bond issues have been made since 1997, worth Rs. 30 billion
- Municipal bonds are of two general types –
  - **General obligation (GO) bonds** which carry full faith and credit of the issuing authority, and are appropriate for general services like, roads or street lighting wherein it's difficult to levy user charges
  - **Revenue bonds**, which are tied to specified sources of revenue from the facilities or services which they finance
- In India, bond releases by the ULBs cannot be classified as either revenue bonds or as general obligation bonds. Instead, these are referred as structured debt obligations with a distinguishing feature that they are issued conditional on the borrower pledging or 'escrowing' certain sources of revenue for the debt servicing

# **Administrative & Financial structure of Greater Hyderabad Municipal Corpn. (GHMC)**

# **GHMC Profile**

- Formed in 2007 by amalgamating MCH with 12 Municipalities
- Area of 625 Sq.Kms – 2<sup>nd</sup> largest Municipal Corporation in India.
- Population of 70 Lakhs (as per 2011 census) – 6<sup>th</sup> largest in India  
(Present – 94 Lakhs)
- Spread over 3 Districts – Hyderabad, RR & Medak
- Divided into 5 Zones, 18 circles and 150 wards

# Organization Chart





# Political set up of GHMC – most broad based

- Mayor
- Dy. Mayor
- 150 Ward Members & 5 Co-option members
- 67 Ex-officio members – MP / MLC / MLA
- 150 Ward Committees with 1500 members
- 5 to 7 Area Sabhas in each Ward
- People of entire locality are invitees for Area Sabha meetings
- SLFs / TLFs / RWAs / CWAs, etc.,

# GHMC Budget 2012-13 to 2015-16

Rs. in Crores

Head of Accounts	Actual 2012-13	Actual 2013-14	Actual 2014-15	Budget 2015-16
<b>Revenue Income</b>	1,915.48	2,196.70	2,357.35	2,578.00
<b>Revenue Expenditure</b>	1,257.59	1,370.08	1,472.44	1,732.00
<b>Revenue Surplus</b>	657.89	826.62	884.91	846.00
<b>Capital Receipts</b>	617.01	419.89	808.74	3,818.00
<b>Capital Expenditure</b>	697.10	1,028.71	1,357.79	3,818.00
<b>Total Budget</b> <b>(Revenue Expenditure + Capital Expenditure)</b>	1,954.69	2,398.79	2,830.23	5,550.00

# Financial Powers

- *Administrative Sanction(As per Sec 124 & 129 GHMC Act): (Revised in 2013)*
  - *Upto Rs.200 Lakhs ... Commissioner, GHMC*
  - *Rs.200 to Rs.400 Lakhs ... Standing Committee, GHMC*
  - *Rs.400 to Rs.600 Lakhs ... General Body, GHMC*
  - *Above Rs.600.00 Lakhs ... Government of Telangana*
- *Technical Sanction (As per G.O.94 I & CAD Dt.01-07-2003):*
  - *Upto Rs.10 Lakhs ... Executive Engineer*
  - *Upto Rs.50 Lakhs ... Superintending Engineer*
  - *Above Rs.50 Lakhs ... Chief Engineer / Engineer-In-Chief*

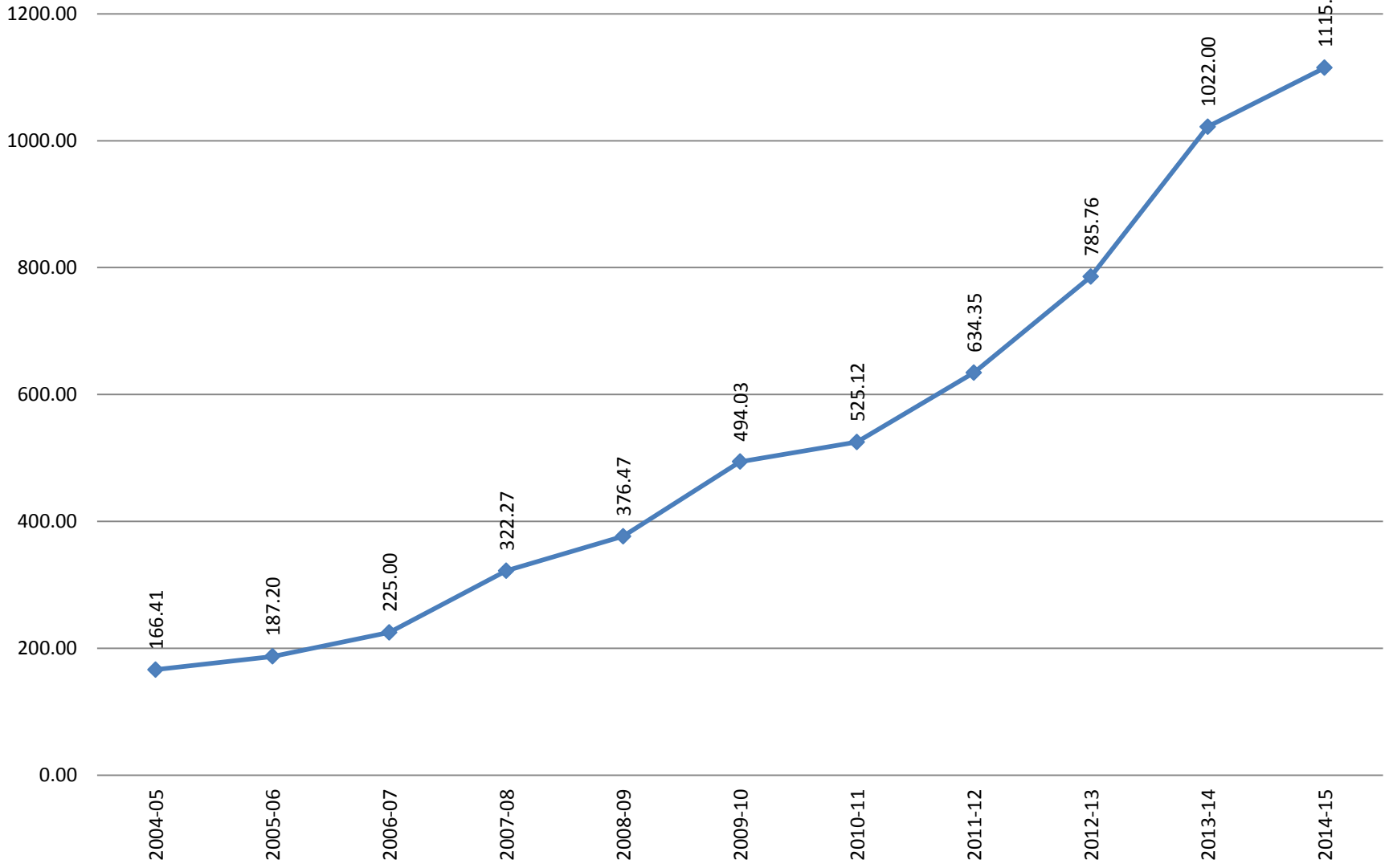
# *Tender Procedures*

- *All tenders for works costing Rs.1.00 Lakh and above are being invited on e-procurement online platform*
- *For works costing up to Rs.50.00 Lakhs - Single Stage System*
- *For works costing above Rs.50.00 Lakhs and upto Rs.10.00 Crores - Two stage System Comprising of Technical and Financial bids as per GO Ms No.94 I& CAD Department Dated:01-07-2003*
  - *Above Rs.50.00 Lakhs to Rs 10.00 Crores — CE,GHMC*
  - *Above Rs 10.00 Crores — Committee-II / COT*
- *For works costing Rs.10.00 Cr. and above Engineering Procurement Contract system (EPC System) under two stage system comprising of technical and financial bids (As per G.O.Ms.No.504 MA & UD Dept., dt.12-07-2007.)*

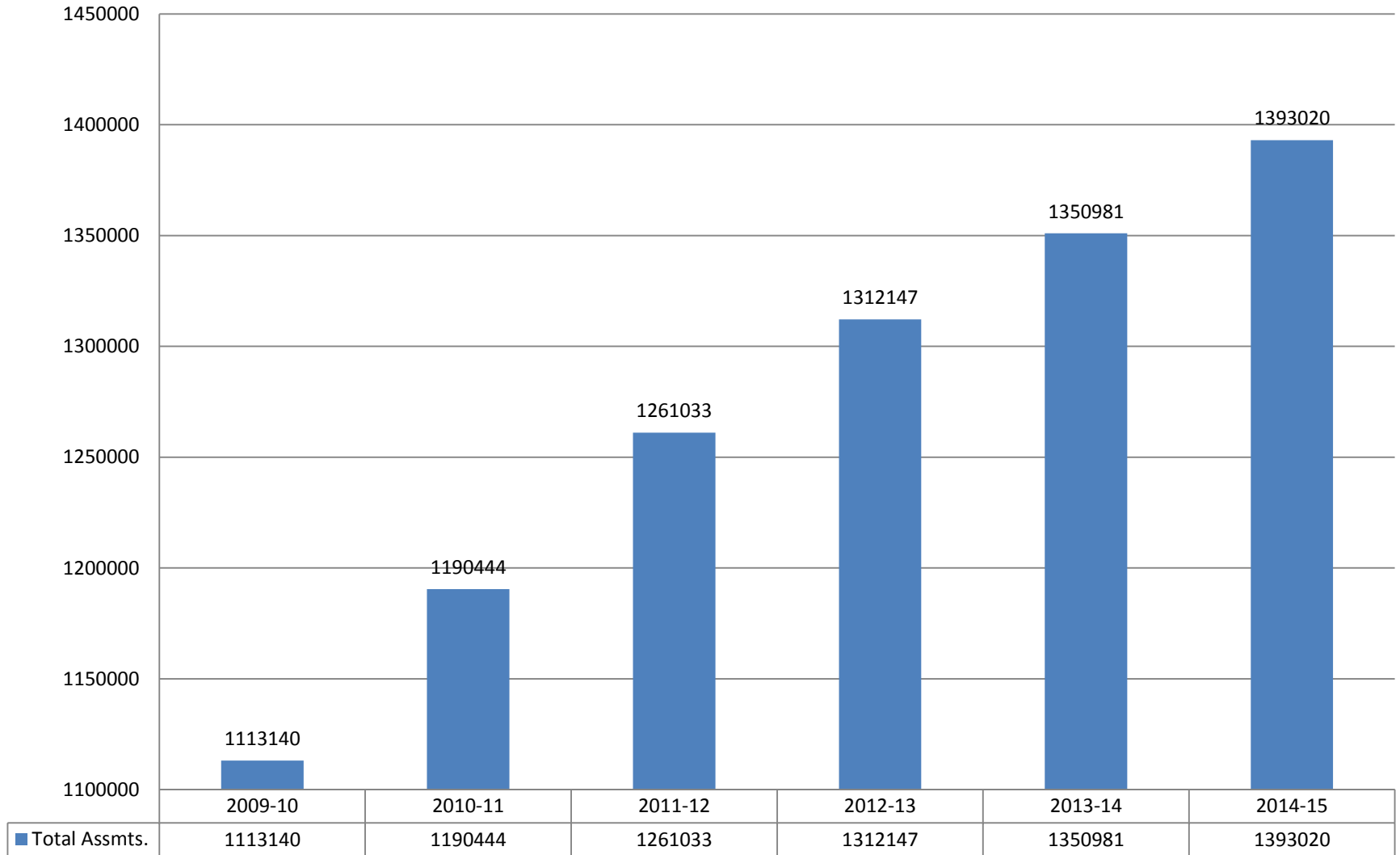
# GHMC Property Tax - Overview

- Population - 67.31 Lakhs (as per 2011 census)  
6<sup>th</sup> largest in India
- Area: - 625 Square KMs.
- No of Assessments - 14.78 lakhs
- Annual Demand Increased From Rs. 364 Cr in 2009-10 to Rs. 985 Cr in 2014-15
- Annual Collection Increased From Rs. 376.4 Cr in 2009-10 to Rs. 1115 Cr in 2014-15
- No hike in tax rate of Residential Properties since 2002
- No hike in tax rate of Non Residential Properties since 2007

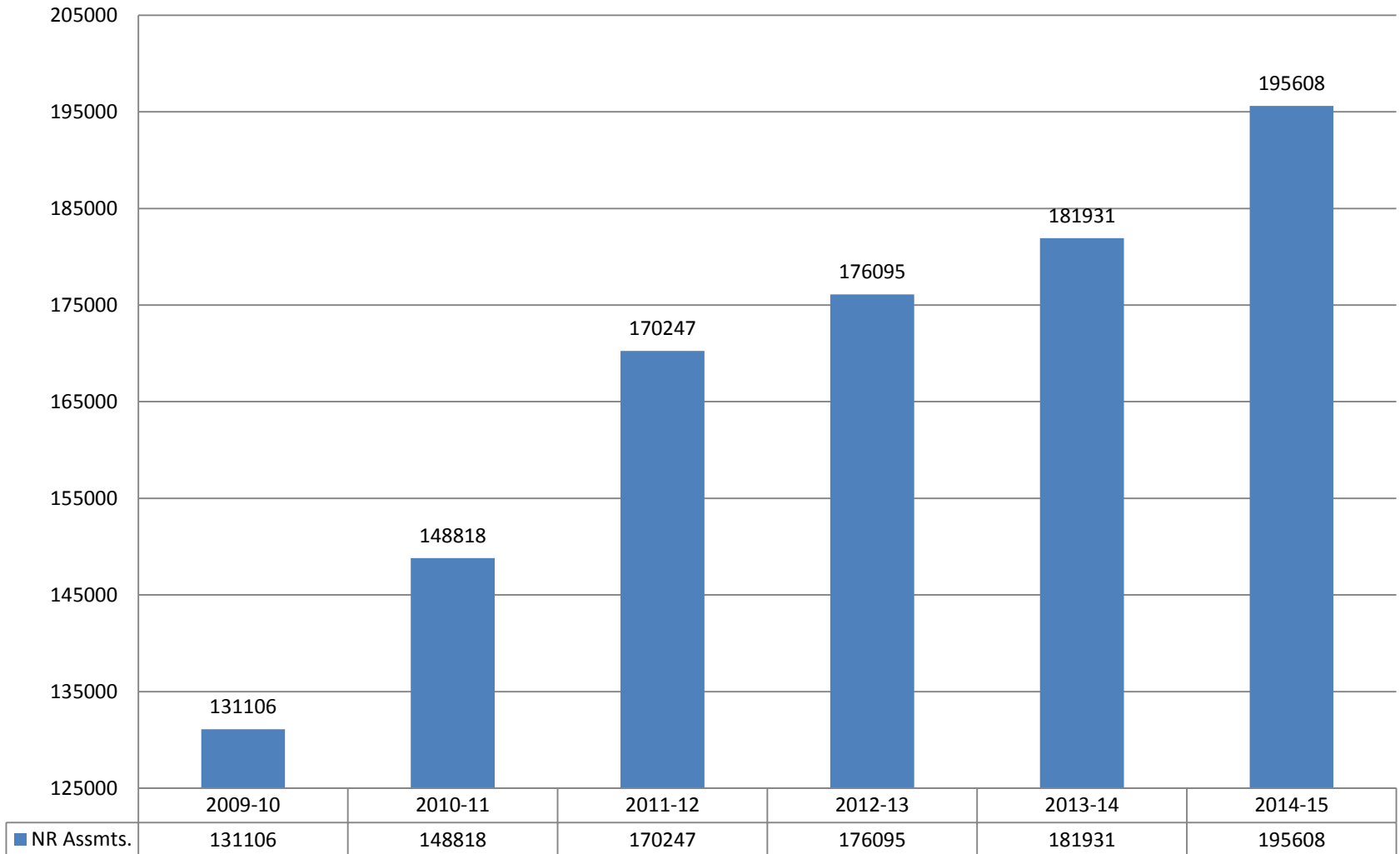
# Property Tax Collection



## Total Assessments



## Non Residential (NR )Assessments





# Strategy

- Advanced stage of automation
- No manual transactions in Tax assessment, issue of special notice, issue of annual demand notices and receipts
- 100% computerization of assessments – notices – collection

## Multiple Payment Options:

- Handheld machines of Bill Collectors are integrated with central server
- 72 Mee-Seva Centres in GHMC limits
- Citizen Service Centres in all 18 Circles and GHMC Head Office
- Online, NEFT and RTGS modes of payment and 537 branches of 8 Banks



# Strategy

## Drive for Demand Enhancement

- Assessment System Simplified – Based on plinth area, locality, type of construction and usage
- Self Assessment System
- Co-relation of Property Tax data with other Departments
  - **Electricity Department** – Commercial service connections
  - **Commercial Tax Department** – Trading establishments
- Cross-check with other wings of the Corporation
  - **Trade Licence wing** – identification of business establishments
  - **Town Planning wing**– to track new buildings with reference to Building Permissions and Occupancy Certificates given
  - **Fire Prevention wing** – to identify major commercial entities & high rise structures

# Strategy

## Collection Drive

- Incentive scheme for best performers
- Effective usage of IT – MIS
- Constant persuasion with tax payers through SMS and Call Center by collecting all the mobile numbers.
- Publicity through various media
- Team effort by appointing 335 Nodal Officers and 2000 Out Reach Staff
- Focus on Top Defaulters and Non Residential Properties

# Strategy

## Early Bird Offer

- For the first time introduced in the year 2013-14
- Objective is to realize maximum collection in the first month of the financial year
- Discount of 5% in the Property Tax paid for the current financial year
- It is a win-win situation for the Corporation as well as the tax payer
- Collection during the month of April
  - 2012-13 - 30 Crores
  - 2013-14 – 109 Crores
  - 2014-15 – 174 Crores

# Early Bird Offer 2015



April 2015

Mo	Tu	We	Th	Fr	Sa
		1	2	3	4
		8	9	10	11
6	7	15	16	17	18
13	14	22	23	24	25
20	21	28	29	30	
27					

Don't Wait till the last minute

**Pay**  
**Property tax**  
**before**

**Avail 5% rebate!**

 **21 11 11 11**  
**Commissioner, GHMC**



**GHMC**  
GREATER HYDERABAD MUNICIPAL CORPORATION

# Strategy

## Grievance Redressal Mechanism

- GHMC 24 X 7 Call Centre – 040- 21 11 11 11
- Out of Court Settlements
  - Resolve genuine grievances on a win-win basis
  - In 2014-15, about 270 court cases settled and Rs. 20.36 Cr collected
- Property Tax Parishkaram (PTP)
  - Special arrangement on all Sundays in February and March for on the spot settlement of minor grievances of tax payers
  - 8 rounds conducted in 2014-15 : 1526 people utilized

## Advertisement

- Annual collection increased from Rs. 19.51 Cr in 2013-14 to Rs. 32.15 Cr in 2014-15 (164% increase)
- Expected revenue for 2015-16 is Rs. 84.00 Cr including revenue on HMR
- Simplified price structure based on the revenue potential of the area
- Extensive survey on Glow Sign Boards

## Trade License

- Annual collection increased from Rs. 26.60 Cr in 2013-14 to Rs. 35.77 Cr in 2014-15 (134% increase)
- Rs.50.00 Crores – Target for 2015-16
- Simple system of Trade License issued by submitting an application form at E-seva, Citizen Service Center, Online etc.
- Spot issuance of Provisional Trade License on receipt of payment, without approval
- Issue of Trade License within (3) months on submission of documents.
- Grievance redressal at Circle level

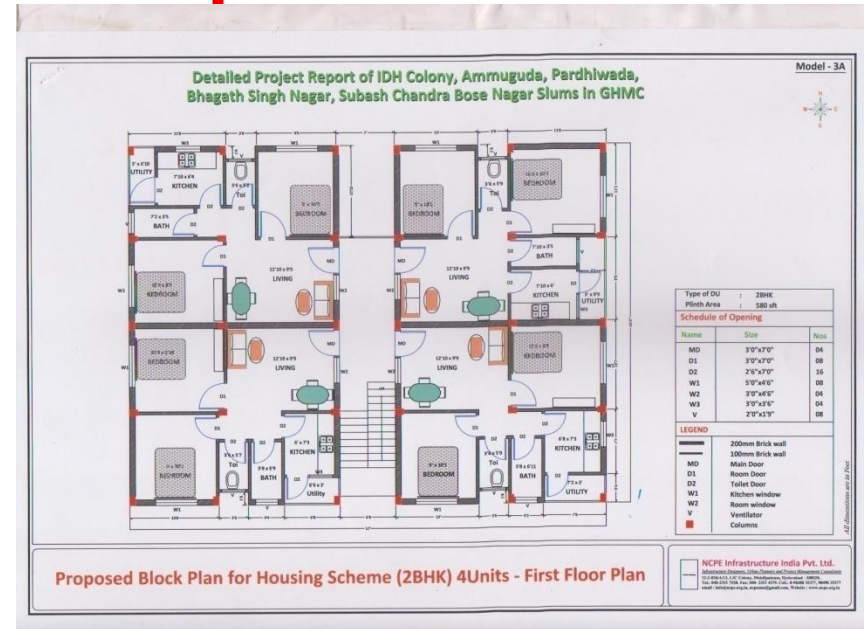


# Town Planning Revenues

<b>Year</b>	<b>No. of Permissions Granted</b>	<b>Amount Collected (Rs. in Crores)</b>
2008-2009	6742	206.12
2009-2010	7110	226.00
2010-2011	6570	292.19
2011-2012	8746	332.22
2012-2013	12663	514.02
2013-2014	10025	524.50
2014-2015	7816	526.27
2015-2016 (upto 08.01.16)	5267	250.04

# 2BHK & 2 Toilet houses for poor

- First of its kind concept
- 580 sft floor space with community amenities
- First Double Bedroom colony with 396 houses at IDH Colony is at very advanced stage
- Telangana Govt proposes to construct 2.00 lakh houses for the poor in Hyderabad
- 8500 units in 2016-17
- Objective is to make Hyderabad a slum-free city



# Driver cum Owner Scheme

- Provision of self employment to youth
- Transformation of drivers into proud owners of vehicles
- 406 vehicles provided in two phases with assured livelihood – some drivers are earning Rs.50,000/- to 75,000/- p.m.
- Plan to provide 2000 more livelihoods through provision of Auto Tippers for Sanitation





# Strategic Road Development Plan (SRDP)

- To make Hyderabad a world class city
- To provide conflict-free corridors for free movement of traffic
  - Skyways – 5 no – 100 Km
  - Major Corridors – 11 no – 166 Km
  - Major Roads – 68 no – 348 Km
  - Other Roads – 1400 Km
  - Flyovers – 54 no
- Govt. issued orders for 1<sup>st</sup> phase of works worth Rs.4051 Crores
- EPC - Bids finalised for first phase works



Existing



Proposed

# Swachh Hyderabad

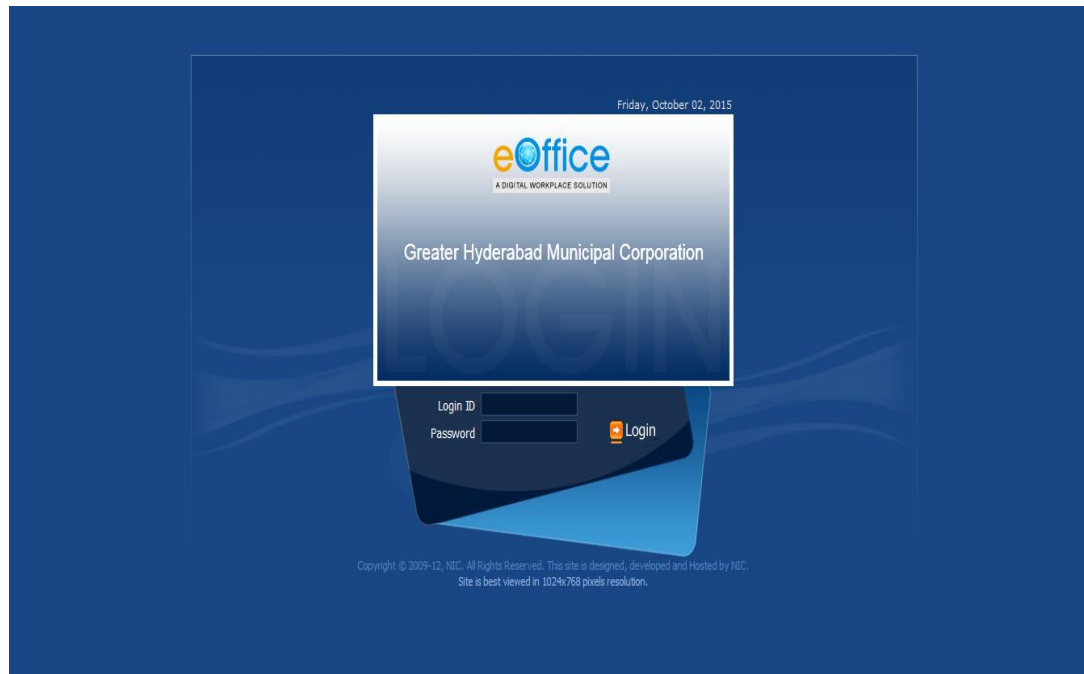
- To make Hyderabad into a clean city and improving its brand image globally
- City divided into 400 parts, each of one to two Sq. Kms and handed by an independent team
- All Public Representatives assumed responsibilities
- A total of 35,833 people took part in the initiative
- Each Unit is managed by a Nodal Officer, a police official, a water board official and a Sanitary Field Assistant
- Active participation of RWA/CWA/AWA/TA/NGOs, etc
- Orientation on 6th May, 2015
- Programme conducted from 16th May, 2015 to 20<sup>th</sup> May 2015

# Swachh Hyderabad

## Way forward

- 2500 Auto Tippers are planned to distribute to improve waste collection mechanism. **1522 are ready** for distribution and the rest will be ready by February 2016
- 44.00 lakh two colored dust bins are being procured for distribution to all the 22 lakh households in the city free of cost; **27.21 lakh already distributed**
- 12 New Transfer Stations are being developed in addition to the existing 13
- 11 MW Waste to Power unit is getting ready for operationalisation at Bibi Nagar. It will utilize about 1100 MT garbage per day.

# eOffice – panacea for all problems



# eOffice – Impact

- Quick disposal of approvals and sanction from GHMC
- As the file movement became transparent, the disposal rate is improved.
- Productivity of GHMC per se is improved.
- It brought in accountability and reduced indecisiveness.
- Status of documents / file is quickly known to the authorities concerned even when the concerned person is on leave or absent.
- All desks are free of physical papers and files which used to be filled with them earlier.
- The total cost of the stationery and printing is greatly reduced after this implementation.



# R5 Food Scheme

- Hot & hygienic meal at Rs.5/-
- 51 locations serving 15500 persons daily
- Rs.20.00 Crore Budget allocation for 2015 16
- Plan to run 100 centres and 1 mobile centre to provide daily 30000 meals
- The meal consist of 450 gms rice, 100 gms dall, Sambar & Pickle
- Timing – 12 to 1 PM daily



# R5 Food Scheme



# Major issues in Urban Governance

- Political uncertainty – When Council is divided / when Parties in power at State Govt & ULB are different
- Dwindling Human Resources – ever decreasing of permanent employees
- Ever growing Citizen Demands for better services – but their unwillingness to share user charges
- Huge investment requirement for provision of infrastructure on international standards
- Constraints in maintaining Service Level Benchmarks / Citizen Charter timelines
- Depletion of physical resources – Ex: Water sources / ground water

# Major issues in Urban Governance

## Metro City Issues

- Inter Departmental Coordination
- Solid Waste Management – Landfill issues / transportation / source segregation
- Debris management
- Problems of Big Organisation
  - Corporation is a State in itself – Various wings / huge workforce / problem of coordination
  - You require a huge fleet of Vehicles that require a different managerial skill, which lack
  - Huge investment requirements with difficulties in accountability – Ex: Monthly power bill of GHMC is Rs.14.00 Cr., still issues of non glowing complaints
  - Difficulty in containing Unauthorised Constructions – lack of self regulation in citizen

Thank You