सत्यमेव जयते

Report of the Comptroller and Auditor General of India

for the year ended 31 March 2020

Performance Audit on Implementation of 74th Constitutional Amendment Act

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Tamil Nadu

Report No. 8 of 2021

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Comptroller and Auditor General of India

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Preface

This Report for the year ended March 2020 has been prepared for submission to the Governor of Tamil Nadu under Article 151 of the Constitution of India.

The Report contains significant results of the Performance Audit on Implementation of 74th Constitutional Amendment Act relating to Urban Local Bodies in the State.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2015-20 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports.

The audit was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

Intent of the 74th Constitutional Amendment Act

The Constitution of India provided a clear mandate for democratic decentralisation through the 74thAmendment, which sought to create an institutional framework for ushering in democracy at the grass root level through Self-governing local bodies in urban areas of the country. The 74th Constitutional Amendment Act came into effect on 1 June 1993 and empowered Urban Local Bodies (ULBs) to perform 18 functions listed in the 12th Schedule.

Why this Performance Audit?

To ascertain whether the State Government empowered ULBs through the creation of a robust institutional framework as well as transfer of functions, funds and functionaries.

Period of Audit : 2015-16 to 2019-20

Sample : 38 ULBs across all tiers

What Audit found?

Empowerment of ULBs and their functioning

- Out of 18 functions to be transferred, all except Fire Services were transferred in case of Corporation and Municipalities. In respect of Town Panchayats, only 12 functions were transferred.

[Paragraph 2.4]

- The current term of the Council expired on 24 October 2016. No election could be conducted for urban local bodies due to the reason that a case is pending in Hon'ble Supreme Court for delimitation of wards by the State Government. In view of the above, the Ward Committee could not be formed.

[Paragraph 2.5.1]

- The Government have accepted the 5th SFC recommendation to form a monitoring cell in the Finance Department to monitor the follow up action on implementation of accepted recommendations and to liaise and co-ordinate with the Finance Department and other stake holder Departments. However, no orders have been issued. In the absence of a centralised monitoring mechanism cell, the effective implementation of the accepted recommendations which would have contributed significantly to the realisation of the objectives of the 74th CAA could not be ensured.

[Paragraph 2.5.2.1]

- District Development plans and Metropolitan Development plans were not prepared by the respective District and Metropolitan Planning Committees.

[Paragraphs 2.6.1 and 2.6.2]

Financial Management of ULBs

- ULBs were largely dependent on fiscal transfers, which constituted about 40 *per cent* of their total revenue during the period 2015-16 to 2019-20.
- There was a shortfall of ₹ 1,306.89 crore in fiscal transfers during the period 2015-16 to 2019-20 *vis-à-vis* the recommendations of the SFC.
- Entire allocation of performance grants from GoI for the year from 2017-18 to 2019-20 of ₹ 1,323.60 crore was yet to be received.
- The non-acceptance of the property tax revision proposal resulted in overall decreased revenue of ULBs amounted to ₹ 2,598.20 crore for five years from 2013 to 2018.

[Paragraphs 2.8, 2.9.1, 2.10.2 and 2.12.1]

- Due to withholding (2019) of general revision of property tax made during 2018 by the Government of Tamil Nadu, the ULBs were denied increased revenue to the tune of ₹ 678.31 crore. While the Government accepted the SFC recommendation for compensation, the same was not done.

[Paragraph 2.12.2]

- Additional demand of property tax (every year) of ₹ 103.91 crore calculated during remeasurement of properties could not be made due to incorrect circular.

[Paragraph 2.12.3]

- There were accumulated arrears of property tax, vacant land tax, non-tax revenue, water tax, *etc*. to the tune of ₹ 2,847.53 crore as on 31 March 2020.

[Paragraph 2.15]

- Establishment expenditure forms the major portion of the ULB's expenditure and indicates an increasing trend from 36 *per cent* in 2015-16 to 41.6 *per cent* in 2019-20. Expenditure incurred towards Programmes shows a decreasing trend and it has come down from 23.66 *per cent* in 2016-17 to just 15.25 *per cent* in 2019-20.

[Paragraph 2.16]

- Analysis of financial data relating to 200 ULBs revealed that:

  - **Fiscal Autonomy**: Only 14 ULBs could show better financial augmentation and raise 70 *per cent* of their revenue from own resources.

  - **Self-reliance**: Only 43 ULBs are able to meet more than 70 *per cent* of their expenditure from their own source of revenue in 2018-19. The number of ULBs got reduced to 32 in 2019-20.

  - **Quality of expenditure**: Only 10 ULBs have shown better quality of expenditure and spent more than 70 *per cent* of their revenue expenditure on operation and maintenance in 2018-19. In 2019-20, this position increased to 16 ULBs. In the remaining ULBs, the expenditure was more on administrative and establishment expenditure.

[Paragraph 2.19]

  - The ULBs raised ₹ 4,076.07 crore as loans during 2015-16 to 2019-20. Collection of 80 *per cent* of the Property Tax Arrears along with the timely availability of the Grants that are due to the ULB would have ensured sufficient availability of funds with the ULBs. This would have completely avoiding the ULBs from availing loans thus making the ULBs financially sound.

[Paragraph 2.20]

Role of Parastatals

- Prior to 2011, ULBs received full Assigned Revenue in time. However, Government passed orders diverting 50 *per cent* of the Assigned revenue to TURIF for it to be used for laying of road based on empowered committee recommendations. Further, the remaining 50 *per cent* was disbursed to ULBs with a delay ranging between 08 and 30 months.
- In the period between 2015-16 and 2019-20, four out of 124 Municipalities and 140 out of 528 Town Panchayats did not get any benefit through TURIF as no fund was allotted and hence no road works has been undertaken in those ULBs under TURIF in the past five years, despite having a portion of their share in TURIF.

[Paragraph 3.3.1]

- Due to delay in completion of water supply schemes executed by parastatal, the test checked four ULBs lost the opportunity to raise probable additional demand of ₹ 35.83 crore every year besides non-deliverance of basic services to the public. Similar delays were also noticed in the execution of schemes relating to Underground Sewerage Schemes in the test checked two cases, the probable additional demand of ₹ 12.50 crore could not be raised besides the public denied of the service.

[Paragraphs 3.4.1 and 3.4.2]

- An amount of ₹ 225.28 crore being the ULBs share of OSR charges, and Development charges, collected by CMDA/DTCP during the period from 2015-16 to 2019-20 were yet to be transferred to ULBs.

[Paragraph 3.5]

- Incorrect utilisation of ₹ 29.49 crore by nine ULBs provided under Capital Grant for construction of office building and staff quarters.

[Paragraph 3.2]

Human resources of ULBs

- Effective and efficient delivery of services of ULBs depends on efficient human resource management. However, Audit found that the men-in-position in different ULBs were in the range of 0.69 and 3.78 per 1,000 people based on 2011 census reduced to 0.55 and 3.35 per 1,000 people based on 2019 population.
- In three out of four Corporations test checked, as against the sanctioned strength of 244 officials, only 69 were men-in-position in revenue sections.

[Paragraph 4.2]

Chapter I

1.1 Introduction

Urban local government implies the governance of an urban area by the people through their elected representatives. The Urban Local Bodies (ULBs) provide the basic services in their city or town. Prior to 74th Constitutional Amendment Act (CAA), there was no constitutional status to the ULBs.

The 74th Constitutional Amendment Act, 1992 (CAA) of the Constitution, relating to Municipalities (Urban Local Government) was passed by the Parliament in 1992. The Act recognised ULBs as the third tier of the Urban government by assigning them specific civic functions in order to empower ULBs to enable them to function as institutions of effective democratic units of local Self Government. The 74th CAA received the assent of the President of India on 20 April 1993 and Government of India notified it on 1 June 1993.

The 74th CAA prescribed institutional changes with the setting up of Ward Committees, District Planning Committees and Metropolitan Planning Committees to coordinate planning across jurisdictions, as well as the setting up of State Election Commissions and State Finance Commissions. Effectively, this Act gave ULBs a role much larger than just that of service providers that provide water, waste management and so on.

The Constitution relating to the Urban Local Bodies *inter-alia* provides for three types of Municipalities *viz*., (i) Nagar Panchayats for areas in transition from a rural area to urban area; (ii) Municipal Councils for smaller urban areas; and (iii) Municipal Corporations for larger urban areas. The Act added a new 12th Schedule (Article 243W) to the Constitution wherein the 18 functions were listed for devolution to the ULBs are given in **Annexure 1**.

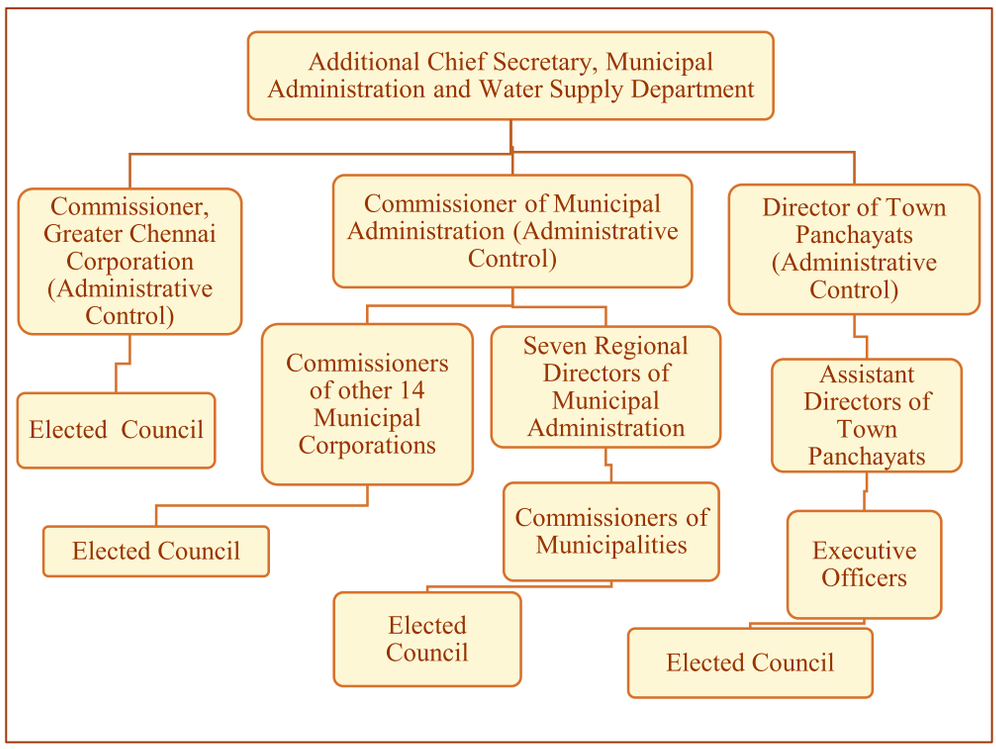
In Tamil Nadu there are 15 Corporations, 121 Municipalities and 528 Town Panchayats. The ULBs are governed by the respective City Municipal Corporation Act and Tamil Nadu District Municipalities Act, 1920.

1.2 Organisational Setup

The Additional Chief Secretary, Municipal Administration and Water Supply Department (MA&WS) is the overall in-charge at the Government level. The Commissioner of the Municipal Administration is the Head of the Department and has overall control of the functions of the Corporations and Municipalities and the Director of Town Panchayat is in-charge of Town Panchayats (TPs).

The Organisational setup is as follows:

Chart 1 – Organisational Set up



1.3 Audit Objectives

The objectives of the Performance Audit were to assess whether:

- the provisions of the 74th CAA have been covered in State legislations and the functions were transferred to the ULBs, alongwith the institutional mechanism to discharge their functions,
- the ULBs have access to raise and manage adequate financial resources commensurate to their devolved functions,
- the ULBs have been provided with adequate functionaries to carry out their functions effectively.

1.4 Audit Criteria

The audit criteria for the Performance Audit are taken from the following sources:

- 74th Constitutional Amendment Act, 1992.
- Municipal Corporation Acts in respect of Chennai, Coimbatore, Madurai and Tiruchirappalli.
- Tamil Nadu District Municipalities Act, 1920.
- District Town and Country Planning Act, 1971.

- State and Central Finance Commission Reports.
- Tamil Nadu Metropolitan Planning Committee Act, 2009.
- Tamil Nadu Panchayat Act, 1994.
- Tamil Nadu State Property Tax Board Act, 2013.

1.5 Scope, Methodology of Audit and Sample

The period of Audit coverage was five years from 2015-16 to 2019-20. Out of the total 18 functions identified, following three functions and two related activities were selected for test check:

i. Water supply for domestic, industrial and commercial purposes
ii. Public health, sanitation conservancy and solid waste management
iii. Urban planning including town planning
iv. Property Tax
v. Water Charges

A Pilot study was undertaken in the ULBs of Greater Chennai Corporation (GCC), Pallavapuram Municipality and Thirumazhisai Town Panchayat between August and October 2020. An Entry Conference was conducted on 12 November 2020 in which the Audit objectives, criteria and methodology of the Performance Audit was explained to the Additional Chief Secretaries, Finance Department and Municipal Administration and Water Supply Department and Principal Secretary, Housing and Urban Development Department.

The State was divided into four[1] geographical (zone) areas and four Corporations, one from each zone with the highest population was selected. Further, in respect of Municipalities and Town Panchayats, the selection was based on stratified random sampling[2] with one each from one zone and tier. Thus, out of 664 ULBs, four Corporations, 16 Municipalities and 16 Town Panchayats were selected for Audit. The list of ULBs selected are indicated in **Annexure 2**.

In addition, the records of the Municipal Administration and Water Supply Department, Finance Department along with HODs *viz*., Commissioner of Municipal Administration, Directorate of Town Panchayat were also scrutinised. Data from Directorate of Local Fund Audit, Tamil Nadu Institute of Urban Studies (TNIUS), Parastatal agencies like TUFIDCO, TNUIFSL, TWAD, CMWSSB, DTCP, CMDA, *etc.*, were also examined.

The Exit Conference was held on 16 August 2021 with the above mentioned Additional Chief Secretaries/Principal Secretary wherein the Audit observations were discussed. The views expressed at the meeting and the replies furnished by the Departments were considered and duly incorporated in relevant paragraphs of the Report.

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[1] North, East, West and South

[2] One ULB from each tier *viz*., Special Grade, Selection Grade, Grade I and Grade II for each zone in respect of Municipality and Town Panchayat

1.6 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the Additional Chief Secretary, MA&WS Department, Additional Chief Secretary, Finance Department, Commissioner of Municipal Administration, Directorate of Town Panchayat, all ULBs, and Parastatal agencies in conducting the Performance Audit.

Chapter II

2.1 Planning and Financial Management of Urban Local Bodies

2.1.1 Coverage of 74th CAA by the State level legislations

The 74th CAA introduced provisions relating to ULBs vide Article 243P to 243ZG. Suitable amendments were incorporated in the State Legislations corresponding to the Constitutional Amendment and the same is detailed in **Annexure 3**. Major provisions of the State Legislations are detailed below:

- **Article 243Q** – This article provides constitution of three types of Municipalities. The State complied with this provision vide Sections 3P, 3Q, 4, Chapter II of Tamil Nadu District Municipalities (TNDM) Act, 1920 and the respective Municipal Corporation Act.

- **Article 243R -** All the seats in a Municipality shall be filled by direct election and by persons with special knowledge in Municipal Administration nominated by the Government. The State brought in Section 7, Chapter III of TNDM Act, 1920 and the respective Municipal Corporation Act which provides for constitution of council of elected members.

- **Article 243X -** Power to impose taxes by and funds of the municipalities – The State made provision vide Section 78, Chapter VI of TNDM Act, 1920 and the respective Municipal Corporation Act which enables the ULBs to levy tax.

- **Article 243Y (read with Article 243 I) -** The State Government shall constitute finance commission to review the financial position of the Municipalities, allotment of funds and distribution between the State and the Municipalities of the net proceeds. Section 124-B Chapter VI of TNDM Act, 1920, Section 162-A of Chennai City Municipal Corporation Act, 1919 and the respective Municipal Corporation Act empowers constitution of the Finance Commission.

- **Article 243ZA -** The Superintendence, direction and control of all procedure of election of the Municipalities shall be vested in the State Election Commission (SEC). In this regard, Section 3-H, Chapter I-A of TNDM Act, 1920 and the respective Municipal Corporation Act vested the procedure of election to the SEC.

The State Government had complied (between 1994 and 2006) with the provisions of the 74th CAA and necessary amendments were made in the State Acts. Audit noticed that in this regard multiple Acts were amended to accommodate all statutes as detailed in **Annexure 3**. It is also pertinent to mention that the State Government passed an exclusive Act for ULBs in 2000,

to amend and consolidate the laws relating to Municipalities and Municipal Corporations in the State of Tamil Nadu, but it was kept suspended with effect from 23 August 2000 as discussed in the subsequent paragraph.

2.2 Tamil Nadu Urban Local Bodies Act, 1998

The Tamil Nadu Urban Local Bodies Act, 1998 (Act 9 of 1999 – GO Ms No.95 dated 19 May 1999) was brought into force from 01 August 2000. The purpose of this Act was to consolidate the laws relating to ULBs in the State and bring all the Acts under one umbrella for usage by all three tiers of ULBs *viz.*, Corporations, Municipalities and Town Panchayats.

This Act became effective from 01 August 2000, but it was suspended in the same month with effect from 23 August 2000[1]. The reason stated for the suspension was to provide sufficient time to the ULBs to examine the provisions of the Act and to give an opportunity to offer their remarks. However, Audit noted that there was no timeline fixed for obtaining the remarks of ULBs. Consequently, the Act suspended in August 2000 was not given effect to even after two decades of such suspension and the Act has not been re-notified till date.

The Government replied (September 2021) that the enactment of a common Act is being addressed.

2.3 Overriding powers of State Government over Urban Local Bodies

Audit noted that though the State Government incorporated necessary amendments to the State Acts in line with the constitutional mandate of the 74th CAA, it also inserted certain overriding provisions in various State Acts which has affected the decision-making capacity of the ULBs as mentioned in **Annexure 4**. Two illustrative cases in this regard are detailed below:

- **Property Tax:** The State Government has the authority to withhold any Property tax revision and have actually withheld the same in 2019 under Section 81-A (1) of the TNDM Act, 1920 thereby denying the ULBs of its power to collect additional revenue to meet their financial requirements. The financial impact of the Government's intervention has been discussed in detail in para 2.12.1.
- **Cancellation of Resolution**: The State Government has the authority to cancel a resolution under Section 36 of TNDM Act, 1920 and the State Government exercised its power and cancelled (2015) a resolution[2] passed by a Municipality for increase in lease rent.

These two illustrations indicate that the overriding provisions in the Acts affect the functional independence of the ULBs. Due to non-revision of property tax and lease rent, ULBs were forced to either rely more on grants or reduce the expenditure on their functions as discussed in Paragraphs 2.8 and 2.16.

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1 *Vide* Act 33 of 2000 (GO Ms No.295 dated 30 November 2000)

2 Mettupalayam Municipality resolution No.174 dated 27.01.2015.

The Government replied (September 2021) that the revision of taxes could not be done periodically as per the Act due to the decision of the Government and the revision is under consideration. Regarding cancellation of council resolution, the Government replied that the same was done on the recommendations of the District Collector/ULB Commissioner after thorough scrutiny. The fact however, remains that the overriding provisions of the Acts resulted in denial of autonomy of the Municipality besides loss of their additional revenue.

2.4 Status of devolution of functions

Out of the 18 functions to be transferred, all except Fire Services were transferred in case of Corporation and Municipalities and 12 functions were transferred in the case of Town Panchayats. Audit observed that, though 17 functions are fully devolved, the Corporations and Municipalities are not having sole responsibility in discharging of certain functions. Parastatals such as Tamil Nadu Water Supply and Drainage Board (TWAD), District Town and Country Planning (DTCP) *etc*., are also entrusted with some of the functions of the ULBs. This led to a situation of Corporations/Municipalities having no / limited role in 14 out of 17 functions.

Similarly, in respect of Town Panchayat, 10 functions were fully devolved and 2 functions[3] were partially devolved to the TPs. Five functions[4] are yet to be devolved to the TPs which are discharged by the corresponding Parastatals.

The details of functions with corresponding jurisdiction of ULBs is given in **Annexure 5.**

2.5 Institutional mechanisms for empowerment of ULBs

2.5.1 State Election Commission

Article 243ZA of the Constitution of India read with Section 43-B of Tamil Nadu District Municipalities Act, 1920 confers the powers of the State Election Commission (SEC) to conduct all elections to the Municipalities. The elections for the ULBs have been conducted before the due dates in 1996, 2001, 2006 and 2011.

However, the term of the Council of ULBs expired on 24 October 2016, but no election was conducted due to the reason that a case is pending in Hon'ble Supreme Court for delimitation of wards by the State Government. It is pertinent to mention that the Government subsequently gave the power of delimitation of wards to the SEC only in July 2017. Thus, the delay in transferring the power

[3] Urban planning including town planning and Regulation of land use and construction of buildings

[4] 1. Planning for economic and social development, 2. Urban forestry protection of environment and promotion of ecological aspects, 3. Safeguarding the interest of the weaker section of society including the physically handicapped and mentally retarded, 4. Slum improvement and upgradation and 5. Promotion of cultural, educational and aesthetic aspects

of delimitation to the SEC has led to non-formation of the Council and Ward Committees till date.

In reply, the Government stated (September 2021) that the election would be conducted within the year.

Recommendation: In order to enable ULBs to function as institutions of effective democratic units of local Self Government, the State Government may consider for conduct of elections.

2.5.2 Constitution of State Finance Commission

Article 243-I of the Constitution of India makes it mandatory for the State Government to constitute a Finance Commission within one year of the commencement of the CAA and thereafter on expiry of every five years. The mandate of the State Finance Commission (SFC) is to review the financial position of the local bodies and to make recommendations to the Governor for devolution of funds. State Government through amendments in District Municipalities (DM) Act and respective Municipal Corporation Acts provided for constitution of SFC.

The State Government has constituted five SFCs and Action Taken Notes on all the SFC have been placed in the Assembly. The details of constitution of the SFCs is detailed in **Annexure 6.**

2.5.2.1 Status of SFC recommendations

In respect of the Fifth SFC out of the total recommendations of 161, the Government have accepted 144 recommendations. 10 recommendations have been accepted with modifications and the remaining seven have not been accepted. The SFCs, in addition to the recommendations relating to devolution, have recommended several institutional measures that would strengthen ULBs in the long term. The details of recommendations of all the SFCs, accepted, not accepted, under examination, *etc* are detailed in **Annexure 7**.

Audit noted that there were 36 recommendations of 4th SFC pertaining to ULBs which were accepted by the Government and requires further action as per 5th SFC Report. Some of the significant recommendations in this regard are mentioned below:

- In respect of Property tax, it was recommended (2016) that the self-assessment system be enforced compulsorily with field inspection of self-assessed properties by the Assessing Authorities. In case of default in filing returns, a fine of 100 *per cent* property tax be imposed on such assessee.

  The Government accepted the recommendation and agreed to impose 50 *per cent* fine on assessees in case of default in filing return. However, Government in respect of GCC while notifying in September 2019 stated that on any amount remaining unpaid after the due date for its payment, the assessee shall pay, simple interest not exceeding two

per cent. The amendment came into force with effect from 01 October 2019. However, the period for which the interest is leviable was not specified. Further, no orders have been issued for other ULBs.

- In respect of Audit, it was recommended that Internal audit be introduced in ULBs with professional Chartered Accountants/Works Accountants through outsourcing in a phased manner to facilitate better accountability and to strengthen the audit and accounting system. Though this recommendation was accepted, no action was taken in this regard.

After this was pointed out, the Finance Department in its reply (February 2021), stated that the action has been taken by the Government in respect of certain recommendations and the latest status is available with the respective Department only.

The 4th and 5th SFC has recommended to form a monitoring cell in the Finance Department to monitor the follow up action and to liaise and co-ordinate with other stake holder Departments. The Government though had accepted the recommendation relating to monitoring mechanism, no orders have been issued so far.

In the absence of a high level monitoring mechanism cell, the effective implementation of the accepted recommendations which would have contributed significantly to the realisation of the objectives of the 74th CAA could not be ensured.

Recommendation: The Government may consider forming a permanent SFC cell in the Finance Department for effective monitoring of follow-up action on accepted recommendations.

2.6 Planning

The most significant area for devolution of functions to ULBs is to ensure planning at grass-root level. The governance was mandated to be given to the people through the local bodies which would have representatives that are elected regularly and have a decisive role in planning and delivery of services. However, as no elections was conducted since October 2016, the councils and Ward Committees were not formed. Due to non-availability of the elected members in ULBs, there was no representation of the public in the planning activities of the ULBs since 2016. Instead, the planning was being carried out by the Special Officers of the ULBs.

The formation of the Council, role of Chairman, Commissioner and Ward Committee are detailed in **Annexure 8.**

There are two types of planning that pertains to ULBs *viz*.,

2.6.1 Metropolitan Development Plan

Metropolitan area means an area having a population of 10 lakhs or more, comprised in one or more districts and consisting of two or more municipalities

or panchayats or other contiguous areas. As per Section 3 of the Tamil Nadu Metropolitan Planning Committee Act, 2009 read with Section 27B of the Chennai City Municipal Corporation Act, 1919, the Metropolitan Planning Committee (MPC) shall prepare a draft development plan in respect of a metropolitan area which would contain matters of common interest between municipalities and the panchayats such as coordinated plan, sharing of water resources, integrated development of infrastructure and environmental conservations, *etc*. MPC consist of elected members of municipalities and chairperson of panchayats in Metropolitan Area, representatives of Government of India (GoI), Government of the State and of other organisations as may be deemed necessary for carrying out the function assigned to the committee. MPC should be synthesising priorities set by local authority, State and Central Government.

Audit noted (March 2021) that though the population in three out of 15 Corporations[5] *viz*., GCC, Coimbatore and Madurai exceeded 10 lakh, Metropolitan Planning Committee was not formed. As such, the preparation of draft development plan for a metropolitan area as a comprehensive development package was not made and consequently the basic objective of preparation of integrated development plan for a metropolitan area could not be achieved.

2.6.2 District Development Plan

According to Section 24-A of the TNDM Act, 1920, there shall be a development plan prepared every year for the Municipality and Town Panchayat and submit to the District Planning Committee constituted under Section 241 of the Tamil Nadu Panchayat Act, 1994. Four fifths of members of these committees should be from elected representatives of both the rural and urban local bodies. The plan should include draft development plans as a whole for the district.

However, audit noted (March 2021) that in respect of the test checked Municipalities and Town Panchayats, no such development plan was prepared.

The Government replied (September 2021) that the Metropolitan Area Development Plans will be prepared once the Metropolitan Planning Committees are notified by the Government. It was further stated that the District Development Plan was not functioning from 2016 due to non-conduct of local body election.

The fact remains that the major thrust of the 74th CAA *viz*., grass root planning to enable ULBs to function as independent units of self-governance, was not achieved despite enactment of suitable State legislations.

[5] Avadi, Coimbatore, Dindigul, Erode, Greater Chennai Corporation, Krishnagiri, Madurai, Nagercoil, Salem, Thanjavur, Thoothukudi, Tiruchirappalli, Tirunelveli, Tiruppur and Vellore

Financial Management

2.7 Revenue of Urban Local Bodies

The source of revenue for an ULB can be broadly classified into two categories *viz*., Own Source of Revenue (OSR) and Grants from Central and State Governments. The OSR includes tax revenue, non-tax revenue, assigned revenue and Miscellaneous income.

The share from State Government Grants includes Capital Grant Fund, Operation and Maintenance Gap Filling Fund and Incentive fund. The ULBs also receive Grant funds from the GoI for various schemes.

The State Finance Commission recommends for the allocation of State Government Grant to the ULBs. The Central Finance Commission recommends the allocation of Central Government Grant, which is given to the ULBs in two components as Basic grant and Performance grant.

Government of Tamil Nadu (GoTN) devolve 10 *per cent* from Net State Own Tax Revenue for local bodies and the same is shared between Rural Local Bodies and ULBs in the ratio of 58:42 for the period 2015-17 and 56:44 for the period 2017-20. Out of ULBs allotment, five *per cent* is deducted as Incentive Fund and the remaining ULB's allotment is shared in the ratio of 40:29:31 between the Corporations, Municipalities and Town Panchayats respectively.

Out of this allocation, Capital Grant fund at 15 *per cent* and Operation and Maintenance Gap Filling fund at five *per cent* is being set aside from the ULBs devolution and kept with State Government financial institution (TUFIDCO) for meeting the capital expenditure based on empowered committee's recommendation.

The horizontal and vertical sharing pattern adopted by all the SFCs and the detailed devolution formula are given in the **Annexure 9.**

2.8 Sources of revenue of Urban Local Bodies

The details of the revenue of ULBs in the State during the period 2015-20 is indicated in **Table 2.1** and the break-up details for five years are given in **Annexure 10.**

Table 2.1 – Details of Revenue of ULBs for the period from 2015-16 to 2019-20

(₹ in crore)

Nature of ULB	GCC	Other Corporations	Municipalities	Town Panchayat	Total
Tax	5,540.31	3,595.57	2,358.63	1,002.64	12,497.15
Non- tax	1,918.32	3,104.53	2,293.27	1,472.70	8,788.82
Assigned revenue	571.45	635.88	724.02	859.99	2,791.34
Misc income	2,581.74	0	0	0	2,581.74
Total own source of income	**10,611.82**	**7,335.98**	**5,375.92**	**3,335.33**	**26,659.05**

Grants SFC	2,652.46	3,685.37	4,710.61	4,798.97	15,847.41
Grants CFC	1,142.73	1,491.59	1,947.55	2,003.91	6,585.78
IGFF, O&M and PG	53.32	1,350.07	1,057.81	1,045.01	3,506.21
Total grants	**3,848.51**	**6,527.03**	**7,715.97**	**7,847.89**	**25,939.40**
Grants for schemes	3,445.75	2,713.59	1,710.23	964.04	8,833.61
Loan	2,082.01	1,029.85	947.47	16.74	4,076.07
Total Revenue	**19,988.09**	**17,606.45**	**15,749.59**	**12,164.00**	**65,508.13**
Percentage of own revenue including Assigned revenue to total revenue	53.09	41.67	34.13	27.42	40.70
Percentage of Grants to total revenue	19.25	37.07	48.99	64.52	39.60
Percentage of loan to total revenue	10.42	5.85	6.02	0.14	6.22
Percentage of loan to own source of revenue	19.62	14.03	17.62	0.50	15.29

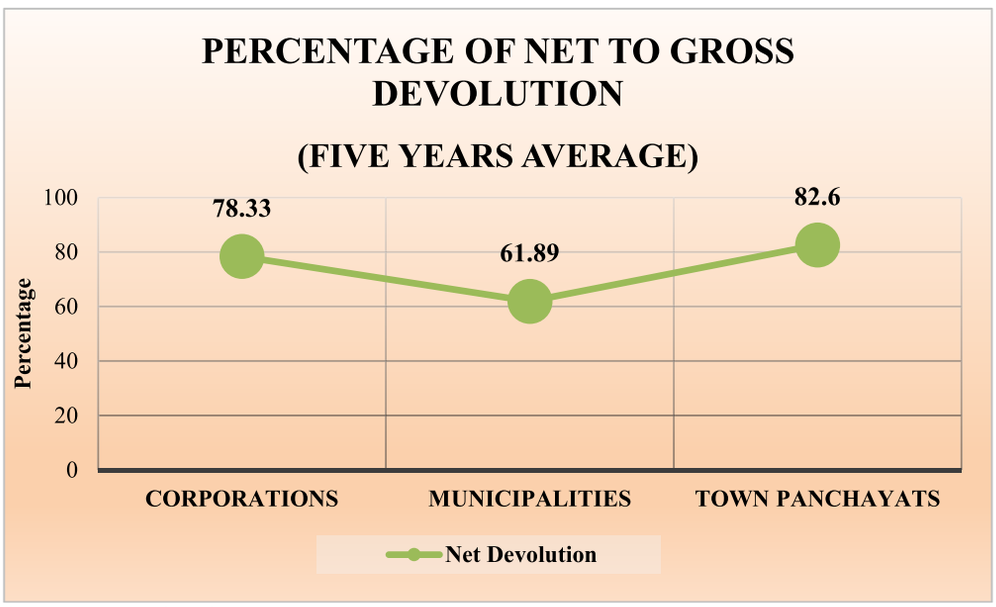
Source: Data furnished by the respective HODs

- The above table indicates that ULBs are able to generate only 41 *per cent* of their own revenue and are more dependent on the fiscal transfers from the Government Grants, which formed the significant portion of the revenue (averaging 40 *per cent*) of ULBs in the State during the period 2015-16 to 2019-20.
- The TPs were mainly dependent on fiscal transfers to the extent of 65 *per cent* as they generate only 27 *per cent* of own revenue.
- GCC is able to generate 53 *per cent* of their own revenue and their borrowing stood to 10 *per cent* of total revenue.

2.9 State Finance Commission Grants

The major share of financial resources of ULBs comprised grants recommended by SFC. The total devolution of State Grant to ULBs was ₹ 15,847.41 crore during the period 2015-20. The details of gross devolution and the deductions thereon are given in **Annexure 11.** The net devolution is detailed in **Chart 2** below:

Chart 2 – Percentage of net devolution



Source: Data furnished by the Department

On an average, around 78 and 83 *per cent* of the devolved funds reach the ULBs in the case of Corporations and Town Panchayats respectively and in the case of Municipalities, the net devolution is low at 62 *per cent.*

However, Audit noted that there were apportionments to Directorate of Local Fund Audit (DLFA) for payment of pension of retired employees and other parastatal agencies for payment towards execution of work on behalf of ULBs which resulted in reduced share to ULBs.

2.9.1 Short release of SFC grants

Audit noted that for the period 2015-20 as against the SFC grant of ₹ 20,580.59 crore, the GoTN devolved ₹ 19,273.70 crore[6] resulting in short release of grant of ₹ 1,306.89 crore. The short release ranged between 2.82 and 11.99 *per cent* during the said period. The yearly deduction, short release are given in **Annexure 12.**

Further, Audit also observed that there was delay in disbursement of the monthly instalments of SFC grants to the ULBs, the delay ranging between one and three months and the disbursements for the initial months of April and May of every year were clubbed and disbursed in the month of June of that year. It is pertinent to mention that ULBs are dependent on the SFC grants for disbursement of salaries to their employees and due to the delay, the salary disbursements in 43 ULBs (data collected) were delayed even upto one month in 2019-20 indicating that the ULBs are suffering from paucity of funds for mandatory financial commitments.

[6] SFC grant devolved = ₹15,847.41 crore + IGFF and O&M = ₹ 3,183.38 + Incentive Fund = ₹ 227.91 crore + to TNIUS = ₹ 15 crore

Further, there was a cumulative arrears of ₹ 395.11 crore, pertaining to earlier periods (the earliest year being 1997-98) which was released in two instalments during the years 2018-19 and 2019-20 i.e., after a gap of nearly 20 years.

Thus, due to the above short/delayed release, the ULBs were denied of their rightful share in real time (diminished value of money) for utilisation of the same for needy services to the public.

The Government replied (September 2021) that the devolution funds are spent for administrative and contingency expenditure, the delay in release would not hamper the providing of services.

The reply is not tenable since the funds though utilised predominantly for the expenses like administrative and contingency, the delayed release of fund caused financial burden to the ULBs.

2.10 Central Finance Commission Grants

Article 280(3)(C) of the Constitution of India mandates the Central Finance Commission (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 13th and 14th CFC recommended disbursement of Grants by the Government of India to the ULBs as a percentage of divisible pool account.

The CFC grant is divided into two components *viz*., Basic (80 *per cent*) and Performance grant (20 *per cent*). Basic grant shall be paid in two instalments *viz*., June and October of the respective financial year. The Performance Grant shall be paid alongwith the October instalment of Basic grant.

The details of CFC actually allocated during the period is detailed below:

Table 2.2 – Details of CFC Grant

(₹ in crore)

Year	CFC Grant	
	Basic Grant	Performance Grant*
2015-16	790.04	-
2016-17	1,093.95	322.87
2017-18	1,263.96	365.37
2018-19	1,462.18	414.92
2019-20	1,975.71	543.31
***PG for 2016-17 alone was released so far by GoI to Tamil Nadu**		

Source: Data furnished by the Department

2.10.1 Delayed release of CFC Basic Grants

Audit scrutiny of the records of Commissioner of Municipal Administration (CMA) and Director of Town Panchayats (DTP) revealed that there was delay in release of CFC grants ranging from 3 to 11 months during the period

2015-20 by Central Government and consequently there was delay in devolution of the same to the ULBs by State Government.

It is pertinent to mention that while the Central Government directed (October 2015) the State Government to pay interest on the delayed release of CFC grants, there is no similar provision for charging of interest for delayed release of CFC grants by Central Government.

2.10.2 Non-receipt of CFC Performance Grants

The 14th Finance Commission (FC) has observed that disclosure and audit of proper accounts are the starting point for financial accountability. To promote accountability and responsibility for public money, the Central Government have introduced a concept of Performance Grants (PG) from the year 2015-16. The PG are released based on the following eligibility criteria:

- Submission of Audited Annual Accounts (Receipts and Expenditure) relate to a year not earlier than two years preceding the year in which the ULBs seeks claim of the performance grant.

- Increase in own revenue over the preceding year as reflected in the audited Accounts.

- Service Level Bench marks for Basic Services such as Water Supply, UGSS, Solid Waste and Swacch Bharat Mission shall be published for the entire plan period and make publicly available.

The PG would be released to the ULBs, which achieve all the three conditions in each year in the ratio of 40:29:31. The CFC grants are to be utilised for Water Supply Schemes, Payment of Electricity Charges, Solid waste Management, Maintenance of roads, parks, playfields *etc*.

Audit scrutiny revealed that the PG of ₹ 322.87 crore for the year 2016-17 was released on due date *viz*., February 2017. However, for the subsequent years from 2017-18 to 2019-20, the PG of ₹ 1,323.60 crore was not released by the Central Government despite fulfilment of all the eligibility criteria by the ULBs. The yearwise PG due for the ULBs is given in the **Annexure 13**. It is pertinent to mention that the State Government have also taken up the non-release of PG with the Central Government during April 2018 and August 2019, but no amount was released till date (September 2021).

On this being pointed out, the Government replied (September 2021) that the PG for the years 2017-18 to 2019-20 was not released due to non-conduct of local body election. The reply is not tenable since the conduct of elections was prescribed as a general condition for the release of CFC Grants as a whole. While the GoI has released Basic Grants of CFC every year, it has not released the PG Grant. Non-release of PG to the ULBs tantamount to deprival of much needed financial resources to the ULBs.

2.11 Incentive Fund

In the year 2017, Government introduced[7] Incentive Fund (five *per cent* of aggregate devolution intended for ULBs) in order to incentivise the ULBs which had improved their Property Tax (PT) collection by more than 20 *per cent* over the previous year. The amount of incentive will be a matching share of the collection in excess of 10 *per cent* growth rate. At the end of the five-year period from 2017-18 to 2021-22, any undisbursed incentive amount shall be made available to the Head of the Department for further use in subsequent years to carry out works relating to amenities and infrastructure.

Based on the above Government Order (GO), for the years from 2017-18 to 2019-20, the following amount are to be earmarked for incentive fund:

Table 2.3 – Incentive Fund Allocation

(₹ in crore)

Year	Incentive Fund to be earmarked
2017-18	189.90
2018-19	220.50
2019-20	227.91

Source: Data furnished by Finance Department

Audit scrutiny revealed that:

- During the financial year 2017-18 and 2018-19, no amount was earmarked separately under Incentive fund. Subsequently in July 2019 and February 2021, an amount of ₹17.48 crore[8] and ₹ 14.27 crore[9] was released for the years 2017-18 and 2018-19, respectively.
- For the subsequent year 2019-20, though the incentive fund of ₹ 227.91 crore has been set aside, the same was not released to the eligible ULBs.

The Government stated (September 2021) that the growth rate could not be achieved and the eligibility for incentive fund could not be calculated from 2019-20 onwards. Thus, the decision of the Government to revert to the old rates of property tax (discussed in Para 2.12.1) denied the ULBs for achieving higher growth rate and subsequent realisation of incentive fund for the year 2019-20.

2.12 Own revenue of Urban Local Bodies

The tax revenue of an ULB consists of Property Tax, Professional Tax, Water Tax, Advertisement Tax, *etc*. The non-tax revenue comprises of water charges, lease rent from buildings owned and leased out by the ULBs, trade licence, *etc*.

The year-wise details of major own source of revenue (OSR) for the period 2017-18 to 2019-20 are given in the **Annexure 14**.

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7 GO.Ms.No.84 (MA&WS) Department dated 31.3.2017

8 Two Corporations and 21 Municipalities

9 One Corporation and 25 Municipalities

The primary source of revenue for an ULB is the property tax revenue (PTR) on land and buildings. The details of OSR and the share of Property tax for the years 2017-18 to 2019-20 are detailed below:

Table 2.4 –Details of OSR and Share of Property Tax

(₹ in crore)

Year	Total		Percentage of PTR to OSR
	OSR	PTR	
2017-18	4,850.36	2,261.07	46.62
2018-19	6,279.30	3,109.55	49.52
2019-20	6,208.85	2,431.25	39.16

Source: Data furnished by the HODs

It was noticed that though the Property tax being the mainstay of ULBs, the revenue has drastically diminished from 49.52 *per cent* in 2018-19 to 39.16 *per cent* in 2019-20 due to withholding of property tax revision by the State Government, which impacts the ULBs to a large extent as detailed in the following paragraphs.

2.12.1 Non-revision of Property Tax

As per Schedule IV [Rule 8(1)] to the TNDM Act, Property Tax is to be revised every five years. This aspect was specifically reiterated by the respective CFCs and SFCs. The 5th SFC has recommended that the Government should issue suitable instructions reiterating timely general revision of taxes by ULBs and has further stated that the stalling of the general revision is a serious setback to ULBs seeking to augment internal resources. This recommendation was accepted by the Government.

Audit noted that the property tax was last revised in the year 1998 in respect of GCC and in 2008 in respect of Municipalities and Town Panchayats. As such, the next general revision of property tax for GCC was due in 2003 and for other ULBs since 2013. In September 2012, the CMA had sought for revision of property tax from the Government. However, no decision was taken by the Government. Finally, as per the Hon'ble High Court direction, the Government revised the rate of property tax only in July 2018[10]. Audit observed that the revision was short-lived as the Government withheld[11] (November 2019) the revision of property tax, based on the representation received (July 2019) from Resident Welfare Associations, Traders *etc*., and formed a Committee to examine the issues relating to Property tax in all urban areas.

Even though the property tax revision was done in 2018, after a gap of 20 years in GCC and 10 years in other ULBs, it was withheld after a year. As Property tax is the major source of revenue to the ULBs, the loss to the ULBs due to non-revision of property tax during the period 2013-18, is as follows:

[10] vide G.O (Ms) No.73, MA&WS department, dated19.07.2018 and G.O (Ms) No.76 (amended), MA&WS department, dated 26.07.2018

[11] vide G.O.Ms.No.150 dated 19 November 2019

Table 2.5 – Details of loss to ULBs due to non-revision of property tax

(₹ in crore)

For the period between 2013 and 2018	Municipalities and Corporations (except GCC)	GCC	Town Panchayats
Existing demand per half year	348.34	251.08	124.23
If revision had been made, demand per half year	480.70	347.49	155.28
Incremental revenue per half year	132.36	96.41	31.05
Incremental revenue for 5 years	**1,323.60**	**964.10**	**310.50**

Source: Data furnished by the Department

Due to non-revision of property tax since 2013, the loss of revenue suffered by ULBs amounted to ₹ 2,598.20 crore for five years from 2013 to 2018. This loss of revenue would continue for the subsequent years also as Audit observed that during the year 2019-20, the ULBs lost additional revenue of ₹ 678.31 crore[12] despite increase in the number of assessments by 1,67,505 **(Annexure 15)** since the general revision proposed in 2018 was reversed and the rates fixed in 2008 continues till date.

Despite the acceptance of the recommendation of 5th SFC, the Government did not revise of property tax quinquennially. Thus, the autonomy of the local body for generation of own source of revenue was compromised. The decreased revenue will continue to affect the ULBs till the Committee submits its recommendations.

The Government replied (September 2021) that the TNDM Act, 1920 needs to be amended to make general revision of property tax mandatory in all ULBs once in five years and the proposal in this regard has been sent to Government in April 2014 and the same is awaited. The reply is not acceptable since it is silent about the corresponding amendment for corporations. Further, had the revision took place periodically, the impact of the revision in 2018 in the form of a sudden rise in property tax rate would not have been felt by the public which forced the Government to withhold the revision.

2.12.2 Non-compensation of loss of revenue by the Government

The Fifth SFC recommended (December 2016) that there should be no further postponement of the general revision of the property tax and in the event of further postponements of general revision, the Government should compensate the ULBs for the loss of revenue. It is pertinent to mention that the SFC's recommendation was accepted by the Government.

Audit scrutiny revealed that due to withholding of revision (2019), increased revenue of ₹ 678.31 crore for the year 2019-20 could not be augmented by the ULBs as explained in the above observation. As such, the ULBs though are

[12] Demand for 2018-19 = ₹ 3,109.55 crore (LESS) Demand for 2019-20 = ₹ 2,431.24 crore

eligible for compensation as recommended by the SFC, the same was not done till date. This has resulted in denial of rightful funds to the ULBs.

2.12.3 Re-measurement and Re-classification – Non-realisation of additional revenue

In Property Tax assessments, Re-measurement is an additional scope through which the area and the usage of the property can be correctly assessed by ULBs authorities warranting increase/decrease in the rate of property tax.

During 2017-18, various review meetings were conducted by MA&WS Department in order to review the assessment of property tax so as to find out any additional properties which were not assessed or properties which were under assessed. Along with this exercise, the usage of the properties was also to be scrutinised and the properties reclassified accordingly.

Audit observed that the Corporations (except GCC) and Municipalities found (4 December 2017) that there were cases of underassessment and misclassifications in the properties resulting in loss of revenue of ₹ 98.89 crore per annum as detailed below:

Table 2.6 -Details of Re-measurement and Re-classification as on 30.11.2017

(₹ in crore)

ULBs	Total assessments	Assessments reviewed	No change	Non-assessed	Under assessed	Addl. Demand per year
Corporations	20,43,654	16,98,828	10,61,803	50,001	5,87,024	59.76
Municipalities	25,35,084	24,87,777	17,49,059	57,368	6,81,350	39.13
Total	**45,78,738**	**41,86,605**	**28,10,862**	**1,07,369**	**12,68,374**	**98.89**

Source: Data furnished by the Department

Besides the above, in respect of the properties situated in Town Panchayats, the additional demand that could accrue on account of re-measurement was ₹ 5.02 crore (41,334 Domestic and 1,389 Commercial assessments). Thus, the overall additional demand per year on account of re-measurement would be ₹ 103.91 crore.

However, the Commissioner of Municipal Administration vide circular[13] in November 2019 issued orders to the Corporations/Municipalities to collect the property tax as per the old rate and not to give effect for re-measurement. This order is in contravention to the Government order issued (November 2019) and the consequent non realisation of additional revenue that could have been accrued amounted to ₹103.91 crore for the year 2018-19 alone.

It is pertinent to mention that the Fifth SFC had recommended (March 2017) for GIS mapping for all ULBs to bring out left out properties to assessment of property tax and the same was accepted by the Government. However, Audit noted that GIS property mapping has been completed only in 17 ULBs but was not implemented for rest of the ULBs even after four years of such

[13] No.40032/2012/R1 dated 29.11.2019.

recommendation. Had the GIS mapping was completed, the above cases of non/under assessment would have been avoided.

2.13 Taxation Appeals Committee

According to Section 23-A of TNDM Act, 1920, for every municipality there shall be a Taxation Appeals Committee with the Chairman of the Municipal Council and four councillors elected by the council. The business of the taxation appeals committee shall be transacted in accordance with the rules made by the State Government in this behalf.

Audit scrutiny revealed that while the taxation appeal committee was active till the existence of the Council (i.e., October 2016), the said committee became non-existence/inactive after October 2016.

Thus, the grievances of the public with regard to the property tax based on which the general revision was withheld could have been avoided had this Committee was in place. This could not be enforced due to non-conduct of municipal elections and consequent elected body not in place.

2.14 Property Tax Board

The Government gave (June 2012) 'in principle' approval[14] for formation of Tamil Nadu State Property Tax Board (TNSTB) in compliance to the condition laid down by the 13th Finance Commission to draw its share of General Performance Grant.

The Tamil Nadu State Property Tax Board Act, 2013[15] came into force with effect from 1 November 2014. The main functions of the Board are, to review the property tax amount, suggest suitable guidelines for valuation of properties, recommend modalities for periodical revision of property tax.

However, Audit noticed that though the approval was given in 2014, the Government actually constituted the Board with Principal Secretary, MA&WS Department as the Chairperson only in January 2018[16] after more than three years.

Further, to an earlier Audit query during November 2018 as to the role played/suggestions given by the Board to the Government during the latest general revision of the property tax, it was replied (June 2019) that there was no supporting officer and staff appointed to the Tamil Nadu State Property Tax Board and the HODs were requested to issue necessary guidelines for general revision as was done earlier. Further it was also replied that after the appointment of the Secretary and staff, the function and regulation of the Board for activating the functions of the Board will be framed.

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14 G.O.(Ms.) No.59 dated 15.6.2012

15 G.O.(Ms.) No. 132 dated 31.10.2014 and the rules vide G.O.No.133 dated 31.10.2014

16 vide G.O.Ms.7 dated 25.1.2018

Thus, even after six years (2012-2018) from the order providing 'in principle' approval for formation of the Board, the board is yet to take off with its functions thus denying the ULBs of a proper advisory committee for providing guidelines for revision of property tax more importantly during the general revision of 2018.

Recommendation: The Government may consider the following:

- **Quinquennial revision of property tax may be made mandatory.**
- **For efficient system for assessment of property tax, the co-ordination between the Town Planning and Revenue Wings may be structurally strengthened through an automated work flow process with prompt data sharing.**
- **Geographic Information System (GIS) mapping of all ULBs may be completed to bring left out properties to assessment.**
- **"Any time anywhere" remittance systems may be enabled for Property Tax in all ULBs as prevalent in GCC.**
- **May collect property tax on re-measured and re-classified properties.**
- **Constituting the Taxation Appeals Committee and may also provide sufficient resources for effective functioning of the Property Tax Board.**

2.15 Arrears of revenue of Urban Local Bodies

Demands for property tax and other tax and non-tax revenue shall be raised by the respective ULBs and the collections effected promptly. The total demand and the collection made during the years 2017-18 to 2019-20 in respect of Property Tax is given below:

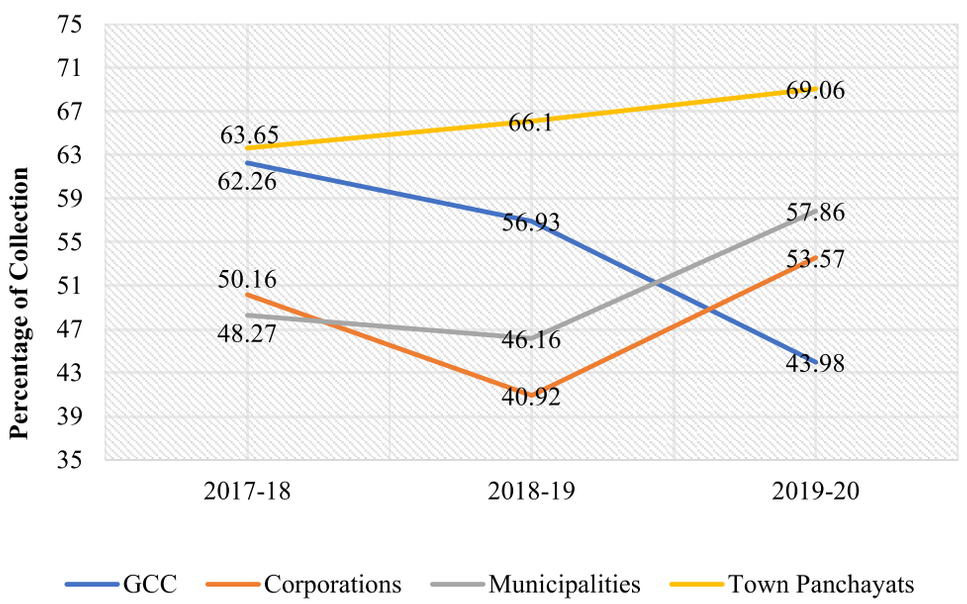
Table 2.7 – Demand and collection Property Tax

(₹ in crore)

ULBs	Particulars	2017-18	2018-19	2019-20
Greater Chennai Corporation	Total demand	1,157.56	1,174.09	1,079.58
	Total collection	720.73	668.39	474.76
Corporations (except GCC)	Total demand	1,032.53	1,366.45	1,121.50
	Total collection	517.96	559.21	600.73
Municipalities	Total demand	640.13	947.96	735.41
	Total collection	336.08	437.56	425.52
Town Panchayats	Total demand	211.17	271.83	265.18
	Total collection	134.41	179.78	183.13
Total demand and total collection shown above includes both arrear and current demand and collection.				

Source: Data furnished by the Department

Chart 3 - Property Tax - Demand (vs) Collection percentage



Audit analysis from the above table and the graph reveals that:

- The overall average Property tax collection percentage with respect to the demand, for three years, stood at 55 *per cent* only.
- the percentage of collection in respect of Corporations (except GCC) ranged between 40.92 and 53.57 *per cent*.
- In respect of Municipalities it ranged between 46.16 and 57.86 *per cent* and for TPs it was between 63.65 and 69.06 *per cent* respectively.
- The collection percentage of GCC has drastically reduced from 62.26 *per cent* (2017-18) of the demand to 43.98 *per cent* (2019-20) of the demand, which needs immediate attention.
- The collection percentage of TPs alone are showing a linear increase from 63.60 *per cent* in 2017-18 to 69 *per cent* in 2019-20.

While the non-revision of the property tax rates affects the income generation of the ULBs, there is also arrears of property tax as well as in other revenue like vacant land tax, professional tax, non-tax revenue, *etc* as detailed below:

Table 2.8 - Arrears of revenue as on 31 March 2020

(₹ in crore)

Nature of Revenue	Corporations (excluding GCC)	Municipalities	Town Panchayats	Total
Property Tax	520.76	309.89	82.05	912.70
Vacant Land Tax	129.84	43.51	0.65	174.00
Professional Tax	80.57	58.71	17.05	156.33
Water (Supply) Tax	175.92	101.59	20.55	298.06
UG Sewerage Service Charges	131.19	46.21	0	177.40
Non-Tax Revenues	261.29	161.28	32.93	455.50

Solid Waste User Charges	26.92	41.80	Not Available	68.72
Total	**1,326.49**	**762.99**	**153.23**	**2,242.71**

Source: Data furnished by the Department

The arrears of property tax of GCC amounted to ₹ 604.82 crore[17]. The above table indicates that the ULBs need to improve the collection mechanism as the total accumulated arrears including property tax increased to ₹ 2,847.53 crore (₹ 2,242.71 crore and ₹ 604.82 crore).

In view of the fact, the revision of tax not being implemented as discussed earlier, there was an urgent need for the ULBs to improve the collection efficiency which is within their purview.

In reply, the Government stated (September 2021) that the ULBs are taking action to improve the revenue collection performance in general and arrear demand in particular and the same is monitored. Necessary instructions are being issued to collect pending arrear demand.

2.16 Expenditure of Urban Local Bodies

The expenditure of ULBs can be broadly classified into the following heads:

1. Establishment expenditure
2. General Expenses
3. Operation and Maintenance
4. Interest and finance charges
5. Programme expenses

(i) The details of revenue expenditure[18] incurred by the ULBs during the period 2015-16 to 2019-20 as against the own source of revenue is given below:

Table 2.9 – Own Source of Revenue to Total Revenue Expenditure

(₹ in crore)

Year	Total revenue expenditure	Own Source of income	Difference	Difference (in *per cent*)
2015-16	8,825.58	4,704.92	4,120.66	53.31
2016-17	8,753.23	4,615.48	4,137.75	52.73
2017-18	8,887.19	4,850.40	4,036.79	54.58
2018-19	10,241.42	6,279.34	3,962.08	61.31
2019-20	11,019.34	6,208.91	4,810.44	56.35
Total	**47,726.76**	**26,659.05**	**21,067.72**	**55.86**

Source: Data furnished by the Department

The ULB-wise breakup details are given in **Annexure 16.**

[17] GCC's property tax: total demand ₹ 1079.58 crore (-) total collection ₹ 474.76 crore= ₹ 604.82 crore (refer Table 2.7)

[18] Expenditure towards Establishment, General Expenses, O & M and Interest and finance charges

Audit analysis from the above table indicates the following:

- The revenue generated by the ULBs could match only 56 *per cent* of their Revenue Expenditure. The balance expenditure was met out of the devolution grants of the State Government.
- In 2018-19, the increase of revenue (61 *per cent*) was due to the reason that the property tax rates was increased. Subsequently, it fell to 56 *per cent* in 2019-20 due to the withholding of the property tax revision. This clearly showed the effect of Property tax revision and the need to protect the financial sustainability of the ULBs.
- As the own revenue of the ULBs cover only half of their revenue expenditure, the ULBs are becoming more and more reliant on the State and Central grants.

Further, Audit also noticed that due to the above reasons, in 43 ULBs (test checked and data collected), even the salary disbursement to the officials during 2019-20 was delayed. The ULBs concerned attributed the reasons for delayed disbursement to insufficient/paucity of funds.

(ii) The break-up details of expenditure incurred by ULBs including capital expenditure for the years from 2015-16 to 2019-20 is detailed below:

Table 2.10 –Expenditure of ULBs

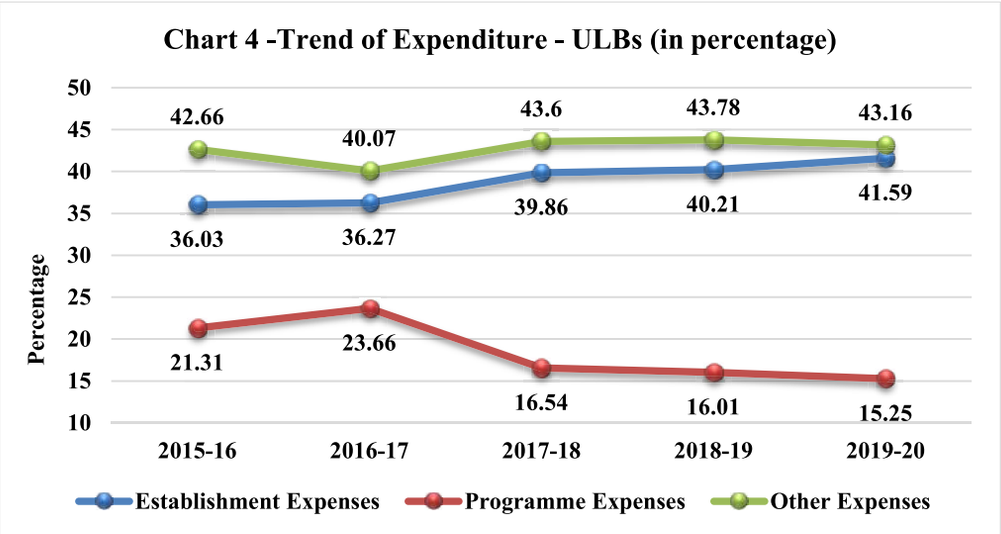
(₹ in crore)

Year	Establish-ment Expenses	Operation & Main-tenance	Programme expenses	General and Admn. Expenses.	Interest. & Finance Expenses	Total
2015-16	4,040.59	1,603.11	2,389.98	1,514.22	1,666.77	11,214.67
2016-17	4,159.18	1,885.37	2,712.49	1,505.00	1,203.70	11,465.74
2017-18	4,244.72	1,804.25	1,760.84	1,499.63	1,338.67	10,648.11
2018-19	4,903.65	1,900.98	1,952.41	1,698.88	1,737.93	12,193.85
2019-20	5,407.03	2,125.16	1,982.52	1,811.57	1,675.59	13,001.87
Total	**22,755.17**	**9,318.87**	**10,798.24**	**8,029.30**	**7,622.66**	**58,524.24**

Source: Data furnished by the Department

The trend in expenditure in percentage for establishment, programme and other expenses [19]over the period from 2015-16 to 2019-20 is detailed in **Chart 4**.

[19] Operation & Maintenance, General and Administration Expenses and Interest and Finance Charges



Audit scrutiny revealed that:

- Establishment expenditure forms the major portion of the ULB's expenditure and is on a year-on-year increasing trend from 36 *per cent* in 2015-16 to 41.60 *per cent* in 2019-20.
- Expenditure incurred towards programmes shows a decreasing trend and it has come down from 23.66 *per cent* in 2016-17 to just 15.25 *per cent* in 2019-20.
- Thus, with other expenditures maintain a nearly uniform stand over the years, the increase in establishment expenditure is affecting the spending towards programme expenditure as evident from the reduction in expenditure.

Further, in 24 out of 36 test checked offices, out of 17 functions, the expenditure incurred was only in respect of four[20] functions or even less due to the above-mentioned reason.

In reply (September 2021), the Government stated that the expenditure towards programmes is incurred in accordance with the scheme works approved and it varies annually. It was also stated that only four or five functions out of 17 functions are essential and the others involve sporadic expenditure. ULBs carry out the major function that needs to be executed on priority basis.

Recommendation: The Government may consider timely release of balance SFC grants and take necessary steps to obtain the Performance grant from the Central Government in order to augment the financial resources of ULBs to meet their expenditure.

[20] a) Roads and bridges; b) Water supply for domestic, industrial and commercial purposes; c) Public health, sanitation conservancy and solid waste management; d) Public amenities including street lightings, parking lots, bus stops and public convenience

2.17 Budget Management

As per Section 120 of TNDM Act, 1920, the Municipal Council shall in each year frame a budget showing the probable revenue and the expenditure which it proposes to incur during the following year and shall submit a copy of the budget to the State Government. The State Government may modify any part of the budget so as to maintain a working balance for the due discharge of all liabilities.

Section 121 of the Act ibid provides that if in the course of a year, a Municipal Council finds it necessary to modify the figures shown in the budget it may submit a supplemental or revised budget, provided that no alteration shall be made without the consent of the State Government in the amount allotted for the service of debt or in the working balance.

Expenditure (both the capital and O&M expenditure) estimation depends on services to be provided by the local government and its costs to achieve appropriate service levels. Audit scrutiny of the budgetary provisions for the period between 2015-16 to 2019-20 of the ULBs revealed that the budget preparation was not based on scientific analysis and there was wide gap between the budget estimates and actual revenue and expenditure. The deficiencies noticed in some of the ULBs are detailed below:

- **Kumbakonam**: There is a wide gap between budget estimates and revised estimates in respect of revenue ranging between 38 and 250 *per cent* and actual expenditure between 41 and 132 *per cent*.
- **Nagapattinam and Arani:** The budgets for both revenue and expenditure was fixed by adding a random amount to the previous years' budget.
- **Tenkasi and Dhaliyur**: The figures furnished to Audit revealed that the gap between budget estimates and actuals were one and the same for all the five years leading to the conclusion that the budget figures given was mere arithmetic rather than arriving scientifically.
- **Rajapalayam**: The gap ranged between 55 and 119 *per cent* in respect of revenue and between 56 and 113 *per cent* in respect of expenditure.
- **Eriodu:** The gap ranged between 74 and 114 *per cent* in respect of revenue and between 84 and 135 *per cent* in respect of expenditure.
- **Velankanni:** Only revised estimates were prepared.

The analysis shows that the budget estimates were not prepared taking into account the average revenue/expenditure incurred during last three years or at least the previous year along with the anticipated revenue /expenditure that are likely to be made during the year.

The budget estimates, revised estimates and actuals for the period between 2015-16 and 2019-20 in respect of 24 ULBs out of 36 sampled ULBs are detailed in **Annexure 17.**

The Government stated (September 2021) that necessary instructions will be given for preparing realistic budget.

Recommendation: Action may be taken to prepare the ULBs budget in a scientific manner taking into account requirements of capital expenditure as well as a realistic projection of both revenue and expenditure considering the previous years' actual and the funds expected to be mobilised.

2.18 Financial powers of Urban Local Bodies

Governance at the grass root level in conformity with the objectives of the 74th CAA can be completed only when supported by decentralisation of financial and administrative powers. The decentralisation provides for:

- Creation of good and reliable administration
- Local governance
- Accountability and responsiveness
- Localised participation in decision making process

The administrative approval powers of the officers of the ULBs for incurring expenditure are detailed below:

Table 2.11 – Financial Powers

(₹ in lakh)

Category	Commissioner/ Special Officer/ Executive Officer	Standing Committee	Council	RDMA/ ADTP	CMA/ DTP	Government
Corporations	Between 10.00 and 100.00	20.00 to 30.00	50	NA	Upto 135.00	Above 135.00
Municipalities	55.00	55.00	55.00	68.00	Upto 650.00	Above 650.00
Town Panchayats	-	-	1.00 to 2.00	5.00	Upto 100.00	Above 100.00

For GCC

Ward Committee	Zonal Committee	Dy Commr.	Mayor	Standing/ Subject Committee	Steering Committee/ Mayor in Council	Council	State Government
Upto₹ 10 lakh	Upto₹ 10 lakh	Between ₹ 10 and ₹ 50 lakh	₹ 50 to ₹ 60 lakh	₹ 60 – ₹ 75 lakh	₹ 75 lakh to ₹ 1 crore	₹ 1 to ₹ 10 crore	Above ₹ 10 crore

Source: Data furnished by the Department

In this regard Audit noted that the municipal bodies in the States of Andhra Pradesh, Bihar, Gujarat, Kerala and Maharashtra were vested with complete administrative powers.

The restrictions/limitations on the powers of ULBs as above negate the movement towards greater decentralisation.

Audit observed that while in the States mentioned above, the administrative powers were fully delegated and vested with the Municipalities, the situation is not so in Tamil Nadu, which shows lack of administrative sanction power at the grass root level in Tamil Nadu.

2.19 Analysis of financial data

In order to analyse the financial management of ULBs in a holistic way, Audit collected data from 200 ULBs (66 municipalities and 134 town panchayats) for the year 2018-19 and 2019-20. The analysis for Fiscal Autonomy, dependency on Grants, coverage of revenue expenditure from Own Source and the Share of O&M expenditure were carried out with the available data. The financial data of ULBs are given in **Annexure 18** and Fiscal autonomy, self-reliance and quality expenditure of ULBs are mentioned below:

Chart 5 - Fiscal Autonomy, Self-Reliance and Quality Expenditure of ULBs

Source: Data furnished by the Department

Analysis of financial data[21] relating to 200 ULBs revealed that:

- **Fiscal Autonomy (Share of own revenue to total revenue)**: Only 14 ULBs could show better financial augmentation and raise 70 *per cent* of their revenue from own resources.
- **Self-reliance (Coverage of revenue expenditure from own source)**: Only 43 ULBs are able to meet more than 70 *per cent* of their

[21] Financial data as "Financial Management of ULBs" shown in Annexure 18.

expenditure from their own source of revenue in 2018-19. The number of ULBs got reduced to 32 in 2019-20.

- **Quality of expenditure (Share of O&M expenditure should be high for quality expenditure)**: Only 10 ULBs have shown better quality of expenditure and spent more than 70 *per cent* of their revenue expenditure on operation and maintenance in 2018-19. In 2019-20, this position increased to 16 ULBs. In the remaining ULBs, the expenditure was more on administrative and establishment expenditure.

In reply (September 2021), the Government stated that emphasis will be made to increase the quality of expenditure and also to restrict administrative and establishment expenses.

2.20 Loans raised by Urban Local Bodies

In order to meet their ever-increasing expenses, the ULBs resorted to borrowings (loan) thereby paying interest and consequent additional financial burden. In the past five years, the amount of loan raised by the ULBs was ₹ 4,076.07 crore.

In order to analyse the financial position of ULBs, Audit compared the loans raised by the ULBs against the grants (SFC and Performance Grant) which were due to the ULBs. The results are as follows:

Table 2.12 – Comparison of Loans to Outstanding Revenue of the ULBs

(₹ in crore)

Year	Loan raised by ULBs (A)	Grant Due to the ULBs		
		SFC Grants (Short Release)	Performance Grant (Non-Release)	Total (B)
2016	470.83	177.71	0.00	177.71
2017	1,357.01	150.84	0.00	150.84
2018	1,501.35	229.73	365.37	595.10
2019	464.19	127.77	414.92	542.69
2020	282.69	620.84	543.31	1164.15
Total	**4,076.07**	**1,306.89**	**1,323.60**	**2,630.49**

Source: Data furnished by Department

In addition, the property tax arrears amounted to ₹ 1,517.52 crore to be collected by the ULBs as on 31 March 2020.

Audit analysis revealed that:

- Due to dependency of the ULBs on the Grants, short release / non-release of the same forced the ULBs to raise loans.

- The availability of the rightful share of grants to the ULBs in a timely manner could have greatly reduced raising of loans by 64.54 *per cent*, thereby ensuring better financial management.

In reply (September 2021), the Government stated that efforts are taken to incur scheme expenditure from various grants and borrowing will be avoided to the possible extent. It was further stated that ULBs will be instructed to increase their own revenue.

Recommendation:

The Government may issue instructions to ULBs for effective collection of property tax and may ensure timely release of grants due for ULBs.

Chapter III- Role of Parastatals

3.1 What is a Parastatal

Parastatals are institutions/organisations, which are wholly or partially owned and managed by the Government (formed as autonomous or through a specific legislation) and discharge some of the functions of ULBs. Some of the parastatals which are performing significant roles with regard to ULBs are detailed in **Annexure 19.** Audit analysed the role of some of the parastatals affecting the ULB's performance and findings are discussed below:

3.2 Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO)

Government, while accepting the recommendation of the 5th Finance Commission, established a Capital Grant Fund[1] (CGF) to replace the Infrastructure Gap Filling Fund (IGFF). IGFF had a provision of seven *per cent* which was substituted with CGF for 15 *per cent* of the net devolved amount. This fund shall be utilised to support capital works linked to basic functions and services of ULBs. Accordingly, the Government set aside an amount of ₹ 1,875.65 crore as capital grant during the period 2017-20.

Audit scrutiny revealed that the system adopted for CGF was to disburse the amount to TUFIDCO which in turn releases the fund to the ULBs based on Empowered Committee's proceedings. However, this system has been changed from the year 2020-21and the amount is kept within the Government account itself and are released to the ULBs by the HODs (CMA and DTP) based on the empowered committee`s proceedings, instead of routing through TUFIDCO. However, audit noticed that even though TUFIDCO had no role from 2020-21 in release of funds, an amount of ₹ 141.48 crore (source fund ₹ 78.63 crore and interest ₹ 62.85 crore) being the amount pertaining to the earlier years was not returned by TUFIDCO to the Government Account, thereby funds belonging to ULBs were blocked.

Further, Audit noted that while IGFF can be utilised for construction of office building but the same was specifically excluded from CGF[2] (the fund which replaced IGFF). The Finance Department has also recommended that the CGF should not be utilised for construction of office buildings.

However, audit scrutiny revealed that the Department had utilised the CGF for the construction of office buildings and sanitary workers' quarters which is not envisaged in the CGF scheme. The amount so utilised during 2017-20 in respect of nine ULBs was ₹ 29.49 crore. Even though the work was sanctioned by the

1 G.O.No.84 dated 31 March 2017
2 GO 399 dated 27 September 2017

Government based on the empowered committee approval (February 2018), the same do not fall under any of the criteria mentioned in the CGF Scheme.

The Department replied (October 2020) that even though the approved guidelines for utilisation of Capital Grant given vide GO 399 dated 27 September 2017 did not permit construction of office buildings, the same was again permitted in GO 84 dated 2 March 2018. Further construction of sanitary workers' quarters was taken up under other needy scheme which is essential for the upliftment of sanitary workers. The Empowered Committee approved the sanitary workers' quarters under CGF.

The reply is not tenable for the reason that GO 84 dated 2 March 2018, granting permission as a one-time measure, was deviation from the CGF guidelines issued, which specifically prohibited construction of office buildings out of CGF. According permission by the Government as a one time measure will not justify such deviation as the fund is primarily earmarked for public welfare such as water supply, Storm Water Drains, Road and Bridge works, *etc*. It is pertinent to note that the Finance Department have also opined that construction of Office Buildings under CGF was not justified.

3.3 Tamil Nadu Urban Infrastructure Financial Services Limited

The Government of Tamil Nadu have created a non-lapsable fund in the name of Tamil Nadu Urban Road Infrastructure Fund (TURIF) in 2011[3] for implementation of works related to improvement/renovation/relay of roads and other related infrastructure in ULBs. The fund is managed by Tamil Nadu Urban Infrastructure Financial Services Limited (TNUIFSL), a Parastatal.

The major source of fund for TURIF is the allocation of a portion of the surcharge of Stamp duty (assigned revenue of the ULBs). A surcharge on Stamp duty (SD) is being collected by the Registration Department, which has to be transferred to the ULBs within the ULB's area. At present, 50 *per cent* of the surcharge is being diverted to TURIF and the remaining is transferred to the concerned ULBs.

During the period 2015-20, an amount of ₹ 1,673.63 crore was transferred to TURIF being the 50 *per cent* of the assigned revenue payable to the ULBs. An amount of ₹ 1,723.68 crore has been released to the ULBs during the said period.

3.3.1 Utilisation of Assigned Revenue

Detailed instruction regarding release of surcharge on Stamp Duty to the ULBs by the Commissioner of Municipal Administration and the Director of Town Panchayat was issued vide GO cited *ibid*. Prior to this arrangement, the fund was released based on the report of the District Collectors (DC).

The CMA and the DTP has recommended to the Government that the tentative allocation be sanctioned based on the actual amount due to the ULBs in the

[3] *vide* G.O.(Ms.) No.64 MA & WS (Election) Department dated 28.2.2011

previous year and the difference between the tentative allocation and the actual entitlement may be adjusted in the succeeding financial year.

In order to overcome the delay in fund release, based on the recommendation of the CMA and DTP (as prevalent in Rural Development Department), the Government formulated that 50 *per cent* of the surcharge on SD collected based on the report of the Inspector General of Registration will be placed at the disposal of the CMA and DTP and the remaining 50 *per cent* to be released as contribution to the TURIF.

Audit scrutiny revealed the following:

- The changed procedure denied ULBs of their discretion to spend the amount based on their own independent assessment of their needs and they had to spend it only for road works.

- Further, ULBs get only 50 *per cent* of their entitled amount. The remaining 50 *per cent* of the amount is spent only for road works based on the recommendations of the empowered committee through TURIF. In the period between 2015-16 and 2019-20, in respect of four out of 124 municipalities and 140 out of 528 TPs, no road works has been undertaken, even though a portion of their share has also been pooled in the TURIF thus denying them of the rightful capital work in their jurisdiction in the last five years.

- The earlier system of disbursement based on the report of the DCs was quicker and the entire amount was apportioned to the ULBs within two months from the last date of the previous quarter. However, as per the present procedure, the ULBs get only 50 *per cent* of their entitlement and that too with a delay in the release of the fund which ranged between eight and 30 months.

- It is pertinent to mention that the fourth SFC while discussing the issue of Surcharge has observed that Assigned Revenue may be distributed as per entitlement, as at the local body level it reflects the need for higher investments for creating infrastructure facilities and for maintenance by the local bodies. Based on the above, the assigned revenue need to be transferred to ULBs as per the entitlement without any diversion to TURIF or any other scheme.

Recommendation:

- **The Government may consider implementing the recommendation of the SFC in transferring the Assigned Revenue fully to the ULBs and install a convenient mechanism for arriving at the amount due to each ULBs and transferring the same without delay.**

- **The Government may establish an independent assessment mechanism in consultation with the ULBs for implementation of road works in ULBs.**

3.4 Tamil Nadu Water Supply and Drainage Board and Chennai Metropolitan Water Supply and Sewerage Board

One of the basic/primary functions of a ULB is to provide water supply to the public and end users. However, besides creating own source of water supply under various schemes *viz.*, Mini Power Pump and Hand pumps *etc*., ULBs are more reliant on the Combined/Comprehensive Water Supply schemes (CWSS) *viz*., augmentation and supply from River water and tank water from storage areas. These schemes are executed by parastatal *viz*., Chennai Metropolitan Water Supply and Sewerage Board[4] (CMWSSB) and Tamil Nadu Water Supply and Drainage Board[5] (TWAD Board) respectively. Though the approval of the schemes was done through respective council's resolution, the work has been entrusted to parastatals by the Government. This is due to the fact that the source of water and its usage are in different ULBs/Rural Local Bodies. As such it requires co-ordination of all the local bodies which can be done only through a parastatal. Further, these parastatals are also vested with the responsibility of promoting planned development and regulation of water supply and sewerage services including its operation and maintenance.

3.4.1 Water Supply Scheme

During the years from 2015-16 to 2019-20, the above Boards had completed 51 Water Supply projects/works involving an amount of ₹ 847.28 crore and 34 Underground Sewerage Scheme (UGSS) works involving an amount of ₹1,048.54 crore. Further, 39 water supply projects/works involving an amount of ₹ 2,803.41 crore and 40 UGSS works involving an amount of ₹ 2,661.62 crore are in progress.

In the test checked ULBs, Audit noticed that, out of 12 water supply schemes executed with a project cost of ₹ 780.37 crore, only two projects were completed within the scheduled time and the remaining ten projects were completed with a delay ranging between three months and nine years. Due to delay in completion, on the one hand the public were denied of getting protected and assured water supply in time and the ULBs on the other hand were forced to incur additional expenditure on water supply from the due date till the completion of the project. Four test checked projects are mentioned below:

[4] Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB), a statutory organisation, was established in 1978.

[5] The Tamil Nadu Water Supply and Drainage Board (TWAD Board) is a statutory organization formed by the Government of Tamil Nadu in April 1971.

Table 3.1 – Additional Expenditure incurred due to delay in completion

S. No.	Name of the ULB	Due date of completion[6] of WSS	Date of completion of the project (Delay in completion)	Period	Expenditure incurred on water supply (₹ in crore)	Water Supply Demand (₹ in crore
1	Avadi (executed by CMWSSB)	December 2011	December 2020 (108 months)	Between 2015-16 and 2019-20	8.60	0.39
2	Ooty (executed by TWAD Board)	February 2013	April 2018 (62 months)		27.72	12.08
3	Coimbatore Corporation (Executed by TWAD)	September 2018	January 2021 (18 months)	2018-19 and 2019-20	174.06	72.65
4	Pallavapuram Municipality (Executed by CMWSSB)	July 2015	October 2020 (63 months)	2015-16 to 2019-20	9.25	6.17
	Total				**219.63**	**91.29**

Source: Data furnished by the Department

In this connection Audit observed that:

- As per the recommendations of the Fifth SFC which was also accepted by the Government, water consumption charges should be levied at a rate that utmost ensures the recovery of operation and maintenance cost. However, as seen from the test checked four projects, as against the expenditure of ₹ 219.63 crore, the amount collected from the public by way of user charges was only ₹ 91.29 crore, which is 41.49 *per cent* of the expenditure on water supply. Had the projects been completed in time, the probable additional user charges that would have accrued to the above ULBs, was ₹ 35.83 crore *per annum* (**Annexure 20**).

- While the water tariff was increased periodically by the Parastatals for the existing water supply, the ULBs were not in a position to raise the water charges (User Charges) since the supply of lesser quantity of water (litres per capita per day) directly impact the decision to increase the water charges. Had the projects been completed in time, the increased water supply would have paved the way for revision of user charges by the ULBs much earlier and would have helped augmenting its own revenue for meeting its revenue expenditure as explained earlier.

[6] Two years for regular water supply scheme and three years for CWSS

3.4.2 Underground Sewerage Scheme

An underground sewerage system is an underground pipe or tunnel system for transporting sewage from houses and commercial buildings to a sewage treatment plant or disposal. The advantage of sanitary sewer systems is that they avoid sewer overflows.

Audit noted, in two test checked ULBs, that two projects relating to UGSS were completed belatedly with a delay ranging from 48 to 60 months. Audit further noticed that due to the delay in the completion of the projects, the two ULBs were denied additional revenue to the tune of ₹ 12.50 crore as detailed in **Annexure 21**.

In both the cases, the contractors were engaged by the Parastatal. The delay with regard to Thirumazhisai Town Panchayat was due to improper selection of location alongwith non-fulfilling of contractual obligations by the Contractor which was later forced upon the TP to complete the same by incurring additional expenditure of ₹ 21.74 lakh.

Thus, the inordinate delay in completion/partial completion of the UGSS by CMWSSB has defeated the very objective of total sanitation as well as denial of rightful basic services in time to the stake holders of the ULB.

Audit scrutiny revealed that while the parastatals are executing the work on behalf of ULBs as per the directions of the Government, they are not accountable to the ULBs. The parastatals execute the work by engaging contractors who are in contractual agreement only with them and not with ULBs even though they are the ultimate beneficiary as well as the aggrieved party if the work got delayed. The ULBs not being a party to the contract has no say in execution, timely implementation, quality control and supervision of the progress of the projects.

Recommendation: The Government may consider more stringent time frame for execution of work. Further, there could be a tripartite agreement wherein the ULB could also be made part of the agreement and each parties roles and accountabilities may be specified clearly.

3.5 Chennai Metropolitan Development Authority and Directorate of Town and Country Planning

The Chennai Metropolitan Development Authority (CMDA) was constituted in 1975 as a body corporate under the Tamil Nadu Town and Country Planning Act, 1971 for the Chennai Metropolitan Area[7]. The major functions of CMDA are preparation of Master Plans, Detailed Development Plans, issue of planning permits, *etc*. For other areas, Directorate of Town and Country Planning (DTCP) is the authority for issuing planning permission.

[7] Chennai Metropolitan Area comprises the GCC, eight Municipalities, 11 Town Panchayats and 10 Panchayat Unions consisting of 179 villages.

The following charges are collected for issuing Planning Permission and Building Licence as detailed below:

i) Open Space Reservation Charges (in lieu of land transferred through gift deed)
ii) Development Charges
iii) Infrastructure and amenities charges
iv) Regularisation charges

The Third SFC has recommended for transfer of 75 *per cent* of Development charges and Open Space Regulation charges to the respective ULBs, for the development of the area and the same was accepted by the Government.

Audit scrutiny of the transfer of OSR and Development Charges to the ULBs revealed that during the period from 2015-16 to 2019-20, as against an amount of ₹ 351.81 crore (75 *per cent* of ₹ 469.07 crore collected) (detailed in **Annexure 22**), only ₹ 126.53 crore has been transferred (by CMDA). The balance amount of ₹ 225.28 crore was retained by CMDA and DTCP till date (September 2021) which denied the ULBs of their rightful share of funds and which could have been utilised for development of infrastructure facilities (*viz*., creation of parks out of OSR funds) in the urban locality.

Further, the Third SFC has also recommended that CMDA/DTCP be brought under one umbrella under the control of Municipal Administration and Water Supply Department to avoid dual control and to obviate the administrative difficulties faced by the ULBs which is yet to be implemented. The Government in reply (September 2006) had stated that a High-Level Committee constituted to examine the issue the delegation of powers to the local bodies.

Recommendation: The Government may formulate a mechanism for transferring the due share of OSR Charges and Development Charges to the ULBs in a timely manner.

Chapter IV

4.1 Human Resources Management and Capacity Building

4.1.1 Classification of ULB functions

Devolution of functions to ULBs can be completed only when there is adequate manpower to discharge the services. The broad outline of functions carried out by ULBs is given below:

Table 4.1 – Details of Functions of ULBs

Sl. No.	Sections	Functions
1	Administration	General administration, including meetings of council and committees
2	Revenue	Assessment and collection of various taxes, rent, advertisements and other property related activities
3	Accounts	Preparation and maintenance of accounts, preparation of budget *etc*.
4	Public health	Sanitation, solid waste management and other public health related activities
5	Engineering	Construction/O&M of roads, drains, buildings, parks, play grounds, water supply and street lighting *etc*.
6	Town Planning	Town planning activities such as issue of building licences, *etc*.
7	Welfare	Implementation of schemes relating to Social and economic development.

The broad parameters that needs to be taken into account while assessing the manpower are:

- the jurisdictional area,
- population/nature of population,
- the number and type of properties, *etc*.

The recruitment of personnel in respect of ULBs is governed by Tamil Nadu Municipal Service Rules, 1970, Tamil Nadu Municipal Engineering Service Rules, 1997 and Tamil Nadu Engineering Sub-ordinate Service Rules, 1970.

4.2 Availability of Manpower

The position of employees per 1,000 population in respect of test checked ULBs is detailed below:

Table 4.2 – Range of ULB employees per 1,000 population

ULBs	No. of employees per thousand ranged between (in 36 sampled ULBs)			
	Sanctioned strength		Men-in-position	
	2011	2019	2011	2019
Corporations	3.56 to 4.93	2.76 to 3.57	2.06 to 2.78	1.46 to 2.15
Municipalities	1.03 to 6.38	0.86 to 5.84	0.88 to 3.72	0.62 to 3.43
Town Panchayats	0.69 to 4.14	0.55 to 3.67	0.69 to 3.78	0.55 to 3.35

Source: Data furnished by the Department

The above table indicates that while there was reduction in number of officials per 1,000 population between the period 2011 and 2019 since there was no increase in the number of sanctioned strength, the status of men-in-position also has reduced due to non-filling up of vacancies.

Audit analysis of the sanctioned strength with the population prevailing in 2011 and 2019 revealed that in five ULBs there was less than one employee for every 1,000 people, 14 ULBs had between one and two employees, 13 ULBs between two and seven employees for every 1,000 people.

Further, analysis in revenue section of three out of four Corporations test checked revealed that as against the sanctioned strength of 244 officials, the men-in-position was only 69 and the comparison in respect of test checked 16 Municipalities with regard to Revenue, Water supply and Public health and sanitation revealed the following:

Table - 4.3 – Sanctioned Strength *viz-a-viz* Men-in-Position in Municipalities

Section	Sanctioned Strength	Men-in-Position
Revenue	201	173
Water Supply	415	264
Public Health and Sanitation	3,479	1,590

Source: Data furnished by the Department

Recommendation: The Government may arrive at a desired sanctioned strength of ULB officials based on population. Government may also take steps for rationalisation and redeployment of officials among the ULBs.

4.3 Capacity Building

Capacity building is important for strengthening the capabilities of personnel and equipping them with skills in tune with latest developments for effective and efficient delivery of services. The training activities for ULB employees were carried out by Tamil Nadu Institute for Urban Studies (Institute). The Institute is located in Coimbatore and is responsible for designing and organizing programmes for all cadres of ULBs. An amount of ₹ 15 crore has been disbursed as special grant to the Institute during 2018-19 and 2019-20.

During the period 2015-16 to 2019-20, the Institute had conducted 49 courses pertaining to web based software training, in-service training, special training, *etc*. in 483 batches in which 23,125 ULBs officials were trained (including elected representatives). Out of this, two training programmes were also conducted to newly recruited Junior Engineers and Revenue Staff of ULBs of Karnataka State.

Audit observed that the coverage of the training program was in consonance with the nature of the functions and services rendered by the ULBs. Further, the number of participants for each program was also sufficient. The training center ensured near 100 *per cent* participation of the officials. However, there was lack of follow-up mechanism with respect to the domain in which the officials were trained.

Chapter V

Conclusion and Recommendations

Summing up of **Audit Observations** with regard to the **Audit Objectives**

- **Compliance in State Legislations**

The State Government had complied with the provisions of the 74th CAA (between 1994 and 2006) and necessary amendments were made in the State Acts. The State Government had passed an exclusive Act for ULBs in 2000, to amend and consolidate the laws relating to Municipalities and Municipal Corporations in the State of Tamil Nadu, but it was kept suspended with effect from 23 August 2000.

- **Empowerment of ULBs**

Elections, though due from October 2016, were not held as there were court cases relating to delimitation of wards by the State Government. Due to non-conduct of elections, ward committees were not constituted in any of the ULBs. District Planning Committee and Metropolitan Planning Committee was not constituted and in its absence, district and metropolitan development plan was not prepared.

- **Financial Management**

The fiscal transfers constituted about 40 *per cent* of the revenue of ULBs during the period 2015-16 to 2019-20. There was shortfall in release of the SFC grants by the State Government and non-release of CFC grants from the year 2017-18 onwards. Further, the share of own revenue to total revenue of ULBs for the period 2015-16 to 2019-20 was only 40.70 *per cent.* The ULBs lacked autonomy in generating their own revenue due to the intervention of the State Government with regard to levy of property tax hampering the revenue generation of ULBs. ULBs were able to generate own resources to the extent of only 56 *per cent* of revenue expenditure. Further there was accumulated arrears in collection of tax and non-tax revenue. The above aspects resulted in ULBs resorting to availing of loans. Establishment expenses constituted 39 *per cent* and the program expenditure amounted to only 19 *per cent* and is on the decreasing trend.

Impact of parastatals on ULBs–The Assigned Revenue is transferred to ULBs belatedly and further, not all ULBs are benefited every year on utilisation of TURIF amount. The contractors employed by the parastatals are not accountable to ULBs. Due to this the ULBs could not monitor the capital works executed by the parastatals.

- **Human Resources**

The Sanctioned strength was not changed between 2011 and 2019 and as such there was decrease in the number of officials per 1,000 population in all the ULBs. Further, the status of men-in-position has also reduced when compared to 2011 and 2019 population which affects efficient delivery of services.

Summary of Recommendations

The Government may consider the following:

- In order to enable ULBs to function as institutions of effective democratic units of local Self Government, the State Government may consider for conduct of elections.

[Paragraph 2.5.1]

- The Government may consider forming a permanent SFC cell in the Finance Department for effective monitoring of follow-up action on accepted recommendations.

[Paragraph 2.5.2.1]

Financial Management of ULBs

- Quinquennial revision of property tax may be made mandatory.
- For efficient system for assessment of property tax, the co-ordination between the Town Planning and Revenue Wings may be structurally strengthened through an automated work flow process with prompt data sharing.
- Geographic Information System (GIS) mapping of all ULBs may be completed to bring left out properties to assessment.
- "Any time anywhere" remittance systems may be enabled for Property Tax in all ULBs as prevalent in GCC.
- May collect property tax on re-measured and re-classified properties.
- Constituting the Taxation Appeals Committee and may also provide sufficient resources for effective functioning of the Property Tax Board.

[Paragraphs 2.12 to 2.14]

- The Government may consider timely release of balance SFC grants and take necessary steps to obtain the Performance grant from the Central Government in order to augment the financial resources of ULBs to meet their expenditure.

[Paragraph 2.16(ii)]

- Action may be taken to prepare the ULBs budget in a scientific manner taking into account requirements of capital expenditure as well as a realistic projection of both revenue and expenditure considering the previous years' actual and the funds expected to be mobilised.

[Paragraph 2.17]

- The Government may issue instructions to ULBs for effective collection of property tax and may ensure timely release of grants due for ULBs.

[Paragraph 2.20]

Role of Parastatals

- The Government may consider implementing the recommendation of the SFC in transferring the Assigned Revenue fully to the ULBs and install a convenient mechanism for arriving at the amount due to each ULBs and transferring the same without delay.
- The Government may establish an independent assessment mechanism in consultation with the ULBs for implementation of road works in ULBs.

[Paragraphs 3.3.1]

- The Government may consider more stringent time frame for execution of work. Further, there could be a tripartite agreement wherein the ULB could also be made part of the agreement and each parties roles and accountabilities may be specified clearly.

[Paragraphs 3.4.1 and 3.4.2]

- The Government may formulate a mechanism for transferring the due share of OSR Charges and Development Charges to the ULBs in a timely manner.

[Paragraph 3.5]

Human Resources of ULB

- The Government may arrive at a desired sanctioned strength of ULB officials based on population. Government may also take steps for rationalisation and redeployment of officials among the ULBs.

[Paragraph 4.2]

Chennai
The 17 January 2022

(VISHWANATH SINGH JADON)
Accountant General (Audit-II)
Tamil Nadu and Puducherry

Countersigned

New Delhi
The 27 January 2022

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

ANNEXURES

Annexure 1

(Reference: Paragraph No.1.1)

List of Functions devolved to Urban Local Bodies through 74th Constitutional Amendment Act

Sl.No.	Functions
1.	Urban planning including town planning.
2.	Regulation of land-use and construction of buildings.
3.	Planning for economic and social development.
4.	Roads and bridges.
5.	Water supply for domestic, industrial and commercial purposes.
6.	Public health, sanitation conservancy and solid waste management.
7.	Fire services.
8.	Urban forestry, protection of the environment and promotion of ecological aspects.
9.	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
10.	Slum improvement and upgradation.
11.	Urban poverty alleviation.
12.	Provision of urban amenities and facilities such as parks, gardens, playgrounds.
13.	Promotion of cultural, educational and aesthetic aspects.
14.	Burials and burial grounds; cremations, cremation grounds.
15.	Cattle pounds; prevention of cruelty to animals.
16.	Vital statistics including registration of births and deaths.
17.	Public amenities including street lighting, parking lots, bus stops and public conveniences.
18.	Regulation of slaughter houses and tanneries.

Annexure 2

(Reference: Paragraph No.1.5)

List of Sampled Units

Sl. No.	Name of the Urban Local Bodies	Grade
	Pilot study	
1	Greater Chennai Corporation	
2	Pallavapuram Municipality	
3	Thirumazhisai Town Panchayat.	
	Corporations	
1	Greater Chennai Corporation	
2	Madurai	
3	Coimbatore	
4	Trichy	
	Municipalities	
1	Kumbakonam	Special
2	Nagapattinam	Selection
3	Thuvakudi	Grade II
4	Tiruvarur	Grade I
5	Avadi (converted into Corporation from 2019)	Special
6	Vaniyambadi	Selection
7	Tiruvathipuram	Grade II
8	Arani	Grade I
9	Rajapalayam	Special
10	Virudhunagar	Selection
11	Ambasamudram	Grade II
12	Tenkasi	Grade I
13	Udhagamandalam	Special
14	Udumalaipettai	Selection
15	Vellakoil	Grade II
16	Palladam	Grade I
	Town Panchayats	
1	Velankanni	Special
2	Valangaiman	Selection
3	Perumagalur	Grade II
4	Swamimalai	Grade I
5	Annamalai Nagar	Special
6	Thiagadurgam	Selection
7	Killai	Grade II
8	Thiruvennainallur	Grade I
9	TNPL Pugalur	Special
10	Puliyur	Selection
11	Eriodu	Grade II
12	Uppidamangalam	Grade I
13	Madukkarai	Special
14	Irugur	Selection
15	Idikarai	Grade II
16	Dhaliyur	Grade I

Annexure 3

(Reference: Paragraph No. 2.1.1)

Compliance through State Legislations

Provision of Constitution of India	Requirement as per provision of Constitution of India	Provisions of the State Legislations
Article 243Q	**Constitution of Municipalities:** It provides for constitution of three types of Municipalities namely a Nagar panchayat for transitional area, a Municipal council for a smaller area and a Municipal Corporation for larger urban area	Section 3P, 3Q, 4 Chapter II of Tamil Nadu District Municipalities (TNDM) Act, 1920 and the respective Municipal Corporation Act
Article 243R	**Composition of Municipalities:** All the seats in a Municipality shall be filled by direct election and by persons with special knowledge in Municipal Administration nominated by the Government. The legislature of State may, by law, provide for representation to the Municipality, Members of parliament and legislative Assembly whose constituencies lie within the municipal area and Members of the council of states and State legislative council who are registered as electors within the city	Section 7 Chapter III of TNDM Act, 1920 and the respective Municipal Corporation Act
Article243S	**Constitution and composition of Wards Committee:** This provides constitution of wards committees in all municipalities with a population of three lakh or more	Section 24-B to 24-E Chapter II of TNDM Act, 1920 and Respective Municipal Corporation Act
Article243T	**Reservation of Seats:** The seats to the reserved for schedule caste (SC)/Scheduled Tribe (ST), Women	Section 3-I Chapter I-A of TNDM Act, 1920 and respective Municipal Corporation Act
Article 243U	**Duration of Municipalities:** The municipality has a fixed tenure of 5 years from the date of its first meeting and re-elections to be held within the six months of end of tenure	Section 3-G, Chapter I-A and 3-U of Chapter 1-B of TNDM Act, 1920 and the respective Corporation Act
Article 243V	**Disqualification of membership:** A person shall be disqualified for a member of a municipality. If he is so disqualified by or under any law for the time being in force for the purposes of election of the legislature of the state concerned. If he is so disqualified by or under any law made by legislature of the state.	Section 49, 49-A & 50 Chapter- IV of TNDM Act, 1920 and the respective Municipal Corporation Act
Article 243W	**Powers, authority and responsibilities of the Municipalities:** All municipalities would be empowered with such powers as may be necessary to enable them to function as effective institutions of self-government. The State Government shall entrust with such powers and authority to enable them to carry out the responsibilities in relation to the 12th Schedule.	Chapter V to XI of TNDM Act, 1920 and the respective Municipal Corporation Act

Provision of Constitution of India	Requirement as per provision of Constitution of India	Provisions of the State Legislations
Article 243X	**Power to impose taxes by and funds of the municipalities:** • Municipalities would be empowered to levy and collect the taxes, fees duties *etc*. • Grant-in-aid would be given to the municipalities from the state • Constitution of funds for crediting and withdrawal of moneys by the municipality	Section 78, Chapter VI of TNDM Act, 1920 and the respective Municipal Corporation Act
Article 243Y read with Article 243I	**Finance Commission:** The State Government shall constitute finance commission for: • Review the financial position of the Municipalities and taking such steps that help in boosting the financial condition of the Municipal bodies. • Distributing between the State and the Municipalities of the net proceeds of the taxes, fees, tolls and duties that are charged by the State Government. • Allotting the funds to the municipal bodies in the state from the consolidated fund of the State Government.	Section 124-B Chapter VI of TNDM Act, 1920, Section 162-A of Chennai City Municipal Corporation Act, 1919 and the respective Municipal Corporation Act
Article 243Z	**Audit on accounts of Municipalities:** This provides provision for maintenance of accounts by the Municipalities and the auditing of such accounts.	Section 122 Chapter VI of TNDM Act, 1920 and the respective Municipal Corporation Act
Article 243ZA	**Election to the Municipalities:** The Superintendence, direction and control of all procedure of election of the Municipalities shall be vested in the State Election Commission (SEC)	Section 3-H Chapter I-A of TNDM Act, 1920 and the respective Municipal Corporation Act
Article 243ZD	**Committee of District Planning:** • Constitution of District Planning committee at district level • Composition of District planning committee • Preparation of draft development plan and forwarded to the Government.	Section 241 of the Tamil Nadu Panchayat Act, 1994 and Section 24A of TNDM Act, 1920
Article 243ZE	**Committee for Metropolitan planning:** Provision for constitution of Metropolitan Planning Committee (MPC) in every Metropolitan area with a population of 10 lakhs or more to prepare a draft development plan for metropolitan area as a whole.	Section 2 (d) of Metropolitan Planning Committee Act 2009 and Section 27-B of Chennai City Municipal Corporation Act, 1919.

Source: Provisions of the relevant Acts

Annexure 4

(Reference: Paragraph No. 2.3)

Overriding powers of State Government over ULBs

Sl. No.	Provision of the Act	Gist of the provision
1	Section 24 - TWAD Board Act, 1970	Power of Government to direct the Board to prepare and execute any scheme
2	Section 27 - TWAD Board Act, 1970	Power of Local Authority to undertake schemes
3	Section 36 – The Tamil Nadu District Municipalities Act 1920	Power to suspend or cancel resolution *etc*., under this Act
4	Section 40 – The Tamil Nadu District Municipalities Act 1920	State Government to remove Chairman or Vice Chairman
5	Section 41 - The Tamil Nadu District Municipalities Act 1920	State Government's power to dissolve Council
6	Section 72 read with 76-A - The Tamil Nadu District Municipalities Act 1920	Filling up of the appointment of Health Officer, Engineer or Electrical Engineer and Power of State Government to appoint Health Officer, Engineer or Electrical Engineer
7	Section 73-A - The Tamil Nadu District Municipalities Act 1920	Power of State Government to transfer officers and servants of Municipalities or Corporations
8	Section 81-A (1) - The Tamil Nadu District Municipalities Act 1920	Levy of property tax on a direction by Government
9	Section 42, 43 to 44 of the Chennai City Municipal Corporation Act, 1919	State Government's power to direct the taking of action State Government's power to appoint a person to take action in default at the expense of corporation Power to suspend or cancel resolution *etc*., under this Act

Source: Provisions of Relevant Act

Annexure 5
(Reference: Paragraph No. 2.4)
Status of functional responsibilities

	Role	Sl.No.	Functions
Corporations and Municipalities			
A	Functions where ULB has full jurisdiction	1	Burials and burial grounds; cremations, cremation grounds
		2	Cattle pounds; prevention of cruelty to animals
		3	Regulation of slaughter houses and tanneries
B	ULBs as mere implementing agencies	1	Planning for economic and social development
		2	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded
		3	Urban poverty alleviation
C	Function with dual role	1	Roads and bridges
D	Functions with minimal role and / or having overlapping jurisdictions with State departments and / or parastatals	1	Regulation of land-use and construction of buildings
		2	Water supply for domestic, industrial and commercial purposes
		3	Public health, sanitation conservancy and solid waste management
		4	Urban forestry, protection of the environment and promotion of ecological aspects
		5	Provision of urban amenities and facilities such as parks, gardens, playgrounds
		6	Promotion of cultural, educational and aesthetic aspects
		7	Vital statistics including registration of births and deaths
		8	Public amenities including street lighting, parking lots, bus stops and public conveniences
E	Functions with no role for ULBs	1	Urban planning including town planning
		2	Slum improvement and upgradation
Town Panchayats			
A	Functions where ULB has full jurisdiction	1	Urban poverty alleviation.
		2	Provision of urban amenities and facilities such as parks, gardens, playgrounds.
		3	Burials and burial grounds, cremations grounds.
		4	Cattle pounds; prevention of cruelty to animals.
		5	Vital statistics including registration of births and deaths.
		6	Public amenities including street lighting, parking lots, bus stops and public conveniences
		7	Regulation of slaughter house and tanneries
B	Function with dual role	1	Roads and bridges
		2	Water supply for domestic, industrial and commercial purpose
		3	Public health, sanitation conservancy and solid waste management
C	Functions with limited role	1	Urban planning including town planning.
		2	Regulation of land use and construction of buildings
D	Functions with no role for ULBs	1	Planning for economic and social development.
		2	Urban forestry protection of environment and promotion of ecological aspects
		3	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded
		4	Slum improvement and upgradation.
		5	Promotion of cultural, educational and aesthetic aspects

Source: Details furnished by Department

Annexure 6

(Reference: Paragraph No. 2.5.2)

Details of constitution of SFCs

Details	First SFC	Second SFC	Third SFC	Fourth SFC	Fifth SFC
Date of constitution	23.4.1994	1.12.1999	1.12.2004	1.12.2009	1.12.2014
G.O. in which constituted	G.O Ms.No.350 Fin (Res) Dept dt 23.4.1994 & G.O Ms.No.161 RD Dept dt.6.9.1994	G.O Ms No 518 Fin (Res) Dept dt 1.12.1999	G.O Ms No 573 Fin (Res) Dept dt.1.12.2004	G.O Ms No 549 Fin (Res) Dept dt 1.12.2009	G.O No.281 dt.1.12.2014
G.O. in which TOR issued	G.O.MsNo.350 Fin(Re)Dept dt.23.4.1994	G.OMs.No.103 Fin(Res) Dept dt.3.3.2000	G.OMs.No584 Fin (Res) Dept dt 14.12.2004	G.OMs.No.549 Fin(Res)Dept dt1.12.2009	G.O No.281 dt.1.12.2014
Due date for submission of report	31.10.1995	31.10.2001	31.5.2006 term extended till 30.9.2006	31.5.2011 extended upto 30.9.2011	31.5.2016 extended upto 31.12.2016
Actual date of submission of report	29.11.1996	21.5.2001	30.9.2006	29.9.2011	27.12.2016
Delay (in days)	394	---	Nil	Nil	Nil
ATR placed in Assembly	28.4.1997	8.5.2002	10.5.2007	14.5.2013	24.3.2017
Period during which SFC recommend-dations were implemented	1997-98 to 2001-02	2002-03 to 2006-07	2007-08 to 2011-12	2012-13 to 2016-17	2017-18 to 2021-22

Source: Details furnished by Department

Annexure 7

(Reference: Paragraph No. 2.5.2.1)

Details of recommendations of State Finance Commissions

SFC	RECOMMENDATIONS					
	Total	**Accepted**	**Not Accepted**	**Under Examination**	**Accepted in principle**	**Others**
FIRST	413	115	98	2	129	69
SECOND	386	283	64	39	--	--
THIRD	308	132	80	64	9	23
FOURTH	130	112	7	5	3	3
FIFTH	161	144	7	-	-	10*
	* Accepted with modification					

Source: Details furnished by Department

Annexure 8

(Reference: Paragraph No. 2.6)

Composition of Urban Local Bodies

Formation of Councils

As per Section 6 of (Chapter 3) of District Municipalities Act 1920 the Municipal council shall by the name of the municipality, be a body corporate, shall have perpetual succession and a common seal and subject to any restriction or qualification imposed by this or any other enactment shall be vested with the capacity of suing or being sued in its corporate name, of acquiring, holding and transferring property moveable or immovable, of entering into contracts and of doing all things necessary for the purpose of its constitution.

The council shall consist of such numbers of the councilor (exclusive of its chairman) as may be determined by state government by its notification. The maximum and the minimum being 52 and 15 respectively and should be registered as electors within the area of the municipality. Seats shall also be reserved for persons belonging to scheduled caste and scheduled tribe in the requisite proportion

Chairman

The chairman shall be elected by the persons whose name appear in the electoral roll relating to municipality from among themselves provided that no councilor shall be eligible to stand for election as chairman vice-versa. The term of office is five years.

Functions of the Chairman

The Chairman of the Municipal Council shall — (a) make arrangements for the election of the Vice-Chairman ; (b) convene the meetings of the Council ; and (c) perform all the duties and exercise all the powers specifically imposed or conferred on the Chairman by this Act..

Functions of the Executive Authority

The Executive Authority of the Municipal Council shall — (a) carry into effect the resolutions of the Council; (b) furnish to the Council such periodical reports regarding the progress made in carrying out the resolutions of that body in the collection of taxes as the Council may direct; and (c) perform all the duties and exercise all the powers specifically imposed or conferred on the Executive Authority by this Act and subject, whenever it is hereinafter expressly so provided, to the sanction of the Council, and subject to all other restrictions, limitations and conditions hereinafter imposed, exercise power for the purpose of carrying out the provisions of this Act and be directly responsible for the due fulfillment of the purposes of this Act.

Rights of Chairman where a Commissioner has been appointed

In the case of Municipalities included in Schedule IX or notified under sub-section (1) of Section 12-C, the Chairman shall have full access to all the records of the Municipal Council and no official correspondence between the Council and the State Government shall be conducted except through the Chairman. The Chairman shall be bound to transmit communications addressed through him by the Commissioner to the State Government or by the State Government to the Commissioner.

Elected representatives in ULBs

As mandated by the 74th Constitutional Amendment Act, the elections to the ULBs were conducted on 17th and 19th October 2011 wherein Mayors and Municipal Chairpersons were elected directly by the

people and they assumed their offices on 25 October 2011. Accordingly there were 664 Mayors/Chairmans and 12,820 Councillors.

However, their term of office ended in October 2016. As elections were not conducted till date the objective of the 74th CAA *viz*., local governance at the grass root level could not be achieved.

Municipal Commissioners

A Commissioner shall be appointed by the State Government in the case of each Municipality included in Schedule IX and in the case of any other Municipality notified by the State Government in this behalf. Every notification issued under this sub-section shall specify the reasons therefor.

The Commissioner shall be a whole time officer of the Municipality and shall not undertake any work unconnected with his office without the sanction of the Municipal Council and the State Government.

Rights and duties of the Commissioner

(a) The Commissioner shall have the right to attend the meetings of the Council or any committee thereof, and take part in the discussions but shall not have the right to move any resolution or to vote.

(b) He shall attend any meeting of the Council or of any committee, if required to do so by the Chairman.

In the case of Municipalities included in Schedule IX or notified under sub-section (1) of Section 12-C, the officers and servants of the Municipal Council shall be subordinate to the Commissioner.

Subject to any directions given or restrictions imposed by the State Government or the Municipal Council, the Commissioner may, by order in writing, delegate any of his functions to any officer or servant of the Council or to any servant of the Government. The exercise or discharge of any functions so delegated shall be subject to such restrictions, limitations and conditions as may be laid down by the Commissioner and shall also be subject to his control and revision.

Ward Committee

There shall be constituted by the State Government, a wards committee or committees consisting of one or more wards within the territorial area of the Municipality having population of three lakhs or more. Each wards committee shall consist of all the Councillors of the Municipality representing the wards within the territorial area of the wards committee. Where a wards committee consists of (a) one ward, the Councillor representing the ward in the Municipality; (b) two or more wards, one of the Councillors representing such wards in the Municipality elected by the members of the Wards committee, shall be the chairperson of that committee.

The functions and duties of the ward committee, and the procedure to be adopted by such committee for transaction of its business shall be such as may be prescribed. The duration of the ward committee shall be co-extensive with the duration of the Municipal Council.

Annexure 9

(Reference: Paragraph No. 2.7)

SFC Recommendations on Devolution of finances

The Commissions recommended Horizontal and vertical sharing pattern among three tiers of ULBs and the same was accepted by the State Government as detailed below:

Horizontal Sharing Pattern

State Finance Commission	SOTR Allocation (*per cent*)	Sharing Ratio between RLBs and ULBs	Accepted by Government after modification	Award Period
1st SFC	8	60:40	60:40	1997-98 to 2001-02
2nd SFC	8	58:42	58:42	2002-03 to 2006-07
3rd SFC	10	58:42	58:42	2007-08 to 2011-12
4th SFC	10	56:44	58:42	2012-13 to 2016-17
5th SFC	10	56:44	56:44	2017-18 to 2021-22

Vertical Sharing pattern

(in percentage)

SFC	As per Recommendation			Accepted by Government		
	Municipal Corporation	Municipality	Town Panchayat	Municipal Corporation	Municipality	Town Panchayat
First	31	31	38	31	31	38
Second	33	32	35	31	34	35
Third	30	41	29	30	41	29
Fourth	40	29	31	40	31	29
Fifth	40	29	31	40	29	31

System of devolution of Funds

Gross State's own Tax Revenue (SOTR) - (A)	XXXXXX
Less (B) - Cost of collection of Commercial Taxes, State Excise, Taxes on Vehicles and Stamp Duty and Registration Fees -Tax collection and infrastructure – Surcharge on Sales Tax - Surcharge under Motor Vehicles Tax Act - Stamp Duty - Stamp Duty Transfer of amount to Fund for Priority Schemes in Rural Areas - Stamp Duty contribution - Stamp Duty Grants	XXXXXX
Net SOTR = (A) – (B)	**XXXXX**
Less	
1. Incentive	5 *per cent* of Net SOTR
2. Special Grants TNIUS	Lump sum grant of ₹.5.00 crore per year
Net devolution for ULBs	**XXXXXX**
Corporations (D)	40 *per cent*
Capital Grant Fund	15 *per cent* of **(D)**

Gross State's own Tax Revenue (SOTR) - (A)	**XXXXXX**
Operation and Maintenance Gap Filling Fund	5 *per cent* of **(D)**
Municipalities (E)	29 *per cent*
Capital Grant Fund	15 *per cent* of **(E)**
Operation and Maintenance Gap Filling Fund	5 *per cent* of **(E)**
Town Panchayat (F)	31 *per cent*
Capital Grant Fund	15 *per cent* of **(F)**
Operation and Maintenance Gap Filling Fund	5 *per cent* of **(F)**

Annexure 10
(Reference: Paragraph No. 2.8)
Income Statement of Urban Local Bodies

Greater Chennai Corporation (₹ in crore)

Year	Tax	Non- tax	Assigned revenue	Miscellaneous income	SFC grant	CFC grant	IGFF, O&M and PG	Goi grants for schemes (TN & GoI)	Capital receipt (Loan)	Total receipt	Own revenue including assigned revenue	Own revenue (tax&non-tax&Misc income)	Percentage of own revenue including Assigned revenue to total receipts	Percentage of Grants to total revenue	Percentage of loan to total revenue	Percentage of loan to own source of revenue
2015-16	821.97	304.86	158.27	815.51	460.69	116.92	0	632.82	159.78	3,470.82	2,100.61	1,942.34	60.52	16.64	4.60	7.61
2016-17	934.94	301.40	177.40	375.84	501.24	181.03	53.32	501.12	807.87	3,834.16	1,789.58	1,612.18	46.67	19.19	21.07	45.14
2017-18	1,018.54	381.81	42.66	388.75	577.40	224.42	0	373.01	895.26	3,901.85	1,831.76	1,789.10	46.95	20.55	22.94	48.87
2018-19	1,325.72	466.55	48.37	554.07	668.68	245.04	0	655.82	215.59	4,179.84	2,394.71	2,346.34	57.29	21.86	5.16	9.00
2019-20	1,439.14	463.70	144.75	447.57	444.45	375.32	0	1,282.98	3.51	4,601.42	2,495.16	2,350.41	54.23	17.82	0.08	0.14
Total	**5,540.31**	**1,918.32**	**571.45**	**2,581.74**	**2,652.46**	**1,142.73**	**53.32**	**3,445.75**	**2,082.01**	**19,988.09**	**10,611.82**	**10,040.37**	**53.09**	**19.25**	**10.42**	**19.62**

Municipal Corporations excluding Greater Chennai Corporation (₹ in crore)

Year	Tax	Non- tax	Assigned revenue	SFC grants	CFC Grants	IGFF, O&M and PG	Goi grants for schemes	Capital receipt (Loan)	Total receipt	Own source of revenue including assigned revenue	Own revenue (tax&non-tax)	Percentage of own revenue including Assigned revenue to total receipts	Percentage of Grants to total revenue	Percentage of loan to total revenue	Percentage of loan to own source of revenue
2015-16	553.90	478.98	130.67	655.07	199.09	138.10	674.14	172.16	3,002.11	1,163.55	1,032.88	38.76	33.05	5.73	14.80
2016-17	596.47	490.17	137.60	712.84	256.55	212.99	589.44	295.35	3,291.41	1,224.24	1,086.64	37.20	35.92	8.97	24.10
2017-18	641.95	630.42	108.08	638.40	281.16	300.95	612.69	429.93	3,643.58	1,380.45	1,272.37	37.89	33.50	11.80	31.10
2018-19	867.71	745.48	140.37	739.43	339.83	352.02	621.58	39.21	3,845.63	1,753.56	1,613.19	45.60	37.22	1.02	2.20
2019-20	935.54	759.48	119.16	939.63	414.96	346.01	215.73	93.20	3,823.71	1,814.18	1,695.02	47.45	44.48	2.44	5.10
Total	**3,595.57**	**3,104.53**	**635.88**	**3,685.37**	**1,491.59**	**1,350.07**	**2,713.58**	**1,029.85**	**17,606.44**	**7,335.98**	**6,700.10**	**41.67**	**37.07**	**5.85**	**14.03**

Municipalities (₹ in crore)

Year	Tax	Non- tax	Assigned revenue	SFC Grants	CFC grants	IGFF, O&M and PG	Goi grants for schemes	Capital receipt (loan)	Total receipt	Own Revenue including Assigned revenue	Own source of revenue	Percentage of own revenue including Assigned revenue to total receipts	Percentage of Grants to total revenue	Percent-age of loan to total revenue	Percentage of loan to own source of revenue
2015-16	365.68	387.94	156.09	865.16	244.91	102.35	424.87	130.30	2,677.30	909.71	753.62	33.98	45.29	4.87	14.32
2016-17	388.41	394.74	154.27	939.66	339.12	229.10	371.50	250.28	3,067.08	937.42	783.15	30.56	49.16	8.16	26.70
2017-18	454.16	438.98	140.16	881.47	366.54	220.37	386.15	174.21	3,062.04	1,033.30	893.14	33.75	47.95	5.69	16.86
2018-19	644.92	567.92	126.70	1,020.87	424.03	255.12	391.75	208.10	3,639.41	1,339.54	1,212.84	36.81	46.71	5.72	15.54
2019-20	505.46	503.69	146.80	1,003.45	572.95	250.87	135.96	184.58	3,303.76	1,155.95	1,009.15	34.99	55.31	5.59	15.97
Total	**2,358.63**	**2,293.27**	**724.02**	**4,710.61**	**1,947.55**	**1,057.81**	**1,710.23**	**947.47**	**15,749.59**	**5,375.92**	**4,651.90**	**34.13**	**48.99**	**6.02**	**17.62**

Town Panchayat (₹ in crore)

Year	Tax	Non-tax	Assigned revenue	SFC grants	CFC Grants	IGFF, O&M and PG	Goi grants for schemes	Capital receipt (Loan)	Invest ments	Total receipt	Own revenue including assigned revenue	Own revenue (tax&non-tax)	Percentage of own revenue including Assigned revenue to total receipts	Percent-age of Grants to total revenue	Percent-age of loan to total revenue	Percentage of loan to own source of revenue
2015-16	160.15	225.16	145.74	803.24	229.11	98.43	100.00	8.59	10.02	1,770.42	531.05	385.31	30.00	63.87	0.49	1.62
2016-17	171.78	254.85	237.61	889.54	317.24	170.03	130.00	3.51	15.32	2,174.56	664.24	426.63	30.55	63.31	0.16	0.53
2017-18	182.82	275.05	147.02	942.26	391.82	235.56	130.00	1.95	8.15	2,306.48	604.89	457.87	26.23	68.05	0.08	0.32
2018-19	266.36	354.10	171.07	1091.27	453.27	272.83	273.29	1.29	12.85	2,883.48	791.53	620.46	27.45	63.03	0.04	0.16
2019-20	221.53	363.54	158.55	1072.66	612.47	268.16	330.75	1.40	11.36	3,029.06	743.62	585.07	24.55	64.49	0.05	0.19
Total	**1,002.64**	**1,472.70**	**859.99**	**4,798.97**	**2,003.91**	**1,045.01**	**964.04**	**16.74**	**57.70**	**12,164.00**	**3,335.33**	**2,475.34**	**27.42**	**64.52**	**0.14**	**0.50**

Source: Details furnished by Department

Annexure 11

(Reference: Paragraph No. 2.9)

Details of Gross Devolution and the Net Devolution to Urban Local Bodies

(₹ in crore)

ULB	Year	Gross Devolution	Directorate of Local Fund Audit (for pension payments and others)	Others like TWAD, CMWSSB TUFIDCO, *etc.*	Net Devolution to ULBs	Percentage of Net to Gross Devolution
Corporations	2015-16	1,115.80	49.17	159.74	906.89	81.28
	2016-17	1,214.11	49.55	190.59	973.97	80.22
	2017-18	1,215.82	50.40	177.08	988.34	81.29
	2018-19	1,408.10	55.03	225.53	1,127.54	80.08
	2019-20	1,384.07	56.55	375.31	952.21	68.80
Municipalities	2015-16	865.16	195.68	121.63	547.85	63.32
	2016-17	939.66	234.47	114.99	590.19	62.81
	2017-18	881.47	235.28	80.19	566.00	64.21
	2018-19	1,020.87	296.48	80.09	644.30	63.26
	2019-20	1,003.45	337.36	105.46	560.63	55.87
Town Panchayats	2015-16	803.24	62.46	56.01	684.77	85.00
	2016-17	889.54	49.12	76.26	764.16	86.00
	2017-18	942.26	75.34	189.40	677.52	72.00
	2018-19	1,091.27	120.02	68.98	902.27	83.00
	2019-20	1,072.60	82.22	60.32	930.06	87.00

Source: Details furnished by Department

Annexure 12

(Reference: Paragraph No. 2.9.1)

Details of Gross and Net Devolution

(₹ in crore)

Year	Gross SOTR	Net SOTR	Devolution Amount (10 *per cent* of Net SOTR)	Devolution share* to be made to ULBs at 42 *per cent* /44 *per cent*	Actual Devolution made to ULBs	Short release	Percent age of short release
2015-16	80,476.08	78,609.29	7,860.93	**3,301.59**	**3,123.88**	177.71	5.38
2016-17	85,941.41	84,176.76	8,418.68	**3,535.84**	**3,385.00**	150.84	4.27
2017-18	93,736.61	91,503.61	9,150.36	**4,026.16**	**3,796.43**	229.73	5.71
2018-19	1,05,534.00	1,03,142.90	10,314.00	**4,538.00**	**4,410.23**	127.77	2.82
2019-20	1,20,809.30	1,17,706.33	11,770.00	**5,179.00**	**4,558.16**	620.84	11.99
Total				**20,580.59**	**19,273.70**	**1,306.89**	

* The share of devolution for ULBs was 44 *per cent* from 2017-18 onwards

Source: Details furnished by Finance Department

Annexure 13

(Reference: Paragraph No. 2.10.2)

Details of Performance Grant due

(₹ in crore)

Year	Performance Grant due
2017-18	365.37
2018-19	414.92
2019-20	543.31
Total	1,323.60

Source: Data furnished by Department

Annexure 14

(Reference: Paragraph No. 2.12)

Major own source of revenue

(₹ in crore)

Head of Receipts (Demand)	Nature of ULBs	2017-18	2018-19	2019-20
Property Tax	GCC	604.17	692.14	508.05
	Corporations	882.24	1,255.08	1,014.63
	Municipalities	640.14	947.96	735.40
	Town Panchayats	134.52	214.37	173.16
Total		**2,261.07**	**3,109.55**	**2,431.24**
Professional Tax	GCC	290.78	356.5	385.47
	Corporations	91.75	96.33	103.34
	Municipalities	74.79	78.37	83.73
	Town Panchayats	51.85	65.06	53.71
Total		**509.17**	**596.26**	**626.25**
Non-Tax receipts	GCC	329.85	393.59	344.24
	Corporations	72.31	91.96	105.92
	Municipalities	133.07	156.43	180.71
	Town Panchayats	153.33	179.94	153.29
Total		**688.56**	**821.92**	**784.16**
Overall Own Source of Revenue		**4,850.40**	**6,279.34**	**6,208.91**

Source: Data furnished by Department

Annexure 15

(Reference: Paragraph No. 2.12.1)

Increase in Assessments

Nature of ULBs	Assessments (in nos.)		Property Tax Demand (₹ in crore)		
	2018-19	2019-20	2018-19	2019-20	Difference
GCC	12,32,882	12,78,035	692.14	508.05	184.09
Corporations	23,59,495	24,06,707	1,255.08	1,014.63	240.45
Municipalities	24,08,084	24,54,123	947.96	735.40	212.56
Town Panchayats	27,13,615	27,42,716	214.37	173.16	41.21
Total	**87,14,076**	**88,81,581**	**3,109.55**	**2,431.24**	**678.31**

Source: Details furnished by Department

Annexure 16
(Reference: Paragraph No. 2.16(i))
Own Source of Revenue to Total Expenditure

(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20	Total
Own Source of Revenue						
Town Panchayat	531.05	664.24	604.89	791.53	743.62	3,335.33
Municipalities	909.71	937.42	1,033.30	1,339.54	1,155.95	5,375.92
Corporations	1,163.55	1,224.24	1,380.45	1,753.56	1,814.18	7,335.98
Greater Chennai Corporation	2,100.61	1,789.58	1,831.76	2,394.71	2,495.16	10,611.82
Total	**4,704.92**	**4,615.48**	**4,850.40**	**6,279.34**	**6,208.91**	**26,659.05**
Revenue expenditure						
Town Panchayat	1,545.49	1,607.35	1,650.49	1,960.86	1,962.53	8,726.72
Municipal Corporations and Municipalities	5,390.38	5,438.82	5,298.38	6,070.89	6,985.71	29,184.18
Greater Chennai Corporation	4,278.80	4,419.57	3,699.23	4,162.10	4,053.64	20,613.34
Total	**11,214.67**	**11,465.74**	**10,648.10**	**12,193.85**	**13,001.88**	**58,524.24**
Difference	6,510.53	6,850.24	5,797.69	5,914.51	6,792.94	31,865.91
OSR to RE	41.95	40.25	45.55	51.50	47.75	
Expenditure less Programme Expenditure = Revenue Expenditure						
Town Panchayat	1,276.43	1,334.19	1,430.56	1,710.86	1,685.89	7,437.93
Corporations and Municipalities	5,013.04	5,058.09	4,927.48	5,645.93	6,496.69	27,141.23
Greater Chennai Corporation	2,536.01	2,360.96	2,529.22	2,884.65	2,836.76	13,147.60
Total	**8,825.48**	**8,753.24**	**8,887.26**	**10,241.44**	**11,019.34**	**47,726.76**
Difference	4,120.56	4,137.76	4,036.86	3,962.10	4,810.43	21,067.71

Source: Details furnished by Department

Annexure 17
(Reference: Paragraph No. 2.17)
Variations in budget – Revenue and Expenditure

(₹ in lakh)

	Receipts						Expenditure			
	Name of the ULB	Year	Budget	Revised Budget	Actuals	Percentage of actuals to budget	Budget	Revised Budget	Actuals	Percentage of actuals to budget
	Greater Chennai Corporation	2015-16	2,39,256.00	2,92,077.00	2,34,766.00	98.12	2,34,105.00	2,91,680.00	2,53,601.00	86.94
		2016-17	2,56,772.00	2,74,243.00	2,23,798.00	87.16	2,70,841.00	2,82,066.00	2,52,302.00	89.45
		2017-18	2,91,792.00	2,46,602.00	2,27,690.00	78.03	3,15,822.00	2,95,384.00	2,52,922.00	85.62
		2018-19	3,22,813.00	3,01,626.00	2,56,273.00	79.39	3,26,979.00	3,29,447.00	2,89,001.00	87.72
		2019-20	3,54,744.00	2,85,996.00	2,67,849.00	75.50	3,58,224.00	3,23,381.00	2,83,697.00	87.73
	Town Panchayat									
1	Velankanni	2015-16	0.00	595.29	527.78	88.66	0.00	446.39	430.42	96.42
		2016-17	0.00	284.50	237.87	83.61	0.00	301.09	551.59	183.20
		2017-18	0.00	378.26	328.14	86.75	0.00	1,060.41	1,270.39	119.80
		2018-19	0.00	604.64	691.64	114.39	0.00	359.67	589.71	163.96
		2019-20	0.00	573.53	585.86	102.15	0.00	458.77	494.88	107.87
2	TNPL Pugalur	2015-16	297.11	305.60	303.26	102.07	558.40	574.35	609.84	109.21
		2016-17	318.43	429.82	322.19	101.18	640.33	658.63	685.72	107.09
		2017-18	338.48	418.04	313.51	92.62	720.00	740.57	480.03	66.67
		2018-19	329.20	589.82	442.36	134.37	504.26	518.66	543.35	107.75
		2019-20	469.53	723.79	542.84	115.61	466.52	479.85	683.86	146.59
3	Eriodu	2015-16	159.15	176.02	177.26	111.38	237.16	148.00	256.21	108.03
		2016-17	173.34	140.09	198.58	114.56	270.51	181.31	229.61	84.88
		2017-18	199.08	184.36	218.70	109.86	182.56	242.99	312.94	171.42
		2018-19	305.78	228.55	293.28	95.91	321.90	228.55	437.06	135.78
		2019-20	290.34	290.34	215.45	74.21	290.34	290.00	331.59	114.21
4	Uppidamangalam	2015-16	240.31	234.11	240.62	100.13	292.13	359.66	359.86	123.18
		2016-17	165.37	69.87	248.54	150.29	315.16	361.65	350.22	111.12
		2017-18	263.01	232.54	232.50	88.40	359.28	396.33	396.30	110.30
		2018-19	256.30	264.59	255.46	99.67	390.60	396.33	396.30	101.46
		2019-20	278.96	278.23	276.43	99.09	396.68	401.40	413.31	104.19
5	Annamalai nagar	2015-16	NA	635.19	476.39	75.00	NA	NA	510.06	0.00
		2016-17	NA	393.17	294.88	75.00	NA	NA	411.88	0.00
		2017-18	NA	368.22	276.17	75.00	NA	NA	432.72	0.00
		2018-19	NA	822.63	616.97	75.00	NA	NA	552.28	0.00
		2019-20	NA	NA	NA	NA	NA	NA	NA	0.00
6	Thiruvennainallur	2015-16	NA	224.39	168.29	75.00	NA	NA	253.32	0.00
		2016-17	NA	206.67	155.00	75.00	NA	NA	230.26	0.00
		2017-18	NA	230.72	173.08	75.02	NA	NA	286.04	0.00
		2018-19	NA	375.59	281.78	75.02	NA	NA	430.12	0.00
		2019-20	NA	509.69	384.43	75.42	NA	NA	515.40	0.00

7	Thiyagadurgam	2015-16	NA	355.91	398.56	111.98	NA	305.82	540.09	176.60
		2016-17	NA	296.06	367.28	124.06	NA	235.72	512.77	217.53
		2017-18	NA	445.16	489.31	109.92	NA	387.31	530.55	136.98
		2018-19	NA	606.58	582.59	96.05	NA	406.66	630.11	154.95
		2019-20	NA	530.69	NA	0.00	NA	373.56	NA	0.00
8	Irugur	2015-16	595.48	540.77	696.67	128.83	557.91	499.82	439.59	87.95
		2016-17	766.33	919.59	871.88	94.81	439.59	527.15	756.18	143.45
		2017-18	847.95	1,471.64	681.65	46.32	457.58	362.01	845.63	233.59
		2018-19	1,471.64	1,618.80	1,292.40	79.84	845.63	930.19	997.61	107.25
		2019-20	1,077.70	1,488.40	1,005.53	67.56	771.60	989.65	981.43	99.17
9	Idigarai	2015-16	305.10	362.05	297.86	82.27	291.60	343.10	507.93	148.04
		2016-17	419.90	433.70	420.28	96.91	402.90	396.40	433.91	109.46
		2017-18	479.60	437.20	498.90	114.11	442.20	430.10	493.19	114.67
		2018-19	584.40	694.00	852.91	122.90	547.70	576.00	549.58	95.41
		2019-20	763.00	621.00	543.74	87.56	706.00	561.00	518.17	92.37
10	Madukkarai	2015-16	546.21	616.85	614.65	99.64	511.76	578.44	629.98	108.91
		2016-17	682.17	819.61	1,029.47	125.60	653.66	802.81	752.30	93.71
		2017-18	952.03	896.46	1,050.70	117.21	653.66	1,184.92	963.19	81.29
		2018-19	752.99	1,362.17	1,351.10	99.19	1,362.78	1,353.93	1,303.43	96.27
		2019-20	1,659.61	1,610.11	988.44	61.39	1,626.06	1,565.59	1,155.50	73.81
11	Dhaliyur	2015-16	473.70	453.10	411.91	90.91	799.69	836.04	726.99	86.96
		2016-17	523.51	500.75	455.23	90.91	581.42	607.84	528.56	86.96
		2017-18	464.49	444.29	403.90	90.91	735.76	769.20	668.87	86.96
		2018-19	690.71	660.68	600.62	90.91	752.52	786.73	684.11	86.96
		2019-20	409.22	391.42	355.84	90.91	631.71	660.42	574.28	86.96
	Municipalities									
1	Vaniyambadi	2015-16	2,012.65	1,916.32	1,656.33	82.30	1,978.88	1,871.32	1,617.71	81.75
		2016-17	2,215.48	2,098.63	1,566.72	70.72	2,167.68	2,037.64	1,630.00	75.20
		2017-18	2,267.78	2,193.75	1,610.13	71.00	2,267.78	2,116.69	1,764.48	77.81
		2018-19	2,475.30	2,369.41	2,111.41	85.30	2,438.18	2,216.48	2,037.00	83.55
		2019-20	2,696.12	2,799.75	1,949.48	72.31	2,515.35	2,619.36	2,603.56	103.51
2	Arani	2015-16	1,200.00	NA	1,063.58	88.63	1,417.75	100.00	1,317.75	92.95
		2016-17	1,250.00	NA	1,103.45	88.28	1,200.00	130.00	1,116.73	93.06
		2017-18	1,400.00	NA	1,679.76	119.98	1,200.00	100.00	1,217.48	101.46
		2018-19	1,500.00	NA	1,596.01	106.40	1,500.00	100.00	1,543.09	102.87
		2019-20	1,550.00	NA	1,338.34	86.34	1,600.00	110.00	1,772.09	110.76
3	Thiruvathipuram	2015-16	850.00	NA	800.73	94.20	800.00	100.00	800.90	100.11
		2016-17	900.00	NA	672.70	74.74	850.00	400.00	1,281.59	150.78
		2017-18	950.00	NA	728.44	76.68	900.00	0.00	820.78	91.20
		2018-19	970.00	NA	911.95	94.02	950.00	110.00	1,106.08	116.43
		2019-20	990.00	NA	778.76	78.66	1,000.00	350.00	1,307.93	130.79
4	Tiruvarur	2015-16	2,195.00	NA	1,638.52	74.65	1,575.00	1,600.00	1,590.80	101.00
		2016-17	2,250.00	NA	2,063.42	91.71	2,500.00	2,575.00	2,550.82	102.03
		2017-18	2,345.00	NA	1,825.43	77.84	1,915.00	1,967.50	1,904.21	99.44
		2018-19	2,680.00	NA	2,140.95	79.89	2,700.00	2,735.00	1,974.37	73.12
		2019-20	2,525.00	NA	2,461.09	97.47	2,060.00	2,110.15	2,747.90	133.39

5	Thuvakudi	2015-16	985.85	943.93	938.90	95.24	874.28	823.57	767.76	87.82
		2016-17	1,219.67	1,196.59	1,161.59	95.24	963.28	841.83	735.79	76.38
		2017-18	1,736.81	1,704.32	1,654.71	95.27	1,126.31	1,073.65	1,000.72	88.85
		2018-19	2,012.26	1,992.44	1,916.44	95.24	1,081.64	973.63	926.56	85.66
		2019-20	2,732.83	2,693.21	2,659.01	97.30	1,173.26	1,121.38	1,078.56	91.93
6	Kumbakonam	2015-16	3,274.00	8,189.00	8,189.00	250.12	7,941.00	3,260.00	3,260.00	41.05
		2016-17	4,433.00	6,075.00	6,075.00	137.04	4,349.00	5,755.00	5,755.00	132.33
		2017-18	5,586.00	4,689.00	4,689.00	83.94	4,869.00	4,431.00	4,431.00	91.00
		2018-19	8,328.00	6,152.00	6,152.00	73.87	8,092.00	5,755.00	5,755.00	71.12
		2019-20	9,833.00	3,799.00	3,799.00	38.64	10,618.00	8,098.00	8,098.00	76.27
7	Nagapattinam	2015-16	3,300.00	NA	3,077.42	93.26	3,200.00	0	3,039.46	94.98
		2016-17	3,500.00	NA	2,399.22	68.55	3,425.00	0	2,220.27	64.83
		2017-18	3,850.00	NA	3,053.33	79.31	3,700.00	0	2,799.77	75.67
		2018-19	4,300.00	NA	4,220.41	98.15	3,900.00	0	2,852.00	73.13
		2019-20	4,500.00	NA	3,409.34	75.76	4,100.00	0	3,032.85	73.97
8	Ambasamudram	2015-16	515.13	582.60	820.53	159.29	805.50	747.40	500.88	62.18
		2016-17	848.83	1,100.40	1,051.32	123.86	904.36	750.20	711.02	78.62
		2017-18	1,747.92	1,300.50	1,257.48	71.94	621.60	620.40	523.35	84.19
		2018-19	1,567.32	1,100.30	1,020.24	65.09	1,686.06	1,100.40	1,001.38	59.39
		2019-20	1,270.23	890.80	875.73	68.94	1,348.09	900.10	892.45	66.20
9	Tenkasi	2015-16	1,004.70	912.21	868.76	86.47	691.10	626.53	596.70	86.34
		2016-17	1,054.94	957.82	912.20	86.47	829.32	751.84	716.04	86.34
		2017-18	1,107.68	1,005.71	957.81	86.47	995.18	902.20	859.25	86.34
		2018-19	1,163.07	1,056.00	1,005.70	86.47	1,194.22	1,082.64	1,031.70	86.39
		2019-20	1,221.32	1,108.80	1,055.98	86.46	1,423.06	1,299.17	1,237.32	86.95
10	Virudhunagar	2015-16	1,400.00	NA	1,312.83	93.77	1,400.00	1,546.00	2,946.00	210.43
		2016-17	1,200.00	NA	1,167.04	97.25	1,200.00	1,503.59	2,703.59	225.30
		2017-18	1,900.00	NA	1,885.39	99.23	1,900.00	534.81	2,434.81	128.15
		2018-19	2,200.00	NA	2,121.70	96.44	2,200.00	1,382.01	3,582.01	162.82
		2019-20	1,900.00	NA	1,822.96	95.95	1,800.00	20.53	1,820.53	101.14
11	Rajapalayam	2015-16	3,543.91	4,336.31	3,442.77	97.15	6,031.51	4,417.04	3,419.07	56.69
		2016-17	6,310.60	3,181.14	3,498.85	55.44	5,844.92	3,478.02	3,789.09	64.83
		2017-18	5,596.33	3,015.02	3,166.73	56.59	3,617.05	3,504.01	3,732.09	103.18
		2018-19	3,722.04	4,230.10	4,433.30	119.11	3,536.84	3,901.16	4,018.88	113.63
		2019-20	3,926.14	3,510.20	3,912.48	99.65	3,324.39	2,906.05	2,924.92	87.98
12	Udhagamandalam	2015-16	5,134.32	5,391.02	4,840.17	94.27	5,334.36	5,601.08	5,460.66	102.37
		2016-17	5,092.29	5,350.05	4,619.44	90.71	5,398.90	5,668.84	5,274.23	97.69
		2017-18	5,413.94	5,684.60	2,142.72	39.58	6,413.94	6,734.64	2,636.42	41.10
		2018-19	6,496.73	6,821.56	5,840.51	89.90	7,376.03	7,744.80	5,268.84	71.43
		2019-20	7,471.24	7,844.80	5,217.38	69.83	8,113.63	8,513.63	7,617.30	93.88

Source: Details furnished by Department

Annexure 18

(Reference: Paragraph No. 2.19)

Financial Management of ULBs

(₹ in crore)

ULB	2018-19				2019-20			
Fiscal Autonomy (FA) – Share of own revenue to Total revenue								
	Own Revenue	**Total Revenue**	**Percentage**	**High/ low**	**Own Revenue**	**Total Revenue**	**Percent-age**	**High/ low**
Municipalities	619.20	1,325.38	46.72	80.09/6.61	581.04	1,322.74	43.93	100/ 10.42
Town Panchayats	255.92	666.27	38.41	100/ 4.23	227.06	556.96	40.77	93.06/3.43
Dependency on fiscal transfer (DFT) – Share of grants to Total Revenue								
	Grants	**Total Revenue**	**Percentage**	**High/ low**	**Grants**	**Total Revenue**	**Percent-age**	**High/ low**
Municipalities	706.18	1,325.38	53.28	93.39/19.91	741.71	1,322.74	56.07	89.58/ 0.00
Town Panchayats	410.36	666.27	61.59	95.77/0.00	329.91	556.96	59.23	96.57/6.94
Coverage of revenue expenditure from Own Source (Self Reliance)								
	Own Revenue	**Revenue Expendi-ture**	**Percentage**	**High/ low**	**Own Revenue**	**Revenue Expenditure**	**Percent-age**	**High/ low**
Municipalities	619.20	1,060.87	58.37	154.0/10.18	581.04	1,127.45	51.54	128.51/7.52
Town Panchayats	255.92	559.99	45.70	194.06/2.14	227.06	504.96	44.97	152.32/5.87
Quality of expenditure (QE) - Share of O&M expenditure should be high for quality expenditure								
	O&M Expenditure	**Total Revenue Expendi-ture**	**Percentage**	**High/ low**	**O&M Expenditure**	**Total Revenue Expenditure**	**Percent-age**	**High/ low**
Municipalities	309.80	1,070.47	28.94	71.66/6.99	317.38	1,138.47	27.88	79.60/9.17
Town Panchayats	229.67	617.01	37.22	84.93/2.10	222.24	570.12	38.98	85.66/ 2.10
Avadi Corporation which was upgraded to Corporation in 2019 has been taken under Municipalities for the purpose of this analysis								

Source: Data furnished by the Department

Annexure 19

(Reference: Paragraph No.3.1)

Parastatals and their roles

Sl. No.	Name of the Parastatals	Role	ULB Function
1	Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO)	Fund Manager for Capital Grant Fund	--
2	Tamil Nadu Urban Infrastructure and Financial Services Limited (TNUIFSL)	Fund Manager for Assigned Revenue (under TURIF)	--
3	Tamil Nadu Water Supply and Drainage Board (TWAD)	Execution of Combined Water supply schemes, Improvement Schemes, Under Ground Sewerage Systems in ULBs	Water Supply and Sewerage
4	Chennai Metropolitan Water Supply and Sewerage Board (CMWSSB)	Execution of Comprehensive Water supply schemes, Improvement Schemes, Under Ground Sewerage Systems in ULBs situated in Chennai and its suburbs	Water Supply and Sewerage
5	Chennai Metropolitan Development Authority (CMDA)	Planning, Master Plan, Issue of Planning and Building Permissions in Chennai Metropolitan Area	Urban Planning
6	Directorate of Town and Country Planning (DTCP)	Planning, Master Plan, Issue of Planning and Building Permissions in respect of ULBs except Chennai Metropolitan Area	Urban Planning

Annexure 20

(Reference: Paragraph No. 3.4.1)

Probable Additional User Charges

Sl. No.	ULB Name/Scheme	No. of Households for House Service Connection proposed	No. of beneficiaries*	Water requirement @ 135 litres per day capacity	Water tariff (Bye-law) Per litre (in ₹) **	Water charges per day (in ₹.) Col. 7 = Col.5 X 6	Water charges per year (₹ in crore) Col. 8 = Col.7 X 365
1	2	3	4	5	6	7	8
1	Avadi Comprehensive Water Supply Improvement Scheme	92,530	1,85,060	2,49,83,100	220 (min. rate per month)	0	24.43 (Col. 3 X 6 X 12)
2	Pallavapuram Comprehensive Water Supply Improvement Scheme	27,926	55,852	75,40,020	0.0285	2,14,890.6	7.84
3	Ooty Water Supply Improvement Scheme	15,102	30,204	40,77,540	0.012	48,930.48	1.79
4	Water Supply Improvement Scheme to 3 added areas of Coimbatore corporation	25,591	51,182	69,09,570	0.007	48,366.99	1.77

* Column. 4 Minimum of two persons per household water considered for beneficiary purposes

** Minimum of water tariff for domestic consumption was taken into account per 1000 litres/10000 litres/15000 litres as the case may be

Note: Commercial, Industrial consumption was not taken into account for arriving at the probable additional demand

Annexure 21

(Reference: Paragraph No. 3.4.2)

Delay in completion of UGSS and the probable loss

Sl. No.	Name of the ULB	Target year of completion	Period of completion (Delay in completion in months)	Expen diture incurred on UGSS (₹. in lakh)	Number of connections yet to be provided (intended – Actually given)	User charges to be collected *(per month ₹.)	Probable revenue loss due to delay (₹.) (Col 8 = Col.6XCol.7 X 12 X no.of years)
1	2	3	4	5	6	7	8
1	Avadi Corporation (Executed by CMWSSB)	2015	2020 (60 months)	1,830.70	38,386 (40280 – 1834)	50.00	11,51,58,000 (₹.2,30,31,600X5 years)
2	Thirumazhisai Town Panchayat (Executed by CMWSSB)	2014	2018 (48 months)	3,650.00	2,744 (3,650 – 906)	75.00	98,78,400 (₹.24,69,600 X 4 years
					Total:		**12,50,36,400 (₹ 12.50 crore)**

*** Minimum rate prescribed has been taken for calculation**

Annexure 22

(Reference: Paragraph No. 3.5)

Open Space Reservation charges and Development Charges due to be transferred to ULBs

(₹ in crore)

S. No.	Name of the Charges	Purpose	Pending with	Amount collected between 2015-16 and 2019-20 pending as on 31 March 2020	Amount due to be transferred to the ULBs*
1	Open Space Regulation charges	Collected in lieu of land from the applicant.	CMDA	312.65 (126.53 already given)	107.96
			DTCP	53.54	40.16
2	Development charges	The amount collected shall be remitted to the separate account of the respective local authorities and if it pertains to water supply and drainage, shall be apportioned to CMWSSB. The amount shall be utilized for providing basic infrastructure facilities	CMDA	53.72	40.29
			DTCP	49.16	36.87
	Total			**469.07**	**225.28**
* 75 *per cent* of the amount collected during the period from 2015-16 to 2019-20 as per the recommendation of the Third SFC and accepted by the Government.					

Source: Details furnished by Department

Glossary of abbreviations

Abbreviation	Full Form
CAA	Constitutional Amendment Act
CCMC	Chennai City Municipal Corporation
CFC	Central Finance Commission
CGF	Capital Grant Fund
CMA	Commissioner of Municipal Administration
CMDA	Chennai Metropolitan Development Authority
CMWSSB	Chennai Metropolitan Water Supply and Sewerage Board
CWSS	Combined/Comprehensive Water Supply Scheme
DC	District Collector
DTCP	Directorate of Town and Country Planning
DTP	Directorate of Town Panchayat
GCC	Greater Chennai Corporation
GIS	Geographic Information System
GO	Government Order
GoI	Government of India
GoTN	Government of Tamil Nadu
HOD	Head of Department
IGFF	Infrastructure Gap Filling Fund
MA&WS	Municipal Administration and Water Supply Department
MPC	Metropolitan Planning Committee
OSR	Own Source of Revenue/ Open Space Reservation
PA	Performance Audit
PG	Performance Grants
PT	Property Tax
PTR	Property Tax Revenue
SEC	State Election Commission
SFC	State Finance Commission
SOTR	State Own Tax Revenue
TNDM	Tamil Nadu District Municipalities
TNIUS	Tamil Nadu Institute of Urban Studies
TNSTB	Tamil Nadu State Property Tax Board
TNUIFSL	Tamil Nadu Urban Infrastructure Financial Services Limited
TP	Town Panchayat
TUFIDCO	Tamil Nadu Urban Infrastructure Development Corporation Limited

TURIF	Tamil Nadu Urban Roads Infrastructure Fund
TWAD	Tamil Nadu Water Supply and Drainage Board
UGSS	Underground Sewerage Scheme
ULB	Urban Local Bodies
WSS	Water Supply Scheme

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