



Training Programme: Capsule II
under
Atal Mission for Rejuvenation and Urban
Transformation (AMRUT)
for
Senior Municipal Functionaries of Jharkhand
February, 2017



Centre for Good Governance (CGG)
Hyderabad – 500 033, Telangana

PREFACE

AMRUT

In the urban sector, the provision of amenities and basic services, viz., water supply, sewerage and urban transport in cities which improve the quality of life for all, and especially the poor and the disadvantaged is a national priority. It is considered that along with infrastructure creation, the last mile connectivity such as providing taps and toilet connections to all households would have a direct impact on the real needs of the people.

To ensure these objectives, Government of India has launched an ambitious mission “Atal Mission for Rejuvenation and Urban Transformation (AMRUT)” in June, 2015 covering 500 towns which has a population of 100,000 and more. . The AMRUT Mission aims to achieve the following:

- Every household has an access to tap with assured supply of water and sewerage connection;
- Increase amenity value of cities by developing greenery and well maintained parks;
- Reduce pollution by switching to public transport or constructing facilities for non-motorised transport like cycling and walking.

In other words, the Mission focuses on the following thrust areas:

- Water supply
- Sewerage facilities and septage management
- Storm water drains
- Pedestrian, non-motorised public transport facilities, parking spaces; and
- Creating and upgrading open spaces, parks and recreation centres.

These outcomes could be valued by all citizens, particularly women and children; and the standards and indicators would meet the Service Level Benchmarks (SLBs) prescribed by the Ministry of Urban Development (MoUD) in 2011. To sustain the created infrastructure, the Mission Towns need to implement a set of reforms (11) proposed by the Government.

Capacity Building

It was also considered that a sound institutional structure would bring out successful outcomes with the Mission; and capacity building is one of such structures and has been

included in the Mission. The capacity building has two components, (i) individual and (ii) institutional. The capacity building component would be fully supported by Govt. of India.

Centre for Good Governance (CGG), Hyderabad

Govt. of India has identified Centre for Good Governance (CGG) at Hyderabad as one of the National Resource Centres (NRC) for imparting individual capacity building to the officers of state government and urban local bodies (ULBs). The Director, State Urban Development Agency (SUDA), Govt. of Jharkhand requested CGG to take up capacity building programme to the officers of SUDA and ULBs of Jharkhand on (i) Municipal Administration and (ii) Municipal Finance.

Capsule II Programme under AMRUT

CGG, Hyderabad and SUDA, Jharkhand have entered into a Memorandum of Understanding (MoU) for a period of one year starting from May 2016. As per the MoU, CGG has to conduct one Orientation Programme and subsequently two capacity building training programmes termed as Capsule I and II in two subject areas, i.e., (i) Municipal Administration, and (ii) Municipal Finance during 2016-17. Each programme is of three-day duration. After successfully conducting the Orientation Programmes and the Training Programme Capsule I, the Training Capsule II was conducted during 9-11 February 2016 and 13-15 February 2016 at Ranchi, Jharkhand. For the Capsule II Programme, CGG Resource Persons have developed resource material which was provided to the participants during the training. The topics covered in the resource material are as follows:

1. Community Participation and Municipal Governance
2. Reform Measures in Municipal Administration
3. Municipal Audit
4. Urban Poverty Alleviation Programmes in Jharkhand
5. Area Development Plan
6. Municipal Bonds
7. Taxation Rules
8. Asset Valuation Methodology

Urban Management Resource Group (UMRG)

Content

| | |
|---|----|
| 1. Community Participation in Municipal Governance | |
| - D V Rao..... | 1 |
| 2. Reform Measures in Municipal Administration | |
| - D V Rao..... | 6 |
| 3. Municipal Audit | |
| - N. Manmadha Rao | 12 |
| 4. Urban Poverty Alleviation Programmes in Jharkhand | |
| - Vaibhav Purandare..... | 16 |
| 5. Area Development Plan | |
| - Hijam Eskoni Devi | 29 |
| 6. Municipal Bonds | 35 |
| - D V Rao..... | 35 |
| 7. Taxation Rules | 42 |
| - S N Murthy | 42 |
| 8. Asset Valuation Methodology | 50 |
| - D V Rao..... | 50 |

1. Community Participation in Municipal Governance

- D V Rao

Objective of the Session

The participants will be able to have enhanced knowledge on the following areas:

- Community Participation Law under JnNURM
- Ward Committees - constitution, composition, functions, rights, funds allocation
- Area Sabha and Area Sabha Representatives

Constitution 74th Amendment Act, 1992

Decentralisation is a backbone for democracy and the Constitution of India recognized it. The 74th amendment to the Constitution in 1992 provides that each urban area shall have a municipality and municipalities are categorized into three - a nagar panchayat, for a transitional area, that is to say, an area in transition from a rural area to an urban area; a municipal council for a smaller urban area; and a municipal corporation for a larger urban area. In addition to the municipality, the Constitution also provided, in each municipality, Wards Committees, consisting of one or more wards within the territorial area of a municipality having a population of three lakhs or more.

Wards Committee

The subject 'municipalities' is a state subject in India. The states have interpreted the constitutional provision according to their convenience; and many states have provided the Wards Committees, not limiting to one, but for a group of wards. The composition, powers and functions of Wards Committees in general have been were as follows:

Composition:

- Each Wards Committee consisted of 5 to 10 wards and consists of the members elected from the wards for which Wards Committee is constituted. The Chairperson of the Wards Committee is elected by the members from amongst themselves. There would be a Secretary to assist the Wads Committee in its functioning and the Secretary is an official of the municipality to be identified by Commissioner.

Powers and functions:

- Maintenance of sanitation, solid waste management, water supply and drainage/sewerage
- Maintenance of roads and street lighting
- Maintenance of markets, parks and playgrounds,
- Maintenance of school buildings, dispensaries and maternity and child welfare centres,
- Review of revenue collections
- Preparation of draft annual budget of its jurisdiction and forward to council for consideration and incorporation in municipal budget
- Approval of capital and maintenance works to certain limits.

The Wards Committee, no doubt became an administrative decentralized apparatus in the municipal governance, but devoid of real participation of the people in its functioning. The principal reason

for non participation of people in the governance is due to large size of the Wards Committee. The aspirations of the common people could not be represented in the system.

JNNURM – Mandatory reforms

The real people’s participation, i.e., community participation can be achieved, if the decentralisation is at some lower level, say a ward in the municipal context. The Jawaharlal Nehru National Urban Renewal Mission (JNNURM - 2005) therefore, among others, has identified ‘enactment of community participation law to institutionalise citizen’s participation and introduce the concept of Area Sabha in urban areas’ as a mandatory reform at the State level. This reform is indeed in consonance with the provisions of Constitution 74th Amendment as indicated above.

Community Participation Law in Jharkhand

The State of Jharkhand, in consonance with the mandatory reform contemplated under JNNURM has introduced the community participation law in the Jharkhand Municipal Act, 2011.

The Legislature of the State has enacted Jharkhand Municipal Act in 2011 (Act No.7 of 2012). It got the assent of the Governor on 21st January, 2012 and was published in Andhra Pradesh Gazette No.63 and the Act came into force on 9th February, 2012.

Provisions relating to community participation law are governed under Section 34 to 45 of the Act. They are:

- Section 34 – Constitution of Ward Committees
- Section 35 – Functions of Ward Committee
- Section 36 - Rights of Ward Committee
- Section 37 – Allocation of Funds
- Section 38 – Appointment of Sub Committees
- Section 39 - Ward Sabha
- Section 40 – Determination of Areas
- Section 41 - Area Sabha Representative
- Section 42 – Qualification for being Area Sabha Representative
- Section 43 – Nomination of Area Sabha Representative
- Section 44 – Term of office of Area Sabha Representative
- Section 45 - Area Sabha

Constitution of Ward Committee (Section 34)

Each ward of a Municipality shall have a Ward Committee and it shall be constituted within two months of election to the Council.

Composition of Ward Committee (Section 34)

Each Ward Committee consists of

- Councillor of the Municipality representing the ward, who shall be the Chairperson of the Ward Committee
- Not more than ten persons representing the civil society from the ward to be nominated by the Council.

- The minimum number is four in a ward where the population is not more than five thousand and one additional member thereafter for every two thousand population.
- One-third of the members nominated shall be from Resident Welfare Organisations and Community Based Organisations
- Half of the persons so nominated shall be women.
- 'Civil Society' has been explained.
- Area Sabha Representatives, where Areas are constituted in the ward.
- Secretary to Ward Committee is an officer of the municipality designated by the Commissioner/Executive Officer and he records the minutes of Ward Committee.

The noteworthy provisions in this system are

- The Council has been empowered to nominate members to the Ward Committee. The prerogative is given to the elected body of the municipality and not to the government nor government agencies. Secondly, no election has been involved in composing the Ward Committee.
- The members to the Ward Committee have to be voters in the ward. The qualifications and disqualifications prescribed for councillors are applicable to members of Ward Committee. Term of office of Ward Committee is co-terminus with that of the Council.
- 'Civil society' has been elaborated in this Section. A civil society means any non- governmental organization or association of persons established, constituted or registered under law and working for social welfare and includes any community based organization, professional institution and civic, health and educational, social or cultural body or any trade or industrial organization.

It is further mentioned therein that some other details would be provided in the rules to be issued by the government separately.

Functions of Ward Committee (Section 35)

Ward Committee is not a policy making body in the municipal system. Therefore, no **powers** have been provided to it. Only certain **functions** and **rights** have been entrusted. It is entrusted with supervision of certain day-to-day maintenance functions concerned with public at large. The Act provided that the Ward Committee has to perform the following functions.

- Supervision over solid waste management, sanitation work, water supply distribution, maintenance of markets, parks and play grounds, street lights functioning, repairs to roads, and implementation of poverty alleviation programmes and development schemes.
- Monitoring the functioning of schools, dispensaries, health centres, maternity centres, if they are under the control of municipality
- Assist in preparation of development schemes
- Encourage harmony and unity among various groups of people
- Mobilize voluntary labour and donations (by way of money and goods) for welfare programmes
- Assist in identifying beneficiaries for implementation of development and welfare schemes
- Encourage art, cultural, games and sports activities
- Ensure people participation in voluntary activities for implementation of development schemes
- Facilitation in collections of taxes, non-taxes and other sums due to municipality
- Any other function as may be prescribed by government

Rights of Ward Committee (Section 36)

As mentioned above, the Ward Committee is entrusted with certain rights... The rights are

- Seek information from Commissioner on any matter relating to the ward
- Seek information from the Commissioner about master plan of the municipality
- Obtain budget details
- Obtain details on revenue related issues of the ward
- Consultation in the development of land use or zonal regulation within the ward

Allocation of Funds (Section 37)

In the present day context, unless certain financial powers are allotted to the Ward Committee, there would not be any effective decentralization. Considering this factor, a noteworthy responsibility was entrusted to the Ward Committee in Jharkhand by allocation of funds to Ward Committees for maintenance works.

The Municipality would allocate twenty percent of the amount earmarked in the maintenance provision of municipal I budget to all Ward Committees for maintenance of services like water supply, drainage, street lighting, parks, markets etc... The manner of allocation and utilization of funds; and other related matters would be governed by Rules to be issued by government separately.

Appointment of Sub Committees (Section 38)

The Ward Committee may appoint sub committees as think fit and refer to such sub committees for opinion or enquiry on any matter relating to the functioning of the ward committee.

Ward Sabha (Section 39)

In those municipalities where population is less than one lakh, Ward Sabha is constituted for every ward. All electors in the ward are constituents of the Ward Sabha. The ward member would convene the meeting of Ward Sabha for every two months. The business of the meetings of Ward Sabha would be conducted in the manner prescribed in the Rules to be made by government separately. The powers, functions and duties of the ward Committee would be similar to those of Area Sabha (discussed in the later paragraphs)

Determination of Areas (Section 40)

If the population of the ward is sufficiently large, it may be unviable to organize a Ward Sabha meeting with all electors of the ward. In such cases, a different model is contemplated and 'Area' and 'Area Sabha' are such models. This has also been envisaged under JNNURM.

In case of a Municipality having a population of one lakh or more, the Government divide each of the wards into "Areas". While dividing the ward into "Areas", the territories representing more than two, but not more than five polling stations in the ward would be considered.

Area Sabha Representative (Section 41)

Instead of elections or nomination by government or government agencies, a representative for each Area to be known as Area Sabha Representative would be nominated by the Council.

Qualification for being Area Sabha Representative (Section 42)

Any voter in the area is qualified for Area Sabha Representative and he has to make an application to the Council, when Council calls for the applications. The qualifications and disqualifications would be similar to those of the members of the State Assembly or the Municipal Council

Nomination of Area Sabha Representative (Section 43)

After considering the applications, the Council would nominate Area Sabha Representatives of respective Areas in a Ward. The details as to calling of applications, receipt of applications and nomination of Area Sabha Representatives would be governed by the rules issued by Government.

Term of office of Area Sabha Representative (Section 44)

The term of the Area Sabha Representative would be coterminous with that of the Council.

Area Sabha (Section 45)

Each Area shall have an Area Sabha and all voters in the Area would comprise the Area Sabha. The Area Sabha is entrusted with the following functions and duties.

- Identify eligible persons within the area for beneficiary oriented schemes on the basis of criteria fixed by government and prepare a list in the order of priority and forward the same to the municipality.
- Verify eligibility of persons getting various kinds of welfare assistance from government like pensions, subsidies etc.
- Suggest location of street lights, public taps, community/public sanitation units and other public amenities within the area
- Identify deficiencies in water supply and street lighting arrangements in the area and suggest remedial measures
- Assist activities of urban public health centres in the area, especially in social and public interest activities like cleanliness, environment and anti-pollution etc.
- Impart awareness on matters of public interest such as cleanliness, preservation of environment, and prevention of pollution
- Promote harmony and unity among various groups of people in the area
- Arrange cultural festivals, sports meet etc. to give encouragement to the talents of people of the area
- Such other functions and duties as may be assigned to Area Sabhas by the municipality

The Area Sabha has to meet once in two months and the meetings have to be held as per the procedure prescribed by government through rules.

2. Reform Measures in Municipal Administration

- D V Rao

Objective of the session

The participants will be able to have enhanced knowledge on the following areas:

- State of Jharkhand and Jharkhand Municipal Act
- Various reforms initiated in the Municipal Act and way forward

1. State of Jharkhand

The State of Jharkhand came into existence in 2000 by bifurcation of the State of Bihar through Bihar Reorganisation Act, 2000. As regards municipalities, the State Government adapted Bihar Municipal Act, 1922 as Jharkhand Municipal Act, 2000. The Municipal Corporation of Ranchi was governed by Ranchi Municipal Corporation Act, 2001.

2. Jharkhand Municipal Act, 2011

The State Legislature of Bihar enacted Jharkhand Municipal Act, 2011. Besides containing the traditional service delivery functions and regulatory activities, the Act contained the provisions of Constitution 74th Amendment, suggestions made by Government of India (model law) and reform agenda contemplated through various urban related projects initiated by Central Government and XIII and IV Finance Commissions. The Act came into force on 9th February, 2012 and was published in Jharkhand Gazette No.63.

3. Reforms Contemplated in the Act

Various reforms have been contemplated in the Municipal Act and let us see them in the context of conception, application and service.

a. State Election Commission [Section 17 (2)]

The superintendence, direction and control of preparation of electoral rolls, reservation of seats to various categories, rotation of seats and the conduct of election to the councillors under the Act and relevant rules vest with the State Election Commission. The State Election Commission has been constituted in compliance with Art. 243 K and 243 ZA of Constitution of India inserted through 74th Amendment. This provision is similar to the Election Commission constituted by Union Government under Art. 324.

b. Ward Committees, Ward Sabhas and Area Sabhas (Sections 34 to 45)

This reform has been conceived in Constitution 74th Amendment as a measure of community participation. The JNNURM also mandated a reform at State Level for 'Enactment of Community Participation Law'. As a measure of compliance to Constitutional requirement (Art.243 S) as well as a major reform contemplated under JNNURM, the Legislature of Jharkhand has incorporated the community participation law in the Act. This provision enables people participation in municipal matters at the grass root level.

c. State Chamber of Municipal Councils (Section 50 -51)

The Act provides that the municipalities in the State may form into an association to be called State Chamber of Municipal Councils. This could be done after obtaining approval from State Government. The basic objective of the Chamber is to advise the Government as well as municipalities on the improvement of municipal administration and other functions prescribed by State Government.

d. Disclosure of information to general public (Section 52-54)

As a basic obligation, the municipality, under section 4 of Right to Information Act, 2005 should provide basic information relating to the municipality *suo motto* to the public through various means of communication. Even though the RTI Act mandated the disclosure of information by public offices (including municipalities), the JNNURM suggested *Enactment of Public Disclosure Law* as a mandatory reform at State level.

The Legislature of Jharkhand included the Public Disclosure provision in the Municipal Act itself. The list of information to be disclosed and manner of disclosure have been detailed in the Act.

e. Municipal Establishment Audit Commission (Section 61)

The State Government may constitute a Municipal Establishment Audit Commission to review the establishment of municipalities in the State once in ten years. The Commission consists a Chairperson and 4 members. Its main function is to carry out necessary studies and fix norms and standards of manpower for different tasks performed at various levels in the municipality.

f. Municipal Ombudsman (Section 63-69)

Ombudsman is an official appointed by Government to receive and investigate complaints made by individuals against abuses or capricious acts of public officials. On such complaints, he investigates, reports to higher officials, and helps settle complaints.

In the municipal sector, it was first proposed by XIII Finance Commission. The XIII FC mandated certain conditions for access to performance grant and one condition was that the State must put in place a system of independent Local Body Ombudsman to look into complaints of corruption and maladministration against officials and elected members of local bodies.

In Jharkhand, the institution of Municipal Ombudsman has been incorporated in the Municipal Act itself. The State Government may appoint one or more Municipal Ombudsmen.

g. State Finance Commission (Section 97)

The Jharkhand Municipal Act (Section 97) provided the appointment of State Finance Commission. This provision is made in compliance of Art.243 I read with Art.243 Y of the Constitution (inserted by 74th Amendment) of India which mandates constitution of Finance Commission at State level. This provision is similar to the Finance Commission constituted by Union Government under Art.280 of the Constitution.

h. Jharkhand Urban Development Fund (Section 98)

The Municipal Act provides [Section 98 (4)] that the State Government may constitute an Authority to institute Jharkhand Urban Development Fund to finance urban development projects in the State.

i. Accrual based accounting system (Section 112 and 113)

The Municipality has to prepare and maintain accounts on accrual based double entry accounting system (Section 112) and the State Government has to prepare and maintain a Manual to be called Municipal Accounting Manual containing details of all financial matters and procedures relating thereto (Section 113).

The Govt. of India way back in 2004 forwarded National Municipal Accounts Manual (NMAM) to State Governments and suggested the States to develop state-specific account manuals. The NMAM followed accrual based double entry accounting model on the suggestions of Finance Commissions and emerging urban reforms across the country. The XIII and XIV Finance Commissions also suggested that municipal accounts are made on the lines suggested in NMAM and which have been made mandatory to access performance grant for municipalities. The Jharkhand Municipal Act incorporated these provisions in the Act.

j. Municipal Accounts Committee (Section 124)

The Municipal Council constitutes Municipal Accounts Committee and its term is one year. The number of members in the Committee stands between three and fifteen and one of the members will be elected as Chairperson of the Committee. The functions of the Committee include examination of municipal accounts including annual accounts and examination and scrutiny of audit reports of accounts. This Committee resembles Public Accounts Committee (of State Assembly) and the functions relate to examination of accounts and audit reports of municipality.

k. Municipal Bonds and Credit Rating (Section 146 and 147)

Section 146 (1) provides that the municipality may issue tax-free municipal bonds to finance urban infrastructure projects. For the purpose of raising the funds through Municipal Bonds, the municipality may arrange credit rating from Credit Rating Agency [Section 147 (1)].

The municipalities are short of funds even for normal maintenance and it becomes necessary that municipalities have to look for alternate sources; one among them is municipal bonds. Generally, no municipality in the country is opting for municipal bonds. Yet, the Legislature of Jharkhand made a provision in the Act enabling the municipalities to issue municipal bonds and go for credit rating. It is really a bold attempt.

l. Jharkhand Property Tax Board (Section 153)

Section 153 provides constitution of Jharkhand Property Tax Board by the State Government. The Board consists of a Chairperson and two members. The main functions of the Board include enumeration of all properties in the municipalities and develop a data base, review property tax system and suggest suitable basis for valuation of properties, design transparent procedure for valuation of properties and undertake valuation of properties in the municipalities etc.

As a condition precedent to access Performance Grant, the XIII Finance Commission, among others, has mooted that the State would put in place a state level Property Tax Board, which will assist municipalities for assessing property tax transparently and independently. The Legislature of Jharkhand has incorporated the provision in the Municipal Act.

m. Private Sector Participation Agreement (Sections 192 -194)

Section 192 provides that the municipality may promote undertaking of infrastructure projects through public-private partnership (PPP) in financing, construction, operation and maintenance; and consider taking up such projects through PPP agreement or institution or government agency or through joint partnership.

In States like Gujarat and Andhra Pradesh, separate legislations have been made for undertaking projects on PPP model. But in Jharkhand, a provision has been made in the Municipal Act itself for undertaking infrastructure projects under PPP mode. Like issue of Municipal Bonds, undertaking projects on PPP mode also is a bold attempt.

n. Entrusting Operation & Maintenance (O&M) of water works and billing and collecting of charges to private agency (Section 217)

The municipality may entrust the work relating to O&M of water works and billing and collecting of water charges to a private agency. This can be done with the approval of Standing Committee.

While Section 192 and 193 govern capital projects of infrastructure nature, Section 217 covers maintenance of water supply including billing and collection of water charges.

o. Entrustment of management and handling of solid wastes and billing and collection of charges to private agency (Section 252)

The municipality may levy charge for the purpose of management and handling of municipal solid wastes; and for creating infrastructure for collection, storage, transportation, processing and disposal of such waste. Secondly, the municipality may entrust the development of infrastructure; and billing and collection of charges there for to a private agency. This would be done with the approval of Standing Committee.

While Section 217 relates to maintenance of water supply, Section 252 relates to management of solid waste. Both are maintenance related activities and differ with Sections 192 and 193 which govern capital projects of infrastructure nature.

p. State Municipal Regulatory Commission (Sections 262-268 and 271-289)

State Government may constitute Jharkhand Municipal Regulatory Commission and the Commission consists of a Chairperson and not more than 3 members. The functions of the Commission include determination of rate of water charges and sewerage charges, determination of the principles for fixing charges for solid waste management and other services, and setting standards for provision of various services; duly ensuring fair deal to residents etc.

Regulatory Commissions were constituted in certain States for regulating power tariff of electricity authorities. However, in Jharkhand, the Municipal Regulatory Commission regulates the tariff and other related issues of various services provided by municipalities in the State.

q. Jharkhand State Municipal Advisory Committee (Section 269 – 270)

State Government constitutes Municipal Advisory Committee. The Committee consists of not more than 21 members representing the interests of commerce, industry, transport, agriculture, labour, consumers of municipal services, municipalities, non-governmental organizations, academic and research bodies in the municipal sector. It is a broad-based committee. The functions of the committee basically are to advise the State Regulatory Commission (referred above) on major questions of policy, matters relating to quality, continuity and extent of services provided by municipalities, protection of consumers of municipal services, and improvement of overall standards of performance, efficiency and economy in the provision of services by the municipalities.

r. Benchmarking of service levels by Municipalities (Section 328)

The municipality has to notify every year the standards to be achieved in relation to services relating to water supply, sewerage, sanitation, solid waste management etc. as prescribed by State Government.

Benchmarking is well recognized as an important tool for introducing accountability in service delivery. Recognizing its importance, the Ministry of Urban Development (MoUD), Government of India (GoI) way back in 2001 developed a handbook on service levels in urban water supply and sanitation sector. Certain indicators were prescribed for (i) water supply, (ii) sewerage, (iii) solid waste management and (iv) storm water drainage.

The 13th FC noted the dilution of standards in the municipal services; and included the Service Level Benchmarking (SLB) as one of the nine mandatory conditions to be complied to access performance grant recommended by it to the municipalities. The benchmarks related to 4 sectors. The 14th FC reiterated the need for service delivery improvement and recommended notification of SLBs to access performance grant to the municipalities. To access performance grant, the municipalities have to publish the service level benchmarks relating to basic urban services each year and make it publically available. The service level benchmarks of the Ministry of Urban Development have to be used for this purpose.

The Jharkhand Municipal Act incorporated these conditions in the Act itself and made the municipalities notify service level benchmarks for various services.

s. District Planning Committee (Section 383)

The State Government has to constitute District Planning Committee at the district level to consolidate the plans prepared by panchayats and municipalities in the district and to prepare a development plan for the district as a whole. This provision is made in compliance with Art.243 ZD of the Constitution which has been inserted through the 74th Amendment.

t. Metropolitan Planning Committee (Section 384)

The Government may constitute a Metropolitan Planning Committee in a metropolitan area to prepare a draft development plan for such area as a whole. This provision is made in compliance with Art.243 ZE of the Constitution which has been inserted through the 74th Amendment.

4. Rules and Regulations

Under Section 590, State Government has to make rules for carrying out the purposes of the Act subject to previous publication and every rule made by the Government has to be laid before the State Legislature. The rules have to be notified in Official Gazette.

Section 592 provides that the municipality may make regulations for the purpose of giving effect to the provisions of the Act. However, before making regulations, the municipality has to publish draft of the regulations for public inspection; and the regulations have to be approved by State Government before they are published in the Official Gazette.

The Act also provides that the Jharkhand Property Tax Board and the State Municipal Regulatory Commission constituted under the Act have also to make regulations on various aspects of the Board and the Commission.

In this connection, it is to be noted that the rules and regulations have to be made in consistent with the provisions of the Act.

5. Way forward

Now that the Legislature of Jharkhand has made a comprehensive Municipal Act covering the traditional responsibilities and emerging reforms (legislative part of governance), it is time that the Government, the Municipalities and other institutions created/constituted by the Act have to make rules and regulations (subordinate legislation) to carry out various provisions of the Act.

3. Municipal Audit

- N. Manmadha Rao

Objective of the Session

The participants will be able to have enhanced knowledge on the following areas

- Audit – definition, importance and need
- Audit report and types
- Settlement of audit objections

Audit

1. 'Audit' means a searching examination of all books of accounts, vouchers and other documents to ascertain the true state of affairs. It is an instrument of financial control. It acts as a safeguard against extravagance, carelessness or fraud in realization and utilization of money or other assets, and ensures that the accounts truly represent facts, and that the expenditure is incurred with due regularity and propriety.
2. Since an individual rate payer is unable to go through the municipal account books, he depends on an auditor appointed by Government, who scrutinizes the books of account of the municipality. Scrutiny of books by auditor does not simply mean to see the challans, where money is remitted, and the vouchers where money is spent. The duty of an auditor is far wider and more responsible. He will see whether all efforts have been made to realize every rupee the municipality is entitled, and to ensure that every rupee spent is permitted by law and supported by proper sanctions and for the benefit of the community or ratepayers. The Auditors will concentrate in such of major cases where there are violations of rules, procedure and practices and involvement of major losses etc. while omitting minor and petty objections of trifling nature.
3. A public official has to observe certain principles in making expenditure of public funds, called canons of financial propriety. They are:
 - a. To exercise the same vigilance while spending public money as a person of ordinary prudence would exercise while spending his own money,
 - b. Money borrowed for a specific purpose has to be spent on that purpose only, and
 - c. Do not sanction any expenditure which may be advantageous to himself, or to benefit any particular individual
4. Audit is not a 'necessary evil' with its 'periodical visitations', as it is often understood. Audit is a wholesome, desirable and indispensable check, a great and useful aid to the Commissioner to carry out his financial administration safely and on sound lines. It helps in avoidance of irregularities, prevention of fraud and misappropriation, and detection of defects. Audit is therefore, to be treated as a useful and helpful ally. The Auditor is a friend, philosopher and guide to administration. All records and information have to be made available to the auditors.

5. The Annual audit of the Accounts of the Municipalities shall be completed and Audit Reports forwarded to the Municipal Commissioners with a request to furnish replies duly rectifying the defects pointed out.

Audit Reports

6. The Commissioner and municipal staff can peruse the objections noticed during the course of audit and take immediate action to rectify the defects. All objections have to be treated as serious and immediate action has to be taken to clear them.

7. The defects/omissions pointed out in the Audit Reports have to be rectified and specific replies have to be furnished. The replies should not appear to be vague or evasive. The general defects/omissions together with model replies are given below:

- a. If the objection relates to want of sanction, sanction has to be obtained and reference number of sanction order or a copy of sanction order has to be furnished
- b. If the objection relates to excess payment, it has to be recovered and the challan number, if recovered in cash, or voucher number, if recovered in a bill, or adjustment voucher number if adjusted etc. has to be specified.
- c. In case of non-production of records, the record has to be traced and produced.
- d. If there is specific loss, it has to be recovered from the concerned person and the details furnished
- e. If the propriety of the objection is unacceptable with reference to a question of fact or law, the Director of State Audit or Director of Municipal Administration (DMA) or Government may be addressed for necessary clarification or final order.

8. If satisfactory replies are not furnished to the Audit Reports, the audit department will report the matter to the Director of Municipal Administration or Government for taking such action as is deemed necessary.

9. The Commissioner can consult the audit department when any real difficulty, other than statutory interpretations, arises. An auditor need not be considered as a hostile critic, but as an advisor in financial administration and accounting.

Settlement of Audit Objections

10. Since the Commissioner is responsible for the disposal of the objections, the replies have to be personally scrutinized by him and ensure that the points raised in the objections have been dealt properly in the reply and that they are clear, definite and useful for the settlement of objections.

11. Vague, evasive and ill-considered replies, like “noted”, “will be done”, “will be produced”, “sanction will be obtained”, etc., merely promising to take action without actually taking any action will tend to postpone action indefinitely.. Once such replies are furnished, there will be no inclination to take further action, until the auditor himself comes again or further remarks of the Commissioner on the replies are received and, even then, in the midst of current audit, the old objections are neglected.

- 12.** It is only if immediate and effective action is taken and replies refer to the action actually taken or result thereof wherever possible, giving references to the connected records for facility of verification, or enclosing original records wherever necessary or at least copies thereof for purposes of reference, the disposal of objections would be expedited. Actually, applying for and even obtaining sanction instead of promising to obtain it; effecting recovery and quoting date and reference to credit and the record wherein it is entered, etc., will facilitate clearance of objections.
- 13.** Unless objections are cleared expeditiously as indicated above, the effect of audit will be considerably minimized and repetition of similar objections in subsequent periods will continue. It further increases difficulty in clearing the objections, and there will be a considerable amount of avoidable scriptory and other work both in the municipal office and the audit office.
- 14.** If the objections are not cleared, the auditor may take action, though with regret and most unwillingly, to report to the Director of Municipal Administration or the Government for taking disciplinary action against the concerned or for recovering the amounts involved in the unsettled objections.
- 15.** If a Commissioner is transferred from one place to another, he cannot be having at his new station all the necessary facilities for clearing the objections he could have had he been at the old station itself and as one cannot say when one would be transferred, in his own personal interest, the Commissioner do, not only avoid committing irregularities, but also take every possible steps to clear all objections immediately when they are pointed out during audit or through objection statements or audit reports.
- 16.** If no action is taken by him, a special letter is sent to him to his personal address in respect of items that might involve loss caused by his negligence and illegal expenditure coming within the purview of the surcharge rules and he is allowed two months' time to remedy the defects pointed out. Special and personal attention need be paid to the disposal of the objections covered by this letter. A reply indicating the action taken or proposed to be taken has to be sent immediately to the Director of State Audit and a final reply sent positively before the expiry of the two months' period.
- 17.** If the Commissioner is transferred to a new station, he can write to his successor in the previous station to help him in clearing the objections. However, he himself remains personally responsible for the irregularity committed and for the clearance of the objections. The Audit Department may take action, if considered necessary, against the successor, who delays action where he possibly could take action to clear the objection. But, in cases where the successor cannot really rectify the defect, the Commissioner who actually committed the irregularity will alone be held liable.
- 18.** If no satisfactory reply is received within the time allowed in the special letter or, explaining the necessity therefore, an extension of time is not asked for and obtained from the Director of State Audit within that time, the audit department has to do its duty to report the matter to the Director of Municipal Administration or the Government for such action as deemed necessary.

- 19.** As a last resort, the Director of State Audit may consider the question of surcharging the Commissioner against any loss, waste, or any unprofitable outlay. As regards expenditure also, it is the Commissioner who will be mostly responsible for incurring all illegal expenditure. If he fails to point out to the Council that a particular item of expenditure proposed to be incurred by it is illegal, and on the basis of the Council's sanction, he incurs the expenditure, he will be rendering himself liable to surcharge. If it is a case where the sanction of an authority higher than the Council is required and he incurs the expenditure without obtaining it or in anticipation of it, he will be personally responsible in spite of the Council's sanction.

4. Urban Poverty Alleviation Programmes in Jharkhand

- Vaibhav Purandare

Objective of the Session

The participants will have enhanced skill and knowledge on following areas:

- Status of urban poverty in India and various states
- Constitutional mandate of ULBs for urban poverty alleviation
- Various schemes of government to address challenges and alleviation of urban poverty
- Good practices in urban poverty alleviation

Introduction

Poverty in India is defined in terms of calorie norm of 2400 per capita per day for rural areas and 2100 per capita per day for urban areas. The poverty line is taken as the per capita expenditure level, which meets these calorie norms. In order to arrive at the estimates of the number of poor, Planning Commission makes adjustments in the NSS data on distribution of households by consumption expenditure levels. Earlier, estimates of poverty – both urban and rural – were made by the Planning Commission at five-year intervals. The data on slums and slum population are being published periodically by the Town and Country Planning Organisation, Ministry of Urban Development, Government of India. In 2001, for the first time, Census captured the slum demography details. States have also been conducting poverty surveys in urban local bodies as part of SJSRY and other programs for better targeting the poverty programs. State wise poverty statistics published by the Planning Commission and Reserve Bank of India presented in Tables 1 and 2.

Table 1: Percentage of Population below Poverty Line – 1973-74 to 2010-11

| Year | Rural | Urban | Total |
|-----------|-------|-------|-------|
| 1973-74 | 48.41 | 50.61 | 48.86 |
| 1977-78 | 38.11 | 43.55 | 39.31 |
| 1983 | 26.53 | 36.30 | 28.91 |
| 1987-88 | 33.80 | 26.10 | 25.86 |
| 1993-94 | 15.92 | 38.33 | 22.19 |
| 1999-2000 | 11.05 | 26.63 | 15.77 |
| 2004-05 | 28.3 | 25.7 | 27.5 |
| 2009-10 | 33.80 | 20.90 | 29.80 |
| 2010-11 | 25.70 | 13.70 | 21.92 |

Source: <https://www.rbi.org.in/scripts/PublicationsView.aspx?id=15283>

Table 2: Number and Percentage of Population below Poverty Line by States – 2011-12

| State / Union Territory | Rural | | | Urban | | | Combined | |
|-------------------------|-----------------------|--------------|-------------------|-----------------------|--------------|-------------------|-----------------------|--------------|
| | No. of persons (Lakh) | % of persons | Poverty line (Rs) | No. of persons (Lakh) | % of persons | Poverty line (Rs) | No. of persons (Lakh) | % of persons |
| Andhra Pradesh | 6180.00 | 10.96 | 860.00 | 1698.00 | 5.81 | 1009.00 | 7878.00 | 9.20 |
| Arunachal Pradesh | 425.00 | 38.93 | 930.00 | 66.00 | 20.33 | 1060.00 | 491.00 | 34.67 |
| Assam | 9206.00 | 33.89 | 828.00 | 921.00 | 20.49 | 1008.00 | 10127.00 | 31.98 |
| Bihar | 32040.00 | 34.06 | 778.00 | 3775.00 | 31.23 | 923.00 | 35815.00 | 33.74 |
| Chhattisgarh | 8890.00 | 44.61 | 738.00 | 1522.00 | 24.75 | 849.00 | 10411.00 | 39.93 |
| Goa | 37.00 | 6.81 | 1090.00 | 38.00 | 4.09 | 1134.00 | 75.00 | 5.09 |
| Gujarat | 7535.00 | 21.54 | 932.00 | 2688.00 | 10.14 | 1152.00 | 10223.00 | 16.63 |
| Haryana | 1942.00 | 11.64 | 1015.00 | 941.00 | 10.28 | 1169.00 | 2883.00 | 11.16 |
| Him'al Pradesh | 529.00 | 8.48 | 913.00 | 30.00 | 4.33 | 1064.00 | 559.00 | 8.06 |
| J&K | 1073.00 | 11.54 | 891.00 | 253.00 | 7.20 | 988.00 | 1327.00 | 10.35 |
| Jharkhand | 10409.00 | 40.84 | 748.00 | 2024.00 | 24.83 | 974.00 | 12433.00 | 36.96 |
| Karnataka | 9280.00 | 24.53 | 902.00 | 3696.00 | 15.25 | 1089.00 | 12976.00 | 20.91 |
| Kerala | 1548.00 | 9.14 | 1018.00 | 846.00 | 4.97 | 987.00 | 2395.00 | 7.05 |
| Ma'hya Pradesh | 19095.00 | 35.74 | 771.00 | 4310.00 | 21.00 | 897.00 | 23406.00 | 31.65 |
| Maharashtra | 15056.00 | 24.22 | 967.00 | 4736.00 | 9.12 | 1126.00 | 19792.00 | 17.35 |
| Manipur | 745.00 | 38.80 | 1118.00 | 278.00 | 32.59 | 1170.00 | 1022.00 | 36.89 |
| Meghalaya | 304.00 | 12.53 | 888.00 | 57.00 | 9.26 | 1154.00 | 361.00 | 11.87 |
| Mizoram | 191.00 | 35.43 | 1066.00 | 37.00 | 6.36 | 1155.00 | 227.00 | 20.40 |
| Nagaland | 276.00 | 19.93 | 1270.00 | 100.00 | 16.48 | 1302.00 | 376.00 | 18.88 |
| Orissa | 12614.00 | 35.69 | 695.00 | 1239.00 | 17.29 | 861.00 | 13853.00 | 32.59 |
| Punjab | 1335.00 | 7.66 | 1054.00 | 982.00 | 9.24 | 1155.00 | 2318.00 | 8.26 |
| Rajasthan | 8419.00 | 16.05 | 905.00 | 1873.00 | 10.69 | 1002.00 | 10292.00 | 14.71 |
| Sikkim | 45.00 | 9.85 | 930.00 | 6.00 | 3.66 | 1226.00 | 51.00 | 8.19 |
| Tamil Nadu | 5923.00 | 15.83 | 880.00 | 2340.00 | 6.54 | 937.00 | 8263.00 | 11.28 |
| Tripura | 449.00 | 16.53 | 798.00 | 75.00 | 7.42 | 920.00 | 524.00 | 14.05 |
| Uttar Pradesh | 47935.00 | 30.40 | 768.00 | 11884.00 | 26.06 | 941.00 | 59819.00 | 29.43 |
| Uttarakhand | 825.00 | 11.62 | 880.00 | 335.00 | 10.48 | 1082.00 | 1160.00 | 11.26 |
| West Bengal | 14114.00 | 22.52 | 783.00 | 4383.00 | 14.66 | 981.00 | 18498.00 | 19.98 |
| A&N Islands | 4.00 | 1.57 | . | 0.00 | 0.00 | . | 4.00 | 1.00 |
| Chandigarh | 0.00 | 1.64 | . | 234.00 | 22.31 | . | 235.00 | 21.81 |
| D&Nagar Haveli | 115.00 | 62.59 | . | 28.00 | 15.38 | . | 143.00 | 39.31 |

| State / Union Territory | Rural | | | Urban | | | Combined | |
|-------------------------|-----------------------|--------------|-------------------|-----------------------|--------------|-------------------|-----------------------|--------------|
| | No. of persons (Lakh) | % of persons | Poverty line (Rs) | No. of persons (Lakh) | % of persons | Poverty line (Rs) | No. of persons (Lakh) | % of persons |
| Daman and Diu | 0.00 | 0.00 | . | 26.00 | 12.62 | . | 26.00 | 9.86 |
| Delhi | 50.00 | 12.92 | 1145.00 | 1646.00 | 9.84 | 1134.00 | 1696.00 | 9.91 |
| Lakshwadeep | 0.00 | 0.00 | . | 2.00 | 3.44 | . | 2.00 | 2.77 |
| Puducherry | 69.00 | 17.06 | 1301.00 | 55.00 | 6.30 | 1309.00 | 124.00 | 9.69 |
| All India | 216658.00 | 25.70 | 816.00 | 53125.00 | 13.70 | 1000.00 | 269783.00 | 21.92 |

Source: <https://www.rbi.org.in/scripts/PublicationsView.aspx?id=15283>

The Constitutional Mandate

The Constitution (74th Amendment Act) 1992 envisages that the State Governments endow the elected Urban Local Bodies (ULB's) "with such powers and authority as may be necessary to enable them to function as institutions of self-government" and provide for the devolution of powers and responsibilities upon Urban Local Bodies, including

- i. The preparation of plans for economic development and social justice;
- ii. The performance of functions and implementation of schemes as may be entrusted to them including those in the Twelfth Schedule [Article 243W].

The Twelfth Schedule of the Constitution contains 18 municipal functions, which include:

- i. Safeguarding the interests of weaker sections of the society, including the handicapped and the mentally retarded;
- ii. Slum improvement and up gradation; and
- iii. Urban poverty alleviation.

There are others, which impact the entire city including the poor, like planning for social and economic development, promotion of educational aspects, provision of water supply, etc. Over the last 25 years most states have incorporated these two functions into their municipal Acts. The following table gives an idea on the current status of the functional domain of ULBs in different states in respect to slum improvement and urban poverty alleviation.

Table 3: States' Status on Functions Related to Poverty

| # | States | Function | | # | States | Function | |
|---|--------------|--------------------------------|---------------------------|----|----------------|--------------------------------|---------------------------|
| | | Slum Improvement & Upgradation | Urban Poverty Alleviation | | | Slum Improvement & Upgradation | Urban Poverty Alleviation |
| 1 | A'ra Pradesh | Yes | Yes | 12 | Madhya Pradesh | No | Yes |
| 2 | Aru'l Pra'sh | NA | NA | 13 | Maharashtra | No | Yes |
| 3 | Assam | Yes | Yes | 14 | Manipur | Yes | Yes |

| # | States | Function | | # | States | Function | |
|----|--------------|--------------------------------|---------------------------|----------------------------|-------------|--------------------------------|---------------------------|
| | | Slum Improvement & Upgradation | Urban Poverty Alleviation | | | Slum Improvement & Upgradation | Urban Poverty Alleviation |
| 4 | Chattisgarh | Yes | Yes | 15 | Nagaland | Yes | No |
| 5 | Gujarat | No | No | 16 | Orissa | Yes | Yes |
| 6 | Haryana | Yes | Yes | 17 | Punjab | Yes | Yes |
| 7 | Him'al Pr'sh | Yes | Yes | 18 | Rajasthan | Yes | Yes |
| 8 | J&K | Yes | Yes | 19 | Tamil Nadu | Yes | Yes |
| 9 | Jharkhand | Yes | Yes | 20 | Uttaranchal | NA | NA |
| 10 | Karnataka | Yes | Yes | 21 | UP | Yes | Yes |
| 11 | Kerala | Yes | Yes | Source: MoA's under JnNURM | | | |

Progress on JnNURM Reform Condition:

a. Internal Earmarking of Funds for Services to Urban Poor

Internal earmarking of funds for basic services to the urban poor was one of the mandatory reforms under JnNURM. Under this, the ULBs were expected to allocate a specific percentage of funds in their budget for service delivery to the poor. They also have to undertake reforms in the budget and accounting systems to track the expenditure incurred in the delivery of services to the poor. Some states and cities have a policy to allocate resources to the poor either on their own or as per the state policy. The existing status on budgetary allocations in some states is discussed.

- **Kerala**
 - 2% of revenue receipts from ULBs to CBOs towards poverty alleviation fund. (As per Sec. 284 of Kerala Municipality Act, 1994).
- **Andhra Pradesh**
 - 40% of infrastructure funds allocated for basic services to poor (G.O. Ms. Mo.265 Municipal Administration and Urban Development (K2) Department Dated 12.11.1986).
- **Gujarat**
 - 10% of municipal income, excluding income on transport and others specified by the Government of Gujarat. (Sec. 63 (2) Bombay Provincial Corporations Act, 1949).
 - Unspent balances can be carried forward to next year.
- **Madhya Pradesh**
 - Five percent of own resources are earmarked in the budget for the delivery of service to the poor in addition to this amount received from government of M P towards grant for implanting various schemes.
- **Karnataka**
 - Needs of the slums in terms of infrastructure are assessed by the welfare department and incorporated in the budget
 - There is a dedicated budget head called 'Comprehensive Development of Slums' for which allocations are made based on demand.

- **Jammu**
 - More than 20% of the budget allocation is provided for basic services to poor.
- **Haryana**
 - Separate budget provision for upgrading of slums is made.
- **Mumbai**
 - In Brihan Mumbai Municipal Corporation separate allocations are made for provision of services to the poor.
 - Budget B is exclusively meant for the slum dwellers and those living in municipal chawls.
 - Budget E, deals with education particularly for the urban poor as the municipal schools cater exclusively to the urban poor. A part from this, from the year 2006–07 onwards, there is a specific earmarking of funds for the urban poor living in slums and chawls.
 - Budget G, deals with water supply and sewerage disposal.

b. Provision of Basic Services to Urban Poor

One of the mandatory reforms at ULB level is provision of basic services to urban poor. The ULBs are expected to update their database, prepare a comprehensive policy with stake holder involvement on basic services to all urban poor including tenure security and housing at affordable prices, rank and prioritise the poor settlements in a participatory manner to facilitate investment decisions and benchmark the services and prepare a time frame to achieve them during the Mission period.

In view of the provisions of 74th Amendment Act, the ULB's are required to play a critical role as change agents in cities and towns for socio-economic transformation, slum development, improvement and upgradation, and urban poverty alleviation, including creation of self-employment and wage-employment through skill development, training and other support.

The urban poor and slum-dwellers face multiple vulnerabilities like residential, occupational and social. In recent years, Government of India has launched a number of programmes for supporting the Urban Local Bodies and State Governments to address these vulnerabilities. These programmes aim at addressing the issues of slums, housing, basic services, livelihoods, women's empowerment, social security and street vending. They include:

Schemes/Initiatives to address Residential vulnerabilities

- **Pradhan Mantri Awas Yojana, Housing for All (Urban)**

“Housing for All” Mission for all Statutory towns 4041 as per census 2011 launched by the Government of India, provides central assistance to implementing agencies through States and UTs to provide houses to all eligible families/beneficiaries by 2022. It is a Centrally Sponsored Scheme (CSS) except the component of credit linked subsidy which will be implemented as a Central Sector Scheme. The objective of the Yojana is that Every family should have a Pucca house with water

connection, toilet facilities, 24x7 electricity supply and access, before 75 years of Nation's Independence. The Yojana would be operational from 17.06.2015 to 31.03.2022.

- **Mission Highlights** States/UTs may decide a cutoff date for eligibility of beneficiary¹ needs to be resident of that urban area.
- Beneficiary defined as a family comprising husband + wife + Unmarried children. Beneficiary should not have any Pucca house anywhere in India to be eligible to receive support under the mission
- EWS category defined as a family with income up to Rs. 3 lakh and LIG from Rs. 3-6 lakh.
- Size of EWS house - 30 Sq M., States to have flexibility but Central assistance fixed. National building Code (NBC) and (Beuro of Indian Standards (BIS) standards to be followed and all Dwelling Units (DUs) should have Toilet.
- Project approval at state level by SLSMC
- Aadhaar Card/Bank Account Number/PAN Number (if available) required from beneficiary or a certificate of house ownership from Revenue Authority of beneficiary's native district

○ **Components and their Salient features**

1. Rehabilitation of slum² dwellers using land as a resource with the participation of private developers. Slums so redeveloped should compulsorily be de-notified.

- ✓ Selection of private partner for Slum Redevelopment through open bidding process.
- ✓ Extra FAR/FSI and TDR if required
- ✓ GoI Grant Rs 1lakh per House

2. Promotion of Affordable Housing for weaker section through credit linked subsidy.

- ✓ Subsidy for EWS and LIG for new House/Incremental house
- ✓ Upfront subsidy@6.5% for EWS and LIG for loans up to Rs 6 lakh, calculated at NPV basis

3. Affordable Housing in partnership with public & private sectors

- ✓ With Private sector or Public Sector including parastatal agencies
- ✓ Central Assistance of Rs 1.5 lakh per EWS house where 35% House for EWS category

4. Subsidy for beneficiary-led individual house construction

- ✓ For Individuals (EWS category) for new House or enhancement
- ✓ Cities to prepare a separate integrated project for such beneficiaries
- ✓ Central assistance of Rs 1.5 lakh per beneficiary

○ **Implementation Process**

- i. States/UTs sign a Memorandum of Agreement (MoA) to participate in the mission by agreeing to mandatory conditions and other modalities

¹ Preference under the Scheme, subject to beneficiaries being from EWS/LIG segments, should be given to Manual Scavengers, Women (with overriding preference to widows), persons belonging to Scheduled Castes/Scheduled Tribes/Other Backward Classes, Minorities, Persons with disabilities and Transgender.

² Slum definition is as per census for the purpose of Mission: "A compact area of at least 300 population or about 60-70 households of poorly built congested tenements, in unhygienic environment usually with inadequate infrastructure and lacking in proper sanitary and drinking water facilities"

- ii. States/UTs will send proposals to the Ministry for inclusion of cities in the mission along with broad assessment of housing and resources requirement.
- iii. State/Cities will undertake a demand survey to assess the actual housing demand.
- iv. On the basis of demand survey and other available data, cities will prepare Housing for All Plan of Action (HFAPoA).
- v. HFAPoA should contain the demand of housing by eligible beneficiaries in the city along with the interventions selected out of four components.³
- vi. Beneficiaries will be validated by States/UTs and ULBs thereby ensuring their eligibility at the time of preparation of the projects and approval of projects.
- vii. On the basis of HFAPoA, States/Cities will subsequently prepare the Annual Implementation Plans (AIPs) dividing the task upto 2022 in view of the availability of resources and priority.
- viii. Draft HFAPoA and AIP should be discussed with the local representatives including MLAs and MPs of that area so that their views are adequately factored in while finalising the plans and beneficiary list. Cities which have already prepared Slum Free City Plan of Action (SFCPoA) or any other housing plan with data on housing should utilise the existing plan and data for preparing “Housing for All Plan of Action” (HFAPoA).
- ix. The HFAPoA and AIPs should be submitted to the Ministry after approval of State level Sanctioning and Monitoring Committee for assessment.⁴
- x. HFAPoA should be reviewed on a yearly basis to make changes in view of implementation of Annual Implementation Plan (AIP) in the preceding years.
- xi. Cities will prepare Detailed Project Report (DPRs) under each component of the Mission.
- xii. All DPRs should be approved by State Level Sanctioning and Monitoring Committee.
- xiii. Urban Local Bodies should take into account the provisions of the City Development Plan, City Sanitation Plan etc. in preparing HFAPoA.
- xiv. Beneficiary will be eligible for availing only a single benefit under any of the existing options i.e. slum redevelopment with private partner, credit link subsidy, direct subsidy to individual beneficiary and affordable housing in partnership.

- **Jawaharlal Nehru National Urban Renewal Mission (JNNURM)**

JNNURM was launched by the Government of India in December 2005, contains four components: the Sub-Mission on Urban Infrastructure and Governance (UIG) and the Sub-Mission on Basic Services to the Urban Poor (BSUP) covering 63 identified cities and the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) and Integrated Housing and Slum Development Programme (IHSDP). The Mission aimed that a reform-driven urban agenda under which all urban poor people must have access to a basic level of urban services.

JNNURM prescribed 23 reforms at the State and Urban Local Body levels to address issues of urban governance and poverty alleviation with provision of basic amenities to the poor in a sustainable

³ While preparing HFAPoA, State/UT and Implementing Agencies should also consider the affordable housing stock already available in the city as Census data suggests that large number of houses are vacant.

⁴ Only in view of availability of finance and upon assessment of plan, CSMC may issue directions for change in HFAPoA and AIPs.

manner. The Basic Services to Urban Poor (BSUP) and Integrated Housing & Slum Development Programme (IHSDP) contemplated the following key reforms in areas of pro-poor governance:

- Internal earmarking within local body budgets for basic services to the urban poor (in proportion to the share in total city/town population);
- Implementation of 7-Point Charter, i.e. provision of basic services to urban poor including security of tenure at affordable prices, improved housing, water supply, sanitation and ensuring delivery of already existing universal services of the Government for education, health and social security within the Mission period as per agreed timelines;
- Earmarking at least 20-25% of developed land in all housing projects (both public and private Agencies) for EWS/LIG category with a system of cross-subsidization.

- **Rajiv Awas Yojana (RAY)**

Learning from the experiences of JNNURM the Government of India launched Rajiv Awas Yojana (2013-2022) aimed at ushering in a Slum-free India with inclusive and equitable cities in which every citizen has access to basic civic infrastructure and social amenities and decent shelter. The Mission of RAY is to assist States to tackle slums in a definitive manner, by focusing on:

- i. Bringing existing slums, notified or non-notified within the formal system and enabling them to avail basic amenities that is available for the rest of the city/urban agglomeration;
- ii. Redressing the failures of the formal system that lie behind the creation of slums by planning for affordable housing and stock for the urban poor and initiating crucial policy changes for facilitating the same.

RAY is flagship program with the vision of "Slum Free India" with equitable and inclusive cities in which every citizen has access to basic civic infrastructure, social services and decent shelter. Under RAY all the slums are to be developed with whole slum, whole city approach. Houses are to be designed with minimum carpet area between 21- 27 square meters. Basic amenities like roads, drains, water supply, street lights and social facilities like community halls, PHC centre, primary school, *Anganwadi* etc. can be provided as per necessity with a maximum unit cost of Rs.500,000 (including infrastructure) for towns with more than 5 lakhs population and Rs. 400,000 (including infrastructure) for the cities with population less than 5 lakhs. All the cities in the State are eligible to take up housing/slum development RAY as per the guidelines issued by the Government of India.

For sanction of projects, ULB needs to prepare Slum-free City Plan of Action (SFCPOA), for which slum profiling, household survey, additional infrastructure requirement, analysis of existing situation of the slum and identification of available government sites are required to be captured. Prioritisation of all slums is to be made in the SFCPOA. As per the priority, Detailed Project Reports have to be prepared for individual slums and sanction is to be obtained from Government of India. The emphasis of the RAY scheme is on providing houses in-situ in the slum. The occupants of objectionable slums could be relocated in the suitable sites.

- **Rajiv Rinn Yojana (RRY)**

RRY aims at addressing the housing shortages among the Economically Weaker Sections (EWS) and Low Income Group (LIG) in urban areas, through enhanced credit flow through interest rate subsidy for housing loans. The objectives of RRY are:

- Channelize institutional credit to the poorer segments of the society;
 - Increase home ownership in the country and address housing shortage;
 - Prevent proliferation of slums and squatter settlements;
 - Utilize vast network of Banks and Housing Finance Companies (HFCs) for making credit available to the urban poor.
 - Attracting private investment into the desired segments of housing.
- **Role of State Government or ULB's⁵**
 - Nominate one or more of its agency (ULBs) officers/ functionaries/authorities of certifying that the applicant belongs to EWS/LIG category as the case may be, and this certification, along with a self-declaration shall be conclusive proof regarding eligibility under this Scheme. However, in case of any applicant who has already been identified as a part of BPL category, no such certification shall be required and the aforesaid self-declaration shall suffice.
 - Identify a local level nodal agency and/ or reputed NGOs and inform Ministry of Housing & Urban Poverty Alleviation and CNAs of the nodal agency/ NGO identified. Such local level nodal agency/Voluntary NGO of repute will identify, motivate and organize beneficiaries to seek loans for building or buying houses.
 - help local nodal agency/ Voluntary NGO to identify and motivate beneficiaries who intend to construct dwelling unit on their own land or purchase a ready built dwelling unit or procure the same through an upcoming housing project being developed by the private builder / developer or any State government agencies, within urban limits, including the beneficiaries who intend to add any living space (including rooms, toilet or kitchen) to the existing residential building. In identifying beneficiaries nodal agency /ULB/ NGO will seek to follow a cluster approach, as also encourage and assist beneficiaries to form Group Housing Societies.
 - May create a cell/desk and provide with a social worker to assist the beneficiaries understand the details of the scheme, the size of the Equated Monthly Instalments (EMI), the procedures and paperwork of the bank and with obtaining the requisite certificates to get the loan and receipt of repayment.

In identifying beneficiaries, the ULB or the local agency identified by the State should as far as possible identify clusters in which land has been allotted and housing can be supported through this scheme within such clusters. The Preference under the Scheme (subject to beneficiaries being from EWS/LIG segments) should be given to the following beneficiaries:

- Women;

⁵Government of India Ministry of Housing and Urban Poverty Alleviation.(2014) Guidelines of Rajiv RinnYojana (RRY). Retrieved August 06, 2014, from www.mhupa.gov.in/W_new/Rajiv_Rinn_Yojana_Guidelines.pdf

- Scheduled Caste;
- Scheduled Tribe;
- Minorities and
- Persons with disabilities.

Schemes/Initiatives to address Occupational vulnerabilities

- **National Urban Livelihoods Mission (NULM)**

In consonance with Constitution (74th Amendment) Act, 1992, urban poverty alleviation is a primary function of the ULB. Therefore, ULBs would need to undertake a lead role for all issues and programmes concerning the urban poor in cities/towns, including skills and livelihoods.

NULM aims at a multi-pronged strategy to address urban poverty with focus on skill development, self-employment, community-mobilisation and women's empowerment. It replaced the earlier scheme of Swarna Jayanthi Shahari Rozgar Yojana which was under implementation from 1997. NULM has the following mission:

- Reduce poverty and vulnerability of the urban poor households by enabling them to have access to gainful self-employment and skilled wage employment;
- Facilitate appreciable improvement in livelihoods of the urban poor in a sustainable manner, through building grassroots level institutions of the poor;
- Provide shelters equipped with essential services to the urban homeless in a phased manner.
- Address the livelihood concerns of the urban street vendors by facilitating access to suitable spaces, institutional credit, social security and skills to access emerging market opportunities.

The components of NULM include the following:

- Employment through Skills Training and Placement (EST&P) - Training needs to be provided as per market demand; the industry demand for skill can be assessed only through a comprehensive Skill Gap Analysis/study at city level.
- Self-Employment Programme (SEP) - focus on financial assistance to individuals/groups of urban poor for setting up gainful self-employment ventures/micro-enterprises, suited to their skills, training, aptitude and local conditions.
- Capacity Building & Training (CB&T)
- Social Mobilisation & Institution Development (SM&ID) – The mission emphasises social mobilisation and empowerment through Self-Help Groups of women and their Federations. The Mayors/Municipal Chairpersons/ Councilors/ Corporators need to play a key role in promoting urban poverty alleviation and women's empowerment by encouraging and supporting Self-Help Groups of women and their Federations.

Slum Level Federation (SLF) - The second tier of Institution Building phase is the federation of SHGs at the slum level. Once the SHGs reach a reasonable level of maturity, this tier gets initiated. The SLF operates as a forum to voice the problems of the poor in the Slum, exchanges experiences including

flow of information from various Govt. Departments and raises resources required to take up the appropriate development interventions in poverty reduction.

Town Level federation (TLF) - The Town federation provides solidarity to all the SFs and SHGs and exerts peer pressure on erring SLF/SHGs within a given Town. It is helpful on lending loans to SLF based on Family Investment Plan for the social and economic development of its members and on building capacities of SHG's and SF's.

- Support to Urban Street Vendors (SUSV) and
- Scheme for the Urban Homeless

The implementation of National Urban Livelihoods Mission at the State level will be managed by a two-tier structure – A Governing Council and an Executive Committee. At the state-level, NULM will also have a Governing Council chaired by the Chief Minister of the State along with finance minister; minister urban development; minister rural development; Representatives of urban local bodies – Mayors/Chairpersons (2) and an Executive Committee chaired by the Chief Secretary of the State.

- **National Law on Street Vendors**

The Rajya Sabha passed the **Street Vendors (Protection of Livelihood and Regulation of Street Vending) Bill, 2014**. The Bill provides for protection of livelihoods rights, social security of street vendors, regulation of urban street vending in the country and for matters connected therewith or incidental thereto. The Lok Sabha had passed the Bill on 6th September, 2013.

The bill provides for the following⁶

- Constitution of a Town Vending Authority (TVA) in each Local Authority for implementing the provisions of the Bill.
- There would be representation of officials and non-officials and street vendors, including women vendors with due representation from SC, ST, OBC, Minorities and persons with disabilities to ensure participatory decision making in the TVA.
- Further every street vendor has to be registered with the TVC. The minimum age of a street vendor has to be 14 years.
- Every local authority needs to frame a street vending plan and the plan has to be reframed every five years. The plan shall determine the vending zones as (a) restriction-free vending zones; (b) restricted vending zones; and (c) no-vending zones. The plan should also take into account that the areas available for street vending is reasonable, does not lead to overcrowding and is consistent with natural markets.
- The appropriate government shall frame a street vending scheme. The scheme shall include amongst others: (a) the manner of applying for registration, (b) the period within which the decision has to be made and, (c) any other condition to be imposed on the vending certificate.

⁶PRS Legislative Research. (2014) Bill Summary-Street Vendors (Protection of livelihood and Regulation of Street Vending) Bill, 2012.pdf (application/pdf Object. Retrieved August 06, 2014, from [www.prsindia.org/uploads/media/Street Vendors Bill/Bill Summary-Street Vendors \(Protection of livelihood and Regulation of Street Vending\) Bill, 2012.pdf](http://www.prsindia.org/uploads/media/Street_Vendors_Bill/Bill_Summary-Street_Vendors_(Protection_of_livelihood_and_Regulation_of_Street_Vending)_Bill,_2012.pdf)

- The Bill empowers the local authority to relocate street vendors. The authority may do so, if the street vendors are causing a public nuisance or obstructing the movement of the public. A registered street vendor who has been relocated shall be entitled to a new site for vending.
- The local authority is also empowered to confiscate the goods of the vendors in the manner specified in the street vending scheme.
- The Bill empowers the Town Vending Committee to cancel or suspend the vending certificate. This may be done if the vendor has breached the conditions of street vending either under the Bill or under the street vending scheme.
- An appeal can be made to the local authority against the decision of the Town Vending Committee. The appeal shall be with respect to (a) decision regarding the grant of registration; or (b) cancellation/suspension of the vending certificate.
- The local authority shall constitute a grievance redress committee. The committee shall consist of one sub judge/judicial magistrate / executive magistrate and other persons experienced in street vending. Appeal against the decision of Committee shall lie with the local authority.
- The Bill defines the duties of the local authority to include amongst others; (a) monitoring and supervising the street vendor scheme; (b) monitoring the effectiveness of the Town Vending Committee; and (c) deciding appeals.

Schemes/Initiatives to address Social vulnerabilities

- **National Urban Health Mission (NUHM)**

A mission to cater to the health needs of urban population with specific focus on urban poor by making available to them essential primary health care services and reducing their out of pocket expenses for treatment. NUHM would endeavour to achieve its goal through:-

- I. Need based city specific urban health care system to meet the diverse health care needs of the urban poor and other vulnerable sections.
- II. Institutional mechanism and management systems to meet the health-related challenges of a rapidly growing urban population.
- III. Partnership with community and local bodies for a more proactive involvement in planning, implementation, and monitoring of health activities.
- IV. Availability of resources for providing essential primary health care to urban poor.
- V. Partnerships with NGOs, for profit and not for profit health service providers and other stakeholders.

Centre will fund 75 per cent of the mission and the State 25 per cent. The existing mechanism and systems created and functioning under NRHM will be strengthened to meet the needs of NUHM and city-wise implementation plans will be prepared based on baseline surveys and felt needs. The urban local bodies will be fully involved in the implementation of the scheme.

- **Integrated Child Development Scheme (ICDS)**

ICDS was launched in 1975 by the Ministry of Women & Child Development in response to the challenge of providing preschool education on one hand and breaking the vicious cycle of malnutrition, morbidity, reduced learning capacity and mortality, on the other. It focuses on

improving the nutritional and health status of children in the age group of 0-6 years with a basis for proper psychological, physical and social development. The package of services under ICDS includes supplementary nutrition, immunization, health check-up, referral services, pre-school, non-formal education, and nutrition and health education.

Increased public accountability by strengthening the role of PRIs, urban local bodies and village level functionaries in overseeing AWC functioning - Village Health Sanitation and Nutrition Committees (VHSNCs) as Sub-committee of PRIs to be actively engaged in the management and supervision of the ICDS programme and Anganwadi Management Committees to be linked with the VHSNC; giving greater powers/ responsibilities and resources to Panchayats for addressing women, child care and nutrition. (Report of the Inter Ministerial Group on ICDS Restructuring -September 2011)

- **National Literacy Mission (NLM)**

The National Literacy Mission has a three-tiered structure. At the apex is the National Literacy Mission Authority supported by the Directorate of Adult Education, which controls the programme at the national level. The State Literacy Mission Authority directs activities at the state level, supported by the State Directorate of Adult Education. Finally, the Zilla Saksharta Samiti helps make the programme a reality in districts and villages all over India. In urban areas, Nagar Palikas are being encouraged to take up the challenge.

The main features of the scheme were -

- An integrated Literacy Campaign amalgamating all the features of earlier TLC/PLC phases.
- Full freedom to zilla saksharta samitis to attempt synergies with those of local youth clubs, mahila mandals, voluntary agencies, PRIs, small-scale industries, cooperative societies, etc.
- The Continuing Education scheme encompassing removal of residual illiteracy, programmes catering to individual interest and aptitude, skill development, rural libraries, etc., would allow for opening of Continuing Education Centres (CECs) in every major village.
- Major role for NGOs.
- Strengthening of State Resource Centres (SRCs).
-

Enlarging the activities of the Jan Shikshan Sansthan to enable them to function as the repositories of vocational/technical skills both in urban and rural areas.

5. Area Development Plan

- Hijam Eskoni Devi

Objective of the Session

The participants will have enhanced skill and knowledge on following areas:

- Need and objective of area development plans
- Linkage of the area development plan with state and central schemes /plans
- Steps involved in plan formulation, implementation and convergence
- Area development planning process

Introduction

Urban population is increasing at a very fast rate and to accommodate the future population suitably, planning becomes very necessary to make provision for residence and to meet the requirement of services. Planning need to synthesize inputs from various disciplines for formulation of an integrated plan of action necessary for developing the natural and built environment of the areas with a view to achieve a desirable quality of life. In the process it requires the analysis of social, economic, cultural and ecological issues of the settlements, keeping in view the resource and other constraints.

Area Development Plan

An Area Development Plan (ADP) sets out a vision for a selected area of the city. It looks at planning for the area and looks at how these areas fit into the wider vision for the city. The ADP is an integrated development plan for area/wards with its immediate spatial continuum extending to other areas/wards. Inter-sectoral as well as intra-sectoral linkages need to be addressed through the ADP. The ADP should not limit itself only to provide for existing and projected shortfalls but to provide for better quality of services, infrastructure and built environment while also looking at the space available and requirements for the provision of the infrastructure and growth of the area.

People's participation is viewed as the first step in democratic decentralization and development planning and therefore it is very important aspect of the ADP. After the 74th Constitutional Amendment Act (74th CAA), the Governments, both in the Centre and in the States, are focussing on participative development as people are now perceived not only as 'beneficiaries' but also as 'stakeholders' in the process of development. They are the real 'change makers' and hence the entire process of planning for development must occur in consonance with people's participation at all levels.

The objectives of the ADP are as follows:

- To plan for residential, commercial and other amenities of the area for planned development and check and control haphazard and unauthorized development and improve congested and unhygienic localities,
- To provide services like street lights, water supply, waste management, sanitation, parks and gardens, roads, drains, etc.

- Maintenance and protection of places of historical and religious importance,
- To inter-coordinate all the activities to ensure health, happiness and comfort, etc.

Need for Area Development Plan

The current urban planning in India is rooted in the Town and Country Planning Act and is primarily focused on detailed land use zoning. Urban Planning has become the domain of the ULBs with the enactment of 74th CAA. The local bodies are now expected to plan, implement, enforce and manage the development of the city. In India, generally planning approach was through preparation of Master Plan which generally covers a time horizon of about 20 years, presenting a road map from the present state of the city to its ideal end-state with spatial details in the terminal year. One of the critics of Master Plan is that it has not incorporated financial planning and development reforms which are very much critical for urban management. Master Plan places a greater emphasis on the spatial aspects and its regulation while City Development Plan (CDP) takes a more strategic view of the development of a city and aligns infrastructure development and service delivery with reforms for improvement of the same. The planning proposal of the broader level is proposed in Master Plan; and CDP is prepared for the urban area. At present, there are different plans like the Regional Plan, Area Plan, etc. and recently incorporating physical planning to reform oriented planning for sustainable development, a concept of Development Plan is conceived and implemented.

The ADP is a combination of both which will look into spatial aspect with a strategic view for improvement of services but on a smaller scale which will be a ward or an area of a city. ADP deals with the micro-level planning for smaller areas by looking into the specific need of the area through rigorous consultation and participatory planning method. ADP ensures that the needs of the citizens/stakeholders are represented in the plan document and the process.

Through area development planning, which necessitates the involvement of all relevant stakeholders, local bodies can:

- Identify its key development priorities;
- Formulate appropriate strategies;
- Align resources with the development priorities.

ADP focuses on developing a realistic, achievable plan for future as it involves the community in the planning process and empowering them. The stakeholders are also more likely to prioritise their needs and expectations realistically when they are involved in the planning process.

Area Planning and its linkage with State and National level Planning

The area plans are the base of district, state and national plan. Area planning process will provide an opportunity for local planners and stakeholders to participate in the overall planning process and understand the constraints of resources and technology. It will also guide national planners to understand the issues faced by communities at local level.

The Government of India has different schemes focusing on different areas/sectors but has an overall goal of improving the lives of the people in urban areas. Other plans of the state government

also need to be kept in mind. An integrated planning exercise would link plans of centre and state governments and other area/sector plans and would provide a platform for mutual consultation and negotiations between them. It would also provide the framework for integrating the sectoral and spatial aspects of local, city and regional level plans. Benefit can be derived by seeking convergence of the Central and State Government Programs/Schemes with the ADP. At the planning stage itself, planning area must seek convergence in the different plans/schemes/programmes like Smart City, AMRUT, Swachh Bharat Mission (SBM), National Heritage City Development and Augmentation Yojana (HRIDAY), Digital India, Skill development, Housing for All, construction of Museums funded by the Culture Department and other programs connected to social infrastructure such as Health, Education and Culture.

Area Development Planning Process

The ADP depends on people and various institutions working for enhancement of quality of life in the area. Drafting of ADP requires a comprehensive planning process which includes the support of many institutions. Besides citizens themselves, these institutions may include government department, banks and financial institutions, civil society organizations working in the area and other cultural and social groups. Each institution has a role to play in the entire process.

The planning process of ADP should involve a participatory process to ensure that the plan for development of the area/ward is prepared keeping in view the expectations of the citizens. Community has to use various platforms and institutions to analyze the community's situation, prepare a vision for long term development, and identify issues and priorities for social change and development. The analysis made, issues identified and proposals given in the plan by the planning authority need to percolate down to the level of community and their inputs need to be incorporated for finalization of the same.

The baseline data on morphological aspects has to be robust and sufficiently exhaustive. Indicating jurisdictions of area/ward, location of proposed projects and their influence area, land uses of sub-standard areas, infrastructure networks, environmental and heritage areas, are critical to making the plan a comprehensive document. In addition, the linkage between capital investment, socio-economic development, spatial development and urban poverty alleviation should be established. The ADP should assess the impact of investment in urban infrastructure improvement and other development projects on the local economy through the creation of jobs, improvement in the living and working conditions, and generation of other direct and indirect socio-economic benefits.

Any planning process must also take into account detailed documentation including mapping, condition and value assessment of the natural and cultural resources such as topography and geology, traditional water systems, traditional road and transport systems, the historic buildings and open spaces, the trees and vegetation cover, etc. Over and above these aspects of the physical environment, a documentation of living traditions and intangible heritage may also be conducted. This includes festivals, jataras, etc. All these aspects must be taken into account for planning.

The overall process of ADP preparation can be divided mainly into four Phases:

Phase 1: Assessment/Analysis: Sectoral coverage, Institutional Analysis, Socio-Economic Analysis, Spatial Analysis, Environmental Analysis

Phase 2: Strategies: Perform a Gap Analysis, Identify Key Performance Areas (KPA), Determine Strategies and Development Objectives

Phase 3: Projects: Identify Capital Projects, Identify Specific Programmes

Phase 4: Integration: Integration of Processes

Phase I: Assessment / Analysis

The assessment of the current situation of the area is very important as it will give an understanding of the area/ward which would help in assessing the demand and gap and plan for the future. It will give a basic understanding of the city, its environment and various resources. The assessment need to be done for different sectors like socio-economic, spatial, service coverage, environment, institutional, etc. The identified problems under different sectors need to be considered and prioritised according to levels of urgency and/or importance, thus constituting the key development priorities.

Stakeholder and community participation is very critical in this phase. It is important to determine the key development priorities, due to the fact that the ULB will not have sufficient resources to address all the issues identified. Prioritisation assists in allocating scarce resources to those issues highlighted as more important and/or urgent.

1. Sectoral Coverage

All sectors that make a difference to the quality of life experienced by urban citizens are to be covered in the ADP. Projects/Initiatives that lie outside the mandate of area/ward need not be considered under the ADP. However, the impact of these sectors should be taken into account in the planning process. Some of the sectors which will need to be covered are water supply, solid waste management, sanitation, housing, etc.

2. Spatial Analysis

The spatial analysis is important as it forms the base of any future planning of the city. Spatial analysis of map, demographic trends, infrastructure opportunities and constraints, physical environment, economic activities, social, recreational and administrative facilities, growth and development trend analysis are necessary for planning.

3. Environment analysis

The purpose of the environmental analysis is to ensure that municipal development strategies, projects and programmes take existing environmental opportunities and threats (problems) into consideration, as well as environmental assets which require protection or controlled management. It may include analysis of surface and ground water, topography, noise impact, air quality, flora and fauna, disaster risks, etc.

4. Institutional Analysis

The existing institutional strengths and weaknesses need to be identified and taken into consideration when development strategies, projects and programmes are proposed.

5. Socio Economic Analysis

The socio-economic analysis will ensure that the municipality's strategies and programmes duly consider the needs of disadvantaged and marginalised population groups, in order to deal effectively with poverty reduction and gender equity. The factors to be considered are gender statistics, age statistics, economic active population, income distribution statistics, per capita income, health statistics, inter-link between poverty and health, etc.

6. SWOT

On the basis of the city assessment, stakeholders (municipality, private sector, NGOs, service providers etc.) should be able to analyse the area's strengths, weaknesses, opportunities, and threats (S-W-O-T).

Phase II: Strategies

Strategy formulation is the next step after determining the key development priorities affecting the people of the area and the causes thereof. It brings into play the critical managerial issue of how to achieve the targeted results, keeping into consideration the current situation of the area, needs and prospects. A gap analysis needs to be done and then link the gap with the development goals which will result in formulation of strategies. For each major constraint within each sector, a strategy will need to be carefully chosen after evaluating various alternatives.

Phase III: Projects

The core of the project and programme approach deals with the creation of high performance integrated project teams that operate in a co-ordinated manner across functional boundaries within the organisation. Specialist outsourced teams, which enhance the municipality's capacity, can be integrated into project teams. The actions and performance of project teams are co-ordinated and integrated by a project manager who maintains a continuous focus on the organisational needs. Moreover, project and programme managers ensure that the objectives and targets of the project deliverables are aligned, and remain aligned, with the strategic objectives of the municipality. The programme or project manager has the task of aligning the outcomes of the project with the strategic intent of the municipality.

Phase IV: Integration

During this phase, it should be ensured that the total integration has been achieved in terms of the following:

- That all identified projects and sectoral operational business plans comply with the municipality's strategies (KPAs and development objectives), resource framework (finance, human resources, equipment, institutional, etc.) and legislation.

- That the identified sectoral operational business plans and projects are aligned with provincial and national sector departments' plans and programmes to secure funded mandates from national and provincial departments.
- That in the case of multi-disciplinary projects such as poverty alleviation, gender equity, HIV/Aids prevention, environmental management, disaster management and local economic development, all the relevant stakeholders are involved.
- That the Plan is integrated and reflected in the 5 year capital investment programme, Institutional restructuring and integrated communication plan.

6. Municipal Bonds

- D V Rao

Objective of the Session

The participants will be able to have enhanced knowledge on the following areas

- Functional responsibility of ULBs
- Finances of ULBs
- Mismatch between Functions and Finances
- Alternate sources of revenue
- One source - Municipal Bonds
- What Municipal Bonds are?
- Credit Rating – Why and How?
- Issue of Municipal Bonds in India

1. Functional Responsibilities of ULB

Urban local bodies (ULBs) in India are traditionally mandated to undertake certain basic civic functions like water supply, roads, drains, street lighting and sanitation. They cover provision of services as well as maintenance. The ULBs also perform certain regulatory functions like issue of trade licences, regulation of land use, issue of building permissions and removal of encroachments etc.

The Constitution 74th Amendment Act (CAA) envisaged that the State Governments may, by law, endow the ULBs with such powers and authority to enable them to function as institutions of self-government; and such law may also contain provision for devolution of powers and responsibilities upon municipalities with respect to (i) preparation of plans for economic development and social justice; and (ii) the performance of functions and implementation of schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule.

The CAA inserted Twelfth Schedule to the Constitution and the Schedule provided an illustrative list of 18 municipal functions which include:

- (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) Public health, sanitation, conservancy and solid waste management
- (6) Fire services
- (7) Urban forestry, protection of the environment and promotion of ecological aspects
- (8) Safeguarding the interests of weaker sections of society, including the handicapped and the mentally retarded
- (9) Slum improvement and upgradation
- (10) Water supply for domestic, industrial and commercial purposes

- (11) Urban poverty alleviation
- (12) Provision of urban amenities and facilities such as parks, gardens, and playgrounds
- (13) Promotion of cultural, educational and aesthetic aspects
- (14) Burials and burial grounds, cremations, cremation ghats/grounds, and electric crematoria
- (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

These functions covered development programmes along with traditional civic functions. Many State governments have amended their laws and endowed the municipalities with the functions enlisted in the Constitution. Added to this, happening globalization, liberalization and more critically, the urban explosion increased the volume of functions/services to be performed/ delivered by the ULBs. Municipal functional domain is radically changing from infrastructure provision to regulatory and then commercialization.

2. Finances of ULBs

As we have discussed in another module, the finances of ULBs cover

- Taxes
- Non-taxes
- Assigned revenues
- Grants-in-aid
- Loans/Borrowings
-

Even though the 74th Constitution Amendment Act has listed the functions to be performed by ULBs, it did not spell out the finances to be devolved on the ULBs. This power has been delegated to the States and the State Legislature has to make law and

- (i) Authorise the municipality to levy, collect and appropriate such taxes, duties, tolls and fees (taxes and non taxes)
- (ii) Assign to the municipality such taxes, duties, tolls and fees levied and collected by the State Government (assigned revenues)
- (iii) Provide such grants-in-aid to the municipalities (State Government grants)

3. Mismatch between Functions and Finances

The financial powers have not been enlarged and they remained static and statutorily restricted. The increased responsibilities and the aspirations of people for greater service levels resulted that the ULBS could not meet the functions with the available finances.

While the avenues of income sources are limited, the costs of services have jumped to high side. The cost of staff salaries, administration expenses and other contingencies are also on the increase. Many ULBs are not in a position to pay wages/power bills/petty maintenance expenditure regularly.

The abnormal capital costs for infrastructure and services are another factor for high degree of mismatch between functions and finances. The costing of capital projects have been made by various studies. McKinsey (2010) suggested that India would need 5.31 million crore rupees for capital expenditure by 2030, the largest being from housing and mass transport. If cost of housing is excluded (mass transport is a must), it would be 3.54 million crore rupees. The High Power Expert Committee (HPEC) for estimating the investment requirement for urban infrastructure service projects held that India would need 3.92 million crore rupees for urban infrastructure investment over a period of 2012-31.

Studies on service deficiency by ULBs across the country were also made by various institutions and they present a very pathetic state. The water supply, drainage, sanitation, housing and road network services are considered inadequate and deficient.

It is therefore obvious that the existing finances are not sufficient to meet the functions and become necessary to augment the resources within the existing framework of law and it can be done in the following ways

- Exploit available resources through Revenue Improvement Action Plan (RIAP)
- Tax Reforms
- Revision of rates of fees/service charges
- Maximize recovery
- Rationalize expenditure
- Institutional/Management Reforms through Institutional Development Action Plan (IADP) which include -
 - Computerization
 - Citizen charter
 - Grievance Redressal
 - Performance evaluation
 - Training/Capacity building
 - Transparency/dissemination like Press meets/Cable TV/Portal/Dial Mayor/Dial Chairperson
- Accounts/Finance Reforms like
 - Updating of accounts
 - Auditing of accounts
 - Asset management
 - Expenditure management
 - Accounting reforms
 - Budget reforms
- Alternate sources of revenue in the form of
 - Privatisation
 - Public-Private Partnership (PPP)
 - Market borrowings
 - Banking institutions
 - Financial institutions

Capital Market

- Municipal Bonds

In this paper, we consider alternate sources in general and Municipal Bonds in particular.

4. Alternate sources of revenue

We now consider various alternate sources

4.1 Privatisation

At the municipal level, privatization may be considered for (i) entrusting the functions/ services like execution of municipal works, sanitation services and street lighting to private institutions for maintenance; (ii) entrusting regulatory functions like advertisements, collection of fees in markets and collection of parking fees; (iii) leasing out municipal assets like guest houses, function halls/kalyana mantapams and parks; and (iv) community contracting. In any case, the ownership remains with municipality.

4.2 Public Private Partnership (PPP)

Unlike privatization which covers maintenance/routine functions, PPP applies to new/capital ventures. In the earlier years, taking up high cost projects was governments' responsibility, since private sector could not raise high capital cost. Now, the situation has changed with liberalization, privatization and globalization (LPG). Private sector can generate any amount of capital and they are going for construction of airports, roadways, bridges, power projects, water supply etc. Here, the Government would part with land/ asset based on the arrangement/ mechanism and it would be the Government share. Liberalization brought in foreign investment also.

Models of PPP

- BOT – Build, Own, Transfer
- BOO – Build, Own, Operate
- BOOT – Build, Own, Operate, Transfer
- BOLT – Build, Own, Lease, Transfer
-

Requirement for PPP

The agency going for PPP has to consider the pricing, cost recovery, commercial viability, return on investment, competitive pricing, beneficiaries, concessions/cross subsidy/social pricing, willingness to pay, willingness to charge, better collection practices, better service delivery and most importantly, the political will.

Legislative Measures

Since PPP involve high capital investment, long term contractual obligation and various regulatory and legal issues, it should be supported by well laid out legal provisions. Some states like Gujarat and Andhra Pradesh have made separate law to undertake schemes under PPP model. If PPP has to be adopted in ULBs, municipal laws have to be amended to permit the PPP mechanism. In any case, there should be well laid out political will for its operation and success.

4.3 Market Borrowing

The next measure is borrowing from banking institutions and financial institutions like HUDCO, LIC, HDFC, IDBI and ICICI etc. In case, the ULB is the borrower, the lending institute insists Government guarantee.

4.4 Capital Market

Another area of alternate source is capital market or raising municipal bonds. The ULB raises capital/loan from market/public in the form of Municipal Bonds.

5. Municipal Bond

Municipal bonds are debt securities issued by cities to finance capital projects such as roads, water supply, or sewer systems. They may be in the form of general purpose bonds or specific purpose bonds. By purchasing municipal bonds, citizens are in effect lending money to cities in exchange for a promise of regular payment of interest and return of principal. The city is responsible for repaying the principal and interest. The date on which principal is scheduled to be repaid, known as security maturity date would be in future years. Govt. of India may generally permit tax-free bonds and interest on municipal bonds is exempt from income tax. Given the tax benefits, interest on municipal bonds is usually lower than taxable fixed-income securities. The period of tenure and rate of interest play a major factor. The Municipal Bonds are in effect long term funds for capital investment and the ULBs have to convince investors in giving money to the municipalities.

5.1 Structure of Municipal Bonds

Since the objective of municipal bonds is to convince an investor to give money to the municipality, the municipal bond should be appropriately structured and provide for repaying the debt, both the principal as well as the interest. An innovative debt servicing and risk mitigating mechanism should be used in structuring the municipal bond. The rate of interest and the period of tenure are prime elements. If the bond is meant for improving the services, it should be ensured that the costs are recovered from the users and the municipality would be able to repay the interest and principal of the bonds. The municipality has to establish an Escrow Account and earmark required funds to the account which takes care the repayment of interest and principal. It is also necessary to consider establishing Sinking Fund to service the debt.

6. Credibility/Credit Rating

In order to attract investors, it is necessary for the borrower (ULB) to make its credit profile attractive to the prospective investor. The investor should be convinced how efficiently the investment raised by the ULB would be used and how the ULB repay the principal and interest within the stipulated time period. Credit rating is an independent assessment of ULB's efficiency and its fiscal and financial health; and its ability to follow legal obligations to investors.

6.1 Credit Rating Process

Municipal Credibility has to be established by RBI approved agencies like CRISIL (Credit Rating Information Services of India Limited) or ICRA (Investment Information and Credit Rating Agency). The credit rating process captures strengths and weaknesses of ULBs.

6.2 Credit Rating Approach

Success rate to benefit from municipal bonds depends on the fiscal and financial health of the Municipality. The Credit Rating Agencies basically study the city profile and growth profile of the city consisting population growth and economic growth. The study also includes political and social structure, community support for reforms and SWOT analysis of the city.

As regards economic base of ULB, the study covers (i) demographics, (ii) level of industrial and commercial activity, (iii) analysis of present and future income, (iv) demand for urban infrastructure services and fiscal capacity of ULB to meet these demands, (v) understanding the diversity and elasticity of ULB's own revenue base and prospects of widening it; and (vi) expenditure management practices.

The agency also study (i) Legal and Administrative system covering municipal structure, decision making process, implementation methodology, conflict resolution system and controlling mechanism; (ii) Institutional Arrangement like public disclosure, transparency and redressal mechanism; (iii) Accounting System covering Income and Expenditure Account (for assessing financial performance), Balance Sheet (for assessing financial status/ position), Receipt and Payment statement (to examine cash flow), Reforming accounting and budgeting practices, Disclosure of accounts and Auditing of accounts; and (iv) Financial Management issues covering per capita income, per capita expenditure, per capita debt obligation, budget compliance, incidence of recovery and expenditure controls.

6.3 Credit Ranking

After making detailed study and analysis, the Credit Rating agency would give ranking to the ULB for going for Municipal Bond. The ranking starts in the form of highest safety, high safety etc. and lowers the ranking to risk, substantial risk and default.

7. Municipal Bonds in India

India is relatively low in the capital market to raise municipal bonds. It is mainly due to problems relating to public policy on infrastructure financing, deficiency in cost recovery mechanism, institutional incapacity to design and implement municipal bond market, lack of a viable regulatory framework and rigidity in improving legal, institutional, administrative and financial management. Municipal bonds in India can be raised with improved finances, working systems and legal and

administrative measures. Finally, to raise municipal bonds, establishing the credibility of the municipality is the prime factor.

Municipal Bonds in India started during late 1990s and Ahmedabad Municipal Corporation was the first to issue such bonds raising Rs.100 crore in 2002. Since then, issuances have been few and the total issuances barely crossed Rs.1,000 crore in about 15 years. Municipal bonds were issued by Hyderabad, Nasik, Visakhapatnam, Chennai and Nagpur Municipal Corporations, Hyderabad Metropolitan Water Supply & Sewerage Board and Chennai Metropolitan Water Supply & Sewerage Board. Five (5) to six (6) ULBs are contemplating to issue bonds this year. The recent observation of Shri Narendra Modi, the Prime Minister of India in Mumbai on 24th December, 2016 on the issue of municipal bonds reflects the progress in the matter

“Noting that most infra projects are financed by government or through banks, it is lamented that capital markets are rarely used for infra financing and opined that for infra projects to be viable, it is very important that the borrowing should be of long duration. It is disappointed that even now, we do not have municipal bond market. The SEBI and the finance ministry should ensure atleast ten (10) cities issue municipal bonds within one year”

8. Legal framework in Jharkhand

The Jharkhand Municipal Act, 2011 provides for issue of municipal bonds as well as arranging credit rating. Section 146 of the Act provides that municipality may issue tax-free municipal bonds to finance urban infrastructure projects and the issue of Municipal Bonds is subject to the guidelines and procedure issued by Central Government and also subject to the previous approval of State Government. Further, Section 147 provides that the Municipality may arrange credit rating of municipality through Credit Rating Agency for the purpose of raising funds through Municipal Bonds. It is also provided therein that the Credit Rating Agency has to be approved by the Government of India and the municipality has to provide necessary information to the Agency as may be required by them.

This provision does not exist any other Municipal Acts in the country; and it is really a bold attempt by Government of Jharkhand under urban reform in the recent times.

7. Taxation Rules

- S N Murthy

Objective of the session

The participants will be able to have enhanced knowledge on the following areas:

- TDS provisions and exemptions applicable to Urban Local Bodies
- Service tax and provisions thereof

TDS and Service Tax in Urban Local Bodies

Exempted: Income of Local authorities [Sec 10(20)]

All income arising to a local authority, other than from trade or business carried on by it which accrues or arises from the supply of commodity or service under its jurisdictional area is excludible from its total income.

Exemption is available to income derived by a local authority from the supply of water or electricity even outside its jurisdictional area.

TDS Provisions

Section 194C : TDS on Contract works

1. TDS = @ 1% in case of Individuals or HUF and @ 2% in case of Firms, Societies, Companies etc.,
2. How to differentiate between the Individuals and others:
3. If the 4th Letter of PAN contains "P", it means Individual, "H" means HUF, "F" means Firm, "C" means Company, "A" or "T" denotes society or trust.
4. There is no TDS if the single contract is less than Rs.30,000/- and the total contract works during the year is less than Rs.1,00,000/-.
5. If the contract relates to purchases of regular item for sale (Not specifically designed for this contract or labeling), there is no need to deduct TDS on the same.

Section 194I: TDS on Rent

If we pay any rent in excess of Rs.1,80,000/-, TDS has to be made.

In case of Buildings @ 10% and

In case of Vehicles, Proclaimers, machines etc., @ 2%

Section 194J: TDS on Professional Services

If we pay any Professional charges to Doctors, Engineers, Chartered Accountants etc., TDS to be made if the entire payment in a financial year exceeds Rs.30,000/-.

Section 192: TDS on Salaries.

The TDS on salaries is to be deducted by making provisional calculation and is to be paid on monthly basis and not at year end.

TDS Remittance:

TDS is to be remitted within 7 days from the end of the month. In case of March, the TDS is to be remitted on or before 30th April.

TDS returns filing due date:

| Sl. No. | Quarter | Date of ending of the quarter of the financial year | Due date |
|---------|---------|---|--|
| 1. | I | 30 th June | 31 st July of the financial year |
| 2. | II | 30 th September | 15 th October of the financial year |
| 3. | III | 31 st December | 15 th January of the financial year |
| 4. | IV | 31 st March | 15 th May of the financial year immediately following the financial year in which deduction is made |

Form 16, 16As download & issued :

The TDS certificates are to be downloaded within 15 days from the date of submission.

Late Payment of TDS : Interest @ 1.5% per month is to be paid.

Late Filing Fees (Sec. 234E): Rs.200/- per day.

SERVICE TAX

The Negative list of service tax was introduced w.e.f.01-07-2012.

In the negative list regime, all the services are taxable except those specifically exempted. The exemptions are given under mega exemptions notification 25/2012.

The services in Municipalities and Municipal Corporations:

1. The service tax is liable on **Renting of Immovable Property** service : Rate 15%

Exemptions for the same are : Rents from Slaughter house, Nurseries. (Since, these activities are included in 12th Schedule of Article 243W of Indian Constitution. The same was given under exemption under Point 35 of Mega Exemption notification 25/2012.

2. **Taxes are exempted:** The advertisement tax is also exempted along with property tax, vacant land tax, Sewage tax, water tax, Entertainment tax, Professional tax, Trade License fees etc.,
3. Grants, Sales are exempted and the services specified in 12th Schedule of Article 243W are also exempted.
4. Cell phone towers charges are taxable.
5. **Payment of Service Tax:** The service tax is to be remitted within 5 days from the end of every month.
6. **Filing of Service tax return:** The service tax return is to be filed on half yearly basis. For I Half year = 25th April and for the second half year = 25th October.

12th Schedule of Article 243W of Indian Constitution

TWELTH SCHEDULE

(Article 243W)

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; and electric crematoriums.
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

Circular No.192/02/2016 Service Tax – Dated 13th April, 2016

Clarification on issues regarding levy of Service Tax on the service provided by Government or Local authority to business entity.

| S. No | Issue | Clarification |
|----------|---|---|
| 1 | Services provided by Government or a local authority to another Government or a local authority. | Such services have been exempted vide Notification No. 25/2012 – ST dated 20.6.2012 as amended by Notification No. 22/2016 – ST dated 13.4.2016 [Entry 54 refers]. However, the said exemption does not cover services specified in sub-clauses (i), (ii) and (iii) of clause (a) of section 66D of the Finance Act, 1994. |
| 2 | Services provided by Government or a local authority to an individual who may be carrying out a profession or business. | 1. Services by way of grant of passport, visa, driving license, birth or death certificates have been exempted vide Notification No. 25/2012 – ST dated 20.6.2012 as amended by Notification No. 22/2016 – ST dated 13.4.2016 [Entry 55 refers]. 2. Further, for services provided upto a taxable value of |

| S. No | Issue | Clarification |
|-------|--|--|
| | | Rs 5000/-, Sl. No. 5 below may please be seen. |
| 3 | Service Tax on taxes, cesses or duties. | Taxes, cesses or duties levied are not consideration for any particular service as such and hence not leviable to Service Tax. These taxes, cesses or duties include excise duty, customs duty, Service Tax, State VAT, CST, income tax, wealth tax, stamp duty, taxes on professions, trades, callings or employment, octroi, entertainment tax, luxury tax and property tax. |
| 4 | Service Tax on fines and Penalties | <p>1. It is clarified that fines and penalty chargeable by Government or a local authority imposed for violation of a statute, bye-laws, rules or regulations are not leviable to Service Tax.</p> <p>2. Fines and liquidated damages payable to Government or a local authority for non-performance of contract entered into with Government or local authority have been exempted vide Notification No. 25/2012 – ST dated 20.6.2012 as amended by Notification No. 22/2016 – ST dated 13.4.2016 [Entry 57 refers].</p> |
| 5 | Services provided in lieu of fee charged by Government or a Local authority. | <p>It is clarified that any activity undertaken by Government or a local authority against a consideration constitutes a service and the amount charged for performing such activities is liable to Service Tax. It is immaterial whether such activities are undertaken as a statutory or mandatory requirement under the law and irrespective of whether the amount charged for such service is laid down in a statute or not. As long as the payment is made (or fee charged) for getting a service in return (i.e., as a <i>quid pro quo</i> for the service received), it has to be regarded as a consideration for that service and taxable irrespective of by what name such payment is called. It is also clarified that Service Tax is leviable on any payment, in lieu of any permission or license granted by the Government or a local authority.</p> <p>2. However, services provided by the Government or a local authority by way of:</p> <p>(i) registration required under the law;</p> <p>(ii) testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, required under the law, have been exempted vide Notification No. 25/2012 – ST dated 20.6.2012 as amended by Notification No. 22/2016 – ST dated 13.4.2016 [Entry 58 refers].</p> |

| S. No | Issue | Clarification |
|-------|--|--|
| | | <p>3. Further, services provided by Government or a local authority where the gross amount charged for such service does not exceed Rs 5000/- have been exempted vide Notification No. 25/2012 – ST dated 20.6.2012 as amended by Notification No. 22/2016 – ST dated 13.4.2016 [Entry 56 refers]. However, the said exemption does not cover services specified in sub-clauses (i), (ii) and (iii) of clause (a) of section 66D of the Finance Act, 1994. Further, in case of continuous service, the exemption shall be applicable where the gross amount charged for such service does not exceed Rs. 5000/- in a financial year.</p> <p>4. It is also clarified that Circular No. 89/7/2006-Service Tax dated 18-12-2006 & and Reference Code 999.01/23.8.07 in Circular No. 96/7/2007-ST dated 23.8.2007 issued in the pre-negative list regime are no longer applicable.</p> |
| 6 | Services in the nature of allocation of natural resources by Government or a local authority to individual farmers. | Services by way of allocation of natural resources to an individual farmer for the purposes of agriculture have been exempted vide Notification No. 25/2012 – ST dated 20.6.2012 as amended by Notification No. 22/2016 – ST dated 13.4.2016 [Entry 59 refers]. Such allocations/auctions to categories of persons other than individual farmers would be leviable to Service Tax. |
| 7 | Services in the nature of change of land use, commercial building approval, utility services provided by Government or a local authority | Regulation of land-use, construction of buildings and other services listed in the Twelfth Schedule to the Constitution which have been entrusted to Municipalities under Article 243W of the Constitution, when provided by governmental authority are already exempt under Notification No. 25/2012 – ST dated 20.6.2012. The said services when provided by Government or a local authority have also been exempted from Service Tax vide Notification No. 25/2012 – ST dated 20.6.2012 as amended by Notification No. 22/2016 – ST dated 13.4.2016 [Entry 39 refers]. |
| 8 | Services provided by Government, a local authority or a governmental authority by way of any activity in relation to any function entrusted to a Panchayat under Article 243G of the Constitution. | Such services have been exempted vide Notification No. 25/2012 – ST dated 20.6.2012 as amended by Notification No. 22/2016 – ST dated 13.4.2016 [Entry 60 refers]. |

| S. No | Issue | Clarification |
|--------------|--|--|
| 9 | Whether Service Tax is payable in Yearly instalments due after 1.4.2016 in respect of spectrum assigned before 1.4.2016. | Service Tax is payable on such instalments in view of rule 7 of Point of Taxation Rules, 2011 as amended by vide Notification No. 24/2016 – ST dated 13.4.2016. However, the same have been specifically exempted vide Notification No. 25/2012 – ST dated 20.6.2012 as amended by Notification No. 22/2016 – ST dated 13.4.2016 [Entry 61 refers]. The exemption shall apply only to Service Tax payable on one time charge, payable in full upfront or in instalments, for assignment of right to use any natural resource and not to any periodic payment required to be made by the assignee, such as Spectrum User Charges, license fee in respect of spectrum, or monthly payments with respect to the coal extracted from the coal mine or royalty payable on extracted coal which shall be taxable. |
| 10 | When does the liability to pay service Tax arise upon assignment of right to use natural resource where the payment of auction price is made in 10 (or any number of) yearly (or periodic) instalments under deferred payment option for rights assigned after 1.4.2016. | Rule 7 of the Point of Taxation Rules, 2011 has been amended vide Notification No. 24/2016 – ST dated 13.4.2016 to provide that in case of services provided by Government or a local authority to any business entity, the point of taxation shall be the earlier of the dates on which: (a) any payment, part or full, in respect of such service becomes due, as indicated in the invoice, bill, challan, or any other document issued by Government or a local authority demanding such payment; or (b) such payment is made. Thus, the point of taxation in case of the services of the assignment of right to use natural resources by the Government to a business entity shall be the date on which any payment, including deferred payments, in respect of such assignment becomes due or when such payment is made, whichever is earlier. Therefore, if the assignee/allottee opts for full upfront payment then Service Tax would be payable on the full value upfront. However, if the assignee opts for part upfront and remainder under deferred payment option, then Service Tax would be payable as and when the payments are due or made, whichever is earlier. |
| 11 | How to determine the date on which payment in respect of any service provided by Government or a local authority becomes due for determination of point of | The date on which such payment becomes due shall be determined on the basis of invoice, bill, challan, or any other document issued by the Government or a local authority demanding such payment [Point of Taxation Rules, 2011 as amended by Notification No. 24/2016 – ST |

| S. No | Issue | Clarification |
|-------|--|---|
| | taxation (Sl. No. 10 refers)? | dated 13.4.2016 refers]. For instance, Notice Inviting Applications (NIA) dated January 9, 2015 issued vide File No. 1000/16/2014-W.F./Auction for auction of right to use spectrum and letter dated March 29, 2015 issued vide File No. 1000 /23 / 2014 -W.F. /Auction by Department of Telecommunications to successful bidders of spectrum indicate the dates on which the payments in respect thereof become due. These may be accessed at http://www.dot.gov.in/sites/default/files/u8/NIA_January_2015.pdf and http://www.dot.gov.in/sites/default/files/u8/PaymentMethodologyAndPaymentDetails.pdf respectively. |
| 12 | Whether Service Tax is leviable on spectrum user charges and license fee payable after 1.4.2016 for the year 2015-16. | Service Tax is payable on such payments in view of rule 7 of Point of Taxation Rules, 2011 as amended by Notification No. 24/2016 – ST dated 13.4.2016. However, the same have been specifically exempted vide Notification No. 25/2012 – ST dated 20.6.2012 as amended by Notification No. 22/2016 – ST dated 13.4.2016 [Entry 62 refers]. |
| 13 | Whether Service Tax is payable on the interest charged by Government or a local authority where the payment for assignment of natural resources is allowed to be made under deferred payment option. | Rule 6(2)(iv) of the Service Tax (Determination of Value) Rules, 2006 has been amended vide Notification No. 23/2016 – ST dated 13.4.2016 so as to provide that interest chargeable on deferred payment in case of any service provided by Government or a local authority to a business entity, where payment for such service is allowed to be deferred on payment of interest, shall be included in the value of the taxable service. |
| 14 | When and how will the allottee of the right to use natural resource be entitled to take CENVAT Credit of Service Tax paid for such assignment of right. | The CENVAT Credit Rules, 2004 have been amended vide Notification No. 24/2016 C.E. (N.T.) dated 13.4.2016. Consequently, the CENVAT Credit of the Service Tax on one time charges (whether paid upfront or in instalments) paid in a year, may be allowed to be taken evenly over a period of 3 (three) years. [Rule 4(7) of CENVAT Credit Rules, 2004 as amended refers]. Detailed illustrations explaining how the CENVAT Credit is to be availed, are given in para 2 below. However, the Service Tax paid on spectrum user charges, license fee, transfer fee charged by the Government on trading of spectrum would be available in the year in which the same is paid. Likewise, Service Tax paid on royalty in respect of natural resources and any periodic payments shall be available as credit in the year in which |

| S. No | Issue | Clarification |
|-------|---|---|
| | | the same is paid. The existing eighth proviso in sub-rule (7) of rule 4 of CENVAT Credit Rules, 2004 is being omitted because the same is superfluous. Amendments have also been made in CENVAT Credit Rules, 2004 so as to allow CENVAT credit to be taken on the basis of the documents specified in subrule (1) of rule 9 of CENVAT Credit Rules, 2004 even after the period of 1 year from the date of issue of such a document in case of services provided by the Government or a local authority or any other person by way of assignment of right to use any natural resource [Fifth Proviso to sub-rule (7) of Rule 4 of CENVAT Credit Rules, 2004]. |
| 15 | On basis of which documents can CENVAT Credit be availed in respect of services provided by Government or a local authority | CENVAT Credit may be availed on the basis of challan evidencing payment of Service Tax by the Service recipient [Clause (e) of sub-rule (1) of rule 9 of CENVAT Credit Rules, 2004, refers]. |

8. Asset Valuation Methodology

- D V Rao

Objective of the session

The participants would be able to know advanced knowledge of

- Current practice of municipal accounting
- Jharkhand Municipal Act and Accounting System
- Balance Sheet – Significance and contents
- Fixed Assets – Classification, identification and valuation
- Current assets
- Liabilities
- Opening balance sheet
- Need/Method of revising opening balance sheet

1. Current Practice of Municipal Accounting

Currently, municipalities are following cash based accounting system. Under this system, statement of receipts and payments is made at the end of the year and closing balance of cash is arrived. The assets and liabilities of the municipality are not reflected in the accounts. In fact, the statement of assets and liabilities, in other words, balance sheet brings out financial position of the municipality. The municipality, being a service organisation does not require the financial position; and as such balance sheet is not a part of municipal account.

With the enhanced responsibilities and restricted financial sources, the municipalities are resorting to alternate sources of income like privatization, PPP and capital market. These changed circumstances require that the municipalities should publish the financial position which emerges with balance sheet. The Balance Sheet consists the values of Assets and Liabilities.

Currently, assets are accounted with the help of measurement books, Register of Immovable Properties and Tools & Plant Register. The recording of assets in the books of account is basically meant for payment purpose and not as an inventory. Now, in the changed accounting system, Balance Sheet has to be developed which needs details of assets and liabilities and their value. All the assets should be identified and valued.

2. Jharkhand Municipal Act and Accounting System

The Municipal Acts stipulate the preparation of annual accounts by the municipalities. The Annual Account comprises various financial statements. Under the accrual based double entry system of accounting in municipalities, Balance Sheet is one of the financial statements. Balance Sheet is a statement, which reflects the financial position of the ULB as on a particular date. It presents the assets, liabilities and reserves of the ULB as on a specified date. It balances the assets with liabilities and reserves. Since the system of accounting is being converted (from cash based single entry to accrual based double entry), it is necessary to make an opening balance sheet.

Section 112 of Jharkhand Municipal Act, 2011 specifically provides that the municipality has to prepare and maintain accounts by way of accrual based double entry accounting system.

To facilitate the preparation of opening balance sheet, it is necessary to collate the information for the assets and liabilities. While the assets are in the form of fixed assets and current assets, the liabilities are in the form of current liabilities only.

3. Asset

Asset is a property or right to property. From economic point of view, an asset may be defined as any item of economic value owned by an individual or an institution, which can be converted to cash. From acquisition point of view, it is anything which has the capacity of earning or assists in earning of revenue to the institution.

4. Classification of assets

Primary classification of assets can be made two-way, as (i) tangible and (ii) intangible. A Tangible asset is one which can be seen and participate in furtherance of activities of the institution. Examples are lands, buildings, machinery etc. On the other hand, an intangible asset is one which cannot be seen, but plays an important role in furtherance of objectives of the institution. Examples are in the form of goodwill, copyright and software product etc.

Another model of classification, particularly in accounting is (i) fixed assets and (ii) current assets. Fixed assets can be defined as those which are tangible and meant for use over a long period of time and not expected to be sold. They comprise immovable property such as land, buildings, roads etc. and movable property such as vehicles, plant and machinery, furniture and fixture etc. On the other hand, current assets are those which comprise of items of a short-term nature used in less than one year or converted into cash within an year. The examples are cash in hand, cash in bank, tax / user charges receivable, stock in hand etc.

Among the immovable properties, some can be referred as infrastructure assets. Basically, infrastructure assets are owned by public institutions and are used by public. They can neither be sold by the institutions nor purchased by the public. They are in the form of roads, lanes and footpaths; drains; bridges and culverts; flyovers and subways; water supply installations and distribution network, sewerage installation and network, and street lighting installations etc. These assets are owned by public institutions and considered as assets. However, they are considered as public properties and cannot be disposed.

5. Identification of assets

The first step in this exercise is identification of assets. This can be done through field level teams for identification purpose and steering committee for coordination and monitoring. The assets which need identification are fixed assets only and they may be grouped in various categories like lands, buildings, roads, bridges, drains, water works, lakes and ponds, plant and machinery, vehicles, furniture and fixtures, office and other equipment, livestock and public lighting.

The municipality has to form field level teams for collating information in the formats provided for the purpose and within a specific time-frame. The teams may be formed section-wise or ward-wise.

The information may be collected section-wise or ward-wise and then consolidated at municipal level.

There should be a Steering Committee at the municipal level and should be headed by Commissioner and comprise Municipal Engineer, Town Planning Officer, Accounts Officer, Revenue Officer, Estate Officer and Town Surveyor. The Committee should guide, supervise and coordinate the work of the field level teams in collecting and collating the information.

6. Guidelines for identification of assets

The designated team should collect particulars, such as identification number (survey number in case of land, registration number in case of vehicle, name of building etc.), location, condition, date of acquisition and value (if available) of asset. At the first instance, assets should be listed on physical verification. The teams may take the assistance of ward members, other departments of government and local residents in its efforts to identify the assets. It is necessary that the information need be recorded in prescribed forms. Information gathered during physical verification has to be cross-checked with available records in the office. It should be ensured that the assets owned by the municipality only have to be included in the list. The verification of records would be useful for authentication, besides knowing information relating to date of acquisition and cost of acquisition. They are vital in valuing the assets.

7. Valuation of fixed assets

The assets have to be valued with reference to the date on which opening balance sheet is prepared, i.e., the date on which the accounting system is being converted to the accrual system. This is a vital point to be kept in mind.

If the date of purchase/construction and the cost are available or ascertainable, the value of the asset as on the relevant date would be the original cost less depreciation. Depreciation means the decrease in value of an asset due to obsolescence or use. The rate of depreciation of various assets depends upon the estimated useful life of various assets and the useful life of assets would be determined by the Government. As regards land, the value as per original document should be considered. If the cost is not available, it may be ascertained from the Stamps and Registration department. The land value should not be depreciated.

8. Valuation principles

There are certain general principles for valuation of fixed assets. All fixed assets should be valued at cost less accumulated depreciation. If the asset is donated or gifted, it should be valued at nominal cost of one rupee. If the asset outlived its useful life, it should be valued at nominal cost. The asset should not be deleted from the list. The asset should find place in the list, since the municipality needs the list of assets, the value is secondary.

In case the asset is purchased/constructed, and the date of purchase/construction and the cost is known, the value is the original cost minus the depreciation value.

In case the date is known and the cost is not known, the first step is to find out the current value of asset. It can be found on the basis of current standard cost/schedule of rates. (The engineering

department knows the details). After arriving the current value, the value on the date of acquisition/construction can be arrived by deflating the value to the original year with the help of appropriate inflation index (inflation index would be notified by Income Tax department every year) and the cost on the original date be arrived, which is called deflated standard cost. From that cost, the depreciation value has to be decreased and the current value of the asset be arrived.

In case the date and cost are not known, the year of construction has to be estimated and the above method be followed to arrive at current value of asset.

In case it is difficult to estimate the year of construction also, the asset is valued through approved valuers on case by case basis.

All assets have to be entered in relevant Asset Registers and the Asset Registers should contain all details like description of asset, identification, year of acquisition, value and useful life period etc.

9. Current Assets

The current assets for the exercise include investments, cash on hand and at bank, advances paid to contractors/suppliers, loans and advances paid to employees, receivables (taxes, water charges, rentals etc.) and stores and stock. These current assets are available in rupee value and they can be adapted as such.

10. Liabilities

Liabilities for the exercise mean current liabilities. They are in the form of deposits received from contractors and suppliers towards EMD/Security Deposit and bills and other payables to various individuals (contractors, suppliers and employees) and institutions (amounts deducted on behalf of other agencies and not paid like IT, sales tax, etc.), library cess and electricity bills etc.

11. Opening Balance Sheet

When the values of all assets and liabilities are arrived, net value or balancing figure have to be recorded under the 'Municipal Funds' in the Balance Sheet. This exercise is called opening of balance sheet. Before incorporating these figures in the books of account, the approval of Council/Standing Committee has to be obtained.

12. Revision of Opening Balance Sheet

After preparing the first Opening Balance Sheet, it may be possible that new assets or liabilities are identified and the values in assets or liabilities vary. In such cases, changes should be incorporated through 'adjustment to Opening Balance Sheet' in the Balance Sheet itself for the period concerned and it should be an addition or deletion to the Municipal Fund (original opening balance sheet). It should be ensured that it does not route through Income and Expenditure Account.
