

## **16. FINANCIAL STATUS OF URBAN LOCAL BODIES (ULBs) IN KANPUR**

### **16.1 INTRODUCTION**

In the development and smooth functioning of any city, there is, generally, more than one player, which plays the important role in the provision of efficient service delivery. The first and most important aspect is the identification of these major bodies of the urban centre. The second step is to make an evaluation and analysis of financial position of these agencies. This would help in assessing the sustainability in the development of the city.

In the case of Kanpur city, there are three important bodies who responsible for the overall development and smooth running of the city. These are:

1. Kanpur Nagar Nigam (KNN);
2. Kanpur Jal Sansthan (KJS); and
3. Kanpur Development Authority (KDA)

The KNN and KJS and mainly responsible for the provision of basic services to the city dwellers whereas the responsibility of KDA helping in the development of the city. In the era of decentralization, community participation has also assumed important role. However, here, we are focusing on the major responsibilities and financial status of these bodies above-mentioned bodies.

### **16.2 KANPUR NAGAR NIGAM**

Under the provision of *Uttar Pradesh Nagar Nigam Adhiniyam*, (UP Municipal Corporations Law) the Municipal Corporations are responsible for the provision of basic needs and maintenance core services in the city. To meet the requirement for the provision of these services, these bodies are empowered to levy certain municipal taxes and fees. Similarly, the KNN is responsible for upkeep and maintenance of basic minimum civic services the city. It provides the basic municipal services to the city dwellers residing in the municipal limit. The KNN meets its financial requirements by generating the resources through taxation, rental income from the municipal properties (own income) and the transfers from the centre and the state (which are constitutional obligations of these higher level of governments).

The KNN is mainly responsible for the provision of basic services and not for the developmental activities (barring a few) in the city. The important services provided by the KNN includes: provision (maintenance) of good roads in the city, maintenance of streetlights, drainage and sewers, solid waste management, parks, gardens and the play grounds, basic educational and medical needs, provision of markets, cremation grounds, slaughter houses, and controlling the advertisement agencies.

For the purpose of analysis of financial status of KNN the basic data on income and expenditure are obtained from KNN through basic and revised budget documents for various years. The financial analysis of the KNN carried out in three accounts. On the income side, under the revenue account, the resources are generated through levying of various taxes and the rental income from municipal properties. The other two sources of income are capital and suspense accounts, which deals with the transfers (grants and contribution) from higher level of governments. Similarly, the expenditure is also divided into three major heads of revenue expenditure, capital expenditure and suspense account expenditure. The details of income-expenditure of Kanpur Nagar Nigam are indicated in Table 16.1 below.

**Table 16.1: Revenue Composition of Kanpur Municipal Corporation (Rs lakh)**

	Income	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
<b>A</b>	<b>Revenue Account</b>							
1	General Tax	880.12	1225.97	1700.00	1690.00	1605.68	2573.09	2800.00
2	Advertisement Tax	69.87	66.76	100.00	83.47	105.47	119.39	125.00
3	Tax on Cinema Hall	8.08	7.17	10.00	2.91	7.12	9.72	10.00
4	Total Tax Revenue	975.62	1358.56	1870.00	1776.38	1718.27	2702.20	2935.00
5	Income from Municipal Properties & other sources	391.88	347.44	2254.30	1129.67	1057.71	1207.72	2384.30
6	Water treatment drainage sanitation	9.83	3.75	26.50	6.27	5.98	5.39	6.50
7	Income under special Acts	5.09	7.13	8.50	5.08	4.94	8.33	8.50
8	Income from Interest on Investment	1.19	25.60	10.00	0.00	0.38	195.88	2.00
9	Grants and Contribution	5537.92	6166.25	8752.44	7183.63	7944.12	7127.39	9725.00
10	Miscellaneous Income	78.37	69.10	100.00	159.85	169.38	179.14	150.00
<b>A</b>	<b>Revenue Account</b>	<b>6024.30</b>	<b>7977.85</b>	<b>13022.74</b>	<b>10260.88</b>	<b>10900.79</b>	<b>11426.05</b>	<b>15212.35</b>
<b>B</b>	<b>Total Capital Account</b>	<b>0.00</b>	<b>48.70</b>	<b>2000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>C</b>	<b>Total Other Account Income (suspense)</b>	<b>586.87</b>	<b>684.37</b>	<b>170.00</b>	<b>384.37</b>	<b>221.59</b>	<b>188.08</b>	<b>190.00</b>

Source Budget Documents of 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 (Original and Revised), Kanpur Nagar Nigam.

The income of KNN is presented under three heads of accounts, such as revenue account, capital account and other (suspense) account

### 16.2.1 Revenue account

Under the revenue account, the own revenue comprises of tax and not-tax sources. The major taxes levied by KNN are property tax (general tax), advertisement tax and tax on entertainment places (cinema halls etc).

#### 16.2.1.1 Tax Revenue

The share of tax revenue in total income increased from 16% to 24% for the years from 1998-99 to 2003-04. However, the share has declined in 2004-05

to 19%. In absolute term, the tax income has gone up from Rs 98 million to Rs 294 million.

#### ***Property Tax***

Amongst the important taxes, the major share comes from property tax. It contributes more than 95% in the total tax revenue. The share of property tax in total income of KNN was 15% in 1998-99 which has gone up to 23% by 2003-04, but declined to 18% in 2004-05. In absolute term, the revenue from property tax has increased from Rs 88 million to Rs 280 million. With the reforms package, such as shifting of assessment method from Annual Ratable Value (ARV) to Unit Area Method, reviewing of properties under exemption, Rent Controlled Properties, survey of all properties in the city, computerization of data base in various zones, as carried out by the KNN, the revenue from this source is expected to increase in future.

#### ***Other Taxes***

The share of other taxes (advertisement tax and entertainment tax) was less than 10%. The contribution of tax on advertisement has declined from 7% to 4% during the period from 1998-99 to 2004-05. In rupee term the revenue from this source has increased from Rs 6 million to Rs 13 million. The tax on entertainment places (cinema halls) has increased marginally from less than one million to one million from 1998-99 to 2004-05.

#### **16.2.1.2 Non- Tax Revenue**

The non-tax revenue comprises of rental income from municipal properties, rent from *Nazul* land, interest and miscellaneous receipts. Amongst them, most important source is rental income from municipal properties. The contribution from this source in the non-tax revenue accounts for more than 96%. Its share in the total income was 7% in 1998-99, which has reached to 16% in 2004-05. The earnings from this source were Rs 39 million, which increased to Rs 238 million during 1998-99 to 2004-05. Assuming that the growth in population would lead to increase in demand for houses, considering such demand of real estate in view, the non-tax income expected to grow more in the coming years.

#### **16.2.1.3 Transfers (Grants and Contributions)**

In the post decentralization reform period and introduction of 74<sup>th</sup> Amendment, the transfers from the higher level of governments, both centre and state, has increased substantially. However, in the case of KNN, the transfers under the head of grants and contribution, accounted for 92%, but declined to 64% during 1998-99 to 2004-05. The amount transferred under this head was Rs 554 million, which further increased to Rs 973 million for the same period.

The total income under the revenue account was Rs 602 million in 1998-99, which have gone up to Rs 1521million in 2004-05. On the basis of assumption that the KNN would introduce the reforms in property tax and

other taxes, that the income under revenue head would likely to increase in the coming years.

## 16.2.2 Expenditure Account

### 16.2.2.1 Revenue Expenditure

Similar to income pattern, the expenditure is also accounted under three heads of revenue, capital and suspense. In total expenditure of KNN, the major share was spent on revenue account only, its share was 97% during 1998-99, which increased to 99% in 2003-04, but slightly declined to 94% in 2004-05. In absolute term the expenditure incurred under the revenue account in 1998-99 was Rs 715 million. In 2004-05, it has increased to the tune of Rs 1293 million (see Table 16.2). On the assumption that the expenditure may grow initially, but would come down because of many expenditure compression package (such as VRS, right sizing of staff strength, public- private partnership and the partially or wholly privatization of some the services) of KNN, which it would be introducing in the near future.

As the KNN has to provide various services related to education, medical and public health, O & M of street lighting, water supply and sewerage, parks and gardens, public works, roads, it has to incur a substantial amount of its earnings on the provision/maintenance of these basic needs. A large work force is also engaged for the purpose of revenue collection and the provision of these services.

**Table 16.2: Expenditure Pattern of Kanpur Municipal Corporation (Rs lakh)**

	Expenditure	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
<b>A</b>	<b>Revenue Account Expenditure</b>							
1	General Administration	221.23	267.62	282.13	292.88	299.35	351.19	340.00
2	Revenue Collection	288.99	327.24	383.50	367.07	376.71	409.26	405.00
3	Total General Administration & Revenue Collection	510.22	594.87	665.63	659.95	676.06	760.45	745.00
4	Sanitation	3306.20	3572.94	3922.00	3676.82	3883.67	4222.07	4506.00
5	Medical and Public Health	372.74	469.95	486.55	505.53	521.84	681.54	640.70
6	Public Safety/Public convenience:-	533.36	777.22	996.09	876.47	949.94	970.62	1847.75
7	Public Works (construction)	669.81	1469.09	1485.50	1815.71	1720.14	1237.90	2410.00
8	Higher Education/Other Education	453.35	551.61	578.50	704.83	659.66	796.13	710.50
9	Grants & Contribution	0.00	0.00	0.00	0.00	0.00	1282.15	1700.00
10	Total Refund	0.00	0.00	0.20	0.00	59.50	26.62	100.00
11	Other Expenditure	1080.96	1494.92	4421.36	2011.55	1155.23	2321.46	1732.70

<b>A</b>	<b>Total Revenue Expenditure</b>	7147.87	9198.23	12837.76	10543.74	9865.89	11341.36	12932.65
<b>B</b>	<b>Capital Account Expenditure</b>	2.95	648.26	302.00	1.99	337.35	0.75	552.00
<b>C</b>	<b>Other Account (Suspense) Expenditure</b>	228.21	91.98	141.00	96.12	127.60	78.38	206.00
	<b>Total (A+B+C) Expenditure</b>	7379.02	9938.48	13280.76	10641.86	10330.84	11420.50	13690.65

Source Budget Documents of 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 (Original and Revised), Kanpur Nagar Nigam

### ***General Administration and Revenue Collection***

In the total revenue expenditure, about 6% goes on General Administration and Revenue Collection. In that the share of General administration is slightly more than 2%, and about 3% is on revenue collection. The cost of property tax collection is high. On an average more than 3% of revenue expenditure is being spent on property collection. It is expected that after implementation of property tax reform package (such as out sourcing tax collection) by KNN, the cost of collection would decline in future.

### ***Sanitation***

For the clean and healthy atmosphere in the city, the upkeep and maintenance of cleanliness is very important. The KNN is responsible for the efficient delivery of this service to its citizens. In 1998-99, as percentage of total revenue expenditure, the maximum share (about 46%) was incurred in the provision of this service, which declined to 35% during 2004-05. The KNN is incurring more than 25% of revenue expenditure for the provision of wages and salaries to sanitation staff. Similarly, it is spending, on an average, more than 4% on petrol and diesel. It is expected that the under the JNNURM, the improvement in roads and addition of new roads would increase the fuel efficiency, and the expenditure under this head may reduce in the future.

### ***Medical and Public Health***

Amongst the major heads of expenditure about 5% of the revenue expenditure is being incurred for the provision of medical facilities. Of this, about 4% is incurred by way of wages and salaries/establishment. The absolute figures were Rs 32 million, Rs 64 million for the years 1998-99 and 2004-05 respectively.

### ***Public Safety and Public Convenience***

The expenditure on public safety and public convenience accounted for 7% in 1998-99, has gone up to 14% by 2004-05. Of this, the share of wages and salaries (establishment) is more than 2 % for the entire period. The maintenance of parks is one of the important components of this service. The KNN is spending more than 1 % of total revenue expenditure on this service. As practiced in some of the Municipal corporations such as Ludhiana Municipal Corporation and Udaipur Municipal Council, it is expected that KNN would involve business houses/industrial groups for the maintenance of

parks in the city. The supervision of maintenance parks can be done through community participation in the wards/*mohllas* etc. If this were implemented effectively, it would help in reduction of expenditure under this head.

***Public Works (construction)***

Though the KNN is not directly involved in the development and expansion of the city, still it undertakes the work of repair and maintenance of roads, government building etc. In 1998-99, its share in total revenue expenditure was a little less than 10%, which was continuously increasing and reached to 19% in 2004-05, except in 2003-04 when it has declined to 11 %.

***Higher Education and Other Education***

Of the total expenditure incurred (about 6%) on this service, almost all of it goes for the payment of wages and salaries (establishment). Under this head, the amount in 1998-99 was Rs 45 million that increased to Rs 71 million in 2004-05.

***Other Expenditure***

The share of other expenditure, comprising of miscellaneous expenditure for the development of councilors', nominated members' areas, expenditure on computer and stationery etc. accounted for 15% in 1998-99 and reached to 20% in 2003-04, but declined to 13% in the following year.

**16.2.2.2 Capital and Suspense Account**

As per the budget definition, the capital expenditure is generally meant for the capital (development) works in the city. As discussed earlier, the KNN is not directly involved in large capital works. For KNN, the capital works are the works carried out under water treatment, World Bank project, Ganga Action Plan, UPUDP, Indo-Dutch, Low cost sanitation and equipment for solid waste management. The works related to MPLADS are also accounted under Suspense account. On an average, the KNN is incurring expenditure to the tune of 4% of the total expenditure on capital and other works.

**16.2.3 Surplus/Deficit of Kanpur Nagar Nigam (Exiting Scenario)**

Based on the budget figures provided by the KNN, there was deficit under the revenue account for the years 1998-99, 1999-2000 and 2001-02. It was of the order of Rs 112 million, Rs 122 million and Rs 28 million respectively. For the year 2000-01 there was revenue surplus of Rs 18 million, which has increased to Rs 103 million and further to Rs 228 million for the years, 2002-03, 2003-04 and 2004-5 respectively. Except 2003-04, when there was a surplus of Rs 8 million only (see Table 16.3).

**Table 16.3 Resource Gap of KNN (1998-2005)** (Rs lakh)

Income	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Surplus/Deficit	-	-	184.98	282.87	1034.90	84.69	2279.70
Capital Surplus/Deficit	-2.95	-599.56	1698.00	-1.99	-337.35	-0.75	-552.00
Suspense Account Surplus/Deficit	358.66	592.38	29.00	288.25	93.99	109.69	-16.00
Total Surplus/Deficit	-767.85	1227.56	1911.98	3.39	791.54	193.63	1711.70

On the Capital account, there were deficits in all the years except 2000-01, which has witnessed a surplus of Rs 170 million. On the other hand, in the suspense account, except 2004-05 when there was a deficit of Rs 1.6 million, for the remaining period, this account was in surplus and varied in the range of minimum of Rs 3 million in 2000-01 to maximum of Rs 29 million in 2001-02.

In all, except for the beginning of two years, when there were deficits of Rs 77 million and Rs 123 million, for rest of the period, it has incurred surplus of highest of Rs 191 million in 2000-01 and the lowest just 0.3 million in 2001-02.

#### 16.2.4 Important Issues of Kanpur Nagar Nigam

In addition to the analysis, the other important issues emerged during the discussions held with the officials of the Kanpur Nagar Nigam are as follows:

- Kanpur Nagar Nigam has an outstanding liability of approximately Rs.920.00million comprising of salaries, pension, Provident Fund Payments to the tune of Rs.800.00million (Provident Fund amounts deducted from the account of employees, have not been deposited since 1990. The amount outstanding as of date is Rs.250.00million; this amount is included in Rs.800.00 million).
- Outstanding payments against development works done is Rs.120.00million.
- Pension has not been paid for last 14 month and the amount against this works out to Rs.210 million.
- The monthly expenditure on Diesel and Petrol is around Rs.7.00 million which needs examination.
- As per the provisions of the 74<sup>th</sup> Constitution Amendment, giving clearance is a function of the Nagar Nigam, but in Kanpur, the Kanpur Development Authority is discharging this responsibility. Hence, the revenue from source has also goes to KDA.

### **16.2.5 Suggestion for Revenue Enhancement**

- Reforms in Property Tax, i.e. completely shifting from ARV to unit area method;
- Assessment of all the properties of KNN;
- Reviewing of exemption under the property tax;
- Outsourcing the collection of Property tax;
- Effective Enforcement of property tax laws;
- Computerization of data base at all the Zones;
- Community participation in maintenance of service (such as parks etc.)
- Expenditure compression through VRS, right sizing of staff strength;
- Introduction of Public-Private-Partnership programmes in selected services;
- Wholly/partially privatization of selected services (such as cleaning/sweeping of roads etc)

### **16.3 UTTAR PRADESH JAL NIGAM**

Though the provision of water supply and sewerage service is the main responsibility of the local government (Municipal Corporation), but in Uttar Pradesh, this responsibility is assigned to Uttar Pradesh Jal Nigam and Jal Sansthan. The Uttar Pradesh Jal Nigam is a State Level organization and is responsible for setting up water supply and sewerage infrastructure in various cities of Uttar Pradesh. After setting up the infrastructure the same is handed over to the city level Water supply & Sewerage Organization for Operations and Maintenance. In case of Kanpur, Uttar Pradesh Jal Nigam after setting up the water and sewerage system hands over the same to Kanpur Jal Sansthan for Operations and Maintenance.

Since the Uttar Pradesh Jal Nigam is a state level organization it will be difficult to analyze its financial status for the city of Kanpur separately. The UP Jal Nigam as such does not generate any revenue of its own. The operational and maintenance (O&M) of water supply and sewerage system is carried out by the Kanpur Jal Sansthan and it collects water tax, sewer tax, water charges and sewer charges. Therefore, it would be more meaningful to analyze the financial position of Kanpur Jal Sansthan than the UP Jal Nigam.

### **16.4 KANPUR JAL SANSTHAN (KJS)**

In Kanpur, as mentioned above the Kanpur Jal Sansthan is responsible for the supply of water and provision of sewerage services to the city dwellers.

#### **16.4.1 Financial Position of Kanpur Jal Sansthan**

The main taxes/charges imposed by the KJS are: (a) water tax; (b) Sewer tax; (c) Water charge and (d) Sewer charge.

The basis of charging Water Tax, Water Charge, Sewer Tax and Sewer Charge is that both tax and charge are calculated and the higher of the two is charged from the consumer.



### ***Water and Sewer Tax***

The Water Tax and Sewer Tax are charged based on Annual Rental Value/Annual Ratable Value of the properties, as assessed by the Kanpur Nagar Nigam. The current maximum rate of tax is 12.5% for water and 4% for sewer. The water tax rate has been dropped from 14 % to 12.5% with effect from 1-4-2003.

### ***Water Charges***

The Water Charge on the other hand was fixed at a base price Rs.3.00 per kiloliter in December 1999 and the same is increased by 7.5% every year as per the Government order. The consumers are charged on the basis of water consumed as per meter reading. In case the meter is not working then the consumer is charged on the basis of minimum average consumption (It was informed that most of the water supply is not metered in residential areas. Only non-residential areas are connected through water meter.

### ***Sewer Charges***

The Sewer charge is fixed at 25% of the water charge or Rs.435/= per seat per year which ever is higher.

## **16.4.2 Revenue of Kanpur Jal Sansthan**

Amongst the major sources of revenue for the KJS the water charge is very important. The share of water charge in total income in 1999-2000 was 53%, which declined to 51% during 2006-07. In absolute amount, it has gone up from Rs 76 million in 1999-2000 to Rs 181 million in 2006-07 (see Table 16.4).

The next important source is water tax. The revenue yield under this head has also become double from Rs 52 million to Rs 107 million. The percent share in total income declined from 37% to 30% for the same period.

The income from sewer charges has also gone down from 1.58 % to 1.34%, from 2003-04 to 2006-07. In rupee term it has increased to Rs 7 million in 2004-05 against Rs 4 million in previous year. However, it has declined to Rs 4 million in next year.

The other income is the compensation received against the electricity charges payment from the state government. It has increased from 1.95% in 1999-2000 to 4% in 2003-04, but gone down to 1.34 % in 2006-07. In rupee term, the compensation increased to Rs 10 million in 2003-04 against Rs 3 million in 1999-2000, but decreased to Rs 5 million in 2006-07.

**Table 16.4 Finances of Kanpur Jal Sansthan** (Million Rupees)

Description	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
<b>Income</b>								
Water tax	52.20	58.55	69.72	74.43	89.88	85.50	100.51	106.50
(% to total)	36.64	30.05	30.84	31.59	35.52	28.55	32.65	29.69
Water charge	75.66	110.45	120.90	122.25	124.06	154.86	173.56	181.28
(% to total)	53.11	56.68	53.48	51.88	49.03	51.71	56.37	50.54
Sewer tax	11.83	21.63	27.09	30.12	28.99	50.16	27.08	61.30
(% to total)	8.30	11.10	11.98	12.78	11.46	16.75	8.80	17.09
Sewer charge	-	-	-	-	4.00	6.96	3.95	4.80
(% to total)					1.58	2.32	1.28	1.34
Other Income	2.78	4.24	8.35	8.82	10.11	8.94	6.72	4.80
(% to total)	1.95	2.18	3.69	3.74	4.00	2.99	2.18	1.34
<b>Total Income</b>	<b>142.47</b>	<b>194.87</b>	<b>226.06</b>	<b>235.62</b>	<b>253.04</b>	<b>299.46</b>	<b>307.87</b>	<b>358.68</b>
<b>Expenditure</b>								
Establishment	132.63	161.18	170.94	182.22	175.73	191.04	217.8	230.80
(% to total)	87.74	86.95	81.64	82.00	78.96	53.64	59.18	55.47
Electricity	3.47	3.77	15.08	15.77	8.12	108.00	110.00	114.00
(% to total)	2.30	2.03	7.20	7.10	3.65	30.32	29.89	27.40
Consumables	6.35	12.04	11.89	11.94	14.58	19.42	23.95	25.00
(% to total)	4.20	6.50	5.68	5.37	6.55	5.45	6.51	6.01
Maintenance	7.63	6.85	9.89	10.64	22.36	34.70	39.1	42.40
(% to total)	5.05	3.70	4.72	4.79	10.05	9.74	10.62	10.19
Others	1.09	1.53	1.58	1.66	1.76	3.00	3.84	3.90
(% to total)	0.72	0.83	0.75	0.75	0.79	0.84	1.04	0.94
<b>Total Expenditures</b>	<b>151.17</b>	<b>185.37</b>	<b>209.38</b>	<b>222.23</b>	<b>222.55</b>	<b>356.16</b>	<b>368.03</b>	<b>416.10</b>
<b>Surplus/Deficit</b>	<b>-8.70</b>	<b>9.50</b>	<b>16.68</b>	<b>13.39</b>	<b>30.49</b>	<b>-56.70</b>	<b>-60.16</b>	<b>-57.42</b>

(Note) Expenditure for Establishment includes salary and wages.

Source: Kanpur Jal Sansthan.

#### 16.4.2.1 Demand and Collection of Water and Sewerage (Collection Rate) Charges

As expressed in Table 16.5, collection rate for the two main items of revenue i.e. water tax /water charge and Sewer Tax/ Charge for the period 2003-04 to 2005-06 has been in the range of 85% to 94%. The rate has shown fluctuating pattern. From 2002-03 to 2003-04 it has declined whereas it has gone up in 2004-05 but later declined in 2005-06. The ideal recovery rate should be more than 95%.

**Table 16.5 Demand and Collection of Water Charges (Rs Million)**

Item	2002/03	2003/04	2004/05	2005/06
Demand for Water & Sewerage	270.33	294.53	299.48	332.66
Actual Collection	235.62	253.05	282.08	307.88
% Recovery	87.16	85.92	94.10	92.55

Source: Kanpur Jal Sansthan

#### 16.4.2.2 Water Tariff

The Table 16.6 given below shows the Water Tariff per kiloliter for last five years. The high tariffs are levied on Industrial and commercial categories whereas on consumption it was lowest amongst all the categories of consumers. The increase in rates was more in Special Industry category. For the efficient delivery of this service, there is need to increase tariff on non-commercial consumers also.

**Table 16.6 Tariff Rates of Water Consumption (in Rs /Lakh)**

Year	Domestic	Special Industry	Commercial	Mixed	Govt. & Semi Govt.	Cantonment	Municipal
2002-03	3.45	18.40	11.04	6.67	6.67	5.52	3.68
2003-04	3.68	19.60	11.76	7.11	7.11	5.88	3.92
2004-05	3.90	20.80	12.48	7.54	7.54	6.24	4.16
2005-06	4.12	22.00	13.20	7.97	7.97	6.60	4.40
2006-07	4.35	23.20	13.92	8.40	8.40	6.96	4.64

Source: Kanpur Jal Sansthan

Special Industrial category includes Star Hotels, Other Hotels, Nursing Homes, Cold Storages, Ice and Ice cream factories, Bottling plants, Petrol pumps and Service stations.

However, as per the information provided by officials of the Kanpur Jal Sansthan the consumers of the Special Industry are not connected to Jal Sansthan water supply.

#### 16.4.3 Expenditure Pattern of Kanpur Jal Sansthan

##### 16.4.3.1 Establishment Charges

Similar to KNN, amongst the major heads of expenditure of KJS, the most important is the establishment. More than half of the expenditure goes in payment of the wages and salaries. In the beginning of period, from 1999-2000 to 2003-04, it was near 80% but declined to 54% in 2004-05, which again marginally increased in the following two years.

##### 16.4.3.2 Expenditure on Maintenance and Consumables

The second important head of expenditure is the maintenance followed by consumables. The percent share of maintenance increased from 5% to 10% for

the entire period under consideration. The proportion of expenditure on consumables has gone up to 5% in 2004-05 against the figure of 4% in 1999-2000.

#### **16.4.3.3 Electricity Expenditure**

Electricity is the next major head of expenditure having a share of around 28%. The estimated expenditure is around Rs.114.00 million for the year 2006-07. It is clear that the Jal Sansthan is unable to pay its own electricity bill hence the same is paid directly by the State Government.

#### **16.4.3.4 Other Expenditure**

The expenditure on other head was less than one percent for the whole period.

#### **16.4.4 Issues of Kanpur Jal Sansthan**

- The increase in revenue is mainly due to the increase in tariff every year by 7.5% and as well as due to increase in number of connections
- Annual increase in tariff is having a negative impact on the revenue and connections.
- As per the survey conducted by the Jal Sansthan, there is not even a single Special Category consumer connected to the Jal Sansthan water supply. The rate under this category is approximately Rs.23/= per kilo liter.

It was also observed during the discussion with the official of Jal Sansthan that there is a lack of coordination between Kanpur Development Authority and Kanpur Jal Sansthan. The KDA does not inform KJS about the new projects, and by the time, KJS is informed about the development the demand for water and sewer is met out of a different source. Hence there is no gain in number of consumers.

There should be coordination between the departments in general and KNN, KDA and KJS in particular. This would not only enhance the efficiency in service delivery but also increase revenue collection.

#### ***Assumptions:***

KJS is expected to mobilize more resources due to:

- (a) Improvement in water quality
- (b) Increase in water supply
- (c) With the renewed system and reduction in water leakage
- (d) Coverage of water connection would go up and also the water tax and water charges

#### **Expenditure**

- (e) As a result of improved system consumption of electricity would drop and accordingly its electricity charges would go down in the future

## **16.5 KANPUR DEVELOPMENT AUTHORITY (KDA)**

As discussed in previous sections, the KDA is an important organization playing the crucial role in the overall development of city and its expansion. Therefore, it would be more useful to evaluate and analyse its financial position in detail. This would help in assessment of the financial support the KDA is expected to provide for JNNURM.

### **16.5.1 Revenue Account of KDA**

The major source of revenue of KDA comprises of rent from lease and free hold, rent from the buildings, income from stamp duty, interest receipts, income from the building department against the regulation and approval of maps for the construction of building, shops and commercial complexes, from sale of different Forms (Application Forms etc), deduction from the deposits of allottees not taking the possession of land, and other sources such as, surcharge/fee on non-construction on the allotted land, registration of sale of various land and buildings etc. (see Table 16.7).

#### **16.5.1.1 Revenue Receipts**

Out of total income of KDA, the revenue receipts contributed about 46 percent in 1999-2000 but dropped over the period to 38% in 2004-05. In absolute term, it was Rs 359 million in 1999-2000, which increased over the period gone up to Rs 453 million in 2004-05.

Under revenue receipts, the major share of income comes from registration. Its contribution in total income has increased from 48% to 49 % from 1999-2000 to 2004-05.

The income from building department and infrastructure development fund contributed more than 10% in total income. The share of income from this source (building department) varied from 11 % (2003-04) to 17% (2000-01). On the other hand, the receipts under the infrastructure development fund fluctuated during the entire period. Its minimum share was 9% in 2003-04 whereas highest amount was 26% in 2002-03.

In the revenue receipts of KDA, the income from interest and fine on interest has also made substantial contribution. Its share varied in the range of 7% to 18% during 1999-2000 to 2004-05. The KDA is also earning from the other sources (sale of various Forms/Application/Tender Forms etc). In the total revenue receipts, its share fluctuated in the range of 10% (2001-02) to 19% in 2000-01.

**Table 16.7 Financial Status of Kanpur Development Authority** (Rs lakh)

<b>I</b>	<b>Revenue Receipts</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06BE</b>
1	Rent	131.24	125.91	97.78	171.24	106.43	99.18	163.00
2	Income from Stamp Duty (10%)	0.00	0.00	41.79	39.96	0.00	19.76	30.00
3	From Interest and fine on interest	266.01	281.76	317.64	394.09	476.78	441.01	482.00
4	Income from Building Dept	484.10	301.13	268.45	449.08	296.17	482.79	476.00
5	From sale of Forms/Documents	10.62	3.47	7.55	8.78	12.45	26.22	10.00
6	Income from Deduction from Instalments	8.24	5.76	2.29	4.71	7.12	4.46	10.00
7	Income from other sources	391.61	342.84	245.01	394.96	396.59	536.51	455.00
8	Income from Registration	1740.64	477.21	1014.94	886.71	938.45	2233.54	1500.00
9	Recovery of Loans	0.06	0.03	0.00	0.00	1.27	1.03	1.00
10	Miscellaneous Income	126.96	54.08	46.08	107.31	146.38	81.36	120.00
11	Infrastructure Development Fund	432.85	211.28	525.17	853.81	230.94	609.02	707.00
	<b>Total Revenue Receipts</b>	<b>3592.33</b>	<b>1803.47</b>	<b>2566.70</b>	<b>3310.65</b>	<b>2612.58</b>	<b>4534.88</b>	<b>3954.00</b>
<b>II</b>	<b>Capital Receipts</b>							
12	Sale of Land (Plots)	1629.25	1993.92	1665.41	1274.34	2463.84	3629.21	18948.00
13	Income from Sale of Buildings	2149.94	2434.05	2847.51	4013.40	3425.29	3137.60	5810.00
14	Deductions from Temporary Advance	133.30	2.39	17.75	539.62	8.18	0.44	10.00
15	Income from sale/auctions of old machinery	0.00	0.00	0.00	0.00	42.25	9.07	15.00
16	Loans	62.32	2533.09	0.00	0.00	0.00	0.00	12320.00
17	Grants	0.00	0.00	0.00	62.31	75.14	171.12	1.00
18	Income from Deposits	23.63	585.98	280.00	235.28	10.40	12.50	341.00
19	Recovery of advances from staff	24.97	35.55	33.15	34.96	34.07	33.21	40.00
20	Infrastructure Development Fund	203.43	235.09	165.17	146.03	80.75	331.49	450.00
	<b>Total Capital Receipts</b>	<b>4226.84</b>	<b>7820.07</b>	<b>5008.99</b>	<b>6305.94</b>	<b>6139.92</b>	<b>7324.64</b>	<b>37935.00</b>
	<b>Total (Revenue+ Capital) Receipts</b>	<b>7819.17</b>	<b>9623.54</b>	<b>7575.69</b>	<b>9616.59</b>	<b>8752.50</b>	<b>11859.52</b>	<b>41889.00</b>
	Opening Balance	3176.23	3629.67	6708.76	5167.77	7159.38	8716.51	11634.00
	<b>Grand Total</b>	<b>10995.40</b>	<b>13253.21</b>	<b>14284.45</b>	<b>14784.36</b>	<b>15911.88</b>	<b>20576.03</b>	<b>53523.00</b>

Source: Budget Documents of KDA for various years

### **16.5.1.2 Capital Receipts**

In the total income of KDA, the contribution from capital receipts has increased over the period. The highest earning under this head was 81% in 2000-01, whereas the lowest income 54% received during 1999-2000. In absolute term the capital receipts contributed in the total income, Rs 423 million to Rs 732 million for the years from 1999-2000 to 2004-05.

Under capital receipts, the major source of income comes from sale of land and sale of buildings. Both put together accounted for 91% in 2004-05 against 26% in 2000-01. The earning from the sale of plots was Rs 162 million (1999-2000) which has gone up to Rs 363 million (2004-05).

The total income of KDA increased from Rs 782 million to Rs 1186 million from 1999-2000 to 2004-05.

### **16.5.2 Expenditure pattern**

In the total expenditure of KDA, the expenditure under revenue head accounted for about one third whereas under capital head it varied from 65% to 74%.

#### **16.5.2.1 Revenue Expenditure**

Similar to KNN and KJS, the major head of revenue expenditure is 'wages and salaries' paid to its employees. It accounted for more than fifty percent. The other important heads of expenditure are refund of deposits and miscellaneous expenditure. These both put together contributed about 50% in the revenue expenditure. In absolute amount, it was Rs 124 million increased to Rs 145 million for the wages and salaries.

#### **16.5.2.2 Capital Expenditure**

In the capital expenditure, the major heads were development works, construction works, repayment of loans and interest payments. The share of development works declined from 58% to 35%. Similarly, on construction works, it has decreased from 6% to 3% for the period under consideration (1999-2000 to 2004-05). The expenditure on repayments of loans has increased from 13% to 22%. The expenditure on infrastructure development works undertaken under the World Bank project has gone up from merely less than one percent to 8% during the entire period.

### **16.5.3 Surplus/Deficit of KDA finances**

Under the revenue head, it has generated surplus for all the years, except 2000-01, when the deficit was to the tune of Rs 50 million. The surplus amount varied from minimum of Rs 11 million in 2003-04 to highest figure of Rs 172 million in the following year of 2004-05.

On capital account, there was deficit for the years 1999-2000, Rs 67 million and Rs 177 million in 2001-02. The surplus generated under this account

varied in the range of Rs 120 million in 2004-05 against the highest amount of Rs 358 million for the year 2000-01.

In overall, the KDA has generated surplus of Rs 45 million in 1999-2000, to Rs 308 million in next year. The deficit year was 2001-02 when it has incurred a deficit of Rs 154 million.

## **16.6 OVERALL ISSUES AND THE STRATEGIES**

### **Issues**

- Efficient service delivery to the existing and future population;
- Resource mobilization by all the stakeholders for meeting financial requirements

### **Strategies**

- Reforms in existing taxation system (property tax and other taxes)
- Expenditure compression
- Public-private partnership
- Privatization of selected services
- Community participation
- Good governance

## **16.7 REFORMS AND ITS IMPACT ON FINANCES OF ULBS**

In the above sections, the financial positions of KNN, KJS and KDA have been analyzed. As proposed, the KNN and KJS would improve their efficiency and enhance their fiscal health by adoption of certain measures related to the reforms in resource mobilization and expenditure compression. The following assumptions, as suggested, would help in overall improvement in the finances of KNN and KJS.

### **16.7.1 Assumptions related to KNN**

The KNN would mobilize its income by introducing certain reforms measures. In doing so, it would consider the above-mentioned assumptions (Table 16.8). The major amongst them for resource mobilizations are: reforms in property tax, its coverage and reviewing of assessment. It would also introduce new levy, such as betterment levy and user charges. On the expenditure side, the KNN would increase its efficiency by reduction in fuel cost and maintenance cost. The introduction of e-governance would save on account of surplus manpower.

The following assumptions would be adopted by the KNN, which would help in the overall improvement of its financial position.



**Table 16.8: Assumptions for Revenue Mobilization of KNN.**

<b>Revenue Mobilization</b>		
1	By improved coverage of Property tax	By converting 2 lakh properties from ARV to Unit Area System
2	By new properties constructed every yr	New properties @ 12,000 properties p.a., each at average of Rs 800 p.a.
3	By review of area wise rates to align them in line with changing scenario	This review will result in an increase of property tax @ 10% p.a.
4	By introduction of user charge in SWM	By door to door collection. user charge @ Rs 30 p.m., 50,000 households added p.a.
5	By Reviewing of Exempted Properties	By reassessment of 20,000 exempted properties having ARV below Rs 360/-
6	By introduction of betterment tax	A betterment tax @ 5% of property tax is proposed for benefits from improved infrastructure
<b>Reduction in expenditure of KNN</b>		
7	Reduction of fuel cost in SWM by trf. Stations and new fuel efficient vehicles	The Kms run will be reduced by 20%, fuel efficiency will improve 25% (4 km/l instead 3 km/l)
8	Reduction in maint. cost by replacement of SWM fleet	Ageing fleet to be replaced by new, will reduce maintenance costs 30%
9	Savings in electricity costs by P-P-P of street lights	Metering, shutting lights on time and better maintenance by P-P-P
10	Savings in manpower costs by e-governance	Reduction of non-technical staff by computerization & VRS by 10%
11	Savings by outsourcing bill collection	Reduction of bill collectors and costs by outsourcing and VRS of 25%
12	By abolishing surplus posts in technical and unskilled labour	A reduction of 340 numbers has been identified

### 16.7.1.1 Impact on Fiscal Health of KNN

With the introduction of certain reforms measures with respect to resource mobilization and expenditure compression, financial status of KNN would likely to improve in the future. The monetary impact based on the above-mentioned assumptions would enhance the finances of KNN, which is expressed in the Table 16.9 below.

**Table 16.9: Impact of reforms on KNN -(Ph-I)** (Rs Crore)

S. No	Item	Improvement	2006-07	2007-08	2008-09	2009-10	2010-11
1	Improvement in property tax	various	8.09	12.00	16.30	21.03	26.24
2	User charges for SWM	Rs 30 pm	1.80	3.60	7.20	10.80	14.40
3	Reduction of SWM costs	20%	0.16	1.46	1.93	2.40	2.81
4	PPP in streetlights	15%	0.08	0.15	0.30	0.36	0.45
5	Savings by e-governance	10%	0	0.19	0.37	0.56	0.75
6	Abolition of surplus posts	340 no	0.61	0.92	1.22	1.22	1.22
7	P-P-P in bill collection	25%	0.20	0.40	0.61	0.81	1.01
	<b>Total</b>		<b>10.94</b>	<b>18.72</b>	<b>27.93</b>	<b>37.18</b>	<b>46.88</b>

As indicated in the table above, on revenue account, the KNN would be likely to earn revenue from improvement in property tax to the tune of Rs 26.24 crore by end of Phase-I. It expected to raise another Rs 14.40 crore from introduction of user charges for Solid Waste Management. On expenditure compression, there would be likely saving of Rs 2.81 crore on account of reduction of SWM costs. It further, expected to save of the order of Rs 0.45 crore and Rs 0.75 crore on account of Public Private Partnership in street lights and savings by e-governance. The abolition of surplus posts would save an amount of Rs 1.22 crore. And lastly, PPP in bill collection would yield Rs 1.01 crore to the KNN. In total, it is expected that the KNN would raise Rs 46.88 crore by way of revenue mobilization and cost savings by during 2010-11.

### 16.7.2 Assumptions related to KJS

The followings assumptions proposed to be adopted by KJS to enhance resources on account of resource mobilization and expenditure compression. The assumptions detail is presented in Table 16.10.

**Table 16.10: Assumptions for Resource Mobilization of KJS**

S.N.	Item	Assumptions
1	By improved coverage of properties	Water and sewerage tax is linked to property tax, property revaluation by KNN will improve water tax
2	By increased number of connections	With improved pressure and reliability, more households will take connections
3	By introduction of metering	Metering will charge heavy users on consumption basis
4	By savings in power due to reduced losses	Losses will be reduced by renovation of leaky pipes in the inner core area
5	Savings in manpower due to renovation of sewers	Maintenance cost will come down with renovation
6	Savings in repairs costs due to renovation of leaky pipes	Maintenance cost will come down with renovation

The KJS is likely to yield more income by way of improvement in water tax. As the water and sewerage tax are linked to property tax and the revaluation of property tax would enhance the revenue from water tax. Another source of revenue increase is due to increase in number of water connections. The consumption of water by the heavy users would be caught by metering of water connections. In term of cost savings, it is likely to come down with the renovations of leaky pipes etc.

#### 16.7.2.1 Impact on Income Generations of KJS

The major impact on the finances of KJS would be due to reduction in leakage, introduction of user charges, increase in number of water connections and the improvement in water and sewer tax. The yearly details are given below in Table 16.11.

**Table: 16.11 Impact of Reforms on KJS Finances** (Rs Crore)

S.N.	Item	2006-07	2007-08	2008-09	2009-10	2010-11
1	Increased income by reduced leakages in inner core area	0.00	2.04	4.59	8.68	10.21
2	Introduction of user charge for treating waste water	1.00	3.32	9.72	18.36	21.60
3	Additional revenue by increasing connections	1.20	1.20	1.20	1.20	1.20
4	Improvement in water & sewer tax	4.05	6.00	8.15	10.52	13.12
	Total improvement	6.25	12.56	23.67	38.75	46.13

At the end of Phase-I (by 2010-11), the KJS is expected to raise its resources, by total improvement, to the tune of Rs 46.13 crore. The major chunk is likely to come from user charges, Rs 21.60 crore. The reduction of leakage and increase in number of connections would earn about Rs 10.21 crore and Rs 1.20 crore respectively.

The strategies proposed to be adopted by all the stakeholders for the implementation of various selected projects under JNNURM is discussed in the next chapter on 'Financing of Investment Plan and Project Phasing'.