

6

Fiscal Assessment of Key Institutions

6.1 Introduction

The analysis in Chapter 5 outlines realities and challenges in the functioning and relationships of the institutions involved in service delivery in Lucknow. Overlapping and unclear roles, lack of coordination, inadequate links to residents and other users of urban services and lack of institutional capacity all hamper responsive and accountable service delivery. In addition, the financial capacity of these institutions is a fundamental consideration in planning for the city's future. This chapter provides a broad overview of financial issues pertinent to key bodies.

6.2 Financial Analysis: Lucknow Nagar Nigam (LNN)

The LNN has responsibility for the provision of basic needs and maintenance of core services in the city: maintenance of streetlights; provision (maintenance) of drainage and sewer facilities, solid waste management, maintenance of parks, gardens and play grounds; sanitation and maintenance of city roads. In addition, it also provides for primary education and medical needs, markets, cremation grounds, slaughterhouses, and regulating advertisements. The LNN generates resources through taxation, and rental income from municipal properties, as well as fees defined in the *Uttar Pradesh Nagar Nigam Adhiniyam*, (UP Municipal Corporations Act). These sources constitute LNN's own revenue. It receives however the bulk of its funding in the form of intergovernmental transfers from the centre and the state (which are constitutional obligations of these higher level of governments).

The financial analysis of LNN was done on the basis of income and expenditure data provided by the LNN, through budget documents and accounts for various years. On the income side, under the revenue account, the resources are generated through levying of various taxes/duties and rental income from municipal properties. The capital and suspense accounts deal with the transfers (grants and contribution) from higher levels of government. The expenditure of LNN is also divided into three major similar headings: revenue expenditure, capital expenditure and suspense account expenditure.

6.2.1 Financial Trends in LNN Finances

Income- Expenditure pattern:

The income under revenue head has increased from Rs 76 crore in 2000-01 to Rs 107 crore in 2004-05, whereas the capital income declined from Rs 17 crore to Rs 14 crore for the same period. On the expenditure side, the revenue expenditure has gone up from Rs 70 crore to Rs 90 crore from 2000-01 to 2004-05, while a marginal increase observed in case of capital expenditure, from Rs 20 crore to Rs 26 crore only.

Status of Surplus/Deficit

In the revenue account, the LNN has generated surplus for all the years except 2002-03, when it had a deficit of Rs 2.5 crore. The surplus generated ranged between Rs 5 crore (2000-01) to Rs 16 crore (2004-05). On the other hand, in the capital account, the LNN has incurred deficits in all the years except 2002-03. It was less than Rs one crore in 2002-03, whereas the highest deficit of Rs 14 crore was observed in 2003-04. In sum, LNN has generated surplus in all the years ranging from Rs 2 crore to Rs 8 crore from 2000-01 to 2003-04 but declining to Rs 4 crore in

2004-05. The details of income and expenditure is shown in Table 6.1 and graphically presented in Figures 6.1 and 6.2.

Table 6.1: Income -Expenditure Pattern of LNN

	(Rs Lakh)				
Income Head	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Income	7564.07	8123.27	9407.9	10637.18	10655.02
Capital Income	1699.20	2213.34	7814.03	1124.18	1438.58
Total Income	9263.27	10336.61	17221.93	11761.36	12093.6
Revenue Expenditure	7044.91	6996.54	9658.03	8347.68	9021.8
Capital Expenditure	2045.54	2268.8	4900.56	2560.17	2637.22
Total Expenditure	9090.45	9265.34	14558.59	10907.85	11659.02
Status of Surplus/Deficit					
Revenue Surplus / Deficit	519.16	1126.73	-250.13	2289.5	1633.22
Capital Surplus / Deficit	-346.34	-55.46	2913.47	-1435.99	-1198.64
Total Surplus / Deficit	172.82	1071.27	2663.34	853.51	434.58

Source: LNN

Figure 6.1: Trends in Income and Expenditure of LNN

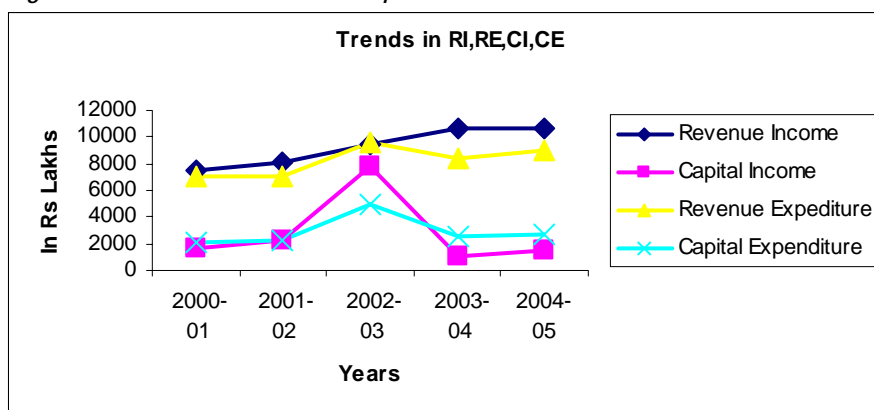
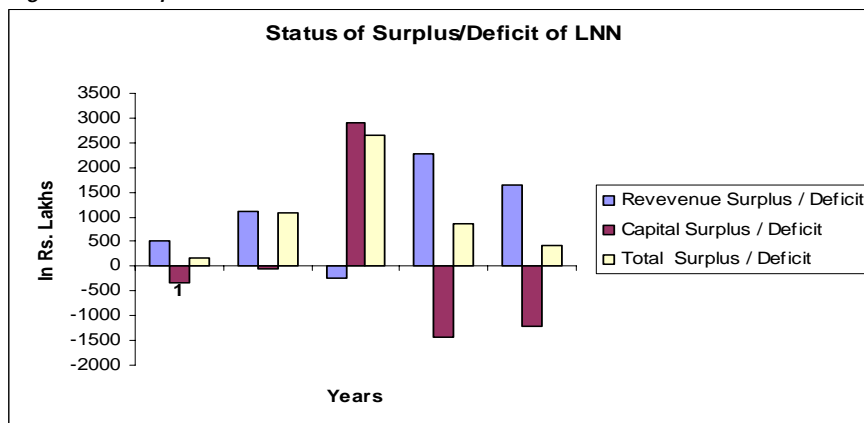


Figure 6.2: Surplus/Deficit of LNN



6.2.2 The Composition of Revenue Income

The main sources of revenue income for the LNN include income from tax sources, non-tax revenue and transfers (grants and contributions) from higher levels of government. The important taxes levied by the LNN are property tax, advertisement tax, and entertainment tax. The income from property rentals, charges, fees and fines constitute the major non-tax sources. Transfers from the Central Finance Commission and the State Finance Commission contribute substantially to grants and contributions. The details of composition of revenue receipts are presented in Table 6.2 and Figure 6.3 below.

Own Revenue:

The figures in Table 6.2 clearly demonstrate the high level of fiscal dependence of the LNN, with well over 50% - and in some years over 60% of income coming from transfers. Own revenue remains too small to ensure that the city can respond to demands from its residents on its own account. Nonetheless, there have been some marginal improvements in the own revenue position recently. Of this, local taxes remain the major contributor and it has increased as share of own revenue from 22% to 36 % in the period 2000-01 to 2003-04 partly as an outcome of the change in the tax assessment method. The contribution from non-tax sources increased marginally from 6% to 8% for the same period.

Grants and Contribution:

In the revenue income, the major share comes from transfers from the State Finance Commission (SFC). However, its share has declined from 66% to 54% in the period 2000-01 to 2004-05. The figures in table 6.3 indicate variances over years, and discussions at local level indicate issues around the timing of payments and variances between budgeted and actual transfers. Clearly, transfers will remain a part of the system, as the LNN is largely dependant on fiscal transfers. To assist planning and accurate budgeting however, a more predictable flow of funds is essential.

Other Sources:

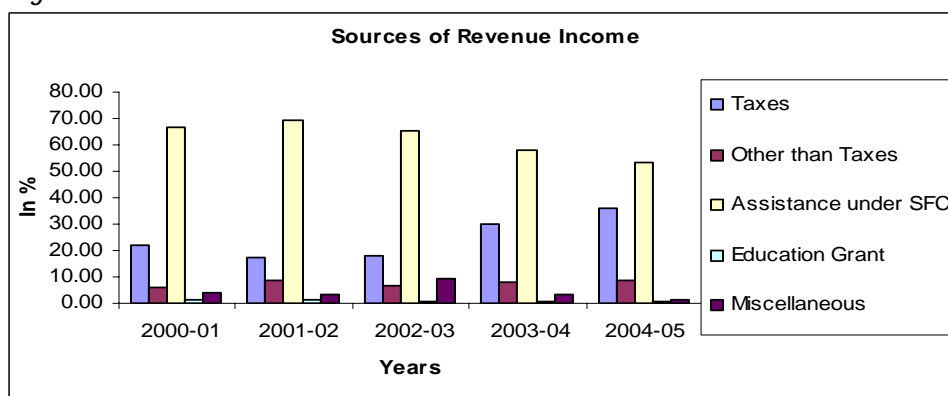
The share of income from other sources such as road cutting charges, transfer of colonies and education grants accounted for less than 10% of the total revenue income.

Table 6.2: Composition of Revenue Income of LNN

	(Rs lakh)				
Years	2000-01	2001-02	2002-03	2003-04	2004-05
Taxes	1674.5	1418.95	1708.81	3180.92	3851.42
(% to total)	22.14	17.47	18.16	29.90	36.15
Other than Taxes	475.26	717.34	624.84	861.83	893.07
(% to total)	6.28	8.83	6.64	8.10	8.38
Road Cutting	202.01	211.2	212.42	129.75	83.5
(% to total)	2.67	2.60	2.26	1.22	0.78
Transfer of Colonies	106.92	72.42	651.82	194.81	62.71
(% to total)	1.41	0.89	6.93	1.83	0.59
Assistance under SFC	5024.09	5617.05	6164.13	6190.03	5712.52
(% to total)	66.42	69.15	65.52	58.19	53.61
Education Grant	81.29	86.31	45.88	79.84	51.8
(% to total)	1.07	1.06	0.49	0.75	0.49
Total	7564.07	8123.27	9407.9	10637.18	10655.02

Source: LNN

Figure 6.3: Sources of Revenue Income of LNN

**Capital Income:**

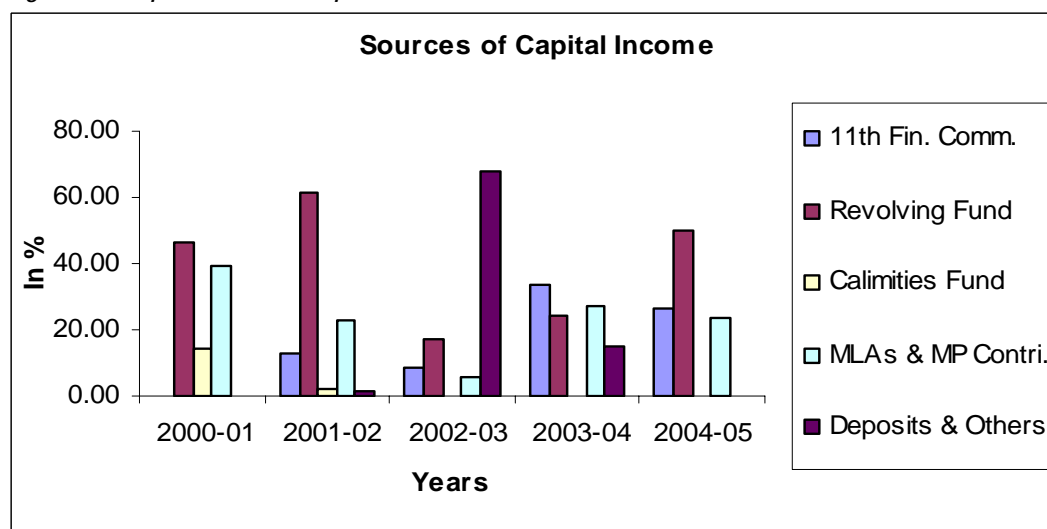
The composition of capital income is shown in Table 6.3 and Figure 6.4 below. About 40% of the income is attributed to the revolving fund although its share in total income has fluctuated over the period. It increased from 47% in 2000-01 to 61% in next year, but drastically declined to 17% and 24% in the next two years and shot up to fifty percent in 2004-05. Similarly, the share from other capital income heads has also shown an erratic behaviour in the period under consideration.

Table 6.3: Composition of Capital Income of LNN

	(Rs lakh)				
Years	2000-01	2001-02	2002-03	2003-04	2004-05
11th Finance Commission	0.00	282.23	661.76	379.26	379.26
(% to total)	0.00	12.75	8.47	33.74	26.36
Revolving Fund	794.59	1354.39	1364	270	716.55
(% to total)	46.76	61.19	17.46	24.02	49.81
Calamities Fund	238.41	41.21	0.00	0.00	0.00
(% to total)	14.03	1.86	0.00	0.00	0.00
MLAs LAD Scheme	318.87	376.1	418.16	254.55	288.59
(% to total)	18.77	16.99	5.35	22.64	20.06
MPs LAD Scheme	347.33	126.07	54.93	49.09	54.18
(% to total)	20.44	5.70	0.70	4.37	3.77
Deposits / Others	0.00	33.34	5315.18	171.28	0.00
(% to total)	0.00	1.51	68.02	15.24	0.00
Total	1699.2	2213.34	7814.03	1124.18	1438.58

Source: LNN

Figure 6.4: Capital Income-Composition of LNN



6.2.3 Expenditure Component

Similar to income, expenditure is also accounted for under three heads. These are (1) Revenue Expenditure; (2) Capital Expenditure; and (3) Suspense (other) account expenditure.

(1) Revenue Expenditure

Under the municipal laws, the LNN 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, and roads. A substantial proportion of its earnings are spent on provision and maintenance of these services. At the same time, LNN has to deploy a substantial workforce

both for service provision as well as revenue collection. Table 6.4 below and Figure 6.5 below show the details of the revenue expenditure.

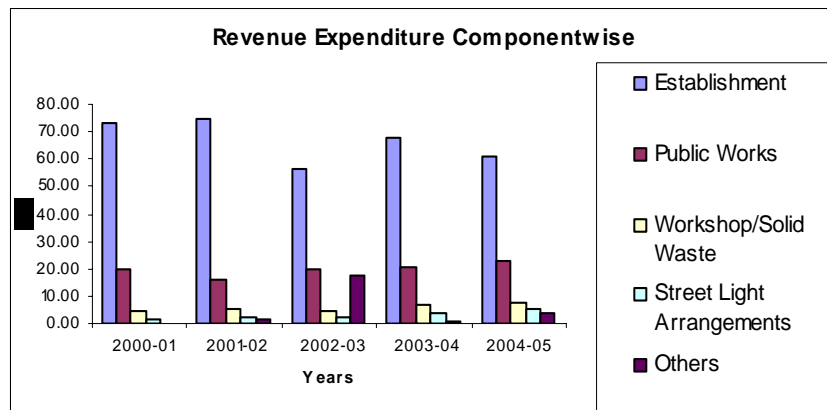
Establishment costs (which includes general administrative expenses and salaries and wages of employees) accounted for 61% of the revenue expenditure in 2004-05 against 73% in 2000-01, registering a decline. Public works accounts for the next highest item of revenue expenditure, but remains at only about one-third of the latter. Its share of overall expenditure has increased marginally from 20% (2000-01) to 23% (2004-05). Solid waste management is another important item of revenue expenditure whose importance has increased following the Supreme Court Order in 2000. The LNN was spending about 5% on solid waste management in 2000-01, which rose to 8% in 2004-05. The expenditure on maintenance of streetlight has regularly increased in the last five years. It has increased to 8% in 2004-05 against 2% in 2000-01. Health services account for the lowest share of expenditure with less than one percent being spent on it in the last five years.

Table 6. 4: Pattern of Revenue Expenditure of LNN

	(Rs Lakh)				
Years	2000-01	2001-02	2002-03	2003-04	2004-05
Establishment	5168.65	5231.91	5449.92	5644.95	5520.47
(% to total)	73.37	74.78	56.43	67.62	61.19
Public Works	1379.66	1128.51	1896.93	1727.78	2047.97
(% to total)	19.58	16.13	19.64	20.70	22.70
Health	8.77	101.2	78.44	53.00	80.47
(% to total)	0.12	1.45	0.81	0.63	0.89
Workshop/Solid Waste	337.01	384.37	427.97	567.23	681.90
(% to total)	4.78	5.49	4.43	6.80	7.56
Street Lights	133.22	139.55	224.01	340.40	450.70
(% to total)	1.89	1.99	2.32	4.08	5.00
Others	17.60	11.00	1580.76	14.32	240.29
(% to total)	0.25	0.16	16.37	0.17	2.66
Total	7044.91	6996.54	9658.03	8347.68	9021.8

Source: LNN

Figure 6.5: Composition of Revenue Expenditure of LNN



(2) Capital Expenditure

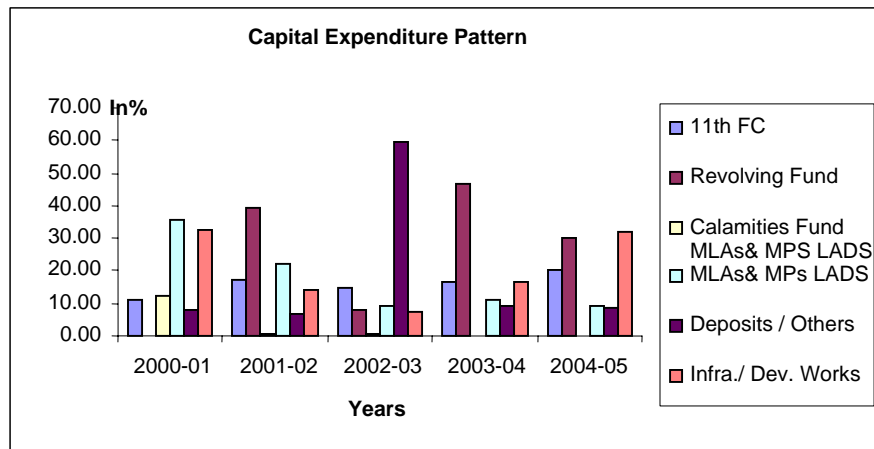
Infrastructure and development works comprise the major capital expenditure heads. The share of expenditure on this head varied from as low as 7% in 2002-03 to a high of 33% in 2000-01. The expenditure incurred on development works under MLA/MP LDAs has declined over the years dropping to less than 10% in 2004-05 against 36% in 2000-01. Capital expenditure on development works under the Central Finance Commission has registered an increasing trend with its share in the total rising from 11% to 20% in the last five years. The share of revolving fund accounted for a high 46% in 2003-04 with the lowest 8% accounted in the previous year for the period under review.

Table 6.5: Pattern of Capital Expenditure of LNN

	(Rs Lakh)				
Years	2000-01	2001-02	2002-03	2003-04	2004-05
11th Finance Commission	225.33	395.47	726.36	421.01	537.31
(% to total)	11.02	17.43	14.82	16.44	20.37
Revolving Fund	0.00	897.72	395.43	1188.59	793.22
(% to total)	0.00	39.57	8.07	46.43	30.08
Calamities Fund	256.47	8.79	36.79	0.01	0.00
(% to total)	12.54	0.39	0.75	0.00	0.00
MLAs& MPs LAD Scheme	734.77	494.91	459.05	282.65	245.23
(% to total)	35.92	21.81	9.37	11.04	9.30
Deposits / Others	160.53	150.61	2917.81	237.59	227.38
(% to total)	7.85	6.64	59.54	9.28	8.62
Infrastructure/ Dev. of Works	668.44	321.3	365.12	430.32	834.08
(% to total)	32.68	14.16	7.45	16.81	31.63
Total	2045.54	2268.8	4900.56	2560.17	2637.22

Source: LNN

Figure 6.6: Capital Expenditure Composition of LNN



6.2.4 Key Issues

- Officially, the LNN has generated revenue surplus to the tune of Rs 16 crore and total surplus of Rs 4 crore in the period under review. In reality however, it is evident – even in the current format of accounts – that it remains highly dependent on fiscal transfers, even though the share of transfers to the overall revenue has declined somewhat.
- Revenue from tax sources has increased recently, along with other local non-tax sources. The analysis highlights several constraints, however, starting with inadequate data about properties, taxpayers and other sources for revenue. The problems permeate all local revenue sources, and point towards a need for a systematic revenue review and revenue enhancement plan.
- The share of establishment expenditure as part of the overall revenue expenditure budget has declined, but remains substantial at 60%. This means that investment and capital development remains below par, while the day-to-day operational costs of the LNN consume the bulk of its expenditure.
- For more developmental activities, expenditure on development works would need to increase. To achieve the required developmental effect, however, would require these to be located in a policy framework that links expenditures to the goals of government at state and local level, taking into account JNNURM guidelines. Many aspects of such a policy framework are not up to date and require the attention of the relevant levels of government, not the least the LNN itself. Its institutional weaknesses as discussed in chapter 5 constrain its current capacity to respond to this challenge effectively, however.
- A process point is relevant: there is little evidence of citizens actually being in a position to influence the financial plans and budgets. The high level of fiscal dependence on transfers weakens the incentives for LNN to address this problem, but it is one of the critical areas of reform that require attention as the city prepares itself to be governed in the letter and spirit of the 74th Amendment.

6.3 Uttar Pradesh Jal Nigam

The UP Jal Nigam and the Lucknow Jal Sansthan are responsible for the provision of water supply and sewerage. Since the Uttar Pradesh Jal Nigam is a state level organization it will be difficult to analyse its financial status for the city of Lucknow separately. The UP Jal Nigam as such does not generate any revenue of its own. The operation and maintenance (O&M) of water

supply and sewerage systems is the responsibility of the Lucknow Jal Sansthan and it collects water tax, sewer tax, water charges and sewer charges. Therefore, it would be more meaningful to analyse the financial position of the Lucknow Jal Sansthan rather than the UP Jal Nigam.

6.4 Lucknow Jal Sansthan (LJS)

6.4.1 Financial Analysis of LJS

The LJS generates revenue through taxes and charges. The major revenue sources are: (a) Water tax; (b) Sewer tax; (c) Water charge and (d) Sewer charge.

Tax and charges on all the above are calculated separately with the higher of the two being charged from the consumer.

6.4.2 Water and Sewer Tax

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

6.4.3 Income- Expenditure Trend and Resource Gap

The revenue income of LJS has near doubled in the period 2000-01 to 2004-05. It has increased from Rs 30 crore to Rs 54 crore. On the hand, capital income rose to Rs 5 crore in 2004-05 against the Rs 2 crore (2000-01). Similar to revenue income, the expenditure on revenue account has also increased substantially from Rs 32 crore to Rs 52 crore during the period under consideration. The expenditure on capital works has increased marginally from Rs 1 crore to Rs 2 crore.

6.4.4 Resource Gap

On revenue account, the LJS has incurred deficits of Rs 1.7 crore and Rs 1.8 crore in the first two years of the period under review. Thereafter it has generated surpluses for the remaining three years. In 2004-05, it has generated a surplus amounting to Rs 2 crore.

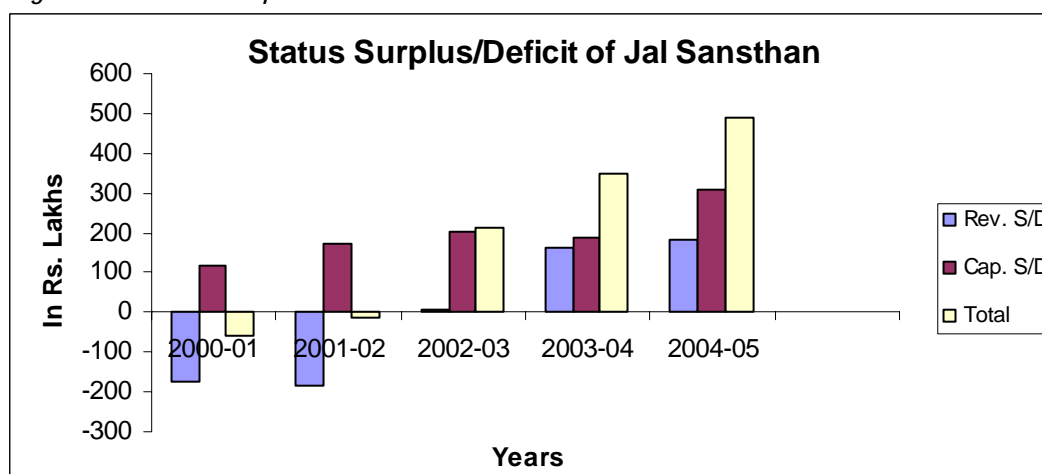
The LJS has generated a surplus on capital account for all the years under review – rising from Rs 1 crore to Rs 3 crore in the period under review. Overall, it has incurred deficits in the first two years. For the remaining three years it has generated surpluses of Rs 2 crore, Rs 3 crore and Rs 5 crore for the years 2002-03, 2003-04 and 2004-05 respectively. The details are shown in Table 6.6 and figure 6.7.

Table 6.6: Financial Position of Lucknow Jal Sansthan

	(Rs Lakh)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue Income	2989.42	2427.18	4530.97	4672.01	5361.6
Capital Income	228.78	312.29	471.03	440.74	515.83
Total Income	3218.2	2739.47	5002	5112.75	5877.43
Revenue Expenditure	3163.56	2610.27	4524.23	4509.87	5180.03
Capital Expenditure	111.14	141.93	266.16	254.14	208.80
Total Expenditure	3274.7	2752.2	4790.39	4764.01	5388.83
Revenue Surplus / Deficit	-174.14	-183.09	6.74	162.14	181.57
Capital Surplus / Deficit	117.64	170.36	204.87	186.6	307.03
Total Surplus / Deficit	-56.5	-12.73	211.61	348.74	488.6

Source: LJS

Figure 6.7: Resource Gap of LJS



6.4.5 Revenue Income

Income sources of the LJS can be broadly categorised as tax and non-tax. The tax component comprises water and sewer charges, whereas the non-tax component includes fees, rents and grants for normal maintenance of services. The share of tax in the total revenue income remained higher than 90% (2000-01). Its share gradually declined and reached a low of 49% of the total revenue income. Thereafter it has again increased and in the financial year 2005-06 it was at 52% of the total revenue income. On the other hand, the share of non-tax revenue remained very low (8%) but increased to 51% in 2002-03. In the last two years, it has remained at about 47%.

6.4.6 Tax Revenue – Composition

Service charges and water tariff comprise the major earnings. Its share in total income from revenue account has increased from 71% (2000-01) to 75% in 2004-05. Water rates and service charges comprise the next important category with the contribution from these two sources varying in the range of 13% (2003-04) to 19% (2001-02). The revenue from sewer charges has shown a declining trend over the period. Its share has dropped to 10% in 2004-05 against 14% in

the beginning of the period. The details of the revenue composition are presented in Table 6.7 and Figure 6.8 below.

Table 6.7: Composition of Revenue Income of LJS

	(Rs. Lakhs)				
Year	2000-01	2001-02	2002-03	2003-04	2004-05
Tax Revenue					
Service Charges & Water tariff	1948.32	1441.29	1638.98	1827.51	2107.58
(% to tax rev)	70.60	69.53	73.48	74.09	75.42
Water rates	421.66	384.92	329.78	331.48	407.77
(% to tax rev)	15.28	18.57	14.79	13.44	14.59
Sewer Charges	389.53	246.58	261.71	307.65	279.26
(% to tax rev)	14.12	11.90	11.73	12.47	9.99
Total	2759.51	2072.79	2230.47	2466.64	2794.61
(Tax % o Total Rev.)	92.31	85.40	49.23	52.80	52.12
Non-Tax Revenue					
Meter rent	3.91	3.35	3.21	2.89	1.87
(% to non-tax rev)	1.70	0.95	0.14	0.13	0.07
Water Point Fees	0	0	0	0	0
(% to non-tax rev)	0.00	0.00	0.00	0.00	0.00
Sale of water sullage	0	0	0	0	0
(% to non-tax rev)	0.00	0.00	0.00	0.00	0.00
Development fees	103.59	82.66	83.96	134.26	105.44
(% to non-tax rev)	45.06	23.32	3.65	6.09	4.11
Service Charges	37.68	13.54	0	0	21.4
(% to non-tax rev)	16.39	3.82	0.00	0.00	0.83
Other Receipts	84.46	148.01	365.83	162.81	311.84
(% to non-tax rev)	36.74	41.76	15.90	7.38	12.15
Normal maintenance	0.27	0	0	0	0
(% to non-tax rev)	0.12	0.00	0.00	0.00	0.00
Contribution for electricity charges	0	106.83	1847.5	1905.41	2126.44
(% to non-tax rev)	0.00	30.14	80.31	86.40	82.84
Total	229.91	354.39	2300.5	2205.37	2566.99
(Non-Tax % o Total Rev.)	7.69	14.60	50.77	47.20	47.88
TOTAL (Tax +Non Tax)	2989.42	2427.18	4530.97	4672.01	5361.6

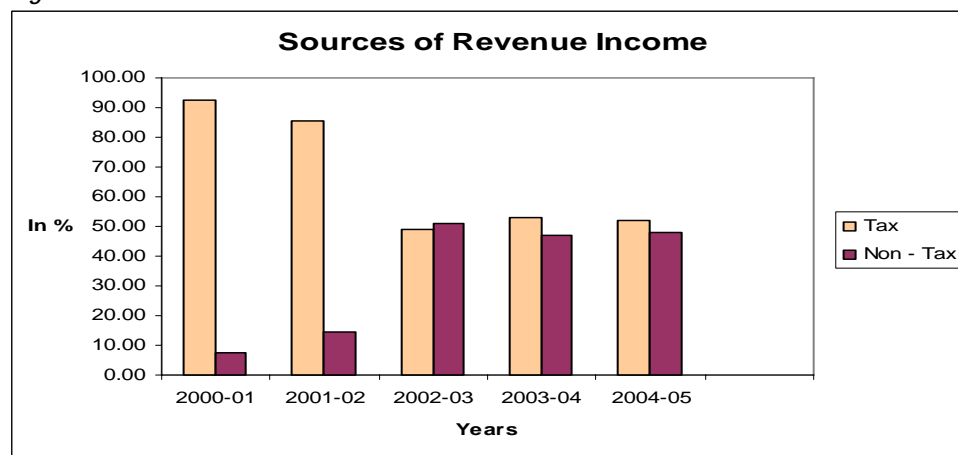
Source: LJS

6.4.7 Non-Tax Sources

The major sources of non-tax revenue are earnings from development fees and service charges, but their share in total non-tax income has reduced in the last five years. The share of development fee has reduced to 4% in 2004-05 against a high of 45% at the start of the period

under consideration. Similarly, contributions from service charges declined from 16% in 2000-01 to less than one percent at the end of period (2004-05). The reducing sources of income result in high dependence on the state for grants and this situation is not amenable to building autonomous and financially sustainable institutions. The contribution from electricity charges cannot be considered as income however, its share was 30% in 2001-02, increasing to more than 80% in the last three years.

Figure 6.8: Revenue income of LJS



6.4.8 Capital Income

There are no observable patterns in the trend of capital income – it is mainly a reflection of the pattern of investments in infrastructure. This situation is a reflection of the fact that there does not seem to be any planned O&M undertaken by the LJS and it functions in a 'reactive' mode. The percent contribution by refund in total capital income accounted for more than half. Its share in the total capital income varied from 56% and 61% for the year 2004-05 and 2005-06 respectively. The Lucknow Water Supply Scheme comprised a large share in the capital income. In 2000-01, it contributed 88% but in the later period started declining drastically and reached a low of 4% of the total capital income in year 2005-06. The revolving fund also contributed significantly to capital income for three years, when its share stood at 56%, 49% and 79% respectively in the year 2001-02, 2002-03 and 2003-04. (See Table 6.8 and Figure 6.9 for details).

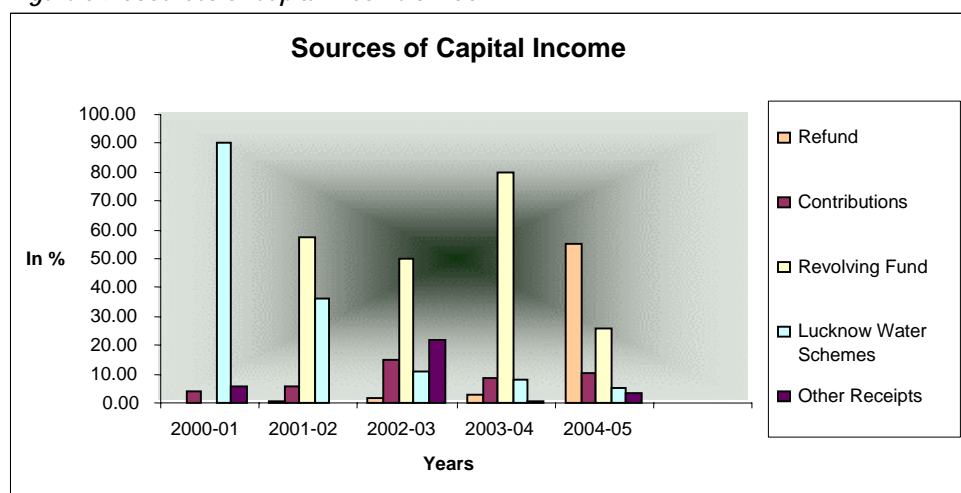
Table 6.8: Composition of Capital Income of LJS

	(Rs. Lakh)				
Year	2000-01	2001-02	2002-03	2003-04	2004-05
Refund of Advance	5.56	4.59	3.61	3.35	2.56
(% to total)	2.43	1.47	0.77	0.76	0.50
Advance for Deposit works	0	2.21	8.25	13.62	284.49
(% to total)	0.00	0.71	1.75	3.09	55.15
Contributions under special schemes	3.51	0	2.26	2.26	2.26
(% to total)	1.53	0.00	0.48	0.51	0.44
Dalmandi Sewer Lines	0	0	0.97	0.97	0.97
(% to total)	0.00	0.00	0.21	0.22	0.19
Contributions	5.05	0	50	36	51.3

Year	2000-01	2001-02	2002-03	2003-04	2004-05
(% to total)	2.21	0.00	10.62	8.17	9.95
Loan Revolving Fund	0	177	234.6	349.33	132.96
(% to total)	0.00	56.68	49.81	79.26	25.78
Lucknow Water fulfilment scheme	201.38	111.08	51.56	34.69	25.47
(% to total)	88.02	35.57	10.95	7.87	4.94
Contributions from DUDA	0	17.41	17.7	0	0.07
(% to total)	0.00	5.57	3.76	0.00	0.01
Others Receipts	0	0	0	0	0
(% to total)	0.00	0.00	0.00	0.00	0.00
Centage on Deposit works	11.28	0	0.58	0.52	0
(% to total)	4.93	0.00	0.12	0.12	0.00
Various receipts	1	0	101.5	0	0.75
(% to total)	0.44	0.00	21.55	0.00	0.15
Licensing of illegal connection	1	0	0	0	15
(% to total)	0.44	0.00	0.00	0.00	2.91
Total	228.78	312.29	471.03	440.74	515.83

Source: LJS

Figure 6.9: Sources of Capital Income of LJS



6.5 Expenditure Pattern

6.5.1 Revenue Expenditure

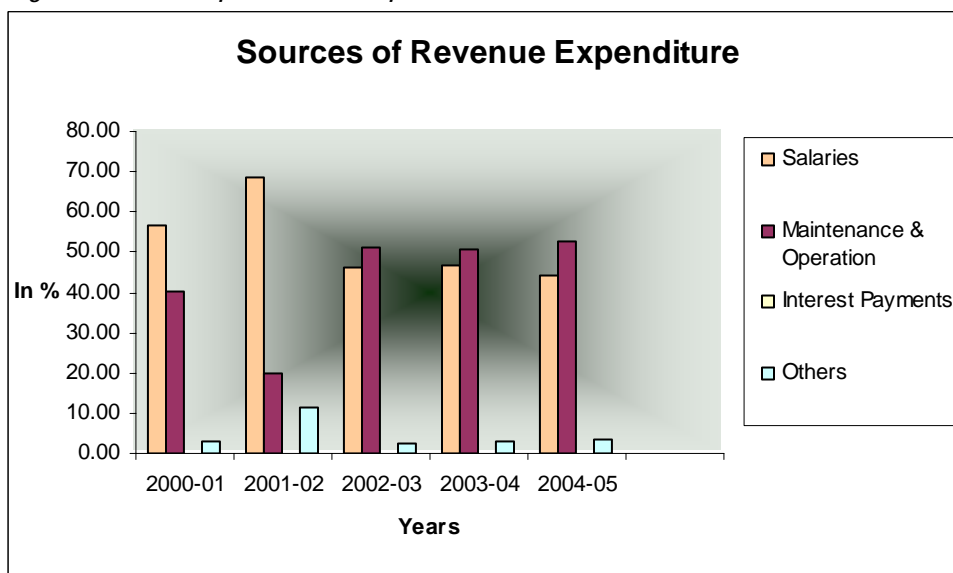
The major heads of expenditure on the revenue account are salaries, operations and maintenance, interest payments and others. The share of expenditure towards salaries was the highest in the first two years but in the later period operations and maintenance (electricity and energy) has accounted for the highest expenditure. The share of expenditure on both these

jointly accounted for more than 85% in the period under consideration. The Table 6.9 and Figure 6.10 show the revenue expenditure.

Table 6.9: Pattern of Revenue Expenditure of LJS

	(Rs. Lakh)				
	2000-01	2001-02	2002-03	2003-04	2004-05
Salaries	1796.28	1789.67	2101.86	2095.67	2289.44
(% to total)	56.78	68.56	46.46	46.47	44.20
Electricity & Energy	1033.56	288.71	2029.38	1905.41	2308.32
(% to total)	32.67	11.06	44.86	42.25	44.56
Supply & chemicals for treatment	143.8	145.22	181.83	243.49	274.36
(% to total)	4.55	5.56	4.02	5.40	5.30
Charges for raw water	0	0	0	0	0
(% to total)	0.00	0.00	0.00	0.00	0.00
Repairs	92.69	88.52	100.59	135.65	139.95
(% to total)	2.93	3.39	2.22	3.01	2.70
Other	96.96	298.15	110.57	129.65	167.96
(% to total)	3.06	11.42	2.44	2.87	3.24
Interest payments	0	0	0	0	0
(% to total)	0.00	0.00	0.00	0.00	0.00
Normal maintenance	0.27	0	0	0	0
(% to total)	0.01	0.00	0.00	0.00	0.00
Total	3163.56	2610.27	4524.23	4509.87	5180.03

Figure 6.10: Break up of Revenue Expenditure of LJS



6.5.2 Capital Expenditure By Source

The expenditure on capital account has been mainly for purchasing tools, machinery, vehicles and other equipment. A large part of the expenditure was incurred on specific schemes like the "Lucknow water supply and cleanliness scheme". The component "others" includes the repayment of loans on the capital account. In 2000-01 a significant proportion of expenditure on the capital account was incurred on the Lucknow water supply and cleanliness scheme - 81% of the total capital expenditure. Over the years, its share declined and was just 1.26% in 2005-06. The revolving fund accounted for 85% of the total capital expenditure during 2003-04. Its share in the total capital expenditure stood at 10% in the financial year 2005-06. The share of the "others" component was low in the initial years, but then in the financial year 2005-06 its share increased to 75% of the total capital expenditure. (See Table 6.10 for more details).

Table 6.10: Pattern of Capital Expenditure of LJS

	(Rs. Lakh)				
Year	2000-01	2001-02	2002-03	2003-04	2004-05
Purchase of Water Tankers	0.36	2.21	2.28	2.81	2.05
(% to total)	0.32	1.56	0.86	1.11	0.98
Purchase of machinery & tools	2.47	1.68	0.58	2.72	4.22
(% to total)	2.22	1.18	0.22	1.07	2.02
Furniture	0.76	18.00	0.84	2.92	0.52
(% to total)	0.68	12.68	0.32	1.15	0.25
Building Construction	0.00	0.00	0.14	0.00	1.37
(% to total)	0.00	0.00	0.05	0.00	0.66
Hand pump & stand post ins.	0.00	0.00	0.00	0.00	5.67
(% to total)	0.00	0.00	0.00	0.00	2.72
Extension of sewer network	2.72	1.12	3.06	4.48	3.22
(% to total)	2.45	0.79	1.15	1.76	1.54
Purchase of vehicles	2.20	0.56	0.43	0.69	0.74
(% to total)	1.98	0.39	0.16	0.27	0.35
Purchase of new pump sets	6.6	0.42	0.42	1.36	13.98
(% to total)	5.94	0.30	0.16	0.54	6.70
Others	2.45	1.54	1.43	1.06	19.9
(% to total)	2.20	1.09	0.54	0.42	9.53
Other Expenditures					
Deposit Works	1.25	0.33	3.06	3.5	32.01
(% to total)	1.12	0.23	1.15	1.38	15.33
Disinfecting sewer lines of zone one	4.23	0	0	0	0
(% to total)	3.81	0	0	0	0
Grants	0	0	14	9.7	26.06
(% to total)	0	0	5.26	3.82	12.48

Loan Revolving Fund	0	47.4	195.27	216.37	85.72
(% to total)	0	33.40	73.37	85.14	41.05
Lucknow water fulfilment and cleanliness scheme	90.3	59.52	27.45	9.22	7.62
(% to total)	81.25	41.94	10.31	3.63	3.65
Contributions from DUDA	0	9.71	17.63		0
(% to total)	0	6.841	6.624	0	0
Total	111.14	141.93	266.16	254.14	208.8

Source: LJS

6.6 Lucknow Development Authority (LDA)

The LDA is an important organization playing the crucial role in the overall development of city and its expansion. The LDA is also the only institution following an accrual accounting system and is the most 'cash rich' institution at city level.

6.6.1 Fiscal Assessment of LDA

Income-Expenditure and Resource Gap

The receipts under revenue account have increased and doubled in the last five years - from Rs 12 crore to Rs 26 crore from 2001-02 to 2005-06. The capital account has also followed a similar pattern with the income under this head doubling and reaching Rs 655 crore in 2005-06 against Rs 221 crore at the start of the period under consideration (2001-02). On expenditure side, the LDA has incurred revenue expenditure to the tune of Rs 76 crore (2001-02) against the figure of Rs 39 crore. The expenditure on capital account has also doubled during the period under consideration. It has increased from Rs 182 crore in 2001-02 to Rs 498 crore in 2005-06. The detailed analysis of income-expenditure is shown in Table 6.11.

6.6.2 Resource Gap

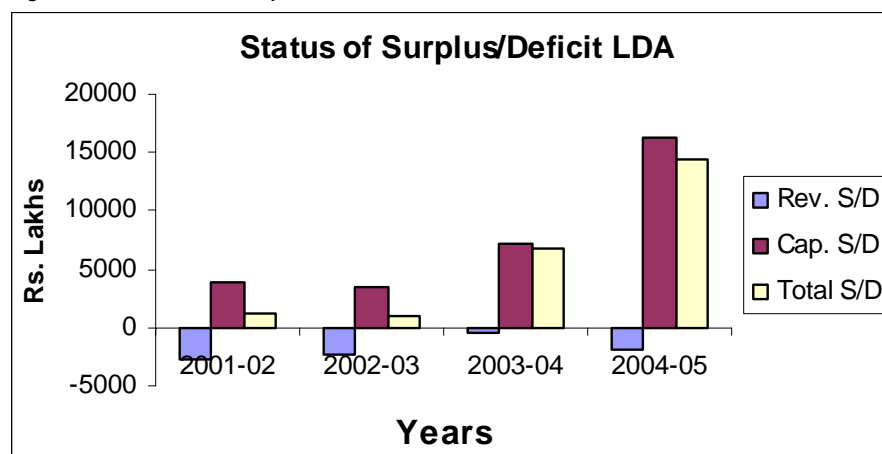
Under the revenue account, LDA has incurred deficits in all the five years – rising from Rs 27 crore to a little less than Rs 50 crore. On the other hand the scenario in the capital account changed. LDA has generated a surplus in the entire period under consideration – from Rs 40 crore in 2001-02, it rose to Rs 157 crore by 2005-06. The overall surplus was of the order of Rs 12 crore to Rs 107 crore during the year 2001-02 to 2005-06.

Table 6.11: Income -Expenditure Trend of Lucknow Development Authority (LDA)

	(Rs lakh)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue Income	1155.75	1346.94	3257.14	2519.42	2567.28
Capital Income	22141.71	38793.43	35084.63	41302.32	65483.23
Total Income	23297.46	40140.37	38341.77	43821.74	68050.51
Revenue Expenditure	3900.96	3720.81	3683.95	4436.70	7600.43
Capital Expenditure	18171.66	35384.54	27859.49	25031.02	49759.21
Total Expenditure	22072.62	39105.35	31543.44	29467.72	57359.64
Revenue Surplus / Deficit	-2745.21	-2373.87	-426.81	-1917.28	-5033.15
Capital Surplus / Deficit	3970.05	3408.89	7225.14	16271.3	15724.02
Total Surplus / Deficit	1224.84	1035.02	6798.33	14354.02	10690.87

Source: LDA

Figure 6.11: Resource Gap of LDA



6.6.3 Revenue Account

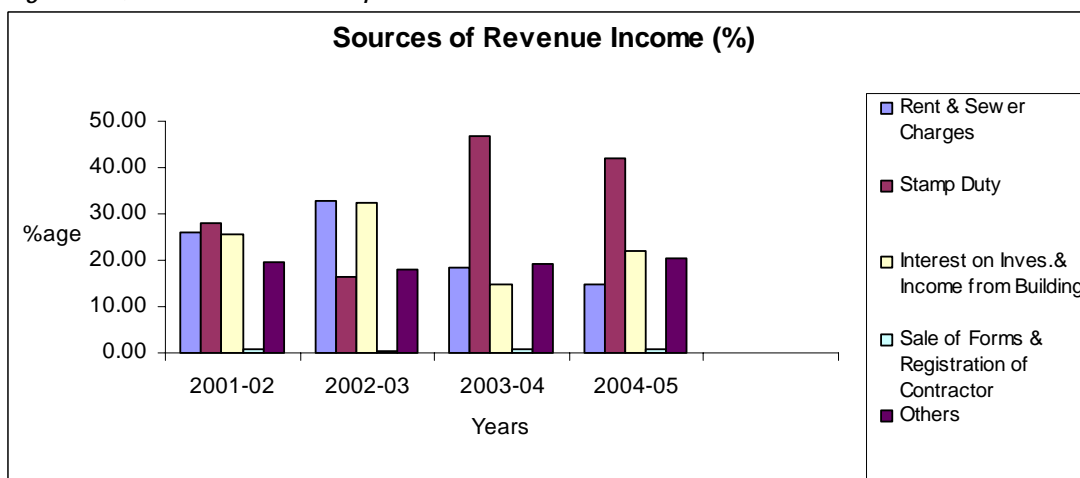
The composition of revenue income is presented in Table 6.12 and Figure 6.12. The LDA derives its revenue income broadly from five sources - (1) rents and user charges, (2) stamp duty, (3) interest on investments, (4) income from buildings, and (5) sale of forms and registration to contractors and others. The average share of revenue income from rent and sewer charges has remained around 23%. Stamp duty, on an average contributed about 33% to the total revenue income during four years. The share of income from interest on investments has remained at an average of 25%.

Table 6.12: Composition of LDA's Revenue Income

	(Rs. Lakhs)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Rents	252.55	382.51	556.47	315.15	567.65
(% to total)	21.85	28.40	17.08	12.51	22.11
Stamp Duty	324.66	219.88	1522.3	1060.58	0
(% to total)	28.09	16.32	46.74	42.10	0.00
Sewer Charges	48.01	57.85	45.69	57.18	59.72
(% to total)	4.15	4.29	1.40	2.27	2.33
Interest on investments	80.43	301.13	93.3	36.84	70.93
(% to total)	6.96	22.36	2.86	1.46	2.76
Income from Building Regulation Department	215.19	137.2	393.07	515.77	714.79
(% to total)	18.62	10.19	12.07	20.47	27.84
Sale of forms	7.2	6.85	13.28	12.07	10.73
(% to total)	0.62	0.51	0.41	0.48	0.42
Registration of Contractors	0	0	11.28	9.01	54.07
(% to total)	0.00	0.00	0.35	0.36	2.11
Parks	20.37	15.98	51.76	48.11	51.4
(% to total)	1.76	1.19	1.59	1.91	2.00
Transfer Fees	13.22	14.13	32.8	29.29	38.28
(% to total)	1.14	1.05	1.01	1.16	1.49
Others	194.12	211.41	537.19	435.42	999.71
(% to total)	16.80	15.70	16.49	17.28	38.94
Total	1155.75	1346.94	3257.14	2519.42	2567.28

Source: LDA

Figure 6.12: Revenue Income Composition of LDA



6.6.4 Capital Account

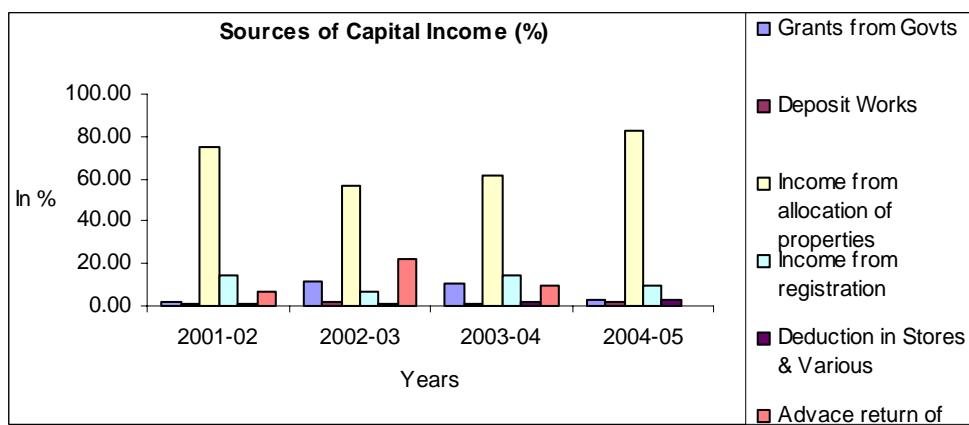
The LDA receives its capital income mainly from grants, allocation of properties, and the loans that are prepaid. The share of income from allocation of properties has been the highest in the period under consideration remaining at around 78%. The income from registration of properties, contributed a little over 10% on an average. It varied from 7% (2002-03) to 22% (2005-06). Table 6.13 and Figure 6.13 show the composition of the capital income.

Table 6.13: Composition of Capital Income of LDA

	(Rs. Lakhs)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Grants from Govts	400.00	4510.72	3749.00	1000.00	6124.98
(% to total)	1.81	11.63	10.69	2.42	9.35
Deposit Works	217.36	689.65	383.42	963.41	16.45
(% to total)	0.98	1.78	1.09	2.33	0.03
Income from allocation of properties	16672.11	22073.69	21553.29	34289.64	42757.72
(% to total)	75.30	56.90	61.43	83.02	65.30
Income from registration	3288.07	2696.67	5160.14	3873.66	14357.67
(% to total)	14.85	6.95	14.71	9.38	21.93
Deduction in stores	29.11	101.27	277.94	331.21	514.06
(% to total)	0.13	0.26	0.79	0.80	0.79
Various	130.82	313.02	500.78	793.24	1188.63
(% to total)	0.59	0.81	1.43	1.92	1.82
Advance return of loan & return on investments	1403.71	8408.41	3460.06	51.16	523.72
(% to total)	6.34	21.67	9.86	0.12	0.80
Total	22141.18	38793.43	35084.63	41302.32	65483.23

Source: LDA

Figure 6.13: Capital Income by Source in LDA



6.6.5 Revenue Expenditure

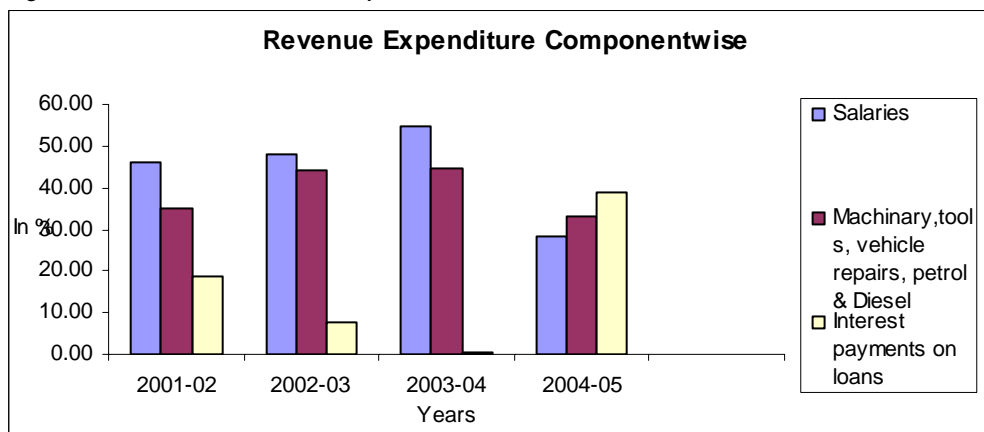
The LDA incurred revenue expenditure mainly on account of salaries and wages and other repair and maintenance responsibilities. The average share of expenditure going towards meeting salaries has remained at 44%. Similarly, the average share going towards the normal maintenance and repairs accounted for 42% of the total revenue expenditure, but fluctuated in the period under consideration. However, its share varied from 35% in 2001-02 to 53 % at the end of period (2005-06). Debt servicing was unsatisfactory. The average share of revenue expenditure towards meeting the interest payment obligations has remained around 14% of the total revenue expenditure. In 2001-02, its share was 19% and this reduced drastically to less than one percent in 2003-04 but increased once again to 39 % in the following year finally dropping to a little less than one percent at the end of period. The pattern of revenue expenditure is shown in Table 6.14 and Figure 6.14.

Table 6.14: Pattern of Revenue Expenditure of LDA

	(Rs. Lakhs)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Salaries	1797.65	1793.53	2018.96	2209.20	2326.70
(% to total)	46.08	48.20	54.80	28.11	45.53
Machinery, tools, vehicle repairs, petrol & Diesel	1367.54	1638.59	1639.70	2599.80	2733.30
(% to total)	35.06	44.04	44.51	33.08	53.49
Interest payments on loans	735.77	288.69	25.29	3050.00	50.00
(% to total)	18.86	7.76	0.69	38.81	0.98
Total	3900.96	3720.81	3683.95	7859.00	5110.00

Source: LDA

Figure 6.14: Pattern of Revenue Expenditure of LDA



6.6.6 Capital Expenditure

Capital expenditure accounts mainly for meeting expenditure on immovable property and land development, suspense (including the repayment of loans). The average share of capital expenditure going towards land development has remained at 31% of the total capital expenditure. However, it has varied from 19% in 2001-02 to 4% in 2004-05 but increased to 22% in 2005-06. The share of repayment of loans and expenditure on construction has remained negligible during all the years. Here the component "Others" includes refunding of the amounts

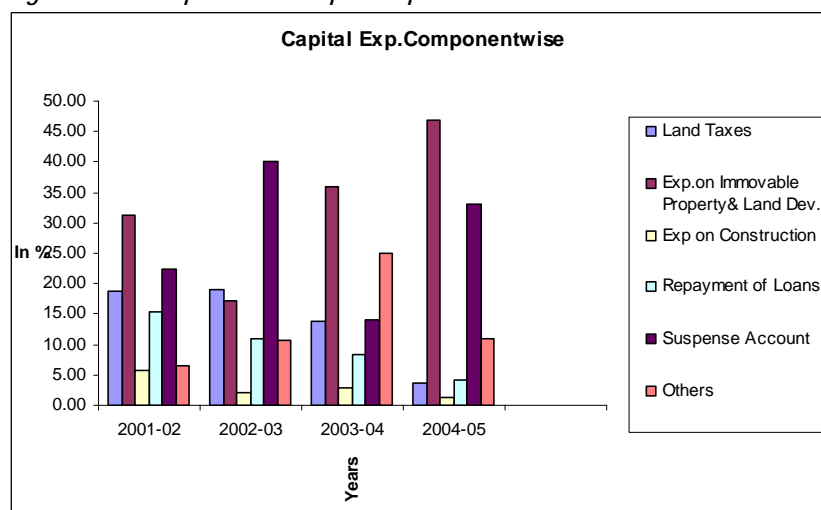
that were taken for registering contractors. Thus, due to increase in the refund to the contractors, the share of component “others” has gone up in the year 2003-04.

Table 6.15: Pattern of Capital Expenditure of LDA

	(Rs. Lakhs)				
	2001-02	2002-03	2003-04	2004-05	2005-06
Land Taxes	3422.54	6763.53	3878.24	889.57	10798.17
(% to total)	18.83	19.11	13.92	3.55	21.70
Exp on immovable property	86.46	133.6	84.44	117.32	65
(% to total)	0.48	0.38	0.30	0.47	0.13
exp on land development	5582.56	5920.37	9899.47	11601.34	13397.09
(% to total)	30.72	16.73	35.53	46.35	26.92
Exp on Construction	1038.95	699.64	823.72	327.96	467.07
(% to total)	5.72	1.98	2.96	1.31	0.94
Exp on Storage	194.97	207.73	831.48	839.19	1192.47
(% to total)	1.07	0.59	2.98	3.35	2.40
Repayment of Loans	2811.02	3909.52	2318.71	1060.58	99.27
(% to total)	15.47	11.05	8.32	4.24	0.20
Deposit Works	966.99	3588.29	6119.08	1897.75	3152.2
(% to total)	5.32	10.14	21.96	7.58	6.33
Suspense Account	4068.17	14161.86	3904.35	8297.31	20587.94
(% to total)	22.39	40.02	14.01	33.15	41.38
Total	18171.66	35384.54	27859.49	25031.02	49759.21

Source: LDA

Figure 6.15: Composition of Capital Expenditure of LDA



6.6.7 Key Issues

- LDA has generated surplus in capital account but incurred deficits in the revenue account.
- The expenditure on salaries and wages claims the major share in revenue expenditure and costs of maintenance and fuel are high. The link between this and the levels of service delivery in the agency's area of jurisdiction should be one issue in an organizational review of city institutions as it may point towards scope for efficiency improvement in city service delivery.

SUMMARY

The revenue base of key institutions is weak resulting in high dependence on government for grants.

As the key local level institutions LNN should consider means of enhancing tax revenue while reducing the cost of collection.

There are policy level interventions required in connection with fixing user charges that are currently not commensurate with the expenditures incurred for service provision.

It is critical to improve the financial situation of all key institutions so that the city is able to attract investment and tap capital markets.