

BBMP Budget 2015-16 to 2018-19 Analysis by B.PAC

Brief Background:

74th Amendment of the Constitution provides for the Local Government, that is to say, the constitution and powers of municipal corporations, improvement trusts, district boards, mining settlement authorities and other local authorities for the purpose of local self-Government or village administration.

To aid local governance, Corporation Fund - Section 149 details the fiscal responsibility of the BBMP.

“All money received by or on behalf of the corporation by or under this Act or any other law, all taxes, tolls and other imposts, fines, fees, penalties paid to or levied by it under this Act, all proceeds of land or other property sold by the corporation and all rents accruing from its land or property and all interests, profits and other moneys accruing by gifts or transfers from the Government or private individuals or otherwise shall constitute the corporation fund”

How a budget document is prepared?

KMC Act Section 166 - Every year there will be a budget prepared by the commissioner Estimates and expenditure, income prepared by the commissioner, provision to be done by January 15th and submitted to the standing committee. This document is presented before the Tax and Finance Standing Committee. Standing Committee during the review they call the various bureaucrats and officers and other standing committees for the clarifications.

The cash balance should not be less than 1,00,000, according to the Act, cannot show deficit

The copies of the standing committee report will go to all 198 councilors for them to prepare

Usually, by 1st week of February, Standing Committee Chairman will present before the council

and debate, deliberate on the estimates, incomes etc.

The corporation can send it back to the standing committee for amendments if any within an estimated time. Clarifications and revisions should be done before the budget is adopted by the council. The final budget should be finally, 21 days before march 31st should be passed and sent to the government for approval. Based on the estimates, and modifications if any, state government should pass it within 60 days or it will be deemed accepted. Once approved by the government, it will be sent to the corporation to be implemented from 1st April [Financial Year].

Analysis

[Source: BBMP Budget Estimate Books 2015-16, 2016-17, 2017-18 and 2018-19]

Table 1: Financial Position of BBMP from 2016-17 to 2018-19

Estimates [In Lakh Rupees]	Opening Balance	Receipts	Total	Payments	Closing Balance
Budget Estimates for 2016-2017	495	899,148	899,643	899,441	202
Revised Estimates for 2016-2017	495	681,895	682,390	681,996	394
Budget Estimates for 2017-2018	394	999,581	999,975	999,455	520
Revised Estimates for 2017-2018	394	751,398	751,792	751,353	439
Budget Estimates for 2018-2019	439	932,248	932,687	932,553	134

Budget vs Actual

1. For the Year 2017-18, the revenue shortfall Budget vs Revised Estimates (RE) was **24.8%** and for the year 2016-17 the shortfall was **24.16%**. Actual Revenue in 2016-17

was Rs 657,238 representing a shortfall **26.90%** against budget for 2016-17.

2. It can be seen that BBMP consistently falls short of its revenue targets by about 25% when comparing Budget vs Actuals.
3. This continuous shortfall in Revenues creates an acute cash shortage and seriously impacts the BBMP's ability to take up development projects and complete them successfully.
4. **Revenue Growth-** The Actual Revenue growth for the year 2016-17 is **25.29%** over 2015-16 Actuals, **14.33%** for 2017-18 RE and the Projected growth is **24.07%** for year 2018-19 over 2017-18 RE with Revenues budgeted at Rs. 9322 Cr.
5. Given this past trend of serious revenue shortfalls, the 2018-19 Revenue assumptions in the budget are aggressive with no of clear revenue enhancing strategy.
6. **Revenue Composition:**

Table 2: Actuals for years 2015-16, 2016-17 & Revenue Estimates for the years 2017-18.

Revenue Composition [In Lakh Rupees]	Year on Year		
	2015-16 [A]	2016-17[A]	2017-18 [RE]
Tax Receipts	140,639	175,301	180,427
Non Tax Receipts	70,955	71,859	59,350
Grants	223,535	319,959	386,523
Other	89,450	90,118	125,098
Total	524,579	682,390	751,398

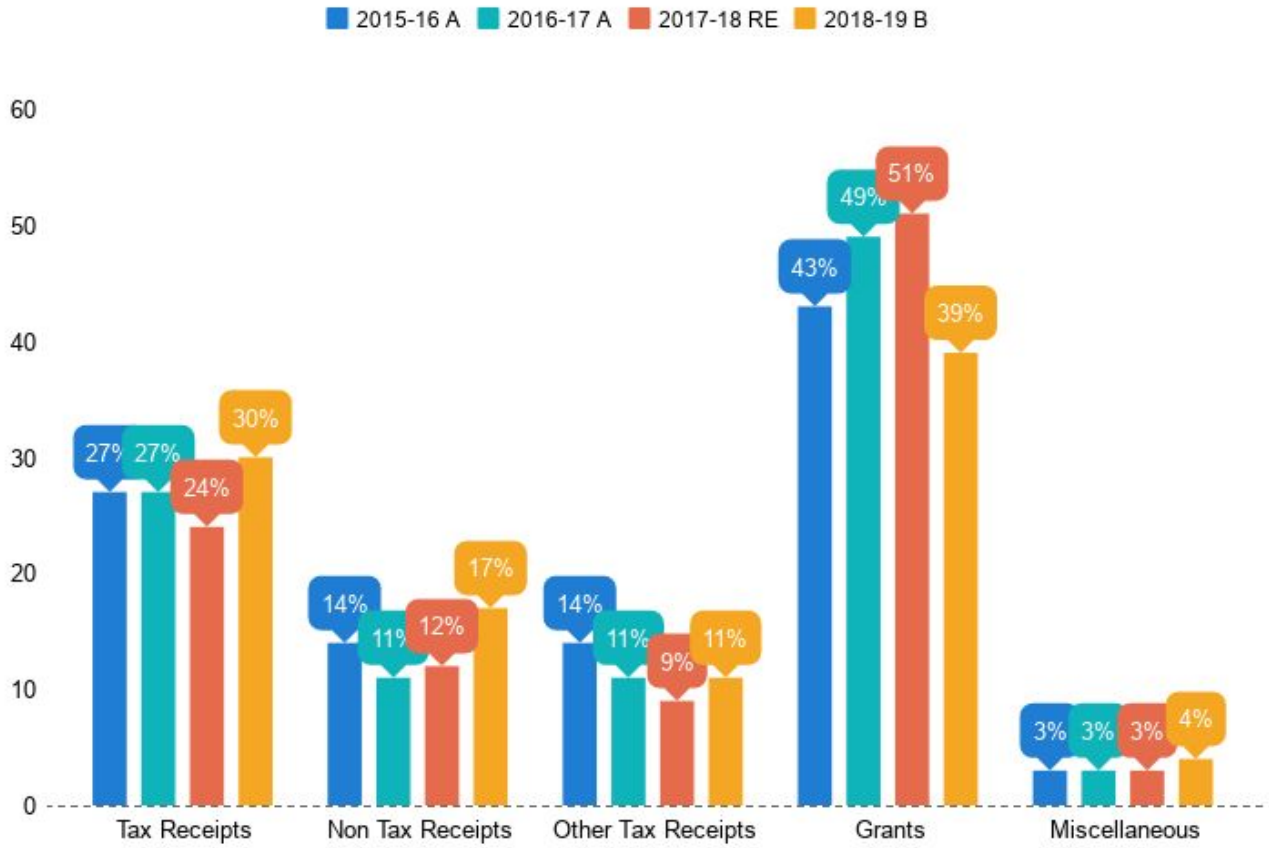
Table 3: Revised and Budget Estimate of Revenue Composition in Percentages

Revenue Composition in Percentages for Revised Estimate of 2017-18 and Budget Estimate of 2018-19

Revenue Composition %	2015-16 A	2016-17 A	2017-18 RE	2018-19 B
Tax Receipts	27%	27%	24%	30%
Non Tax Receipts	14%	11%	12%	17%
Other Tax Receipts	14%	11%	9%	11%
Grants	43%	49%	51%	39%
Miscellaneous	3%	3%	3%	4%
Total	100.00%	100.00%	100.00%	100.00%

1. Actual Tax /RE Receipts have been consistently short compared to Budgets over 2015-16, 2016-17, 2017-18 .
2. The dependence on Grants increased during this period from 43% in 2015-16 to 51% in 2017-18 RE .
3. Concrete steps have to be taken to increase the tax and non tax and other receipts receipts, it has been consistently declining over the last three years from 55% in 2015-16, 49% in 2016-17 and 45% in 2017-18.
4. However in 2018-19 Tax, non tax and other receipts have gone up to 57% in the Budget with no clear strategy as to steps that will be taken to realise the budgeted numbers. In case there is a shortfall development works will seriously suffer since no Grants have been provided for either.

Revenue Composition



Payments:

The table below gives the break of all the spending trends of major departments over the years 2015-16 to 2018-19.

Table 5: Payments Composition

Payments Composition [In Lakh Rupees]	2015-16 [A]	2016-17 [RE]	2017-18 [BE]	2017-18 [RE]	2018-19 [BE]
General Administration	69,234	67,233	76,241	75,305	84,370
Finance & Accounts	154,052	81,345	49,278	59,230	52,356
Lakes	4,259	8,171	22,321	10,725	11,322
Estate & Management	7,275	5,450	4,024	7,024	7,041
Solid Waste Management	53,937	63,989	91,400	110,709	106,688
Road Infrastructure	44,417	98,789	79,266	58,568	61,546
Education	1,038	2,880	7,937	4,021	5,801
Urban Forestry & Environment	1,034	1,539	7,758	4,155	4,626
Horticulture	4,598	7,937	17,761	13,120	15,616
Storm Water Drain	14,856	18,688	33,662	26,846	35,505
Others	165,094	326,044	609,808	381,650	547,679
Total	519,793	681,996	999,455	751,353	932,553

Table 6: Payments Composition %

Payments Composition %	2016-17 A	2017-18 [RE]	2018-19 [BE]
General Administration	12%	10%	9%
Finance & Accounts	13%	8%	6%
Lakes	1%	1%	1%
Estate & Management	1%	1%	1%
Solid Waste Management	11%	15%	11%
Road Infrastructure	10%	8%	7%
Education	0%	1%	1%
Urban Forestry & Environment	0%	1%	0%
Horticulture	1%	2%	2%
Storm Water Drain	4%	4%	4%
Others	47%	51%	59%
Total	100%	100%	100%

1. There was a Payments Shortfall of 40.97% comparing Budget vs Actual Payments 2016-17.
2. In the year 2017-18 major shortfalls have been in the Lakes, Road Infrastructure and Storm Water Drains.

B.PAC recommends that there be a robust debate in the BBMP Council on Revenue enhancement strategies and clear steps be laid out for the benefit of citizens as to how to achieve these Revenue Goals.

Write to forbangalore@bpac.in with your observations and comments.