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## HOUSING & URBAN DEVELOPMENT DEPARTMENT

### NOTIFICATION

The 24th October, 2016

**Sub: Guidelines for disbursal of performance based grants to Urban Local Bodies in Odisha (Performance Grants recommended to Odisha by the 14th Central Finance Commission)**

No.24992–HUD-FUND-POLICY-0002/2015/HUD.— Whereas, the guidelines for disbursement of 14th Finance Commission Performance Grants to Urban Local Bodies has been notified in notification No.7961/HUD, dated the 28th March, 2016 of Government of Odisha in Housing & Urban Development Department published in the extra ordinary issue of Gazette No.620, dated the 4th April, 2016 which stipulates some conditions in addition to the FFC recommendations.

Whereas, in consideration to the advisory received from Ministry of Urban Development, Government of India in this effect, the Government do hereby revise the guidelines as below:—

#### **1. Introduction:**

The 14th Finance Commission (“FFC”) was mandated to recommend measures needed to augment the Consolidated Fund of the States to supplement the resources of the Urban Local Bodies based on the recommendations of the State Finance Commission. Accordingly, the FFC has recommended assured transfers to the urban local bodies for planning and delivering of basic services smoothly and effectively within the functions assigned to them under relevant legislations. The FFC has taken a firm view that the measures recommended, including the grants to the urban local bodies, should go towards supporting and strengthening their primary functions to deliver basic services, as FFC believes that improvements in the quality of basic services are likely to lead to an increase in the willingness of citizens to pay for the services.

The FFC has observed that even after twenty years of Constitutional Amendment that sought to empower local bodies to effectively act as institutions of local self-governance and also to provide certain basic services to citizens, it is inconceivable and not certainly desirable, that local bodies seek an ever increasing share of public moneys and yet continue to keep themselves beyond the ambit of accountability and responsibility for the public money placed with them.

In order to address the prevailing flaws, the FFC has recommended grant-in-aid to duly constituted local bodies in two parts, namely 1) a Basic Grant; and 2) a Performance grant. The present notification details the procedures the State Government shall adopt for disbursement of Performance Grants to Urban Local Bodies in Odisha for incentivizing better Urban Local Bodies Performance. The FFC has made it explicit that these funds shall only be utilized for the purpose for which they are disbursed and no diversion for any other purposes shall be permitted.

## **OBJECTIVES:**

### **2. Objectives of Performance Grant:**

The prime objective of the Performance Grant is to recognize and to incentivize the ULBs to adopt citizen centric governance and service deliveries so as to improve the quality of life in their respective areas and the Performance Grant equally aims at the following aspects which would enable and empower ULBs in achieving the primary objective;

1. Sustained Improvement in ULBs own revenues; and
2. Making available reliable data on ULBs receipt and expenditure through audited accounts;
3. Measure and publish service level benchmarks for basic services.

## **ELIGIBILITY CRITERIA:**

### **3. Eligibility Criteria for the Performance Grant:**

With a view to inculcate a performance driven culture in ULBs, the FFC has recommended a set of simple and very basic conditions. The quantum of incentives to be given for disbursement of performance grants to Urban Local Bodies will be decided by the State Government subject to the eligibility conditions as detailed below:—

- (i) The ULB will have to submit audited accounts that relate to year not earlier than two years preceding the year in which the Municipality seeks to claim the Performance Grant.

- (ii) The ULB will have to show an increase in its own revenue over the preceding year as reflected in audited accounts. The improvement in revenue will be determined on the basis of these audited accounts and on no other basis. For computing the increase in own revenues in a particular year, the proceeds from Octroi and entry tax must be excluded.
- (iii) The ULB must measure and publish the Service Level Benchmark relating to basic urban services each year for the period of the award and make it publically available.

**4. No additional conditions or directions other than those recommended by the FFC for releasing these grants are being imposed either by the Union Government or the State Government:**

**CRITERIA FOR ALLOCATION OF PERFORMANCE GRANT TO URBAN LOCAL BODIES:**

5. In view of the guidelines issued by the Government of India, the criteria for disbursal / allocation of Performance Grants is as follows :—

“The allocation of the General Performance Grant amongst ULBs will be made in proportion to their population as per Census, 2011.”

**PROCEDURE FOR RELEASE OF PERFORMANCE GRANTS TO URBAN LOCAL BODIES:**

6. The allocated amount of Performance Grant, computed under Para. 5 above will be released in favour of the ULBs, who have fulfilled the eligibility criteria mentioned at Para.3 above and submitted the relevant documents thereof to the Director Municipal Administration, Housing & Urban Development Department, Government of Odisha on a stipulated date as may be fixed .

The audited accounts, submitted by ULB should distinctly capture income on account of own source revenues (taxes and non-taxes), assigned revenues, devolution and grants for any agency functions assigned by the Union and State Government, relate to the year not earlier than two years preceding the year in which the ULB seeks to claim the performance grant. The audited accounts required for performance grant in 2016-17 will be for the year 2014-15; for performance grant in 2017-18, the audited accounts will be for the year 2015-16; for performance grant in the year 2018-19, the audited account will be for the year 2017-18. The accounts are required to be audited either by the internal Audit of the Department or Local Fund Audit Wing of the Department of Finance, Govt. of

Odisha or the office of Accountant General, Odisha in pursuance of present arrangement of Technical Guidance and Support as per the recommendation of 13th FC, or any other agency / chartered accountant hired by the ULB after obtaining the approval of Government.

The ULB will also submit the copy of the Service Level Benchmark relating to basic Urban Services duly notified by them annually for the award period and make it available for general information of public.

The action required to be taken by ULBs for performance grant is summarized in the table below:

**Table 1: Conditions, Actions and Document Requirement for Performance Grant**

Sl. No.	Condition	Action required	Documents Required
1.	Submit audited annual account that relate to a year not earlier than two years preceding the year in which it seeks to claim the performance grant.	Ensure that accounts are audited from the audit Agency as directed by the FFC and ensure to conduct the audit and issue Audit Certificate.	Copy of Certificate issued by the Audit authority.
2.	<p>a. Show an increase in own revenues over the preceding year, as reflected in these audited accounts.</p> <p>b. To be determined on the basis of these audited accounts and on no other basis.</p> <p>c. For computing the increase in own revenues in a particular year, the proceeds from octroi and entry tax must be excluded.</p>	Ensure that revenue increase is shown and verified through audited accounts.	Audited figures of own income as per audited accounts showing increase in own income.
3.	<p>a. Measure and publish the service level benchmarks relating to basic urban services each year for the period of the award.</p> <p>b. Make it publically available.</p>	Notify and publish service level benchmarks to basic urban services i.e. Water Supply, Sewerage, Drainage and Solid Waste Management every year before 31st March (i.e. for the year 2016-17 by 31-03-2016 and so on) and make it publically available through website and notice board etc.	Copy of Notification issued by the ULB before 31st March every year.

The conditions for issuing the performance grant are provided in the Table – 2 below.

**Table 2: Conditions for issuing of Performance Grant**

Condition No. 1	Copy of certificate issued by the Audit authority that the accounts have been audited upto the year 2014-15.		
Condition No. 2	Own income for the year 2013-14 as per audited accounts.	Own income for the year 2014-15 as per audited accounts	Increase/ Decrease in the income excluding octroi and property tax
Condition No. 3	Copy of Notification issued before 31st March, 2016 on the enclosed <i>pro forma</i> .		

**DISTRIBUTION OF FORFEITED AMOUNT OF THE PERFORMANCE GRANT AMONGST ULBS IN THE EVENT OF NON-COMPLIANCE WITH CONDITIONS:**

7. The State Government will release the allocated share of Urban Local Body concerned in accordance with the procedure detailed above. However, where a ULB is unable to meet the conditions laid down in Para. 6 above, its entitlement of Performance Grant will be forfeited and distributed on an equitable basis among eligible Urban Local Bodies that has fulfilled the conditions for getting performance grant.

By Order of the Governor

G. MATHI VATHANAN

Commissioner-cum-Secretary to Government

**Format for Declaration of Service Level Benchmark  
(14th Finance Commission) for the Financial Year 2016-17**

Name of the ULB:—

Sl. No.	Service / Indicator	Bench Mark	Current Status for Financial Year 2015-16	Target for Financial Year 2016-17
(1)	(2)	(3)	(4)	(5)
<b>WATER SUPPLY</b>				
1	Coverage of Water Supply Connections (%)	100		
2	Per capita Supply of Water at Consumer end (LPCD)	135		
3	Extent of metering of Water Connections (%)	100		
4	Extent of non-revenue Water (NRW) (%)	20		
5	Continuity of Water Supply (Hours)	24		
6	Quality of Water Supplied (%)	100		
7	Efficiency in Redressal of Customers Complaints (%)	80		
8	Cost Recovery in Water Supply Services (%)	100		
9	Efficiency in Collection of Water Supply related charges (%).	90		
<b>SEWAGE MANAGEMENT</b>				
1	Coverage of Toilets (%)	100		
2	Coverage of Sewage Network Services (%)	100		
3	Collection Efficiency of Sewage Network (%)	100		
4	Adequacy of Sewage Treatment Capacity (%)	100		
5	Quality of Sewage Treatment (%)	100		
6	Extent of Reuse and Recycling of Sewage (%)	20		
7	Efficiency in Redressal of Customer Complaints (%)	80		
8	Extent of Cost Recovery in Sewage Management (%)	100		
9	Efficiency in Collection of Sewage charges (%)	90		
<b>SOLID WASTE MANAGEMENT</b>				
1	Household Level Coverage of SWM Services (%)	100		
2	Efficiency of Collection of MSW (%)	100		
3	Extent of Segregation of Municipal Solid Waste (%)	100		
4	Extent of Municipal Solid Waste Recovered (%)	80		

(1)	(2)	(3)	(4)	(5)
5	Extent of Scientific Disposal of Municipal Solid Waste (%)	100		
6	Efficiency in Redressal of Complaints (%)	80		
7	Extent of Cost Recovery in SWM Services (%)	100		
8	Efficiency in Collection of SWM Charges (%)	90		
<b>STORM WATER DRAINAGE</b>				
1	Coverage of Storm Water Drainage Network (%)	100		
2	Incidence of Water Logging / Flooding (Number)	0		