

## **PREFACE**

This Report of the Comptroller and Auditor General of India containing the results of the performance audit of the functioning of the Land and Development Office (L&DO), has been prepared for submission to the President of India under Article 151 of the Constitution.

The performance audit was conducted between August and December 2008 through test check of records of the L&DO covering the period 2003-04 to 2007-08.

## EXECUTIVE SUMMARY

### Why did we take up this study?

The Land and Development Office (L&DO), which is an attached office of the Ministry of Urban Development (Ministry), is responsible for the administration of the properties of the Government of India (GoI) in Delhi. The L&DO reportedly administers 60,526 residential, commercial, industrial, and institutional leases, covering a total area of 19,995 acres, which constitutes 5.5 per cent of the total area of Delhi covering prime localities in Nazul areas like Chanakya Puri, Jor Bagh, Golf Links, Sunder Nagar, Defence Colony and Connaught Place within the Lutyens Bungalow Zone (LBZ) and elsewhere, as well as rehabilitation colonies like Lajpat Nagar, Rajender Nagar and Patel Nagar. Out of these leases, 28,824 leases have been converted into freehold since 1992.

The functioning of the L&DO was previously reviewed and reported in the C&AG's Audit Report No. 2 of 2000 – Union Government (Civil) Transaction Audit Observations. However, despite the Ministry's specific assurances in the Action Taken Notes submitted to the Public Accounts Committee of Parliament, most of the deficiencies pointed out in the Audit Report, in particular those relating to poor documentation of properties, irregular revision and non-revision of ground rent, and non-recovery of outstanding dues from lessees, continued to persist. Consequently, another performance audit of the L&DO, covering the period 2003-08, was conducted between August and December 2008.

### What was found?

The performance audit revealed the following major findings:

- Despite thousands of acres of land in prime locations with potential value ranging from Rs. 1,18,000 crore to Rs. 3,44,000 crore, ground rent receipts from these leased out properties were relatively insignificant. Based on the ground rent receipts of Rs. 92.77 crore during 2008-09, L&DO was receiving an average annual ground rent of only Rs. 40.43 *per square metre*; this was primarily due to continuation of an ad hoc formula for enhancement of ground rent for Nazul leases evolved in 1984, which had no relationship with the current letting/market values of these properties. The potential for revised ground rent in respect of even 1/30<sup>th</sup><sup>§</sup> of the non-residential leases, if calculated on letting value, would amount to Rs. 356 crore. Thus, leases falling due for revision during last three years alone could have fetched Rs. 1068 crore annually. In our opinion, the scope for extracting the true value of land under L&DO's control in terms of ground rent has not been fully exploited.

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<sup>§</sup> The figure of 1/30<sup>th</sup> has been adopted, since revision of ground rent falls due after every 30 years.

- Revision of ground rent for Nazul leases, even under the ad hoc formula of 1984, was in arrears, and L&DO was not aware of how many leases fell due for revision of ground rent. It was also not aware of the total amount of outstanding ground rent and other dues.
- The Ministry/L&DO had not revised the premium rates for allotment of land since 1998.
- Age-wise analysis of disposal of lease applications revealed lack of effective and efficient administration. 11 *per cent* of applications were getting processed with great speed and finalized within 15 days against the available time frame of 90 days, while 51 *per cent* of cases were settled after considerable delays ranging from 6 to 24 months or more. This reflects the lack of effective oversight, and the possibility of undue favour being shown to certain applicants.
- Documentation of leases and properties, and maintenance of necessary records and registers was poor, impairing effective functioning. Although L&DO reportedly administered 60,526 leases covering a total area of 19,995 acres, of which 28,824 leases had been converted into freehold, the detailed breakup of current leases administered by the L&DO was not available, and the authenticity of these reported figures could not be verified.
- Key components of the computerization plan, including establishment of a mapping system for all land parcels to be linked to a database, digitization of layout plans for all properties, and scanning of documents relating to markets transferred to NDMC/MCD, had not been effectively implemented, and the utilization by the L&DO of the computerized maps/data generated by these initiatives was not ascertainable.
- In the absence of details of total outstanding dues, audit scrutiny of specific categories of lessees - hotels, presses, and petrol pumps - revealed total outstanding dues of Rs. 968.47 crore; even this figure is incomplete, as only partial details in respect of only a few lessees were furnished by the L&DO.
- Audit scrutiny highlighted significant shortfalls in treatment of patients of Economically Weaker Sections (EWS) in hospitals, despite the order of Hon'ble Delhi High Court prescribing 25 *per cent* of the OPD beds, and 10 *per cent* of the IPD beds. This shortfall was attributable partly to lack of referrals from Government hospitals. In the absence of treatment of the requisite number of EWS patients, the implicit subsidy provided by the Government through allotment of land at highly concessional rates appeared unjustified.
- Audit scrutiny of records in respect of three hospitals, eight schools and eight petrol pumps coupled with Joint field visits by audit team to some of units revealed significant breaches of lease conditions, in terms of unauthorized construction, encroachment, and misuse, on which effective action had not been taken by the L&DO. The conduct of regular inspections

of leased properties by the L&DO to detect such breaches was also very poor. The L&DO was not effectively monitoring the recovery of charges for breaches of lease conditions (including encroachment, unauthorized construction and misuse for non-specified purposes).

### **What is recommended?**

In view of the above findings, Audit recommends the following:

- The existing notified rates of land used for allotment and determination of ground rent of leased properties are way below the current market rates and need to be revised upwards in line with real estate price movements as already done by GNCTD for land transactions in MCD areas.
- The ad hoc formula for revision of ground rent in respect of Nazul leases, notified in 1984 must be reviewed and replaced by a formula which is closely aligned with the current letting value of land to generate reasonable revenue from L&DO's vast land holdings in prime locations. Further, the schedule of area-wise letting values should also be revised at periodical intervals, in line with fluctuations in the land market.
- The Ministry must put in place an effective oversight system to ensure that all outstanding dues on account of ground rent are properly assessed and recovered within a definite time frame.
- As all the cases due for revision of ground rent have not been processed by the RGR Cell and L&DO is also not aware of how many cases have fallen due for revision, Ministry must prescribe a specific time frame within which all cases due for revision are identified and then revised by L&DO without delay.
- Cases of undue speed as well as inordinate delays/pendency in processing of applications for various lease activities should be monitored constantly, and reasons for such speed/delay should be ascertained, and if necessary, scrutinized in detail in specific cases. In order to improve transparency, details of the status as well as time taken along with reasons for individual cases must be made accessible to the public through the Internet website.
- The L&DO needs to obtain complete and detailed data about the leases currently administered by it, after excluding leases converted to freehold. Further, data relating to all leases and properties should be captured in a computerized system within a very strict timeframe, while ensuring the accuracy and reliability of such data. Maintenance of associated registers and records should be computerized and fully integrated with the lease and property data.
- The number of pending cases with the court of the Estate Officer is high. This is an internal court of the L&DO, which is entirely responsible for the delay. The Ministry/L&DO should

appoint adequate number of Estate Officers to ensure speedy settlement of cases. L&DO should also strengthen the human resources in its Vigilance, Legal and Public Grievance Cells, to ensure effective and speedy responses in judicial cases, and quick settlement of vigilance and public grievance cases.

## CHAPTER 1. LAND AND DEVELOPMENT OFFICE - AN OVERVIEW

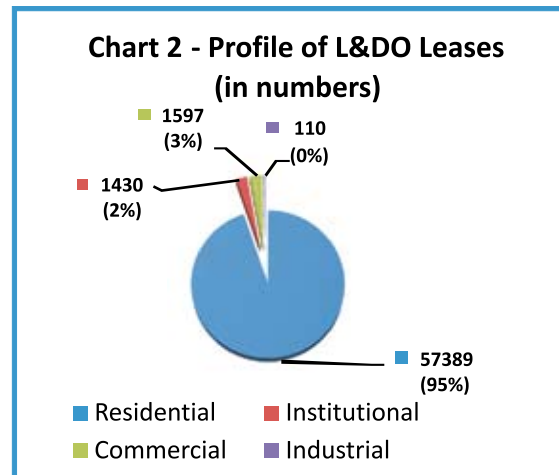
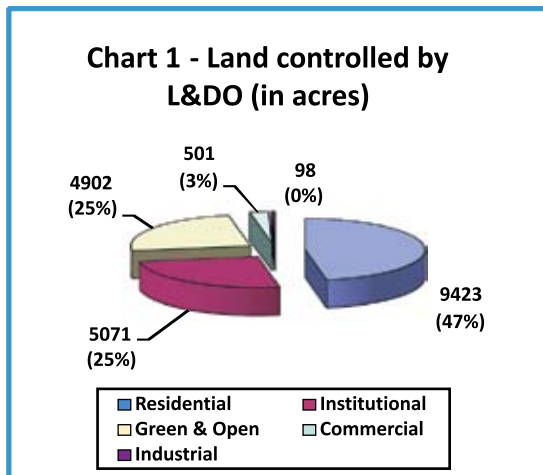
### 1.1 Introduction

The Land and Development Office (L&DO) is an attached office of the Ministry of Urban Development (MoUD) and is responsible for the administration of the properties of the Government of India in Delhi. These properties fall into two broad categories:

- Nazul lands, which were acquired in 1911 for the formation of the capital of India at Delhi; and
- Rehabilitation lands<sup>1</sup>, which were acquired by the Government of India for the speedy rehabilitation of displaced persons from Pakistan.

These properties were given out on leases for residential, commercial and institutional purposes. Leases on old Nazul lands are perpetual leases, and ground rent is revisable at the option of the lessor (L&DO) after every 30 years. Rehabilitation leases are for a period of 99 years, and revision of ground rent is due after 20 years.

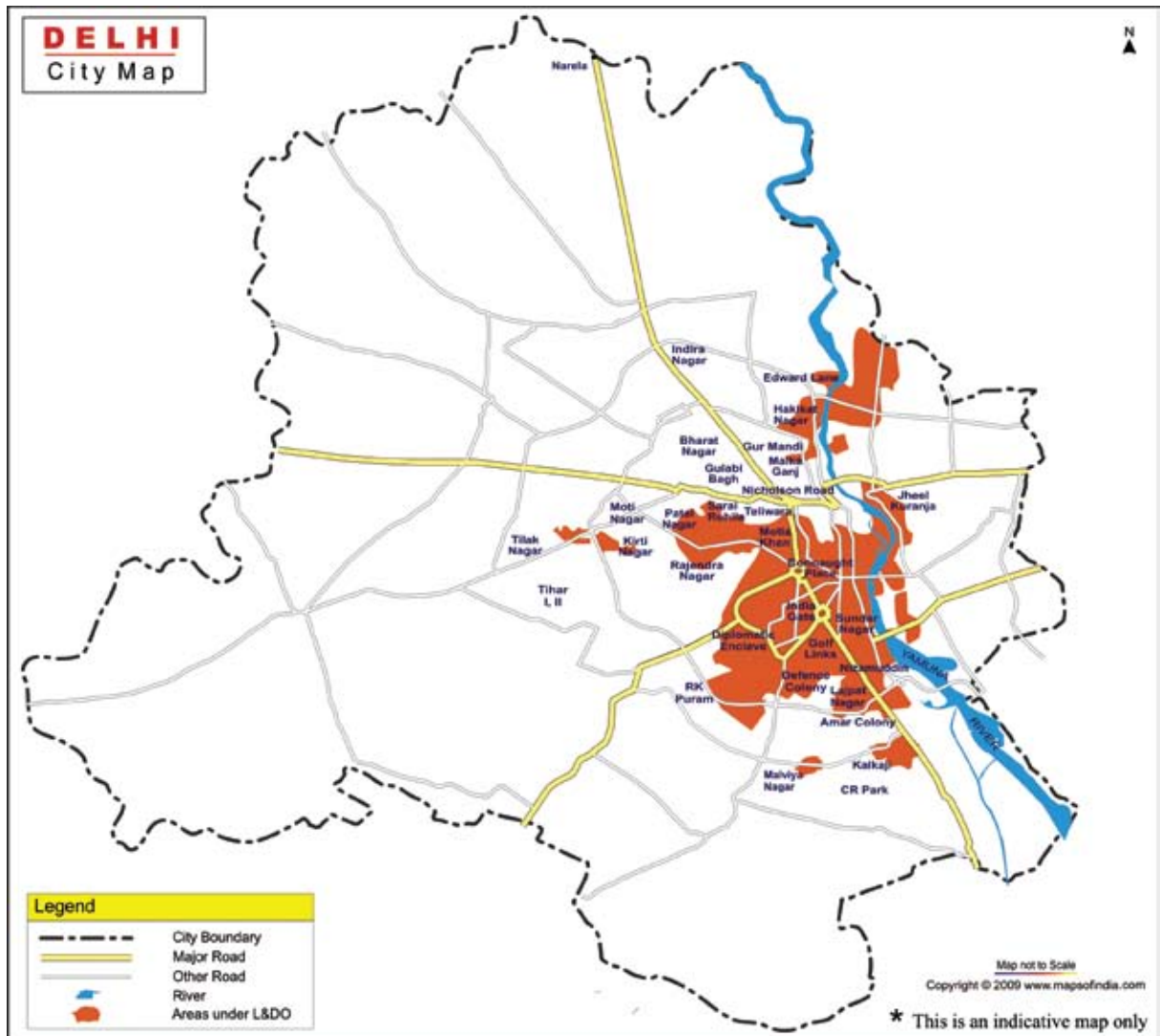
The L&DO reportedly administered 60,526 leases, covering a total area of 19,995 acres<sup>2</sup>, falling under different categories, which constituted 5.5 *per cent* of the total area of Delhi covering prime localities in Nazul areas like Chanakya Puri, Jor Bagh, Golf Links, Sunder Nagar, Defence Colony and Connaught Place within the Lutyens Bungalow Zone (LBZ) and elsewhere, as well as rehabilitation colonies like Lajpat Nagar, Rajender Nagar and Patel Nagar. Out of these leases, 28,824 leases have been converted into freehold since 1992. Details of the areas under the control of L&DO are given in **Annexure-I**.



<sup>1</sup> Rehabilitation leases, which were earlier administered by the Rehabilitation Department, were transferred to the L&DO in 1983.

<sup>2</sup> This excludes 9177 acres of land placed under the care and maintenance of the Delhi Development Authority (DDA).

Figure 1 - Areas under the control of L&DO



## **1.2 Functions of L&DO**

The main function of the L&DO is lease administration, which includes substitution of title, mutation of title, and according permission for sale and mortgage. Other functions include:

- Allotment of land to Government/Semi-Government Departments, and political, social, cultural, charitable, educational and religious institutions, under the directions of the Government of India (GoI).
- Conversion of specified types of leases into freehold.
- Recovery of Government dues in respect of land under its control.
- Eviction of squatters from Government land and recovery of damages.
- Recovery of lease charges and ground rent, and maintenance of accounts of receipts and refunds of revenue.

## **1.3 Organisational set-up**

The L&DO is headed by the Land and Development Officer, who is assisted by:

- six Deputy Land and Development Officers;
- one Engineer Officer, who heads the technical branch;
- one Vigilance cum Legal Officer, who is responsible for vetting of leases, examination of legal documents, and vigilance work;
- one Accounts Officer, who also acts as the internal audit officer of L&DO;
- one Estate Officer (ESO), who acts as the semi-judicial officer under the provisions of the Public Premises (Eviction of Unauthorised Occupants) Act, 1971 (PPE Act); and
- one Public Relation Officer.

As against a sanctioned strength of 228 officials, the L&DO has 190 persons in position, with 38 vacancies spanning all cadres. The administration of leases is done through six Lease sections, four Property sections, and one Rehabilitation Properties cell.

The expenditure of L&DO during 2008-09 was Rs. 5.60 crore.



## CHAPTER 2.

## AUDIT APPROACH

### 2.1 Audit Objectives and Scope

A performance audit of the functioning of the L&DO, covering the period from 2003-04 to 2007-08, was undertaken to assess whether L&DO was

- effectively and efficiently managing leases of GoI property in prime locations and ensuring returns on such leases in line with the rising values of such properties;
- revising ground rents in an effective and efficient manner, and ensuring prompt and timely recovery of ground rent and other dues from lessees;
- efficiently and transparently processing applications from lessees for L&DO for sale and mortgage permissions, substitution, mutation, and conversion to freehold, and efficiently carrying out other ancillary activities like inspection and survey; and
- maintaining complete and reliable records and documentation in respect of leases and properties under its control, and implementing computerisation of such records effectively and efficiently.

The scope of audit was restricted to test check of individual case records, due to non-maintenance of comprehensive records by L&DO.

### 2.2 Audit Criteria

The main sources of audit criteria for the performance audit were:

- Office Manual of L&DO (as revised in March 1995);
- Annual Reports and Performance Budgets of the Ministry of Urban Development;
- Office orders, amendments and other circulars;
- Citizen's Charter for lessees of the L&DO;
- The Compendium of Information of the L&DO (issued under section 4 of the Right to Information Act 2005); and
- Hon'ble Delhi High Court's interim order on treatment of patients from Economically Weaker Sections (EWS) and ensuring admission to students from such sections as also grant of freeship<sup>3</sup> to them.

<sup>3</sup>Freeship: As per terms of allotment, "the percentage of freeship from tuition fee shall be governed by the rules laid down by the Directorate of Education, Delhi Administration/Ministry of Education and Culture from time to time. Schools will ensure admission to the students belonging to weaker sections to the extent of 25 per cent and grant of freeship to them."

### **2.3 Audit Methodology**

At the beginning of the performance audit, L&DO made a presentation (July 2008) to Audit on its activities and functioning. This was followed by an entry conference with L&DO in August 2008, where the scope and objectives of the performance audit were explained and discussed.

Records of L&DO were scrutinized between August and December 2008. In addition, joint field visits along with the officials from L&DO to verify compliance with the conditions of the lease/terms of allotment were also conducted by Audit in the following cases:

- one hospital (VIMHANS);
- three educational institutions (DPS International - Pushp Vihar; Bal Bharti Public School – Ganga Ram Hospital Marg; and Kendriya Vidyalaya – Andrews Ganj);
- four petrol pumps (Q Point – Shah Jahan Road, San Martin Marg, Link Road – Lajpat Nagar/ Lodhi Colony, and Moti Bagh);
- Selected vacant plots in Lutyens Bungalow Zone and other areas; and
- INA Market (to assess the implementation of policy of redevelopment).

An exit conference was conducted with L&DO in January 2009, wherein the main audit findings were discussed in detail. The draft audit report was issued in January 2009 to the Ministry of Urban Development. The reply of the Ministry was received in March 2009, which has been taken into account in finalizing this report.

Audit gratefully acknowledges the co-operation and assistance extended by the L&DO during the conduct of this performance audit. The co-operation rendered by the lessees, whose premises were physically inspected by the Audit team, is also acknowledged.

### CHAPTER 3. PREVIOUS AUDIT FINDINGS

The functioning of L&DO was previously reviewed in 1998 and reported in paragraph 5.1 of the C&AG's Audit Report No. 2 of 2000 – Union Government (Civil) Transaction Audit Observations. The main audit findings were as summarized below:

- Documentation of properties was a serious weakness, impairing effective functioning of L&DO.
- Irregular revision or non-revision of ground rent resulted in accumulation of ground rent and loss of Rs. 24.96 crore.
- Lack of effective pursuance by L&DO resulted in non-recovery of Rs. 74.77 crore on account of breaches in 19 cases. Further, improper assessment and deficient documentation hampered collection of dues in cases of breaches and misuse, and Rs. 94.06 crore demanded by L&DO in 122 cases had not been recovered.
- Rs. 9.60 crore of dues had not been recovered from educational, social and cultural institutions, which had violated the terms of the concessional leases.
- Ineffectiveness of L&DO in checking encroachment had resulted in unauthorized occupation of Government land measuring 100 acres and valued at Rs. 930 crore. Further, overlapping control of L&DO and DDA/MCD had led to encroachment of Government land of 1590 acres.
- 38 cases were awaiting eviction in the Court of the Estate Officer, while 551 legal cases were pending in different courts.

In the Action Taken Note on the above paragraph, furnished in February 2002, the Ministry had given the following assurances:

- Time bound action plan for maintenance of basic records had already been chalked out and such record/registers would be shown during the next audit.
- Software for online processing of conversion applications, demand generation for breaches, revenue monitoring, court cases etc. had been developed. The work to create a property database with regard to Nazul properties had been started in September 2001 and was to be completed by the Institute of Public Auditors of India within three months.
- 10,000 rehabilitation properties would be culled out for generation of demands, and this would be completed during 2004-05.
- The issue of non-revision of ground rent in respect of Nazul properties was under consideration.
- A study group had been set up to recommend a suitable policy of revision of ground rent and allied matters in respect of petrol pumps.

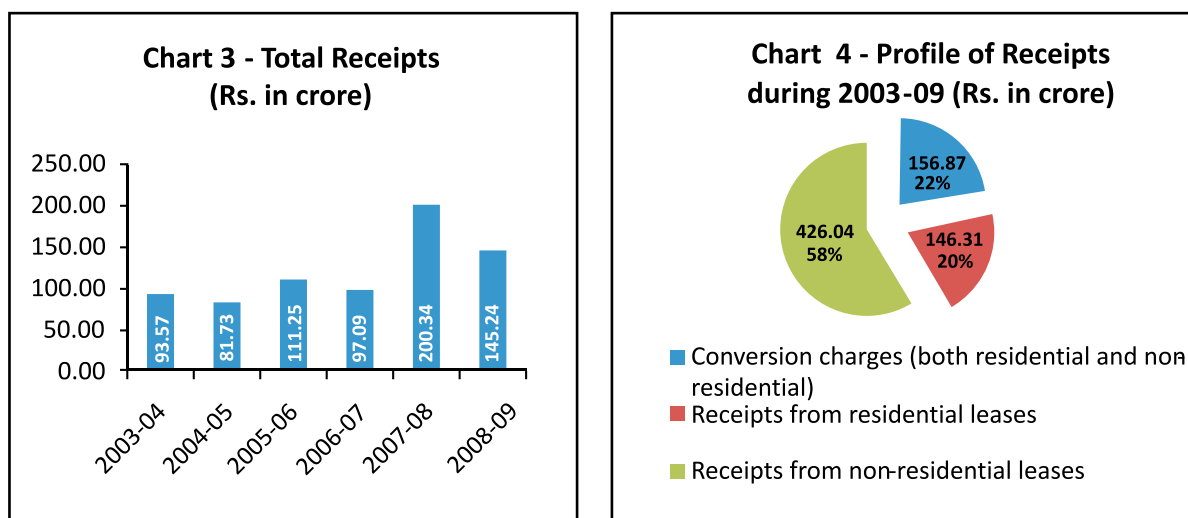
- Action for recovery of all government dues had been initiated and in some cases, recovery had been effected.

However, as detailed in the rest of this report, most of the deficiencies pointed out in the earlier audit continued to persist, despite the Ministry's specific assurances given in the Action Taken Notes submitted to the Public Accounts Committee of Parliament.

## CHAPTER 4. RECEIPTS OF L&DO

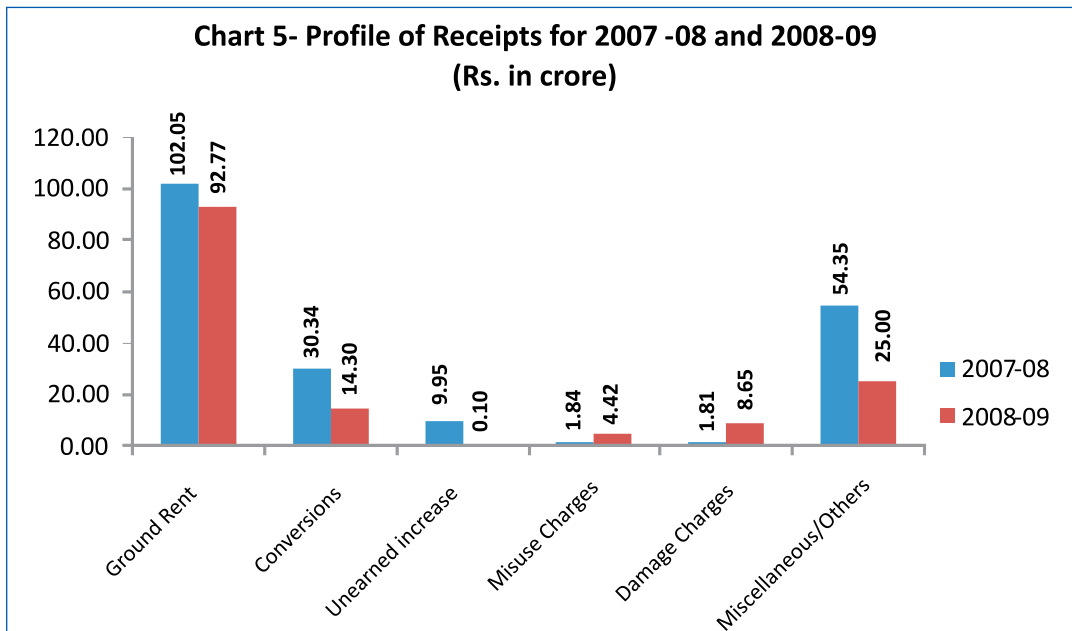
### 4.1 Trends in Receipts

The receipts of the L&DO comprise of ground rent for lease properties, lease conversion charges, damage/misuse charges and other miscellaneous receipts. The position of receipts over the last six years is depicted below:



Despite thousands of acres of land in prime localities in NCT, receipts from these leased out properties are relatively insignificant, considering the location of the properties. Ground rent (GR)/additional ground rent (AGR) from leased properties is the single largest component of total receipts of L&DO. Of the total receipts of Rs. 145.24 crore during 2008-09, ground rent/additional ground rent amounted to Rs. 92.77 crore constituting 63.87 per cent of the total receipts. Reasons for abysmally low receipts on account of ground rent are discussed at paragraph 4.2.

Head-wise classification of revenue receipts was available only from 2007-08 onwards, and the profile of receipts for 2007-08 and 2008-09 was as follows:



In reply (March 2009), the Ministry stated that efforts were now underway to classify receipts at an initial stage into different categories like ground rent, damage charges, penal interest etc. in the Information & Facilitation Centre with the help of a new module to be prepared by NIC.

L&DO accounts for receipts separately in terms of residential and non-residential leases; however, receipts from conversion are taken together. The following table shows head-wise receipts during 2006-07 to 2008-09:

**Table-1: Head-wise receipts**

(Rs. in crore)

Year	Receipts		
	Conversion	Other Receipts	
		Residential	Non-residential
2006-07	19.13	29.67	48.29
2007-08	30.34	72.31	97.69
2008-09	14.30	11.67	119.27

One of the reasons for the sharp decline in conversion receipts in 2008-09 as well as other receipts from residential leases was that since March 2008, inspection of properties prior to conversion to freehold was made mandatory. Apparently, fewer applications were received for conversion in 2008-09. The decrease in residential lease receipts was also attributable to fewer conversions, since all outstanding lease dues had to be settled prior to conversion.

## 4.2 Ground Rent

### 4.2.1 Introduction

Ground rent is an annual charge levied at prescribed rates with reference to the premium, or one-time payment levied at the time of allotment. This rent is payable, in advance, either in two half-yearly installments or annually on 1st April.

In respect of Nazul properties, ground rent is generally recoverable at the rate of 2.5 *per cent per annum* of the premium calculated at full market rates for premises used for remunerative purposes, and the premium determined by Government for premises used for unremunerative purposes. Ground rent is revisable at the option of L&DO every 30 years. However, for older Nazul leases where the ground rent was a fixed amount and not based on the market rate/premium, an Office Order was issued in February 1984, whereby the earlier ground rent was to be enhanced by a specified multiple, depending on the period of delay in revision. In respect of rehabilitation leases, the ground rent is nominal, but in cases of second sale/assignment, ground rent can be revised at 2.5 *per cent per annum* of the value of the land.

### 4.2.2 Non-recovery of Ground Rent

The recovery of ground rent in respect of each lease is to be watched through the ground rent registers, which were to be arranged block-wise and plot-wise. However, these registers were not produced to Audit, and were evidently not maintained.

Actual payments of ground rent by lessees were being recorded in the ground rent ledgers maintained by the accounts sections; these were, however, based on lease number, while the receipt challans indicated the property number, leading to difficulties in data entry and reconciliation. The L&DO could not indicate the total amount of outstanding ground rent and other dues to Audit. This was also pointed out in previous reports of the C&AG dating back to 1986. The Ministry had then assured that the registers would be updated, but no action had been taken even after lapse of 20 years of the C&AG's previous reports.

Ultimately, the objective of monitoring the recovery of ground rent, so as to take appropriate action for recovery of arrears, was not being achieved.

In reply, the Ministry admitted the facts and stated that efforts were being made to prepare a computerized record indicating both property number and lease number.

During check of four ground rent ledgers, conducted subsequently to receipt of reply of the Ministry, of 174 properties/leases, Audit observed that the postings after 2000 had been made in only 8 *per cent* of the cases, while in 11 *per cent* of the cases, postings were being made on an "on account basis" i.e subject to final settlement.

### 4.2.3 Non-revision of market rates/premium and ground rent

Ground rent for lease properties is determined based on the value of the land which is to be notified by the L&DO from time to time. The premium rates (market rates and other concessional rates) for allotment of land were notified with effect from 1 April 1998 till 31 March 2000. However, these have not been revised thereafter for a period of more than ten years. L&DO is therefore using 1998 notified rate of Rs. 57,960 per square metre for commercial property in Connaught Place for computing ground rent despite substantial increase in the real estate prices during the last decade. The MCD notified rate for category 'A' locality which are not as prime as Connaught Place, is Rs. 1.29 lakh per square metre in respect of commercial use.

The delay in revision of market rates has led to a wide gap between the market value of land and the notified rates. This has, in turn, resulted in substantial delay in recovery of enhanced ground rent, and possible loss on account of non-recovery of retrospective increases, which cannot be quantified in the absence of complete data with L&DO. According to L&DO, once the revision was notified, the arrears of enhanced ground rent would be recovered from the lessees. Further, in its reply, the Ministry stated that the proposal for revision of market rates had been pending in the Ministry of Finance since long. In Audit's opinion, the revision, whenever it is effected in due course, would lead to a situation of enormous amounts of dues becoming recoverable.

There are bound to be major practical and legal difficulties in calculating and recovering the arrears of ground rent from individual lessees after more than eight years. This would also cause undue hardship to lessees, in addition to the possibility of slow/non-recovery of dues and increased probability of these leases being embroiled in Court cases.

According to L&DO, the proposal for revision of rates was under submission to the Government of India; the relevant files or copies thereof were, however, not produced to Audit.

### 4.2.4 Revision of Ground Rent for Nazul Leases in terms of the Office Order of February 1984

#### 4.2.4.1 Justification for formula

The office order of February 1984 specified that the earlier ground rent was to be enhanced by a specified multiple, depending on the number of years elapsed since the due date of revision, as follows:



Table-2 : Fixation of Revised Ground Rent

No. of years elapsed since revision had fallen due	No. of times
1 to 10 years	Four times
11 to 20 Years	Six times
21 to 30 years	Eight times
31 to 40 years	Ten times

In Audit's opinion, there is no justification for continuing with this ad hoc formula for the following reasons:

- Instead of revising ground rent on the basis of capitalization of rental values less outgoings over a period of 20 years, with 9 *per cent* of such capitalized value as the letting value, and one-third or one-half of this letting value as the revised ground rent, the Office Order introduced a multiple slab-based formula for the first-time enhancement of ground rent, based only on the existing ground rent. However, the financial justification for such a formula, keeping in view the loss of Government revenues (especially for non-residential leases) was not indicated in the Office Order. In fact, the ten hypothetical cases for calculation of ground rent illustrated in the Office Order clearly demonstrate a loss of Government revenue of 89 *per cent* by applying the multiple slab-based formula instead of basing the revised ground rent on letting value **(Annexure-II)**.
- The ten hypothetical cases illustrated in the Office Order assumed monthly rental values ranging from Re. 0.14 *per square meter* to Rs. 3.59 *per square meter*. Considering the prime locations of the areas under L&DO's control and current rental values, the justification for continuing with this formula based on such abysmally low rates is no longer valid **(Annexure-III)**.
- The ground rent was revised on the basis of a plaint or option exercised by the lessor. In the case of a plaint having already been filed by the lessor, the ground rent was revised retrospectively from the date of the plaint, while in other cases, the revised ground rent was levied only prospectively from the date of issue of notice for enhancement of ground rent, using the formula specified in the Office Order of February 1984. Thus, this formula effectively penalizes lessees in whose cases plaints had been filed, while letting off other lessees with prospective revisions even though allotment to them might have been made earlier. Had the rates been revised with minimum delays, there would have been an opportunity for the L&DO to conduct a second revision of ground rent. In four cases test checked by Audit, the loss of revenue due to delayed revision ranged from 44 to 70 *per cent* **(Annexure-IV)**.

### Estimated Potential Loss of Government Revenue

Based on the receipts of Rs. 92.77 crore during 2008-09, L&DO was receiving an average annual ground rent of only Rs. 40.43 per *square meter* (**Annexure-V**).

The potential value of the properties under L&DO's control varies from Rs. 1,18,000 crore (if calculated based on Government of National Capital Territory of Delhi (GNCTD) notified 'A' category<sup>4</sup> circle rates for localities which are less sought after than L&DO areas) to Rs. 3,44,000 crore (based on conservative market values) (**Annexure-VI**). Based on current monthly rental values of about Rs. 100 *per square feet* in the Connaught Place area, assuming 40 *per cent* of rentals as outgoings on maintenance and house tax, and considering only non-residential leases, the potential for revised ground rent in respect of even 1/30th of the leases<sup>5</sup>, if calculated on letting value, would amount to Rs. 356 crore (**Annexure-VII**). Thus, leases falling due for revision during last three years alone could have fetched Rs. 1068 crore annually. In our opinion, the scope for extracting the true value of land under L&DO's control in terms of ground rent thereon has not been fully exploited by L&DO.

Further, under the order of February 1984, premises occupied for residential purpose would be exempted from the scope of revision of ground rent; such cases would be reviewed each year to decide which ground rent could be revised advantageously to Government. Evidence of such annual review/revision was, however, not provided to Audit.

#### 4.2.4.2 Revision of Ground Rent Cell (RGR Cell)

A cell for revision of ground rent for Nazul leases (RGR Cell), which was decided to be created in 2000, commenced functioning from 2003. During the period August 2003 to July 2008, 1085 files were furnished by the lease sections to the RGR Cell, as gathered by Audit from the list of files received as maintained by the Cell.

However, Audit could not verify whether all cases due for revision had been sent to the RGR cell. Further, in respect of the files furnished to the cell, L&DO could not indicate the number of cases in which the lessee had accepted the revised rates, and payment of such rates thereafter. The complete details of when the Nazul leases fell due for revision of ground rent could also not be ascertained in Audit.

Out of the 1085 cases, Audit selected 29 cases of revision. Audit scrutiny revealed that

- Only in 10 cases the lessor had filed plaints where the revised ground rent was leviable from the date of filing plaint, and 19 cases involved revision only with prospective effect.

<sup>4</sup> Category 'A': Highest rates.

<sup>5</sup> The figure of 1/30th has been adopted, since revision of ground rent falls due after every 30 years.

- Only 10 lessees had accepted the revised ground rent, of which 9 lessees had actually paid the ground rent at revised rates.

The Ministry accepted that all the cases of Revision of Ground Rent of lease could not be processed by the RGR cell due to shortage of manpower. The Ministry, however, added that whenever an application for sale permission, mortgage permission or conversions was received in L&DO, the revised ground rent was recovered in full.

The reply is not tenable for the following reasons:

- Even though it was decided to constitute RGR cell in 2000, it was established only in 2003.
- Recovery of revised ground rent at the time of applications received for sale permission, mortgage permission and conversions is not a substitute for a comprehensive exercise for revision, which was the intended objective of the constitution of the RGR cell. This shows the lax attitude of the L&DO towards prompt revision and recovery of ground rent.

#### ***Recommendations***

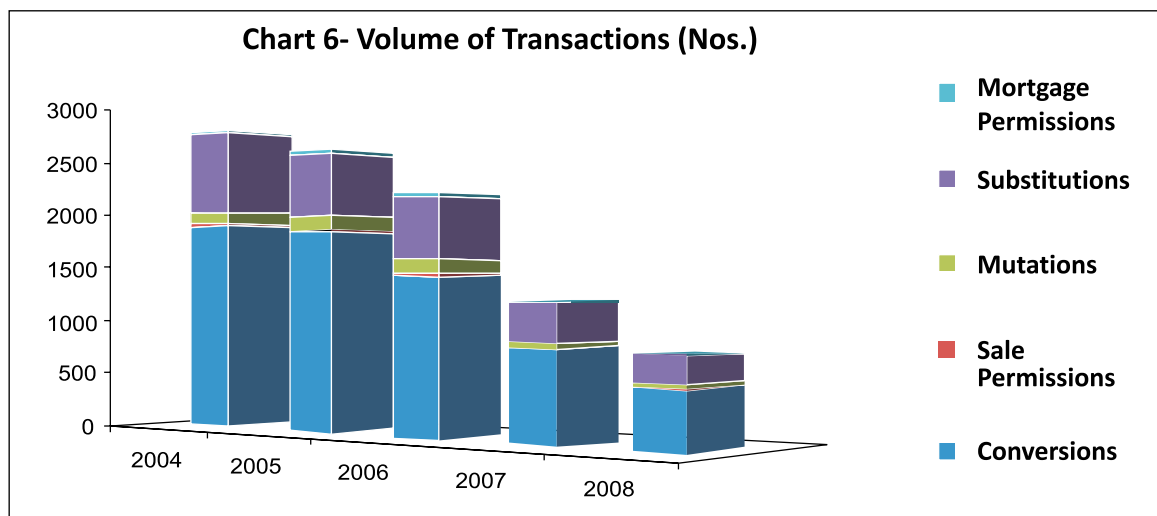
1. The existing notified rates of land used for allotment and determination of ground rent of leased properties are way below the current market rates and need to be revised upwards in line with real estate price movements as already done by GNCTD for land transactions in MCD areas.
2. The ad hoc formula for revision of ground rent in respect of Nazul leases, notified in 1984 must be reviewed and replaced by a formula which is closely aligned with the current letting value of land to generate reasonable revenue from L&DO's vast land holdings in prime locations. Further, the schedule of area-wise letting values should also be revised at periodical intervals, in line with fluctuations in the land market.
3. The Ministry must put in place an effective oversight system to ensure that all outstanding dues on account of ground rent are properly assessed and recovered within a definite time frame.
4. As all the cases due for revision of ground rent have not been processed by the RGR Cell and L&DO is also not aware of how many cases have fallen due for revision, Ministry must prescribe a specific time frame within which all cases due for revision are identified and then revised by L&DO without delay.
5. Punitive action should be initiated in cases where the lessee does not accept or pay the revised ground rent or other dues. This can, at times, end in the process of resuming the lease, which will, in effect, unlock the true market value of the land.

## CHAPTER 5. LEASE ADMINISTRATION, INSPECTION AND SURVEY

### 5.1 Lease Administration

#### 5.1.1 Volume of Lease Transactions

The volume of lease transactions handled during 2004 to 2008, as per the Performance Budgets/ Statement of Achievements for 2005-06 to 2008-09 of the Ministry, is as depicted in the chart below:



**Table-3: Volume of Transactions  
(Year-wise disposal of lease administration applications)**

Year	2004	2005	2006	2007	2008	Total
Mortgage permissions	24	42	34	10	08	118
Substitutions	755	556	545	336	220	2412
Mutations	118	143	139	50	43	493
Sale Permissions	25	14	19	01	02	61
Conversions	1886	1821	1422	824	524	6477
<b>Total</b>	<b>2808</b>	<b>2576</b>	<b>2159</b>	<b>1221</b>	<b>797</b>	<b>9561</b>

The trend indicates that the volume of lease transactions processed by the L&DO has consistently declined over the last five year period of 2004-2008.

Audit however observed that the volume of transactions reported in the Performance Budgets of the Ministry did not tally with the computerized database of transactions maintained in the L&DO.

The accuracy of assertions made in the Performance Budget and the Statement of Achievements is open to doubt.

**Table-4 : Comparison of data in reports and database**

Lease Administration Activities	No. of cases as per the Performance budgets for the years 2004-08	No. of cases in the IT system for the years 2004-08
Mortgage permission	118	80
Substitution	2412	1891
Mutations	493	338
Sale Permissions	61	17
Conversions	6477	5030

The Ministry, in its reply stated that efforts were being made to complete the records and reconcile the figures.

### 5.1.2 Efficiency of Lease Administration

The Citizen's Charter for Lessees of L&DO stipulates that L&DO will ensure quality of service by disposing of applications within a period of three months from the date of receipt, provided the information and papers submitted by the lessee are in order.

Audit conducted an analysis of the electronic database of the Land Management Information System (LMIS), containing data up to August 2008. After excluding cases of invalid data, an age-wise analysis of the time taken for handling various lease administration activities was carried out; this covered accepted, rejected and pending cases. The age-wise analysis revealed the following profile:

**Table-5 : Profile of Time Taken for Processing Lease Applications**

Lease Activity	Total	15 days or less	16 to 90 days	91 to 180 days	181 days to 1 year	1 to 2 years	More than 2 years	Percentage of cases where more than 90 days were taken to dispose the case
Conversion	5615	406	1998	1214	874	702	421	57
Substitution	2305	421	1054	342	327	147	14	36
Mutation	375	56	145	72	63	35	4	46
Mortgage Permission	108	21	35	21	18	9	4	48
Sale Permission	30	5	10	10	5	0	0	50
Gift Permission	2	0	1	0	1	0	0	50
<b>Total</b>	<b>8435</b>	<b>909</b>	<b>3243</b>	<b>1659</b>	<b>1288</b>	<b>893</b>	<b>443</b>	<b>51</b>

The above profile reveals that on an average, 51 *per cent* of the cases took more than 90 days for disposal, while 5 *per cent* of the cases took more than two years for disposal. Further, about 11 *per cent* of cases were disposed within 15 days.

Clearly, this indicates the lack of effective and efficient administration of lease application by L&DO. The age-wise analysis clearly shows that some applications were getting processed with great speed and finalised within 15 days against the available time frame of 90 days while others were kept pending and settled after considerable delays ranging from 6 months to 24 months or more.

In Audit's opinion:

- This reflects the lack of effective oversight.
- The possibility of undue favour being shown to certain applicants could not be ruled out.
- These delays also reflect the lack of adequate efforts by L&DO to simplify the requirements for information/documents and provide clear and simple explanations of what exactly is required.
- The decline in the volume of transactions from 2004-2005 onwards should have resulted in greater efficiency, and this was not substantiated by the analysis of the data. Evidently, the customer service has not improved.

#### **Recommendations**

6. Cases of undue speed as well as inordinate delays/pendency in processing of applications for various lease activities should be monitored constantly, and reasons for such speed/delay should be ascertained, and if necessary, scrutinized in detail in specific cases.
7. In order to improve transparency, details of the status as well as time taken along with reasons for individual cases must be made accessible to the public through the Internet website.
8. For enabling such monitoring, special reports relating to time taken for processing applications should be introduced as part of the Land Management Information System IT System.
9. Special efforts for facilitation may be made to ensure that applications, when submitted, are complete in all respects. In the vast majority of cases, applications, which are found to be complete at the initial stage, should be processed speedily, and such speedy processing should be reflected in the age-wise profiles of processing time.

## **5.2 Inspection**

### **5.2.1 General**

As per the L&DO manual, annual inspections of all leases are to be carried out by the L&DO. Inspections are also to be carried out on receipt of applications for mutation/sub-division/change

of purpose etc. and whenever NDMC/MCD notice for unauthorized construction, specific written complaints etc. were received, or where breaches were to be regularized. However, in practice, no uniform policy for routine inspection of properties had been adopted. Between 1971 and 1998, inspection of properties in rehabilitation colonies was banned, presumably on grounds of fear of harassment. During 1998-99, inspections were permitted, and from 1999-2000 onwards, inspections were to be conducted only when specific complaints were received. However, inspections of these properties for purposes like unauthorized constructions etc. were also within the jurisdiction of local bodies like MCD/NDMC, and it is not known whether similar bans on inspections by these bodies were also in effect.

Audit could not ascertain the number of inspections conducted by L&DO during the period 2003-08, as the Register of Inspections was not maintained. Perusal of individual files, however, revealed that annual inspections were not being conducted. There was also no effective mechanism for ensuring that breaches were intimated to the lessees, and for watching the regularization of breaches.

The Ministry admitted the facts and stated that due to shortage of staff, inspection was being carried out only when an application pertaining to lease administration matters was received. This is however, not acceptable, as lack of timely inspection leaves open the possibility of increasing number of breaches going undetected.

### **5.2.2 Inspection of Conversions**

The scheme of conversion of leases to freehold was introduced in April 1992, and modified four times in its scope and coverage in June 1996, June 1999, June 2003 and June 2006. However, no provision for mandatory inspection of such leases prior to conversion, which would have detected cases of unauthorized construction, misuse, breaches, encroachments etc., was made at any time. An analysis of the computerised database, which was admittedly incomplete, revealed that 90 *per cent* of the conversions related to rehabilitation properties were not subject to annual inspection.

As stated in Para 4.1, the decision taken in March 2008, to make inspections mandatory prior to conversion, had resulted in sharp decline in the receipts from conversions.

In their reply, the Ministry stated that it was bound to comply with the Government policy on conversions. However, the onus for taking the policy in that direction, by making inspections mandatory in all cases, lay with L&DO, which was well aware of the ramifications of any laxity in its approach to the matter.

**Recommendation**

10. L&DO must have a well defined policy for inspection of properties on prescribed frequencies, which could vary for different categories of leases. Further, adequate dedicated staff for such inspections would be needed<sup>6</sup>. Adequate controls and safeguards would also need to be built into the processes of selection of properties, conduct of inspections, and follow-up action to minimize chances of motivated action and harassment.

### 5.3 Survey

As per the Manual of L&DO, surveys of vacant land were to be carried out twice a year. No records of surveys were available in L&DO, who, however, intimated that they had conducted a survey, covering about 80 *per cent* of the area for which records were available and the results thereof were maintained in a computerized database. As per the list, there were 14 and 326 vacant plots in LBZ and in areas outside LBZ respectively, and this data did not indicate any encroachment. However, in the absence of a mapping system, the completeness of even this 80 *per cent* data could not be verified. In reply, the Ministry admitted absence of mapping system.

During field visits to 18 plots, it was observed that the vacant plots were of such nature that they could not have been allotted to any party and were parks/open spaces within colonies being used for parking of vehicles. No demarcation of these plots had been done, which could increase the risk of encroachment. When requested to confirm that these plots were free from encroachment, L&DO stated that all the vacant plots were under the care and maintenance of CPWD for keeping it free from encroachment.

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<sup>6</sup> Currently, there are 24 sanctioned posts for such inspection, against which only 12 officials are in position.



## CHAPTER 6. INADEQUATE DOCUMENTATION AND COMPUTERISATION OF RECORDS

### 6.1 Maintenance of records

The Compendium of Information, issued by the L&DO in October 2005, under Section 4 of the Right to Information Act, 2005, specifies various records which need to be maintained by the individual Lease and Property sections based on their territorial jurisdiction, for exercising control over the different aspects of lease administration. Similarly, the Office Manual<sup>7</sup> of L&DO also prescribes the maintenance of such records.

Of the 60, 526 leases administered by L&DO, 28,824 leases had reportedly been converted to freehold. However, the detailed colony-wise break-up of the current leases (after excluding leases converted to freehold) is not available with L&DO due to inadequate documentation, and these figures had been adopted by L&DO on the basis of historical data. The authenticity of these figures could, thus, not be verified.

The key records, containing complete details of various matters related to leases administered by L&DO, which were to be maintained in the form of registers, are summarized as follows:

**Table-6 : Key Registers**

Register	Purpose
Ground Rent Register	To watch recovery of ground rent due, and date of next revision; to be maintained separately by each dealing hand.
Squatter Register	To record squatting noticed during survey of government lands; to be maintained by each Overseer to note particulars of each squatter.
Register of Damages	To maintain record of damages recovered under the Public Premises (Eviction of Unauthorised Occupants) Act 1971. The register is to be maintained separately for each year.

However, the above registers were not produced to Audit by any of the sections. As regards the alternative method of data capture in computerized fashion, this had been done only partially. Since these registers were not produced to Audit, these were evidently not maintained, despite assurances in the Action Taken Note (ATN) on the earlier Audit report. L&DO was, however, maintaining the register of defaulters and the register of eviction in computerized format.

<sup>7</sup> The Manual was last revised way back in March 1995

While discussing an earlier Audit Review of the functioning of L&DO, which appeared in C&AG's Audit Report (Civil), Union Government for 1986-87, the Public Accounts Committee of Parliament (PAC) had, in September 1989, expressed concern regarding improper maintenance of land records, which had caused substantial loss of revenue. PAC had recommended that the Ministry needed to draw up an appropriate action plan for improvement of documentation. In the ATN, the Ministry had assured the PAC that it would update the basic records within a time bound period. Again, in the ATN to Para 5.1 of C&AG's Audit Report No. 2 of 2000, the Ministry assured improvements in the system and procedures. These were found to be absent during the current audit too, even though 20 years had elapsed since PAC gave its recommendations. In the absence of well maintained registers and documentation of leases/vacant land, L&DO would not be able to exercise effective control over their properties.

As an example, in response to Audit's request for records relating to allotment of 9.28 acres of land in Old Rajinder Nagar to a lessee, the L&DO stated that the original files had not been received from the erstwhile Department of Rehabilitation. It is not known how such leases were being administered by the L&DO, in the absence of original files.

In reply (March 2009), the Ministry admitted that the records were only partially maintained, and that too only by some sections and added that instructions were being issued to the sections in this regard.

## **6.2 Computerisation**

### **6.2.1 Overview**

According to the 2003-04 Annual Report of the Ministry, a comprehensive plan for computerisation had been prepared for complete office automation of L&DO; key components of the plan included the following:

- establishing a mapping system, by creation of base maps for all land parcels, to be linked to a database containing address and other details, which could be used for easily locating any property or lease;
- digitization of layout plans for all properties;
- scanning of documents relating to the markets transferred to New Delhi Municipal Corporation (NDMC) /Municipal Corporation of Delhi (MCD); and
- development of modules for the property database, lease administration, and other ancillary activities.

Audit scrutiny revealed that in the Action Taken Report on the recommendations contained in the 24th Report (12th Lok Sabha) of the Committee on Demands for Grants (1999-2000) of the

erstwhile Ministry of Urban Affairs and Employment, the Ministry had stated that the exact data of vacant land under L&DO was not available and this would be collected through information technology and techniques like aerial survey, digitally computerized drafting and map storage facilities.

### **6.2.2 Establishing a Mapping System**

One major component of L&DO's computerisation plan was the establishment of a mapping system, by creation of base maps on a scale of 1:1250 for all land parcels; this would be linked to a database containing address and other details, which could be used for easily locating any property or lease. While the total cost of the project was estimated at Rs. 1.82 crore, National Informatics Centre (NIC) was commissioned to execute Phase-I, covering 40 *per cent* of the area, at a cost of Rs. 80 lakh for completion by March 2002.

Audit scrutiny, however, revealed that the establishment of the mapping system had not even commenced as of March 2009, despite payment of Rs. 80 lakh to NIC between September 2001 and March 2002. Of this, an amount of Rs. 40 lakh was released to NIC on 31st March 2002 (evidently to avoid lapse of funds), despite concerns over the high rates quoted by NIC.

In its response (March 2009), the Ministry stated that the project could not commence since it involved flights over no fly zones of Delhi. Even after meetings with officials of NIC, the amount paid to them was not refunded, and now, a proposal was underway to utilize this amount for procuring new hardware and software from NIC.

Clearly, the Ministry has resigned itself to the scrapping of this important project for mapping of property parcels, and has not explored alternative options for mapping e.g. use of satellite data from NRSA<sup>8</sup>.

### **6.2.3 Non-utilization of Digitized Layout Plans**

The component for digitization of layout plans involved scanning of 4200 layout plans of different sizes of various colonies/land/pockets/survey which were available with L&DO for the last 70 years but were badly damaged due to wear and tear. In addition, there were about 16800 sheets of approved plans and 8600 sheets of B-1<sup>9</sup> copies. The digitization of layout plans was to be completed by 31st March 2005, which was later extended to 31st May 2005.

In reply (March 2009), the Ministry stated that five CDs<sup>10</sup> of layout plans were received. The Ministry, however, did not intimate how many plans were digitized, and how these were being utilized. Further, in none of the joint field visits by the Audit team and L&DO staff, was the use of these digitized plans, or printed copies thereof, noticed.

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<sup>8</sup> NRSA: National Remote Sensing Agency

<sup>9</sup> In land records terminology, B-1 copy refers to Khatauni.

<sup>10</sup> One was an installer CD, while the remaining were two copies each of data in 4 CDs.

Clearly, in the absence of details of how many plans were scanned and how the scanned data was utilized, the purported completion of digitization of layout plans could not be verified.

#### **6.2.4 Scanning of Market Records**

In view of the transfer of markets under L&DO's control to NDMC and MCD, L&DO requested NIC in November 2005 to deploy an agency (through National Informatics Centre Services Inc.) for scanning of the related property files. This task was to be completed by January 2006. However, after payment of Rs. 0.94 lakh, NIC handed over one set of DVDs to L&DO only in January 2008, after an earlier set of DVDs handed over in August 2006 were found to be defective. Further, on random checking, even these DVDs contained many blank pages, and a few folders on different disks were empty.

In reply (March 2009), the Ministry stated that the scanning of documents relating to transferred markets was completed. 8500 property files were scanned and stored in 117145 image files spanning 32 CDs. Since 2398 pages were found blank, the agency was paid for 114747 images, and an amount of 30 *per cent* was thus withheld. However, the Ministry did not indicate how these CDs had been put to use by L&DO, and what action was taken on the scanning of pages/folders found to be blank.

#### **Recommendations**

11. L&DO must have a strictly defined timeframe, within which complete details of all leases of properties within its control must be captured in the IT system. Computerised data should, then, form the basis for all lease administration as well as statistics reported by L&DO. This should also include establishment of the mapping system, and digitization of layout plans.
12. In case difficulties are experienced in conduct of the mapping exercise, L&DO can also consider alternative options, like using satellite data from NRSA etc. Establishment of a comprehensive mapping system is, in any case, a most essential tool for administration of lease lands.
13. All the manual registers, required to be maintained by the sections, should be computerized, and linked with the computerized database of leases and properties. Recovery of ground rent and other receipts should also be computerised in similar fashion.
14. Accountability for complete and upto date entry of data for all leases/properties should be ensured. Option for outsourcing also needs to be seriously explored, after considering the available resources for data entry.

## CHAPTER 7. ALLOTMENT AND LAND MANAGEMENT

### 7.1 Land Allotments

#### 7.1.1 Allotments upto September 2004

The Ministry had set up a one man Committee of Inquiry (Yogesh Chandra Committee) in September 2004 to examine cases of allotment by L&DO between 1998-99 and September 2004 to social, cultural, religious and educational institutions, recommend suitable action in cases of deviations, and suggest guidelines for future allotments.

The Committee examined 100 cases of allotments to religious, educational, socio-cultural and political institutions. Of these cases, the Committee found that in 68 cases, the allotments were in order, although in three cases of allotment to schools, the Committee recommended that the schools should provide a percentage of seats for children from poor families.

In the remaining 32 cases, the Committee found that the allotments had been made without due regard to the stipulated procedures. Out of these 32 cases,

- Allotments were cancelled in 29 cases, of which, in 23 cases, the lessees had gone in appeal against the cancellation and the matter was, therefore, sub-judice. The allotments had been surrendered in the other six cases.
- In two cases of allotment to religious institutions, allotments were not cancelled, after consideration by the Minister, while in one other case, no final decision had been taken.

#### 7.1.2 Subsequent allotments

Subsequent to the recommendations of the Yogesh Chandra Committee, the Screening Committee for screening applications for allotment was reconstituted, and guidelines for allotment were revised. During the period 2005 to 2007, 27 perpetual and 13 temporary allotments were made. In November 2006, the Committee decided that there was no scope for further allotment of land to Non-Governmental Organizations in the near future.

No consolidated list of allotment from 2005 onwards was made available to Audit by the L&DO. However, Audit scrutiny of the minutes of the Screening Committee between December 2005 and November 2006 revealed that 29 allotments were made, of which 24 were made to local bodies/ Governmental/Quasi-Governmental agencies and five to political parties.

### 7.2 Land Management

#### 7.2.1 Transfer of Markets

In March 2006, L&DO transferred 106 markets (excluding INA and Connaught Place Markets) to NDMC (27) and MCD (79), on the grounds of necessity for redevelopment of markets.

As per the decision, NDMC and MCD were to create a separate corpus fund for the revenue generated from these markets, which was to be used only for market development. Further, they were to send a quarterly report of the deposits and expenditure from this fund to L&DO and the Ministry.

Audit scrutiny revealed the following:

- NDMC had generated Rs. 5.46 crore of revenue as of April 2008 for the corpus fund for market development, and was also submitting the quarterly reports regularly. However, these reports showed no expenditure had been incurred on redevelopment of the transferred markets.
- MCD had generated Rs. 21.88 lakh of revenue as of September 2007 and was not submitting the quarterly reports. During the exit conference, L&DO indicated that MCD had not physically taken over any of these 79 markets, including key markets like Teliwara Market, Kamla Market, Azad Market, Ghaffar Market, Lajpat Nagar Market and Sunder Nagar Market.
- As regards INA and Connaught Place markets which remain with L&DO, no proposal for redevelopment of Connaught Place market had been initiated<sup>11</sup>. Audit conducted a field visit to INA market to assess the actual status of redevelopment, which revealed that redevelopment had not commenced, though the techno-economic feasibility study report had been submitted in December 2005.



***Dilapidated buildings in INA market***

The Ministry admitted the facts and stated that no redevelopment had taken place since markets under the jurisdiction of MCD were yet to be physically handed over. Further, the proposal for redevelopment of INA market was under consideration.

<sup>11</sup> However, NDMC had taken up the work of façade restoration, centralized air conditioning system, landscaping, streetscaping and signages in Connaught Place, in view of the ensuing Commonwealth Games 2010.

### **7.2.2 Salt Pan Land, Mumbai**

About 62,000 acres of salt land located in Gujarat, Maharashtra, Tamil Nadu, Andhra Pradesh, and Orissa are vested in Government of India through the Salt Commissionerate under the Department of Industrial Policy and Promotion (DIPP), primarily in the coastal regions of the country. Of these, about 13,000 acres of salt pan lands are in Maharashtra. Mumbai and its suburbs alone have over 6000 acres of salt land—both privately owned and lease-held.

In May 2001, the Union Cabinet approved a proposal for transfer of surplus Salt Pan Land, which had become unsuitable for salt manufacture, from the DIPP to MoUD and Government of Maharashtra. After considering land falling under the Coastal Regulation Zones, it was envisaged that 667 hectare of developable land would be shared between the Union Government and the State Government. The projects for which the Salt Pan Land was proposed to be utilized included construction of General Pool Residential Accommodation for Central Government Employees, land for expansion of Mumbai airport etc.

However, this land had not yet been transferred by DIPP to L&DO, and the Cabinet decision remained unimplemented. Various reasons had been put forth for the delay in implementing the Cabinet decision e.g. inaccuracies in land records, land being under ownership disputes, and pendency of several litigations before Courts and Revenue Authorities. The non-transfer is especially serious in view of the high market value of such land, and shortage of housing stock leading to high demand for land and providing incentives for encroachment by unauthorized parties.

## CHAPTER 8. COURT, VIGILANCE AND PUBLIC GRIEVANCE CASES

### 8.1 Cases in Judicial and Estate Officers Courts

As per the earlier Audit Report of 2000, there were 186 pending cases in the court of the Estate Officer, who acts as a semi-judicial officer under the Public Premises (Eviction of Unauthorized Occupants) Act, 1971. As of September 2008, total cases pending with the Estate Officer had risen to 323.

In addition, there were 592 cases pending in the judicial courts. The details of the cases pending in Judicial and Estate Officers Court are summarized below:

**Table-7 : Age-wise pendency of cases**

Period	Number of cases in Judicial Courts	Number of cases in Estate Officer Court	Total
1970-79	Nil	47	47
1980-89	13	160	173
1990-99	43	26	69
2000-08	380	87	467
Dates of filing the suits not available	156	03	159
Total	592 <sup>12</sup>	323 <sup>13</sup>	915

The pendency of cases adversely affected L&DO's ability to take punitive action for recovery of outstanding dues, rectification of breaches etc. The Ministry stated that the pendency was beyond its control as it neither had any legal section nor any panel of advocates of its own and it had to depend on the Government Counsels appointed by Ministry of Law.

It was gathered that a legal cell was functioning in the L&DO in 2001, however, the reasons for dissolution of the cell or the efforts made to revive it were not intimated to audit. The posts of Vigilance Officer and Legal Officer were merged in 1998; reasons or records pertaining to the merger of the posts could not be made available to Audit.

The Ministry admitted that no regular Estate Officer was available in L&DO since long, and the charge was being dealt with on temporary basis by one or other Branch Officer.

<sup>12</sup>For 156 cases, the suit numbers were not mentioned.

<sup>13</sup>For 3 cases, the details of filing the case were not given.



## 8.2 Vigilance Cases

The position of the cases dealt with by the vigilance cell of L&DO is shown below:

**Table-8 : Present status of cases**

Cases pending as of April 2003	27
Cases initiated during April 2003 to March 2008	44
Cases pending till August 2008	23

As of August 2008, 23 cases were pending, of which 4 cases pertained to periods prior to April 2003.

In reply, the Ministry stated that 10 vigilance cases had since been settled. Of the four cases pending for more than five years, in three cases, the reports of the Inquiry Officers had been received.

## 8.3 Public Grievance Cases

Out of 53 public grievance cases outstanding as on 31 March 2008, 14 cases were still pending as of May 2008, despite the norm of 42 days for settlement of such cases prescribed by the Department of Administrative Reforms & Public Grievances.

### **Recommendations**

15. The number of pending cases with the court of the Estate Officer is high. This is an internal court of the L&DO, which is entirely responsible for the delay. L&DO and the Ministry should ensure adequate number of Estate Officers to ensure speedy settlement of cases.
16. L&DO should also strengthen the human resources in its Vigilance, Legal and Public Grievance Cells, to facilitate effective and speedy responses in judicial cases, and quick settlement of vigilance and public grievance cases.

## CHAPTER 9. AUDIT FINDINGS IN SELECTED CASES

In the absence of complete and reliable consolidated records/statistics on L&DO's leases, Audit was forced to rely on examination of individual cases, both through scrutiny of records as well as field audit in selected cases.

### 9.1 Hotels

L&DO had allotted land to 21 hotels. However, on Audit's request for information relating to outstanding ground rent and other dues, L&DO provided partial details in respect of only eleven hotels. Out of these, an amount of Rs. 516.19 crores on account of dues recoverable was outstanding from eight hotels. Details of eleven hotels are summarized below:



#### **Bharat Hotel<sup>14</sup>**

- Location : Barakhamba Avenue
- Area of plot : 6.485 acres
- Original Ground Rent: Rs. 973 *per annum* fixed in 1977
- Ground rent not yet revised
- Outstanding Dues : Rs. 304 crore
- Last demand notice issued in April 2006



#### **Samrat Hotel**

- Location: Chanakya Puri
- Area of plot : 3.81 acres
- Ground Rent: Not known
- Allotted in 1981 but lease deed not executed till date
- Outstanding dues : Rs. 97.94 crore
- Last demand notice issued : Not available

<sup>14</sup>Earlier known as Hotel Inter-Continental; this has since been renamed as Hotel Lalit.



#### Le- Meridien Hotel

- Location : Connaught Place
- Area of plot : 4.290 acre
- Ground rent : Rs. 24.91 lakh *per annum*
- Outstanding dues : Rs. 60.90 crore as of September 2005
- Last demand notice issued in September 2005



#### Taj Man Singh Hotel

- Location : Man Singh Road
- Area : 3.78 acres
- Ground Rent/Additional Ground Rent : Rs. 2.74 lakh *per annum*
- Outstanding dues : Rs. 29.57 crore
- Last demand notice issued in January 2006



#### Claridges Hotel

- Location : Aurangzeb Road
- Land use: Residential, but permitted to run hotel on certain conditions on payment of Additional Ground Rent.
- Area : Not known
- Ground Rent : Rs. 2.13 lakh *per annum*
- Outstanding dues : Rs. 12.88 crore
- Last demand notice issued in December 2007



#### Ashoka Hotel

- Location : Chanakya Puri
- Area : 21.155 acres
- Ground Rent : Not known
- Outstanding dues: Rs. 5.96 crore
- Additionally, a payment of Rs. 18.57 crore was due on account of sub-letting of premises for a showroom.
- Last demand notice issued in May 2007



#### Taj Palace Hotel

- Location : Dhaula Kuan
- Area : 6 acres
- Ground Rent (levied at the rate of 5 per cent as per lease terms) : Rs. 26.14 lakh *per annum*; actually paid at the rate of Rs. 13.07 lakh *per annum*
- Outstanding dues : Rs. 3.07 crore
- Last demand notice issued in May 1998



#### Janpath Hotel

- Location : Connaught Place
- Area : 4.41 acre
- Ground Rent : Not Provided
- Outstanding dues : Rs. 1.95 crore
- Last demand letter issued to lessee in August 2003



### Rajdoot Hotel

- Location : Jungpura
- Case pending with vigilance section of L&DO
- Present status not known



### Vikram Hotel

- Location : Lajpat Nagar
- Allotment under Appendix XI<sup>15</sup> category of Rehabilitation leases
- Area : 1920 Square yards
- Ground rent/Additional Ground Rent Rs. 48,060 *per annum*
- Outstanding Ground Rent: Not known



### East India Hotel (Maidens), Shamnath Marg

- Allotment cancelled but present status not known.

In reply, the Ministry stated that the sites of Bharat Hotel, Le Meridien Hotel and Taj Man Singh Hotel had originally been allotted to NDMC, which sub-leased these without the permission of L&DO. Formal lease deeds had also not been executed. However, in spite of the matter being discussed by Secretary (UD) & Chairperson NDMC, the matter was yet to be resolved. In so far as Claridges Hotel was concerned, the Ministry stated that the lessee had initially accepted the terms for withdrawal of re-entry, upon which the lease was restored. However, when the demand relating to Revised Ground Rent was issued by L&DO, the lessee had filed a legal suit, which had gone in his favour, and L&DO's appeal in the Hon'ble Delhi High Court was still pending.

## 9.2 Hospitals

### 9.2.1 General

L&DO has, till date, allotted land to five hospitals namely Vidya Sagar Institute for Mental Health and Neurological Sciences (VIMHANS), Primus Ortho and Spine Hospital (POSH)<sup>16</sup>, St. Stephen's Hospital, Moolchand Hospital and Sir Ganga Ram Hospital on concessional basis. An additional strip of land was given to R.B.Seth Jessa Ram Hospital, to which the land was initially allotted by DDA. While all the allotments were made on concessional rates, the condition of free beds in Out Patient Department (OPD) and In patient Department (IPD) for patients from Economically Weaker Section (EWS) was applicable only to VIMHANS and POSH.

While the terms and conditions of the individual leases for VIMHANS and POSH specified that at least 70 *per cent* of the beds must be available free of charge to patients belonging to EWS, the Hon'ble Delhi High Court had given an interim order specifying that 25 *per cent* of the OPD beds, and 10 *per cent* of the IPD beds should be reserved for EWS patients; this order was confirmed by the Supreme Court till final disposal of the cases related thereto. Audit scrutiny was conducted with reference to this interim order. L&DO was not aware of the total outstanding dues in respect of any of these five hospitals.

Audit conducted detailed scrutiny of records relating to three hospitals – VIMHANS, St. Stephen's Hospital, and Primus Ortho and Spine Hospital (POSH); detailed audit findings in respect of these hospitals are summarized below:

### 9.2.2 VIMHANS

In May 1984, a plot of land measuring 3.5 acres was allotted on concessional rates to Vidya Sagar Kaushalya Devi Memorial Trust at the rate of Rs 10,000 *per acre* as a premium and ground rent fixed at 5 *per cent* thereon. The lease of the hospital specified that at least 70 *per cent* of the beds must be available free of charge to patients belonging to EWS category.



**VIMHANS Hospital**

<sup>16</sup> erstwhile Veeranwali International Hospital

Audit scrutiny revealed that:

- The target of 25 *per cent* for OPD and 10 *per cent* for IPD was not met.
- The hospital was accepting EWS patients on the basis of undertaking by patients without insisting on BPL cards.
- Field visit by the Audit team revealed that free beds were earmarked for EWS patients, but were largely vacant. One reason for this was lack of referrals of EWS patients from the nodal Government hospitals. Scrutiny of a few such undertakings revealed that certain patients were residing at locations like Hill Apartments and Avantika in Rohini, which indicated the possibility of these concessions being misutilized by high income groups.
- Despite the plot of land measuring 3.5 acres having been allotted in 1984, the lease for the plot had still not been executed.

In reply, the Ministry stated that since it was the concern of Inspection Committee constituted by Directorate of Health Services/Government of National Capital Territory of Delhi (GNCTD) to look into observations raised by Audit, these would be forwarded to the Principal Secretary of Health. It also assured that a fresh inspection would be carried out to confirm misuse/unauthorized constructions.

### **9.2.3 St. Stephen's Hospital**

Three plots of land measuring 1.37 acres, 2331 square yards and 1.299 acres were allotted on perpetual lease basis in June 1970, February 1972 and November 1976 respectively at the rate of Rs 5000 *per acre* as premium plus 5 *per cent* as annual ground rent at the rate of Rs. 342.50 *per annum*.

Audit scrutiny revealed that:

- Four inspections were conducted in 38 years since the allotment in June 1970.
- The misuses and breaches detected in the first inspection were not removed/regularized; in fact these increased and still existed during the last inspection in January 2008.
- Since 1979, the ground rent had been paid only during 2003-05.



**St. Stephen's Hospital**

The Ministry stated that the hospital had not yet submitted sanctioned building plans, in the absence of which no action could be taken against the authorities. Further scrutiny of records revealed that the L&DO had been requesting the lessee since April 1986 for providing sanctioned building plans. However, no follow up or strict action had been taken against the lessee in this regard.

#### 9.2.4 Primus Ortho and Spine Hospital (POSH)

About two acres of land was allotted to the Delhi Hospital Society at Chanakya Puri in 1973 at the rate of Rs. 1 lakh per acre plus 2.5 *per cent* annual ground rent thereon.

Audit scrutiny revealed that the Hospital was not complying with the terms and conditions for treatment of EWS patients.

In reply, the Ministry stated that the Hospital had been renovated in December 2007, and instructions to maintain the targets of free treatment had been issued.



**Primus Ortho and Spine Hospital**

### 9.3 Schools

#### 9.3.1 General

L&DO had made allotments to 129 schools. Of these, 34 were aided schools, 35 were private recognized schools with condition of freeship and 60 were private recognized schools without freeship condition.

Audit conducted detailed scrutiny of records relating to eight schools, of which joint field visits were conducted in three schools – DPS International-Pushp Vihar, Kendriya Vidyalaya-Andrews Ganj, and Bal Bharti Public School- Ganga Ram Hospital Marg; detailed audit findings in respect of these three schools are summarized below:

#### 9.3.2 DPS International

Allotment of the plot measuring 4.447 acres was made in April 2001 on payment of Rs. 88 lakh *per acre* as premium, and 2.5 *per cent* thereon as ground rent (amounting to Rs. 3.91 crore and Rs. 9.78 lakh respectively). No inspection of the school had been conducted till 2008.

Audit scrutiny revealed that:

- Though the allotment was made on the condition that the school should admit students belonging to EWS to the extent of 25 per cent, there were only four instances of people from EWS seeking admissions for their wards in this school. However, none of these students studied for a substantial length of time.
- While the allotment was made for a Senior Secondary School, the school was launched to meet the demands for international education of Indian Citizens and foreign diplomats, expatriates and NRIs. The compatibility of EWS students for such a school was doubtful *ab initio*.



In reply, the Ministry stated that inspections could not be carried out due to shortage of manpower, while the other issues would be taken up with the Directorate of Education, GNCTD.

### 9.3.3 Kendriya Vidyalaya

Allotment of 4.304 acres of land was made to the Kendriya Vidyalaya Sangathan in September 1968 in Andrews Ganj at the rate of Rs. 5000 *per acre* as premium plus 5 *per cent* annual ground rent thereon.

Audit scrutiny revealed that:

- As stated by the Principal of the school, the sub-division of the plot was done by the school in 2004, and a portion of the plot was given to a private party. The last inspection of the plot by L&DO was conducted in 1998; evidently, L&DO was not aware of the sub-division of the plot.
- The private party constructed a building, providing facilities for swimming, gymnasium, taekwondo and judo. Audit noticed excavations at this site, reportedly for construction of a deep ice hockey rink, which was not segregated through a wall from the school building to ensure the safety of the students. However, as per the discussions with the Principal of the school, the private party had decided to construct the facilities on Build Operate Transfer (BOT) basis; but the disputes between the private party and contractor resulted in the matter becoming sub judice.

The Ministry stated that a fresh inspection would be conducted.



***A view of excavations which endangered school property and lives of the students***



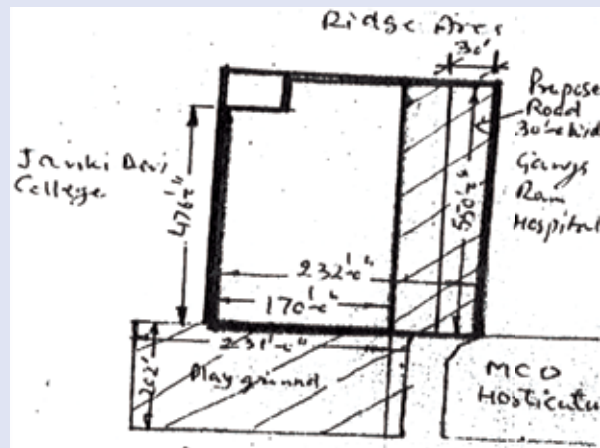
***Facilities constructed by the private party***

### 9.3.4 Bal Bharti Public School

Allotment of 1.87 acres of land on Ganga Ram Hospital Marg was made to Child Education Society in December 1963 at a premium of Rs. 2000 *per acre* plus 5 *per cent* annual ground rent thereon.

Audit scrutiny revealed that:

- Though ground rent was outstanding since 1976, L&DO did not either initiate any action to recover the dues, or take any punitive action for resuming the property.
- The joint visit revealed that there were large scale breaches and encroachment on Government land e.g. temporary unauthorized constructions in the backyard of the school; drive way and parking facilities, gymnasium, and lawn tennis and badminton courts on encroached land; and fourth storey construction in violation of lease terms. Encroachment on a proposed 30 feet road had also been detected through L&DO's inspection in September-October 2005, yet, no action had been taken.



**Sketch of encroachment in L&DO's inspection report**



**Gymnasium, Lawn Tennis and Badminton court on encroached land.**

The Ministry stated that the demand letter for ground rent recoverable would be issued. Further, the exercise for revision of ground rent would also be started after fresh inspection.

In the absence of treatment of the requisite number of patients from Economically Weaker Sections in the case of hospitals, and admission of students from such strata in respect of schools, the implicit subsidy provided by the Government through allotment of land at highly concessional rates vis-à-vis market rates to such schools and hospitals appears unjustified.

#### 9.4 Petrol Pumps

The main issue with reference to petrol pumps was the revision of ground rent, which was to be done generally every five years as per the terms of the lease, and encroachments on public land. The ground rent which was fixed in 1979 was revised in October 1986. However, the oil companies

did not pay the revised rates on the plea that the matter was being looked into by the Ministry of Petroleum and Natural Gas (PNG). Since no consensus was arrived at, it was decided in September, 1998 to recover the ground rent on the rates revised in September 1986. In September 1998, a group was set up to examine the issues relating to further revision of ground rent. Further, records revealed encroachment in 35 out of 68 petrol pumps, for which breach notices were issued to the oil companies.

Out of 68 cases, information on outstanding dues was provided in respect of only 19 petrol pumps. The total outstanding dues against these 19 pumps amounted to Rs. 14.97 crore.

Audit conducted detailed scrutiny of records relating to eight petrol pumps, of which joint field visits were conducted in four petrol pumps – Hemkunt Service Station, Rajnath Super Service Station, Jeewan Service Station, and Bansiwal Service Station; detailed audit findings in respect of these four petrol pumps are summarized below:



**Hemkunt Service Station on link road connecting Lodhi Road with Lajpat Nagar**

A site measuring 12000 square feet was allotted to HPCL in June 1962 at the rate of Rs. 10,500 *per annum* from where a filling cum service station was being run.

A car service station was unauthorisedly being run from the pump premises,

Facilities for renewal of insurance were also being offered.



**Rajnath Super Service Station, Moti Bagh**

A site measuring 12439 square feet was allotted to BPCL in May 1956 at a monthly rental of Rs. 350.

“In and Out” shopping outlet was noticed.



**Jeevan Service Station, Q-Point, Shahjahan Road**

A site measuring 1240 square feet was allotted to BPCL (Burmah Shell) in April 1937 at the rate of Rs. 14 and 10 Annas *per annum* as per lease.

Unauthorised constructions were noticed. These were being used for storage, office space and toilets.

An “In & Out” outlet had also been constructed on the plot.



**Bansiwala Service Station, San Martin Marg, Chanakya Puri**

A site measuring 1080 square feet was allotted to HPCL in March 1999 at the rate of Rs. 1,60,600 *per annum*.

A fast food shop by the name of “Sub Way” was operating in the premises.

A portion of the premises had been let out to ICICI bank.

Encroachment on public land on the front side had taken place, alongwith unauthorised construction. Premises were also being used for denting and painting.

In response, the Ministry stated the following:

- Ground Rent/Licence Fee at the revised rate was being paid by Indian Oil Corporation (IOC). L&DO had issued notice to Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) for payment of Ground Rent at revised rates. Action for re-entry of the properties was being initiated in the cases where the dues had not been paid despite notices.
- The incidence of encroachment beyond the lease area formed only a small fraction of the total allotted area. However, there was large scale encroachment in one of the Petrol Pumps inspected by the Audit Party; damages were being levied on the company.
- Though the inspections were being carried out as per availability of technical staff but in cases of encroachments, action relating to inspection was taken immediately as and when required.

- Oil Marketing Companies were representing against some misuse charges where a part of the premises was used for food outlets etc. A policy for allowing 'allied retails business' in the Petrol Pump premises was under consideration. However this could not be a reason for withholding payment of charges by the companies. Action had already been initiated for recovery of charges. In 19 cases of IOC, cases were filed in Estate Officer's Court and IOC had now agreed to pay the charges.

## 9.5 Presses

L&DO had allotted land to nine presses at Bahadur Shah Zafar Marg and Mathura Road. A summary of cases where the outstanding dues exceeded Rs. 1 crore, is as follows:

**Table-9 : Present status of cases**

Name	Outstanding dues (Rs in crore)	Remarks
M/s Express Newspapers Pvt. Ltd.	400.00	Matter pending in the High Court. (Dues outstanding since July 1986 as per notice dated 1.8.86).
Daily Pratap	12.72	Dues outstanding since July 1984 (as per demand notice dated March 2007)
M/s Gulab Singh and Sons Pvt. Ltd.	12.00	Dues outstanding since July 1973 (as per demand notice dated August 2005)
M/s Associated Journals Ltd. (National Herald)	2.89	Matter is pending in ESO Court. (Dues outstanding worked out and conveyed to the lessee in August 2002)

In response, the Ministry stated that action was being taken for recovery of damages and misuse charges.

New Delhi  
Dated 3rd August, 2009



(K.R. SRIRAM)  
Principal Director of Audit  
Economic & Service Ministries

Countersigned

New Delhi  
Dated August, 2009



(VINOD RAI)  
Comptroller and Auditor General of India

**Annexure -I**  
**(Referred to in Para 1.1)**

**Areas under the control of L&DO**

<p>Akbar Road, Aurangzeb Road, Baird Road, Bhagwan Das Road, Connaught Place, Curzon Road, Doctor Lane, Feroz Shah Road, Hailey Road, Hanuman Road, Jain Mandir Road, Janpath, Jantar Mantar Road, Man Singh Road, Parliament Street, Panchkuin Road, Pahar Ganj, Prithviraj Road, Ratendon Road, Sikandara Road, S.S. Park, Tuglak Road, Tolstoy Marg, Tilak Marg</p>	<p>Bangali Market, Babar Road, Bazar Lane, Todarmal Road, Central Lane, Tansen Marg, Diplomatic Enclave, Golf Links, Jorbagh, Sunder Nagar, Abdul Fazal Road, Fire Brigade Lane, School Lane, Malcha Marg, Dharam Marg, Rajdoot Marg, Kautilya Marg, Panchsheel Marg, Nyay Marg</p>	<p>Ali Ganj, Andha Mughal, Bharat Nagar, Gulabi Bagh, Gur-ki-Mandi, Indira Nagar, Jangpura, Kalkaji 'A' Block, Nizamuddin, Lajpat Nagar, Nicholson Road, Ramesh Nagar, Rameshwari Nehru Nagar, Sewa Nagar, Sarai Rohilla, Tilak Nagar, Malkaganj, Motia Khan, Sewa Nagar Market</p>
<p>Amar Colony, C.R. Park, Dayanand Colony, Edward Lane, Hakikat Nagar, Jheel Kuranja, Lajpat Nagar, Moti Nagar, Narela, New Qutub Road, Teliwara, Timarpur, Vinobapuri, Old and New Rajender Nagar, Vikram Vihar</p>	<p>Defence Colony, East Patel Nagar, Kalkaji, Malkaganj, Malviya Nagar, Old Rohtak Road, South Patel Nagar, Tihar I, II, Vijay Nagar, West Patel Nagar.</p>	<p>Azad Market, Ansari Market, Ashoka Market, Bhagat Singh Market, Babu Market, Central Market, Desh Bandhu Gupta Market, Gaffar Market, Gokhale Market, Khan Market, Kamla Market, Kasturba Nagar Market, Khanna Market, Pleasure Garden Market, INA Market, CR Park Market, R.K. Puram, Rani Jhansi Market, Sadiq Nagar Market, Baird Road Market</p>

**Annexure II**  
**(Referred to in Para 4.2.4.1)**

**Potential Loss of Ground Rent in Cases Illustrated in Office Order of February 1984**

Case	Ground Rent calculated in terms of letting value	Ground rent calculated using multiple slabs
1	937.00	625.00
2	14475.00	2720.00
3	248.00	382.50
4	91356.00	1440.00
5	6391.00	5182.00
6	3036.00	1920.00
7	14274.00	1900.00
8	27716.00	2644.00
9	7045.00	900.00
10	8278.00	2002.80
<b>Total</b>	<b>173756.00</b>	<b>19716.30</b> <b>19716 (rounded off)</b>
<b>Loss of Government Revenue</b>		<b>Rs. 154040</b> <b>89 per cent</b>

Calculation:

1. Loss of Government Revenue = Rs. 173756 – Rs. 19716 = Rs. 154040
2. Loss in percentage =  $(154040 \div 173756) \times 100 = 88.65$  say *89 per cent*

**Annexure - III**  
**(Referred to in Para 4.2.4.1)**

**Monthly rental value as per Office Order of February 1984**

$212504 / (5890.28 \times 0.836 \times 12)$	Rs. 3.59
$22500 / (15558.64 \times 0.836 \times 12)$	Re. 0.14

**Calculation:**

Considering the plot areas of 15558.64 square yards and 5890.28 square yards, for which the rateable values are Rs. 22500 and Rs. 212504 (*per annum*) respectively, and converting it into square metre (1 square yard to 0.836 square metre) and payable per month (1/12)



## Annexure - IV

(Referred to in Para 4.2.4.1)

## Test checked cases of Revision of Ground Rent

Lease No. 964		Lease No. 129-B	
Due Date of revision of ground rent	1 January 1973	Due Date of revision of ground rent	1 January 1962
Date of filing of plaint	Neither plaint nor option issued	Date of exercising option	1 July 1978
Elapsed period	32 years	Elapsed period	17 years
Original rate of Ground rent	Rs.606.19 per annum	Original rate of Ground rent	Rs. 1981.25 per annum
Revised rate of Ground rent	Rs. 606.19X8 =Rs. 4850/-per annum (payable prospectively w.e.f. Novem- ber 2004).	Revised rate of Ground rent	1981.25 X 6 =Rs.11888 per annum (payable prospectively w.e.f. July 1978)
<b>Actual scenario</b>	<b>Scenario of timely revision</b>	<b>Actual scenario</b>	<b>Scenario of timely revision</b>
Ground rent paid on old rates( from January 1973 to November 2004 i.e. 32 years)	If Ground rent = 606.19 X 4 = Rs. 2424.76 P.A revised in January 1973	Ground rent paid on old rates (from 1.1.1962 to 30.6.1978 i.e. 16.5 years)	If Ground rent = 1981.25 X 4 revised in January 1962 =Rs 7925 per annum
Ground rent revised at the rate of Rs. 4850 P.A from November 2004 to December 2008 i.e. 4 years)	Ground rent = Rs. 4850X4 revised again in January 2003 = Rs. 9699.04 P.A	Ground rent re-vised at the rate of Rs.11888 P.A from 1.7.78 to 31.12.08 i.e. 30.5 years	Ground rent = 7925 X 4 revised again in January 1992 = Rs 31700 per annum
Total Ground rent re-ceived from 1973 to 2008	Total Ground rent that would have been received From 1973 to 2002 = 2424.76 X30 From 2003 to 2008 = Rs.72742.80 = 9699.04 X6 = Rs 58194.24	Total Ground rent re-ceived from 1962 to 2008	Total Ground rent that would have been received From 1962 to 1991 = Rs 7925 X 30 From 1992 to 2008 = Rs 237750 31700 X 17 = Rs 538900
Total Ground rent payable	Rs. 38798	Total Ground rent payable	Rs. 776650
Total estimated loss to the government	(130937 – 38798) = Rs.92139	Total estimated loss to the government	(776650-395274) =Rs.381376
Percentage of loss to the Government:	70 per cent	Percentage of loss to the Government:	49 per cent

Lease No. 68-A		Lease No. 871	
Due Date of revision of ground rent	1 January 1947	Due Date of revision of ground rent	1 January 1964
Date of filing of plaint	26.12.1974	Date of exercising option	13 July 1977
Elapsed period	28 years	Elapsed period	13 years
Original rate of Ground rent	Rs.244.50 per annum	Original rate of Ground rent	Rs. 366 per annum
Revised rate of Ground rent	Rs. 244.50 X 8 =Rs. 1956 per annum (payable retrospectively w.e.f. December 1974)	Revised rate of Ground rent	366 X 6 =Rs.2196 per annum (payable retrospectively w.e.f. July 1977)
<b>Actual scenario</b>	<b>Scenario of timely revision</b>	<b>Actual scenario</b>	<b>Scenario of timely revision</b>
Ground rent paid on old rates( from January 1947 to December 1974 i.e. 28 years)	= 244.50X28 = Rs.6846	Ground rent paid on old rates (from 1.1.1964 to 30.6.1977 i.e. 13.5 years)	366 X 4 =Rs 1464 per annum
Ground rent revised at the rate of Rs. 1956 P.A from 1975 to 2008	If Ground rent revised in January 1947 = 244.50 X 4 = Rs. 978 P.A Revision due in 1977 = Rs. 978X4 = Rs. 3912 P.A	Ground rent revised at the rate of Rs.2196 P.A from 1 July 1977 to 31.12.08 i.e. 31.5 years)	If Ground rent revised again in 1994 =Rs. 69174 Ground rent revised again in 1994 = Rs 5856 per annum
Total Ground rent received from 1973 to 2008	= Rs. 73350	Total Ground rent received from 1964 to 2008	Total Ground rent that would have been received 1464 X 30 = Rs 43920
Total estimated loss to the government (162348 - 73350) = Rs.88998		Total estimated loss to the government (131760-74115) = Rs.57645	
Percentage of loss to the Government: 55 per cent		Percentage of loss to the Government: 44 per cent	

**Annexure- V**  
**(Referred to in Para 4.2.4.1)**

**Receipts of L&DO**

Total area owned by L&DO in square metre	8,09,19,765
Total number of leases	60,526
Area owned by L&DO and given on Commercial, Industrial and Institutional	2,29,47,833
Receipts from ground rent/additional ground rent during 2008-09	Rs. 92.77 crores
Receipts <i>per square metre</i> during 2008-09	Rs. 92,77,00,000 ÷ 22947833 = Rs 40.43 <i>per square metre</i>

**Annexure - VI**  
**(Referred to in Para 4.2.4.1)**

**Calculation of Potential Market Value of L&DO land (based on GNCTD's notified Circle Rates)**

Total area with L&DO	19995 acres=8, 09,19,765 square metre			
Remaining leases with L&DO	31702 (60,526 leases less 28,824 converted to freehold)			
Area details (category-wise leases)				
	Residential	Commercial	Industrial	Institutional
Area (in acres)	9422.605	501	97.837	5071.495
Area (in square metre)	38133282	2027547	395946	20524340
Use factor	1	3	2	1 or 2
Present value of land (Rs. in crore)	Not calculated	26155.36	3405.14	88254.66
Total value of land under L&DO as per present notified circle rates by GNCTD (Revenue Department)				Rs 1,17,815.16 crore Rounded off Rs. 1,18,000 crore

**Note:**

1. Use factor of institutional leases taken as 1, though in certain cases use factor 2 is applicable, as per notification dated 18 July 2007 on minimum rates (circle rates) notified by the Government of National Capital Territory of Delhi (Revenue Department). Further, since most of the L&DO areas are prime localities, the minimum land rates (residential use) applicable to 'A' category of localities i.e. Rs. 43000 per *square metre* have been used.
2. Residential areas have not been considered in view of the difficulties in unlocking market value of land in such cases.

**Conservative market value**

Area owned by L&DO and given on Commercial, Industrial and Institutional lease (in square metre)	2,29,47,833
Rate/ <i>square metre</i> (refer note below)	1,50,000
Market Value of Property (Rs. in crore)	3,44,217.49
	Rounded off Rs. 3,44,000 crore

**Note:**

As per Times of India property index (13 June 2009), the lowest rates for Capital value of independent house in prime realty market were of Greater Kailash – I & II in NCT of Delhi, which were Rs. 2.00 to Rs. 2.30 lakh *per square yards*, which amount to Rs. 2.40 to Rs. 2.75 lakh *per square metre*. As a very conservative estimate, we have adopted Rs. 1.50 lakh *per square metre* as a uniform rate for prime localities under L&DO.

**Annexure - VII**  
**(Referred to in Para 4.2.4.1)**

**Calculation of annual rental value and letting value**

Rental Value( per square metre)	Rs. 7,751*
Potential Ground Rent (per square metre)	Rs. 4,651**
<b>Area of lease property owned by L&amp;DO (in square metre)</b>	
Commercial	20,27,547
Industrial	3,95,946
Institutional	2,05,24,340
Total	2,29,47,833
<b>Possible Ground Rent (Rs. In crore)</b>	
Commercial	Rs. 943.01
Industrial	Rs. 184.15
Institutional	Rs. 9545.87
Total	Rs. 10673.03
1/30th of the above (Rs. in crore)	Rs. 355.77 Say Rs. 356.00

\* worked out on the basis of current rental value as per market rates, as calculated below:

Rental value	$(100 \times 12 \times 9 \times 0.6) \div 0.836 = 7751$
	Rs.100: Considering average rent in Connaught Place Rs. 150 per square feet / month (Grade B) as given in Times of India (25 April 2009). We have adopted this value in comparatively less terms as Rs. 100
	12: Conversion from months to years
	9: Conversion from square feet to square yards.
	0.6 : Considering that 40% of income generated is used for maintenance and paying levies/taxes
	1/0.836: conversion from <i>square yards</i> to <i>square metres</i>

\*\*worked out on the basis L&DO's office order of February 1984, as calculated below:

Potential Ground Rent	$(7751 \times 20 \times 0.09) \div 3 = 4651$
	7751: Rental value
	20: a factor used in office order of February 1984 to determine net income capitalised over a period of 20 years
	0.09 : denotes the factor of 9 <i>per cent</i> of cost of land
	1/3 : Since one third or one half of the letting value was to be determined and fixed as Revised Ground Rent, we have adopted the lower limit of one third to arrive at conservative figures.

## Glossary

Nazul leases	Nazul leases are leases on Nazul lands, which were acquired in 1911 for the formation of the capital of India at Delhi. These leases are perpetual leases, and ground rent is revisable at the option of L&DO after every 30 years.
Rehabilitation leases	Rehabilitation leases are leases on Rehabilitation lands which were acquired by the Government of India for the speedy rehabilitation of displaced persons from Pakistan. These leases are for a period of 99 years, and revision of ground rent is due after 20 years.
Ground Rent	Ground Rent is a regular payment required to be paid under a lease by the lessee.
Additional Ground Rent	Ground rent recovered on account of additional construction.
Mortgage Permission	Mortgage is a transfer of an interest in an immovable property for securing loans.
Mutation	Mutation is a process of substitution in the name(s) of new lessee(s), in place of the previous lessee,
Substitution	Substitution is the process of mutation of the names of legal heirs on the death of the lessee/allottee.
Unearned Increase	Unearned Increase represents the increase in value of the land given on lease at the time of sale of the leased property. This is calculated based on the date of receipt of application for sale permission, the original price/last transaction value, and the notified land rates.