



## ABSTRACT

**BUDGET - Municipalities - Recommendation of Second State Finance Commission - Chapter VIII - Para 6.9 - Preparation and presentation of Budget of Municipalities as per the provision in the Tamil Nadu Urban Local Bodies Act, 1998 - Accepted - Orders - Issued.**

### MUNICIPAL ADMINISTRATION AND WATER SUPPLY (ELECTION) DEPARTMENT

G.O. (Ms) No.167

Dated: 26.12.2005

Read:

1. G.O.Ms. No.516, Finance (Resources) Department, dt 1.12.98
2. From the Finance Department, D.O. Lr. No.75388/FC IV/2001-1 dt 13.5.02
3. From the Commissioner of Municipal Administration,
4. Letter ROC No. 21459/2004/L4, dt. 18.5.04 and dt. 19.7.2005

### ORDER:-

The Second State Finance Commission in its Report, among others, under chapter VIII - para 6.9 has stated that in the case of Urban Local Bodies, detailed guidelines regarding preparation and presentation of the budget have been enumerated in Sections 70 and 71 of the Tamil Nadu Urban Local Bodies Act, 1998. The Second State Finance Commission reiterated the provisions in the Tamil Nadu Urban Local Bodies Act, 1998. The Government have accepted the above recommendation of Second State Finance Commission as conveyed in Finance Department's Action Taken Report placed on the Table of the Tamil Nadu Legislative Assembly.

2. The Commissioner of Municipal Administration, who was consulted on adopting the procedures in Tamil Nadu Urban Local Bodies Act, 1998 and the Tamil Nadu Urban Local Bodies Rules, 2000 in preparing the Budget of the Municipalities, has reported that the provisions made in the Tamil Nadu District Municipalities Act, 1920 regarding preparation of budget by the Municipalities is considered insufficient and the rules issued thereunder in this regard are elaborate. The Commissioner of Municipal Administration has therefore requested the Government to issue orders in this regard.

3. The Government after careful examination direct that all the Municipalities in this state, shall adopt the following provisions and procedures for preparing, presenting

and approving the budget of the Municipalities:-

- (i) The Commissioner shall, in consultation with the Chairman, having regard to all the requirements of the Tamil Nadu District Municipalities Act, 1920 and in accordance with the guidelines issued by the Government, prepare on or before the 1<sup>st</sup> January of each year, a Budget Estimate of the Income and Expenditure of the Municipality for the next financial year and place the same before the Council on or before the 20<sup>th</sup> January of each year. While preparing the Budget Estimate, the Commissioner may append thereto a report whether the following services are being provided in a subsidized manner and, if so, the extent of the subsidy, the source from which the subsidy is met and the sections or categories of the local population who are the beneficiaries of such subsidy namely:-
- (a) water supply and disposal of sewerage.
  - (b) scavenging, transporting and disposal of wastes, and
  - (c) street lighting.

The budget shall, among other things, indicate steps necessary to raise additional resources by way of increasing rate of taxes, charges and other fees:-

- (a) to fill the gap in revenue account; and
  - (b) to finance capital works.
- (ii) The council shall, in a special meeting to be convened for this purpose, consider the proposals contained in the Budget Estimate and approve the same with or without modifications, as may be considered necessary, on or before the end of February of each year. A copy of the Budget Estimate as approved by the Council shall be forwarded to the Regional Director of Municipal Administration.
- (iii) If the Commissioner of each of the municipality is of the opinion that the Budget Estimate as approved by the Council contravenes any of the provisions of the Tamil Nadu District Municipalities Act, 1920, or any rule, notification, by-laws, regulations made or issued under the said Act or any order passed by the Government, he shall refer the Budget Estimate to the Regional Director of Municipal Administration.
- (iv) The Regional Director of Municipal Administration shall direct the council to rectify the defects in the Budget Estimate of the Municipality. Where the Council fails to rectify the defects as pointed out by the Regional Director of Municipal Administration, the Commissioner shall give effect to the Budget Estimate as suggested by the Regional Director of Municipal Administration, after getting approval of the Commissioner of Municipal Administration, who is the Budget Controlling Authority.

- (v) The Council may pass supplemental Budget Estimate for the purposes of meeting any special or unforeseen expenditure arising during that financial year and final modification and appropriation.
- (vi) The Commissioner shall give wide publicity, by putting up in the notice board of the Municipality and by publication in one local news paper, not later than 31<sup>st</sup> July of the year in the Form in the Appendix the important features of the budget, and the details of the works / programmes which, among other things, shall contain the following:-
- (i) Total tax revenue
  - (ii) Total non-tax revenue
  - (iii) Devolution from Government
  - (iv) Expenditure on salaries and pension
  - (v) Operation and maintenance Expenditure
  - (vi) Allocation of Capital Expenditure, and
  - (vii) Debt status.

4. The Commissioner of Municipal Administration is directed to issue necessary further guidelines, on the above lines to the Commissioners of the Municipalities for the preparation of the Budget. He shall also watch the adherence of the orders and send a consolidated report of compliance to Government before 30<sup>th</sup> April, 2006.

(BY ORDER OF THE GOVERNOR)

M. SHEELA PRIYA,  
SECRETARY TO GOVERNMENT.

To  
The Commissioner of Municipal Administration, Chennai.5  
The Director of Local Fund Audit, Chennai.108  
The Commissioners of all Municipalities (including Third Grade Municipalities)

Copy to:

All Regional Director of Municipal Administration  
The Finance (MAWS, FC-IV) Department, Chennai.9  
All Sections in Municipal Administration and Water Supply Department, Chennai.9  
SF/SCs

//forwarded by order//

*A. L. S. S. S.*  
Section Officer.  
(p.t.o. for Appendix)

**APPENDIX**

**FORM**

**BUDGET ABSTRACT**

District .....

Municipality .....

**... OPENING BALANCE**

**RECEIPTS**

- I. Own Source
  - Taxes
  - Non Tax
  - Others
  
- II. Government Grants
  - Revenue
  - Capital
  
- III. Loan Receipts  
(Source to be indicated)
  
- Total

**EXPENDITURE**

- I. Salaries
- II. Pension
- III. Operation and Maintenance of Water Supply,  
roads, street lights, etc.
- IV. Capital Expenditure
- V. Loan repayments
- Principal
- Interest

**TOTAL**