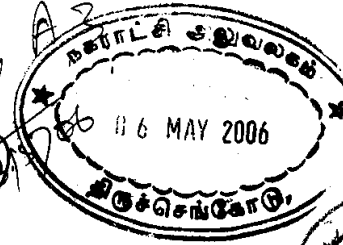




ABSTRACT



Second State Finance Commission – Certain recommendations in "Chapter VI – Better Fiscal Management" of the report of the Second State Finance Commission regarding Urban Local Bodies – Decisions taken – Orders – Issued.

MUNICIPAL ADMINISTRATION & WATER SUPPLY (ELEC.) DEPARTMENT

G.O.(MS)NO: 27

DATED: 14.03.2006

READ:

1. G.O.Ms.No.518, Finance (Resources) Department, dated 1.12.1999.
2. G.O.Ms.No.103, Finance (Resources) Department, dated 3.3.2000.

ORDER:-

As per the provisions laid down in 73rd and 74th Constitutional Amendments, the Second State Finance Commission was constituted in the Government Order first read above, to review the financial position of rural and Urban local bodies in Tamil Nadu and make its recommendations. In the Government Order second read above, the Terms of Reference to the Commission were issued. The Commission submitted its report to Her Excellency the Governor on 21.5.2001.

2. As per the decision taken by the High Level Committee, the Finance Department has placed the action taken report on the recommendations of the Second State Finance Commission in respect of Chapter VII, VIII, X, XI, XII (Para 21.6 and 21.7 only) and XIII of the report in the Legislative Assembly on 8.5.2002. As decided by the High Level Committee, Rural Development / Municipal Administration and Water Supply Department were requested to issue Government Order in respect of recommendations covered in other Chapters of the report of Second State Finance Commission.

3. Accordingly, the recommendations contained in "Chapter VI – Better Fiscal Management" of Second State Finance Commission relating to Urban Local Bodies have been examined by the Government and the orders are issued as indicated against each of them in the Annexure to this order.

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4. The Commissioner of Municipal Administration and the Commissioner, Corporation of Chennai are directed to ensure that all orders issued in the Annexure to this order are implemented with immediate effect and to send proposals to Government, wherever necessary.

(BY ORDER OF THE GOVERNOR)

M. SHEELA PRIYA,
SECRETARY TO GOVERNMENT

To

The Commissioner of Municipal Administration, Chennai-5.

The Commissioner, Corporation of Chennai, Chennai-3.

The Commissioner, Corporation of Coimbatore / Madurai / Tiruchirapalli / Salem / Tirunelveli.

The Commissioner of all Municipalities.(including Third Grade Municipalities)

The Director of Local Fund Audit, Chennai-108.

All Regional Directors of Municipal Administration.

The Accountant General, Chennai-18.

The Accountant General, Chennai-35.

The Director, Tamil Nadu Institute of Urban Studies, Coimbatore 11.

Copy to:-

The Senior Personal Assistant to Honourable Minister for Information, Publicity and Local Administration, Chennai-9.

The Finance (MAWS / FC.IV) Department, Chennai-9.

The Chairman, Third State Finance Commission, SIPCOT Buildings,
19-A, Rukmani Lakshmi Pathy Road, Egmore, Chennai-600 008.

The Rural Development Department, Chennai-9.

The Director of Special Village Panchayats, Chennai.108

All Sections in Municipal Administration and Water Supply Department, Chennai-9.

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R. I. ...
Section Officer.

15/3/06

ANNEXURE

CHAPTER V - STATEMENT OF CIVIC NEEDS AND FINANCES

Sl. No.	Para No.	Gist of Recommendation	Orders of the Government
1)	8.4	<p>Fiscal Responsibility Commission recommends that the fiscal responsibility may be fixed on the local Bodies in the following areas and incorporated in Panchayats Act and Urban Local Bodies Act by early 2003.</p> <ul style="list-style-type: none"> a. All local bodies shall wipe out revenue deficit by 2004. b. Ensuring a 5% cash reserve in each year's income. c. Statutory ceiling on debt level d. Quarterly review of the budgetary allocation and spending. e. Limiting the salary and pension commitment to 49% and deploy at least 51% for O&M assets creation, debt servicing and investment. f. Fixing responsibility for time and cost overruns on line agencies and Government departments. 	<p>Accepted. With regard to the issue of statutory ceiling on debt, Government, is of the view that the ceiling can continue to be fixed through executive instructions (Presently in G.O. (Ms).No.25,MA &WS (Elec) Dept. dt. 16.4.2003, the ceiling is fixed at four time the own resources of urban local bodies)</p> <p>As regards the issue of limiting the salary and pension commitments, Government is of the view that the overall expenditure on establishment of the ULBs be fixed at 49%, without allocating different percentages for salaries and pension.</p> <p>The Commissioner of Municipal Administration is directed to send proposals for issue of order / guideline / instructions in respect of the recommendation</p>
2)	9.22	<p>State Finance Commission recommends that Government Orders on specific norms for O & M and district wise schedule of rates</p>	<p>Accepted. Commissioner of Municipal Administration / Commissioner, Chennai Corporation are directed to prescribe suitable periodical and</p>

		may be monitored by the Offices of Regional Directors of Municipal Administration, Assistant Directors of Town Panchayats and Assistant Directors of Rural Development on a monthly basis by prescribing a periodical.	issue necessary instructions for monitoring of specific norms for O&M as recommended by Second State Finance Commission and district-wise schedule of rates.
3)	9.23	<u>Vehicles:-</u> Second State Finance Commission recommends that HODs may prescribe the life of a vehicle / norms for condemnation, ceiling on maintenance / repair and purchase so as to curb wasteful expenditure	Accepted. The Commissioner of Municipal Administration is instructed to direct all the Third Grade Municipalities / Municipalities / Corporations (except Chennai) to follow the norms prescribed for Government Vehicles in this regard. Commissioner, Corporation of Chennai is directed to follow the said norms.
4)	11.2	<u>Productivity norms:-</u> Second State Finance Commission recommends that i) productivity norms may be prescribed for all categories of staff to achieve rightsizing of establishment keeping in view the overall staff norms as recommended in para 6.4 above, and ii) as a first step, illustratively the assessments per collection staff may be prescribed at 2400	Accepted. Commissioner of Municipal Administration is requested to send proposals for prescribing productivity norms for all categories of staff keeping in view the overall staff norms as recommended by the Second State Finance Commission in Para 6.4 & 6.5 and the illustration given by Second State Finance Commission in SI. No (ii) to achieve the rightsizing of establishment in ULBs. The Commissioner of Municipal Administration is requested to take into account also the privatization / computerization of works / services in the ULBs while sending proposals for prescribing norms for all categories of staff of ULBs.

5) T*	13.1	<p><u>Measures to collect the arrears of Taxes and Non-Taxes</u></p> <p>(i) Defaulters' list may be published through mass media such as local newspapers, cable T.V., Cinema slide etc., highlighting the names of the biggest defaulters in property tax, similar to the provision in the Income Tax Act, 1961 and Tamil Nadu General Sales Tax Act, 1959.</p> <p>(ii) Legal proceedings and criminal prosecution may be pursued to their logical conclusion and revenue realized.</p> <p>(iii)(a) In case of collection of cycle stand fees they may be given to TEXCO to prevent unscrupulous elements from fleecing the public and pocketing the difference.</p> <p>(b) In case of pay and use latrines reputed NGOs, Trusts like Sulabh International may be granted the lease for similar reasons.</p> <p>(iv) The sealed tender-cum-auction method may be implemented</p>	<p>13.1 (i) Accepted.</p> <p>(ii) Accepted. The Commissioners are directed to pursue all efforts to realize the revenue dues to ULBs by effectively enforcing the existing provisions of Acts and Rules.</p> <p>(iii)(a) Accepted. (b) The Council, should follow the Transparency in Tender Act.</p> <p>(iv) In Govt. Lr. No. 872, MAIV/94-2 (MAWS), dt. 28.1.94 instructions have been issued for adoption of</p>
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		for leasing out properties of Local Bodies and advance rent can be collected before leasing out the premises. (Pagadi System).	Auction-cum-Tender procedure in the lease of Municipal properties. The Commissioner of Municipal Administration is directed to send suitable proposals for issue of amendment to the Lease Rules in this regard.
6)	15.1 and 15.2	<p>Remunerative Enterprises It is common knowledge that while approaching lending institutions for availing loans for construction of shopping complex or bus stand improvement, the local bodies invariably present a rosy picture of expected cash flows. But in reality, the situation is diametrically opposite. The so-called remunerative enterprises are remunerative only for the individuals who take them on lease and not for the local body. This has been prevailing in most of the local bodies.</p> <p>For instance, the market at Vellore Municipality (Kakithapattarai) was misused. It was stated by the Municipal authorities that there was no bidder at all for market lease. However, it was said that illegal commercial transactions were going on. When the Government took out the land for "Uzhavar Sandhai", there was good response. Had this been better used, the local body would have earned a sizeable income.</p>	Accepted. The Commissioner of Municipal Administration is directed to send suitable proposals for issue of amendment to the Lease Rules in this regard.

		To remedy the above situation, the SFC recommends to adopt Sealed Tender-cum-Auction process to squarely deal with nexus of vested interests and syndicate formation. The maximum quote in sealed tender which will be opened in the presence of bidders will be the base price for the auction.	
7)	15.3.1	There is need to prescribe a "payback" period for the remunerative enterprises. While sanctioning / releasing / recommending the loan, the HOD shall insist on a certificate that the project will have a payback period to be mentioned specifically which shall not exceed 10 years as the loan repayment is generally scheduled for 15 years. Those who fail to accomplish may be subjected to reduction in allotment of devolution / grants	Accepted. Commissioner of Municipal Administration is directed to insist upon all the Commissioners to enclose a certificate on loan pay back period (which shall not exceed 10 years) while sending proposals for obtaining loans for remunerative enterprises to Commissioner of Municipal Administration / Government
8)	15.3.2	<u>Average Realisation in New Projects</u> The Madras High Court Order and the Government Instructions on leasing may be scrupulously followed. In the above context the Second State Finance Commission recommends that while the leasing / Tender-cum-auction may be strictly followed by prescribing the 'upset value', new projects should be subjected to fetch the	Accepted.

		minimum amount, which would ultimately, relieve the local body from burden, within the pay back period.	
9)	16	<p>Timely Tender Disposal</p> <p>In a several number of Municipalities, the disposal of tender is not prompt. Even under special programmes, where large allocations have been made, the councils are yet to dispose of tenders in several Municipalities. A general representation is that the power to dispose tenders be taken away from the purview of the councils and entrusted to the executive. But, solution to this lies in proper and strict implementation of Tamil Nadu Transparency in Tender Act / Rules. The Second State Finance Commission suggests that Government may take a serious view, if there is continued recalcitrance on the part of the local bodies in disposing a tender, or income related issue.</p>	Accepted. The decision whether to entrust the powers to the executive is left to the Council.

M. SHEELA PRIYA,
SECRETARY TO GOVERNMENT.

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[Handwritten Signature]
Section Officer.

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