



GOVERNMENT OF HARYANA

**AN ECONOMIC AND FUNCTIONAL
CLASSIFICATION OF THE BUDGETS OF
MUNICIPAL COMMITTEES/ COUNCILS/ CORPORATION IN
HARYANA- 2006-2007**

**ISSUED BY:
DEPARTMENT OF ECONOMIC AND STATISTICAL ANALYSIS
HARYANA**

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PREFACE

The Economic and Functional Classification of the Budgets of Municipal Committees/Councils/Corporation in Haryana is an attempt to recast the State Municipal transactions in order to assess the economic and functional significance of these transactions. The Economic Classification groups together the items of receipts and expenditure by their economic character such as consumption expenditure, capital formation, transfer payments etc. whereas the Functional Classification groups them according to the particular purpose or function they perform such as education, medical and public health, economic services etc. The present report covers classification of Municipal Budgets for the years 2004 -2005, 2005-2006 and 2006-2007. The main findings of the report are given in the chapter-III of this report.

It is hoped that the analysis presented herein will be found useful by the administrators, planners and research scholars engaged in the study of Municipal Budgets.

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Chandigarh
the 3rd, Feb. 2009

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CHAPTER-1

INTRODUCTION

The budget of a municipal committee/council/corporation presents detailed information about its revenue and expenditure and other financial transactions during the financial year in terms of various departments and purposes but it does not clearly explain the economic significance of various items of revenue and expenditure as these items are not recorded separately therein. Therefore, from the study of budget documents (G-1 Form), as they are, it is not possible to have a clear idea of consumption expenditure, capital formation, current receipts etc. of a municipal committee/ council/corporation. The accounts shown in the budget are, therefore, required to be reclassified and regrouped into meaningful economic categories for understanding the real economic impact of the budgetary transactions of a municipal committee/ council/ corporation.

Thus, in the present brochure, viz., “An Economic and Functional Classification of the Budgets of Municipal Committees/Councils/Corporation – 2006-2007” an attempt has been made to bring together the details of significant heads, under the following five accounts:-

- Account-I Transactions in Commodities and Services and Transfers: Current
 Account of Administrative Departments of Municipal
 Committees/ Councils/Corporation .
- Account-II Transactions in Commodities and Services and Transfers: Current
 Account of Departmental Commercial Undertakings of Municipal
 Committees/ Councils/Corporation .
- Account-III Transactions in Commodities and Services and Transfers: Capital
 Account of Administrative Departments and Departmental
 Commercial Undertakings of Municipal Committees/Councils/
 Corporation .

Account-IV Changes in Financial Assets and Liabilities: Capital Account of Municipal Committees/Councils/Corporation .

Account-V Cash and Capital Reconciliation Account of Municipal Committees/Councils/Corporation.

Besides, the items of revenue and expenditure of Municipal Committees/Councils/Corporation have also been reclassified and regrouped according to particular purpose of function they perform such as education, medical and public health, economic services etc. The two types of classification are integrated into “Economic-cum-Functional Classification” and services are split horizontally into economic categories and vertically into functional categories.

The present study covers the budgets of 1 Municipal Corporation (Faridabad Complex), 21 Municipal Councils and 46 Municipal Committees that existed in Haryana during the year 2006-2007.

ECONOMIC CLASSIFICATION

CHAPTER-II

THE SET OF ACCOUNTS

The following five accounts containing the reclassified data of all the Municipal Committees/Councils/Corporation in Haryana for the years, 2004-2005, 2005-2006 and 2006-2007 are presented in this chapter:-

- Account-I Transactions in Commodities and Services and Transfers: Current Account of Administrative Departments of Municipal Committees/ Councils/Corporation .
- Account-II Transactions in Commodities and Services and Transfers: Current Account of Departmental Commercial Undertakings of Municipal Committees/ Councils/Corporation .
- Account-III Transactions in Commodities and Services and Transfers: Capital Account of Administrative Departments and Departmental Commercial Undertakings of Municipal Committees/Councils/ Corporation .
- Account-IV Changes in Financial Assets and Liabilities: Capital Account of Municipal Committees/Councils/Corporation .
- Account-V Cash and Capital Reconciliation Account of Municipal Committees/Councils/Corporation.

ACCOUNT-I**Transactions in Commodities and Services and Transfers: Current
Account of Administrative Departments of Municipal Committees/
Councils/Corporation in Haryana**

(Rs. in Lakhs)

Sr. No.	Expenditure	2004-2005	2005-2006	2006-07	Sr. No.	Revenue	2004-05	2005-06	2006-07
1	2	3	4	5	6	7	8	9	10
1.	Consumption Expenditure	16401	18592	24013	4.	Tax Revenue@	13135	12677	15179
	1.1 Wages & Salaries	11528	13354	15704	4.1	Taxes on Income	13	39	26
	1.2 Net Purchase of Commodities & Services	4873	5238	8309	(a)	Profession or Trade Tax	13	-	26
	(a) Purchase of Commodities	2533	2965	4100	(b)	Servant Tax	-	-	-
	(b) Repairs and Maintenance	3772	3991	6030	4.2	Taxes on Commodities & Services	1149	1303	1632
	(c) Less Sale of Commodities and Services	1432	1718	1821	(a)	Octroi	-	-	-
	2. Transfer Payments	331	169	228	(b)	Water Tax	-	-	-
	2.1 Interest	300	152	228	(c)	Terminal Tax	227	210	279
	2.2 Grants	31	17	-	(d)	Taxes on Vehicles	317	428	715
	2.3 Other Current Transfers	-	-	-	(e)	Taxes on Animals (including Fee for registration of dogs)	5	6	16
3.	Savings on Current Account	7626	11056	13773	(f)	Fee for Vehicle Licences	157	207	198
					(g)	Licence Fee for Job Porters	6	7	40
					(h)	Dangerous & Offensive Trade, Licence Fees for Letting off Fire Works	340	305	341
					(i)	Tolls on Vehicles & Animals	57	63	3
					(j)	Local Rate	-	-	-

1	2	3	4	5	6	7	8	9	10
						(k) Income from Public Safety and Convenience	40	77	40
					4.3	Taxes on Properties & Capital Transactions	11973	11335	13521
						(a) Taxes on Buildings and Land	6888	6411	6785
						(b)Income from Municipal Properties	5085	4924	6736
				5.		Administrative Receipts	105	75	108
				6.		Revenue Grants and Contributions	2472	4378	5015
				7.		Other Income from	105	371	6
						(a) Profit Transferred from Departmental Commercial Undertakings(Account-II)	(-)234	(-)342	(-)448
						(b) Income from Investment	20	18	63
						(c) Interest Receipts	319	695	431
				8.		Miscellaneous Receipts	8541	12316	17706
	Total	38014	24358	29817	Total		24358	29817	38014

@ Includes income from municipal properties.

ACCOUNT-II

**Transactions in Commodities and Services and Transfers: Current
Account of Departmental Commercial Undertakings of Municipal
Committees /Councils /Corporation in Haryana.**

(Rs. in Lakhs)

Sr. Expenditure No.	2004-2005	2005-2006	2006-07	Sr. Revenue No.	2004-2005	2005-06	2006-07
1	2	3	4	5	6	7	8
1. Wages and Salaries	1179	1377	1437	6. Gross Sale Proceeds	1011.	1108	992
2. Commodities & Services	50	37	28	a) Electricity Deptt.	-	-	-
3. Repairs & Maintenance	1	1	14	b) Transport	-	-	-
4. Interest	15	35	1	c) Water Supply (Sale of water)	1011	1108	992
5. Profit Transferred to Current Account	(-)234	(-)342	(-)448				
Total	1011	1108	992	Total	912	1011	992

ACCOUNT-III

**Transactions in Commodities and Services and Transfers: Capital Account of Administrative
Departments and Departmental Commercial Undertakings of Municipal Committees/Councils/Corporation in Haryana**
(Rs. in Lakhs)

Sr. Disbursement No.		2004-2005	2005-2006	2006-2007	Sr. Revenue No.		2004-2005	2005-2006	2006-2007
1	2	3	4	5	6	7	8	9	10
1.	Capital Formation	8087	11386	18101	5.	Savings on Current Account	7626	11056	13773
	A. Administrative Departments	6362	9029	14844					
	1.1 Buildings & Other Construction	4627	6152	14154	6.	Capital Transfers	3006	7687	10326
	1.2 Machinery & Equipment	210	268	690	6.1	Capital Grants, Contributions & Recoveries	1816	6660	8162
	B Departmental Commercial Undertakings	1725	2357	3257	6.2	Suspense Account	1190	1027	2164
	1.1 Buildings and Other Construction	1725	2357	3257					
	1.2 Machinery and Equipment	-	-	-					
2.	Increase in Inventories (Suspense Account)	1001	1577	1405					
3.	Capital Transfers	-	-	-					
4.	Balance: Surplus/Deficit on all Transactions in Commodities and Transfers.	1544	5780	4593					
	Total	10632	18743	24099	Total	8322	10632	18743	24099

ACCOUNT-IV
Changes in Financial Assets and Liabilities: Capital Account of
Municipal Committees/Councils/Corporation in Haryana

(Rs.in Lakhs)

Sr.No.	Outgoings	2004-2005	2005-2006	2006-2007	Sr.No.	Incomings	2004-2005	2005-2006	2006-2007
1	2	3	4	5	6	7	8	9	10
1.	Repayment of Loans and Advances	843	29	195	4.	Loans and Advances	103	1	2
2.	Unearmarked Investment	30	10	53					
3.	Balance: Net Increase in Financial Assets and Liabilities	(-770)	(-38)	(-246)					
	Total	103	1	2		Total	03	1	2

ACCOUNT-V

Cash and Capital Reconciliation Account of Municipal Committees/Councils/Corporation in Haryana

(Rs. in Lakhs)

Sr. Outgoings No.	2004-2005	2005-2006	2006-2007	Sr. Incomings No.	2004-2005	2005-2006	2006-2007	
1	2	3	4	6	7	8	9	10
1. Increase in Cash Balance	774	5742	4347	2. Surplus in all Transactions in Commodities & Services and Transfers (Balancing Item of Account-III)	1544	5780	4593	
				3. Net Increase in Financial Assets/ Liabilities (Balancing Item of Account-IV)	-770	-38	-246	
Total	774	5742	4347	Total	774	5742	4347	

CHAPTER-III
MAIN FINDINGS

The main findings emerging from the economic classification of municipal budgets are discussed below:-

3.1* Total Expenditure:- The total expenditure (as per economic classification) of the municipal committees/councils/corporation in Haryana (excluding operating expenses of Departmental Commercial Undertakings) was Rs. 43995 lakhs during 2006-2007 as compared to Rs. 31763 lakhs during 2005-2006 and Rs. 26693 lakhs during 2004-2005 registering an increase of 38.51 per cent in 2006-2007 over 2005-2006 whereas it increased by 18.99 percent in 2005-2006 over 2004-2005. The municipal committees/councils/corporation incurred expenditure mainly on wages and salaries of municipal staff, construction of roads, pavement and maintenance of streets and drainage works. The allocation by types of expenditure is given in table-3.1.

Table 3.1: Total Expenditure by Municipal Committees/Councils/Corporation

		(Rs. in Lakhs)		
Sr. No.	Item	2004-2005 (Accounts)	2005-2006 (Accounts)	2006-2007 (Accounts)
1	2	3	4	5
1.	Final Outlays	25489 (95.49)	31555 (99.35)	43519 (98.92)
	a) Consumption Expenditure (Vide item- 1 of Account-I)	16401 (61.44)	18592 (58.53)	24013 (54.58)
	b) Capital Formation (Vide item-1 of Account-III)	8087 (30.30)	113.86 (35.85)	18101 (41.14)
	c) Suspense Account (vide item-2 of Account-III)	1001 (3.75)	1577 (4.97)	1405 (3.20)
2.	Transfer Payments to the rest of the Economy	331 (1.24)	169 (0.53)	228 (0.52)
	a) Current Transfer (Vide item-2 of Account No. 1)	331 (1.24)	169 (0.53)	228 (0.52)
	b) Capital Transfer (Vide item –3 of Account No. III)	-	-	-
3.	Financial Investment and Loans to the rest of the Economy (Vide item 1 & 2 of Account-IV)	873 (3.27)	39 (0.12)	248 (0.56)
	*Total Expenditure (as per economic Classification)	26693 (100.00)	31763 (100.00)	43995 (100.00)

* Exclusive of operating expenses of departmental commercial undertakings.

3.1(a) Final Outlays :-Final outlays represent direct demand for consumption expenditure, capital formation etc. of the Municipal Committees/Councils/Corporation. Final outlays constitute the major expenditure i.e. 98.92 per cent in 2006-2007 as against 99.35 per cent in 2005-2006 and 95.49 per cent in 2004-2005. Of the final outlays of Rs. 43518 lakhs incurred during the year 2006-2007 Rs. 24013 lakhs or 55.18 per cent constituted consumption expenditure as against Rs. 18592 lakhs or 58.92 per cent during 2005-2006 and Rs.16401 lakhs or 64.35 per cent during 2004-2005.

3.1(b) Capital Formation:

The expenditure incurred on capital formation during 2006-2007 formed 41.14 per cent of the total expenditure as against 35.85 per cent during 2005-2006 and 30.30 per cent during 2004-2005. Capital formation was to the tune of Rs. 18101 lakhs in 2006-2007 as compared to Rs. 11386 lakhs in 2005-2006 showing an increase of 58.98 per cent in 2006-2007 over 2005-2006 where as it increased by 40.79 per cent in 2005-2006 over 2004-2005.

3.1(c) Transfer Payments, Financial Investments and Loans

The expenditure of Rs. 476 lakhs forming 1.08 per cent of the total expenditure in 2006-2007 represents transfer payments on current and capital accounts, financial investment and loans and advances to the rest of the economy. The corresponding figure for 2005-2006 was Rs. 208 lakhs (0.65 per cent) and for 2004-2005 was Rs. 1204 lakhs (4.51 per cent).

3.2 Financial Assistance for Capital Formation

In addition to the capital formation directly undertaken, the assistance was also provided to the rest of the economy for capital formation. The details of amount spent for this purpose for the years under review are given in table-3.2.

Table 3.2 Total Financial Assistance for Capital Formation

		(Rs. in Lakhs)		
Sr.	Item	2004-2005	2005-2006	2006-2007
1	2	3	4	5
1.	Loans for Capital Formation	-	-	-
2.	Unearmarked Investments (Vide item 2 of Account –IV)	30	10	53
Total Financial Assistance for Capital Formation		30	10	53

3.3 Capital Formation Out of Budgetary Resources

The details of total investment for capital formation by Municipal Committees/Councils/Corporation out of budgetary resources are indicated in table-3.3.

Table-3.3: Capital Formation Out of Budgetary Resources of the Municipal Committees/Councils/Corporation.

		(Rs. in lakhs)		
Sr.No	Item	2004-2005	2005-2006	2006-2007
1	2	3	4	5
1.	Capital Formation by the Municipal Committees/Councils/Corporation (Vide item 1 of Account-III)	8087	11386	18101
2.	Finance Investment /Unearmarked Investment for Capital Formation to the rest of economy (Vide item 2 of Account-IV)	30	10	53
Total Capital Formation out of the Budgetary Resources of Municipal Committees/Councils/Corporation)		8117	11396	18154

The above table depicts that the total outlay provided for Capital Formation by Municipal Committees/Councils/Corporation out of their budgetary resources was Rs. 18154 lakhs in 2006-2007, Rs. 11396 lakhs in 2005-2006 and Rs. 8117 lakhs in 2004-2005, thus showing an increase of 59.30 per cent in 2006-2007 over 2005-2006 whereas it had increased by 40.40 per cent in 2005-2006 over 2004-2005. The percentage of total outlay for capital formation to the total expenditure during the years 2006-2007, 2005-2006 and 2004-2005 were 35.88, 35.88 and 30.41 respectively.

3.4 Current Receipts:

In assessing the economic implications of municipal expenditure, it is necessary to examine the resources from which they are financed. The municipal committees/ councils/ corporation derive income mainly from taxes on buildings and land and income from municipal properties. The State Govt. also gives grants and loans to municipal committees/ councils/corporation for development works and for salary of the municipal staff. For proper assessment of economic implications of municipal expenditure, their sources of income have been grouped under significant economic heads in table-3.4.

Table 3.4 Current Receipts of Municipal Committees/Councils/Corporation

		(Rs.in Lakhs)		
Sr.No.	Item	2004-2005	2005-2006	2006-2007
1	2	3	4	5
1.	Tax Revenue (vide item 4 of Account-I)	13135 (53.93)	12677 (42.52)	15179 (39.93)
2.	Other Income (Vide item 7 of Account-I)	105 (0.43)	371 (1.24)	6 (0.02)
3.	Miscellaneous Receipts (Vide item 8 of Account-I)	8541 (35.06)	12316 (41.31)	17706 (46.58)
4.	Revenue Grants and Contributions (Vide item 6 of Account-I)	2472 (10.15)	4378 (14.68)	5015 13.19
5.	Administrative Receipts \ (Vide item 5 of Account-I)	105 (0.43)	75 (0.25)	108 (0.28)
Total*		24358 (100.00)	29817 (100.00)	38014 (100.00)

* excluding receipts from departmental commercial undertakings.

The total current revenue of Municipal Committees/Councils/ Corporation in Haryana was Rs. 38014 lakhs in 2006-2007 as against Rs. 29817 lakhs in 2005-2006 and Rs. 24358 lakhs during 2004-2005. The revenue increased by 27.49 percent during 2006-2007 over 2005-2006 whereas it increased by 22.41 per cent during 2005-2006 over 2004-2005. Out of total revenue of Rs. 38014 lakhs in 2006-2007, Rs.15179 lakhs (39.93 per cent) was from tax revenue. The corresponding percentages for 2005-2006 and 2004-2005 were 42.52 per cent and 53.93 percent respectively.

3.5 Current Outgoings:-

The Current Outgoings which Consists of Consumption Expenditure and Transfer Payments were Rs.16732 lakhs during the year 2004-2005, Rs. 18761 lakhs during 2005-2006 and Rs. 24241 lakhs during 2006-2007. This shows an increase of 12.13 percent during 2005-2006 over 2004-2005 and an increase of 29.21 percent during 2006-2007 over 2005-2006. Consumption Expenditure constitutes the major portion of the Current outgoings. Its contribution to total Current Outgoing were 98.02 percent, 99.10 percent and 99.06 percent respectively during the above periods whereas the contribution of Transfer Payments to total Current Outgoings during the above periods were only 1.98 percent, 1.90 percent and 0.94 percent respectively. The details are given in the following table No.3.5.

Table 3.5:Current Outgoings of Municipal Committees/Councils/Corporation
(Rs. in Lakhs)

Sr.No.	Item	2004-2005	2005-2006	2006-2007
1	2	3	4	5
1.	Consumption Expenditure (Vide item 1 of Account –1)	16401 (98.02)	18592 (99.10)	24013 (99.06)
2.	Transfer Payments (Vide item 2 of Account-1)	331 (1.98)	169 (0.90)	228 (0.94)
	Total Current Outgoings*	16732 (100.00)	16732 (100.00)	24241 (100.00)

* excluding operating expenses of departmental commercial undertakings.

3.6 Gross Savings: Gross savings comprise savings of the municipal administration i.e the surplus of municipal current receipts over municipal current expenditure.

3.6(a) Income Surplus/Deficit:

The income surplus/deficit of Municipal Committees/Councils/ Corporation is measured by the excess of investment over net saving and is shown in table-3.6(a).

Table 3.6(a): Income Surplus/Deficit of the Municipal Committees/Councils/ Corporation.

		(Rs. in Lakhs)		
Sr.No.	Item	2004-2005	2005-2006	2006-2007
1	2	3	4	5
1.	Savings by the Municipal Committees/ Councils/Corporation (Vide item 3 of Account-1)	7626	11056	13773
2.	Investment/Capital Formation by the Municipal Committees/ Councils/Corporation (Vide item item 1 of Account-III)	8087	11386	18101
	Income Surplus/Deficit of the Municipal Committees/Councils/Corporations (1-2)	(-)461	(-)330	(-)4328

3.6(b) Other Surplus/Deficit:-

The other surplus/deficit on income account as indicated in the balancing items of account-III and IV forms the overall surplus/deficit which denotes the total requirements of finance over and above the savings affected by the Municipal Committees/Councils/Corporation. The overall financial position of Municipal Committees/Councils/Corporation are given in table-3.6(b).

Table 3.6(b): Total Requirement of Finance for the Municipal Committees/Councils/Corporation.

		(Rs. in Lakhs)		
Sr.No.	Item	2004-2005	2005-2006	2006-2007
1	2	3	4	5
1.	Surplus on all Transactions on Commodities and Services and Transfer (Vide balancing item No.4 of Account -III)	1544	5780	4593
2.	Net Increase in Financial Assets (Vide balancing item No.3 of Account-1V)	-770	-38	-246
	Surplus/Deficit Denoting Total Requirements of Finance (1+2)	774	5742	4347

3.7 Net Profit of Departmental Commercial Undertakings: The net profit of departmental Commercial Undertakings i.e. the excess of gross receipts over operating expenses exhibits the financial result of the working of these undertakings. This is taken as profit and taken to current account of Municipal Committees/Councils/Corporation and add to their savings. The derivations of the net profit is shown below:-

Table 3.7: Net Profit of Departmental Commercial Undertakings of Municipal Committees/Councils/Corporation

Sr.No.	Item	(Rs. in Lakhs)		
		2004- 2005	2005-2006	2006-2007
1	2	3	4	5
1.	Gross Receipts (Vide item 6 of Account-II)	1011	1108	992
2.	Operating Expenses (Vide item 1,2,3 and 4 of Account-II)	1245	1450	1480
	Net Profit (1-2)	(-)234	(-)342	(-)488

CHAPTER-IV

NOTES ON THE ACCOUNTS, THEIR DERIVATION AND RATIONAL

Account 1: Transactions in Commodities and Services and Transfers : Current Account of Municipal Committees/Councils/Corporation :

This account deals with the current revenue and expenditure of all the Municipal Committees/Councils/Corporation in the State. All departments other than those listed under Account-II in the chapter are considered as administrative for the purpose of this classification. The current expenditure of administrative departments consist of the final outlays of Municipal Committees/Councils/Corporation on current account which represents consumption. The final outlays are made up of purchases of commodities and services and wages and salaries payments. Besides final outlays, Municipal Committees/Councils/Corporation make transfer payments, i.e. grants, scholarships, prizes etc. to the rest of the economy which add indirectly to the disposable income of the community. To meet the current expenditure, Municipal Committees/Councils/Corporation appropriate a part of the income of the community through a variety of taxes, miscellaneous receipts accruing during the course of administration. In addition, Municipal Committees/Councils/Corporation have an investment income from property and entrepreneurship. The Municipal Committees/Councils/Corporation also receive revenue grants, contributions and recoveries from the State Government and others. The excess of the current receipts over current expenditure denote the savings of the Municipal Committees/Councils/Corporation is available for capital formation. Some of the items included in this Account are explained as below:-

Item 1.1 wages and Salaries :- This item including pay of the establishments (other than travelling and daily allowances) other allowances and honorarium and 50 percent of the expenditure incurred on un-classified miscellaneous heads. Wages and Salaries also include contributions to provident funds.

Item 1.2 Commodities and Services:- This item includes all expenditure under contingency, office supplies, fuel and light, expenditure on repairs and maintenance, printing, travelling and daily allowances, telephone and telegraph charges, taxes and rent of hired buildings, machinery and equipment, 50 per cent lump-sum miscellaneous unclassified charges and other items for current operation.

Item No. 2 Transfer Payments:- Transfer payments include grants, scholarships, stipends, prizes and awards etc.

Item No. 3 Savings on Current Account: The balancing item on the Current Account of the Municipal Committees/Councils/Corporation represent the saving of this sector, i.e. surplus of current receipts over current expenditure.

Item No. 4 Tax Revenue: This is classified into taxes on income, taxes on commodities and services and taxes on properties, and capital transactions. Taxes on income include tax on profession or trade. Taxes on commodities and services consist of octroi, terminal tax, water tax, taxes on vehicles and animals and income under the head of public safety and convenience which include lighting, fire, fee for services of fire brigade etc. Taxes on properties and capital transactions comprise taxes on buildings, land and income from municipal properties (rent of land and buildings, dak bungalows, gardens, road side trees and tehbazari fees).

Item No. 5 Administrative Receipts:- These comprise of all kinds of receipts from administrative services (education, medical, public health, water supply and veterinary). They exclude, however, contributions from the State Government for the purpose for administration.

Item No. 6: Revenue Grants, Contributions and Recoveries:- These are current receipts accruing from the State Government and various Committees and Boards.

Item No. 7 Income from Property and Entrepreneurship:- This record the income receivable by the Municipal Committees/Councils/Corporation from Departmental Commercial Undertakings as well as the net rent, interest and dividend accruing to them from the ownership of buildings or financial assets.

Item No. 8 Miscellaneous Receipts:- This item includes fines and penalties, birth and death registration fees, copying fees etc.

Account-II : Transactions in Commodities and Services and Transfers: Current Account of Departmental Commercial Undertakings of Municipal Committees/Councils/Corporation :

The Departmental Commercial Undertakings briefly be defined as agencies producing goods and services that are not provided free of charge. The essential characteristics distinguishing these departments from other administrative departments are that they charge for what they provide according to use and are thus able to meet a part or most of their costs from their sale proceeds. In this study electricity, transport and water supply have been classified as Departmental Commercial Undertakings.

The expenditure side of the Departmental Commercial Undertakings spell out the current expenditure into wages and salaries, commodities and services, repairs and maintenance, interest, provision for depreciation and profit which is transferred to Administrative Departments. Repairs and maintenance expenditure is shown separately because of the importance of such expenditure of the efficient working of commercial enterprises.

Account –III Transactions in Commodities and Services and Transfers: Capital Account of Administrative Departments and Departmental Commercial Undertakings of Municipal Committees/ Councils/ Corporation :

This Account is concerned with the total capital outlay representing physical assets and capital formation by the Administrative Departments and Commercial Undertakings of the Municipal Committees/ Councils/Corporation. The savings transferred from Account I and capital grants, contributions and recoveries received by the Municipal Committees/ Councils/Corporation constitute the source of finance for all expenditure recorded in this Account. The difference between savings and capital formation and suspense account is often used in economic analysis as a measure of budgetary deficit. The surplus/deficit which ia shown as balancing item in Account-III alongwith net increase in financial assets and liabilities in Account-IV gives the total requirements of finances of the Municipal Committees/ Councils/Corporation.

Item 1.1 Buildings and Other Constructions:- This item include all expenditure on works of buildings and reservoirs, construction of roads and pavement of streets.

Item 1.2 Machinery and Equipment: Machinery and Equipment include expenditure incurred on the purchase of tools and plants by the Municipal Committees/ Councils/ Corporation of the State.

Item 2 Increase in Inventories:- This item represents increase or decrease in work stores and stock of goods etc. Suspense Account is included under the head ‘ Work Stores’ .

Receipts on Capital Account:- Receipts available for capital formation consists of gross savings on Current Account brought over from Account-I and capital grants, contributions and recoveries from the State Government and other institutions.

Account-IV: Changes in Financial Assets and Liabilities: Capital Account of Municipal Committees/Councils/Corporation in the State.

This account which shows the changes in the financial assets and liabilities of the Municipal Committees/Councils/Corporation in the State is concerned with transactions in financial investment and repayment of loans and advances. The balancing item of this Account representing net financial assets and liabilities when added to the deficit in Account-III which gives the total requirements of finance of the Municipal Committees/ Councils/Corporation for fixed assets formation and for the accumulation of financial claims against the rest of the economy.

Account-V: Cash and Capital Reconciliation Account of Municipal Committees/ Councils/Corporation in the State

This Account sums up the net position in respect of Account-III and IV showing the effect of all transactions of the Municipal Committees/ Councils/ Corporation in the State on its cash position. As stated earlier, Account-III gives the net position in respect of all the transactions in commodities and services and transfers while Account-IV brings out the net position in respect of financial assets and liabilities.

**CHAPTER –V
RECONCILIATION**

In this chapter an attempt has been made to reconcile the figures relating to total income and expenditure of Municipal Committees/ Councils/ Corporation with the revenue and expenditure as worked out by the economic classification scheme.

5.1 Reconciliation : Income The various adjustments in the Economic Classification to arrive at the income as given in the Municipal Budgets for the years under review are spelt on in detail in the table no. 5.1.

Table 5.1 Income: Reconciliation of Municipal Committees/Councils/Corporation Budgets:

		(Rs. in Lakhs)		
Sr.No.	Revenue	200-2005	2005-2006	2006-2007
1	2	3	4	5
1.	Total Income of the Municipal Committees/ Councils/Corporation	30144	40673	51643
	LESS:			
2.	Sale of Commodities and Services treated as deduction of consumption expenditure	1432	1718	1821
3.	Suspense Account	1190	1027	2164
4.	Capital Transfers (Capital Grants and Contributions and recoveries)	1816	6660	8162
5.	Sale Proceeds of Departmental Commercial undertakings	1011	1108	992
6.	Loans (Incomings)	103	1	2
	ADD:			
7.	Profit of Departmental Commercial Undertakings	(-)234	(-)342	(-)488
	Total Adjustments	(-)5786	(-)10856	(-)13629
	Revenue as shown in the Economic Classification	24358	29817	38014

5.2 Reconciliation : Expenditure The various adjustments in the Economic Classification to arrive at the expenditure as given in the Municipal Budgets for the years under review are spelt on in detail in the table no. 5.2.

Table 5.2: Expenditure: Reconciliation of Municipal Committees/Councils/ Corporation Budgets

		(Rs. in Lakhs)		
Sr.No.	Expenditure (Revenue & Capital)	2004-2005	2005-2006	2006-07
1	2	3	4	5
1.	Total Expenditure of Municipal Committees/Councils/Corporation	29370	34931	47296
	LESS:			
2.	Sale of Commodities and Services treated as deduction of Consumption Expenditure	1432	1718	1821
3.	Operating Expenses of Departmental Commercial Undertakings	1245	1450	1480
	Total Adjustments	(-)2677	(-)3168	(-)3301
	Expenditure as shown in the Economic Classification	26693	31763	43995

FUNCTIONAL CLASSIFICATION

CHAPTER-VI

PRINCIPLES OF FUNCTIONAL CLASSIFICATION

Economic classification groups the primary items of expenditure by their economic character while functional classification groups them according to the particular purpose they serve. It is designed to show how expenditure is divided into different types of services provided. It gives information about public expenditure devoted to a particular service or group of services, say education, health or housing and community services etc.

The functional classification excludes current expenditure on goods and services of Departmental Commercial Undertakings. These enterprises produce goods and services that are sold largely outside the public sector. Their current expenditure on goods and services is an intermediate expenditure, which represents cost of production and net expenditure on final goods and services. It may also be noted that the functional classification is not applied to receipts except to those which may be considered as offsets to expenditure on goods and services included in this type of classification such as proceeds from sale of goods and services.

All items of expenditure have been grouped under different broad functional categories. The U.N. reports i.e., “ A Manual for Economic and Functional Classification of Government Transactions, 1958” and “ System of National Account, 1968” serve as guidelines. The functional categories are as under:-

1. General Public Services
2. Civil Defence
3. Education
4. Medical and Public Health
5. Social Security and Welfare Services
6. Housing and Community Services
7. Cultural, Recreational and Religious Services
8. Economic Services
9. Other purposes

Economic and Functional Classification have been combined into a single two way cross-classification by significant economic and functional categories. It relates to expenditure for the year 2004-2005 (Accounts), 2005-2006 (Accounts) , 2006-2007 (Accounts). The Table 6.1, 6.2 and 6.3 splits up horizontally the expenditure on each service for the years under review into significant economic categories. The broad divisions of economic classification are current and capital expenditure while that of functional classification are general public services, defence, education, medical and public health, social security, welfare services, housing and community services, cultural, recreational and religious services, economic services and other purposes. From this, it is very easy to see the nature of expenditure on each group of services. For example, it can be seen how much is spent on goods and services, on capital formation or for promoting education, health, water supply, etc.

TABLE: 6.3
Economic & Functional Classification of Budgetary Expenditure
of Municipal Committees/Councils/Corporation 2006-2007 (Accounts)

(Rs. in Lakhs)

Current Expenditure										
Sr. No.	Name of Head	Wages and Salaries	Purchase of Goods and Services	Repairs & Maintenance	Total 3+4+5	Less Out side Sale	Consumption Expenditure	Interest	Grants	Total Current Expenditure
1	2	3	4	5	6	7	8	9	10	11
1.	General Public Services	2750	568	67	3385	1820	1565	124	-	1689
2.	Defence	-	-	-	-	-	-	-	-	-
3.	Education	5	3	-	8	-	8	-	-	8
4.	Medical & Public Health	9711	997	167	10875	1	10877	1	-	10875
5.	Social Security & Welfare Services	-	-	-	-	-	-	-	-	-
6.	Housing and Community Services	2358	2451	5764	10573	-	10573	103	-	10676
7.	Cultural, Recreational and Religious Services	85	10	8	103	-	103	-	-	103
8.	Economic Services	795	71	24	890	-	890	-	-	890
	i) Agriculture, Forestry, Fishing and Hunting	795	71	24	890	-	890	-	-	890
	ii) Water Supply	-	-	-	-	-	-	-	-	-
	iii) Transport Services	-	-	-	-	-	-	-	-	-
	iv) Electricity Services	-	-	-	-	-	-	-	-	-
9.	Other purposes	-	-	-	-	-	-	-	-	-
	Grand Total	15704	4100	6030	25834	1821	24013	228	-	24240

TABLE : 6.3 (Concl.)
Economic & Functional Classification of Budgetary Expenditure
of Municipal Committees/Councils/Corporation 2006-2007 (Accounts)
(Rs. in Lakhs)

Capital Expenditure									
Sr. No	Name of Head	Buildings & Other Construction	Machinery and Equipments	Increase in Inventories (Suspense Account)	Loans		Unearmarked Investment	Total Capital Expenditure	Grand Total*
					For Capital Formation	For Current Consumption			
1	2	12	13	14	15	16	17	18	19
1.	General Public Services	278	-	-	-	167	53	498	2186
2.	Defence	-	-	-	-	-	-	-	-
3.	Education	25	-	-	-	-	-	25	33
4.	Medical & Public Health	2400	69	-	-	7	-	2476	13351
5.	Social Security & Welfare Services	-	-	-	-	-	-	-	-
6.	Housing and Community Services	10578	621	1405	-	7	-	12611	23287
7.	Cultural, Recreational and Religious Services	70	-	-	-	-	-	70	173
8.	Economic Services								
	i) Agriculture, Forestry, Fishing and Hunting	804	-	-	-	-	-	804	1694
	ii) Water Supply	3257	-	-	-	14	-	3271	3271
	iii) Transport Services	-	-	-	-	-	-	-	-
	iv) Electricity Services	-	-	-	-	-	-	-	-
9.	Other purposes	-	-	-	-	-	-	-	-
Grand Total		17411	690	1405	-	195	53	19754	43995

* excluding operating expenses of departmental commercial undertakings.

TABLE: 6.2

**Economic & Functional Classification of Budgetary Expenditure
of Municipal Committees/Councils/Corporation 2005-2006(Accounts)**

(Rs. in Lakhs)

Current Expenditure										
Sr. No.	Name of Head	Wages and Salaries	Purchase of Goods and Services	Repairs & Maintenance	Total 3+4+5	Less Out side Sales	Consumption Expenditure	Interest	Grants	Total Current Expenditure
1	2	3	4	5	6	7	8	9	10	11
1.	General Public	2376	442	43	2861	1716	1145	76	-	1221
2.	Defence	-	-	-	-	-	-	-	-	-
3.	Education	13	1	-	11	-	11	-	-	11
4.	Medical & Public Health	8377	663	76	9116	-	9114	76	2	9192
5.	Social Security & Welfare Services	-	-	-	-	-	-	-	-	-
6.	Housing and Community Services	1764	1775	3861	7400	-	7400	-	-	7400
7.	Cultural,Recreational and Religious Services	85	12	-	97	-	97	-	15	112
8.	Economic Services	742	72	11	825	-	825	-	-	825
	i) Agriculture,Forestry Fishing and Hunting	742	72	11	825	-	825	-	-	825
	ii) Water Supply	-	-	-	-	-	-	-	-	-
	iii) Transport Services	-	-	-	-	-	-	-	-	-
	iv) Electricity Services-	-	-	-	-	-	-	-	-	-
7.	Other purposes	-	-	-	-	-	-	-	-	-
Grand Total		13354	2965	3991	20310	1718	18592	152	17	18761

TABLE: 6.2 (Concl'd)

**Economic and Functional Classification of Budgetary Expenditure
of Municipal Committees/Councils/Corporation 2005-2006 (Accounts)**

(Rs. in Lakhs)

Capital Expenditure									
Sr. No	Name of Head	Buildings & Other Construction	Machinery and Equipments	Increase in inventories (suspe-nse account)	Loans			Total Capital Expenditure	Grand Total*
					For Capital Formation	For Current Consumption	Unear-marked Investment		
1	2	12	13	14	15	16	17	18	19
1.	General Public Services	283	-	-	-	14	10	307	1528
2.	Defence	-	-	-	-	-	-	-	-
3.	Education-	-	-	-	-	-	-	-	11
4.	Medical & Public Health	1416	123	-	-	-	-	1539	10731
4.	Social Security and Welfare Services	-	-	-	-	-	-	-	-
6.	Housing & Community Services	6643	145	1577	-	12	-	8377	15777
7.	Cultural,Recreational & Religious Services	30	-	-	-	-	-	30	142
8.	Economic Services	2746	-	-	-	3	-	2749	3574
	i) Agriculture,Forestry, Fishing & Hunting	389	-	-	-	-	-	389	1214
	ii) Water Supply	2357	-	-	-	3	-	2360	2360
	iii) Transport Services	-	-	-	-	-	-	-	-
	iv) Electricity Services-	-	-	-	-	-	-	-	-
9.	Other Purposes-	-	-	-	-	-	-	-	-
10	Grand Total	11118	268	1577	-	29	10	13002	31763

* excluding operating expenses of departmental commercial undertakings.

TABLE: 6.1
Economic and Functional Classification of Budgetary Expenditure of
Municipal Committees/Councils/Corporation 2004-2005(Accounts)
(Rs in Lakhs)

Current Expenditure										
No.	Name of Head	Wages and Salaries	Purchase of Goods and Services	Repairs & Maintenance	Total 3+4+5	Less Out side Sales	NetConsumption Expenditure	Interest	Grants	Total Current Expenditure
1	2	3	4	5	6	7	8	9	10	11
1.	General Public Services	2013	309	32	2354	1417	937	45	27	1009
2.	Defence	-	-	-	-	-	-	-	-	-
3.	Education	9	1	-	10	-	10	-	-	10
4.	Medical & Public Health	7221	554	117	7892	15	7877	7	3	7887
5.	Social Security and Welfare Services	-	-	-	-	-	-	-	-	-
6.	Housing & Community Services	1545	1599	3615	6759	-	6759	240	-	6999
7.	Cultural,Recreational & Religious Services	78	7	5	90	-	90	-	-	90
8.	Economic Services									
	i) Agriculture,Forestry, Fishing & Hunting	662	63	4	729	-	729	7	1	737
	ii) Water Supply	-	-	-	-	-	-	-	-	-
	iii) Transport Services-	-	-	-	-	-	-	-	-	-
	iv) Electricity Services	-	-	-	-	-	-	-	-	-
9.	Other Purposes	-	-	-	-	-	-	-	-	-
	i) Interest	-	-	-	-	-	-	-	-	-
	ii) Loans & Advances-	-	-	-	-	-	-	-	-	-
10	Grand Total	11528	2533	3773	17834	1432	16402	299	31	16732

TABLE : 6.2 (Concl.)

**Economic and Functional Classification of Budgetary Expenditure
Of Municipal Committees/Councils/Corporation 2004-2005 (Accounts)**
(Rs. in Lakhs)

Capital Expenditure									
Sr. No	Name of Head	Buildings & Other Construction	Machinery and Equip-ments	Increase in inven-teries (Suspe-nse Account)	Loans		Unear marked Invest-ment	Total Capi- tal Expe-nditu-re	Grand Total*
					For Capital Forma- tion	For Current Consu- mption			
1	2	12	13	14	15	16	17	8	19
1.	General Public Services	193	-	-	-	8	30	231	1240
2.	Defence	-	-	-	-	-	-	-	-
3.	Education	-	-	-	-	-	-	-	10
4.	Medical & Public Health	1381	57	-	-	1	-	1439	9326
5.	Social Security and Welfare Services	-	-	-	-	-	-	-	-
6.	Housing & Community Services	3959	153	1001	-	829	-	5942	12941
7.	Cultural,Recreational & Religious Services	65	-	-	-	-	-	65	155
8.	Economic Services	2279	-	-	-	5	-	2284	3021
	i) Agriculture,Forestry Fishing & Hunting	554	-	-	-	-	-	554	1291
	ii) Water Supply	1725	-	-	-	5	-	1730	1730
	iii) Transport Services	-	-	-	-	-	-	-	-
	iv) Electricity Services	-	-	-	-	-	-	-	-
9.	Other Purposes	-	-	-	-	-	-	-	-
	i) Interest	-	-	-	-	-	-	-	-
	ii) Loans & Advances	-	-	-	-	-	-	-	-
Grand Total		7877	210	1001	-	843	30	9961	26693

* excluding operating expenses of departmental commercial undertakings.

CHAPTER-VII

DETAILED FUNCTIONAL CLASSIFICATION SCHEME

This chapter presents a detailed scheme for the functional classification of Municipal Committees/Councils/Corporation budgetary expenditure. The principles of the scheme have already been discussed in the previous chapter.

The detailed scheme which is presented in the following pages is put forward as an illustration of the classification of Municipal Committees/Councils/Corporation expenditure by purpose. It can be further expanded by introducing more programmes/activities under the main category of expenditure.

7.1: Functional Classification - Distribution of Expenditure

The Functional classification of Municipal Committees/ Councils/ Corporation budgetary expenditure for the year 2004-2005, 2005-2006 and 2006-2007 is given table no. 7.1.

Table 7.1 : Functional Classification –Distribution of Expenditure of Municipal Committees/Councils/Corporation

		(Rs.in Lakhs)		
Sr.No.	Head	2004-2005 (Account)	2005-2006 (Account)	2006-2007 (Account)
1	2	3	4	5
1.	General Public Services	1240 (4.65)	1528 (4.81)	2186 (4.97)
2.	Defence	-	-	-
3.	Education	10 (0.03)	11 (00.04)	33 (0.07)
4.	Medical and Public Health	9326 (34.94)	10731 (33.78)	13351 (30.34)
5.	Social Security and Welfare-Services	-	-	-
6.	Housing and Community Services	12941 (48.48)	15777 (49.67)	23287 (52.95)
7.	Cultural, Recreational and Religious Services	155 (0.58)	142 (0.45)	173 (0.39)
8.	Economic Services	3021 (11.32)	3574 (11.25)	4965 (11.28)
	i) Agriculture, Forestry, Fishing and Hunting	1291 (4.84)	1214 (3.82)	1694 (3.85)
	ii) Water Supply	1730 (6.48)	2360 (7.43)	3271 (7.43)
	iii) Transport Services	-	-	-
	iv) Electricity Services	-	-	-
9.	Other Purposes	-	-	-
Total*		26693 (100.00)	31763 (100.00)	43995 (100.00)

* excluding operating expenses of departmental commercial undertakings

Note: Figures in brackets are percentage to total.

7.2 : Developmental & Non-Developmental Expenditure

. Developmental and non-developmental expenditure of all municipal Committees/Councils/Corporation comes to Rs.31763 Lakhs in 2005-2006 as compared to Rs. 26693 lakhs in 2004-2005 and Rs.22092 lakhs in 2003-2004. Developmental expenditure has been dominating in the years under reference with a major share of 95.19 percent of total expenditure during 2005-2006 as compared to 95.35 percent in 2004-2005 and 97.25 percent in 2003-2004 which is a good sign of developmental activities at urban local bodies level. Non-developmental expenditure

during 2005-2006 was Rs.1528 lakhs (4.81 percent) as compared to Rs. 1240 lakhs (4.65 percent) during 2004-2005 and Rs.607 lakhs (2.75 percent) during 2003-2004. Table 7.2 gives information regarding expenditure according to major heads and their percentages under developmental and non-developmental categories.

Table :- 7.2 Developmental and Non-Developmental Expenditure of Municipal Committees/Councils/Corporation

(Rs. in lakhs)

Sr.No.	Heads	2004-2005	2005-2006	200-2007
1	2	3	4	5
A. Developmental Expenditure		25453	30235	41809
		(95.35)	(95.19)	(95.03)
1.	Education	10	11	33
		(0.03)	(0.04)	(0.07)
2.	Medical & Public Health	9326	10731	13351
		(34.94)	(33.78)	(30.34)
3.	Social Security and welfare Services	-	-	-
4.	Housing & Community Services	12941	15777	23287
		(48.48)	(49.67)	(52.95)
5.	Cultural, Recreational and Religious Services	155	142	173
		(0.58)	(0.45)	(0.39)
6.	Economic Services	3021	3574	4965
		(11.32)	(11.25)	(11.28)
B. Non- Developmental Expenditure		1240	1528	2186
		(4.65)	(4.817)	(4.97)
1.	General Public Services	1240	1528	2186
		(4.65)	(4.81)	(4.97)
2.	Defence	-	-	-
3.	Other Purposes	-	-	-
Total*		26693	31763	43995
		(100.00)	(100.00)	(100.00)

*excluding operating expenses of departmental commercial undertakings

Note: Figures in brackets show percentages to total.

CHAPTER-VIII

NOTES ON FUNCTIONAL CATEGORIES

- 1. General Public Services :-** It includes remuneration of Head of Municipal Committees/Councils/Corporation, Executive Officer, Secretary and their supporting staff. It also covers expenditure incurred on collection of taxes on land and buildings, taxes on vehicles, animals, dogs, advertisement tax, tax on entry of goods into local areas, rents on municipal lands and building fee, building application fee, composition fee and other taxes and duties on commodities and services
- 2. Defence:-** No expenditure is incurred at local bodies level under this functional head. The activities relating to this head come under the Centre and State Governments.
- 3. Education:-** This head relates to expenditure incurred on general regulation and promotion of school systems, management and support to primary schools, secondary schools and colleges, technical training institutions such as craft schools, sewing schools, balwari schools. It includes scholarships and grants to individuals for education and training purposes. Subsidiary services such as transportation of school children, school meals and other ancillary services designed to promote and facilitate schools attendance are covered under this head of expenditure.
- 4. Medical and Public Health:-**
 - (a) Medical:- It includes establishment expenses on hospitals and dispensaries, medical and dental clinics, provision of drugs and appliances and similar field programmes, charges for lunatics, antirabic treatment of paupers and outlays in respect of hospitals and dispensaries and services of individual doctors, dentists, etc.
 - (b) Public Health:- It includes expenditure on public health direction, municipal engineer and supporting staff, vaccination, prevention and control of malaria and other epidemic diseases, burning and burial of paupers, slaughter houses, conservancy system and prevention of food adulteration.
- 5. Social Security and Welfare Services:-** It consists of expenditure on relief measures. It comprises of payment of funds in case of accident, injury, sickness and other benefits to compensate for the loss. Welfare services include expenditure on child welfare, homes for aged, care for disabled, contributions to family welfare agencies etc.

6. Housing and Community Services:- This head includes expenditure on promotion of activities and facilities in respect of housing and capital expenditure in connection with housing. It covers expenditure for provisions, assistance or support of housing and slum improvement activities. It also includes, street lighting, street watering and fire brigade services, construction of public toilets and urinals, rehri/rickshaw stands, municipal booths and shops, octroi barriers and pavement of streets and drains. Disbursement of loans to employees such as safai sewaks and other low income category of people for purchase and construction of houses.

7. Cultural, Recreational and Religious Services:- It includes expenditure for upkeep of facilities such as land scaping and development of parks, dak bungalows and sarais, public libraries, play-grounds, athletic fields, swimming pools, hostels and other lodging places which are not operated on a commercial basis. Expenditure for religious purposes and contributions to religious organisations.

8. Economic Services:-

(a) Agriculture, Forestry, Fishing and Hunting:- It includes expenditure incurred on plantation or road side trees, bushing and plant protection measures. Expenditure on removal of dairies, construction of dairy sheds, etc.

(b) Water Supply:- It comprises expenditure on the schemes executed by Water Supply and Sewerage Board on behalf of Municipal Committees/ Councils/Corporation . It includes expenditure on wages and salaries of staff, road cutting, water rates, water and sewerage connection charges, storm water drainage, purchase of material machinery and equipments, cost of canal water, subsidy regarding water and sewerage connection charges, repair of motors and consumer connections, repairs and renewal of pipes and hydrant installation of tubewells, construction of water tank, development of slums and expenditure on collection, purification and distribution of water. Loans given to households for installation of water and sewerage connections are also included.

(c) Transport Services:- In Haryana Transport Services has not operated by the Municipal Committees/Councils/Corporation.

(d) Electricity Service:- In Haryana Electricity Service has not been supplied by the Municipal Committees/Councils/Corporation.

9. Other Purposes:- This head includes interest payments and repayment of loans of general character which have not been classified elsewhere.