



GOVERNMENT OF HARYANA

**ECONOMIC AND FUNCTIONAL CLASSIFICATION
OF
BUDGETS
OF
MUNICIPAL COMMITTEES/COUNCILS/CORPORATIONS
2018-19**

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

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PREFACE

Economic and Functional Classification of the Budgets of Municipal Committees/Councils/Corporations in Haryana is an attempt to recast the state Municipal transactions in order to assess the economic and functional significance of these transactions. Economic Classification groups together the items of receipts and expenditure by their economic characters such as consumption expenditure, capital formation, transfer payments etc. whereas the Functional Classification groups them according to the particular purpose of function they perform such as education, medical & public health, economic services etc. It indicates the relative changes in the income and expenditure of Municipal Committees/Councils/Corporations in the state during the year as compared to previous year.

The Department of Economic and Statistical Analysis, Haryana is being prepared Economic and Functional Classification of the Budgets of Municipal Committees/Councils/Corporations in accordance with the guidelines of the National Statistical Office (NSO), Govt. of India since 1966-67 and now Ministry of Statistics & Programme implementation also publishes this report periodically.

I take this opportunity to thank the NSO for providing valuable guidance for preparing this report. Efforts made by the District Statistical Offices for collection of data from Municipal Committees/Councils/Corporations are also acknowledged. The cooperation extended by various Municipal Committees/Councils/Corporations for providing required data is also highly appreciated and acknowledged.

The efforts made by Sh. Bijender Kumar, Research Officer and other team members namely, Sh. Rajesh Duhan, Field Assistant and Mr. Sachin, Data Entry Operator under the supervision of Dr. Rajvir Bhardwaj, Additional Director in bringing out this report are also acknowledged.

I hope this report will provide an useful information for administrators, planners and research scholars interested in the study of Budgets of Municipal Committees/Councils/Corporations of the state.

Dr. N.R. Sheoran

Panchkula
Dated: 13th October, 2021

Director
Department of Economic &
Statistical Analysis, Haryana.

CONTENTS

Sr. No.	Chapter	Page(s)
I	Introduction	1
II	Set of Accounts –Economic Classification	2-8
III	Main Findings-Economic Classification	9-14
IV	Notes on the Accounts, their Derivation and Rationale	15-18
V	Reconciliation: Income and Expenditure	19-20
VI	Principles of Functional Classification	22-29
VII	Functional Classification Scheme	30-31
VIII	Notes on Functional Categories	32-33

CHAPTER-I

INTRODUCTION

The budget of a Municipal Committee/Council/Corporation presents detailed information about its revenue, 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 document (G-1 Form), as they are, it is possible to have a clear idea of consumption expenditure, capital formation, current receipts etc. of a Municipal Committee/ Council/Corporation.

Thus, in the present report viz., **“Economic and Functional Classification of the Budgets of Municipal Committees/Councils/Corporations 2018-19”** an attempt has been made to bring together the details of significant heads under various accounts.

Besides, the items of revenue and expenditure of Municipal Committees/Councils/Corporations have also been re-classified and re-grouped according to particular purpose of function they perform such as education, medical & 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 10 Municipal Corporations, 18 Municipal Councils and 53 Municipal Committees that existed in Haryana as on March, 2019.

CHAPTER-II

THE SET OF ACCOUNTS

The following five accounts containing the re-classified data of all the Municipal Committees/Councils/Corporations in the state for the years 2016-17, 2017-18 and 2018-19 are presented in this chapter:-

Account-I Transactions in Commodities and Services and Transfers:
Current Account of Administrative Departments of Municipal Committees/
Councils/Corporations.

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

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

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

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

ACCOUNT-I
Transactions in Commodities & Services and Transfers:
Current Account of Administrative Departments of Municipal Committees/Councils/Corporations

(₹ Lakh)

Sr. No.	Expenditure	2016-17	2017-18	2018-19	Sr. No.	Revenue	2016-17	2017-18	2018-19
1	2	3	4	5	6	7	8	9	10
1	Consumption Expenditure	101032	159418	149949	1	Tax Revenue	67011	77247	52539
1.1	Wages & Salaries	78155	129220	89459	1.1	Taxes on Income	762	1306	317
1.2	Net Purchase of Commodities & Services(a+b-c)	22877	30198	60490	(a)	Profession or Trade Tax	676	771	149
(a)	Purchase of Commodities	13862	12912	13793	(b)	Servant Tax	86	535	168
(b)	Repairs and Maintenance	13327	35309	49668	1.2	Taxes on Commodities & Services	8401	9247	11723
(c)	Less Sale of Commodities	4312	18023	2971	(a)	Octroi	-	-	-
2	Transfer Payments	2136	3810	1794	(b)	Water Tax	-	-	1909
2.1	Interest	1890	3810	1794	(c)	Terminal Tax	1528	4797	1018
2.2	Grants	246	-	-	(d)	Taxes on Vehicles	1153	412	505
2.3	Other Current Transfers	-	-	-	(e)	Taxes on Animals (Including Fee for Registration of Dogs)	993	99	222
3	Savings on Current Account	132684	81390	105454	(f)	Fee for Vehicle Licenses	509	131	290
					(g)	License Fee for Job Porters	84	89	178
					(h)	Dangerous & Offensive Trade, License Fees and for Letting off Fire Works	1462	1105	1189

Continued.....

(₹ Lakh)

Sr. No.	Expenditure	2016-17	2017-18	2018-19	Sr. No.	Revenue	2016-17	2017-18	2018-19
1	2	3	4	5	6	7	8	9	10
					(i)	Tolls on Vehicles & Animals	124	169	4
					(j)	Local Rate	677	733	2808
					(k)	Income from Public Safety and Convenience	1871	1712	3600
					1.3	Taxes on Properties & Capital Transactions	57848	66694	40499
					(a)	Taxes on Buildings and Land	56819	48881	20501
					(b)	Income from Municipal Properties	1029	17813	19998
					2	Administrative Receipts	1404	532	706
					3	Revenue Grants and Contributions	85437	57572	58643
					4	Other Income from	3583	19187	15940
					(a)	Profit Transferred from Departmental Commercial Undertaking (Account II)	(-)2104	12077	(-)2921
					(b)	Income from Investment	2250	194	104
					(c)	Interest Receipts	3437	6916	18757
					5	Miscellaneous Receipts	78417	90080	129369
	Total	235852	244618	257197		Total	235852	244618	257197

ACCOUNT-II

Transactions in Commodities & Services and Transfers: Current Account of Departmental Commercial Undertakings of Municipal Committees/Councils/Corporations

(₹ Lakh)

Sr. No.	Expenditure	2016-17	2017-18	2018-19	Sr. No.	Revenue	2016-17	2017-18	2018-19
1	2	3	4	5	6	7	8	9	10
1	Wages and Salaries	3071	3095	4706	1	Gross Sale Proceeds	2652	16502	1909
2	Commodities & Services	158	185	124	(a)	Electricity	-		
3	Repairs & Maintenance	200	1068	-	(b)	Transport	-		
4	Interest (Water Supply)	1327	77	-	(c)	Water Supply	2652	16502	1909
5	Profit Transferred to Current Account	(-)2104	12077	(-)2921					
	Total	2652	16502	1909		Total	2652	16502	1909

ACCOUNT-III
Transactions in Commodities & Services and Transfers:
Capital Account of Administrative Departments and Departmental Commercial Undertakings of
Municipal Committees/Councils/Corporations

(₹ Lakh)

Sr. No.	Disbursement	2016-17	2017-18	2018-19	Sr. No.	Revenue	2016-17	2017-18	2018-19
1	2	3	4	5	6	7	8	9	10
1	Capital Formation (A+B)	61848	87236	101099	1	Savings on Current Account	132684	81390	105454
	A. Administrative Departments	58376	87126	101099	2	Capital Transfers	15783	9232	45759
	1.1 Buildings & Other Construction	57741	86577	97750	2.1	Capital Grants	903	847	27
	1.2 Machinery & Equipment Contributions & Recoveries	635	549	3349	2.2	Suspense Account	14880	8385	45732
	B Departmental Commercial Undertakings	3472	110	-					
	1.1 Buildings and Other Construction (Water Supply)	3472	110	-					
	1.2 Machinery and Equipment	-	-	-					
2	Increase in Inventories (Suspense Account)	6586	8519	13761					
3	Capital Transfers	-	-						
4	Balance: Surplus/Deficit on all Transactions in Commodities and Transfers	80033	(-)5133	36353					
	Total	148467	90622	151213		Total	148467	90622	151213

ACCOUNT-IV

Changes in Financial Assets and Liabilities: Capital Account of Municipal Committees/Councils/Corporations

(₹ Lakh)

Sr. No.	Outgoing	2016-17	2017-18	2018-19	Sr. No.	Incoming	2016-17	2017-18	2018-19
1	2	3	4	5	6	7	8	9	10
1	Repayment of Loan and Advances	1369	353	4741	1	Loans and Advances	528	1641	975
2	Unearmarked Investment	1126	1553	212					
3	Balance : Deficit in Financial Assets and Liabilities	(-)1967	(-)265	(-)3978					
	Total	528	1641	975		Total	528	1641	975

ACCOUNT-V

Cash and Capital Reconciliation Account of Municipal Committees/Councils/Corporations

(₹ Lakh)

Sr. No.	Outgoing	2016-17	2017-18	2018-19	Sr. No.	Incoming	2016-17	2017-18	2018-19
1	2	3	4	5	6	7	8	9	10
1	Increase in Cash Balance	78066	(-)5398	32375	1	Surplus in all Transactions in Commodities & Services and Transfer (Balancing Item 4 of Account-III)	80033	(-)5133	36353
					2	Net Increase in Financial Assets /Liabilities (Balancing Item3 of Account-IV)	(-)1967	(-)265	(-)3978
	Total	78066	(-)5398	32375		Total	78066	(-)5398	32375

CHAPTER-III

MAIN FINDINGS

The main findings emerging from the economic classification of Municipal budgets are depicted below:-

Total Expenditure as per Economic Classification:

The total expenditure of the Municipal Committees/Councils/Corporations in Haryana excluding operating expenses of Departmental Commercial Undertakings was ₹271556 lakh during 2018-19 as compared to ₹260889 lakh during 2017-18 and ₹174097 lakh during 2016-17 registering an increase of 4.09 percent in 2018-19 over 2017-18 and 49.85 percent in 2017-18 over 2016-17 respectively. The Municipal Committees/Councils /Corporations incurred expenditure mainly on wages and salaries of Municipal staff, construction of roads, pavement and maintenance of streets and drainage works. The allocation expenditure is given in the table below:

Table 3.1: Expenditure by Municipal Committees/Councils/Corporations in Haryana

(₹ Lakh)				
Sr. No.	Item	2016-17 (Accounts)	2017-18 (Accounts)	2018-19 (Accounts)
1	2	3	4	5
1.	Final Outlays	169466 (97.34)	255173 (97.81)	264809 (97.52)
a)	Consumption Expenditure (Vide item- 1 of Account-I)	101032 (58.03)	159418 (61.11)	149949 (55.22)
b)	Capital Formation (Vide item-1 of Account-III)	61848 (35.53)	87236 (33.44)	101099 (37.23)
c)	Suspense Account (vide item-2 of Account-III)	6586 (3.78)	8519 (3.26)	13761 (5.07)
2.	Transfer Payments to the rest of the Economy	2136 (1.23)	3810 (1.46)	1794 (0.66)
a)	Current Transfer (Vide item-2 of Account No. 1)	2136 (1.23)	3810 (1.46)	1794 (0.66)
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)	2495 (1.43)	1906 (0.73)	4953 (1.82)
Total Exp. (as per Economic Classification)		174097 (100.00)	260889 (100.00)	271556 (100.00)

3.1 (a) Final Outlays

Final outlays represent direct demand for consumption expenditure, capital formation etc. of the Municipal Committees/Councils/Corporations. Final outlays constitute the major expenditure i.e. 97.52 percent in 2018-19 as compared to 97.81 percent in 2017-18 and 97.34 percent in 2016-17. Out of the final outlay, the consumption expenditure is estimated amount of ₹149949 lakh (55.22 percent) which registered an decrease of 5.94 percent during 2018-19 as compare to the previous year 2017-18. The consumption expenditure was ₹159418 lakh (61.11 percent) during 2017-18 which registered an increase (57.79 percent) as compare to 2016-17.

3.1 (b) Capital Formation

The expenditure incurred on capital formation during 2018-19 formed 37.23 percent of the total expenditure as against 33.44 percent during 2017-18 and 35.53 percent during 2016-17. Capital formation was to the tune of ₹ 101099 lakh in 2018-19 as compared ₹ 87236 lakh in 2017-18 showing an increase of 15.89 percent in 2018-19 over 2017-18 as compared to 41.05 percent in 2017-18 over 2016-17.

3.1 (2 & 3) Transfer Payments, Financial Investments and Loans

The expenditure of ₹1794 lakh forming 0.66 percent of the total expenditure in 2018-19 represents transfer payments on current and capital accounts, financial investment and loans and advances to the rest of the economy. The corresponding figure for 2017-18 was ₹3810 lakh (1.46 percent) and for 2016-17 was ₹2136 lakh (1.23 percent).

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 the table below:

Table 3.2: Financial Assistance by Municipal Committees/ Councils/Corporations for Capital Formation in Haryana

(₹ Lakh)				
Sr. No.	Item	2016-17	2017-18	2018-19
1	2	3	4	5
1.	Loans for Capital Formation	-	-	-
2.	Unearmarked Investments (Vide item 2 of Account –IV)	1126	1553	212
	Total Financial Assistance for Capital Formation	1126	1553	212

3.3 Capital Formation Out of Budgetary Resources

The details of investment for capital formation by Municipal Committees/Councils/Corporations out of budgetary resources are indicated in the table below:

Table 3.3: Capital Formation Out of Budgetary Resources of the Municipal Committees/Councils/Corporations in Haryana

(₹ Lakh)				
Sr. No.	Item	2016-17	2017-18	2018-19
1	2	3	4	5
1.	Capital Formation by the Municipal Committee/ Councils/ Corporations (Vide item 1 of Account-III)	61848	87236	101099
2.	Finance Investment /Under marked Investment for capital formation to the rest of economy (Vide item 2 of Account – IV)	1126	1553	212
	Total Capital formation out of the Budgetary Resources of Municipal Committee/Councils/Corporation	62974	88789	101311

The above table depicts that the total outlay provided for capital formation by Municipal Committees/Councils/Corporations out of their budgetary resources was ₹ 62974 lakh in 2016-17, ₹ 88789 lakh in 2017-18 and ₹ 101311 lakh in 2018-19 showing an increase by 14.10 percent in 2018-19 over 2017-18 and increase of 40.99 percent in 2017-18 over 2016-17.

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/Corporations derived income mainly from taxes on buildings and land & their other properties. The state Govt. also gives grants and loans to Municipal Committees/ Councils/Corporations for developmental 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/Corporations in Haryana

(₹ Lakh)				
Sr. No.	Item	2016-17	2017-18	2018-19
1	2	3	4	5
1.	Tax Revenue (vide item 1 of Account-I)	67011 (28.41)	77247 (31.58)	52539 (20.43)
2.	Other Income (Vide item 4 of Account-I)	3583 (1.52)	19187 (7.84)	15940 (6.20)
3.	Miscellaneous Receipts (Vide item 5 of Account-I)	78417 (33.25)	90080 (36.82)	129369 (50.30)
4.	Revenue Grants and Contributions (Vide item 3 of Account-I)	85437 (36.22)	57572 (23.54)	58643 (22.80)
5.	Administrative Receipts (Vide item 2 of Account-I)	1404 (0.60)	532 (0.22)	706 (0.27)
	Total	235852 (100.00)	244618 (100.00)	257197 (100.00)

The total current revenue of Municipal Committees/Councils/Corporations in the state was ₹257197 lakh in 2018-19 as against ₹244618 lakh in 2017-18 and ₹235852 lakh during 2016-17. The revenue increased by 5.14 percent during 2018-19 over 2017-18 whereas it increased 3.72 percent during 2017-18 over 2016-17. Out of total revenue of ₹257197 lakh in 2018-19, ₹52539 lakh (20.43 percent) was from tax revenue. The corresponding percentages for 2017-18 and 2016-17 were 31.58 percent and 28.41 percent respectively.

3.5 Current Outgoing

The current outgoing which consists of consumption expenditure and transfer payments were ₹103168 lakh during 2016-17, ₹163228 lakh during 2017-18 and ₹151743 lakh during 2018-19. This shows an increase of 58.22 percent during 2017-18 over 2016-17 while there was a decrease of 7.04 percent during 2018-19 over 2017-18. Consumption expenditure constitutes the major portion of the current outgoing. Its contribution to total current outgoing were 97.93 percent, 97.67 percent and 98.82 percent during 2016-17, 2017-18 and 2018-19 respectively whereas the contribution of transfer payments to total current outgoing during the same period were only 2.07 percent, 2.33 percent and 1.18 percent respectively. The details are given in the following table-3.5.

Table 3.5: Current Outgoing of Municipal Committees/Councils/Corporations in Haryana

(₹ Lakh)				
Sr. No.	Item	2016-17	2017-18	2018-19
1	2	3	4	5
1.	Consumption Expenditure (Vide item 1 of Account –1)	101032 (97.93)	159418 (97.67)	149949 (98.82)
2.	Transfer Payments (Vide item 2 of Account-1)	2136 (2.07)	3810 (2.33)	1794 (1.18)
	Total Current Outgoing	103168 (100.00)	163228 (100.00)	151743 (100.00)

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/ Corporations 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/ Corporations in Haryana

(₹ Lakh)				
Sr. No.	Item	2016-17	2017-18	2018-19
1	2	3	4	5
1.	Savings by the Municipal Committees/Councils/Corporations (Vide item 3 of Account-1)	132684	81390	105454
2.	Investment/Capital Formation by the Municipal Committees/Councils/ Corporations (Vide item 1 of Account-III)	61848	87236	101099
	Income Surplus/Deficit of the Municipal Committees/ Councils/Corporations (1-2)	70836	(-)5846	4355

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/Corporations. The overall financial position of Municipal Committees/Councils/Corporations are given in table-3.6(b).

Table 3.6(b): Total Requirement of Finance for the Municipal Committees/Councils/Corporations in Haryana

(₹ Lakh)				
Sr.No.	Item	2016-17	2017-18	2018-19
1	2	3	4	5
1.	Surplus on all Transactions on Commodities and Services and Transfer (Vide balancing item No.4 of Account -III)	80033	(-)5133	36353
2.	Net Increase in Financial Assets (Vide balancing item No.3 of Account-IV)	(-)1967	(-)265	(-)3978
	Surplus/Deficit Denoting Total Requirements of Finance (1+2)	78066	(-)5398	32375

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/Corporations and add to their savings. The derivations of the net profit are shown below in table-3.7.

Table 3.7: Net Profit of Departmental Commercial Undertakings of Municipal Committees/Councils/Corporations in Haryana

(₹ Lakh)				
Sr. No.	Item	2016-17	2017-18	2018-19
1	2	3	4	5
1.	Gross Receipts (Vide item 1 of Account-II)	2652	16502	1909
2.	Operating Expenses (Vide item 1, 2, 3 and 4 of Account-II)	4756	4425	4830
	Net Profit (1-2)	(-)2104	12077	(-)2921

CHAPTER-IV

NOTES ON THE ACCOUNTS, THEIR DERIVATION AND RATIONALE

Account I: Transactions in Commodities and Services and Transfers: Current Account of Municipal Committees/Councils/Corporations

This account deals with the current revenue and expenditure of all the Municipal Committees/Councils/Corporations 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/Corporations on current account which represents consumption. The final outlays are made up of purchases of commodities & services and wages & salaries payments. Besides final outlays, Municipal Committees/Councils/Corporations 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/Corporations 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/Corporations have an investment income from property and entrepreneurship. The Municipal Committees/Councils/Corporations 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/Corporations is available for capital formation. Some of the items included in this Account are explained as below:-

Item No. 1.1 Wages and Salaries:- This item including pay of the establishments (other than traveling 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 No. 1.2 Net Purchase of Commodities and Services:- This item includes all expenditure under contingency, office supplies, fuel and light, expenditure on repairs and maintenance, printing, traveling and daily allowances, telephone and telegraph charges,

taxes and rent of hired buildings, machinery and equipment, 50 percent 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/Corporations 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/Corporations 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/Corporations

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 sides 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/Corporations

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/Corporations. The savings transferred from Account I and capital grants, contributions and recoveries received by the Municipal Committees/ Councils/Corporations 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 is shown as balancing item in Account-III along with net increase in financial assets and liabilities in Account-IV gives the total requirements of finances of the Municipal Committees/Councils/Corporations.

Item 1.1 Buildings and Other Constructions:- This item includes 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/ Corporations 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/Corporations

This account which shows the changes in the financial assets and liabilities of the Municipal Committees/Councils/Corporations 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/Corporations 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/ Corporations

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

5.1 Reconciliation of 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 blow:

Table 5.1: Income Reconciliation of Municipal Committees/Councils/Corporations Budgets in Haryana

(₹ Lakh)				
Sr. No.	Revenue	2016-17	2017-18	2018-19
1	2	3	4	5
1.	Total Income of the Municipal Committees/Councils/Corporations Total of (# + *)	257023	302093	305890
LESS:				
2.	Sale of Commodities and Services treated as deduction of consumption expenditure(Vide item 1.2c of Acct.-I) (Exp.)	4312	18023	2971
3.	Suspense Account (Vide item 2.2 of Acct.-III)	14880	8385	45732
4.	Capital Transfers (Capital Grants and Contributions and recoveries) (Vide item 2.1 of Acct.-III)	903	847	27
5.	Sale Proceeds of Departmental Commercial undertakings (Vide item 1 of Acct.-II)	2652	16502	1909
6.	Loans (Incomings) (Vide item 1 of Acct.-IV)	528	1641	975
7.	Profit of Departmental Commercial Undertakings (Vide item 5 of Acct.-II) (Exp.)	(-)2104	12077	(-)2921
	Total Adjustments (#)	21171	57475	48693
	Revenue as shown in the Economic Classification (From Table 3.4) (*)	235852	244618	257197

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 below:

Table 5.2: Expenditure: Reconciliation of Municipal Committees/Councils/Corporations Budgets in Haryana

(₹ Lakh)				
Sr. No.	Expenditure (Revenue & Capital)	2016-17	2017-18	2018-19
1	2	3	4	5
1.	Total Expenditure of Municipal Committees/Councils/Corporation	183165	283337	263755
2.	Sale of Commodities and Services Treated as deduction of Consumption Expenditure(Vide item 1.2c of Acct.-I)	4312	18023	2971
3.	Operating Expenses of Departmental Commercial Undertakings (Item 2 of table 3.7)	4756	4425	4830
	Total Adjustments (2+3)	(-)9068	(-)22448	7801
	Expenditure as shown in the Economic Classification (From Table 3.1)	174097	260889	271556

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 out-side 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 2016-17 (Accounts), 2017-18 (Accounts) and 2018-19 (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 & public health, social security, welfare services, housing & community services, cultural, recreational & 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 & services, on capital formation or for promoting education, health & water supply etc.

TABLE: 6.1
Economic and Functional Classification of Budgetary Expenditure of
Municipal Committees/Councils/Corporations 2016-17 (Accounts)

(₹ Lakh)

Current Expenditure										
Sr. No.	Name of Head	Wages and Salaries	Purchase of Goods & Services	Repair Total Maintenance	Total (3+4+5)	Less Out Side Sales	Net Consumption Expenditure (6-7)	Interests	Grants	Total Current Expenditure (8 to10)
1	2	3	4	5	6	7	8	9	10	11
1.	General Public Service	33317	2329	1264	36910	4312	32598	1288		33886
2.	Defence									
3.	Education	16			16		16			16
4.	Medical & Public Health	29367	2247	1486	33100		33100	30		33130
5.	Social Security and Welfare Service									
6.	Housing & Community Service	13264	8744	10072	32080		32080	882		32962
7.	Cultural, Recreational & Religious Services	136	10	1	147	-	147	-	-	147
8.	Economic Services	2056	513	504	3073		3073	1060	244	4377
i)	Agriculture, Forestry, Fishing & Hunting	2056	513	504	3073		3073		244	3317
ii)	Water Supply							1060		1060
iii)	Transport Services									
iv)	Electricity Services									
9.	Other Purposes									
	Grand Total	78156	13843	13327	105326	4312	101014	3260	244	104518

Continued.....

TABLE : 6.1
Economic and Functional Classification of Budgetary Expenditure of
Municipal Committees/Councils/Corporations 2016-17 (Accounts)

(₹ Lakh)

Capital Expenditure									
Loans									
Sr. No.	Name of Head	Building & Other Construction	Machinery & Equipments	Increase in Inventories (Suspense Account)	For Capital Formation	For Current Consumption	Unear-marked Investment	Total Capital Expenditure (12to17)	Grand Total* (11+18)
1	2	12	13	14	15	16	17	18	19
1.	General Public Service	3595					1126	4721	38607
2.	Defence								
3.	Education								16
4.	Medical & Public Health	10827	180				5	11012	44142
5.	Social Security and Welfare Service								
6.	Housing & Community Service	42147	469	6586				49202	82164
7.	Cultural, Recreational & Religious Services								147
8.	Economic Services	4644						4644	9021
i)	Agriculture, Forestry, Fishing & Hunting	1171						1171	4488
ii)	Water Supply	3473						3473	4533
iii)	Transport Service								
iv)	Electricity Services								
9.	Other Purposes								
	Grand Total	61213	649	6586	0	0	1131	69579	174097

TABLE: 6.2
Economic & Functional Classification of Budgetary Expenditure of
Municipal Committees/Councils/Corporations 2017-18 (Accounts)

(₹ Lakh)

Current Expenditure										
Sr. No	Name of Head	Wages and Salaries	Purchase of Goods & Services	Repair and Maintenance	Total (3+4+5)	Less Out Side Sales	Net Consumption Expenditure (6-7)	Interests	Grants	Total Current Expenditure (8 to 10)
1	2	3	4	5	6	7	8	9	10	11
1.	General Public Service	43614	2372	16297	62283	18023	44260	2306		46566
2.	Defence									
3.	Education	298	18		316		316			316
4.	Medical & public Health	28682	2676	3687	35045		35045	940		35985
5.	Social Security and Welfare Service									
6.	Housing & Community Service	49768	7786	11692	69246		69246	710		69956
7.	Cultural, Recreational & Religious Services	125	24	415	564		564			564
8.	Economic Services	5333	410	4311	10054		10054	284		10338
i)	Agriculture, Forestry, Fishing & Hunting	2238	225	3243	5706		5706	200		5906
ii)	Water Supply	3095	185	1068	4348		4348	84		4432
iii)	Transport Services									
iv)	Electricity Services									
9.	Other Purposes									
	Grand Total	127820	13286	36402	177508	18023	159485	4240	0	163725

Continued.....

TABLE: 6.2
Economic & Functional Classification of Budgetary Expenditure of
Municipal Committees/Councils/Corporations 2017-18 (Accounts)

(₹ Lakh)

Capital Expenditure									
Loans									
Sr. No.	Name of Head	Building & Other Construction	Machinery & Equipments	Increase in Inventories (Suspense Account)	For Capital Formation	For Current Consumption	Unear-marked Investment	Total Capital Expenditure (12to17)	Grand Total* (11+18)
1	2	12	13	14	15	16	17	18	19
1.	General Public Service	59544					1553	61097	107663
2.	Defence								
3.	Education	19						19	335
4.	Medical & Public Health	16249	197					16446	52431
5.	Social Security and Welfare Service								
6.	Housing & Community Service	10290	317	8519				19126	89082
7.	Cultural, Recreational & Religious Services								564
8.	Economic Services	476						476	10814
i)	Agriculture, Forestry, Fishing & Hunting	366						366	6272
ii)	Water Supply	110						110	4542
iii)	Transport Service								
iv)	Electricity Services								
9.	Other Purposes								
	Grand Total	86578	514	8519	0	0	1553	97164	260889

TABLE: 6.3
Economic & Functional Classification of Budgetary Expenditure of
Municipal Committees/Councils/Corporations 2018-19 (Accounts)

(₹ Lakh)

Current Expenditure										
Sr. No	Name of Head	Wages and Salaries	Purchase of Goods & Services	Repair Total Maintenance	Total (3+4+5)	Less Out Side Sales	Net Consumption Expenditure (6-7)	Interests	Grants	Total Current Expenditure (8 to 10)
1	2	3	4	5	6	7	8	9	10	11
1.	General Public Service	48820	2138	3112	54070	2971	51099	701		51800
2.	Defence									
3.	Education	18	18	0	36		36			36
4.	Medical & Public Health	32210	6834	1584	40628		40628	912		41540
5.	Social Security and Welfare Service									
6.	Housing & Community Service	8932	4292	41654	54878		54878	1821		56699
7.	Cultural, Recreational & Religious Services	159	12	75	246		246			246
8.	Economic Services	6628	639	3242	10509		10509			10509
i)	Agriculture, Forestry, Fishing & Hunting	1921	515	3242	5678		5678			5678
ii)	Water Supply	4707	124	0	4831		4831			4831
iii)	Transport Services									
iv)	Electricity Services									
9.	Other Purposes									
	Grand Total	96767	13933	49667	160367	2971	157396	3434	0	160830

Continued....

TABLE: 6.3
Economic & Functional Classification of Budgetary Expenditure of
Municipal Committees/Councils/Corporations 2018-19 (Accounts)

(₹ Lakh)

Capital Expenditure									
Loans									
Sr. No.	Name of Head	Building & Other Construction	Machinery & Equipments	Increase in Inventories (Suspense Account)	For Capital Formation	For Current Consumption	Unear-marked Investment	Total Capital Expenditure (12 to17)	Grand Total* (11+18)
1	2	12	13	14	15	16	17	18	19
1.	General Public Service	3256					212	3468	55268
2.	Defence								
3.	Education								36
4.	Medical & Public Health	13756	778					14534	56074
5.	Social Security and Welfare Service								
6.	Housing & Community Service	75059	1029	13761				89849	146548
7.	Cultural, Recreational & Religious Services	90						90	336
8.	Economic Services	1243	1542					2785	13294
i)	Agriculture, Forestry, Fishing & Hunting	1243	0					1243	6921
ii)	Water Supply	0	1542					1542	6373
iii)	Transport Service								
iv)	Electricity Services								
9.	Other Purposes								
	Grand Total	93404	3349	13761	0	0	212	110726	271556

CHAPTER-VII FUNCTIONAL CLASSIFICATION SCHEME

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

The detailed scheme which is presented in the following paragraphs is put forward as an illustration of the classification of Municipal Committees/Councils/Corporations expenditure by its 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 budgetary expenditure of Municipal Committees/Councils/Corporations for the years 2016-17, 2017-18 and 2018-19 is given in the following table below:

Table 7.1: Functional Classification – Distribution of Expenditure of Municipal Committees/Councils/Corporations in Haryana

(₹ Lakh)				
Sr. No.	Name	2016-17	2017-18	2018-19
1	2	3	4	5
1.	General Public Service	38607 (22.18)	107663 (41.27)	55268 (20.35)
2.	Defence	-	-	-
3.	Education	16 (0.01)	335 (0.13)	36 (0.01)
4.	Medical & Public Health	44142 (25.36)	52431 (20.10)	56074 (20.65)
5.	Social Security and Welfare Service	-	-	-
6.	Housing & Community Service	82164 (47.19)	89082 (34.14)	146548 (53.97)
7.	Cultural , Recreational & Religious Services	147 (0.08)	564 (0.22)	336 (0.12)
8.	Economic Services	9021 (5.18)	10814 (4.14)	13294 (4.90)
i)	Agriculture, Forestry, Fishing & Hunting	4488 (2.58)	6272 (2.40)	6921 (2.55)
ii)	Water Supply	4533 (2.60)	4542 (1.74)	6373 (2.35)
iii)	Transport Service	-	-	-
iv)	Electricity Services	-	-	-
9.	Other Purposes	-	-	-
	Total	174097 (100.00)	260889 (100.00)	271556 (100.00)

7.2: Developmental & Non-Developmental Expenditure

Developmental and non-developmental expenditure of all Municipal Committees/Councils/Corporations comes to ₹271556 lakh in 2018-19 as compared to ₹260889 lakh in 2017-18 and ₹174097 lakh in 2016-17. Developmental expenditure has been dominating in the years under reference with a major share of 77.82 percent in 2016-17 as compared to 58.73 percent in 2017-18 and 79.65 percent in 2018-19. Non-developmental expenditure was ₹38607 lakh (22.18 percent) during 2016-17 as compared to ₹107663 lakh (41.27 percent) during 2017-18 and ₹55268 (20.35 percent) during 2018-19. The information regarding expenditure according to major heads and their percentages under developmental and non-developmental categories is given in the table below:

Table:- 7.2 Developmental and Non-Developmental Expenditure of Municipal Committees/Councils/Corporations in Haryana

(₹ Lakh)				
Sr. No.	Heads	2016-17	2017-18	2018-19
1	2	3	4	5
A.	Development Expenditure	135490 (77.82)	153226 (58.73)	216288 (79.65)
1.	Education	16 (0.01)	335 (0.13)	36 (0.01)
2.	Medical & Public Health	44142 (25.36)	52431 (20.10)	56074 (20.65)
3.	Social Security and Welfare Service	-	-	-
4.	Housing & Community Service	82164 (47.19)	89082 (34.14)	146548 (53.97)
5.	Cultural , Recreational & Religious Services	147 (0.08)	564 (0.22)	336 (0.12)
6.	Economic Services	9021 (5.18)	10814 (4.14)	13294 (4.90)
B.	Non- Development Expenditure	38607 (22.18)	107663 (41.27)	55268 (20.35)
1.	General Public Service	38607 (22.18)	107663 (41.27)	55268 (20.35)
2.	Defence	-	-	-
3.	Other Purposes	-	-	-
	Total	174097 (100.00)	260889 (100.00)	271556 (100.00)

CHAPTER-VIII

NOTES ON FUNCTIONAL CATEGORIES

- 1. General Public Services:-** It includes remuneration of Head of Municipal Committees/Councils/Corporations, 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, anganwari centers. 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 organizations.

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/Corporations. 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 tube wells, 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/Corporations.

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

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