

### 8.31 Per Capita Income and Expenditure analysis of ULBs

Table 93: Per Capita Income and Expenditure of ULBs : (rounded to nearest Rs. thousand)

Sr. No.	ULB Type	Per Capita income of ULB	Per capita expenditure of ULB
Municipal Corporations			
1	D Class	5,000	5,000
Municipal Councils			
1	A Class	5,000	5,000
2	B Class	5,000	4,000
3	C Class	5,000	5,000
4	Nagar Panchayats	3,000	2,000

The per capita income and expenditure ranges between Rs. 2,000 to Rs. 5,000 D Class Municipal Corporations and in Municipal Council in our sample study.

### 8.32 Normative expenditure of ULBs

The SFC worked out using a sample basis (see table 94 below), what would be the investment required to meet the required level of benchmarked services relating to few important services. It identified one selected ULB in each category and worked out the level of support required to meet the ideal service levels. Thereafter it extrapolated it by suitably multiplying it by the number of ULBs in that same category

**While there are ballpark figures, one can get a sense of the amount of huge capital investment that would be required if the full quality of services is to be given to ULBs.**

Table 94: Normative Cost for full Infrastructure Development :

Normative cost of Infrastructure Development						(Rs. In Crores)			
Sr. No.	Category of ULB	Name of Sample ULB	Total Population in the category of ULB (in lakhs)	Indicative cost of core Services (SLB achievement cost)					
				Water supply and Maintenance	SWM	Sewerage Services	Roads & maintenance	Street lights	DP Implementation
Municipal Corporation									
1	D Class	Bhiwandi-Nizampur		685	62	448	882	89	200
		Approx. Cost for all	85.01	11649	1046	7616	15000	1512	3397
Per Capita cost (Rs. In Lakhs)				47.31					
Municipal Council									
1	A Class	Ichalkaranji		334	48	343	117	13	660
		Approx. Cost for all	25.24	5672	815	5823	1980	222	12213
Per Capita cost (Rs. In Lakhs)				101.9					
2	B Class	Manmad		108	189	191	99	150	17
		Approx. Cost for all	44.51	7900	13818	13935	7206	10932	1227
Per Capita cost (Rs. In Lakhs)				123.6					
3	C Class	Erandol		32	20	33	26	9	31
		Approx. Cost for all	38.95	4551	2856	4604	3596	1276	4371
Per Capita cost (Rs. In Lakhs)				54.56					
4	Nagar Panchayat	Dapoli		1	6	1	1	0	100
		Approx. Cost for all	18.62	185	760	97	169	16	13514
Per Capita cost (Rs. In Lakhs)				79.16					

\*\* Approximate cost for all - means for all cities in that category

Table 95: Selection Criteria of Towns for calculation of Normative Cost :

Sr. No.	Category of ULB	Name of Selected ULB	Remarks
1	D Class Corporation	Bhiwandi-Nizampur	SFC has selected these ULBs on random basis from each category
2	A Class Municipal Council	Ichalkaranji	
3	B Class Municipal Council	Manmad	
4	C Class Municipal Council	Erandol	
5	Nagar Panchayat	Dapoli	

### 8.33 Analysis of Government budgetary support received by ULB in last three years (2016-19)

The Urban Development Department has spent the following amounts in the last three years:

Table 96: Budgetary expenditure for past 3 years : (In Rs. Crores)

Sr. No.	Year	Budgetary expenditure ( in Rs. crores)
1	2016-17	18622
2	2017-18	28632
3	2018-19	33371

The above figures include all types of expenditure, including establishment of the department at secretariat level, Director of Municipal Administration and field officers, Directorate of Town Planning and its offices and all types of grants (capital and revenue), loans etc.

We now give below the capital and revenue grants and loans on major items. (There are certain very small items of support which are also uneven over the years. We have not taken them into account for this broad analysis.)

### 8.34 Capital Grants to ULBs:

Table 97: Capital Grants given to ULBs :

(In Rs. crores)

Category of Urban Body	Nature of support	2016-17	2017-18	2018-19	Remarks
Municipal Corporations	Regular Schemes	2198	2068	1989	Includes Central schemes
	Special schemes (Smart City )	1255	1500	984	Central Scheme
	Spl Schemes – Dalit Vasti Upgrade	183	--	--	This was shifted to district scheme from 2017-18
Municipal Councils	Regular Schemes	1793	2471	2686	
	Spl Scheme- Pilgrim towns	49	70	106	For selected pilgrim towns and shrines
	Spl-Dalit Vasti Upgradation	334	--	--	This was shifted to district scheme from 2017-18
Nagar Panchayats	Regular Schemes	116	205	164	
Common to all ULBs	Road Grants	405	450	405	
Metro cities ( Mumbai, Pune and Nagpur )	MUTP(Central Grant) including equity for metro project	310	450	1052	
<b>Total capital grants</b>		<b>6643</b>	<b>7214</b>	<b>7386</b>	



### 8.35 Revenue Grants to ULBs:

Table 98: Revenue Grants given to ULBs :

(In Rs. Crores)

Category of ULB	Scheme of support	2016-17	2017-18	2018-19	Remarks
Municipal Corporation	Compensation for LBT/GST	5400	13356*	17469	*This includes both grant in lieu of LBT and GST ( from 1.7.17)
	Assigned Taxes- Additional Stamp Duty	900	1000	1175	
	14 <sup>th</sup> Finance Commission	855	983	1019	Only for D Class MC's
<b>Total revenue grants to Corporation (untied)</b>		<b>7155</b>	<b>15339**</b>	<b>19663**</b>	** Includes compensation to Mumbai Corporation in lieu of octroi from 1.7.17
Corporation – Specific purpose grant for Tejaswini Yojana	Tejaswini Yojna	40	50	16	For operating ladies special bus service
Municipal Councils –Sahayyak Aundhan	Sahayyak Aundhan	1491	1491	1691	
Assigned Taxes-Stamp Duty share	Stamp duty Share	90	100	90	
Assigned taxes-other than stamp duty	Other than stamp duty	17	18	17	
Category of ULB	Scheme of support	2016-17	2017-18	2018-19	Remarks
Central Finance Commission Grants		1281	1473	1528	See note below
<b>Municipal Councils Total</b>		<b>2879</b>	<b>3082</b>	<b>3326</b>	<b>This includes grant to Nagar Panchayats</b>
Common to all ULBs –	Urban Livelihood Mission	59	105	84	<b>Central Scheme</b>
<b>Total Revenue Grants</b>		<b>10133</b>	<b>18576</b>	<b>23089</b>	

\*Finance Commission grants are allocated to D class Municipal Corporations and all Municipal Councils and Nagar Panchayats. Since they are distributed on the formula 90:10 (Population:Area) the inter se allocation between Corporation(D class) and Councils is worked out on same basis in table above.

### 8.36 Loans to Metro Corporations (Mumbai, Pune, Nagpur) for the Metro Rail Projects:

Table 99: Loans to A+ and A Class Municipal Corporations for Metro Rail Projects :

Sr. No.	Year	Loans Given (In Rs. Crores)
1	2016-17	116
2	2017-18	220
3	2018-19	1157

### 8.37 Special programme-Swaccha Bharat Mission:

Table 100: Funds given for Swaccha Bharat Mission : (Rs. In Crores)

Sr. No	Category of ULB	2016-17	2017-18	2018-19
1	Municipal Corporation	550	600	450
2	Municipal Councils	70	600	450
3	Nagar panchayat	85	405	280
<b>Total</b>		<b>705</b>	<b>1605</b>	<b>1180</b>

### 8.38 Central Finance Commission grants:

The 14th Central Finance Commission has recommended the following amounts for Maharashtra for the period 2015-20:

Table 101: Funds given by Central Finance Commission : (Rs. In Crores)

Sr. No	Year	Basic Grant	Performance Grant	Total
1	2015-16	1191	0	1191
2	2016-17	1649	487	2136
3	2017-18	1906	551	2457
4	2018-19	2205	626	2831
5	2019-20	2979	819	3798
<b>Total</b>		<b>9930</b>	<b>2483</b>	<b>12413</b>

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The amount of Rs.12413 crore allocated under the 14th FC is a big jump over Rs.3177 crores allocated in the 13th FC period (2010-15). The performance grants of the 14th FC will be given to the ULB on fulfilment of three conditions:

- i) The ULB will have to submit audited accounts that relate to the year not earlier than two years preceding the year in which the Municipality seeks to claim the performance grant
- ii) The Municipality will have to show an increase in its own revenues over the preceding years as reflected in the audited accounts. The improvements in revenues will be determined on the basis of these audited accounts and on no other basis.
- iii) The Municipality must measure and publish the Service Level Bench marks relating to basic urban services each year for the period of the award and make it publicly available. The service level benchmark of Ministry of Urban Development may be used for this purpose.

So far it is seen that the basic grant from 2015-16 till 2018-19 have been received, but the performance grants for the last two years namely 2017-18 and 2018-19 have not been received at time of preparing this report (April 2019).

The Government has allocated the 14th FC only to D class Municipal Corporation and Municipal Councils and excluded the higher level Municipal Corporation.

The detailed guidelines regarding method and manner of spending the 14thFC have been given to the ULBs in GR dated 3.8.2015. It has directed that at least 50% of the grant must be spent on

- Solid waste management – including collection, transport and treatment.
- ULB share of Swaccha Bharat Mission initiative
- Urban forestry and greening

The balance 50% could be spent on:

- Repayment of loans from HUDCO, LIC and other agencies
- Contribution of ULBs own share of Central/State projects
- Settlement of electricity and water bills

**During field visits, SFC observed that the CFC grants has been a big benefit to the ULBs and many of them have improved their SWM practices. In fact, the practice of collecting household solid waste doorstep has got embedded even in the smallest Nagarpalika, which**



is a most welcome development. The directions and priorities set in the GR of 3.8.2015 and earmarking the funds only for D class Municipal Corporation and below seems to be appropriate, as they were the ones that need funds.

#### 8.38.1 SFC's Recommendation:

SFC recommends and reiterates that one of the conditions prescribed for receiving the performance grant namely 'audited accounts' must be given utmost importance in future, irrespective of whether it is a condition of Finance Commission or not. The auditing must be done by professional Chartered Accountants and the entire accounting system of ULBs must be streamlined. We have dealt this at length in chapter on Accounts, Audit and Financial Data.

### 8.39 Untied Funds (revenue grants) provided to ULBs as a percentage of State's Own Taxes (2018-19)

Table 102: Untied Funds Received by ULBs :

(Rs. In Crores)

Sr. No.	Type of Support	Municipal Corporations	Municipal Councils
1	Payment in lieu of GST	17,468*	-
2	Sahayyak Anudan	-	1,691
3	All Assigned Taxes (mainly through Additional Stamp Duty)	1,175	107
<b>Total</b>		<b>18,643</b>	<b>1,798</b>
Share of support to ULBs as a percentage of State's own Tax Revenue (Rs. 188931 Crores)		<b>9.86%</b>	<b>0.95%</b>

\*This includes compensation in lieu of octroi

#### 8.40 Augmenting the own resource base of ULBs:

##### 8.40.1 Shifting Professional Tax to the ULBs:

##### 8.40.1.1 Background:

Article 276 of the Constitution enables the States Government or the Local Body to levy a tax on profession, trade, calling or employment. There is a limit placed by the Constitution itself of Rs.2500 per annum for this tax. In Maharashtra, in order to support the well-known Employment Guarantee Scheme, the Professional Tax (PT) was introduced in 1975. The Act is called 'Maharashtra State Tax on Profession, Trade, Callings and Employment Act, 1975'. A professional tax is expected to be collected from all employees by the person who employs them (employer) and remit it to the Government. PT is also levied from people having an independent profession like traders, doctors, CA's and the like. In Maharashtra, professional tax is collected by the Sales Tax Department.



#### 8.40.1.2 Present collection level and trend:

Table 103: Present collection of Professional Tax (PT):

(Rs. In Crores)

Sr. No.	Year	Professional Tax Receipts (in Rs. Cr)
1	2013-14	2165
2	2014-15	2175
3	2015-16	2193
4	2016-17	2314
5	2017-18	2205

The total registered PT payers in Maharashtra is 4.01 lakhs.

In terms of location, Mumbai City contributes about Rs.900 crores (that is about 40% of total PT). The areas around Mumbai like Thane, Raigad (MMRDA area) contribute a further 10%. Pune and around contributes another 20%. That is 70% of PT comes from Mumbai - Pune belt.

It will be seen from the above table that PT collection is more or less stagnant at around Rs.2200 crores over the years and not increasing. There are few reasons for this. The first is, there is no way of increasing of PT per person as the Constitution itself has imposed a cap of Rs.2500. Secondly, the employees working in organised sector (Government or private sector) have been already tapped long back for PT. The real possibility of expanding PT in future is by widening the base by reaching small roadside businesses, itinerant traders and people living in taluka towns and below who have not come effectively under the ambit of the PT. Thirdly, the Sales Tax (now GST) department has offices only up to the district level. They do not have machinery below. Further, their main focus is on the bigger tax namely GST which fetches them about Rs. 90,000 crores per annum. Professional tax is an incidental work. Thus there are organisational limitations in the sales tax for expanding the PT net.

#### 8.40.1.3 Experts view on PT and the national trend:

All expert committees appointed by Government, including the Central Finance Commissions as well as other economists have stated that PT is best left to local bodies. It is their area of taxation. Urban Local Bodies by their very nature can reach the last man and collect this small but significant tax.

In fact, few States like Kerala, Tamil Nadu and Gujarat have already shifted professional tax levy and collection to the local bodies.

#### **8.40.1.4 Changed role of EGS in Maharashtra:**

The professional tax was introduced in Maharashtra way back in 1975 to raise resources for the Employment Guarantee Scheme, under the Maharashtra Employment Guarantee Act. But with the enactment of Mahatma Gandhi National Rural Employment Guarantee Act, 2006 by the Government of India, substantial funds are being received for employment guarantee straight from Government of India. The State has spent about Rs.500 crore (average) per year in recent years as its State share for NREGA. This consists of State share of labour payments beyond 100 days, additional wage rate and 25% of the skilled component. In addition, there is an average spend of about Rs.500 crores through the EGS department for the farmers not covered by MGNREGA. This is popularly called State EGS scheme. In 2018-19 it spent Rs.800 on State EGS but this year the expenditure is exceptionally high. But state EGS is essentially a subsidy scheme.

Thus we may say the State spends from its own resources about Rs.1300 crore for State EGS and MGNREGA as the state share put together. Therefore, the PT income of Rs.2200 crore is much more than the Rs1000-1200 crore required for State share of employment guarantee now, for which the professional tax was introduced first of all.

#### **8.40.1.5 Case study of Gujarat where PT was being shifted to LBs:**

Gujarat is a case study of how the PT income is increased after shifting it to the local bodies. They had enacted the Gujarat Sales Tax on Professions, Trades, Callings and Employment Act, 1976—more or less at the same time when Maharashtra enacted its law.

Thereafter, in 2008 Gujarat totally revamped the old Act. After the revamp, the State Government continues to collect the PT from Central and State Government employees, Central and State PSUs and Central and State grant in aid institutions. But for all other categories, namely those not in Government/public sector, professionals, firms, entrepreneurs, shop owners, small traders and others the PT has been shifted fully to the Local Bodies- both urban and rural.

As a result of this decision in 2008 there has been a surge in PT of ULBs in Gujarat. During our field visit to Vadodara on 20th February 2019 we had a lengthy interaction with officials of Vadodara Municipal Corporation and the Municipal officers of the Gujarat Central districts. The following table shows **how the PT has increased by 166% in six years from 27.14 cr in Vadodara Municipal Corporation:**

Table 104: PT Collection by Vadodara Municipal Corporation :

(Rs. In Crores)

Sr. No.	Year	Total PT collection
1	2011-12	27.14
2	2012-13	30.69
3	2013-14	31.78
4	2014-15	35.30
5	2015-16	38.05
6	2016-17	41.38
7	2017-18	45.20
8	2018-19	40.86 (till Jan 2019)

**Petlad Municipality, Anand District – another case study:**

Petlad is a middle size municipality with 55,000 populations in Anand district. The following is the increased income by collecting PT for the nagarpalika after it was shifted to the ULBs in 2008 by the State Government.

Table 105: PT Collection by Petlad Municipality :

(Rs. In Lakhs)

Sr. No.	Year	Total PT collection
1	2006-07	0.99
2	2007-08	7.13
3	2008-09	15.74
4	2009-10	17.63
5	2010-11	18.25
6	2011-12	19.67
7	2012-13	22.15
8	2013-14	23.03
9	2014-15	23.41
10	2015-16	24.90
11	2016-17	32.29
12	2017-18	33.01
13	2018-19	31.00 ( till Jan 2019)

Thus, in Petlad there is a substantial increase and 3100% surge from the time PT was shifted to Local Body. It will be seen that there was a huge increase in number of tax payers in the first two years, as earlier they were out of net of the sales Tax department **but Nagar Palika could expand the tax base once PT shifted to them.**

As per the data made available by the Urban Development Department of Gujarat the ULBs have totally collected Rs. 475 crores, out of which Municipal Corporations collect Rs.359 crores



(76%) and Rs.116 crores from Municipal Councils (24% of the total). The more positive indicator is that the tax base is widening year after year, as pointed out in case study of Vadodara Municipal Corporation or Petlad Municipal council.

It is to be specially noted that no additional staff have been made available to ULBs. They are using their existing machinery of ward level staff and tax inspectors for this purposes.

The following table shows the collection figures of ULBs in Gujarat in recent years:

Table 106: Professional Tax collection in Gujarat : (Rs. In Lakhs)

Sr. No	Name of Municipal Corporation	Total Demand of Profession Tax		
		2015-16	2016-17	2017-18
1	Ahmedabad	12742	14748	16359
2	Gandhinagar	535	608	664
3	Vadodara	0	0	4800
4	Surat	12750	13000	13800
5	Rajkot	1449	1770	1866
6	Bhavnagar	600	700	900
7	Junagadh	254	284	338
8	Jamnagar	1346	1746	1994
<b>Total of Municipal Corp</b>		<b>29676</b>	<b>32856</b>	<b>35920</b>
<b>Total of Municipal Councils</b>		<b>9726</b>	<b>10597</b>	<b>11634</b>
<b>Total PT Collection</b>		<b>39402</b>	<b>43453</b>	<b>47553</b>
<b>Contribution of M Councils</b>		<b>25%</b>	<b>24%</b>	<b>24%</b>
<b>Contribution of M Corps</b>		<b>75.32</b>	<b>75.61</b>	<b>76%</b>

(\*Source: Government of Gujarat)

Since the Government employees continue to pay through the treasury to Sales Tax department, we can aggregate the PT figures of Gujarat as follows (average of 2016-17 and 2017-18)

Table 107: PT Amount Retention by collection Agencies in Gujarat : (Rs. In Crores)

Sr. No.	Agency for collection	Amount collected (Rs in crores)	Category of people	Who retains the amount
1	Sales Tax department	250	Government and public sector employees only	State Government
2	ULBs	475	Other than Govt employees	ULBs
3	Gram Panchayats	80		Gram Panchayats
	<b>Total</b>	<b>805</b>		

(\*Source: Government of Gujarat)



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#### 8.40.2 SFC's Recommendation regarding Professional Tax for Maharashtra:

The SFC strongly recommends that professional tax must be shifted from Government (that is Sales Tax Department) to local bodies, that is, it must be collected and retained by **Local Bodies**. This will be in line with the (repeated) recommendations of various expert Committees who have studied the finances of the ULBs. This recommendation is also in alignment with the recommendations of the various Central Finance Commissions. Recently, the new (draft) Urban Policy Framework Report (February 2019) circulated by Government of India also recommends that Professional Tax should be collected by the ULBs. All over the world, professional tax is the domain of the ULBs.

As shown in the Gujarat case study above, PT is such a tax which is best collected by the ULB's as it can reach the last man. State Government agencies like Sales Tax department do not have such reach and do not have staff below the district level.

SFC recommends that this can be initially implemented like the Gujarat pattern in Maharashtra. **In this recommended arrangement, the Government continues to retain all the Government, semi-government, public sector employees' professional tax payers with itself and only shift other categories of private sector tax payers to the Local Body.** Thus ULBs will increase their income by primarily widening the number of tax payers over a period, as had happened in ULBs of Gujarat.

Here again, we recommend that the Government can implement the reform in three phases:

**Phase I:** - It can shift PT to D Class Municipal Corporation, all Municipal Councils and Nagar Panchayats. In Phase II which can start after two years, and it can be extended to the other Municipal Corporations also. This way transition will be smooth and there will not be loss to exchequer suddenly due to transition, **as State Government will continue to retain the huge number of Government PT payers.**

By this proposal State Government is likely to lose very minimal amount in Phase-I as the number of PT assesses are very low in D Class Corporation and below levels. But this loss will be offset by the PT multiplying twice or thrice by ULBs bringing in new tax payers into the fold.

**Phase II:** After seeing the experience it can extend to A, B, C Class of Municipal Corporations, except BMC area.

**Phase III:** After further review, it can consider extending it to BMC area.

Table 108: Proposed change for PT in summary :

Phase	What will shift	What will not shift
I	Non-Government payees in all Municipalities and D Class Municipal Corporation	All rest will be with Sales tax Department
II	Non-Government payees in A, B, C Municipal Corporations	All rest will be with Sales Tax department
III	Non-Government payees in Brihanmumbai Municipal Corporation	Govt, State Govt employees and PSU

By following a phased approach, the financial risk for the state by this change will be minimal as we are starting from D class Corporation and below, and Government is still retaining the Government customers. The ULBs will increase their income by adding new PT payers into the scheme, by widening the net.

There is also second alternate, somewhat radical approach. Here the Government transfers Professional Tax at one go completely to Local Bodies, both urban and rural. Since PT is essentially collected from urban areas, that much amount which is collected from urban areas by Sales Tax department can be deducted from the Octroi/GST grant being given to ULBs now. Thus the transfer will be neutral for ULB (no loss, no gain) initially but whatever the new tax payers they add to their net in future, is their additional income. This is precisely how the ULBs in Gujarat have augmented their income.

Government may decide on either of these above approaches as appears suitable or practical. In the second approach, there may be transition issues as capacities of ULBs have to be developed, or otherwise it may result in revenue loss during the initial period.

Shifting PT to the Local Bodies by any of the approaches (in phases or at one go) is one of the critical recommendations of this SFC.

#### **8.40.3 ULBs to be made enforcement agency under Maharashtra Shops & Establishment Act, 2017**

It was seen during our visit to Gujarat that the ULBs have been declared as enforcement and inspection agencies under the Shops & Establishment Act. Thus, this also helps in augmenting the Professional Tax. The Nagar Palika officers are able to monitor both that is the Shops Act and Professional Tax Collection during the same inspection visit.



It is seen that under Section 27 of the Maharashtra Shops & Establishment Act, 2017 there is provision for the State Government to declare that 'any local authority shall perform the duty of enforcing the provisions of this Act from the date specified in that notification'.

The SFC recommends that this enabling provision must be operationalized by making the ULBs as an enforcement agency under the Shops Act. This will not only increase the compliance under the Shops Act but also enable the ULB to widen its Professional Tax net.

#### **8.41 Strengthening property tax collection:**

##### **8.41.1 Present base of property tax levy:**

It is well known that property tax is the main source of own tax revenue of a ULB. The suggestions to augment property tax revenue have been reiterated again and again in all studies of ULBs and reports of State Finance Commission (see, for instance, its exhaustive treatment in the third SFC) and Central Finance Commissions.

Property tax can be collected at per rateable value or as per capital value. Suitable option to have either of these methods was introduced in Section 105 of the Municipal Act in 2010. At the ground level, most of the Municipal Councils are still retaining the rateable value method. Few Municipal Councils have shifted to capital value method (Badlapur and Sawda in Jalgaon). In Municipal Corporations, starting from BMC, many of the Corporations have shifted to the capital value method and this has helped augmenting their resources.

##### **8.41.2 GIS method to identify properties:**

Further, all studies have pointed out the collection efficiency of property tax in ULBs is low. Many of the Municipal Councils have not revised and updated their property tax register for many years. There are therefore many unassessed or under assessed properties. The State Government is now supporting the Municipal Councils by meeting the cost of a satellite based GIS survey of properties across the States. So far 150 GIS surveys have been completed and 40 reports have been submitted by the assessment agency.

##### **8.41.3: SFC's Recommendations on property tax:**

###### **(a) Consolidating GIS survey work already started and need for transition guidelines for newly formed Nagar Panchayats till GIS is in place:**

The GIS survey initiated by the UDD to support Municipal Councils to properly identify properties in ULB and bring them into tax net is a welcome step and needs to be consolidated and speeded up. Since GIS is still a work in progress, it may take a while to see its results. But it is seen that many of the newly formed Nagar Panchayats have not raised their property taxes after converting from Gram Panchayat to an urban body on the ground that property assessment will be done through GIS method. This has greatly affected their resource position. **UDD should issue**

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**transition guidelines for Nagar Panchayats regarding raising their property taxes, till a full-fledged GIS system in place.**

**(b) Need for appointing authorised valuation officers:**

Section 113 of the Municipal Act provides for appointing Authorised Valuation Officers (AVOs) from the town planning cadre to value the properties in the newly created Nagar Panchayats. So far it appears that the AVOs have yet to be appointed. They need to be appointed.

**(c) Amending provisions in the Act for including unit area method:**

Presently, the Municipal Act provides for both rateable or capital value method. The limitations of rateable value method are well known. There is high amount of discretion as to what is the 'annual rateable value' which has to be determined by the Chief Officer (Section 114). No specific rules or guidelines have been issued by the Government as yet regarding method of working out 'reasonably expected rent' though it is expected to be provided in provision to Section 114(1) if the Act. Thus rateable value method opens the floodgates of litigation.

Capital value method has been suggested as an alternative, and is operating successfully in some Municipal Corporations and Municipal Councils. However, as this leads to huge change (increase) in property tax rates there has been reluctance on the part of the ULBs to shift to this. At present only limited Municipal Councils like Badlapur and Sawda, have shifted to capital value method. We have given details of their shift to capital value method and their increased income in one case study in this report, separately.

During our visit to Gujarat, we found that the 'unit area method' is working successfully in various Municipalities there. The feedback is that there is less litigation and scope of discretion is limited.

It is also learnt that the Unit Area Method (UAM) is working effectively in Delhi, Ahmedabad and other big cities.

Therefore, the option of 'unit area method' needs to be added by making necessary amendment to Section 105 of the Municipal Act and Section 129 of the Municipal Corporation Act.

**(d) Incentivising shift to unit area or capital value method and also for improving collections:**

The State Government (UDD) has already included 'improvement in property tax collection' as an item in its KRA for Chief Officers and for writing their annual performance appraisal (Government decision dated 8.1.2019)

While a ULB certainly stands to benefit by increase property tax collection as it augments its own free income, there may be local factors preventing the ULB in improving the property tax system – both in terms of changing the method or for widening the collection net of properties.



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Therefore, over and above monitoring the performance of COs in this area, the entire urban body has to be incentivised. We have suggested elsewhere that an additional 10% of capital grants must be given on certain performance parameters and one of which must be to shift to capital based system.

**(c) Approach to property tax on slums**

We need to address the issue relating to property tax on slums. A detailed survey of slums is necessary for this. It is legal to impose property tax on any built up property within the Municipal jurisdiction without attributing any legal status to the slum. Of course, we cannot use the usual capital value method (as in case of formal properties) for calculating the tax. But two things must happen as a precondition, one, some basic services need to be provided upfront (any way some of these are mandated by the courts) which will be useful for gaining acceptability amongst the slum dwellers and it serves for optical purposes too. Second, there must be a binding self-commitment on the part of the government that all the property tax collected from slums must be ring-fenced for up-gradation of slums as an additional resource. Suitable NGOs could be used to collect the taxes from slums so that the onerous task of raising of multiple bill and collection by the officials is avoided.

**8.42 SFC's observation and recommendation on other taxes and non-tax income:**

**8.42.1 Updating byelaws:**

A ULB has the right to levy various types of user charges, fees, fines under provisions of the Municipal Corporation Act and Maharashtra Municipal Councils Act. For this, they have to frame their internal byelaws and get it approved by the State Government.

The State Government has for the convenience of the ULBs framed 38 model bye laws. Some of them relate to financial resource mobilisation. They include byelaws relating to temporary occupation of street and open spaces, hawker's fees, parking charges, slaughter house rates, storage licence fees and the like. These were prepared way back in the 1960's. They prescribe the minimum and maximum.

It is observed that most ULBs have not adopted the old byelaws, or do not have capacities to prepare legally sustainable byelaws and for this reason, they have not prepared revised byelaws on many areas, particularly in which resources can be mobilised. Actually it is a very neglected area, because of the complicated procedure to be adopted.

**8.42.2 SFC Recommendation on Municipal by laws:**

SFC strongly recommends that Government should take a special drive and direct the ULBs to

update their byelaws. They can also support them by circulating (updated) model byelaws and suggest minimum and maximum fees and fines. During our field visit there was unanimous request from both officials and non-officials to hike the rates by Government directives. There is reluctance at the local level for hiking any charges as this is an unpopular measure. But when it comes from a higher level there is acceptability. Therefore, the ULB's income can be augmented by completely revisiting the entire spectrum of byelaws relating to levying of fees, service or user charges, fines and the like and issuing fresh guidelines with updated rates.

In addition, Government should also exercise its power to give directions under the Act and fix fresh minimum and maximum rates of various levies.

The State of Gujarat has effectively streamlined this area, by their Gujarat Municipal Finance Board circulating the minimum and maximum fees that has to be levied for various services of Nagar Palikas. This is being adhered to rigorously by the ULBs.

#### **8.42.3 Redefining nomenclature like tax, charges, cesses, etc.:**

We have already pointed out in the chapter on 'Accounts, Audit and Financial Data' that there is need to bringing in necessary modifications in relevant places in both the Municipal Corporation and Municipal Councils Act so that the words like tax, charges, cesses are used in very precise sense. A tax, as understood, is a general levy which after collection the ULB can use for any purpose. A cess on the other hand is a levy which is collected for a specific purpose and can be used only for that purpose. A fee or user charge is levied on the user. However, at field level the word 'tax' (and the word *kar* – its Marathi equivalent) is used freely and interchangeably for any type of income of a Municipal Body! This loose use of revenue/taxation words may invite litigation, often stalling the entire collection process. There is need for a small Committee to scan the provisions of the Act and related rules and bring in required definitional clarity in Section 2 of the Act and also in various other places where such words are used.

#### **8.42.4 Redrafting Chapter 11 on Municipal Taxation of Maharashtra Municipal Corporation Act (particularly Section 127, 128, 129) and Chapter 9 (Section 105, 106, 107, 108) of Municipal Council Act:**

On a cursory reading of the above two relevant chapters relating to taxation in the Municipal Corporation and Municipal Council Act it is seen that there is lot of clutter, additions and deletions to the provisions in the Acts, at various points of time, insertions of various sub paragraphs making reading and understanding very difficult. It is essential that with the guidance of the Law and Judiciary Department the entire section should be written in a much more user friendly manner.



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#### **8.42.5 Need for activating the Property Tax Board and convert it to a Regulator:**

The Thirteenth Central Finance Commission has suggested that there should be a Central Valuation Board for Property Taxes and cited the example of West Bengal Central Valuation Board as an example. The Board is expected to standardise property assessment and valuation. (para 10.81)

Maharashtra Government has already passed the Maharashtra Municipal Property Tax Board Act, 2011. The Act provides for an independent Board consisting of a Chairman with judicial or administrative background, supported by other members. The Board has been mandated to audit the assessments done by the Municipal Council and suggest rectifications. The Board, on request of Government can review the property tax system and suggest suitable basis for valuation of properties and assessment of property tax, design and formulate transparent procedures for ensuring quality and transparency in valuation of assessment process and facilitating disclosure of valuations. It can also recommend modalities for periodic revision of the property tax assessment. It will work as an advisory role to the Government in property tax matters.

However, even though the Act has been passed, Property Tax Board has not been activated, that is the Act has not yet been operationalised.

#### **8.42.6 SFC's observation:**

In our interaction with field officials all of them emphasized the need for activating the property tax Board. At the ground level, taxation is always an 'unpopular' measure. Non-officials have a limited tenure and are somewhat reluctant to increase the 'taxation' or any type of additional user charge, fees, cess etc. There may not be much resistance or objection if such tariffs are worked out and recommended by a neutral authority.

#### **8.42.7 SFC recommendation:**

SFC strongly recommends that the Property Tax Board as envisaged in the Maharashtra Municipal Property Tax Board Act must be activated. In fact, not only property tax, but other type of levies imposed by a ULB like user fees, cesses, fines etc. need periodic review and revision. In the State of Gujarat, it is observed that a Municipal Finance Board notifies the 'minimum' and 'maximum' that has to be imposed for various categories of such levies. This makes it easy for the Municipal Body to operationalise it, and to overcome local reluctance.

Therefore, the SFC recommends that the Municipal Tax Board must be operationalised and better the scope of the Municipal Tax Board must be widened to an independent regulatory agency which can prescribe not only the property tax band, but also the band (minimum and maximum) for other user charges, fees, fines, cesses and the like.

Maharashtra has always a pioneer in many administrative reforms and a trend setter for other States. SFC strongly recommends that Maharashtra must come out with an effective regulator who will guide the ULBs in fixing their property taxes and other revenue sources in a fair and objective manner. This single recommendation, if implemented effectively will bring in remarkable changes in the resource position of ULBs in the State.

#### **8.43 Increase the present rate of rebate made available for the ULBs for collecting Education and Employment Guarantee Cess on behalf of State Government:**

There is an Act enacted by the State Government over fifty years ago called the Maharashtra Education and Employment Guarantee Cess Act, 1962. The purpose of this Act is to mobilise resources for education and employment guarantee activities of the State. The State has collected an average of Rs.775 crores per year during the three years 2014-15, 2015-16, 2016-17 under the category of Education Cess. A small amount of this has been collected through a cess on agricultural land under commercial crops and on irrigated land. But the bulk of the Education and Employment Guarantee cess comes from two streams collected in Urban areas of the State:

Table 109: Education and EGS Cess Collection : (Rs. In Crores)

Sr. No.	Category/Year	2014-15	2015-16	2016-17	Average of three years
1	Education cess on land and buildings in Urban Areas	669	634	601	634
2	Employment Guarantee Cess on Urban Non Residential Land and Buildings	117	102	103	107
<b>Total</b>		<b>786</b>	<b>736</b>	<b>704</b>	<b>751</b>

Earlier, the Urban Local Bodies were provided a 2% collection charges by the Government. As there were complaints from ULBs that they were not getting their 2% service charges reimbursed on time, Government (Revenue and Forests Department) issued a GR on 20th January 2003 that ULBs can retain 2% of their collection and need only to transfer balance 98% to the Government treasury. That is, they can deduct their 2% service or collection charges and then credit the balance of 98% to the Government. This has indeed made things easier for the ULBs. Now ULBs are collectively getting about Rs.15 crores as their service charges (2% of Rs.751 crore collected by them on behalf of the State Government)

However, during field visits many ULBs requested that their service fee be increased to further incentivise them. Our assessment of the situation also shows that ULBs will be much incentivised if they are given a higher service fee /rebate for their work. This is also likely to increase the amount of



collection and overall benefit to the Government offsetting the additional rebate being proposed below.

Further the 2% works out to a very low figure for C Class and Nagar Panchayats where the overall collection base is low and so the effort is not commensurate with the extra effort put in by them.

#### 8.43.1 SFC's recommendations:

- (a) Increase the rebate to ULBs which will incentivise the ULBs to perform better leading to better cess collection and benefit the State Government:

SFC recommends increase of the rebate rates as follows:

Table 110: Recommended Rebate Rates :

Sr. No.	Category of ULB	Present rebate percentage available	Proposed rebate rate	Remarks
1	Nagar Panchayats and C Class Nagar Palika	2%	10%	This will greatly incentive the collection and reduce their administrative cost of collection
2	D Class Municipal Corporation A and B Class Nagar Palikas	2%	5%	As above

#### 8.44 Additional financial support from Government to meet the revenue expenses of ULBs

##### 8.44.1 Salaries of all DMA cadre to be fully met by the Government:

To strengthen the Human Resources of the Municipal Councils and Nagar Panchayats, Government has created a Maharashtra Municipal State Cadre popularly, 'DMA cadres'. This consists of municipal engineer cadre (few categories) municipal accounts cadre, municipal tax and administrative cadre, town planning cadre and fire cadre. Totally, 5545 posts have been sanctioned, and 3500 posts have been filled up. The rest are in the process of being filled up.

During field visits, while the creation of these cadres was welcomed, there was a repeated representation, particularly from the smaller Municipal Councils and Nagar Panchayats that their Councils were not in a position to meet their salaries. In practice, due to cash flow issues, their salaries were getting delayed.

#### **8.44.2 SFC's Recommendation:**

SFC strongly recommends that the salaries of the 5545 State level municipal cadre posts, must be met from the State Budget and Municipal Councils should not be asked to meet them. SFC notes that they are essentially Government servants assigned to Municipal Councils as a technical specialist. Since the capacities of Municipal Councils vary, it is likely that a State level cadre employee working in one Council get his salary properly, while his colleague working in a neighbouring ULB may not get his salary on time, due to poor financial health of the Municipality or for other reason, for no fault of his. This will demoralise him, and eventually the entire cadre. Hence it is request that this salary must not be a load on the ULB.

The SFC also recommends that the salaries of the Chief Officers of all classes of Municipal Councils (both A, B and C and not just 'C' class as at present) must be met from the State budget.

This single reform, which may have a load of about Rs.70-100 crore will greatly motivate the cadre employees and more than that improve municipal administration in a big way.

#### **8.45 Revamping Sahayyak Anudan grants to Municipal Councils:**

The octroi was abolished for Municipal Councils from 1.4.1999. To compensate for this loss, Government introduced an octroi compensation grant. The Municipal Councils at one stage represented that the octroi grants are not sufficient to meet the ever increasing salary burden, particularly due to increase in dearness allowance which became payable from time to time. To assist the Municipalities, Government started giving them a 'DA grant' as well.

Government took a crucial decision in 2009 (GR UDD/Misc/2009/PraKra 106/09/Nav 14 dated 31 August 2009) to merge the two grants namely octroi (compensation) grant, DA grant and instead give a single consolidated grant in the name of Assisted Grant or Sahayyak Anudan. This was to be increased by 10% every year. (para 3 of GR dated 31.8.2009)

The Government order also mentions that the Sahayyak Anudan must be used for meeting the salary and pension commitments of the Municipal Council on priority. Though it is not a salary grant, the general understanding is that this grant is to meet the establishment expenses on priority.

This new consolidated grant was worked out as Rs.824 crores in 2009-10. The same GR of 31.8.2009 also details the amount to be distributed to each of the Municipal Councils.

The following are the actual releases to Municipal Councils and Nagar Panchayats under Sahayyak Anudan (CRC Code 2217 8066):

Table 111: Actual Sahayyak Anudan released :

(Rs. In Crores)

Sr. No.	Year	Sahayyak Anudan Released
1	2016-17	1491
2	2017-18	1491
3	2018-19	1684

Thus it will be seen that the annual increase rate is effectively as follows:

Table 112: Annual CAGR of Sahayyak Anudan :

(Rs. In Crores)

Sr. No.	Method of calculation	2018-19	2009-10 (base year)	Difference	Annual growth (CAGR)
1	On basis of demanded amount	1800	824	976	9.07%
2	On basis of released amount	1684	824	585	7.21%

#### 8.45.1 Observations of SFC:

- Though it is not formally indicated that Sahayyak Anudan is a direct salary grant, the GR of 31.8.2009 clearly mentions that it should be used first to meet salary of the Municipal employees. The second priority is to meet the expenditure on pension. Therefore, the Municipal Councils are using it primarily to meet the salary and pension expenditure.
- As seen from above table, as against the 10% visualised increase, actual increase is only 7.21%. During field visits, the ULBs complained that the annual increase of Sahayyak Anudan is not keeping pace with the annual increment rate and DA increase (inflation)
- More important, the amounts fixed for Municipal Councils in base year 2009-10 have not been beneficial to all Councils. Such of those councils which had a good octroi collection (many in Western Maharashtra) got a higher amount, but many did not get the advantage. Due to the annual increase from the base year, over the years this gap has only increased to the disadvantage of many Municipal Councils.**

#### 8.45.2 SFC's Recommendation:

SFC strongly recommends that the entire Sahayyak Anudan GR of 2009 be replaced with a fresh formula. The earlier formula was essentially linked to octroi compensation and relevant at that point of time. Now almost 20 years have passed since octroi abolition Municipal Councils.

Though Sahayyak Anudan is not a salary grant as such, it is generally accepted that the funds are to meet the establishment grants of the Municipal Council. As mentioned the original GR of 2009



also mention that the funds must be used to meet the establishment expenditure first.

Now, in the context of the 7th Pay Commission scale being already given to State Government it is only a matter of time before it is extended to municipal council employees.

Therefore, we recommend a revised formula as follows:

- The salary and pensionary commitments of Municipal Councils must be calculated on the basis of the 7th Pay Commission. This, of course, must be only for approved staffing pattern (a)
- In addition, we recommend the addition of specific grants to that specific ULB which used to get as share of entertainment tax, land revenue and also share of minor minerals royalty (only for C class Municipalities). This is about 40 crores per annum based on previous year's figures. (b)
- The total of (a) + (b) above must constitute the revised base Assisted Grant or Sahayyak Anudan grant.
- While working out this at draft stage, it must be checked if there are steep differences or loss for any Council to this new formula and suitable adjustments be made for such a situation.
- Out of the amount 80% must be released as fixed component.
- The balance 20% must be released on a comparable performance indicator like 'own income per capita'. A benchmark 'own income per capita' must be worked out for each class of Nagarpalika and depending upon the position of the Municipal Council against this benchmark this balance can be released. This benchmark can also be made little flexible, giving some concessions to the Municipal Councils in Marathwada and Vidharbha for two three years so as to give them time to improve themselves.
- Since Sahayyak Anudan is the main source of income of Municipal Councils and contributes for 45-55 % (see our analysis earlier) of the revenue income, the Government should not put any budgetary cuts on this and release it fully every year to the ULBs as per revised formula. Any shortfall in release affects the day to day functioning of the Municipal Councils, particularly the smaller ones, very severely.
- There must be also a provision for an annual increase of about 8% to keep pace with increased establishment and other expenditure in future.

#### **8.46 Need to increase the Government share of teacher's salaries:**

Urban Local Bodies run primary schools. However, the Government does not reimburse the full salary of the teachers. It pays as per a formula which is given below. Whereas in the case of Zilla Parishad schools or aided (private schools) the reimbursement is 100%. Perhaps, the idea was

that urban bodies are financially resourceful and can mobilise a share of the salary of teachers.

As pointed out elsewhere, the finances of D Class Municipal Corporation and Municipalities are not sound to bear this load. Particularly in the case of D Class Municipal Corporation, they have to now meet 50% of the cost of teacher's salaries and other related commitments. Many of the D Class urban bodies are actually bigger Municipalities. Classic examples are places like Parbhani, Latur, Akola and such cities.

During our field visit, there was strong representation on this point from D Class Municipal Corporations. They pointed out that as the population of the city expands it is the Mahanagar Palika that has to step out first and operate schools for the new slums and migrant population settlements.

#### **8.46.1 SFC's Recommendation:**

SFC strongly recommends increase in the rates of State Government's reimbursement of teacher's salaries. This will greatly reduce the financial burden of D Class Corporations and below level.

Table 113: Reimbursement of teacher's salary recommended percentage :

Sr. No.	Category of ULB	Present reimbursement % of teacher's salaries by Government	Recommended percentage
1	D Class Municipal Corporation	50%	75%
2	'A' class Municipal Councils	80%	90%
3	'B' class Municipal Councils	90%	100%
4	'C' Class Municipal Councils	100%	No change
5	Nagar Panchayats	100%	No change

#### **8.47 Government to meet pumping costs of ULB piped water supply schemes:**

One of the major responsibility of ULBs is to provide household water to the citizens. In Maharashtra, most of the water supply schemes in urban areas are owned and managed by the Municipal body itself. The Maharashtra Jeevan Pradhikaran operates 27 schemes, mostly water supply schemes which covers both ULBs and nearby villages. But if we see the overall numbers, the MJP serves just about a small percentage of the total PWS serving ULBs.

During our field visits there were repeated representations received from officials and non-officials of ULB about the high amount of electricity bills which the ULB have to pay for their drinking water schemes.

We now give three classic examples to show how huge and disproportionate amounts are spent by the Urban Body as electricity bill for pumping water from distant sources. The table below explains the situation very clearly:

Table 114: Water Pumping costs for the ULBs :

Sr. No.	Name & Category of ULB	Source of water and source-ESR distance	Monthly expenditure	Annual expenditure	Remarks
1	Solapur Municipal Corporation (D Class)	Ujni Dam - above 100 kms	4+ crores	48+ crores	Since Solapur has above 5 lakh population, the water consumption is substantial. Hence the high billing is both due to distance and quantity of water pumped.
2	Jalna (A Class MC)	Jayakwadi	45 to 50 lakhs	6+ crores	Water is pumped from Jayakwadi to Ambad where there is a water treatment plant and re pumped to Jalna. The recovery of water charges is Rs.2.7 crores, whereas the electricity charges are Rs.6 crores and unable to collect more from its citizens. Hence, the shortfall in expenditure recovery in water supply scheme is subsidised from general fund. As the total income of the ULB itself is Rs.15 crores, one single factor, namely high pumping costs of water totally disturbs the economics of the Nagar Palika .
3	Manmad (B Class MC)	Palked Dam- 90 kms, away- water comes through canal for about 65 kms. and then it is lifted from Patoda 25 kms away	20 lakhs per moth	Rs. 2.5 crores per year	The town is able to recover only a part of the expenditure on PWS from its citizens. The expenditure is 2.5 times the income. Therefore, the loss is necessarily offset from the general income of the ULB. The overall income of ULB is about Rs.9 crores.



It will be seen from the above examples, that the high cost of electricity bill of the PWS totally disrupts the economy of the ULB. This is because of the ULBs geographical disadvantage.

As the population increases each ULB sources water from distant sources which adds to the cost.

#### 8.47.1 SFC's Recommendation:

SFC strongly recommends that to preserve the financial health of such geographically disadvantaged ULB's the ULB has to be reimbursed a part of the electricity pumping costs. This should be linked to the distance and height of pumping water from source to final ESR (via the water treatment plant). Therefore, we recommend no subsidy or support to the inefficiencies of distribution which happens after the water is pumped to the ESR and our proposed subsidy is directly linked to pumping costs.

SFC requested MJP to work out a fair formula by which the ULBs can be supported. MJP has, after careful study, worked out a formula assuming 100 litres consumption per day per capita and electricity charges at Rs.9 per unit. On this basis, they have recommended support from Government as follows:

Table 115: Energy consumption for pumping water :

Band	Specific energy consumption of ULB in KWH /ML	Recommended subsidy percentage	Indicative grant per capita for the city for a year ( in Rs.)
1	Up to 200	Nil	Nil
2	201 - 250	20%	19.5
3	251 - 300	33%	38
4	301 - 350	43%	58
5	351 - 400	50%	77.5
6	401 - 450	56%	96.8
7	450 and above	60%	116.1

SFC strongly recommends support to ULBs on these lines. A specific energy consumption certificate should be obtained from MJP to be eligible for this recommended subsidy. Huge costs of electricity bills have disturbed and disrupted the resource balance of many ULBs only because of their geographical disadvantage as regards source of water. This subsidy will partly offset this inherent disadvantage. Our recommendation is specific and targeted and we are of the view that this single support will go to improve the finances of ULB in a very big way. We recommend this subsidy only for D Class Municipal Corporations and all category of Municipal Councils and Nagar Panchayats.

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#### **8.48 Government to write off MJP dues:**

Maharashtra Jeevan Pradhikaran operates about 27 piped water supply schemes. Ideally, the operating expenses of the PWS must be recovered from the users, the ULBs in this case. However, as is well known, MJP finds recovery of dues from ULB a continuous challenge. MJP has reported that an amount of Rs. 639.60 crores are due from Municipal Corporations and Rs.427.41 crore is due from Municipal Councils for operating and maintaining the PWS. This includes delayed payment charges.

On the other side, the ULBs have been maintaining that the cost of water supplied by MJP is substantially high and it is not possible for them to recover it fully from the municipal citizens. They feel that MJP is saddling them with high operating and administrative costs.

Water being a sensitive subject, MJP finds it difficult to disconnect supply if there is a failure in payment. Net result is that the arrears of MJP are mounting. Thus there is a stalemate situation where MJP is unable to recover old dues, and when they add delayed payment charges annually, it further becomes difficult for ULBs to pay.

In the case of Maharashtra Electricity distribution company (MSEDCL) the amount due to it has occasionally been deducted at source centrally from finance commission and other grants from the Government. This practice of deducting centrally and paying to para-statal agencies is being followed by many other States who have found recovery from ULBs a big challenge.

We have already recommended in earlier paragraph (8.47) about the need for Government to subsidise the high cost of electricity bill linked to pumping of water from distant sources.

##### **8.48.1 SFC's Recommendation:**

After taking stock of the situation, SFC recommends that the Government should bring in a win-win approach of one-time conditional write off (settlement) scheme in which ULBs are incentivised to settle the old operating dues of MJP by a sharing formula. The ratio of write off can vary according to category of ULB. We recommend as follows:

Table 116: Recommended write-off for the MJP :

Sr. No.	Category of ULB	Recommended write off	Pre-condition
1	Municipal Corporation Group D	50%	ULB to pay 50% first. Or alternatively the write off will be equal to amount paid
2	Municipality – A class	75%	As above, the write of will be thrice the amount paid
3	Municipality – B class	80%	Municipality to pay 20% first to get this benefit
4	Municipality – C class	80%	Municipality to pay 20% first to get this benefit

The write off amount has to be reimbursed by Government to MJP suitably.

#### 8.49 Meeting the cost of essential land acquisition of smaller ULBs

During our field visit, we found that the cost of land acquisition has spiralled in the last few years due to the new compensation formula that has been adopted. As a result, key infrastructure projects or essential activities of ULBs are stuck up. **It is seen that funds are available for the infrastructure project, but funds for acquiring the land that is a pre requisite is not available.** Thus, many ULBs are unable to take up critical projects like PWS as land is not available (or too costly) for the critical ESR.

This has greatly affected the quality of life in ULBs particularly in smaller Class C and Nagarpanchayats. It is very pronounced and serious in the newly formed Nagar Panchayats. Officer bearers of ULBs pointed out that even activities like city cleanliness is possible only if there is some dumping ground for disposal of garbage daily. The town of Vengurla has been able to succeed in SWM because it owned land out of the town for garbage segregation and management. But what if land itself is not there? There are many small urban bodies where even dumping ground is not available and the ULB is not in a position to acquire such property, even if available.

##### 8.49.1 SFC's Recommendation:

SFC therefore strongly recommends that Government must meet the cost of land acquisition of the following essential social infrastructure for B Class, C Class Municipal Councils and Nagar Panchayats:



- Cost of land for one dumping ground /compost pit
- Cost of land for sewage treatment plant,
- Cost of land for ESR of water supply scheme,
- Cost of cremation ground,
- Cost of one garden,
- Cost of one public hospital

The Government could consider a new scheme for meeting the cost of this land acquisition, or enable this by widening the scope of any ongoing scheme.

#### **8.50 Government to fix norms for election expenditure of smaller ULBs and meet the same:**

The elections to the Urban and Rural Local Bodies are conducted under the direction and supervision of the State Election Commission. At the field level, the elections are conducted by the Collector, under the direction of the State Election Commission. For the elections to the Panchayat Raj Institutions, the Rural Development Department has fixed the expenditure norms which is to be reimbursed to the Collector. It is Rs. 50,000 per Gram Panchayat (RDD GR dated 14.6.2016). Likewise, for the elections to the Zilla Parishad and Panchayat Samiti, the norm is Rs.40 per voter (GR dated 14.6.2016)

However, for elections to the ULBs the entire expenditure is expected to be borne by the ULB only. Thus the ULB has to reimburse the expenditure incurred by the Collector or meets the funds requirement given by the Collector as and when required. During field visit, there was a near unanimous request from the small municipal council that election expenditure is a big load on them. Further, though it is once in a five-year affair, still, at that time, in the absence of any norms or limits, they have to often expend much more amounts as required by the district Collector. Likewise, even during the bye elections the Collector Office demands substantial amounts from the local body.

##### **8.50.1 SFC recommendation:**

SFC sees no justification as to why the election expenditure should be met by the ULB while for the ZP and PS elections the expenditure is met from Government budget. Since the resource position for Class B, C Municipal Council and Nagar Panchayat are not strong enough to take up such additional burdens, it recommends that:

- (a) Per voter election expenditure norm must be fixed for ULB elections also, as is done in the case of ZP
- (b) Thereafter, the expenditure must be shared in the following ratio

Table 117: Recommended share for election expenditure :

Sr. No.	Category of Municipal Council	Share of expenditure to be met by Government	Share of expenditure to be met from ULB resources
1	A	Nil	100% ( no change recommended to present arrangements)
2	B	75%	25%
3	C	100%	Nil
4	Nagar Panchayat	100%	Nil

Thus the SFC has recommended expenses to be defrayed by Government only for the smaller category of ULBs, which has lesser financial resources.

### 8.51 Special needs of tourist, pilgrim and other towns and ways to augment their resources:

#### 8.51.1 Issues relating to hill stations, tourist and pilgrim towns:

The SFC during its field visit received various representations from many towns where there is substantial floating population. This could be seasonal, (like in hill stations) or during some specific festive season or jatra/tourist season like Navratri/year-ends when huge crowds visit a shrine in the town. There are also some cities where due to their historic or cultural importance, there is always a huge number of tourists throughout the year. In fact, with better transport facilities available now, in many cities, the tourists are now coming all twelve months of the year. This imposes much load on the urban local body which has to provide water, sanitation and other facilities to the tourists /pilgrims but are unable to mobilise adequate resources.

At present, the support to such towns is of two types:

#### (a) Direct Government grant:

The Urban Development Department is providing a direct grant to certain pilgrim towns, to partly defray the additional financial load on the urban body due to pilgrim traffic. Seven towns are receiving the grant as follows:

Table 118: Direct Government grant for pilgrim : (Rs. In Crores)

Sr. No	Name of the ULB	Grants
1	Trimbak	1.25
2	Alandi	1.62
3	Jejuri	1.87
4	Pandarpur	5.00
5	Tuljapur	3.75
6	Ramtek	0.63
7	Paithan	1.25
8	Total	15.37

Recently, Akkalkot has been added to the list of pilgrim taxes. The grants can be used for both capital works and maintenance works. A Committee under the Collector approves the activities.

**(b) Permission to levy local taxes or service charges by approving the by-laws:**

Section 108(g) of the Maharashtra Municipal Tax states that 'subject to any general or special order which the State Government may make in this behalf, a Council may impose for the purposes of this Act,' a tax on pilgrims resorting periodically to a shrine within the limits of the Council and Section 108(i) states that Municipal Council can impose 'any other tax'. Section 322 enables the Municipal Council to frame its own bye laws for imposing certain taxes, and impose it after getting Government approval.

It is seen that certain ULBs have over the years obtained government permission to impose such type of tax or fees from non-residents who visit the town and have framed byelaws. Example

- (i) The hill station of Chikaldhara is collecting a certain amount from vehicles and also from individuals who visit the town. It is easy for this town as access is controlled through suitable check points. It has collected Rs.30 lakhs per annum.
- (ii) The hill stations of Matheran and Panchgani are collecting certain amounts from vehicles.
- (iii) The Alibag municipality has got its byelaws approved by Government in 2005 for imposing what it calls 'Environment Fees' from visitors. It is charging a certain amount from non-local vehicles that enters the city. It has collected about 9.5 lakhs this year.

**8.51.2 SFC's Findings:**

Municipal administration has to bear the load of the floating population, whether it is seasonal during a jatra or throughout the year (as in Trimbak). The tourist traffic may help give business income for the town shops and enterprises, but the Nagar Palika need to get some share of this income. At present while some municipal councils do have approved byelaws and mobilising funds from tourist vehicles and even from individuals (as in Chikaldhara) some more friendly



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enabling framework is required. The approval to levy such tax is given on a case by case basis. This takes a lot of time. The word 'tax on pilgrims' in Section 108 is outdated, has other connotations and needs to be replaced. Likewise, the concept of taxing each visitor is also somewhat outdated.

#### **8.51.3 SFC's recommendation:**

We recommend that suitable provision inserted in Section 108 to collect 'Environment Management Fees' by towns which have substantial floating traffic- seasonal or continuous. The purpose of the fees is for maintaining cleanliness, providing water and such related expenditure. The visitors may come to the town to visit a shrine or for enjoyment as in hill stations. The environment fees should be allowed to be collected in two ways: one from motorised vehicles entering the town and another from people who halt in lodges overnight. A model byelaw and a comprehensive updated guidance GR in this matter will greatly help ULBs.

### **8.52 Capital grants:**

#### **8.52.1 Need for increasing formula based grants and reduce discretionary grants:**

It will be seen from the analysis of budgetary grants in an earlier part of this chapter (see Para 8.34) that in the last few years the capital grants to ULBs have increased substantially. This has greatly helped the ULBs to take up various projects.

However, during our field visit, there was repeated requests from the field to make it formula based and reduce the margin of discretion in making the grants available.

#### **8.52.2 Need for linking performance of ULBs with capital grants:**

The last two Central Finance Commission have linked the performance grant release with certain conditionality. This is a way of 'nudging' States and their ULBs to work towards desired outcomes. It must be admitted that there have been very positive results due to introduction of performance grants.

There is a pressing need to similarly link capital grants with desired ULB performance in various areas.

#### **8.52.3 SFC's recommendation:**

- i) SFC notes that the proportion of capital grants which are discretionary is slowly increasing over the years. SFC recommends to make it more and more formula based, so that all ULBs know where they stand in getting the capital grant support.

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- ii) SFC strongly recommends that good ULBs who are showing good performance and adhering to financial discipline must be properly incentivised. There is no better way for this than linking capital grants to performance. SFC suggests that an additional 5-10% of the grants must be kept separate as 'performance grants' and must be released on achievement of desired performance parameters. This must be objectively done by an independent third party. This will greatly streamline and improve the working of ULBs.

### **8.53 Mobilizing funds for ULB's through loans :**

#### **8.53.1 Challenges faced by ULBs in taking the loan route to mobilise resources for ULBs:**

A perusal of the literature on Urban Financing shows that all expert Committees, Commissions have recommended in their reports and studies of the need to explore the loan route to mobilise resources for infrastructure development in ULBs. From one end, namely from the ULBs there is an actual and latent demand for loans. On the other end, from supply side, there are financial institutions waiting for good and safe lending opportunities. Particularly, adequate funds for long term projects of 15-20 years are good investment opportunities for pensions funds, insurance funds and the like. In short, there is actual and latent demand, there is availability of funds and appropriate financial institutions and financial products are available.

However, it must be admitted that except in case of mega projects like metro transportation or the occasional Pune Corporation issuing bonds (a case study on this has been given in this report separately) the 'loan route' for capital projects are yet to take off to Maharashtra.

During discussions with various stakeholders we found the following reasons for this:

- i) ULBs – particularly the middle size and smaller size are getting substantial funds in recent years as capital grant in aid. So there is no incentive to go for loans
- ii) A pre-condition for availing loan, is that the accounting system of the ULB must be kept in order so that the credit rating agency can quickly 'measure' the financial health. At present, as pointed out elsewhere, in the absence of double entry book keeping it is impossible to gauge the financial position of a ULB.
- iii) The pre-requirements for getting a loan like project proposal, documentation, financial analysis, preparation of agreements etc. are specialised activities and the Municipal Commissioner of a C Class or D class Municipal Corporation finds it extremely difficult and challenging to do this at his level. If a consultant is appointed, then he will be able to do all the above services for the ULB. But even the process of appointing a handholding Consultant (through competitive bids) is cumbersome and difficult for the Urban Manger.

Therefore, most of the ULBs choose not to look in the direction of loans. They are aware that loans mean assured flow of funds for infrastructure projects, while grant flow is uneven. Still for reasons cited above, they have not ventured much in the area.

#### 8.54 Maharashtra Urban Infrastructure Fund (MUINFRA)

To help the ever increasing demand for infrastructure funds from ULBs the Government of Maharashtra created the Maharashtra Urban Infrastructure Fund (MUIF) in August 2002 and two organisations to operate the fund. In plain language, the in house State Government institution which provides loan support is known as MUINFRA. The present status is as follows:

- The Government and MMRDA have put together about Rs.550 crores into the Maharashtra Urban Infrastructure Fund.
- It has created two organisations namely Maharashtra Urban Infrastructure Fund Trustee Limited as the custodian of the Trust Fund and Maharashtra Urban Infrastructure Development Company Limited as the fund manager
- It has released a loan of Rs.84.85 crores and a grant of Rs.168 crores over the years. The grants are essentially from the interest income earned
- Loans have been given to twelve schemes for water supply and such schemes at a nominal interest of 5-6%, as below:

Table 119: Loans distributed by MUINFRA to ULBs :

(In Rs. Crores)

#	Disbursement Year	Project Name	Name of Municipal Council	Amount of Loan	Amount of Grant	Total
1	2017-18	Water Supply	Washim	4	1	5
2	2017-18	Water Supply	Khopoli	8	2	10
3	2017-18	Water Supply	Bhadravati	5.6	1.7	7.3
4	2017-18	Water Supply	Selu	2.2	0.56	2.76
5	2017-18	Sewerage	Malkapur	4.71	1.18	5.89
6	2017-18	Water Supply	Shrirampur	5.08	1.27	6.35
7	2017-18	Water Supply	Parali - Vajinath	2.66	-	2.66
8	2017-18	Swimming Pool, School Digitization	Katol	4.3	1.08	5.38
9	2018-19	Water Supply	Parbhani M Corp	14	6	20
10	2018-19	Water Supply	Sinnar	7	3	10
11	2018-19	Sewerage Disposal Scheme	Karad	9.8	4.2	14
12	2018-19	Shifting of poles/pillars	Nagpur M Corp	17.5	7.5	25
<b>Total</b>				<b>84.85</b>	<b>29.49</b>	<b>114.34</b>



Chart 48: Loans given by MUINFRA - sectoral analysis

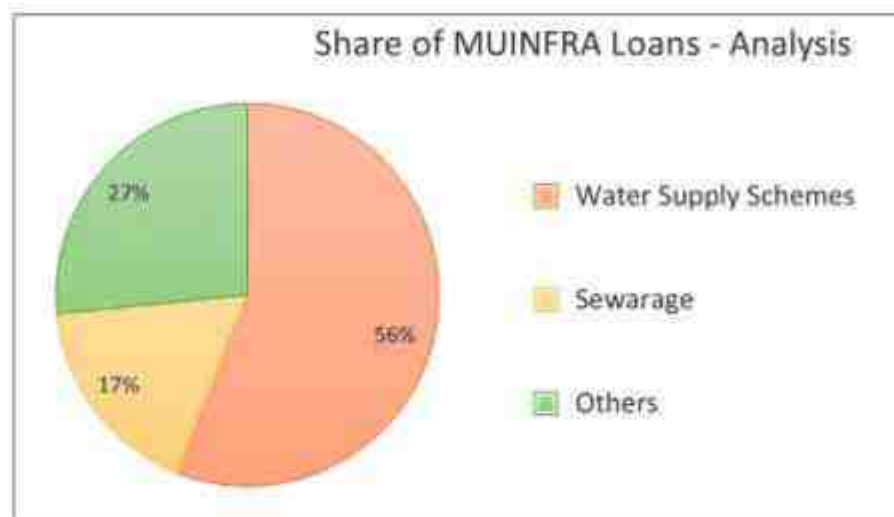


Table 120: Grants distributed by MUIF :

**Grants Disbursed by MUIF**

(In Rs. Crores)

#	Year	Particulars	Grants Given	Project Undertaken
1	2010-11	DMA	24.75	-
2	2012-13	DMA	35.69	-
3	2015-16	Ballarpur MC	5	Pipeline Shifting and Solar Power
		Bhadravati MC	5	Completion of works under UIDSSMT
		Kamptee MC	5	Road Works
		Mahadula MC	5	Road Works
		Mauda MC	5	Road Works
		Mul MC	2.5	Swimming Pool
		Pachora MC	5	Construction of Fruit and Vegetable Market
		Pombhurna MC	5	Construction of Building and TalavKholikaran
		Talegaon-Dabhade MC	4.5	Construction of Shopping Centre
4	2016-17	DMA	36	-
5	2017-18	DMA	30	-
Total Grants			168.44	

**8.54.1 Support for loan route in some other States:**

It is seen that other States like Tamil Nadu have created similar institutional arrangements like Urban Development Fund and companies similar to Maharashtra Urban Infrastructure

Development Company to manage it. However, from the data available they have been able to give a loan of over Rs.1500 crores to the urban bodies. In addition, they have also been to pool the requirements of 13 smaller ULBs, aggregate it and raise a single market bond for it. They have also created suitable institutional mechanism for handling such type of initiatives. There is certainly great scope for mobilising funds in similar fashion from the market. Maharashtra has the special advantage of having Mumbai, the financial capital of India with it and it is necessary to use this inherent opportunity.

#### **8.54.2 Other related expectations relating to infrastructure projects from the field officials:**

We have indicated earlier that field officials are badly in need for support in preparing project proposals (of varied sizes) agreements, contracts, feasibility studies, procuring specialists and consultants in their day to day working. These are not only needed for big infrastructure projects like water works, sanitation projects but also for building a reasonably sized public gardens (where they may need consultancy of landscape architects), composting plants and the like as well. As contract documents are normally prepared in English, small ULBs have language difficulties here as well.

There was a persistent request to have an in house, but independent consulting agency which can provide a range of such above services to ULBs at reasonable costs (no profit no loss basis).

#### **8.54.3 Need for State Level Professional Support for mobilizing resources by effective exploitation of Municipal Assets:**

During our field visit there was overwhelming request from all non-officials of ULBs that they be allowed to effectively monetise the valuable properties held by their Municipality and thereby help augmenting their income. The Municipalities have prime land in many places which are underutilised or not properly utilised.

We are of the view that there is need for an enabling, comprehensive State policy. There is also need for a professional support to the ULBs (either through existing departments like PWD which has done some BOT projects or a new dedicated agency, or expand the role of MUINFRA suitably) in handling tenders, contracts and agreements in this matter.

#### **8.54.4 SFC's Recommendation:**

- (a) There is need to take fresh stock taking of the operating pattern of MUINFRA (which is about 17 years old now) by an independent professional agency.
- (b) There is need to examine whether agencies like LIC – who have long term funds parked with them --could be part of the ownership and management structure of MUINFRA /

equivalent organisation. An organisation with multiple owners will get a different perspective and likely to be more agile in its working

- (c) There is need to study the pattern of other developed states who have similar Infrastructure Development Fund and implementing infrastructure companies and examine it if their model can be fully or partly replicated.
- (d) Above all, there is need for a separate 'Technical Support Agency' to do a range of services as indicated above (para 8.54.2) for ULBs. Today the ULBs are much restricted due to absence of this facilitating agency. Government could consider to give a corpus grant or take it out of the present MUNIFRA grant (say 10 crores) and keep it for this support agency. The organisation can support its staff and administrative grant from the interest income of Rs.10 crores. This will give continuity and sustainability to the organisation. Its operating expenses can be met from the fees it derives for a range of services it can provide to the ULBs as listed above. Thus it can provide, high level, but low cost support professional service to ULBs. It will be a great help to the Municipal Corporations of C Class and below in their operations.

### **8.55 Simplifying approval procedure relating to capital expenditure :**

In the course of interaction with the office bearers and officials of ULBs there was a strong request to simplify the administrative and technical approval guidelines. The present procedures consume substantial time at each stage of scrutiny and approval. The field officials felt the financial powers of Chief Officers/ULBs need to be increased as per changed situation.

Another consistent request at field level was to reduce the 'high' consultancy charges levied by MJP and PWD for project preparation. Some ULBs pointed out that it is also not allowed to be added to the project cost, and they find it difficult to meet this expenses from their resources.

#### **8.55.1 SFC's Recommendation:**

SFC recommends that the entire procedures relating to administrative approval, technical approval, consultancy charges etc. need a revisit. There is a need to reduce the various type of time and cost burden imposed on the ULBs, particularly the smaller size ULBs.

### **8.56 Administrative Reforms without financial burden:**

#### **8.56.1 Need for streamlining the operational issues relating to Municipal employees joining the National Pension Scheme**

In line with the decision of Central Government, Government of Maharashtra has also taken a decision that those who join Government/public service after 1.11.2005 will not be eligible for



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pension from budgetary resources. Instead, their monthly contribution and the Government contribution will accumulate into the National Pension Scheme and the pension will be paid out of this.

Most ULBs have not yet obtained staff wise NPS PRAN number. Instead they have opened a separate bank account where the employee's monthly contribution and the Nagarpalika's (that is employer's) contribution are credited monthly. The ULB keeps a separate employee's ledger in office. In short, the employee and employer's contribution are kept with the employer and not transferred to the NPS.

Some ULBs have credited the amount with Employee Provident Fund account.

#### **8.56.2 SFC's Recommendation:**

It is very essential that the entire matter is streamlined as otherwise there is risk of individual employees taking the matter to labour court. It is well known that provisions for not crediting the provident fund (or equivalent) contribution and keeping it in prescribed manner invites very strong penalty and punishment under Labour Laws of the land. Either the funds must be with the Provident Fund Commissioner or with NPS, not elsewhere.

The Municipal Corporation and Municipal Council seem to be ignorant of labour law provisions in this matter.

SFC would strongly recommend the UDD/DMA to engage a suitable firm or consultant well versed in this matter, who would give hand holding support to ULBs and help in the transition to NPS without further delay. They could be paid on performance basis.

#### **8.56.2 Re-organisation of the DMA at Divisional, District and State level and de link it from Collector office:**

Presently, the Director of Municipal Administration has an office in Mumbai. It has no field offices. Its regional officers and district officers are working under the administrative control of the Divisional Commissioner and District Collectors. The support staff of the regional officers and district officers are from the Collector (Revenue) office.

The Divisional Commissioner and Collector have been given certain role under the Municipal Council Act.

In Gujarat, which is equally urbanised they have radially reorganised the structure of the Directorate of Municipal Administration, by appointing young IAS officers as Regional Directors with independent offices and reporting directly to the Director of Municipal

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Administration. The Collector's role is restricted to conducting the elections of ULB.

In Maharashtra the district office of the town planning department is independent of the collector office. The Assistant Director, Town Planning has an independent office but also interacts with the Collector whenever required as per Act and otherwise.

Whenever a non-revenue officer has to operate from the Collector Office there is a tendency on the part of the officials of the Revenue department to treat him as an extension of the revenue department. There are various operational difficulties which the district officer of UDD faces.

The Collector is also overstretched as has to attend to many matters and heads hundreds of Committees and the old practice of saddling more and more on the Collector as an institution itself needs a revisit.

#### **8.56.3 SFC's Recommendation:**

SFC recommends that the Regional Officer and District Officer of the Directorate of Municipal Administration must be taken out of Collector office and should operate out of an independent office like the Assistant Director, Town Planning at district level. He may report and get file approval of the Collector wherever required under provisions the Municipal Act and other executive instructions but his administrative control will be with the DMA.

In the long term, the regional district and office needs to be strengthened with technical staff who can give services for smaller ULB's in that area.

The entire management of ULB field staff needs a fresh look considering that the State is becoming more and more urban,

SFC also recommends that the present designation 'District Administrative Officer' for the district officer needs to be changed as administration can be for any department. Rather some relevant designation like Assistant Director (Urban Development) may be considered.

#### **8.57 Staff cadre creation in Municipal Corporations:**

During our field visit, there was a request to create a staff cadre for Municipal Corporation as well on the lines of the DMA cadre. However, there are challenges as there are existing officers in Municipal Corporations and the staff cadres can be created as and when the existing officers retire. Further, one has to provide for career promotion and development of DMA cadre officers who would like to graduate to work in Municipal Corporations instead of municipalities as they reach senior level.

### 8.57.1 SFC's recommendation:

SFC recommends that the staff cadre for Municipal Corporations needs to be developed in a slow calibrated manner. It is desirable to create the cadre of Finance and Accounts first and then create the other cadres.

### 8.58 Swaccha Bharat Mission

In the Swaccha Bharat Mission the State is in the forefront. Many of the cities and towns have won awards at national level and at State level. We have elsewhere documented the story of a small town Vengurla which is becoming a zero waste city. In most of the cities we visited, the morning 'ghanta-gaadi' wherein a mobile vehicle picks up the segregated solid waste at doorstep has become a part of city life.

It is seen that substantial amounts have been released for this Mission in last three years:

Table 121: Grants distributed for Swaccha Bharat Mission : (Rs. In Crores)

Sr. No	Category of ULB	2016-17	2017-18	2018-19
1	Municipal Corporation	550	600	450
2	Municipal Council	70	600	450
3	Nagar Panchayat	85	405	280

\*Includes both Central and State share

#### 8.58.1 SFC Recommendation

Based on feedback we received from the field, we make certain recommendations to further consolidate and strengthening the outcome of the mission.

### 8.59 Handholding technical support for Swaccha Bharat Abhiyan

Solid and Liquid/sewerage waste management in urban area's needs good technical and domain knowledge. Segregation of waste, converting organic waste into organic composts, sewerage water treatment (even at small town level) needs to be handled professionally. At present the Chief Officer (who is saddled with varied responsibilities) and the Municipal Engineer are expected to address the technical issues as well. During our field visit, the Chief Officers admitted that they needed much more rigorous technical, scientific guidance. In coming years, the technical aspects of 'waste management' will require higher and higher levels of professionalism and finesse.



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#### **8.59.1 SFC's recommendation:**

SFC would recommend that a suitable handholding technical agency (like an Environmental Engineering department of an Engineering college or such suitable institution) must be engaged at regional level to help the ULBs in that area. These regional technical support agencies can work under the umbrella of a mother state level technical support agency like NEERI. These technical support agencies must give handholding and backstopping support to the ULBs.

#### **8.60 Proper costing of Solid Waste Management and other activities:**

Substantial investments have gone in recent years in purchase of trucks, trolleys, tractors and also other equipment required for proper SWM. More and more ULBs have shifted to outsourced agencies for SWM work in the changed socio economic milieu. However, the SFC found it difficult to get disaggregated data to know ward wise, activity wise expenditure (transport, manpower, treatment etc.) on SWM.

#### **8.60.1 SFC's recommendation:**

SFC recommends much more rigorous and reliable data should be made available on SWM, particularly in bigger cities (A+, A, B and C categories) Specialised cost accounts agencies can be engaged for this work, on assignment basis. This will help in working out suitable cost effective alternative solutions.

#### **8.61 Employment opportunities in Solid Waste Management**

Solid and Liquid Waste Management is being looked as essentially as a civic requirement, to keep the city clean and citizens healthy. While this is indeed the main objective, there is also a subsidiary benefit from effective handling of solid and liquid waste management as well. They can generate 'wealth from waste' and create substantial livelihoods in the process. Segregation of waste, scientific conversion into bio manure, re use of non-organic materials with some treatment creates local livelihood opportunities for a good segment of the population.

Just for instance the recent ban on plastic bags in Maharashtra has triggered opportunities for many urban women's self-help groups to manufacture paper or cloth bags.

#### **8.61.1 SFC's recommendation:**

There is an active Urban Livelihoods Mission in the ULB's with a full time social worker and some funds. The Urban Livelihoods Mission can play an active part in imparting various skills required for effective management of solid and liquid waste management. It can train micro level eco-entrepreneurs who can keep the city clean and also get a livelihood in that process.

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## **8.62 Cities as engines of 'economic growth':**

In India, the people in charge of a ULB—both non official office bearers and the Chief Officer—would define their responsibility as one to provide 'civic amenities'. That is, keeping the city clean, provide household water and maintain roads, arrange for street lighting etc.

**As against this, in Western or other developed countries, the elected non officials (Mayors) and officials define their responsibilities as not only to provide civic amenities (which is taken for granted) but also to attract investments, high quality jobs, good institutions and talented people into their city. They take many proactive steps for reaching that goal.**

While providing good quality civic amenities is itself a daunting and adequate task for the city officials and non-officials at present, there is need to start somewhere, the issue of ULBs taking proactive steps to help in the economic development of the city. During our field visit we found the Municipality of Devgad in Sindhudurg district actively trying to promote tourism and thereby strengthen its economy. We have given a case study of Devgad's initiative in this direction elsewhere in this report.

### **8.62.1 SFC's Recommendation:**

SFC recommends that some annual award and recognition should be made for ULBs taking initiatives in the direction of improving opportunities for local employment. This will encourage other ULBs to emulate the successful ULB.

ULBs can take up many initiatives in this direction like providing work sheds, godowns, cold storage and the like as a common facility for entrepreneurs in the town. Mini work sheds can be made available for women SHGs. There could be some other ways. Consultants can be hired who can help initiate pilot projects in selected ULBs to begin with. Maharashtra should show the way for other states in this area.

## **8.63 Awards and Recognitions**

The State Government and urban bodies have been receiving awards and recognition from time to time at the national level from Government of India. Particularly the Swachha Bharat Mission initiative has opened up lot of healthy competition among Urban Local Bodies.

In the rural development department there is an institutionalised award day in early March every year and it is organised in Mumbai. Therefore, the preparation for the same start few months earlier, culminating in the award ceremony. The programme is highly participative, and non-officials like ZP President, PS Chairman, Sarpanchas of Gram panchayats and officials at various level receive the awards. Funds are earmarked in the annual budget of the department for this award scheme and for the celebration.



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#### **8.63.1 SFC's Recommendation:**

SFC recommends an institutionalised awards and recognition for best practices in ULBs, category wise. It should be on a particular day or week of the year without any change, as is done in Rural Development and Panchayat Raj Department. There must also be awards for categories based on financial performance- where SFC is particularly concerned-- like:

- ULBs showing innovation and initiative in own tax collection methods
- ULBs showing innovation and initiative in people's participation
- ULBs showing innovation in collection of full or substantial user charges
- ULBs showing replicable models in urban management
- ULBs shifting to better accounting practices
- ULBs aligning Municipal activities with economic development of the city.

It should also be possible to rope in independent, credible institutions to do the evaluation.

This will enthuse the field officials and slowly lead to improvement of urban practices.

#### **8.64 Investing in IT:**

It is seen during field visits that slowly positive change is happening. In use of IT in administrative work. Substantial payments to contractors and suppliers are being made by RTGS and related methods. However, the smaller ULBs –particularly Class B, C Councils and Nagar Panchayat needs support, both in terms of IT infrastructure and capacity building. It is seen that though there is a budget line CRC Code (2217 8101- Grant in aid for computerisation of Municipal Corporation) Rs.4 crores was released in 2016-17 and subsequently there is no budgetary allocation in the next years. There is no equivalent budget head for Municipalities.

#### **8.64.1 SFC's Recommendation:**

SFC recommends that a sustained and focussed effort must be taken to strengthen the IT infrastructure and capabilities to handle them for smaller ULBs. This will improve their performance.

#### **8.65 Fire services:**

Compared to the previous decades it is seen that both the Central and State Governments have been addressing the issue of 'fire services' in recent times. This is because of more and more high-rise buildings coming up even in Municipal Council towns, not to speak of bigger Municipal Corporations. The number of chemical and industrial establishments are increasing. The State



has a policy of giving capital grants to urban bodies for constructing fire station and fire tender.

The following is the release of funds under 'Strengthening of Fire and Emergency Services':

Table 122: Funds released for strengthening of fire services : (Rs. In Crores)

Sr. No.	CRC Code	Scheme	Release in 2017-18	Release in 2018-19
1	2217 8119	Strengthening Fire Services in Municipal Corporations	10	8
2	22173215	Strengthening Fire Services in Municipal Councils	20	16

Further a new 'Fire Service' cadre has been constituted as part of the newly formed DMA State cadres. This will go a long way in professionalising the Fire Services in the State

During our field interaction what we found was that capital grants are being made available. Now the DMA is also in process of making available an officer from Fire Service cadre. But what about the support staff of a fire service and who will meet its monthly bill? This was the question posed by the office bearers of ULBs. This is the typical maintenance issue problem; funds are available for capital grants but no funds are available to operate it. Therefore, in many places the fire tender is not fully functional.

#### 8.65.1 SFC's Recommendation:

SFC recommends that Government should allow fire tender support staff in smaller ULB's to do multi-tasking. That is, they will be in the Nagar Palika premises or close to the fire station, but will be doing other work like security, and other miscellaneous service in office. However, very quickly they can join the fire tender if called. This system has to be developed. It will not be cost effective to have full time fire tender staff for smaller ULBs. But at same time fire tender staff are required. Hence this via media is suggested.

#### 8.66 Need for ULBs to create a Maintenance Fund:

SFC has elaborately dealt with the issue of depreciation fund and related issues in the chapter on 'Accounts, Audit and Financial Data'. The present trend is that the capital grants and capital investments in ULBs have increased in recent years. Therefore, the number of assets of ULBs have increased. But there is no proportionate increase in amount spent on their maintenance and upkeep. The revenue position of the smaller size ULBs being what it is, most of the funds go for establishment and other urgent measures. Therefore, the maintenance aspect gets neglected and therefore there is speedier deterioration of valuable assets. This does not normally happen in

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private sector where the owners are very conscious of properly maintaining the assets they have.

#### **8.66.1 SFC's Recommendation:**

SFC strongly recommends that ULB must be directed to create a 2% maintenance fund sourced from their income and earmark it separately in a dedicated maintenance fund. SFC would also recommend that it must be kept with MUINFRA or by such agency which is different and distant from the ULB. This amount should be allowed to be withdrawn only after three years of deposit. MUINFRA's grants can also be linked with the maintenance fund. The financial discipline of creating a proper maintenance fund has to be brought in ULBs by law, rules and by Executive Orders.

#### **8.67 Effective utilisation of 1% cess collected from ULB projects under the Buildings and other construction workers' welfare Act, 1996**

During interaction with ULBs, there was lot of representation against the 1% being deducted from the bills paid by ULBs to contractors for construction worker's welfare. The contention of the ULBs (particularly the non-official office bearers) that while 1% was promptly collected while taking up building plans and projects above Rs. 10 lakhs by the Labour Board, the concerned urban body does not stand to benefit and no programmes have been taken up in their Nagar Palika for welfare of building construction workers.

The background of this issue is that Government of India has enacted 'The Building and Other Construction Workers' Welfare Cess Act' 1996. It has been operationalised in Maharashtra since 2007. It is being implemented by Maharashtra Buildings and other construction Workers Welfare Board, Mumbai. This Board comes under Labour Department, Government of Maharashtra. The 1% deduction from the payment to contractors is credited to the welfare fund being operated by Maharashtra Building and other Construction Workers Welfare Board.

This Board has framed detailed rules and guidelines regarding the options for utilisation of the welfare fund collected by it.

Discussion with the Welfare Board officials revealed that as the whole scheme is new, the offtake under the project is yet to pick up. While about Rs.7000 crores has accumulated, so far benefits to the value of Rs.333 crores have been given to the workers under various welfare schemes for workers. Most of them are welfare schemes.

There seems to be a gap in properly understanding the provisions of this Act and related rules at the Nagar Palika level. Therefore, they are unable to fully utilise the available benefits in this Act for the labourers in this area. The Welfare Board also seem not to have communicated their



approach and schemes effectively to the users (though they have done some publicity and advertisement in recent years) so much so that substantial amounts of corpus have piled up.

Now it is up to each Nagar Palika to smartly mobilise or tap the funds available with the Labour Welfare Board. It has to use the staff available in the Poverty Alleviation cell for its own capacity building in understanding the provisions of the Act and how to mobilise the funds available for welfare of workers in their ULB.

#### **8.67.1 SFC's Recommendations:**

- (a) There is an urgent need for awareness creation about the welfare provisions in the Act to all ULBs, particularly the Municipal Corporations as it is the bigger corporations who do substantial construction projects. This can be entrusted to All India Institute of Local Self Government, YASHADA or Institute of Labour Welfare or such organisations
- (b) Secondly, as per provisions under Section 3(3) of the Act, the Nagar Palika can retain 1% of the cess paid (that is 1% of the 1%) as collection charges. But it appears that no ULB deducts and retains this 1%, as they are not aware of the provision
- (c) Depending upon the size of the Nagar Palika, it would be desirable to utilise the social workers/Community Development Officers or even young lawyers familiar with labour law provisions for coordinating and acquiring capacities to mobilise the available funds from the Labour Board, for the workers in their area. This could be through registering workers, and also applying on behalf of the workers for various welfare schemes available in the Board. This work can also be entrusted to the NULM section. This work can also be outsourced to social welfare colleges or such agencies, in case the ULB does not have adequate staff.
- (d) There is possibility of tapping at least Rs.500-1000 crores for the benefit of construction and such workers in ULB (particularly in bigger ULBs) from the Construction Labour Welfare Board in a year by smart understanding of the welfare schemes available, coordination and follow up.
- (e) It is recommended that Urban Development Department issues a detailed GR for the benefit of Urban Local Bodies, in consultation with the Labour Department.

#### **8.68 Development of a State Institute of Urban Management:**

During our field visit, there were repeated requests for a proper training and research institute which conduct applied research and give back up support for the initiatives of the Urban Development Department. At present over 50% of population of Maharashtra are living in cities, and there are newer challenges in urban management emerging from time to time. It is essential



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that there is an institution which gives data and analytical inputs to help evolve policy. The need for an institution was very much reiterated by those in the Urban Management cadre.

On taking stock of the institutional arrangements already available, there is YASHADA which has a dedicated wing for Urban Development issues. There is also the All India Institute of Local Self Government, which though autonomous, has a long association with UDD.

#### **8.68.1 SFC's Recommendation:**

SFC recommends constituting a small separate Training and Research Coordination Cell for ULBs for this purpose. This cell should have an independent office. This cell can coordinate the entire training and applied research activities.

The areas of specialisation and handling target training categories must be properly distributed between YASHADA, All India Institute of LSG and a few more institutions to be identified in the State. Thus, for instance, one institution can conduct specialised training in accounts, finance and related area, another can coordinate in urban management and others in some other area. The length of courses can also vary from few days to 3-6 months.

A long term training policy approach (for say 5-7 years) will help the existing institutions also to induct suitable faculties, mobilise resources and sharpen their own capacities to train and specialise in an area. At present because of uncertainty about the changing priorities much of the activities appear to be very short term and somewhat ad hoc.

Considering the size of the population and stature of Maharashtra, huge needs of urban development, there is also a case for a dedicated State Institute of Urban Management.

#### **8.69 Formula for inter se allocation of Finance Commission and other devolved grants:**

We are recommending to retain the same prevailing ratio of population:area ratio of 90:10. This is being elaborated in a separate chapter.

## Streamlining Accounts, Audit and Fiscal Data

### 9.1 The fundamental challenge:

Let us start with an analogy. If a person wants to know the state of his health, he will go to a health clinic and get himself checked. The medical report will indicate his status regarding blood pressure, blood sugar, cholesterol, etc. It will show if each of the health indicators are within normal or there are deviations. On the basis of his medical check-up report, the doctor will treat him. In all this, there are two underlying assumptions:

- a) There is an accepted 'normal range' of indicators for BP, blood sugar levels etc and the deviation, if any, is measured against that 'normal' which is a measure accepted by all.
- b) More important, the medical instruments for measuring are in order and figures will not vary from clinic to clinic!

But when one studies the 'financial health' of Local Bodies, what one observes is that there are sharp differences in the way the local bodies keep their accounts which reflect their financial health. While all Local Bodies do have records and submit their annual accounts (usually Statement of Income and Expenditure) in the annual meeting of the Local Body religiously, the reliability, quality and accuracy of accounts leave much to be desired. The following are the standard weaknesses observed in their financial recordkeeping:

- Misclassification in items of revenue and capital
- Other types of misclassification
- Not disclosing upfront, the receivables and payables, thus making it difficult for others to know the correct current assets and liabilities position (particularly ULBs)
- Not providing for depreciation or if provided, making it only as a paper exercise instead of keeping it as a 'depreciation fund' separately
- Income and expenditure in budget statement for next year is projected to balance one another (to meet record requirements) but actual real situation is different.
- Real value of assets (after depreciation) and liabilities are not revealed.
- Bank balances (including that of old projects) are not disclosed upfront.
- Absence of any financial ratios by which the performance of Local Bodies can be measured against one another and over different time periods.

In plain language, the accounts system which are followed by most LB are 'outdated methods' and fails to give a 'true and correct picture' of the current financial health of the LB to the stakeholders.

Particularly, in smaller Urban Local Bodies and in Gram Panchayats there is absence of staff who

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can understand accounting principles. They are just trained how to keep a cash book and some basic registers and ledger. They also lack proper guidance on these matters, as their immediate superiors themselves are not aware of accounting formats and their importance and how to go about it.

**The account keeping problem in LBs is an all India problem** and has been persisting over the years. Here are some observations from the earlier Central Finance Commissions:

#### **9.1.1 Twelfth Central Finance Commission (2005-10)**

'Most states do not have credible information on the finances of their local bodies. Local bodies would continue to need funding support for building data base and maintenance of accounts. States may assess the requirement of each local body in this regard and earmark funds accordingly out of the total allocation recommended by us. (para 8.55-xv)

#### **9.1.2 Thirteenth Central Finance Commission (2010-15)**

'There are significant discontinuities in data relating to revenue and expenditure of local bodies submitted by State Governments to Central Finance Commission XI, XII and to this Commission. These discrepancies detract from the credibility of the data. Unfortunately, successive Finance Commissions, including our own, have been unable to independently verify the data provided on local bodies. The need to put in place a system where financial and performance data of local bodies can be audited and confirmed credibly cannot be overemphasised' (Para 10.93)

'Ten years have elapsed since FC-XI underlined the need for maintaining a data base as well as up-to-date accounts and made a provision for supporting State Governments in addressing these shortcomings. Five years have elapsed since FC-XII highlighted similar inadequacies and made similar recommendations. Much has been said by the earlier Finance Commissions on this important subject. Despite this, little improvement has been noted in the situation. While we recognise, appreciate and support the recommendations of the previous Commissions on the issue of data bases, accounts and audit clearly, an alternate approach may need to be adopted to address these issues beyond funding support for these initiatives. (para 10.94)

'As indicated in para 10.92 to 10.94, data on financial and operational performance of all bodies continues to be of poor quality (para 10.106)

#### **9.1.3 Fourteenth Finance Commission: (2015-20)**

'Successive Finance Commissions have expressed concern on the near absence of financial data and its poor quality, wherever it is available. (Para 9.57)



'We are of the opinion that proper accounts are the starting point for financial accountability. Non maintenance or delayed compilation of annual accounts means compromised accountability. It also implies that reliable financial data for determining the need for resources for local body is not available. It is inconceivable and certainly not desirable that local bodies seen as receiving an ever increasing share of public moneys and yet continue to keep themselves beyond the ambit of accountability and responsibility for the moneys placed with them' (Para 9.60)

'We recommend that the books of accounts prepared by the local bodies should distinctly capture income on account of own taxes and non-taxes, assigned taxes, devolution and grants from the State, grants from the Finance Commission and grants for any agency functions assigned by the Union and State Governments. In addition to the above, we also recommend that the technical guidance and support arrangements by the C&AG should be continued and the States should take action to facilitate local bodies to compile accounts and have them audited in time' (Para 9.61)

'A common issue raised by most SFCs is that their work was hampered by lack of reliable data on receipts and expenditure at the local body level. The studies commissioned by us on Panchayats and Municipal Finances faced similar problems. We note that despite the last three finance commissions raising the issue of reliable data and accounts and providing grants, to address the issue, not much has happened. In our opinion this is not a satisfactory state of affairs. (Para 9.75)

#### **9.1.4 Observations of the Third State Finance Commission, Maharashtra (June 2006):**

- 'We would briefly touch upon the difficulties in collecting data for use of the Commission...'
- 'Data relating to undischarged salary and pension liabilities and short contribution to provident and other statutory funds is not readily available'.
- 'Similarly, data relating to overdues of ULBs to Maharashtra Jeevan Pradhikaran and Maharashtra State Electricity Board are not readily available'.
- 'The creation of a unified data base should be a matter of prime urgency for Urban Development Department'.
- 'We found considerable variation in the classification of expenditure and receipts by municipal bodies'.
- 'There are a lot of problems in segregation of accounts in local bodies also'.

In short, as it would be seen from above observations, the accounting practices of local bodies all over India leave much to be desired. It becomes extremely difficult for any agency like the State Finance Commission to do sharp analysis or any financial comparison or to categorically say about health of a particular LB, as either the basic financial data is itself flawed, or it is not readily or easily available.

So much so, the Thirteenth and Fourteenth Central Finance Commissions made certain accounts related reforms and improvements mandatory and incorporated it as a pre-condition to release performance grants. Therefore, the State Government has initiated certain desirable changes in the book keeping practices of the Local Bodies in the last five years.

The changes suggested by the Thirteenth Central Finance Commission and the Fourteenth Central Finance Commissions, the action taken by the State Government and our remarks are given below:

### 9.1.5 Recommendations of the Central Finance Commissions relating to improvement in accounting practices improvements and related reforms:

#### 9.1.5.1 Thirteenth Central Finance Commission:

Table 123: Action taken by Government on 13th CFC Recommendations :

Sr. No.	Recommendations of the Central Finance Commission	Action taken by the State Government (so far)	Remarks
1	The State Government must put in place a supplement to the budget documents for local bodies (separately for PRIs and ULBs) furnishing the details (other than those relating to finance accounts) – para 10.110	The State Government has since introduced the required supplement to the budgeted documents	However, the supplementary document needs to be made much more user friendly, as it is done in a routine manner by both RDD and UDD.
2	The State Government should require the PRIs to maintain accounts as per accounts format prescribed by C&AG. The C&AG and the Ministry of Panchayati Raj have finalised a model panchayat accounting system. It is desirable that all States adopt an accounting framework and codification pattern consistent with the model panchayat accounting system	The State Government (Rural Development Department) has adopted the model panchayat accounting system.	Though accepted, there are substantial gaps in its implementation.

Sr. No.	Recommendations of the Central Finance Commission	Action taken by the State Government (so far)	Remarks
3.	In addition, for proper monitoring of budget allocation and consolidation of accounts of PRIs at the State level, the States will have to allot specific codes to each Zilla Parishad, Block Panchayats and Grampanchayats.	This recommendation has not been implemented	
4.	The State Government should implement in all urban local bodies an accounting framework consistent with the accounting format and codification pattern suggested in the National Municipal Accounts Manual	The State Government has notified the adoption of Maharashtra Municipal Accounts Code in January 2013. This is applicable to all Municipalities.	Though the State Government has notified the adoption of the new Municipal Accounts code which is consistent with the National Municipal Accounts Manual, there are major implementation issues. Further, as there are certain provisions in the Maharashtra Municipal Corporation Act which have to be amended to make it <b>is not yet applicable to the bigger urban bodies</b> , namely the Municipal Corporations.



Sr. No.	Recommendations of the Central Finance Commission	Action taken by the State Government (so far)	Remarks
5	The State Government must put in place an audit system for all LBs. It is difficult to get credible information on the financial performance of local bodies. This prevents in studying the sector as a whole as well as each category of local bodies. (para 10.92,10.93, and 10.94& 10.121)	There is regular audit of LBs by the Local Fund Audit in Maharashtra and certification of the annual accounts. For urban local bodies there is audit of accounts by Local Fund Audit. But there is no 'certification of accounts' by Local Fund Audit department.	However, the Local Fund Audit is validating or certifying the accounts of the Rural Local Bodies namely the Zilla Parishad only. They have some difficulties in certifying the accounts of Urban Local Bodies for reasons elaborated in our report.
6	The State Governments must put in place a system to electronically transfer local body grants provided by this commission to the respective local bodies within 5 days of their receipt from Central Government ( Para 10.161.4)	The State Government is transferring all funds to Local Bodies electronically.	

#### 9.1.5.2 Fourteenth Central Finance Commission:

Table 124: Action taken by Government on 14th CFC Recommendations :

Sr. No.	Recommendations of the Central Finance Commission	Action taken by the State Government (so far)	Our remarks
1	We recommend that the books of accounts prepared by the local bodies should distinctly capture income on account of own taxes and non-taxes, assigned taxes, devolution and grants from tax, grants from finance commission and grants for any agency functions assigned by the union and state governments. In	The State Government has already adopted the new Municipal Accounting Code in 2013. The State Government has an audit system in place.	The implementation has been done somewhat haphazardly. There are many loose ends regarding implementation which is being brought out in the report separately.

Sr. No.	Recommendations of the Central Finance Commission	Action taken by the State Government (so far)	Our remarks
	addition to the above that the technical guidance and support arrangements by the C&AG should be continued and the states should take action to facilitate local bodies to compile accounts and have them audited in time (para 9.61)		
2	Performance grants are to be released only on fulfilment two conditions (a) audited accounts (b) improvement of own revenues. This is for both ULB and PRIs. In addition, ULBs have to measure and publish service level benchmarks for basic services. (para 9.75)	The State has an audit system (Local Fund audit) and in addition AG audit in place.	The quality of Local fund audit has to be improved. Further certification system for ULBs are not yet in place.

#### 9.6 Organisation of a technical workshop:

It came to the realization of this State Finance Commission that proper account keeping which will:

- reflect the true picture of the local body accounts and
- enable comparison between one LB with another of same category and to draw inferences. It is the single critical reform for LBs (and more particularly for ULBs), as without these reforms the financial health of the Local Bodies cannot be properly gauged.

Therefore, this SFC organized a technical workshop on December 13, 2018 at Mumbai. The Accountant General inaugurated the workshop. Officers of various departments associated with these issues like Local Fund Audit, Director of Municipal Administration, Rural Development Department, Urban Development Department, some selected field officials also participated in the workshop. It came to notice that many accounting related issues remained unattended because it needed coordination from various departments or offices. The Local Fund Audit is working under Finance Department, while the Local Bodies were under Urban Development Department and Rural Development Department. Certain issues (like modifying CRC codes) needed the approval of the Accountant General as well. The purpose of the workshop was that once all the stakeholders discuss face to face, each can understand one another and desired changes can be brought in, in a phased manner.



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Based on the discussions of the December 2018 workshop and further discussions with field officials and Local Fund audit, we place some critical weaknesses that are noticed and recommendations to overcome them.

#### **9.6.1 Observations and recommendations regarding method and manner of account keeping:**

##### **9.6.1.1 Municipal Councils - Account keeping format:**

The Thirteenth Central Finance Commission made introduction of proper account keeping in the ULBs a pre-condition for release of basic grant. Therefore, to implement this, the Urban Development Department has, in exercise of its powers under Section 102(1) of the Maharashtra Municipal Councils Act, notified the new Maharashtra Municipal Accounting Code on 23rd January 2013. The Maharashtra Municipal Accounting Code is itself aligned with the model Municipal Accounts Code circulated by Government of India.

This means that the Municipal Accounting Code has to be followed by all the Municipal Councils. The Municipal Accounting code expects that double entry to be followed and also there should be separate income and expenditure statement of certain key services like provision of drinking water, sewerage treatment, solid waste management etc.

However, at ground level the ULBs have not shifted to the new format given in 2013 notification, which is actually double entry format. The only exception seems to be Karjat Municipality, where there has been substantial progress due to enthusiasm and initiative of the local accounts officer.

The reasons why Municipalities have not shifted to double entry system are more than one. Firstly, the Municipal Council staff do not have the knowledge or get handholding support to shift to double entry method. Secondly, there was no pressure on them in the sense that they would stand to loose if they do not change to the new format. Thirdly, there were genuine difficulties at both ULB level (where there was acute shortage of accounts staff even for handling the old method) and at DMA level, where there were no domain experts, and the one or two officers from Maharashtra Treasury and Accounts Service had their hands full with work of regular funds releases and related issues. It was impossible to take such a massive tectonic shift and bring in reform without any dedicated staff, only depending on regular accounts officers who had enough daily responsibilities any way.

It needs to be also clearly stated that Director of Municipal Administration has taken sincere efforts in the direction of implementing reforms in accounts and financial data. The Directorate operated massive training on the new Municipal Accounting Code in 2013-15 period for municipal officers.



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Subsequently, it has appointed a State Level Chartered Accountancy firm (M/s. S. K. Patodiya and Associates) and many field level CA firms at district level for helping the Municipal Councils shift steadily to better method of record keeping, in double entry format. The field level CA firms work under the overall direction of the State CA firm.

For the last three financial years, these field level CA firms have visited the Municipal Councils and independently converted their (single entry) financial records in double entry format. They have also classified the revenue and expenditure as per standard activity wise code provided in the Municipal Accounting Code, 2013. They have prepared accounts as per the double entry system for FY 2011-12 to 2016-17 in 225 municipal councils. These double entry figures are available now at the State level and they are being classified for comparison purposes.

However, this effort by the CA firms has become a 'parallel effort' and during our field visit, the impression we got from Municipal Council officials is that they have not internalised this effort, and they feel adequate if they make the records available post facto, for converting it into double entry by an 'outside' agency namely the CA Firm.

#### **9.6.1.2 SFC's Recommendations for Municipal Councils:**

Maintaining double entry system of accounts in the letter and spirit of the Municipal Accounting Code notification 2013 must be a priority of the Government. The Government must give hand holding support for the Councils to shift to double entry, and dispense with the present practice of a separate post facto double entry preparation work by CA firms. This parallel arrangement, whatever the laudable intention, actually shifts out the responsibility from the Councils (to change themselves) and moves it to the CA firms.

Repeated efforts to implement double-entry accounting system as an isolated platform has not brought the uniform desired results in ULBs. Also, the isolated double-entry accounting platform ensures only historical accounting. However, given the digital technology prevalent at present the real-time accounting is the need of the hour. To ensure this, an ERP system can be designed where the real-time accounting at the back-end will bring desired results. The real-time accounting will also ensure the proper management information system flow for the management and also to Government.

This shift to ERP based system can be done in phases, that is 1/3 of Councils can shift to double entry each year. Thus in three years the entire shifting to software based double entry is possible. The Government can start this change from the stronger and better managed Councils. The ERP package can be designed specifically for each category of ULB (like Class A, Class B, Class C ULBs) by professionals, factoring local situation.

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A good accounting ERP software package with standard accounting terminology (in English and Marathi) must be made available by the DMA. It is learnt that prices of ERP software packages have drastically come down. In the market, even small restaurants and shops have started using ERP these days.

ULBs can be incentivised for shifting to ERP suitably.

This software package must not only make double entry possible but also enable reflection of income and expenditure position (under various sub heads) for activities like Water Supply and Sanitation, Solid Waste Management and other such areas as required in the Municipal Accounting Code, 2013. At present, as many types of expenditure are lumped together, it is difficult to know what is the extent of cost recovery in many services that is being provided. By better accounting practices, Municipalities will know which areas need attention and can then improve themselves. Today they are unable to quickly know where the shoe pinches.

Detailed methodology of hand holding support for implementing above changes is given later in this chapter.

## **9.7 Municipal Corporation- Accounting Keeping Format:**

### **9.7.1 Observation:**

The new Municipal Accounting Code, 2013 have not been made it applicable to the Municipal Corporations. This is apparently because of the provisions in Section 93 of the Maharashtra Municipal Corporation Act which says that 'accounts of the receipts and expenditure of the Corporation shall be kept in such manner and in such forms as the Standing Committee from time to time direct'. In other words, the format of accounts is left to the Standing Committee of the Municipal Corporation. Possibly this provision in the Act was made in pre independence days.

However, as Corporations have huge volume of income and expenditure, particularly the very bigger ones, (like A, B and C Class Corporations) they have been taking efforts at their own level to shift to improved accounting practices (using software packages) for following reasons:

- Without a robust software based system they will not be able to meet today's requirements. Hence the administrators (supported by their elected bodies) have introduced good systems (for example the use of SAP based system in Brihanmumbai Municipal Corporation)
- A good system prevents systemic leakages and financial scandals, and helps the City Manager to keep control of the situation



- In case a Corporation wants to take a loan, then the lenders want to know the correct financial position and capacity of the Corporation. Hence the Corporation has to necessarily go for a double entry system. Pune Municipal Corporation has a double entry system and hence was able to take a loan.

### **9.7.2 SFC's Recommendations for Municipal Corporations:**

- i. The SFC strongly recommends that the provision in Section 93 of the Municipal Corporation Act be suitably amended and double entry accounts be made mandatory.
- ii. This prescribed shift to double entry accounts with ERP software must be also given handholding support (see later part of this chapter)
- iii. While Municipal Corporations can directly go in for identifying suitable vendor at their level, Government can prescribe certain technical norms.

### **9.8 Zilla Parishads and Panchayat Samitis- Accounts Formats:**

#### **9.8.1 Observation:**

The Government has notified the ZP Account Code way back in 1968. This has been further updated and corrected in 1984. This gives the format in which the ZP accounts are to be kept and related guidelines. Since most of the funds credited to the District Fund in ZP are Government funds, and there have always been a CAFO from the Maharashtra Accounts and Treasuries department with one or two support officers from State service, by and large, ZP accounts maintenance are in order.

They are also annually verified by the Local Fund auditors (see below).

#### **9.8.2 SFC's Recommendations for Zilla Parishad Accounts:**

SFC recommends that the present arrangements can continue, and there is no need for any change immediately.

### **9.9 Grampanchayats- Accounts Formats:**

The Government has notified the Grampanchayat Account Code, 2011 which gives the registers to be kept and the format in which accounts are to be kept in GP level.

The Ministry of Panchayat Raj, Government of India and the State Government has taken a number of initiatives to standardise accounting and report formats at GP level. The Government of India has made available various accounting and reporting softwares to be used at GP level. This also enables aggregation and analysis of data at higher levels.



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We have dealt with the entire issue in detail and depth in the chapter on Finances of Grampanchayat (Para 7.8 to Para 7.11).

#### **9.9.1 SFC's Recommendation:**

As the income and expenditure levels of GP is very limited, there is no need for new initiatives except consolidating on the steps already taken.

As for audit and certification issues, we are recording our suggestions separately in this chapter.

#### **9.10 Verification and certification of accounts of LBs:**

The Thirteenth Central Finance Commission pointed out that it is very difficult to know whether the accounts of LBs are kept properly. There is need for an independent third party to confirm that it is kept properly. This has to be done year after year, as a routine procedure.

In corporate and business world, this work is done by professional auditors, who are Chartered Accountants. Whereas as regards the LBs, the verification and certification by an independent authority varies from State to State and varies for different type of local bodies. It is not stabilised.

In Maharashtra there is a Local Fund Audit Department in place. It has been created way back in pre independence period. It is governed by the Local Fund Audit Act, 1930. The Local Fund Audit Department is under the control of Finance department and its officers are from the Maharashtra Finance and Accounts Cadre.

The Local Fund Auditors audit the accounts of both urban and rural local bodies.

In the case of Panchayat Raj institutions, the report of the Local Fund Auditor is submitted to the legislature and its findings are taken up by the Panchayat Raj Committee which is a sub-committee of the Legislature. In the case of urban local bodies there is no such arrangement.

The present position is summarised in below table:

Table 125: Present position of Auditing Agencies relating to PRIs and ULBs :

Sr. No.	Category of LB	Auditing agency	Whether accounts are 'certified' as required and by whom?	Remarks
1	Municipal Corporation	The Local Fund Department conducts regular Audit. In addition, there is test audit of Accountant General. There is also a Municipal Auditor reporting to Standing Committee	No. Even though Finance Department has directed the Local Fund Audit (LFA) Office to 'certify' the accounts of Municipal Corporation (GR dated 31 March 2011) in practice LFAs have not been able to do it. They seem to have genuine difficulties.	We have elaborated this issue in detail later in this chapter.
2	Municipal Councils	The Local Fund Audit department does the audit. Besides Accountant General also conducts test audit from time to time.	No. The position is same as given for Municipal Corporation above.	We have elaborated this issue in detail at a later part of this chapter.
3	Zilla Parishad	The Local Fund audit conducts regular audit. The AG office does its usual test audit.	Yes, the ZP accounts are certified regularly by Local Fund Audit	
4	Grampanchayat	The Local Fund Audit conducts regular audit.	Since, the GP transactions are limited, audit itself becomes a certification. The need for separate certification is not felt.	

### 9.10.1 Difficulties faced by Local Fund department in certifying accounts of ULB:

As for ULBs, local fund auditors did not have the practice of 'certifying' the accounts prior to 2014. However, by a GR dated 31.3.2014, the Finance Department has directed the Local Fund Audit to certify the accounts of all ULBs, both Municipal Corporation and Municipalities.

In practice, the direction in the GR dated 31.3.2014 to 'certify' the accounts is not being implemented by the local fund auditors. During discussions, they cited the following reasons:

- (a) The accounts of the Municipalities are not being kept in the format given in the recently notified Municipal Accounting Code, 2013. Therefore, when the accounts itself are not being kept in prescribed format, the LFA is finding it difficult to 'certify' it.
- (b) Likewise, the Municipal Corporations also have their own format of accounts keeping. The Local Fund Auditors find it difficult and inappropriate to 'certify' such accounts, which may not exactly reflect the true financial position of Corporations. If they 'certify' the onus of the accuracy of accounts shifts to the certifying agency, namely the Local Fund Audit Department.
- (c) Thirdly, during discussions the Local Fund auditors frankly admitted that their own capacities need to be improved first before they certify the appropriateness of the accounts of an ULB. The LFA are mostly officers on deputation from Maharashtra Finance and Accounts Department. They are comfortable in handling treasury accounts and traditional Government accounting. They are only familiar with 'traditional auditing' of ULBs which is a quick check whether ULBs have followed procedures in purchases, or not used their funds effectively or properly. But 'certification' requires a different skill set, particularly when double entry accounts have been prescribed. LFA department officers are not yet presently equipped or have innate or developed capacities to handle the double entry accounts. **The Finance department GR dated 31.3.2011 has been issued with a (wrong) assumption that field officers know double entry accounts.**

In fact, by two letters dated 22.8.2017 and 1.2.2018, the Director of Local Fund Audit has submitted his difficulties and requested the Finance Department to involve Chartered Accountants in certifying the accounts of ULBs.

### 9.10.2 SFC's Recommendation:

It is clear that the GR dated 31.3.2011 of Finance Department directing the LFA to do 'certification' of ULBs also has been issued without making an in depth analysis of the manpower required for this work, and more important, the capacities of the officers of LFA to do this type of



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work. It is very clear that there has been no full understanding of 'what double entry accounts mean' and 'what are its pre requisites' at all levels and hence it remains on paper only. 'Accounts keeping' is a specialised domain and it appears directions are issued on this subject without full grasp of the implementation issues involved.

SFC is of the view that for the desired change to happen, a sustained effort at a deeper and more professional level has to be made. Hence a comprehensive recommendation is being made further in this chapter.

### **9.11 Financial reports-- need for introduction of key financial ratios to be certified by professionals:**

In the commercial world, the health of an organisation is disclosed quickly through certain well known financial ratios. It is these financial ratios (like return on investment, debt equity ratio) which reveal the financial profile of the institution. It is on this basis financial analysis is made, projects are approved, share prices appreciate and depreciate. In public finance also, the financial health of the Government is often indicated by its revenue and fiscal deficit, amount of borrowings as a percentage of GDP and other such parameters. However, in the case of accounts of ULBs no such financial ratios are available. Some of the bigger ULBs have revenues and expenditure of over 500 crores. However, such data to benchmark the ULB is not available. This is also the case in case of ZPs.

#### **9.11.1 SFC's Recommendation:**

SFC recommends that such financial ratios must be developed and reported upon in annual accounts/budget of ULBs. This will enable third parties to know the financial health of ULBs.

### **9.12 Need for a maintenance fund:**

LBs do provide for depreciation, but it exists as a paper exercise. Since they do not have double entry accounts, the depreciation is not reflected upfront in the value of assets, that is assets are not shown at depreciated value. The ULBs do not earmark separately the depreciated amount in form of a 'depreciation fund' to replace the asset. In ZPs some amount, depending on the financial situation of that year, is transferred to a depreciation fund, usually to buy office vehicles.

Over the years the value of assets has increased substantially in LBs but adequate funds are not made available for their upkeep and maintenance. This results in rapid deterioration of valuable assets which have been created with scarce public resources.

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### **9.12.1 SFC's Recommendation:**

SFC recommends that Government (both UDD and RDD) must in exercise of its powers under the relevant Acts, direct LBs to create a separate maintenance fund of 2%-5% of the annual revenue, and transfer it to a corpus. This corpus needs to be kept and managed at a higher level, at State level or Divisional level of Government or possibly even with a suitable independent fund management agency, like provident fund. If the amount is kept with the LB, it is very likely to be consumed for pressing needs immediately, defeating the purpose of creating the maintenance fund.

It is essential that the Maintenance Fund must be created through proper delegated legislation in form of Rules, and not just be executive orders. Ideally the annual contribution of LBs to proposed Maintenance Fund should be allowed to be withdrawn only after 3-5 years from date of deposit.

This initiative will bring in financial discipline in LBs and also substantial improvement in asset management and its upkeep.

SFC would suggest a 'High Level Expert Committee' to study this issue in totality and suggest modalities for operation of this fund. It is suggested that guidance of professional financial experts from outside Government should be part of this Committee.

### **9.13 Need for revisiting the audit arrangements:**

As mentioned earlier, the audit of LBs are done at present by the Local Fund Audit Directorate, working under Finance Department. The CAG office also conducts its audit, but it is more of a test check.

The Directorate of Local Fund Audit, works within the framework of an old Act called Local Fund Audit Act, 1930 enacted first during the British days, with some minor amendments done over the years. It is manned by officers of the Maharashtra Finance and Accounts Cadre. They are posted to LFA department for few years and shift to other positions in other offices.

There has been a huge change in the number, size and quantum of activities of LBs in the last many decades. However, the working system of the Local Fund Audit Directorate has not changed adequately. For instance, the field officials repeatedly pointed out that the nature of local fund audit findings does not distinguish between 'failure' and 'constraint'.

Considering the huge volume of work, there is need to outsource the audit work to professional Chartered Accountant firms, in a phased way and in selected areas. For instance, it is impossible



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for LFA to cover all the 28,000 Grampanchayats, (there are 1000 plus GPs in a big district) year after year. The audit of bigger GPs can be entrusted to CA firms from a panel. In earlier days, such audit firms at district level were limited, but now there are adequate CA firms at district level.

There is a dearth of local funds audit staff and therefore, enough outside expertise in the audit field can be roped in through institutional/outsourcing arrangements. A proper training of a limited course in audit methodology through an accredited training institution will ensure uniform audit results for both the current staff and the outsourced arrangements. LFA should become an empanelment agency for CA firms in the long-term.

We have already mentioned earlier in the chapter that Local Fund auditors have themselves requested in writing to the Government that CA firms be enlisted for certification of the accounts of ULBs.

#### **9.14 Huge pending audit paragraphs.**

During field visits, it came to notice that thousands of 'audit paragraphs' are pending unsettled, or unresolved for years. Some of them are pending for 40-50 years. This is the position in both ULBs and PRIs. Present situation is that it is virtually impossible to settle the paragraphs as the very records are not available, or the concerned non official cannot be traced, or died and in case of official, he is also not available due to retirement many years back or death. Thus these pending paragraphs only consume valuable time, files and paper and resources for the Government without any prospect of recovery and present situation is such that no corrective or coercive action can be taken.

##### **9.14.1 SFC's recommendation regarding pending audit paragraphs:**

SFC is of the opinion that some decisive action at highest level needs to be taken, by a strategic approach. A proper classification by way of Low, Medium and High risks paras should be carried out in a mission mode by appropriate authority so that the pendency may be cleared. Such clearance of old decades old audit paragraphs will enable all to concentrate on more recent audit objections where corrective or punitive action is easier and will be more effective.

#### **9.15 Need for making the budget document relating to funds routed through Rural Development and Urban Development Department more user friendly:**

Two new documents have been added in recent years in the budget related books that are placed in the Legislature every year in line with the recommendations of the Thirteenth SFC. They are prepared by the Urban and Rural Development department and list out all the schemes and funds who are transferred to ULBs and PRIs.



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### **9.15.1 SFC's Recommendation:**

These new additional budget documents are most welcome, but they need to be more user friendly to enable users to get an idea of the funds transfer to LB's.

### **9.16 Need to rationalise CRC codes in RDD and UDD:**

For every new activity a new budget line or an eight digit CRC code is made available with the consent of the Accountant General. This helps know the distinct expenditure under that code. It is seen that many of the budget codes are very old and needs rationalisation. For instance, under training for panchayat officials and non-officials there are seven budget lines 2053-0574, 2415 - 0312, 2415-0321, 2415-0339, 2415-0517, 2415-0624, 2515-0026.

### **9.16.1 SFC's Recommendation:**

SFC recommends that there should be a stock taking of various account heads in both departments relating to LBs and they be rationalised to reduce repetition and clutter.

### **9.17 Confusion in use of terminologies like 'cess', 'taxes', 'fees' and need for redefinition:**

The taxation chapter in the Municipal Corporation, Municipal Council, Zilla Parishad and Gram Panchayats Act were enacted decades back. There are also related Rules (delegated legislation or byelaws of the ULBs). There have been many changes in the Acts over the years made from time to time as per requirement. It is seen that the words 'taxes' 'cess' 'fees' and other related terms are used interchangeably at field level. The Marathi word 'kar' (tax) is used for all types of levies at ground level. Since citizens have become more conscious and litigating these days, it is in interest of all that the various levies in the Acts and Rules are defined properly and many of the Sections replaced for clarity.

### **9.17.1 SFC's Recommendation:**

SFC strongly recommends that a Committee should go into the concerned sections and declutter existing provisions both in the Act and related rules. Terminologies must be properly defined and not mixed up. One wrong definition may lead to revenue loss in hundreds of crores, by High Court orders or stays. We have already pointed out the improvements required in Section 149A of the Municipal Corporation Act regarding cess on Additional Stamp duty in the chapter on urban bodies.

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### **9.18 Need for co-ordination support in finance and accounts matters by financial specialists to guide the State ULBs.**

It is seen that the financial issues relating to Municipal Corporations are directly handled at Mantralaya level, perhaps considering the size and nature of issues involved. Whereas, the releases to the Municipal Councils are routed through the Director of Municipal Administration. There is a post of Director in the DMA office to be filled by a senior officer of the Maharashtra Accounts and Finance Service. There are also some support posts.

However, if we examine the position at Mantralaya level, from where substantial releases are made directly from the State Government level to ULBs (especially Municipal Corporations) there is no accounts related post in Mantralaya.

#### **9.18.1 SFC's Recommendation:**

Considering the increased volume of releases and ever increasing budget of UDD due to expanding urban sector, there is need to create suitable Finance officer post at Mantralaya level who can give professional support. Likewise, there is need to strengthen the DMA also, considering that the accounts keeping is one of the weakest area of Municipalities.

### **9.19 Need for a dedicated 'Urban Local Bodies-Financial Reports and Accounts Improvement Mission' for five years:**

It would be seen from the observation so far that however laudable the intention, there are challenges in implementation.

Firstly, accounting records are most important but a highly technical area. Normally, it has been left to the CAFO of the ULB. There is a need to involve all officers especially the head of the organisation that is Municipal Commissioners and COs and bring in desirable changes. There is need to bring in professionals from the CA institute.

Secondly, the changes cannot take place by a simple Government direction or order. There needs to be sustained push and capacity building for few years.

Thirdly, an institutional mechanism and dedicated officers and staff who are working full time in this reform. Entrusting existing officers (who are loaded with other work) will not work or deliver results.

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### **9.19.1 SFC's Recommendation:**

SFC recommends starting of a 'Urban Local Bodies-Financial Reports and Accounts Improvement Mission' by UDD, for a period of at least five years. Like Swachcha Bharat Mission or AMRUT Mission or Smart City initiative, there should be a dedicated independent office for this effort.

#### **The following could be the organisational features of this Mission:**

- The Mission will work under direction of a Management Committee consisting of:
  - Secretary –Urban Development (Chairman)
  - Secretary (Accounts and Treasuries) Finance Department
  - Director of Municipal Administration
  - One/two nominees of Institute of Chartered Accountants (Western Region)
  - Director, Local Fund Audit (Member Secretary)
- The Accountant –General (or his representative) could be the special invitee (called whenever required)
- The Mission will have a separate office and headed by a Senior officer either from MFAS or a senior officer of Nagar Palika Cadre.
- There will be some professional CA firm or consultancy firm engaged by the Mission
- A funding of about Rs.20 crores will be required for five years for staff, office, training, travel etc. The Mission must work on corporate lines.
- The Mission must be considered as a priority of the department and performance in accounting reforms must be included in the Annual Performance Reports of the municipal officers.

### **9.19.2 Mandate for the Mission:**

#### **9.19.2.1 Aid in effectively implementing the Municipal Accounts Code, 2013:**

- Fully operationalise the Municipal Accounts Code, 2013 in letter and spirit. All Municipalities must shift to double entry system within a period of 3-4 years, with 25% of ULBs shifting each year. The best Municipalities must be chosen for the change in the first year, and every year additional 25% must be added.
- Awards and recognition for officials and non-officials who bring in change.



- The Mission must also help in procurement of a good ERP software for ULB's
- Mission must also give requisite support to the ULBs to handle all the technical issues relating to procurement of ERP, including service warranty and training to be given by supplier, etc.

#### **9.19.2.2 Capacity building of Accounts officers in ULBs.**

- The Accounts staff must be specially trained in this effort. Short training must be also given for other key personnel like Chief Officers.
- The Mission must conduct exams for various levels of proficiency in accounts and finance matters. Finance officers of ULBs must not be entitled for their annual increment or promotion unless they pass the exams (as it exists now in AG office or in MFAS cadre). In this context, it is essential to mention that Finance Department has already given approval and recognition for a one year course on 'Diploma in Local Government Financial Management' being conducted by All India Institute of Local Self Government (GR Sankeerna/2011/Pra Kra 127/Kosha Pra-3 dated 30.4.2012). The impact of previously approved courses must be reviewed and corrective steps taken. In this case it is seen that the approval has been given by the Finance Department, while the users are officers of UDD. Perhaps because of this, there has been coordination issues.
- Hence we have suggested a Management Committee above to overcome the coordination issues.

#### **9.19.2.3 Collaboration with the CA Institute:**

- There should be a MoU with the CA institute for a long term partnership.
- Guidelines for empanelment of CA firms across the State for various type of audit and certification must be framed. As a preliminary requisite interested CA firms who want to empanel themselves must undergo a preliminary training on ULB accounts and related issues.
- The Mission should prepare ground for slow induction of CA firms (duly empanelled and meeting the requisites) for certification of ULBs in a phased way.

#### **9.19.2.4 Redefining the role of Local Fund Audit:**

The Mission must also focus on capacity building of Local Fund Auditors to handle double entry accounts. Further Local Fund Audit must reposition itself also as an empanelment agency for CA firms (like CAG) and not themselves get into certification.

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#### **9.19.2.5 Introduction of PFMS:**

To introduce Public Fund Management System(PFMS) so that ULBs draw only that money that is necessary for capital projects and not keep funds idle in bank accounts for years.

#### **9.20 Outcome of the suggested Mission:**

Such initiative at a nominal cost of Rs.20 crores in five years (excluding software ERP costs) will totally change the profile of ULBs. Once double entry and ERP is there, ULBs will themselves know where the shoe pinches. The UDD can also get desired management information quickly. This will also open the door for loans from financial institutions who are ready with funds, but unable to lend due to lack of reliable financial data of the ULB.

Maharashtra has been a pioneer State in bringing in many reforms in administration and development. This Mission, will make Maharashtra a trend setter and will greatly strengthen urban administration and management in Maharashtra.

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## General Observations and Concluding Remarks

### 10.1 Need for starting a permanent cell for handling all follow up issues relating to Central and State Finance Commission :

After the 73rd and 74th Amendment to the Constitution, two constitutional authorities have come in place namely the State Election Commission and the State Finance Commission. The State Election Commission is a permanent body, with permanent staff positions and there is continuity in its work. But the State Finance Commission is constituted from time to time. Once the SFC submits the report its temporary office winds up, and then the onus shifts to the State Government (Finance Department) to process the recommendations and take the necessary action. The working records are then handed over to one of the sections in the Finance Department for safe custody. When another SFC is constituted after a few years, in the absence of any institutional memory of what was done by the preceding SFCs, **it is found that every SFC has to start its work de novo**, find out how the data was collected from the field, what was the methodology adopted by previous SFC's etc. Invariably the officers who have dealt with earlier SFC's in the department also get changed. Even collection of earlier SFC's reports and other relevant papers becomes an onerous task for the new SFC's and much valuable time is lost.

In the intervening period between two Commissions there are various type of enquiries by academicians, experts on various aspects of financial resource transfers to LBs. There are also references from Central Government and other State Governments and more important, from Central Finance Commission.

The same challenge is for issues relating to the Central Finance Commission where there is a flurry of activities at the time the State has to make its submissions to the new CFC.

#### 10.1.1 SFC's Recommendations:

SFC strongly recommends that a proper, dedicated cell with adequate and specialized manpower should be constituted for handling CFC and SFC related issues in the Finance department. This will greatly help the State Government. It is suggested that as macro-economic issues and fiscal issues are involved, the scholarly support of any academic institution (like the Economics Department of University of Mumbai) must be integrated into the working of the cell suitably. The cell should be headed by a senior officer (of Joint/Deputy Director level) and this post has to be specially created from the Planning and Statistics Department with back up of few support staff. Considering the high first level of application that is required, a senior position as indicated above is required to lead the cell. The mandate of the cell could be:

- Proper custody of the earlier CFC, SFC reports and all other relevant documents
- Custody of presentations and studies made from time to time



- Collection and management of other State reports and studies
- Having an active website where information on CFC and SFC is made available. Alternatively, it could also be part of the Finance Department website
- Management or coordination with other agencies in having a proper data base relating to LBs (this is elaborated elsewhere in view of its importance)
- Follow up on all CFC and SFC related issues from time to time.

While this cell will work under a Secretary of the Finance Department, an Advisory or Monitoring Committee with Secretaries of Planning Department, Rural Development and Urban Development and some outside members like that of academicians will further strengthen the Cell.

About 15% of the revenue receipts are received as share of central taxes (what is known as Central Finance Commission transfers). Therefore, considering the long term benefits that this cell will render in handling CFC and SFC related issues, creation of a properly constituted cell, with dedicated post (as indicated above) and some core support staff and proper space for them will greatly augment the department. The expenditure in creating a cell with dedicated post is fully justified considering the importance and value of CFC and SFC.

## **10.2 Need for synchronizing the tenure of the SFC with the CFC and giving a time period of 18 months for SFC to submit its report:**

The earlier Central Finance Commissions have in their reports pointed out the need for the reporting period of the State Finance Commissions to properly synchronize with the reporting period of the CFCs. This would enable them to consider the report of the SFC while making their recommendations, as required under Article 280(3)(bb) of the Constitution. Consciously, this time the State Government has taken steps to ensure the reporting period of the present SFC (see next paragraph) now synchronizes with the period of the fifteenth CFC (2020-25).

### **10.2.1 Constitution of future SFCs and suggested tenure for the Commission:**

SFC recommends that to ensure synchronicity between the period of the Central and State Finance Commissions the SFC should be constituted two years in advance of the next CFC (2025-30). From the experience of present SFC and after comparing the timelines given to the SFC's of other States it can be stated that the desirable tenure for a SFC to give its report should be about eighteen months.

### **10.2.2 Present report of the Commission may be treated for the period 2020-25:**

The Fifth SFC was constituted in March 2018. The SFC was expected to give its report for the five-year period commencing on 1.4.2019. However, in view of the extension given to the present

Commission to submit its report, and considering the time required for processing the report after its submission at Government level it is submitted that it would be practical that the present report of the fifth SFC may be treated for the period 2020-25. This will also align with the 15th CFC award period of 2020-25.

### 10.3 Recommended SFC formula for inter se allocation of CFC grants and for other purposes:

The mandate of the State Finance Commission is to recommend a suitable 'formula' by which the Central Finance Commission or other devolution grants are to be allocated between the ULBs and PRIs, and inter-se between them. The Fourteenth Central Finance Commission has stated that in those States where the SFC has not given any formula then the default formula should be 90:10, that is 90% weightage for population and 10% weightage for area may be used for inter se allocation.

This SFC examined the formula used by two other States and also had extensive discussion with few experts. The SFC could have integrated per capita expenditure as one of the criteria for ULB but in the absence of confirmed, reliable data from all ULBs (though some ULBs did provide this) we found it inappropriate to go for it.

SFC therefore feels to stick to the safe, time tested formula of population: area for both vertical and horizontal allocation. However, it would like to modify the formula for Gram Panchayats and keep only population and not area as the criteria. This is because the 'area' was interpreted in a confusing way by the field level officials of the Panchayat Samiti and Gram Panchayat at the time of the 14th CFC. Some defined area as only the 'gaothan' (village settlement) area while others added the agricultural area around it.

#### 10.3.1 SFC's Recommendation for inter se allocation:

SFC would recommend the following formula for allocation of CFC grants and for other inter se allocation between LBs:

Table 1.26: Recommended formula for allocation of CFC Grants :

Sr. No.	Category	Weightage for population	Weightage for area
1	ULBs	90%	10%
2	ZP & PS	90%	10%
3	Gram Panchayats	100%	--

\*At present 2011 census population can be used. After the 2021 census population figures are available in public domain, that data can be used.

## PRI:

Table 127: Summary of annual untied grants given to PRIs :

(Rs. in crores)

Sr. No.	Category	Zilla Parishad & Panchayat Samiti	Gram Panchayats
1	Assigned taxes-land revenue	200	100
2	Assigned taxes-Forest Grant	10	--
3	Assigned taxes-Stamp duty	300	300
4	Assigned taxes-Irrigation cess	165	--
5	Executive orders-Minor Minerals	--	75
6	Other untied transfer	1	13
<b>Total</b>		<b>666</b>	<b>488</b>
Untied transfers as a percentage of state's own tax revenue which was Rs.1,88,931 crores in 2018-19		<b>0.35%</b>	<b>0.25%</b>

## ULBs:

Table 128: Summary of annual untied grants given to ULBs :

(Rs. In Crores)

Sr. No.	Category	Municipal Corporation	Municipal Council
1	Compensatory grants in lieu of octroi/LBT etc	17468	1691 (Sahayyak Anudan)
2	Assigned taxes-Stamp duty	1175	107
<b>Total</b>		<b>18643</b>	<b>1798</b>
Untied transfers as a % of own tax revenue		<b>9.86%</b>	<b>0.95%</b>

Thus total untied transfers to LBs is about Rs. 21,694 crores to local bodies which is about 11.41% of the State's own tax revenue. In addition, substantial funds are released as salary grants and tied revenue grants to LBs. Thus it would appear that the State, for historic reasons has chosen to support the LBs through compensatory grants and assigned grants than a formula based devolution route, as is done in other State. This SFC has consciously not recommended any change in this approach for reasons being mentioned in the next paragraph on GST and its implications. Rather, this SFC has recommended that the financial health of the LBs (particularly ZPs) would improve automatically if the legislature backed assigned taxes are fully and effectively transferred to the LBs. In fact, the ZPs are in financial difficulties as they are not adequately receiving the assigned taxes they are entitled though it has been collected.



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## **10.2 Transfers to LB linked with GST collections- long term requirement**

The GST which was introduced on 1.7.2017 is still in its early days. It has subsumed many other traditional taxes, leaving only property tax at the LB level. It will take few years for GST regime to stabilize. We may call the first three to five years of GST as transition period, by which the systems will stabilize.

While we have not suggested any modification in the present arrangements of supporting the LBs through compensatory grants and assigned taxes, we are conscious of the fact that, in the long term the financial health of LBs can be sustained only if there is a formulaic, assured transfer of funds to them, and doing away –fully or partially with the present method of support. This is the pattern seen in those countries where there is a strong 'local government' both in terms of functional and financial autonomy. There is a strong case for a percentage transfer of GST to the local bodies either linked to collections or the GDP of the State. In other words, the LBs income must share the buoyancy of the State's revenues. For recommending a formula based support, a good, reliable data about the local body is a pre requisite.

We hope this will become a reality in the coming years, and possibly the next SFC will be in a position to go in for a formulaic devolution aligned with GST.

### **10.5.1 The challenge of data and need for long term investment in this area:**

Lack of reliable consistent and comparable data related to physical and financial health of ULBs / PRIs is one of the main problem when it comes to design or evaluation of any relevant policy. We have repeated ad nauseam in this report about the need for reliable, quality data from the LBs to help take decisions. At present in its absence, the SFC was greatly stuck up in its work. We found obtaining simple information like per capita expenditure of LBs a challenging task. We did get from some LBs, but not from all. Or those that sent did not add up all the requisite figures.

A State level Board could be set up for this purpose, alternatively Directorate of Economics and Statistics can be leveraged to create such a facility or indeed some policy research organization or a university department could be entrusted with the job. This data base / warehouse should provide numerical as well as physical data on relevant variables and would be one stop place available with suitable gateways and fees. The protocols for how such data will get collected will have to be mandated if we want to provide a veritable real time observatory. Several reports have strongly recommended this as it is essential for any real evidence based evaluation and decision making which is currently in vogue.

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Hence, we have suggested some concrete steps for strengthening the database of the LBs, particularly ULBs. We have strongly suggested starting of a dedicated mission for improving accounts and financial data of ULBs, with dedicated staff and financial resources. Their main task is to introduce an ERP based accounting system in ULBs in next few years, which will not only bring in double entry accounts system, but also give the required management information system. Likewise, constitution of a State Management Unit – Panchayat Raj and consolidating the initiatives in improving the Gram panchayat accounts is suggested to be a major priority for the Panchayat Raj department.

We are confident that with implementation of these reforms, the task should be easier for future State Finance Commissions.

## Noteworthy Practices in ULBs of Maharashtra

(Replicable Models)

It is gratifying to see some excellent work that is happening at the ground level in many urban local bodies in the State. They are examples of good local leadership, initiative shown both by the non-official leadership, the Nagar Palika officers and the community at large. They reflect the spirit of the 74th constitutional amendment.

We share some of the Good Governance Practices by smaller ULBs. We have deliberately given the smaller details as they give a flavour of the processes and steps a MC has to go through to get these initiatives implemented in the field. The models they have developed and can be replicated at State level are given below:

### Case Study: 1

#### Effective Solid Waste Management by 'C' Class Municipal Councils Vengurla – Karjat Model.

Two small towns namely Vengurla (Sindhudurg district) and Karjat (Raigad district) have been doing excellent work in solid waste management and is attracting visitors from distant places.



The concept followed by Vengurla-Karjat M.C. is simple. The segregation of waste happens at the doorstep collection stage itself. In Vengurla, they have managed to segregate collection of biodegradable and non-biodegradable waste into 27 different categories way back in 2015-16. This experience gathered in Vengurla has been further refined by the same dedicated chief officer Shri Ramdas Kokre when he got transferred to Karjat Municipal Council

in 2018. Here he has further improved his approach and the municipal department is segregating waste into 36 different categories. This has reduced the need for huge landfills, as the non-biodegradable waste is taken for further processing by small entrepreneurs, while the biodegradable waste is converted to organic compost.



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Total segregation of waste at door step is the most important aspect of this solid waste management process. To achieve this the key component is the change in attitude and behavioural mind set of the citizen, as well as the employees handling SWM. Following are the techniques that were adopted by Karjat and Vengurla M.C. to achieve this behavioural change:

**Awareness Creation among citizens :**

All citizen groups, particularly women, employees of different organization including those workers involved directly or indirectly in SWM have been sensitized by direct contact, discussions, meetings, displays and hands- on- training.

**Capacity Building of Staff of Solid Waste Management (SWM):**

Training about segregation of waste were given to all the staff of the Municipal Councils, about solid waste management, the contractors who handle solid waste management and others. After this mental preparation, the solid waste management staff or their contractors refused to accept non segregated items at the doorstep level itself. Thus slowly segregation has now increased to 36 categories. Suitable bins to do this segregation was also provided at household level.

**Discipline through Fines:**

It has been possible to achieve desirable ideals like litter - free city, no- plastic bags, 100% segregation of waste by imposing heavy fines on defaulters. Also the collection of user charge from citizen meant less financial burden on the cities.

**Impact of the Project;**

The sale of segregated recyclable waste like metal, glass and reusable material like paper and plastic, compost is generating approximately an income of Rs. 30,000/- per month in Karjat and Vengurla Councils. Also the biogas is generated through bio-methenization process of green waste at landfill site which is used for waste processing plant at Vengurla MC has saved approximately Rs. 72,000/- per annum expenditure on fuel. Sale of paper pulp, rubber, leather has generated as additional income of Rs.1.5 lakh annually to Vengurla Municipal Council. Karjat Municipal Council is also processing solid waste of three neighbouring Village Panchayats for a fee of Rs. 10,000/- per month each. This model of generating additional income by processing waste of nearby villages and making the project viable, is a path breaking experiment leading experiment.

### **Replicability:**

The Vengurla Municipal Council is processing 2.5 metric tonnes of solid waste and Karjat Municipal Council is processing 6 metric tonnes of solid waste with almost zero garbage at land fill site and is generating good income to these Municipal Councils.

The other cities can replicate these successful practices and achieve effective solid waste management for their cities.

### **Case Study: 2**

**Yeola Municipal Council -removal of encroachment and illegal construction from municipal land, thereby protecting public land and consequent improvement in traffic movement in heart of city.**

Yeola Municipal Council is a 'B' Class Town in Nashik Division having population of 49,826. It is famous for traditional Paithani silk sarees and cloth. The encroached roads in old bazaar area of this small town led to congested traffic and restricted movement of citizens leading to daily chaos in the market area. The Municipal Council took a decision to streamline the traffic by removing encroachment and illegal construction from all D. P. Roads in 2018 and implemented its decision vigorously.



#### **Drive coverage:**

More than 250 illegal encroachments, extension of shops on the road were removed in one day after the Model Code of Conduct for Municipal Council election was declared. It helped to streamline the traffic and resolve the parking issues in congested market area of the city. This drive was further followed by a plastic ban area drive under which more than 500 kg. of plastic bags were forfeited and Rs. 25,000/- fine was collected.

#### **Benefits of the drive:**

Illegal use of roads by shop keepers was substantially. The additional space created by removal of encroachment was given to hawkers in a planned manner which streamlined the traffic. Also removal of illegal banners and hoardings led to increase in renewal of license leading to increasing in license fees collection by way of legal permission for advertisement by shops. It

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also led to regulation of hawkers and streamlining of parking woos of concerned citizen. Hence, the drive was appreciated and supported by citizens.

Within the span of two months, the Municipal Council removed 2,500 such illegal structures, which resulted in widening of roads and it also added to beauty of the city.

### **Case Study: 3**

#### **Construction of Shopping Complex and Town Hall through Build Operation and Transfer Scheme (Capital Income generation through BOT).**

##### **Introduction:**

Pachora Municipal Council, a 'B' Class Town in Jalgaon District, constructed the Rajiv Gandhi Commercial Complex under BOT Scheme. The Scheme was formulated with the help of MUINFRA (a Government Agency) for design, project management, funding and selection of successful bidder through tendering. The Scheme was approved on 10th February, 2015 by UDD. The process followed is as below:

##### **Process:**

1. BOT Scheme proposal was submitted to Principal Secretary, UDD, Government of Maharashtra by MC Pachora by following routine sanctioning process as laid in Municipal Account Code.
2. Building Plan sanctioning was given by Director of Town Planning, Pune.
3. Estimate and RCC Design along with electrical work sanction was from implementation wing of Director of Town Planning, Pune.
4. E-tender was floated.

The business model worked out by the MC was that a developer must construct 90 petty shops and a town hall and hand it over to the MC. He should also offer a premium from getting the right to develop and retain 60 shops for open market sale.

The successful bid offer was sanctioned by UDD vide G.R. MUN-2014/CR 72/UD17 dated 10.02.2015.

As per the work order the bidder handed over the completed shops to Municipal Council within stipulated period of two years.

The Municipal Council auctioned the 90 Shops by following due procedure. The Municipal Council Pachora got a non-refundable deposit of Rs. 3.22 crores – along with Rs.15.12 lakhs as



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rent plus the income of property tax through successful bidding.

Thus, the Municipal Council, Pachora has generated a capital income of Rs.3.22 crores along with annual revenue of Rs.15.12 lakhs per year without investing a single rupee.

#### **Case Study 4:**

#### **Property Tax Assessment based on Capital Value Method**

##### **Introduction :**

Kulgaon-Badlapur Municipal Council (KBMC) is an 'A' Class Municipal Council located on the Mumbai-Pune route of Central Railway in the Thane District. It has a population of about two lakhs. It is a very fast growing town, where affordable housing is available to the working class of Mumbai Metro Region. It is a sort of dormitory town for Mumbai but also slowly developing as an industrial town on its own as well.

##### **Background of existing property tax system :**

Currently there are 1,05,837 properties in the town. There are numerous ongoing housing projects under construction, which is bound to increase the number of properties rapidly. In 2018-19 about 94,737 residential, 10,556 commercials and 544 industrial properties were assessed. Besides these properties, there is substantial open land under agricultural cultivation. Considering the huge number of properties, the valuation of the properties for property tax purpose was the key issue in the council. The Council decided to shift to capital value based assessment of properties for the property tax calculation and demand after due deliberation within Standing Committee. This decision has retrospectively paid rich dividends to the Council.

##### **The Process :**

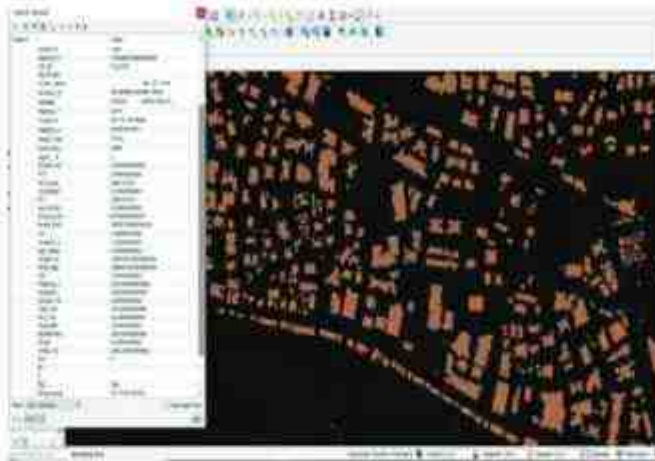
The re-assessment of properties in the M.C. Kulgaon - Badlapur was due in 2011-12. The Authorized Valuation Officer and Assistant Director, Town Planning, Thane District did not fix the annual rateable value of rates on time which led to revenue loss for the Council. The proposal to shift to capital base valuation system (CV) instead of annual rateable value (ARV) based valuation system was proposed by the tax administration department of Council on 10.07.2013 and 08.01.2014 before the General Body of Council. The Council vide their resolution No.303 dated 29.01.2014 decided to levy property tax by annual rateable value based system with a directive to get annual rateable rates from AVO and ADP, Thane as early as possible. On 29.05.2014 the AVO suggested and approved the zone-wise rates which were put-up for approval to special general body (GB) meeting on 29.12.2014.

During the deliberation in the GB of the Council, it was observed that ARV method based system will increase the existing property tax by 3-5 times which will spread unrest amongst the citizen. Hence, it was decided to shift to assessment by CV. method. The Standing Committee resolved for multiplication factor for different categories use on 22.01.2015. These rates were duly advertised for calling suggestion and objection from citizen and these rates were finalized on 07.03.2015 meeting. The increase in the property tax was minimal and 500 sq. ft. properties were exempted from tax rise for 5 years. Thus, KBMC. started assessing the properties from 01.04.2014.

#### **Important Aspects of Capital Value Based Property Tax System:**

1. It removes anomalies in hypothetical rent based assessment system. It is easy to understand and more transparent for common citizen, where they can self-assess the valuation of their property.
2. The ULB can decide the rates and dates of implementation of system. It is fixed for 5 years. Only after period of 5 years\* taxes can be revised.
3. The small properties of less than 500 sq.ft. area are exempted from increase in the current tax (based on ARV System) for first five years.
4. The assessment of residential properties having more than 500 sq. ft. area is done so as the tax demand will not increase more than double of the previous year demand (based on ARV).
5. The assessment of non-residential properties is done so as the tax demand will not increase more than triple of the previous year demand (based on ARV).
6. Thereafter every 5 years, the re-assessment of properties take place. The net increase of the demand will not be more than 40% of previous year demand when the re-assessment is done.
7. Tax rebate given for the reconstructed properties under various schemes is continued as it is.
8. Considering the year of construction, the depreciation (5% to 70%) is given to all properties.
  - No need for physical assessment of new properties is required as assessment is done on registered Sale Deed Area (as per RERA).
  - Newly registered properties are assessed regularly.
  - The Standing Committee of ULB is empowered to makes rules to decide different multiplication factor required for assessment.

- The capital value of every property is to be revised every 5 years.



In KBMC, all the properties were surveyed through GIS based method before 30.12.2016. The demand bills were generated through software provided by DMA, followed by facility of online bill payment system to citizen. Online self-assessment of property was provided in the computerised system. This effort resulted in to easy acceptance by citizen as there was not a single dispute or appeal after assessment was raised.

Details of properties			Property Tax Demand (Rs. In lakhs)		
Old properties	Revised properties	Increase in Properties	Old properties	Revised properties	Increase in tax demand
68396	95432	27036	826	1737	911
Percentage increase	39.5%			110%	

After survey of re-assessment of the properties in 2016-17, the increase in property tax demand and Government taxes demand is as follows:

(Rs. In lakhs)

Tax Details	Demand in 2016-17	Original Demand	Rise in Income	Percentage
Property Tax	1737	826	911	110%
Education Tax	376	196	180	91%
E.G.S. Tax	36	17	19	111%

Rise in Property Tax demand in industrial properties re -assessment.

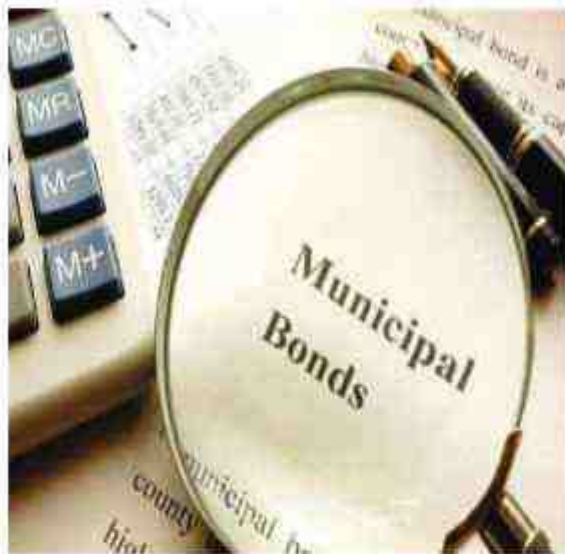
(Rs. In lakhs)

Property Details	Old Demand	Demand after re-assessment based on capital value.	Increase	Percentage
Old Properties	60	87	27	45%
New Properties	00	124	124	100%
<b>Total</b>	<b>60</b>	<b>211</b>	<b>151</b>	<b>251%</b>
Demand of additional penalty from illegal properties is 150 lakhs.				



### Case Study 5:

#### Issuing of Municipal Debentures in Open Capital Market to raise capital for Infrastructure Project.



#### Background

It is well known that Pune City has grown very rapidly and is expanding fast. The geographical expansion and increase in population is leading to continuous increase in water supply demand. Considering the future expansion and rising demand for water, the Pune Municipal Corporation (PMC) envisaged an ambitious 24x7 water supply scheme for its citizens.

It was decided to mobilise resources for this project by issuing Municipal Debentures. Accordingly, the Municipal Debentures with discounted coupon rate of 7.59% to the tune of

Rs.200 crores were floated in Open Market which were immediately subscribed. In addition, Rs. 2000 crores were mobilised from other sources for this project.



#### The process of issuance of Municipal Debentures:

##### 1. Acceptance of National Municipal Accounting Manual.

The PMC started double entry book keeping as standard accounting procedure as per National Municipal Accounting Manual way back in 2006-07, and disclosed its Profit & Loss Account and Balance Sheet from the financial year 2006-07.

## **2. Detailed Project Report Preparation for 24x7 Water Supply Scheme (W.S.S.):**

The detailed Project Report for 24x7 WSS was prepared taking into account the future water demand. Repair and upgrading the defects of existing water supply network was also part of the project. The total cost of the project, covering both the new scheme and special repairs for the older scheme, came to about Rs.2800 crores.

On 28.02.2016, the General Body of the PMC sanctioned the telescopic rates of water supply, a much needed financial decision for economic viability of the project.

### **Credit Rating:**

Before going for mobilizing funds from Open Capital Markets, the Municipal Corporation of Pune received double credit rating of its non-convertible debentures (of 10 years' period) with discounted coupon rate @ 7.59 p.a.

The India rating for long term issue was improved to stable outlook India AA+. Similarly, CARE rating was issued as stable-outlook CARE AA+. This was made possible due to emphasis on tax collection drive of PMC.

### **Creation of work Groups:**

Representative of different organizations viz. financial consultant, technical and legal experts from CARE, India Ratings, NSDI, CDSL, along with department heads of PMC officers of Maharashtra were involved as various work groups. The Government of India also contributed by making available certain information mandatory to issue the Memorandum.

### **Fund Registrar and Bankers:**

Mobilizing funds through Municipal Bonds was entirely a new field of work for the Corporation. It needed expertise support for this work. The Government of India listed some of the commercial bankers as fund registrar and capital investors for local Government Bodies by a special GR. Following these guidelines, the PMC invited Request for Proposal (RFP) for this scheme.

After following due selection procedure M/s Capital Markets Ltd. which complied with all the SEBI technical and financial criteria was selected as Fund Registrar and Manager.

### **Loan Repayment Capacity Analysis:**

Even though it was not made mandatory by SEBI, the PMC developed a software based analytical tool by considering the Municipal Financial Analysis in which revenue expenditure



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analysis, capital in hand, annual loan raising capacity, monthly cash flow, monthly loan repayment fund, reserve capital flow etc. aspects were taken into account.

This tool complied with all the necessary rules, guidelines for loan repayment issued by SEBI.

#### **Concessions given by SEBI:**

As per the guidelines and rules of SEBI, the capital borrower has to furnish its financial statements and accounts as per National Accounting Manual. But SEBI relaxed this norm for Pune Municipal Corporation considering the fact that it is difficult for PMC to furnish the account details by audited accounts of previous years.

#### **Sanction by General Body & Standing Committee of MC, Pune and Government of Maharashtra:**

As per MMC Act the Standing Committee and the General Body of PMC is the sanctioning authority for all financial decisions. The General Body and Standing Committee of Pune MC accorded due sanctions to all the proposals including income generation proposals muted by administration for 24x7 WSS.

The Government of Maharashtra also approved this scheme of funding for the first time.

#### **Dialogue with Investors, Registration and Sale of debentures**

After the sanction of memorandum, it was presented to potential investors like mutual funds, pension fund, banks, insurance companies for appraisal and investment. As a necessity, the debentures were registered at SEBI as per the agreement of PMC and Bombay Stock Exchange. Then book building process started for debentures.

#### **Compliance and Grievance Redressal System**

PMC created a special centre with transaction agent and compliance officers at Registrar's office for investor service, compliance and grievance redressal. Bombay Stock Exchange (BSE) also appointed its representatives for monitoring the process. This centre continuously monitors and tracks the grievance compliances of customers.

#### **Escrow Mechanism for Loan repayment and Bond Trust Agreement**

For timely repayment of interest and capital as per the SEBI guidelines, PMC and Trustee (Fund Registrars) created escrow account with Bank of Maharashtra as Repayment Agency which linked to property tax recovery account. All its operations are online.



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### **Interest Subsidy by Central Government:**

PMC received Rs.26 crores as interest subsidy for these debentures from Government of India as incentive grant in AMRUT Scheme.

### **Benefit of raising Capital from Open Market:**

The biggest benefit of raising the capital from open market by way of debenture is that a much needed capital was raised by PMC at very low interest rates (@7.59% coupon rate) as compared to commercial loans available through banks. The PMC raised Rs. 200 crores by way debentures with additional Rs.2000 crores from other sources. This timely raising of capital led to timely execution of large project of 24x7 water supply scheme. It also ensured financial discipline in the Corporation and improvement in its credit ratings.

### **Replicability:**

This model can be replicated in other B & C class Municipal Corporations for meeting the capital expenditure of infrastructure projects especially when grant component there is less support from Central or State Government is not adequate or not immediately available.

### **Case Study 6:**

**Long Term leasing of own open land for cinema hall by Devgad Nagar Panchayat leading to revenue generation and creating entertainment facility for the town.**

#### **Introduction:**

Devgad is a tahsil town in Sindhudurg District having population of 16,904 as per 2011 census. It is a favourite local tourist centre because of Fort Vijaydurga, beach, lighthouse, the historical pilgrimage temple of Kunkeshwar and Rameshwar. The first wind mill project of Maharashtra is located in the Nagar Panchayat Devgad limit. It is famous for alphonso mangoes and fish exports.

#### **Background:**

Devgad-Jamsande Nagar Panchayat was recently established in 2015-16. Considering its potential to become a popular tourist centre, the Nagar Panchayat Devgad is trying to focus on developing the little town as a friendly tourist destination through Public Private Partnership (PPP) model by using municipal open land as source of asset.

#### **Process of Revenue Generation Practice:**

The Devgad-Jamsande Nagar Panchayat used the municipal open land (acquired by DC Rules provision of 10% open land hand-over while sanctioning of large layout) as capital investment

source for revenue generation. The Nagar Pachayat declared its intention by publishing advertisement in newspapers to auction the open land for entertainment proposal through PPP mode. It received a response from Starlite Box Cinemas to start a mini theatre by using scrap container material. The NP approved this proposal in its General Body Meeting on 12.07.2018. The NP is to receive a rent of Rs. 20,000/- p.m. for first 3 years with 10% increase every year from the fourth year onwards. It also received a security deposit of Rs. 2,40,000/-. The company has developed the theatre with garden in remaining area.



The tourist as well as local citizens in the Nagar Panchayat along with residents of nearby Gram Panchayat in Taluka are using this facility regularly as earlier there was not a single public entertainment facility available in the taluka.

#### **Replicability:**

Small Municipal Councils and Nagar Panchayats where public entertainment facility are not available can use this type of initiative thereby providing citizen

additional facility of entertainment along with some revenue generation to create more facilities.

### **Case Study 7:**

#### **Mobilising revenue through administrative fee by adopting bylaws as per the provisions of Act:**

##### **Introduction:**

In Section 321 to 324 of the Maharashtra Municipal Councils Act of 1965 there is provision to make rules and bylaws by the State Government and Municipal Councils to facilitate its work. Although the State Government of Maharashtra has provided the Model Bylaws on 38 functions of Municipal Councils long back, majority of the Councils have not adopted these model bylaws for various reasons.

However, the Shirpur-Warwade MC (Dhule district) has suitably modified these model bylaws as per their requirement with the sanction of the State Government, thus providing legal frame work to their day-to-day functioning. This has led to ease of performing duties for the staff of the council and reducing the friction between municipal officers and citizens, and non-officials. This has also raised the income of the Municipal Council.

Following are few examples of fees collected by M.C. Shirpur-Warwade by suitably amending its laws.

### 1. Bylaws for inspection of records and issuance of certified copies:

For inspection of records and issuance of certified copies, M.C. Shirpur-Warwade has adopted bylaws and fixed administrative fees for every activity like issuing birth certificate, death certificate.

Sr. No.	Particulars	Fee
1	Birth Certificate	50/-
2	Death Certificate	50/-
3	NOC for domestic electric connection	250/-
4	NOC for non-domestic electric connection	400/-
5	NOC for Business	400/-
6	Certificate for building details	200/-
7	NOC for No Dues Certificate	200/-
8	Other Certificates	200/-

Following is the income received from M.C. because of fees levied as above :

Year	Administrative fee received (In Actual Rs.)
2015-16	5,98,020
2016-17	6,87,412
2017-18	6,09,460
2018-19	6,18,820

### 2. Bye laws for levy of special sanitation tax

By adoption of bylaws for sanitation, (that is providing connection of individual toilet and bathroom water to municipal underground drainage system), the MC has decided to levy Rs.100/- p.m. charges to all citizen as a special sanitation tax, which is included in the property tax bills. Thus the M.C. is generating additional income as shown below:

Year	Special Sanitation Tax (In Actual Rs.)
2015-16	14,80,242
2016-17	14,93,708
2017-18	15,66,215
2018-19	17,26,800 (Demand)

### 3. Bylaws for hawkers and handcarts

Before compulsory implementation of hawkers' rehabilitation schemes by Central Government, the M.C. Shirpur adopted bylaws on hawkers and handcarts for temporary occupation fees. The fees of Rs.5/- per hawker and Rs.10/- per handcart per day. The revenue generated by the M.C. as below:-



Year	Annual Income
2015-16	19,85,000
2016-17	19,85,000
2017-18	28,11,111
2018-19	28,11,111 (demand)

#### 4. Bylaws for Water Supply Rates

The MC Shirpur adopted the bylaws for water rates to generate income and for overcoming loss in maintaining water supply Scheme. It revised the rates from July 2012. From Rs.1,200/- per year (for ½ inch connection) to Rs. 1500/- per year. The rise in the demand is shown as per the table below. This made the water supply scheme sustainable.

Further, it revised the entire scheme for giving 24x7 water to citizen and increased the rates with meter connection as shown in table. The increased in income is shown as below:

New Water Rates - 2012			
Year	Water Rates per year	Total Demand	Total water connections
2011-12	Rs.1200/-	1,29,00,000/-	10456
2012-13	Rs.1500/-	1,66,50,450/-	11100

Revised water rates from dated 01/04/2018			
Sr.No.	When metered water supply (meter per month)	Rates for per 1000 litre. (Residential & non-residential)	
		Residential	Non Residential
1	Minimum water rates ( up to 18,000 litres per annum) including meter rent Rs.360/- p.a.	Rs.1548/- p.a. Rs.5.50/- per 1000 litre	Rs.2142/- p.a. Rs.8.25/- per 1000 litre
2	18001 to 24000 litre.	Rs.6.50	Rs.9.25
3	24001 to 30000 litre.	Rs.7.00	Rs.10.50
4	30001 to 36000 litre.	Rs.7.50	Rs.11.25
5	From 36000 litre	Rs.8.00	Rs.12.00

Water charges recovery of past three years.

Year	Water charges recovery
2015-16	1,80,16,458
2016-17	1,83,28,352
2017-18	1,99,39,291
2018-19	1,35,04,384 (up to March 2019)

#### Replicability

The experience of M.C. Shirpur-Warwade clearly shows that if M.C. adopts byelaws and amend the fees from time to time it can recover the cost of the services and provide better services to the citizens avoiding friction between citizens, non-officials and officers of the council.

## Infrastructure Financing through Loan (Capital Investment)

### Case Study 8:

#### Infrastructure Financing through loan case study of Ambernath Municipal Council :-

##### Introduction

In Maharashtra very few Municipal Councils are operating underground drainage system including sewerage water treatment process. However, Ambernath Municipal Council, which is a 'A' Class Municipality has shown the way to implement a large Infrastructure Project through Central Government Scheme (JNNURM) by raising funds through loan and subsidy. The Ambernath Municipal Council (population 2,45,475) in Thane District by good financial management has successfully completed the scheme within the schedule time period.

##### Background:

Central Government under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) has sanctioned various Infrastructure Projects in various cities of India. The Ambernath Municipal Council got the sanction for underground drainage scheme under JNNURM (UIG) Scheme, the details are shown below:

(Rs. In Crore)

No.	Municipal Council	Name of Project	Cost sanctioned for the project	Share of Central Government (33%)	Share of State Government (17%)	Share of M.C. (50%)	Date of sanctioned by Central Government
1	Ambernath	Underground Drainage	109.4157	38.2955	16.4123	54.7079	7/02/2012

**Loan from MMRDA :** In order to generate own share of capital (as per the sanctioned norms) for timely completion of underground drainage scheme and considering the weak financial position to raise the capital on its own, the Ambernath Municipal Council had to opt for raising loan. Hence, the general body of AMC vide Resolution No.01 dated. 10.04.2013 and Resolution No. 48 dated.29.11.2015 accorded the sanction to raise the loan from Mumbai Metropolitan Regional Development Authority (MMRDA).

After assessing the financial status of the Council, the Executive Committee of MMRDA sanctioned the loan proposal of AMC for Rs.56.32 crore at the interest rate of 6% per annum.

The State Government also accorded its sanction on 13.03.2015, which was mandatory under Section 108 of Maharashtra Nagar Palika, Nagar Panchayat and Industrial Township Act, 1965.

The MMRDA released the loan in 6 instalments as shown below: -

Sr. No.	Date of loan received	Loan amount (In Rs.)
1	30.03.2015	19,21,97,000
2	15.05.2015	9,05,86,000
3	14.07.2015	4,42,82,000
4	06.08.2015	11,26,38,000
5	21.01.2015	7,52,90,000
6	14.08.2016	3,00,67,000

For this loan account the Municipal Council opened an escrow account with Union Bank linked to property tax recovery account. The repayment schedule followed by the Council is shown below:

Sr. No.	Date of loan repayment	Loan amount repaid (In Rs.)
1.	30.06.2015	97,22,350
2.	31.12.2015	2,30,85,915
3.	30.06.2016	2,77,04,852
4.	31.12.2016	2,93,30,860
5.	30.06.2017	2,96,35,638
6.	31.12.2017	2,96,35,638
7.	30.06.2018	2,96,35,638
8.	31.12.2018	2,96,35,638
	<b>Total</b>	<b>20,83,86,528</b>

Till now, the M.C. Ambarnath has repaid Rs.20.83 crores loan and maintained the timely repayment schedule.

#### **Benefit of raising loan :**

The project was physically completed in time and project completion certificate was submitted to Government on 27.03.2017. Due to regular flow loan, the necessarily discipline in construction could be maintain maintained. The scheme covered 70% area of the city. It has improved the environment of the city and reduced pollution of Waldhuni River. After the project, out of 27 MLD, sewerage water of 22 MLD is now treated and released in Waldhuni River against previous practice of discharge of untreated sewage water.



The Municipal Council has started recovering the operating cost by levying sanitation tax. The income generated for the last Three years is shown as below:

Sr. No.	Particular	Year	Per Property	Total Demand	Recovery
1.	Sanitation Tax	2016-17	Rs.120 p.a.	Rs.109 lakh	Rs.54.49 lakh
2.		2017-18	Rs.120 p.a.	Rs.120 lakh	Rs.64.19 lakh
3.		2018-19	Rs.240 p.a.	Rs.206 lakh	Rs.79.04 lakh

#### Replicability:

The example of Ambarnath Municipal Corporation (AMC) clearly shows that the capital can be raised by way of loan for infrastructure projects if proper financial proposal is worked out in the beginning, and repayment done on time through use of an escrow account.



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## **Case Study 9:**

### **Efficient Water Supply Management**

Islampur Municipal Council is a 'B' Class Town in Sangli District of Pune Division. As per census of 2011, it had a population of 67391 with 14376 families. The water supply scheme is maintained by M.C.

The M.C. supplies 4 MLD water in the town with water availability of 140 LPCD. The M.C. has implemented the scheme of connection to every household. The water quality standard is of 'Bottled Water Quality' norms. The scheme is first in Maharashtra where work completion certificate as per prescribed design standards is obtained from MJP. It received a first prize for best management practices of water supply from Indian Water Association (IWA.)

### **Background:**

Until 1992 the old scheme was maintained by Maharashtra Jeevan Pradhikaran which supplied Two MLD water to the city since 1947. The water supply scheme was revised in 1992 and the new scheme was implemented to supply 8 MLD water to the town along with old scheme. Thus, today city is receiving 6 MLD water. In 1992, the old scheme had 2800 connections whereas in 2018 the number is 11300.

### **Details of the revised Water Supply Scheme:**

The revised water supply scheme has been designed to supply water to an estimated population of 1,35,000 in 2038. In the scheme, there is a provision for a 10 MLD automated, mechanical water treatment plant along with 22 rising main MS pipeline with 10 metres diameter jack well having 3 numbers of 100 HP motors besides 6 MLD water treatment plant located nearby. The Central Government sanctioned the project cost for Rs. 14.54 crores under UIDSSMT. The Central share was 11.63 crores along with Rs.1.45 crores grant from State Government. The Municipal contribution was Rs 1.45 crores. However, additional amount of Rs.1.78 crores was spent by the Municipal Council to complete the project which included metering cost.

From 1993 onwards 100% metered connections are provided. There is not a single stand post connection in the city except 106 group connections. Today from 11,300 connections, Rs.1560 per connection lump sum per annum water charges are recovered. The Municipal Council receives Rs. 2.8 crore income from this. However, the electricity charges bill is also very high at Rs.2.8 crores per year.

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The Municipal Council has approved water charges byelaws from April 2006-07. The water rates are Rs.6.5 per 1000 litres for residential use Rs. 13 per 1000 litres for Government uses and Rs. 20 per 1000 litres for commercial use, are charged by the Council. The water charges recovery is always above 90%.

**Benefit of the Scheme:**

Because of the high treated water quality, there is no outbreak of water borne diseases in the city for last twenty years. 100% metering assured there are no water leakages and theft ensuing Rs.2.8 crore income to the Municipal Council.

**Replicability:**

Other Municipal Council can copy this model of water supply management for efficient administration with regular increase in water charge rate in order to meet the expenses it incurs on providing water supply.

**Case Study 10:**

**Effective use of Government Grants to create permanent source of capital income by constructing administrative office building having shops for lease.**

**Introduction:**

Roha is a 'C' Class Municipal Council in Raigad District of Konkan Division. By using the 12th Finance Commission Grants and Special Purpose Grant by State Government, the Municipal Council has developed its own two storeyed administrative office building with shopping complex at the ground floor with ample stilt parking. The Council has leased out the 2nd floor to the State Electricity Board Office on rental basis, thus creating permanent source of income to the Council.

**Process:**

In this building there are 19 shops of which 7 shops of 27 sq. metres.(carpet area), 1 shop of 24.60 sq. metres (carpet area) and 11 shops of 19.95 sq. metres (carpet area). These shops were leased out for 30 years on rental basis by following due procedure of approval of minimum rent and one-time non-refundable deposit from 3 Members Sanctioning Committee under Chairmanship of Collector, Raigad. Accordingly, tender process was followed for competitive bidding for non-refundable deposit.



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The Municipal Council has earned total of Rs.1.58 crore as non-refundable deposit with minimum rental of Rs.500/- to maximum rental of Rs.1700/- p.m. with annual increase 5% in the F.Y. 2012.

**Financial Benefit to Municipal Council:**

Till 2017-18, the Municipal Council has received a total rent of Rs. 11.58 lakhs and property tax of Rs. 9.83 lakhs that is total of Rs. 21.41 lakhs are from the shops. Also by leasing the second floor of the building to MSEB at Rs. 77,786/- p.m the Municipal Council has received of Rs. 74.50 lakhs for last 8 years. Overall the Municipal Council has received Rs. 95.92 lakhs as revenue income along with capital income of Rs.1.58 crore as non-refundable deposit. Apart from this a well-furnished Municipal Council administrative office is available for citizen services.

The Municipal Council has spent Rs. 3.05 crore for total construction of this building from the grants of the Twelfth Finance Commission and special grant under Vaishityapurna Yojana of State Government.

**Replicability:**

The Roha Municipal Council has shown the way to use the State and Central Government grant effectively for creating permanent source of income. The model can be replicated by all Municipal Councils.

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## Summary of Recommendations

### Chapter 4: Approach adopted by the SFC

1. The State Government should consider the recommendations in the report of Shri. Sudhir Thakrey Committee (Panchayat Raj and Rural Development Department) and Shri. Sharad Kale Committee (Urban Development Department) for the improvement in management of PRIs and ULBs. (Para 4.1.2)

### Chapter 6: Assessment of Finance of ZP & PS

1. The Rural Development Department has already received the Shri. Sudhir Thakare Committee report, which has been submitted to the Government regarding reforms in Panchayat Raj administration. The SFC is of the opinion that there is need to revisit the entire Panchayat Raj administration in Maharashtra in the very changed milieu. (Para 6.6)
2. All releases of assigned cesses under Sections 144, 155, and 185 of the ZP & PS Act to be made on basis of demand and not recovery. Therefore, in terms of Act, the demand fixed by the Collector every year (Jamabandi) should be the basis of all releases to the ZPs. (Para 6.9.5).
3. We suggest a fresh formula that the amount payable as cess to ZP & PS must be 20 times the original demand of land revenue i.e mool shet sara or mool akar (agricultural + non-agricultural). This is irrespective of whether it is collected or not. (Para 6.9.5).
4. Fresh GR to be issues by RDD giving comprehensive guidelines on Land Revenue Cess, in supersession of all existing guidelines. (Para 6.9.5).
5. There cannot be any usual 'budgetary cuts' on collected assigned taxes at the State Government level as it will be in violation of the Act. (Para 6.9.5)
6. The representative of Collector should make a presentation before the ZP Body in October of every year, on the method and manner of calculation of ZP dues. (Para 6.9.5)
7. Long term- there is need for a simpler formula by amendment of all related sections namely Sec 144, 155, 185, and 186. This needs Legislature approval. (Para 6.9.5)
8. No 'budgetary cuts' should be made for an assigned tax. (Para 6.10.2)
9. Need to urgently clear the stamp duty backlog of Rs.509 crores (as on October 2018) already collected by Government on behalf of PRIs and yet to be distributed. (Para 6.10.2)
10. Need to change the distribution procedure of Rural Development Department. (Para 6.10.2)
11. Need for a separate budget head. (Para 6.10.2)
12. Need to support Zilla Parishads which are disadvantaged in terms of stamp duty. (Para 6.10.2)

13. Need for revamping the 1% sharing formula under Section 158. The present 1% sharing formula of 0.50% for the ZPs and 0.50% to the GPs needs to be changed to 0.25% for ZP, 0.25% for PS, 0.25% for GP and State Level pooling for distribution among all GPs 0.25%. As a result of this revised formula distant, poorer ZPs, PS and GPs will get a better share. (Para 6.10.2)
14. The 1998 GR on forest grants needs complete revamping. It is suggested to make it practical and doable, the RDD should prepare the GR in consultation with the Principal Chief Conservator of Forests, Nagpur. (Para 6.11.2)
15. It is recommended that where grants are less than 10 lakhs, then the CEO, Zilla Parishad must straightway transfer to JFM Committee or as advised by DCF. (Para 6.11.2)
16. The amounts must be directly transferred to CEO, Zilla Parishad by RDD, without again routing it through PCCF, DCF etc. (Para 6.11.2)
17. The Government must not impose any budgetary cuts on assigned tax as the amounts have already been collected. Any cut will be an infringement of the Zilla Parishad Act further weakening the income base of Zilla Parishad. (Para 6.11.2)
18. No deductions should be made unilaterally by the Irrigation Department or the Regional Irrigation Corporation for water supplied to Grampanchayats as they are a different legal entity from Zilla Parishad. Secondly no deductions should be made for 'reserved water' during drought period or for other reasons. This is to be paid by the Collector, from the Relief and Rehabilitation funds 2245. The Zilla Parishad should not be saddled for making a simple resolution which is just a procedural formality as per Government GR. (Para 6.12.2)
19. Increase the irrigation cess from 20% to 40% on irrigated crops. The present rates are found to be very minimal and have not been increased for decades. There is a strong case for increasing the irrigation cess rates from present 20% to 40% and thereby augmenting the income of the Zilla Parishad. (Para 6.12.2)
20. The SFC recommends to close certain old grant-in-aid to selected ZPs like compensation in lieu of professional tax, in lieu of vehicle tax which are being paid since 1960s at old rates. (Para 6.14.2.1 & Para 6.14.2.2)
21. SFC strongly recommends that this window available under Section 157 (e) must be utilised and RDD must once again take steps to issue circular to all ZPs to consider imposing similar tax to raise their resources. (Para 6.16.4 (e))
22. Seeing the writing on the wall in ZP own income and expenditure position, the SFC is of the view that there is need to augment the own resources of each ZP by at least Rs. 9 crores. (Para 6.22.8)



23. Introduce a two percent management fees (in lieu of current agency charges) on all state government schemes and cancellation of old guidelines (GR ZPA/1090/CR/1652/24 dated 29th May 1989) relating to 5% agency charges (Abhikiran Shulk) (Para 6.23.1)
24. Revisiting the procedures for releases and clearing the huge backlog of payment of stamp duty to ZPs. (Para 6.24)
25. Reworking the calculation method of LR grants. (Para 6.24)
26. Compensating the districts which are receiving less in the 1% cess on stamp duty with a matching grant, to offset their geographic disadvantage. (Para 6.24)
27. Increase the irrigation cess from 20% to 40%. (Para 6.24)
28. The SFC recommends increase of maintenance grants under 3054 and 5054 for the ZP roads. The present amount of grants, are very much less resulting in very low expenditure for maintenance of ZP roads. (Para 6.25.2)
29. The Hand Pump and Power Pump (HP & PP) maintenance units must be shifted to Panchayat Samitis fully, one unit per Panchayat Samiti. A separate taluka 'HP and PP Maintenance Society' must be registered at the PS level. The SDO, BDO and Tahsildar, Dy. Engineer (WS) and other officials must be made ex officio members of this Society. The Society must be also free to accept donations and grants from CSR, local citizens and others who may be now resident in Mumbai or abroad, but belong to that area originally. This will help in building up the corpus. Administratively of course the unit will report to the PS Body and BDO. (Para 6.27.1)
30. We recommend that the State Government looks into this neglected, but important area of HP and PP maintenance comprehensively and the Water Supply and Sanitation Department should issue a fresh GR incorporating the points stated above. This will increase collections from users, reduce the financial burden of ZP's which it is bearing unnecessarily. (Para 6.27.1)
31. **Introduction of a Maintenance Fund:** Considering the huge number of buildings and properties with ZP it is essential that a compulsory 2% of its income is transferred to maintenance fund. (Para 6.29.1)
32. **Introduction of certain ratios to be revealed in ZP annual accounts and modify the account code:** The present format of the ZP Accounts reveals only figures. It does not show where and how the amount is spent. There is very little of analysis and it is very difficult to draw any conclusions at first glance. We recommend some ratios should be shown in the end of annual accounts relating to own income of a ZP. (Para 6.29.2)
33. **Dispensing with gazette notification regarding accounts:** The SFC submits that as now

websites are open to public, it is adequate to display the accounts in ZP website or in RDD website for a period and the tedious method of gazette notification (which had relevance in earlier decades) may be dispensed with. (Para 6.29.3)

34. The SFC strongly recommends the creation of a separate Management Unit for Panchayat Raj on a permanent basis (instead of ad hoc basis linking it with RGSY) by shifting three sections of Mantralaya, and without creating any new posts. (Para 6.30.1)
35. Appointment of a ZP Revenue officer reporting to CAFO: The SFC recommends Government to create two posts per ZP:
  - a. a ZP and PS revenue officer – to be filled by a MDS Class II officer
  - b. An AAO or Dy. Accountant from ZP cadre to assist him.

The cost of these posts is to be met by ZP initially for first three years. SFC is very confident that spending about Rs.1 lakh per month or roughly about Rs 12 lakhs on these two posts, will be offset by the increase in income many times this. (Para 6.30.2)

36. **Need for a grievance redressal mechanism for ZPs:** Our SFC is of the strong view that there needs to be an institutionalised grievance redressal mechanism for getting their dues as given in Act and as per Government decisions. (Para 6.30.3)
37. **Complete revamp of disciplinary and conduct rules:** The Zilla Parishad employees are governed by the Maharashtra Zilla Parishad District Services -Conduct Rules, 1967. This is modelled on the Maharashtra Civil Service Conduct Rules. They are also governed by the Maharashtra Zilla Parishad District Services (Disciplinary and Appeal) Rules 1964. However, these were enacted in 1967 and have not been updated. These needs to be updated fully on the lines of the Maharashtra Civil Service Conduct and Disciplinary rules. (Para 6.31.1)
38. **Applicability of various labour laws to employees of Zilla Parishad who are getting Government pay scales:** The SFC strongly recommends that the status of ZP staff from Labour law point of view and related issues must be examined in depth by an expert committee, in which an officer (serving or retired) of the Labour department must be a member. The issue needs to be settled once for all, by bringing necessary changes in relevant Act or rules as necessary. This will save enormous time and resources of the Zilla Parishad and State Government which now goes into unwanted labour court litigation. (Para 6.31.2).
39. **Issues relating to introduction of NPS in Zilla Parishad system:** It is seen that there are many gaps and loopholes in implementation in NPS and we find that many ZP are at different stages in implementation. SFC recommends that the Rural Development



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- Department comprehensively studies the position and come out with a time bound action plan to put things on track. (Para 6.31.3)
40. Better management of available ZP Engineers: The SFC recommends as follows for better management of ZP resources:
- (a) creating a panel of outside engineers – retired or suitably qualified. They need to be suitable trained and accredited. These empanelled engineers can do the estimate preparation and inspection from time to time. Core regular engineers of ZP should focus on tendering, occasional visits and giving final bill.
  - (b) to merge the irrigation / water supply and works cadre of engineer as it creates conflict amongst them and often imbalance in their workload. This is popularly known as 'Akola pattern' as it was successfully implemented in ZP, Akola.
  - (c) constitution of a Committee to examine the entire issues relating to management and workload of engineers and come out with a long term solution. (Para 6.31.4)
41. SFC is of the opinion that time has come to carefully develop the properties of ZP on BOT or other suitable model and thereby give an assured source of income to the PRIs. SFC recommends that BOT should be done ideally by a Government agency like MSRDC or State Level PWD. (Para 6.32.1)
42. Increase in honorarium to the non-official members: SFC strongly recommends to review the present rates of honorarium, travel and sitting fees of non-officials and revise it so that it is on par with prevalent costs. (Para 6.33)
43. Share of management fee: We recommend that the ZP should be allowed to levy a management fees for implementing Government schemes up to 2% for their establishment expenditure. We recommend that this 2% should be shared between ZP and PS equally that is 1% each. (Para 6.36.1)
44. Share of the Professional tax collected by Grampanchayats: We recommend that Panchayat Samitis must be given 25% of the professional tax collections of Grampanchayat as a supervising and monitoring body. (Para 6.36.2)
45. SFC strongly recommend that Government must issue a GR, considering the status of a PS Chairman and workload of a BDO that there must be a separate vehicle for both. (Para 6.36.4)



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## Chapter 7: Assessment of Finance of GPs

1. There is urgent need to examine the Grampanchayat size as the present size and the tendency to become smaller in population affects administrative viability. Other states, seem to shift towards bigger size Grampanchayats (Para 7.5)
2. The PRIASoft has certain standard account codes (budget lines), with dedicated four digit numbers for various items of income and expenditure. Such functional account numbers (budget line heads) must also be provided in the 'GP Account Code 2011' so that PRIASoft and state registers are fully aligned (Para 7.11)
3. There are some language barriers at GP level, as the PRIASoft is in English. A small Marathi –English user friendly guide in this matter will help the Gram Sewaks to remove their mental blocks. (Para 7.11)
4. Intense training of higher level officials like Extension Officers, BDOs, Dy. CEOs, etc. is required because the support of higher level officials is necessary for computerizing village records. (Para 7.11)
5. Local Fund Audit Department's needs to be oriented to audit electronic records if necessary. It is learnt that AG has initiated certain initiatives to facilitate this shift. (Para 7.11)
6. It would be strategically more effective if, in the first phase, one Panchayat Samiti is fully made 'online' per district first by effective and sustained training and other support. In these blocks, the GPs can become paperless. Thereafter, after seeing the beacon Panchayat Samiti, other Panchayat Samitis can follow one after another. (Para 7.11)
7. The present capital value method guidelines of 31.12.2015 has had a positive impact and the property tax collection has increased in the GP. SFC would recommend continuing the present arrangement and occasional random studies through expert agencies like All India Local Self Government about the feedback and how further improvements can be made. (Para 7.14.3)
8. The terminology 'Betterment tax' needs to be changed (Para 7.14.5)
9. There is a need to fix updated minimum and maximum under the Maharashtra Village Panchayats Taxes and Fee Rules, 1960 and as the present rates are very old and need to change with the times (Para 7.14.5)
10. There is need to add, reduce and modify the list of levies under Section 124 in changed circumstances.  
  
It is also necessary to completely modify and re-classify the various sub-sections in Section 124, giving independent titles and sub-numbers for taxes, user fees and cesses. (Para 7.14.5)

11. There should be an enabling provision to impose 'Visitor's Tax' under the provisions of Section 124 (9) of the Maharashtra VP Act, even for a particular period of the year (yatra period). Hence, the Section 124 must be amended to include another new section on the lines of sub section (9) to provide for levying 'environment management tax'. (Para 7.14.6)
12. SFC further recommends that this power to approve levy of the environment management tax must be delegated to the Divisional Commissioner, as it would be difficult for the smaller GPs to approach the Government. Suitable provisions must be made in the Act or rules as required. (Para 7.14.6)
13. SFC strongly recommends that this Rule 147 of the Maharashtra VP Taxes and Rules, relating to method and manner of spending the amounts recovered from 'Visitor's Tax' be withdrawn and the powers delegated to a local Committee under the Chairmanship of the ZP President and in which the Collector and CEO are members. The Dy. CEO (VP) must be made the Member Secretary of this Committee. (Para 7.14.6)
14. The SFC would recommend a review and increase of the service charges of various sources of non-tax revenue by amending the Maharashtra Village Panchayats Taxes and Fees Rules, 1960, suitably. (Para 7.15)
15. The Revenue and Forest Department GR Number. गौबनि-10/0615/CR No. 289/ख dated 03.01.2018 mentions only about sand mining income and not about other minor minerals. It is essential that the GPs should get a share of the total auction income from sand and all minor minerals. (Para 7.17.2)
16. The method and manner of release to GPs must be further streamlined by Revenue Department and once again the practice of releasing funds to GPs must be revived. (Para 7.17.2)
17. The minor minerals royalty arrears of 2017-18 and 2018-19 must be given to the GPs (Para 7.17.2)
18. We recommend a share of 25% of the auctions, as indicated in Revenue and Forest Department GR of 3.1.2018. (Para 7.17.2)
19. We also recommend that any discretion regarding amounts to be paid to GP must be done away with and a formula based guidelines must be issued. (Para 7.17.2)
20. The old compensations like financial assistance to backward and Adivasi villages (2515 0044), compensation in lieu of pilgrim tax (3604 0343) and compensation for abolition of octroi (3604 0532) may be closed as they have become redundant. The Government can close them by giving a one-shot grant for 3 years to the concerned GPs and close the CRC Codes. (Para 7.18)



21. SFC is of the opinion that the scheme of reimbursement of electricity bill for street-lighting of GPs should be continued, but the method and manner of assistance to GPs should be in a different manner. It should make GPs more responsible and accountable in management of their street lighting bills. In long term it should facilitate shifting to solar and saving of expenses. Hence, SFC proposes that instead of making the consolidated payment to MSEDCL directly from Government the payment must shift to the GPs. To start the slate clean, State government should write off the old arrears of Rs. 3612 crores payable by Government to MSEDCL once and for all. (Para 7.19.3)
22. **GP member meeting attendance allowance-** SFC would recommend to increase the allowance from Rs. 200 to Rs. 400 per day. Further an additional 25% (over and above Rs.400) should be allowed to be paid from the GP's own funds, with approval of the BDO who has to certify that the GP resources are good. (Para 7.20.1)
23. **Sarpanch Honorarium:** SFC recommends increase of the present reimbursement of Sarpanch honorarium (GR dated 06.09.2014) and also increase the overall cap, which must be allowed to be paid by the GP from their own resources. (Para 7.20.1)
24. SFC would recommend appointing a Committee to study the staffing requirements of GP afresh. Hence, it is recommended for Government to give approval in a different format, allowing two levels of staffing pattern, the one that will be reimbursed by Government and another which Government will not reimburse, but GP may do so at their level if their resources allow. (Para 7.20.4)
25. SFC would recommend withdrawal of the support scheme under 17th October 2014. Instead, the new GR of 26.11.2018 applicable to Regional PWS for rural areas must be made applicable to water supply schemes owned and maintained by Grampanchayats as well. (Para 7.21.1)
26. The SFC notes that GPs income has greatly increased in the last four years due to this liberal grant from Central Finance Commission (CFC). SFC would suggest a proper sample evaluation of the investments made in the last few years, by an independent agency. A detailed social audit is also required as directed by the Government of India. (Para 7.22)
27. SFC recommends a proper and detailed evaluation of the impact of MGNREGS over the years, in selected GPs and in entire talukas. One study was conducted by Indira Gandhi Institute of Development Research in early 2014, but this one study is inadequate. Much more detailed analysis of the social and economic impact (positive or negative and learnings) of MGNREGS investments in GPs need to be made for future decision making. This work should be assigned to a renowned academic institution. (Para 7.24.1)
28. SFC strongly recommends that the Professional tax collection in rural areas must be



- shifted to Grampanchayats. SFC is of the opinion that there is potential of mobilizing Rs.150-200 crores per annum by the GPs, using the panchayat raj collection figures of Gujarat and Tamil Nadu as a bench mark to measure the potential in Maharashtra. (Para 7.28.2)
29. SFC recommends that the professional tax income must be shared between GP and the supervising agency namely the Panchayat Samiti in the ratio of 75:25 that is 75% to the Grampanchayat and 25% to the Panchayat Samiti. (Para 7.28.2)
  30. There is need to reform the District Village Development Fund (DVDF) by including new activities and creating much more awareness of this funds among Grampanchayats and elected members. The entire DVDF rules and guidelines has to be revamped. (Para 7.30)
  31. SFC suggests that guidelines need to be framed so that at least 2% of own income in bigger villages (above 5000 population) and 5% for smaller villages (below 5000 population) must be earmarked for maintenance every year. This amount must be transferred at the district level like DVDF and kept in a separate account and can be used only from third year. This way the District Maintenance Fund will be maintained. If it is kept at the GP level, there is risk that the amount will be spent immediately. Government must frame suitable guidelines for the District Village Maintenance Fund in the form of rules. (Para 7.31.1)
  32. SFC strongly recommends that GPs must get a share of the development charges levied under Section 124 (k) of the Maharashtra and Regional Town Planning Act, 2015. (Para 7.32.1)
  33. Special drive to write off very old audit paras where recovery or any type of action is impossible. (Para 7.33)
  34. The audit of bigger GPs above 10,000 populations can be entrusted to the CA firms. (Para 7.34.1)
  35. SFC recommends that there must be hand holding technical support agencies at Block level who could guide the GPs. There could be a leading mother or master technical support agency at State Level, (like NEERI) with hundreds of district and block level technical support institutions who could assist the GPs. (Para 7.35.2)
  36. Two retired electrical staff from Electricity Board or equivalent must be hired at Panchayat Samiti level to sort out the street light billing and pumping issues of GPs. They can also help GPs to shift to solar energy saving operational costs of electricity bills month after month. Their costs can be included in the state subsidy to GPs for street lights and water pumping charges. The impact can be seen in two years. Their need to be some coordinating cell at the State level as well. (Para 7.36)

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37. Due to shortage of civil engineers for preparing estimates, measuring, tendering, certifying and paying the pace of work slows down and available budget is not able to be fully spent. There is scope of outsourcing certain areas of work like estimate preparation at PS level. (Para 7.36)
  38. The entire training and capacity building –infrastructure available, staffing pattern etc. needs to be reviewed comprehensively and revamped as per times. There are seven different CRC heads under which the funds are released as above, for identical activities. They can be compressed to 3-4 heads. Method and manner of training still uses the classroom lecture method. It is better to shift to visual aid methods with small video films, audios etc, which may be more engaging for non- officials of Panchayat Raj. (Para 7.37.1)
  39. There is need to honour GPs which show effective management of their own income, show creativity in use of DVDF funds and such initiatives. Honouring such GPs will inspire other GPs also to take up such activities. (Para 7.38)

## Chapter 8: Assessment of Finances of ULBs

1. SFC is of the view that Government or ULBs must engage professional agencies to conduct very systematic, and detailed studies regarding the staffing requirements in ULBs. While over staffing is certainly not desirable as much of the funds will be taken over by establishment or salary expenses, at the same time understaffing also affects the quality of services of a ULB. There is also a need to create new category of posts like environmental managers and the like in lieu of the traditional municipal civil engineer position. (Para 8.6.3)
2. **Need to amend some terminologies in Section 149A of the Maharashtra Municipal Corporation Act, and Section 147A of the Maharashtra Municipal Act:** It is noticed that the wording of the concerned sections only mentions 'instruments of sale, gift, and usufructuary mortgage'. There is no mention of 'agreement of sale' and therefore substantial income which could have come to ULBs are out of net. **This matter needs immediate review and corrective legislative action. (Para 8.23.4.2 (a))**
3. **Need to pay arrears of additional stamp duty immediately to ULBs:** There is a substantial arrears of Rs.510 crores of additional stamp duty not yet paid to ULBs. This consists of Rs. 214.60 crores due to Municipal Corporation and Rs.296.14 crores due to Municipal Councils. This backlog amount needs to be transferred to ULBs immediately, as it would otherwise throw open the doors to justified litigation. (Para 8.23.4.2 (b))
4. **Need to transfer the additional stamp duty collected directly to ULBs without routing it through State treasury.** It is also desirable to have a separate budget line (CRC Code) for additional Stamp Duty Cess collected for ULBs. Thus, at point of collection the Stamp Duty collected will go to two separate account heads namely the State Stamp Duty Tax and the Additional Cess for ULBs like Central GST + State GST. At present there is only one account head causing operational difficulties. (Para 8.23.4.2 (c))
5. **Need to settle the arrears of entertainment tax, minor minerals, and land revenue immediately:** It is seen that there is an arrear payment of Rs. 22.82 crores of minor minerals to Class C Municipalities, an arrear of 106 crores of land revenue and Rs. 13.24 crores of entertainment tax due to local bodies. The three put together amounts to Rs.142 crores to Municipal Councils. This needs to be settled immediately. (Para 8.23.4.2 (d))
6. **Need to wind up three assigned taxes and instead increase Sahayyak Anudan grants:** The SFC strongly recommends that except Additional Stamp Duty all the other three assigned taxes must be dispensed with and instead an additional amount equal to the loss in above three assigned taxes must be added to the Assisted Grants (Sahayyak Anudan) and a higher amount given to the Municipal Council. This will declutter many



cumbersome procedures that have got embedded over the years and improve administrative work. (Para 8.23.4.2 (e))

7. SFC recommends and reiterates that one of the conditions prescribed for receiving the performance grant namely 'audited accounts' must be given utmost importance in future, irrespective of whether it is a condition of Finance Commission or not. The auditing must be done by professional Chartered Accountants and the entire accounting system of ULBs must be streamlined. We have dealt this at length in chapter on Accounts, Audit and Financial Data. (Para 8.38.1)
8. **The SFC strongly recommends that professional tax must be shifted from Government to local bodies, that is, it must be collected and retained by Local Bodies. We recommend that the Government can implement the reform in three phases starting with smaller ULBs.** Here, further in this recommended arrangement, the Government continues to retain all the Government, semi-Government, public sector employees, professional tax payers with itself and only shifts other categories of private sector of tax payers to the ULBs. (Para 8.40.2)
9. SFC recommends that the enabling provision under Section 27 of the Maharashtra Shops & Establishment Act, 2017 must be operationalized by making the ULBs as an enforcement agency under the Shops Act. This will not only increase the compliance under the Shops Act but also enable the ULBs to widen its Professional Tax net. (Para 8.40.3)
10. **Consolidating GIS survey work already started and need for transition guidelines for newly formed Nagar Panchayats till GIS is in place:** The GIS survey initiated by the UDD to support Municipal Councils to properly identify properties in ULB and bring them into tax net is a welcome step and needs to be consolidated and speeded up. UDD should issue transition guidelines for Nagar Panchayats regarding raising their property taxes, till a full-fledged GIS system in place. (Para 8.41.3 (a))
11. **Need for appointing authorised valuation officers:** Authorised Valuation Officers (AVOs) from the town planning cadre to value the properties in the newly created Nagar Panchayats (under Section 113) need to be appointed. (Para 8.41.3(b))
12. **Amending provisions in the Act for including unit area method:** the option of 'unit area method' needs to be added by making necessary amendment to Section 105 of the Municipal Act and Section 129 of the Municipal Corporation Act. (Para 8.41.3©)
13. **Incentivising shift to unit area or capital value method and also for improving collections:** An additional 10% of capital grants must be given on certain performance parameters, one of which must be to shift to capital based system. (Para 8.41.3(d))

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14. **SFC Recommendation on Municipal bye laws:** SFC strongly recommends that Government should take a special drive and direct the ULBs to update their byelaws. Government can also support them by circulating (updated) model byelaws and suggest minimum and maximum fees and fines and levies. (Para 8.42.2)
  15. **Redefining nomenclature like tax, charges, cesses, etc.:** There is need for a small Committee to scan the provisions of the Act and related rules and bring in required definitional clarity in Section 2 of the Act and also in various other places where such words are used. (Para 8.42.3)
  16. **Redrafting Chapter 11 on Municipal Taxation of Maharashtra Municipal Corporation Act (particularly Section 127, 128, 129) and Chapter 9 (Section 105, 106, 107, 108) of Municipal Council Act:** It is seen that there is lot of clutter, additions and deletions to the provisions in the Acts, at various points of time, insertions of various sub paragraphs making reading and understanding very difficult. It is essential that with the guidance of the Law and Judiciary Department the entire section should be written in a much more user friendly manner. (Para 8.42.4)
  17. **Need for activating the Property Tax Board and convert it to a Regulator:** SFC strongly recommends that the Property Tax Board as envisaged in the Maharashtra Municipal Property Tax Board Act must be activated. The SFC recommends that the Municipal Tax Board must be operationalised and better the scope of the Municipal Tax Board must be widened to an independent regulatory agency which can prescribe not only the property tax band, but also the band (minimum and maximum) for other user charges, fees, fines, cesses and the like. This single recommendation, if implemented will bring in remarkable changes in the resource position of ULBs in the State. (Para 8.42.7)
  18. **Increase the present rate of rebate made available for the ULBs for collecting Education and Employment Guarantee Cess on behalf of State Government:** Increase the rebate to ULBs which will incentivise the ULBs to perform better leading to better cess collection and benefit the State Government. (Para 8.43)
  19. **Salaries of all DMA cadre to be fully met by the Government:** SFC strongly recommends that the salaries of the 5545 State level municipal cadre posts, must be met from the State Budget and Municipal Councils should not be asked to meet them. The SFC also recommends that the salaries of the Chief Officers of all classes of Municipal Councils (both A, B and C and not just 'C' class as at present) must be met from the State budget. (Para 8.44.1 & Para 8.44.2)



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20. SFC strongly recommends that the entire Sahayyak Anudan GR of 2009 be replaced with a fresh formula. Since, Sahayyak Anudan is the main source of income of Municipal Councils and contributes to 45%-55 % (see our analysis earlier) of the revenue income, the Government should not put any budgetary cuts on this and release it fully every year to the ULBs as per revised formula. There must be also a provision for an annual increase of about 8% to keep pace with increased establishment and other expenditure in future. (Para 8.45.2).
21. **Need to increase the Government share of teacher's salaries:** SFC strongly recommends increase in the rates of reimbursement of teacher's salaries, which will greatly reduce the financial burden of D Class Corporations and below level. (Para 8.46 & Para 8.46.1)
22. **Government to meet pumping costs of ULB piped water supply schemes:** SFC strongly recommends that to preserve the financial health of **geographically disadvantaged ULB's** the ULB has to be reimbursed a part of the electricity pumping costs. This should be linked to the distance and height of pumping water from source to final ESR (via the water treatment plant). We recommend this subsidy only for D Class Municipal Corporations and all category of Municipal Councils and Nagar Panchayats. (Para 8.47 & Para 8.47.1)
23. **Government to write off MJP dues:** SFC recommends that the Government should bring in a win-win approach of one-time conditional write off (settlement) scheme in which ULBs are incentivised to settle the old operating dues of MJP by a sharing formula. (Para 8.48 & Para 8.48.1)
24. **Meeting the cost of essential land acquisition of smaller ULBs:** SFC strongly recommends that Government must meet the cost of land acquisition of the following essential social infrastructure for B Class, C Class Municipal Councils and Nagar Panchayats:
- Cost of land for one dumping ground /compost pit
  - Cost of land for sewage treatment plant,
  - Cost of land for ESR of water supply scheme,
  - Cost of cremation ground,
  - Cost of one garden,
  - Cost of one public hospital



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The Government could consider a new scheme for meeting the cost of this land acquisition, or enable this by widening the scope of any ongoing scheme. (Para 8.49 & Para 8.49.1)

25. **Government to fix norms for election expenditure of smaller ULBs and meet the same:** SFC recommends that the Government should meet the cost of election expenditure of smaller ULBs. (Para 8.50 & Para 8.50.1)
26. **Special needs of tourist, pilgrim and other towns and ways to augment their resources:** SFC recommends that suitable provision may be introduced in Section 108 to collect 'Environment Management Fees' for towns which have substantial floating traffic-seasonal or continuous. A model bylaw and a comprehensive updated guidance GR in this matter will greatly help ULBs. (Para 8.51 & Para 8.51.3)
27. **Capital grants:**
  - a. SFC notes that the proportion of capital grants which are discretionary is slowly increasing over the years. SFC recommends to make it more and more formula based, so that all ULBs know where they stand in getting the capital grant support. (Para 8.52.3)
  - b. SFC strongly recommends that good ULBs who are showing good performance and adhering to financial discipline must be properly incentivised. There is no better way for this than linking capital grants to performance. SFC suggests that an additional 5-10% of the grants must be kept separate as 'performance grants' and must be released on achievement of desired performance parameters. This must be objectively done by an independent third party. This will greatly streamline and improve the working of ULBs. (Para 8.52.3)
28. There is need to take fresh stock taking of the operating pattern of MUINFRA (which is about 17 years old now) by an independent professional agency. (Para 8.54.4(a))
29. There is need to examine whether agencies like LIC – who have long term funds parked with them – could be part of the ownership and management structure of MUINFRA /equivalent organisation. (Para 8.54.4(b))
30. There is need to study the pattern of other developed states who have similar Infrastructure Development Fund and implementing infrastructure companies and examine it if their model can be fully or partly replicated. (Para 8.54.4(c))
31. There is need for a separate 'Technical Support Agency' to do a range of services as indicated above (para 14.1) for ULBs. Government may consider to give a corpus grant or take it out of the present MUNIFRA grant (say 10 crores) and keep it for this support agency. (Para 8.54.4(d))

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32. SFC recommends that the entire procedures relating to administrative approval, technical approval, consultancy charges etc. need a revisit. There is a need to reduce the various type of time and cost burden imposed on the ULBs, particularly the smaller size ULBs. (Para 8.55.1)
  33. Need for streamlining the operational issues relating to Municipal employees joining the National Pension Scheme: SFC would strongly recommend the UDD/DMA to engage a suitable firm or consultant well versed in this matter, who would give hand holding support to ULBs and help in the transition to NPS without further delay. (Para 8.56.2)
  34. **Re-organisation of the DMA at Divisional, District and State level and de link it from Collector office:** SFC recommends that the Regional Officer and District Officer of the Directorate of Municipal Administration must be taken out of Collector office and should operate out of an independent office like the Assistant Director, Town Planning at district level. The entire management of ULB field staff needs a fresh look considering that the State is becoming more and more urban. SFC also recommends that the present designation 'District Administrative Officer' for the district officer needs to be changed. (Para 8.56.3)
  35. **Staff cadre creation in Municipal Corporations:** SFC recommends that the staff cadre for Municipal Corporations needs to be developed in a slow calibrated manner. It is desirable to create the cadre of Finance and Accounts first and then create the other cadres. (Para 8.57 & Para 8.57.1)
  36. **Swaccha Bharat Mission:** SFC would recommend that a suitable handholding technical agency (like an Environmental Engineering department of an Engineering college or such suitable institution) must be engaged at regional level to help the ULBs. These technical support agencies must give handholding and backstopping support to the ULBs. (Para 8.59 & Para 8.59.1)
  37. **Proper costing of Solid Waste Management and other activities:** SFC recommends much more rigorous and reliable data should be made available on SWM, particularly in bigger cities (A+, A, B and C categories) Specialised cost accounts agencies can be engaged for this work, on assignment basis. This will help in working out suitable cost effective alternative solutions. (Para 8.60 & Para 8.60.1)
  38. **Cities as engines of 'economic growth':** SFC recommends that some annual award and recognition should be made for ULBs taking initiatives in this direction. (Para 8.62 & Para 8.62.1)
  39. **Awards and Recognitions:** SFC recommends an institutionalised awards and recognition for best practices in ULBs, category wise. It should be on a particular day or



week of the year without any change, as is done in Rural Development and Panchayat Raj Department. The awards must also be for categories based on financial performance. (Para 8.63 Para 8.63.1)

40. **Investing in IT:** SFC recommends that a sustained and focussed effort must be taken to strengthen the IT infrastructure and capabilities to handle them for smaller ULBs. This will improve their performance. (Para 8.64 & Para 8.64.1)
41. **Fire services:** SFC recommends that Government should allow fire tender support staff to do multi-tasking. It will not be cost effective to have full time fire tender staff for smaller ULBs. But at same time fire tender staff are required. Hence this via media is suggested. (Para 8.65 & Para 8.65.1)
42. **Need for ULBs to create a Maintenance Fund:** SFC strongly recommends that ULB must be directed to create a 2% maintenance fund sourced from their income and earmark it separately in a dedicated maintenance fund. SFC would also recommend that it must be kept with MUINFRA or by such agency which is different and distant from the ULB. This amount should be allowed to be withdrawn only after three years of deposit. MUINFRA's grants can also be linked with the maintenance fund. The financial discipline of creating a proper maintenance fund has to be brought in ULBs by law, rules and by Executive Orders. (Para 8.66 & Para 8.66.1)
43. **Effective utilisation of 1% cess collected from ULB projects under the Buildings and other construction workers' welfare Act, 1996:** There is urgent need for awareness creation about the welfare provisions in the Act to all ULBs, particularly the Municipal Corporations as it is the bigger corporations who do substantial construction projects. This can be entrusted to All India Institute of Local Self Government, YASHADA or Institute of Labour Welfare or such organisations (Para 8.67 & Para 8.67.1(a))
44. There is possibility of tapping at least Rs.500-1000 crores for the benefit of construction and such workers in ULB (particularly in bigger ULBs) from the Construction Labour Welfare Board in a year by smart understanding of the welfare schemes available, coordination and follow up. (Para 8.67(d))
45. It is recommended that Urban Development Department issues a detailed GR for the benefit of Urban Local Bodies, in consultation with the Labour Department. (Para 8.67(e))
46. **Development of a State Institute of Urban Management:** SFC recommends constituting a small separate Training and Research Coordination Cell for ULBs. The areas of specialisation and handling target training categories must be properly distributed between YASHADA, All India Institute of LSG and a few more institutions to



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be identified in the State. Thus, for instance, one institution can conduct specialised training in accounts, finance and related area, another can coordinate in urban management and others in some other area. Considering the size population and stature of Maharashtra, huge needs of urban development, there is also a case for a dedicated State Institute of Urban Management. (Para 8.68 & Para 8.68.1)

47. **Formula for inter se allocation of Finance Commission and other devolved grants:**  
We are recommending to retain the same prevailing ratio of population: area ratio of 90:10. This is being elaborated in a separate chapter. (Para 8.69)

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## Chapter 9: Streamlining Accounts, Financial management and related issues in Local Bodies

1. Maintaining double entry system of accounts in the letter and spirit of the Municipal Accounting Code notification 2013 must be a priority of the Government. The Government must give hand holding support for the Councils to shift to double entry, and dispense with the present practice of a separate post facto double entry preparation work by CA firms. (Para 9.6.1.2)
2. Given the digital technology prevalent at present the real-time accounting is the need of the hour. To ensure this, an ERP system can be designed where the real-time accounting at the back-end will bring desired results. The real-time accounting will also ensure the proper management information system flow for the management and also to Government. (Para 9.6.1.2)
3. This shift to ERP based system can be done in phases, that is 1/3 of Councils can shift to double entry each year. (Para 9.6.1.2)
4. A good accounting ERP software package with standard accounting terminology (in English and Marathi) must be made available by the DMA. It is learnt that prices of ERP software packages have drastically come down. (Para 9.6.1.2)
5. **The SFC strongly recommends that the provision in Section 93 of the Municipal Corporation Act, be suitably amended and double entry accounts be made mandatory.** (Para 9.7.2)
6. This prescribed shift to double entry accounts with ERP software must be also given handholding support. (Para 9.7.2)
7. SFC recommends that the present arrangements can continue, and there is no need for any change immediately. (Para 9.8.2)
8. As the income and expenditure levels of GP is very limited, there is no need for new initiatives except consolidating on the steps already taken. (Para 9.9.1)
9. SFC recommends that such financial ratios must be developed and reported upon in annual accounts/budget of ULBs. This will enable third parties to know the financial health of ULBs. (Para 9.11.1)
10. SFC recommends that Government (both UDD and RDD) must in exercise of its powers under the relevant Acts, direct LBs to create a separate maintenance fund of 2%-5% of the annual revenue, and transfer it to a corpus. This corpus needs to be kept and managed at a higher level, at State level or Divisional level of Government or possibly even with a suitable independent fund management agency, like provident fund. If the amount is kept with the LB, it is very likely to be consumed for pressing needs immediately, defeating the

- purpose of creating the maintenance fund. (Para 9.12.1)
11. It is essential that the Maintenance Fund must be created through proper delegated legislation in form of Rules, and not just be executive orders. (Para 9.12.1)
  12. SFC would suggest a 'High Level Expert Committee' to study this issue in totality and suggest modalities for operation of this fund. It is suggested that guidance of professional financial experts from outside Government should be part of this Committee. (Para 9.12.1)
  13. **SFC recommendation regarding pending audit paragraphs:** SFC is of the opinion that some decisive action at highest level needs to be taken to reduce huge pending paragraphs by a strategic approach. Such clearance of decades old audit paragraphs will enable all to concentrate on more recent audit objections where corrective or punitive action is easier and will be more effective. (Para 9.14.1)
  14. Need for making the budget document relating to funds routed through Rural Development and Urban Development Department more user friendly. (Para 9.15)
  15. SFC recommends that there should be a stock taking of various account heads in both departments relating to LBs and they be rationalised to reduce repetition and clutter. (Para 9.16.1)
  16. **Confusion in use of terminologies like 'cess', 'taxes', 'fees' and need for redefinition:** SFC strongly recommends that a Committee should go into the concerned sections and declutter existing provisions both in the Act and related rules. (Para 9.17.1)
  17. **Need for co-ordination support in finance and accounts matters by financial specialists to guide the State ULBs:** Considering the increased volume of releases and ever increasing budget of UDD due to expanding urban sector, there is need to create suitable Finance officer post at Mantralaya level who can give professional support. (Para 9.18 & Para 9.18.1)
  18. **Need for a dedicated 'Urban Local Bodies –Financial Reports and Accounts Improvement Mission' for five years:** SFC recommends starting of a 'Urban Local Bodies-Financial Reports and Accounts Improvement Mission' by UDD, for a period of at least five years. The mandate for the Mission would be:
    - a. Aid in effectively implementing the Municipal Accounts Code, 2013
    - b. Capacity building of Accounts officers in ULBs
    - c. Collaboration with the CA Institute
    - d. Redefining the role of Local Fund Audit
    - e. Introduction of PFMS (Para 9.19.1)



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## Chapter 10: General Observation and concluding remarks

1. SFC strongly recommends that a proper, dedicated cell with adequate and specialized manpower should be constituted for handling CFC and SFC related issues in the Finance department. It is suggested that as macroeconomics issues and fiscal issues are involved, the scholarly support of any academic institution (like the Economics Department of University of Mumbai) must be integrated into the working of the cell suitably. The cell should be headed by a senior officer (of Joint/Deputy Director level) and this post has to be specially created from the Planning and Statistics Department with back up of few support staff. (Para 10.1.1)
2. SFC recommends that to ensure synchronicity between the period of the Central and State Finance Commissions the SFC should be constituted two years in advance of the next CFC (2025-30). (Para 10.2.1)
3. From the experience of present SFC and after comparing the timelines given to the SFC's of other States it can be stated that the desirable tenure for a SFC to give its report should be eighteen months. (Para 10.2.1)
4. Present report of the Commission may be treated for the period 2020-25 (Para 10.2.1(1))
5. SFC would recommend formula of 90:10 (Population:Area) for distribution of CFC Grants and for inter-se allocation between LBs (ULBs, ZP & PS). However, from Grampanchayats, it would suggest inter-se allocation of 100% on basis of population. (Para 10.2.2)
6. SFC recommends continuing present arrangements of compensatory grants combined with assigned taxes rather than shift to 'devolution' at this stage. SFC recommends that the financial health of the ULBs (particularly ZPs) would improve automatically if the legislature backed assigned taxes are fully and effectively transferred to the LBs. (Para 10.3)
7. Transfers to LB linked with GST collections- long term requirement: We are conscious of the fact that, In the long term the financial health of LBs can be sustained only if there is a formulaic, assured transfer of funds to them, and doing away –fully or partially with the present method of support. (Para 10.4)
8. For recommending a formula based support, a good, reliable data about the local body is a pre requisite. (Para 10.4)
9. We hope this will become a reality in the coming years, and possibly the next SFC will be in a position to go in for a formulaic devolution aligned with GST. (Para 10.4)

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10. **The challenge of data and need for long term investment in this area:** there is urgent need for strengthening the database of the LBs, particularly ULBs. Likewise, constitution of a State Management Unit –Panchayat Raj and consolidating the initiatives in improving the Gram panchayat accounts is suggested to be a major priority for the Panchayat Raj department. (Para 10.4.1)
  11. We are confident that with implementation of these reforms, the task should be easier for future State Finance Commissions. (Para 10.4.1)

## Recommendations with additional financial commitment to Government :

Reference Para No	Recommendation	Concerned departments	Financial implication/Remarks
6.9.5	All releases of assigned Land Revenue cesses under Section 144, 155 & 185 of ZP Act to be made on basis of demand and not recovery. Therefore, in terms of the Act, the demand fixed by the Collector every year (Jamabandi) should be the basis of all releases to ZP	Revenue Rural Development Department	Considering that Land Revenue was fixed in 1930's and not revised, <b>the additional financial burden of proposed change will be limited.</b> However, it will declutter the present system, where it is difficult to get clarity as to how the calculations are actually worked in the field.
6.9.5	We further suggest that the amount payable as cess to ZP & PS must be 20 times the original demand of land revenue, irrespective of whether it is collected or not	Revenue Rural Development Department	As above
6.9.5	There cannot be any usual 'budgetary cuts' on collected assigned taxes at the State level as it will be in violation of the Act	Finance Revenue Rural Development	These are taxes already collected by State government on behalf of PRIs. There is no additional burden.
6.10.2	There is need to urgently clear the stamp duty backlog of Rs.509 cr (as on Oct 2018) already collected by Government and yet to be distributed	As above	Rs.509 crore already collected to be released
6.10.2	There is need to support Zilla parishad which are disadvantaged in terms of stamp duty	Revenue Rural Development	The financial load of this proposal for weaker ZPs is Rs.33.79 crores (see Table 18)



6.12.2	To increase the irrigation cess from 20% to 40% on irrigated crops	Water Resources & Rural Development	Present rates are very minimal and fixed decades back. This will be an additional mobilization for ZP through a cess. There is no burden on Government
6.14.2	To close certain old grant in aid to selected ZPs – which are being paid from 1960's at insignificant rates	RDD	This will be a saving for the Government. More than that unwanted administrative work will reduce
6.16.4	The window available under Section 157(2) must be utilized and RDD must reissue the circular to all ZPs to consider imposing similar tax to raise resources	RDD	This will augment resources of ZP at local level. No burden on Government
6.23.1	Introduce a 2% management fees to ZP & PS (in lieu of current agency charges) on all Government schemes and cancellation of present 5% Abhikaran Yojana	RDD & Finance	Presently ZPs are using 'interest income' to meet their resource shortage. Rather we suggest 2% management fees, and abolition of old 5% Abhikaran Yojana u/s 123. This new commitment to Government will be in the order of Rs.155 -160 crores ( see Table 33). However, Government can save substantially on money blocked in ZP ( and used by them as interest) by introducing EFMS and neutralizing the additional burden due to the 2% management fees.
6.25.2	Increase the maintenance grants under 3054 and 5054	RDD, PWD and Finance Department	

6.26	ZPs to be compensated for excess expenditure on power bills of ZP schemes based on distance of source of water	RDD and Water supply and sanitation department	This is only an extension of ongoing scheme to MJP. It will help the ZP substantially
6.33	Increase in honorarium to non official members		These rates need to be increased on par with prevalent costs.
7.17.2	The arrears of royalty of 2017-18 and 2018-19 must be given to the GPs	Revenue Department	
7.17.2	Share of 25% of the minor mineral auctions must be given to GPs	Revenue Department	
7.18	Certain old compensations being paid since 1960s must be closed	RDD	This will be saving for the Government but more saving on unwanted administrative expenses
7.19.3	Government must settle the amount of Rs.3612 crore payable to MSEDCL for GP street lighting and rework the scheme	Finance Department Energy Department	Rs.3612 crore due to MSEDCL must be settled once and for all.
7.20.1	GP member meeting attendance allowance must be increased	RDD	Considering the loss of livelihood to poor members for the day they attend the meeting, this is strongly recommended. It will also increase participation
7.20.1	Increase in Sarpanch Honorarium	RDD	
7.21.1	The support scheme applicable to regional PWD of MJP must be made applicable to water supply schemes owned and maintained by GP as well		This will be linked to the distance of the source of GP. It is also in lieu of an on going scheme. The financial burden will be about Rs.90-100 crores and benefit thousands of GPs.

7.28.2	SFC recommends that professional tax collection in rural areas be shifted to Gram panchayats		At present PT collection from rural areas is negligible. So, there is no loss of income to Government. However, by this tax, the income of GPs will increase
8.23.4.2(b)	Need to clear arrears of additional stamp duty immediately to ULBs	Revenue and UDD	The substantial arrears of Rs.510 crores already collected by Government on behalf of ULBs need to be paid to them.
8.23.4.2	Need to settle the arrears of entertainment tax, minor minerals and land revenue immediately	Revenue and UDD	The arrears of Rs.142 crores ( Rs.22.82 minor minerals-for C Class Municipalities, an arrears of Rs.106 cr of land revenue and Rs.13.24 cr of entertainment tax )due to local bodies need must be settled immediately.
8.23.4.2(e)	Need to wind up three assigned taxes and instead increase Sahayyak Anudan grants	Revenue and UDD	Except stamp duty all other three assigned taxes must be added to the Assisted Grants and a higher amount given to Municipal Councils. The three assigned taxes can be wound up.
8.40.2	Professional tax must be shifted from Government to ULBs – this needs to be implemented in three phases	Finance & ULB	Here it is recommended that Government can retain the Government , semi Government PT payers with itself and only shift other categories of private sector of tax payers to the ULB. The part loss in PT to Government by widened PT net for the State, and increased income for ULBs



8.43	Increase in the present rate of rebate made available for the ULBs for collecting Education and Employment Guarantee Cess on behalf of State Government	UDD	This may cost about Rs.15 crore for State Government, however, it will be substantially offset by increase in collections of ULBs due to better incentivisation
8.44.1 and 8.44.2	Salary of all DMA cadre to be fully met by the Government	UDD	This may cost between Rs.70-100 crores, but will greatly improve Urban Administration in Maharashtra
8.45.2	Entire Sahayyak Anudan of 2009 be replaced with a fresh formula	UDD	
8.46.1	Need to increase the Government share of teacher's salaries	UDD	
8.47	Government to meet pumping costs of geographically disadvantaged ULBs whose water comes from distant sources	UDD	This is as per a formula and for specific ULBs
8.48	Government to write off MJP dues based on a sharing formula with ULBs	UDD and Water Supply Department	MJP has reported that ULBs are still to pay them Rs.1000 crores. We are recommending a conditional write off scheme, where ULBs have also to contribute
8.49	Government must meet the cost of land acquisition of essential infrastructure in small ULBs	UDD	
9.19	Government should start a dedicated 'ULBs-Financial Reports and Accounts Improvement Mission for five years	UDD	This would require a funding of Rs.20 crores, but will greatly improve the performance of ULBs

## Categorization of Recommendations (Policy, Process & Capacity Building)

Sr. No.	Recommendations	Policy	Process	Capacity Building
<b>Chapter 4: Approach adopted by the SFC</b>				
1	The State Government should consider the recommendations in the report of Shri. Sudhir Thakrey Committee (Panchayat Raj and Rural Development Department) and Shri. Sharad Kale Committee (Urban Development Department) for the necessary improvements in the respective departments.	✓	✓	✓
<b>Chapter 6: Assessment of Finance of ZP &amp; PS</b>				
1	The Rural Development Department has already received the Shri. Sudhir Thakare Committee report, which has been submitted to the Government regarding reforms in Panchayat Raj administration. The SFC is of the opinion that there is need to revisit the entire Panchayat Raj administration in Maharashtra in the very changed milieu. (Para 6.6)	✓		
2	All releases of assigned cesses under Sections 144, 155, and 185 of the ZP & PS Act to be made on basis of demand and not recovery. Therefore, in terms of Act, the demand fixed by the Collector every year (Jamabandi) should be the basis of all releases to the ZPs. (Para 6.9.5).		✓	
3	We suggest a fresh formula that the amount payable as cess to ZP & PS must be 20 times the original demand of land revenue i.e mool shet sara or mool akar (agricultural + non-agricultural). This is irrespective of whether it is collected or not. (Para 6.9.5).	✓		
4	Fresh GR to be issues by RDD giving comprehensive guidelines on Land Revenue Cess, in supersession of all existing guidelines. (Para 6.9.5).	✓		

Sr. No.	Recommendations	Policy	Process	Capacity Building
5	There cannot be any usual 'budgetary cuts' on collected assigned taxes at the State Government level as it will be in violation of the Act. (Para 6.9.5)		✓	
6	The representative of Collector should make a presentation before the ZP Body in October of every year, on the method and manner		✓	
7	Long term- need for a simpler formula by amendment of all related sections namely Sec 144, 155, 185, and 186. This needs Legislature approval. (Para 6.9.5)	✓		
8	No 'budgetary cuts' should be made for an assigned tax. (Para 6.10.2)		✓	
9	Need to urgently clear the backlog of Rs.509 crores (as on October 2018) already collected and yet to be distributed. (Para 6.10.2)		✓	
10	Need to change the distribution procedure from Rural Development Department. (Para 6.10.2)		✓	
11	Need for a separate budget head. (Para 6.10.2)		✓	
12	Need to support Zilla Parishad which are disadvantaged in terms of stamp duty. (Para 6.10.2)	✓		
13	Need for revamping the 1% sharing formula under Section 158. The present 1% sharing formula of 0.50% for the ZPs and 0.50% to the GPs needs to be changed to 0.25% for ZP, 0.25% for PS, 0.25% for GP and State Level pooling for distribution among all GPs 0.25%. As a result of this revised formula distant, poorer ZPs, PS and GPs will get a better share. (Para 6.10.2)	✓		



Sr. No.	Recommendations	Policy	Process	Capacity Building
14	The 1998 GR on forest grants needs complete revamping. It is suggested to make it practical and doable, the RDD should prepare the GR in consultation with the Principal Chief Conservator of Forests, Nagpur. (Para 6.11.2)	✓		
15	It is recommended that where grants are less than 10 lakhs, then the CEO, Zilla Parishad must straightway transfer to JFM Committee or as advised by DCF. (Para 6.11.2)		✓	
16	The amounts must be directly transferred to CEO, Zilla Parishad by RDD, without again routing it through PCCF, DCF etc. (Para 6.11.2)		✓	
17	The Government must not impose any budgetary cuts as it is an assigned tax and the amounts have already been collected. Any cut will be infringement in the Zilla Parishad Act further weakening the income base of Zilla Parishad. (Para 6.11.2)		✓	
18	No deductions should be made unilaterally by the Irrigation Department or the Regional Irrigation Corporation for water supplied to Grampanchayats as they are a different legal entity from Zilla Parishad. Secondly no deductions should be made for 'reserved water' during drought period or for other reasons. This is to be paid by the Collector, from the Relief and Rehabilitation funds 2245. The Zilla Parishad should not be saddled for making a simple resolution which is just a procedural formality as per Government GR. (Para 6.12.2)		✓	
19	Increase the irrigation cess from 20% to 40%: The cess is on irrigated crops. The rates are found to be very minimal and have not been increased for decades. There is a strong case for increasing the irrigation cess rates from present 20% to 40% and thereby augmenting the income of the Zilla Parishad. (Para 6.12.2)	✓		

Sr. No.	Recommendations	Policy	Process	Capacity Building
20	The SFC recommends to close certain old grant-in-aid to selected ZPs like compensation in lieu of professional tax, in lieu of vehicle tax which are being paid since 1960s at old rates. (Para 6.14.2.1 & Para 6.14.2.2)	✓		
21	SFC strongly recommends that this window available under Section 157 (e) must be utilised and RDD must once again take steps to issue circular to all ZPs to consider imposing similar tax to raise their resources. (Para 6.16.4 (e))	✓		
22	Seeing the writing on the wall in ZP own income and expenditure position, the SFC is of the view that there is need to augment the own resources of each ZP by at least Rs. 9 crores. (Para 6.22.8)	✓		
23	Introduce a two percent management fees (in lieu of current agency charges) on all state government schemes and cancellation of old guidelines (GR ZPA/1090/CR/1652/24 dated 29th May 1989) relating to 5% agency charges (Abhikiran Shulk) (Para 6.23.1)	✓		
24	Revisiting the procedures for releases and clearing the huge backlog of payment of stamp duty to ZPs. (Para 6.24)		✓	
25	Reworking the calculation method of LR grants. (Para 6.24)		✓	
26	Compensating the districts which are receiving less in the 1% cess on stamp duty with a matching grant, to offset their geographic disadvantage. (Para 6.24)	✓		
27	Increase the irrigation cess from 20% to 40%. (Para 6.24)	✓		
28	The SFC recommends increase of maintenance grants under 3054 and 5054 for the ZP roads. The present amount of grants, as pointed above are much less resulting in very low expenditure for maintenance of ZP roads. (Para 6.25.2)	✓		

Sr. No.	Recommendations	Policy	Process	Capacity Building
29	The HP maintenance units must be fully shifted to Panchayat Samitis fully, one unit per Panchayat Samiti. A separate taluka HP and PP maintenance Society must be registered at the PS level. The SDO, BDO and Tahsildar, Dy. Engineer (WS) and other officials must be made ex officio members of this Society. The Society must be also free to accept donations and grants from CSR, local citizens and others who may be now resident in Mumbai or abroad, but belong to that area originally. This will help in building up the corpus. Administratively of course the unit will report to the PS Body and BDO. (Para 6.27.1)	✓		
30	We recommend that the State Government looks into this neglected, but important area of HP and PP comprehensively and the Water Supply and Sanitation Department issues a fresh GR incorporating the points stated above. This will increase collections from users, reduce the financial burden of ZP which it is bearing unnecessarily. (Para 6.27.1)	✓		
31	Introduction of a Maintenance Fund: Considering the huge number of buildings and properties with ZP it is essential that a compulsory 2% of its income is transferred to maintenance fund. (Para 6.29.1)	✓		
32	Introduction of certain ratios to be revealed in ZP annual accounts and modify the account code: The present format of the ZP Accounts reveals only figures. It does not show where and how the amount is spent. There is very little of analysis and it is very difficult to draw any conclusions at first glance. We recommend some ratios should be shown in the end of annual accounts relating to own income of a ZP. (Para 6.29.2)	✓		
33	Dispensing with gazette notification regarding accounts: The SFC submits that as now websites are open to public, it is adequate now to display the accounts in ZP website or in RDD website for a period and the tedious method of gazette notification (which had relevance in earlier decades) may be dispensed with. (Para 6.29.3)	✓	✓	



Sr. No.	Recommendations	Policy	Process	Capacity Building
34	The SFC strongly recommends the creation of a separate Management Unit for Panchayat Raj on a permanent basis (instead of ad hoc basis linking it with RGSY) by shifting three sections of Mantralaya, and without creating any new posts. (Para 6.30.1)	✓		
35	Appointment of a ZP Revenue officer reporting to CAFO: The SFC recommends Government to create two posts per ZP: a) ZP and PS revenue officer – to be filled by a MDS Class II officer b) An AAO or Dy. Accountant from ZP cadre to assist him. The cost of these posts is to be met by ZP initially for first three years. SFC is very confident that spending about Rs.1 lakh per month or roughly about Rs 12 lakhs on these two posts, will be offset by the increase in income many times this. (Para 6.30.2)	✓		
36	Need for a grievance redressal mechanism for ZPs: Our SFC is of the strong view that there needs to be an institutionalised grievance redressal mechanism for getting their dues as given in Act and as per Government decisions. (Para 6.30.3)	✓		
37	Complete revamp of disciplinary and conduct rules: The Zilla Parishad employees are governed by the Maharashtra Zilla Parishad District Services -Conduct Rules, 1967. This is modelled on the Maharashtra Civil Service Conduct Rules. They are also governed by the Maharashtra Zilla Parishad District Services (Disciplinary and Appeal) Rules 1964. However, these were enacted in 1967 and have not been updated. These needs to be updated fully on the lines of the Maharashtra Civil Service Conduct and Disciplinary rules. (Para 6.31.1)	✓		

Sr. No.	Recommendations	Policy	Process	Capacity Building
38	Applicability of various labour laws to employees of Zilla Parishad who are getting Government pay scales: The SFC strongly recommends that the status of ZP staff from Labour law point of view and related issues must be examined in depth by an expert committee, in which an officer (serving or retired) of the Labour department must be a member. The issue needs to be settled once for all, by bringing necessary changes in relevant Act or rules as necessary. This will save enormous time and resources of the Zilla Parishad and State Government which now goes into unwanted labour court litigation. (Para 6.31.2).	✓		
39	Issues relating to introduction of NPS in Zilla Parishad system: It is seen that there are many gaps and loopholes in implementation in NPS and we find that many ZP are at different stages in implementation. SFC recommends that the Rural Development Department comprehensively studies the position and come out with a time bound action plan to put things on track. (Para 6.31.3)		✓	
40	Better management of available ZP Engineers: The SFC recommends as follows for better management of ZP resources: (a) creating a panel of outside engineers – retired or suitably qualified. They need to be suitable trained and accredited. These empanelled engineers can do the estimate preparation and inspection from time to time. Core regular engineers of ZP should focus on tendering, occasional visits and giving final bill. (b) to merge the irrigation/water Supply and works cadre of engineer as it creates conflict amongst them and often imbalance in their workload. This is popularly known as 'Akola pattern' as it was successfully implemented in ZP, Akola. (c) constitution of a Committee to examine the entire issues relating to management and workload of engineers and come out with a long term solution. (Para 6.31.4)		✓	

Sr. No.	Recommendations	Policy	Process	Capacity Building
41	SFC is of the opinion that time has come to carefully develop the properties of ZP on BOT or other suitable model and thereby give an assured source of income to the PRIs. SFC recommends that BOT should be done ideally by a Government agency like MSRDC or State Level PWD. (Para 6.32.1)	✓		
42	Increase in honorarium to the non-official members: SFC strongly recommends to review the present rates of honorarium, travel and sitting fees of non-officials and revise it so that it is on par with prevalent costs. (Para 6.33)	✓		
43	Share of management fee: We recommend that the ZP should be allowed to levy a management fees for implementing Government schemes up to 2% for their establishment expenditure. We recommend that this 2% should be shared between ZP and PS equally that is 1% each. (Para 6.36.1)	✓		
44	Share of the Professional tax collected by Grampanchayats: We recommend that Panchayat Samitis must be given 25% of the professional tax collections of Grampanchayat as a supervising and monitoring body. (Para 6.36.2)	✓	✓	
45	SFC strongly recommend that Government must issue a GR, considering the status of a PS chairman and workload of a BDO that there must be a separate vehicle for both. (Para 6.36.4)		✓	



Sr. No.	Recommendations	Policy	Process	Capacity Building
<b>Chapter 7: Assessment of Finance of GPs</b>				
1	There is urgent need to examine the Grampanchayat size as the present size and the tendency to become smaller in population affects administrative viability. Other states, seem to shift towards bigger size Grampanchayats (Para 7.5)	✓		
2	The PRIASoft has certain standard account codes (budget lines), with dedicated four digit numbers for various items of income and expenditure. Such functional account numbers (budget line heads) must also be provided in the 'GP Account Code 2011' so that PRIASoft and state registers are fully aligned (Para 7.11)		✓	
3	There are some language barriers at GP level, as the PRIASoft is in English. A small Marathi – English user friendly guide in this matter will help the Gram Sewaks to remove their mental blocks. (Para 7.11)		✓	
4	Intense training of higher level officials like Extension Officers, BDOs, Dy. CEOs, etc. is required because the support of higher level officials is necessary for computerizing village records. (Para 7.11)			✓
5	Local Fund Audit Department's needs to be oriented to audit electronic records if necessary. It is learnt that AG has initiated certain initiatives to facilitate this shift. (Para 7.11)			✓
6	It would be strategically more effective if, in the first phase, one Panchayat Samiti is fully made 'online' per district first by effective and sustained training and other support. In these blocks, the GPs can become paperless. Thereafter after seeing the beacon Panchayat Samiti, other Panchayat Samitis can follow one after another. (Para 7.11)		✓	

Sr. No.	Recommendations	Policy	Process	Capacity Building
7	The present capital value method guidelines of 31.12.2015 has had a positive impact and the property tax collection has increased in the GP. SFC would recommend continuing the present arrangement and occasional random studies through expert agencies like All India Local Self Government about the feedback and how further improvements can be made. (Para 7.14.3)		✓	
8	The terminology 'Betterment tax' needs to be changed (Para 7.14.5)	✓		
9	There is a need to fix updated minimum and maximum under the Maharashtra Village Panchayats Taxes and Fee Rules, 1960 and as the present rates are very old and need to change with the times (Para 7.14.5)	✓		
10	Need to add, reduce and modify the list of levies under Section 124 in changed circumstances. It is also necessary to completely modify and re-classify the various sub-sections in Section 124, giving independent titles and sub-numbers for taxes, user fees and cesses. (Para 7.14.5)	✓		
11	There should be enabling provision to impose 'Visitor's Tax' under the provisions of Section 124 (9) of the Maharashtra VP Act, even for a particular period of the year (yatra period). Hence, the Section 124 must be amended to include another new section on the lines of sub section (9) to provide for levying 'environment management tax'. (Para 7.14.6)	✓		
12	SFC further recommends that this power to levy the environment management tax must be delegated to the Divisional Commissioner, as it would be difficult for the smaller GPs to approach the Government. Suitable provisions must be made in the Act or rules as required. (Para 7.14.6)	✓	✓	

Sr. No.	Recommendations	Policy	Process	Capacity Building
13	SFC strongly recommends that this Rule 147 of the Maharashtra VP Taxes and Rules, relating to method and manner of spending the amounts recovered from 'Visitor's Tax' be withdrawn and the powers delegated to a local Committee under the Chairmanship of the ZP President and in which the Collector and CEO are members. The Dy. CEO (VP) must be made the Member Secretary of this Committee. (Para 7.14.6)		✓	
14	The SFC would recommend a review and increase the service charges of various sources of non-tax revenue by amending the Maharashtra Village Panchayats Taxes and Fees Rules, 1960, suitably. (Para 7.15)	✓		
15	The Revenue and Forest Department GR Number. गौडफि - 10/0615/CR No. 289/म dated 03.01.2018 mentions only about sand mining income and not about other minor minerals. It is essential that the GPs should get a share of the total auction income from sand and all minor minerals. (Para 7.17.2)	✓		
16	The method and manner of release to GPs must be further streamlined by Revenue Department and once again the practice of releasing funds to GPs must be revived. (Para 7.17.2)		✓	
17	The arrears of 2017-18 and 2018-19 must be given to the GPs (Para 7.17.2)	✓		
18	We recommend a share of 25% of the auctions, as indicated in Revenue and Forest Department GR of 3.1.2018. (Para 7.17.2)	✓		
19	We also recommend that any discretion regarding amounts to be paid to GP must be done away with and a formula based guidelines must be issued. (Para 7.17.2)	✓	✓	



Sr. No.	Recommendations	Policy	Process	Capacity Building
20	The old compensations like financial assistance to backward and Adivasi villages (2515 0044), compensation in lieu of pilgrim tax (3604 0343) and compensation for abolition of octroi (3604 0532) may be closed as they have become redundant. The Government can close them by giving a one-shot grant for 3 years to the concerned GPs and close the CRC Codes. (Para 7.18)	✓		
21	SFC is of the opinion that the scheme of reimbursement of electricity bill for street-lighting of GPs should be continued, but the method and manner of assistance to GPs should be in a different manner. It should make GPs more responsible and accountable in management of their street lighting bills. In long term it should facilitate shifting to solar and saving of expenses. Hence, SFC proposes that instead of making the consolidated payment to MSEDCL directly from Government the payment must shift to the GPs. To start the slate clean, State government should write off the old arrears of Rs. 3612 crores payable by Government to MSEDCL once and for all. (Para 7.19.3)	✓	✓	
22	GP member meeting attendance allowance- SFC would recommend to increase the allowance from Rs. 200 to Rs. 400 per day. Further an additional 25% (over and above Rs.400) should be allowed to be paid from the GP's own funds, with approval of the BDO who has to certify that the GP resources are good. (Para 7.20.1)	✓		
23	Sarpanch Honorarium: SFC would recommend to increase the present reimbursement of Sarpanch honorarium (GR dated 06.09.2014) and also increase the overall cap, which must be allowed to be paid by the GP from their own resources. (Para 7.20.1)	✓		

Sr. No.	Recommendations	Policy	Process	Capacity Building
24	SFC would recommend appointing a Committee to study the staffing requirements of GP afresh. Hence, it is recommended for Government to give approval in a different format, allowing two levels of staffing pattern, the one that will be reimbursed by Government and another which Government will not reimburse, but GP may do so at their level if their resources allow. (Para 7.20.4)	✓		✓
25	SFC would recommend withdrawal of the support scheme under 17th October 2014. Instead, the new GR of 26.11.2018 applicable to Regional PWS for rural areas must be made applicable to water supply schemes owned and maintained by Grampanchayats also. (Para 7.21.1)	✓		
26	The SFC notes that GPs income has greatly increased in the last four years due to this liberal grant from CFC. SFC would suggest a proper sample evaluation of the investments made in the last few years, by an independent agency. A detailed social audit is also required as directed by the Government of India. (Para 7.22)		✓	
27	SFC recommends a proper and detailed evaluation of the impact of MGNREGS over the years, in selected GPs and in entire talukas. One study was conducted by Indira Gandhi Institute of Development Research in early 2014, but this one study is inadequate. Much more detailed analysis of the social and economic impact (positive or negative and learnings) of MGNREGS investments in GPs need to be made for future decision making. This work should be assigned to a renowned academic institution. (Para 7.24.1)		✓	
28	SFC strongly recommends that the Professional tax collection in rural areas must be shifted to Grampanchayats. SFC is of the opinion that there is potential of mobilizing Rs.150-200 crores per annum by the GPs, using the panchayat raj collection figures of Gujarat and Tamil Nadu as a bench mark to measure the potential in Maharashtra. (Para 7.28.2)	✓		

Sr. No.	Recommendations	Policy	Process	Capacity Building
29	SFC recommends that the professional tax income must be shared between GP and the supervising agency namely the Panchayat Samiti in the ratio of 75:25 that is 75% to the Grampanchayat and 25% to the Panchayat Samiti. (Para 7.28.2)	✓		
30	There is need to reform the District Village Development Fund (DVDF) by including new activities and creating much more awareness of this funds among Grampanchayats and elected members. The entire DVDF rules and guidelines has to be revamped. (Para 7.30)	✓		
31	SFC suggests that guidelines need to be framed so that at least 2% of own income in bigger villages (above 5000 population) and 5% for smaller villages (below 5000 population) must be earmarked for maintenance every year. This amount must be transferred at the district level like DVDF and kept in a separate account and can be used only from third year. This way the District Maintenance Fund will be maintained. If it is kept at the GP level, there is risk that the amount will be spent immediately. Government must frame suitable guidelines for the District Village Maintenance Fund in the form of rules. (Para 7.31.1)	✓		
32	SFC strongly recommends that GPs must get a share of the development charges levied under Section 124 (k) of the Maharashtra and Regional Town Planning Act, 2015. (Para 7.32.1)		✓	
33	Special drive to write off very old audit paras where recovery or any type of action is impossible. (Para 7.33)		✓	
34	The audit of bigger GPs above 10,000 populations can be entrusted to the CA firms. (Para 7.34.1)	✓	✓	



Sr. No.	Recommendations	Policy	Process	Capacity Building
35	SFC recommends that there must be hand holding technical support agencies at Block level who could guide the GPs. There could be a leading mother or master technical support agency at State Level, (like NEERI) with hundreds of district and block level technical support institutions who could assist the GPs. (Para 7.35.2)	✓		
36	Two retired electrical staff from Electricity Board or equivalent must be hired at Panchayat Samiti level to sort out the street light billing and pumping issues of GPs. They can also help GPs to shift to solar energy saving operational costs of electricity bills month after month. Their costs can be included in the state subsidy to GPs for street lights and water pumping charges. The impact can be seen in two years. Their need to be some coordinating cell at the State level as well. (Para 7.36)			✓
37	Due to shortage of civil engineers for preparing estimates, measuring, tendering, certifying and paying the pace of work slows down and available budget is not able to be fully spent. There is scope of outsourcing certain areas of work like estimate preparation at PS level. (Para 7.36)		✓	✓
38	The entire training and capacity building – infrastructure available, staffing pattern etc. needs to be reviewed comprehensively and revamped as per times. There are seven different CRC heads under which the funds are released as above, for identical activities. They can be compressed to 3-4 heads. Method and manner of training still uses the classroom lecture method. It is better to shift to visual aid methods with small video films, audios etc. which may be more engaging for non-officials of Panchayat Raj. (Para 7.37.1)		✓	✓

Sr. No.	Recommendations	Policy	Process	Capacity Building
39	There is need to honour GPs which show effective management of their own income, show creativity in use of DVDF funds and such initiatives. Honouring such GPs will inspire other GPs also to take up such activities. (Para 7.38)		✓	
<b>Chapter 8: Assessment of Finances of ULBs</b>				
1	SFC is of the view that Government or ULBs must engage professional agencies to conduct very systematic, and detailed studies regarding the staffing requirements in ULBs. While over staffing is certainly not desirable as much of the funds will be taken over by establishment or salary expenses, at the same time understaffing also affects the quality of services of a ULB. There is also a need to create new category of posts like environmental managers and the like in lieu of the traditional municipal civil engineer position. (Para 8.6.3)		✓	✓
2	Need to amend some terminologies in Section 149A of the Maharashtra Municipal Corporation Act, and Section 147A of the Maharashtra Municipal Act: It is noticed that the wording of the concerned sections only mentions 'instruments of sale, gift, and usufructuary mortgage'. There is no mention of 'agreement of sale' and therefore substantial income which could have come to ULBs are out of net. This matter needs immediate review and corrective legislative action. (Para 8.23.4.2 (a))	✓		
3	Need to pay arrears of additional stamp duty immediately to ULBs: There is a substantial arrears of Rs.510 crores of additional stamp duty not yet paid to ULBs. This consists of Rs. 214.60 crores due to Municipal Corporation and Rs.296.14 crores due to Municipal Councils. This backlog amount needs to be transferred to ULBs immediately, as it would otherwise throw open the doors to justified litigation. (Para 8.23.4.2 (b))		✓	

Sr. No.	Recommendations	Policy	Process	Capacity Building
4	Need to transfer the additional stamp duty collected directly to ULBs without routing it through State treasury. It is also desirable to have a separate budget line (CRC Code) for additional Stamp Duty Cess collected for ULBs. Thus, at point of collection the Stamp Duty collected will go to two separate account heads namely the State Stamp Duty Tax and the Additional Cess for ULBs like Central GST + State GST. At present there is only one account head causing operational difficulties. (Para 8.23.4.2 (c))		✓	
5	Need to settle the arrears of entertainment tax, minor minerals, and land revenue immediately: It is seen that there is an arrear payment of Rs. 22.82 crores of minor minerals to Class C Municipalities, an arrear of 106 crores of land revenue and Rs. 13.24 crores of entertainment tax due to local bodies. The three put together amounts to Rs.142 crores to Municipal Councils. This needs to be settled immediately. (Para 8.23.4.2 (d))		✓	
6	Need to wind up three assigned taxes and instead increase Sahayyak Anudan grants: The SFC strongly recommends that except Additional Stamp Duty all the other three assigned taxes must be dispensed with and instead an additional amount equal to the loss in above three assigned taxes must be added to the Assisted Grants (Sahayyak Anudan) and a higher amount given to the Municipal Council. This will declutter many cumbersome procedures that have got embedded over the years and improve administrative work. (Para 8.23.4.2 (e))	✓		



Sr. No.	Recommendations	Policy	Process	Capacity Building
7	SFC recommends and reiterates that one of the conditions prescribed for receiving the performance grant namely 'audited accounts' must be given utmost importance in future, irrespective of whether it is a condition of Finance Commission or not. The auditing must be done by professional Chartered Accountants and the entire accounting system of ULBs must be streamlined. We have dealt this at length in chapter on Accounts, Audit and Financial Data. (Para 8.38.1)	✓	✓	
8	The SFC strongly recommends that professional tax must be shifted from Government to local bodies, that is, it must be collected and retained by Local Bodies. We recommend that the Government can implement the reform in three phases starting with smaller ULBs. Here, further in this recommended arrangement, the Government continues to retain all the Government, semi- Government, public sector employees, professional tax payers with itself and only shifts other categories of private sector of tax payers to the ULBs. (Para 8.40.2)	✓		
9	SFC recommends that the enabling provision under Section 27 of the Maharashtra Shops & Establishment Act, 2017 must be operationalized by making the ULBs as an enforcement agency under the Shops Act. This will not only increase the compliance under the Shops Act but also enable the ULBs to widen its Professional Tax net. (Para 8.40.3)	✓		
10	Consolidating GIS survey work already started and need for transition guidelines for newly formed Nagar Panchayats till GIS is in place: The GIS survey initiated by the UDD to support Municipal Councils to properly identify properties in ULB and bring them into tax net is a welcome step and needs to be consolidated and speeded up. UDD should issue transition guidelines for Nagar Panchayats regarding raising their property taxes, till a full-fledged GIS system in place. (Para 8.41.3 (a))		✓	

Sr. No.	Recommendations	Policy	Process	Capacity Building
11	Need for appointing authorised valuation officers: Authorised Valuation Officers (AVOs) from the town planning cadre to value the properties in the newly created Nagar Panchayats (under Section 113) need to be appointed. (Para 8.41.3(b))		✓	
12	Amending provisions in the Act for including unit area method: the option of 'unit area method' needs to be added by making necessary amendment to Section 105 of the Municipal Act and Section 129 of the Municipal Corporation Act. (Para 8.41.3(c))	✓		
13	Incentivising shift to unit area or capital value method and also for improving collections: An additional 10% of capital grants must be given on certain performance parameters, one of which must be to shift to capital based system. (Para 8.41.3(d))	✓	✓	
14	SFC Recommendation on Municipal bye laws: SFC strongly recommends that Government should take a special drive and direct the ULBs to update their byelaws. Government can also support them by circulating (updated) model byelaws and suggest minimum and maximum fees and fines and levies. (Para 8.42.2)	✓		
15	Redefining nomenclature like tax, charges, cesses, etc.: There is need for a small Committee to scan the provisions of the Act and related rules and bring in required definitional clarity in Section 2 of the Act and also in various other places where such words are used. (Para 8.42.3)	✓		

Sr. No.	Recommendations	Policy	Process	Capacity Building
16	Redrafting Chapter 11 on Municipal Taxation of Maharashtra Municipal Corporation Act (particularly Section 127, 128, 129) and Chapter 9 (Section 105, 106, 107, 108) of Municipal Council Act: It is seen that there is lot of clutter, additions and deletions to the provisions in the Acts, at various points of time, insertions of various sub paragraphs making reading and understanding very difficult. It is essential that with the guidance of the Law and Judiciary Department the entire section should be written in a much more user friendly manner. (Para 8.42.4)	✓		
17	Need for activating the Property Tax Board and convert it to a Regulator: SFC strongly recommends that the Property Tax Board as envisaged in the Maharashtra Municipal Property Tax Board Act must be activated. The SFC recommends that the Municipal Tax Board must be operationalised and better the scope of the Municipal Tax Board must be widened to an independent regulatory agency which can prescribe not only the property tax band, but also the band (minimum and maximum) for other user charges, fees, fines, cesses and the like. This single recommendation, if implemented will bring in remarkable changes in the resource position of ULBs in the State. (Para 8.42.7)	✓		
18	Increase the present rate of rebate made available for the ULBs for collecting Education and Employment Guarantee Cess on behalf of State Government: Increase the rebate to ULBs which will incentivise the ULBs to perform better leading to better cess collection and benefit the State Government. (Para 8.43)	✓		



Sr. No.	Recommendations	Policy	Process	Capacity Building
19	Salaries of all DMA cadre to be fully met by the Government: SFC strongly recommends that the salaries of the 5545 State level municipal cadre posts, must be met from the State Budget and Municipal Councils should not be asked to meet them. The SFC also recommends that the salaries of the Chief Officers of all classes of Municipal Councils (both A, B and C and not just 'C' class as at present) must be met from the State budget. (Para 8.44.1 & Para 8.44.2)	✓		
20	SFC strongly recommends that the entire Sahayyak Anudan GR of 2009 be replaced with a fresh formula. Since, Sahayyak Anudan is the main source of income of Municipal Councils and contributes to 45%-55 % (see our analysis earlier) of the revenue income, the Government should not put any budgetary cuts on this and release it fully every year to the ULBs as per revised formula. There must be also a provision for an annual increase of about 8% to keep pace with increased establishment and other expenditure in future. (Para 8.45.2).	✓	✓	
21	Need to increase the Government share of teacher's salaries: SFC strongly recommends increase in the rates of reimbursement of teacher's salaries, which will greatly reduce the financial burden of D Class Corporations and below level. (Para 8.46 & Para 8.46.1)	✓		
22	Government to meet pumping costs of ULB piped water supply schemes: SFC strongly recommends that to preserve the financial health of geographically disadvantaged ULB's the ULB has to be reimbursed a part of the electricity pumping costs. This should be linked to the distance and height of pumping water from source to final ESR (via the water treatment plant). We recommend this subsidy only for D Class Municipal Corporations and all category of Municipal Councils and Nagar Panchayats. (Para 8.47 & Para 8.47.1)	✓		

Sr. No.	Recommendations	Policy	Process	Capacity Building
23	Government to write off MJP dues: SFC recommends that the Government should bring in a win-win approach of one-time conditional write off (settlement) scheme in which ULBs are incentivised to settle the old operating dues of MJP by a sharing formula. (Para 8.48 & Para 8.48.1)	✓		
24	Meeting the cost of essential land acquisition of smaller ULBs: SFC strongly recommends that Government must meet the cost of land acquisition of the following essential social infrastructure for B Class, C Class Municipal Councils and Nagar Panchayats: <ul style="list-style-type: none"> <li>• Cost of land for one dumping ground /compost pit</li> <li>• Cost of land for sewage treatment plant,</li> <li>• Cost of land for ESR of water supply scheme,</li> <li>• Cost of cremation ground,</li> <li>• Cost of one garden,</li> <li>• Cost of one public hospital</li> </ul> The Government could consider a new scheme for meeting the cost of this land acquisition, or enable this by widening the scope of any ongoing scheme. (Para 8.49 & Para 8.49.1)	✓		
25	Government to fix norms for election expenditure of smaller ULBs and meet the same: SFC recommends that the Government should meet the cost of election expenditure of smaller ULBs. (Para 8.50 & Para 8.50.1)	✓		
26	Special needs of tourist, pilgrim and other towns and ways to augment their resources: SFC recommends that suitable provision may be introduced in Section 108 to collect 'Environment Management Fees' for towns which have substantial floating traffic - seasonal or continuous. A model bylaw and a comprehensive updated guidance GR in this matter will greatly help ULBs. (Para 8.51 & Para 8.51.3)	✓	✓	

Sr. No.	Recommendations	Policy	Process	Capacity Building
27	<p>Capital grants:</p> <p>a. SFC notes that the proportion of capital grants which are discretionary is slowly increasing over the years. SFC recommends to make it more and more formula based, so that all ULBs know where they stand in getting the capital grant support. (Para 8.52.3)</p> <p>b. SFC strongly recommends that good ULBs who are showing good performance and adhering to financial discipline must be properly incentivised. There is no better way for this than linking capital grants to performance. SFC suggests that an additional 5- 10% of the grants must be kept separate as 'performance grants' and must be released on achievement of desired performance parameters. This must be objectively done by an independent third party. This will greatly streamline and improve the working of ULBs. (Para 8.52.3)</p>	✓	✓	
28	There is need to take fresh stock taking of the operating pattern of MUIFRA (which is about 17 years old now) by an independent professional agency. (Para 8.54.4(a))	✓		
29	There is need to examine whether agencies like LIC – who have long term funds parked with them –could be part of the ownership and management structure of MUIFRA /equivalent organisation. (Para 8.54.4(b))	✓		
30	There is need to study the pattern of other developed states who have similar Infrastructure Development Fund and implementing infrastructure companies and examine it if their model can be fully or partly replicated. (Para 8.54.4(c))			✓
31	There is need for a separate 'Technical Support Agency' to do a range of services as indicated above (para 14.1) for ULBs. Government may consider to give a corpus grant or take it out of the present MUIFRA grant (say 10 crores) and keep it for this support agency. (Para 8.54.4(d))	✓		✓



Sr. No.	Recommendations	Policy	Process	Capacity Building
32	SFC recommends that the entire procedures relating to administrative approval, technical approval, consultancy charges etc. need a revisit. There is a need to reduce the various type of time and cost burden imposed on the ULBs, particularly the smaller size ULBs. (Para 8.55.1)		✓	
33	Need for streamlining the operational issues relating to Municipal employees joining the National Pension Scheme: SFC would strongly recommend the UDD/DMA to engage a suitable firm or consultant well versed in this matter, who would give hand holding support to ULBs and help in the transition to NPS without further delay. (Para 8.56.2)		✓	
34	Re-organisation of the DMA at Divisional, District and State level and de link it from Collector office: SFC recommends that the Regional Officer and District Officer of the Directorate of Municipal Administration must be taken out of Collector office and should operate out of an independent office like the Assistant Director, Town Planning at district level. The entire management of ULB field staff needs a fresh look considering that the State is becoming more and more urban. SFC also recommends that the present designation 'District Administrative Officer' for the district officer needs to be changed. (Para 8.56.3)	✓	✓	✓
35	Staff cadre creation in Municipal Corporations: SFC recommends that the staff cadre for Municipal Corporations needs to be developed in a slow calibrated manner. It is desirable to create the cadre of Finance and Accounts first and then create the other cadres. (Para 8.57 & Para 8.57.1)	✓		

Sr. No.	Recommendations	Policy	Process	Capacity Building
36	Swaccha Bharat Mission: SFC would recommend that a suitable handholding technical agency (like an Environmental Engineering department of an Engineering college or such suitable institution) must be engaged at regional level to help the ULBs. These technical support agencies must give handholding and backstopping support to the ULBs. (Para 8.59 & Para 8.59.1)		✓	
37	Proper costing of Solid Waste Management and other activities: SFC recommends much more rigorous and reliable data should be made available on SWM, particularly in bigger cities (A+, A, B and C categories) Specialised cost accounts agencies can be engaged for this work, on assignment basis. This will help in working out suitable cost effective alternative solutions. (Para 8.60 & Para 8.60.1)		✓	
38	Cities as engines of 'economic growth': SFC recommends that some annual award and recognition should be made for ULBs taking initiatives in this direction. (Para 8.62 & Para 8.62.1)	✓		✓
39	Awards and Recognitions: SFC recommends an institutionalised awards and recognition for best practices in ULBs, category wise. It should be on a particular day or week of the year without any change, as is done in Rural Development and Panchayat Raj Department. The awards must also be for categories based on financial performance. (Para 8.63 Para 8.63.1)	✓		✓
40	Investing in IT: SFC recommends that a sustained and focussed effort must be taken to strengthen the IT infrastructure and capabilities to handle them for smaller ULBs. This will improve their performance. (Para 8.64 & Para 8.64.1)	✓		✓

Sr. No.	Recommendations	Policy	Process	Capacity Building
41	Fire services: SFC recommends that Government should allow fire tender support staff to do multi-tasking. It will not be cost effective to have full time fire tender staff for smaller ULBs. But at same time fire tender staff are required. Hence this via media is suggested. (Para 8.65 & Para 8.65.1)	✓	✓	
42	Need for ULBs to create a Maintenance Fund: SFC strongly recommends that ULB must be directed to create a 2% maintenance fund sourced from their income and earmark it separately in a dedicated maintenance fund. SFC would also recommend that it must be kept with MUINFRA or by such agency which is different and distant from the ULB. This amount should be allowed to be withdrawn only after three years of deposit. MUINFRA's grants can also be linked with the maintenance fund. The financial discipline of creating a proper maintenance fund has to be brought in ULBs by law, rules and by Executive Orders. (Para 8.66 & Para 8.66.1)	✓		
43	Effective utilisation of 1% cess collected from ULB projects under the Buildings and other construction workers' welfare Act, 1996: There is urgent need for awareness creation about the welfare provisions in the Act to all ULBs, particularly the Municipal Corporations as it is the bigger corporations who do substantial construction projects. This can be entrusted to All India Institute of Local Self Government, YASHADA or Institute of Labour Welfare or such organisations (Para 8.67 & Para 8.67.1(a))		✓	
44	There is possibility of tapping at least Rs.500-1000 crores for the benefit of construction and such workers in ULB (particularly in bigger ULBs) from the Construction Labour Welfare Board in a year by smart understanding of the welfare schemes available, coordination and follow up. (Para 8.67(d))		✓	



Sr. No.	Recommendations	Policy	Process	Capacity Building
45	It is recommended that Urban Development Department issues a detailed GR for the benefit of Urban Local Bodies, in consultation with the Labour Department. (Para 8.67(e))		✓	
46	Development of a State Institute of Urban Management: SFC recommends constituting a small separate Training and Research Coordination Cell for ULBs. The areas of specialisation and handling target training categories must be properly distributed between YASHADA, All India Institute of LSG and a few more institutions to be identified in the State. Thus, for instance, one institution can conduct specialised training in accounts, finance and related area, another can coordinate in urban management and others in some other area. Considering the size population and stature of Maharashtra, huge needs of urban development, there is also a case for a dedicated State Institute of Urban Management.(Para 8.68 & Para 8.68.1)	✓		✓
47	Formula for inter se allocation of Finance Commission and other devolved grants: We are recommending to retain the same prevailing ratio of population: area ratio of 90:10. This is being elaborated in a separate chapter. (Para 8.69)	✓		

Sr. No.	Recommendations	Policy	Process	Capacity Building
<b>Chapter 9: Streamlining Accounts, Financial management and related issues in Local Bodies</b>				
1	Maintaining double entry system of accounts in the letter and spirit of the Municipal Accounting Code notification 2013 must be a priority of the Government. The Government must give hand holding support for the Councils to shift to double entry, and dispense with the present practice of a separate post facto double entry preparation work by CA firms. (Para 9.6.1.2)	✓	✓	✓
2	Given the digital technology prevalent at present the real-time accounting is the need of the hour. To ensure this, an ERP system can be designed where the real-time accounting at the back-end will bring desired results. The real-time accounting will also ensure the proper management information system flow for the management and also to Government. (Para 9.6.1.2)	✓	✓	
3	This shift to ERP based system can be done in phases, that is 1/3 of Councils can shift to double entry each year. (Para 9.6.1.2)		✓	
4	A good accounting ERP software package with standard accounting terminology (in English and Marathi) must be made available by the DMA. It is learnt that prices of ERP software packages have drastically come down. (Para 9.6.1.2)		✓	
5	The SFC strongly recommends that the provision in Section 93 of the Municipal Corporation Act, be suitably amended and double entry accounts be made mandatory. (Para 9.7.2)	✓		
6	This prescribed shift to double entry accounts with ERP software must be also given handholding support. (Para 9.7.2)			✓

Sr. No.	Recommendations	Policy	Process	Capacity Building
7	SFC recommends that the present arrangements can continue, and there is no need for any change immediately. (Para 9.8.2)			
8	As the income and expenditure levels of GP is very limited, there is no need for new initiatives except consolidating on the steps already taken. (Para 9.9.1)			
9	SFC recommends that such financial ratios must be developed and reported upon in annual accounts/budget of ULBs. This will enable third parties to know the financial health of ULBs. (Para 9.11.1)		✓	
10	SFC recommends that Government (both UDD and RDD) must in exercise of its powers under the relevant Acts, direct LBs to create a separate maintenance fund of 2%-5% of the annual revenue, and transfer it to a corpus. This corpus needs to be kept and managed at a higher level, at State level or Divisional level of Government or possibly even with a suitable independent fund management agency, like provident fund. If the amount is kept with the LB, it is very likely to be consumed for pressing needs immediately, defeating the purpose of creating the maintenance fund. (Para 9.12.1)	✓		
11	It is essential that the Maintenance Fund must be created through proper delegated legislation in form of Rules, and not just be executive orders. (Para 9.12.1)	✓		
12	SFC would suggest a 'High Level Expert Committee' to study this issue in totality and suggest modalities for operation of this fund. It is suggested that guidance of professional financial experts from outside Government should be part of this Committee. (Para 9.12.1)	✓		



Sr. No.	Recommendations	Policy	Process	Capacity Building
13	SFC recommendation regarding pending audit paragraphs: SFC is of the opinion that some decisive action at highest level needs to be taken to reduce huge pending paragraphs by a strategic approach. Such clearance of decades old audit paragraphs will enable all to concentrate on more recent audit objections where corrective or punitive action is easier and will be more effective. (Para 9.14.1)	✓	✓	
14	Need for making the budget document relating to funds routed through Rural Development and Urban Development Department more user friendly. (Para 9.15)	✓	✓	
15	SFC recommends that there should be a stock taking of various account heads in both departments relating to LBs and they be rationalised to reduce repetition and clutter. (Para 9.16.1)		✓	
16	Confusion in use of terminologies like 'cess', 'taxes', 'fees' and need for redefinition: SFC strongly recommends that a Committee should go into the concerned sections and declutter existing provisions both in the Act and related rules. (Para 9.17.1)	✓		
17	<b>Need for co-ordination support in finance and accounts matters by financial specialists to guide the State ULBs:</b> Considering the increased volume of releases and ever increasing budget of UDD due to expanding urban sector, there is need to create suitable Finance officer post at Mantralaya level who can give professional support. (Para 9.18 & Para 9.18.1)	✓	✓	

Sr. No.	Recommendations	Policy	Process	Capacity Building
4	Present report of the Commission may be treated for the period 2020-25 (Para 10.2.1(1))	✓		
5	SFC would recommend formula of 90:10 (Population:Area) for distribution of CFC Grants and for inter-se allocation between LBs (ULBs, ZP & PS). However, from Grampanchayats, it would suggest inter-se allocation of 100% on basis of population. (Para 10.2.2)	✓		
6	SFC recommends continuing present arrangements of compensatory grants combined with assigned taxes rather than shift to 'devolution' at this stage. SFC recommends that the financial health of the ULBs (particularly ZPs) would improve automatically if the legislature backed assigned taxes are fully and effectively transferred to the LBs. (Para 10.3)	✓	✓	
7	Transfers to LB linked with GST collections- long term requirement; We are conscious of the fact that, In the long term the financial health of LBs can be sustained only if there is a formulaic, assured transfer of funds to them, and doing away –fully or partially with the present method of support. (Para 10.4)	✓		
8	For recommending a formula based support, a good, reliable data about the local body is a pre requisite. (Para 10.4)	✓		
9	We hope this will become a reality in the coming years, and possibly the next SFC will be in a position to go in for a formulaic devolution aligned with GST. (Para 10.4)	✓		
10	The challenge of data and need for long term investment in this area: there is urgent need for strengthening the database of the LBs, particularly ULBs. Likewise, constitution of a State Management Unit –Panchayat Raj and consolidating the initiatives in improving the Gram panchayat accounts is suggested to be a major priority for the Panchayat Raj department. (Para 10.4.1)	✓	✓	
11	We are confident that with implementation of these reforms, the task should be easier for future State Finance Commissions. (Para 10.4.1)			

Sr. No.	Recommendations	Policy	Process	Capacity Building
18	Need for a dedicated 'Urban Local Bodies – Financial Reports and Accounts Improvement Mission' for five years: SFC recommends starting of a 'Urban Local Bodies-Financial Reports and Accounts Improvement Mission' by UDD, for a period of at least five years. The mandate for the Mission would be: a. Aid in effectively implementing the Municipal Accounts Code, 2013 b. Capacity building of Accounts officers in ULBs c. Collaboration with the CA Institute d. Redefining the role of Local Fund Audit e. Introduction of PFMS (Para 9.19.1)	✓		✓

#### Chapter 10: General Observation and concluding remarks

1	SFC strongly recommends that a proper, dedicated cell with adequate and specialized manpower should be constituted for handling CFC and SFC related issues in the Finance department. It is suggested that as macroeconomics issues and fiscal issues are involved, the scholarly support of any academic institution (like the Economics Department of University of Mumbai) must be integrated into the working of the cell suitably. The cell should be headed by a senior officer (of Joint/Deputy Director level) and this post has to be specially created from the Planning and Statistics Department with back up of few support staff. (Para 10.1.1)	✓		✓
2	SFC recommends that to ensure synchronicity between the period of the Central and State Finance Commissions the SFC should be constituted two years in advance of the next CFC (2025-30). (Para 10.2.1)	✓		
3	From the experience of present SFC and after comparing the timelines given to the SFC's of other States it can be stated that the desirable tenure for a SFC to give its report should be eighteen months. (Para 10.2.1)	✓		



## Annexure - I

### Maharashtra Finance Commission Act, 1994

MAHARASHTRA ACT No.XXIII of 1994 - An Act to provide for the composition of the qualifications requisite for appointment as member of, the Maharashtra Finance Commission, the manner in which they shall be selected their powers and for matter connected therewith or incidental thereto.

Pages-165.167

The following Act of the Maharashtra Legislature, having been assented to by the Governor on the 22nd April 1994, is hereby published for general information.

D. N. CHAUDHARI  
Principal Secretary to the  
Government of Maharashtra  
Law & Judiciary Department.

#### MAHARASHTRA ACT No. XXIII OF 1994.

(First published after having received the assent of the Governor, in the "Maharashtra Government Gazette" on the 22nd April 1994).

An Act to provide for the composition of the qualifications requisite for appointment as members of the Maharashtra Finance Commission, the manner in which they shall be selected, their powers and matters connected therewith or incidental thereto.

WHEREAS it is expedient to provide for the composition of the qualifications requisite for appointment as members of the Maharashtra Finance Commission, the manner in which they shall be selected, their powers and for matters connected therewith or incidental thereto; It is hereby enacted in the Forty-fifth year of the Republic of India as follows:

1. This Act may be called the Maharashtra Finance Commission (Miscellaneous Short title provisions) Act. 1994.

#### Definitions

2. In this Act,

(1) "Chairmen" means the Chairman of the Commission;

(2) "Commission" means the Finance Commission constituted by the Governor pursuant to clause (1) of Article 243-1 of the Constitution.

#### Composition of Commission

3. The Commission shall consist of a Chairman and four other members

4. The Chairman of the Commission shall be an eminent serving or retired civil servant well versed in Administration and Finance or a person with experience in public affairs and the four other members shall be selected from amongst persons who,

Qualification  
for appointment  
as and manner  
of selection of  
Chairman &  
Members of  
Commission

- (a) have special knowledge of the finances and accounts of Government; or (b) have had wide experience in financial matters and in administration; or
- (c) have special knowledge and experience about the local self-Government in urban area; or
- (d) have special knowledge and experience about the local self-Government in rural area;

Provided that one of the members shall be a person who is holding or has held the post not lower in rank than that of a Principal Secretary to the Government and he shall be the Member Secretary of the Commission.

5. Before appointing a person to be the Chairman or a Member of the Commission, the Governor shall satisfy himself that that person will have no such financial or other interest as is likely to affect prejudicially his function; as the Chairman or a Member of the Commission and the Governor shall also satisfy himself from time to time with respect to every member of the Commission that he has no such interest and any person who is or which the Governor proposes to appoint to be the Chairman or a Member of the Commission shall, whenever required by the Governor so to do, furnish to him such information as the Governor considers necessary for the performance by him of his duties under this section.

Personal  
Interest to  
disqualify  
Chairman &  
Members

6. A person shall be disqualified for being appointed as or for being appointed as 'or for being as the Chairman of a Member of the Commission.

Disqualification  
for being a  
Chairman or  
Member of  
Commission

- (a) if he is of unsound mind;
- (b) if he is an Undercharged insolvent;
- (c) if he has been convicted of an offense involving moral turpitude;
- (d) if he has such financial or other interest as is likely to affect prejudicially his functions as the Chairman or a Member of the Commission,

7. The Chairman and every Member, of the Commission shall hold office for such period as may be specified in the order of the Governor appointing him, but shall be eligible for reappointment;

Term of office  
of Chairman &  
Members and  
eligibility for  
reappointment

Provided that, he may at any time, by writing under his hand addressed to the Governor, resign his office.



Conditions of service & salaries and allowances of the Chairman & Members.

8. The Chairman and the Members of the Commission shall render whole time or part time service to the Commission as the Governor may, in each case, specify; and there shall be paid to the Chairman and the Members of the Commission such fees of salary and such allowances the State Government may, by order, from time to time, determine.

Procedure & powers of Commission

9. (1) The Commission shall determine their procedure and in the performance of their functions shall have all the powers of a civil court under the Code of Civil Procedure, 1908 while trying a suit in respect of the following matters, namely: -

- (a) summoning and enforcing the attendance of witnesses;
- (b) requiring the production of any document; and
- (c) requisitioning any public record from any court or office.

(2) The Commission shall have power to require any Person to furnish information on such points or matters, in the opinion of the Commission, may be useful or relevant to any matter under the consideration of the Commission and any person so required shall notwithstanding anything contained in any other law for the time being in force, be deemed to be legally bound to furnish such information within the meaning of section 176 of the Indian Penal Code;

(3) The Commission shall be deemed to be a civil court for the purposes of sub-section (1) of Section 545 and of section 116 of the Code of Criminal Procedure, 1973.

*Explanation - For the purpose of enforcing the attendance of witnesses, the local limits of the Commission's jurisdiction shall be the limits of the State of Maharashtra.*



## Annexure - II

महाराष्ट्र शासन राजस्व असाधारण भाग चार-अ, मार्च २८, २०१८/चैत्र ७, इके १९४०

२

### FINANCE DEPARTMENT

Mantralaya, Mumbai 400 032, dated the 28th March 2018

### NOTIFICATION

No.SFC.2017/C.R.33/FCC.— The following order made by the Governor of Maharashtra is published for general information :—

#### Order

In pursuance of the provisions of Article 243-I read with Article 243-Y of the Constitution of India and the Maharashtra Finance Commission (Miscellaneous Provisions) Act, 1994, the Government of Maharashtra is pleased to constitute the Fifth Maharashtra Finance Commission and appoint Shri Vishwanath Giriraj, Retired I.A.S., as the Chairman of the Fifth Maharashtra Finance Commission. The Member Secretary and other members will be appointed separately.

2. The Chairman shall render whole time service to the Commission.
3. The Chairman shall hold office for a term of ten months from the date of this notification.
4. The Commission shall review the financial position of the Panchayat and the Municipalities and make recommendations to the Governor as to —

(a) The principles which should govern—

(i) The distribution between the State, the Panchayat and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State which may be divided amongst them under part IX and Part IX-A of the Constitution and the allocation between the Panchayats and the Municipalities at all levels of their respective shares of such proceeds.

(ii) The determination of the taxes, duties, tolls and fees which may be assigned to or appropriated by the Panchayats and the Municipalities.

(iii) The grants-in-aid to the Panchayats and the Municipalities from the consolidated fund of the State.

(b) The measures needed to improve the financial position of local bodies.

5. In making its recommendations the Commission shall have regard, among other considerations, to—

(a) The projected gap between the revenue receipts and revenue expenditure of the Panchayats and Municipalities in the State for five years from 1st April 2019, on the basis of their levels of taxation.

(b) The measures and the extent to which the Panchayats and the Municipalities have exploited the available and the potential sources of their revenue.

(c) The resources of the State Government and the demands thereon, in particular, on account of expenditure on Civil Administration, Police, Social and Economic Services, and all other committed expenditure or liabilities and Non-Plan revenue expenditure.

(d) The maintenance and upkeep of the capital assets of the Panchayats and the Municipalities and work out the norms for the adequate maintenance.

In making its recommendations on the various matters aforesaid, the commission shall adopt the population figures of 2011 Census, where population is regarded a factor for determination of devolution of taxes and duties and grants-in-aid.

6. The Commission shall also make recommendations relating to the following matters—

- (a) Performance grants and incentive grants to local bodies.
- (b) Better management of fund management in local bodies.
- (c) Other related matters being related to prudent financial management of local bodies.

7. The Commission shall indicate the basis on which it has arrived at its finding. It will make available all relevant data on the basis of which it makes its recommendations.

8. The Commission may make recommendations on the basis of recommendations made by the Fourteenth Central Finance Commission.

9. The Commission shall make its report available to the Governor in ten months from the date of this notification, on each of the matters aforesaid, for the period of five years commencing on the 1st day of April, 2019.

CH. VIDYASAGAR RAO,  
Governor of Maharashtra.

## Annexure - II



RNI No. MAHBIL/2009/31733

# महाराष्ट्र शासन राजपत्र

## असाधारण भाग चार-अ

पृष्ठ ४, अंक ४१(२)

बुधवार, मार्च २८, २०१८/चैत्र ७, शके १९४०

[पृष्ठ ४, किंमत : रुपये १५.००]

असाधारण क्रमांक ७६

### प्राधिकृत प्रकाशन

महाराष्ट्र शासनाने केंद्रीय अधिनियमांमध्ये तयार केलेले

(भाग एक, एक-अ आणि एक-ल चोमध्ये प्रसिद्ध केलेले नियम व आदेश यांव्यतिरिक्त) नियम व आदेश.

### वित्त विभाग

संजालप, मुंबई-४०० ०३२, दिनांक २८ मार्च २०१८

### अधिसूचना

क्रमांक राजपत्र २०१८/ प्र.क्र.३३/वित्त.क. — महाराष्ट्राचे राज्यपाल यांचे राजकीय आदेश सर्वसंचारण माहितीसाठी प्रसिद्ध करण्यात येत आहे :—

### आदेश

भारताच्या संविधानाच्या अनुच्छेद २४३ (आय) व २४३ (बाय) च्या तसेच महाराष्ट्र वित्त आयोग (मेकीने तरतुदी) अधिनियम, १९९४ च्या तरतुदींना अनुसरून महाराष्ट्र शासन याचका महाराष्ट्र वित्त आयोगाची स्थापना करील असेल, श्री. विश्वनाथ गिरीराज (मेकीने वित्त भा.प्र.सं.) यांचे आयोगाच्या अध्यक्षते निपुणते करण्यात येत आहे. आयोगाचे सदस्य तसेच व अन्य सदस्यांची निपुणते स्वतंत्रपणे करण्यात येत आहे.

२. अन्वय हे आयोगास पूर्णकालीन सेवा देतील.
३. अधस्त हे, ही अधिसूचना निर्गमित झाल्याच्या दिनांकापासून दहा महिन्यांच्या कालावधीसाठी यदु धारण करतील.
४. महाराष्ट्र वित्त आयोग पंचायती व नगरपालिका यांच्या अधिकाधिक स्थानीय पूर्णकालीन करील व राज्यपालांकडे पूर्णकालीन यांच्या संकेताने शिफारसी करील :—

(क) (एक) : राज्यपालांस वसूल करण्यात येणाऱ्या कर, शुल्क, पयकर व को यांच्यातून मिळणारे व या संविधानाच्या भाग २४३ व २४३-अ अन्वये, पंचायती व नगरपालिका यांच्यात विभागून झालेल्या निव्वळ इच्छाचे राज्य, पंचायती व नगरपालिका यांच्यात विभागली जातील व अशा इच्छातील पंचायती व नगरपालिका यांच्या सर्व स्तरांवरील त्यांच्या यांच्या द्विस्तरीय वदत करणे.

(दोन) : पंचायती किंवा पंचायती, नगरपालिका यांच्याकडे अधिकाधिक करण्यात येतील, किंवा पंचायती, पंचायती किंवा नगरपालिका यांच्याकडून त्यांचे वित्तवित्त करण्यात येतील असा कर, शुल्क, पयकर व को निर्धारित करणे.

(तीन) : पंचायती किंवा पंचायती, नगरपालिका यांना राज्याच्या एकरीत निर्भरपणे देण्यात येणाऱ्या सहायका अनुदान

यांचे अधस्त करणारी तसेच तुरुकी.

(४)

१००० १००० १०००



(ख) पंचायती व नगरपालिका बांधी आर्थिक दिशेने सुधारणासाठी आवश्यक असलेल्या उपाययोजना.

५. आयोग आपल्या शिफारशी करताना पुढील बाबी विचारात घेईल :-

(अ) दिनांक १ एप्रिल २०१९ पासूनच्या पुढील पाच वर्षांमधील राज्यातील पंचायती व नगरपालिका बांधी महसुली जमावमधील करावून घेतली गेली होती त्या आधारे लागणारा महसुली खर्च व महसुली जमा बांधीमधील अनुमानित तक्रार.

(ब) पंचायती व नगरपालिका बांधी महसुल मिळविण्याच्या कोणत्याही उद्देशाने व संभाव्य मार्गांचा विचारत बांधी केला आहे.

(क) राज्य शासनाकडील सधनसंपत्ती आणि त्यावरील लागणारी व्ययभरा नगरी व ग्राम, पोलीस, सामाजिक आणि आर्थिक सेवा, ग्रामीणविकास सेवा आणि इतर सर्व अंतर्गत खर्च किंवा द्यावे व पोलीस महसुली खर्च बांधीमधील लागणार.

(ड) पंचायती व नगरपालिका बांधी बांधिली वस्तूंचे परिचालन व निरा आणि त्यांच्या सधनसंपत्तीची स्थिती पोलीस विभाग घेऊन त्यांचा धर्मात परिचालनाचे मानके.

उपरोक्त निरनिराळ्या बांधीमधील शिफारशी करताना करताना हिस्सा, शुल्क व करावून अनुदान निर्धारित करताना लोकसंख्या हा एक आधारभूत घटक असून, त्याकरिता आयोग सन २०१९ च्या जनगणनेतील लोकसंख्येची आकडेवारी विचारात घेईल.

६. आयोगाला पुढील बांधीबांधी शिफारशी करता येईल :-

(अ) अपेक्षित फलनिघटनी साध्य करताना स्थानिक स्वराज्य संस्थांसाठी कार्यात्मक तसेच प्रोत्साहनात्मक अनुदान देणे.

(ब) स्थानिक स्वराज्य संस्थांमध्ये निधी व्यवस्थापनासाठी धोरण बांधीपद्धतीबांधी.

(क) स्थानिक स्वराज्य संस्थांच्या बांधीमधील आर्थिक व्यवस्थापनासाठी इतर बांधी संबंधित बांधीसंबंधी.

७. आयोग, त्यांनी कोणत्या आधारावर त्यांचे निष्कर्ष काढले आहेत ते नमूद करील आणि ज्या आधारे शिफारस केली आहे, त्यानुसारचे आवश्यक बांधीचे उपलब्ध करून देईल.

८. आयोगाला चौदाव्या केंद्रीय वित्त आयोगाने केलेल्या शिफारशी विचारात घेऊन त्यांच्या शिफारशी करत येईल.

९. आयोग दिनांक १ एप्रिल २०१९ पासून सुरू होणा-या पुढील पाच वर्षांच्या कालावधी संबंधीत उपरोक्तपैकी कोणत्या बांधीमधील त्यांचा आगामी राजस्वाला ही अधिसूचना निर्गमित केल्याच्या दिनांकापासून पुढील दहा महिन्यांत सादर करील.

चे. विद्यासागर राव,  
राज्यपाल.

## Annexure - III

### पाचव्या महाराष्ट्र वित्त आयोगाच्या कामकाजाकरीता पद निर्मिती करण्याबाबत...

महाराष्ट्र शासन  
वित्त विभाग

शासन निर्णय क्रमांक :- पाविआ २०१८/प्र.क्र.६/वित्त आयोग कक्ष  
मादाम कामा मार्ग, हुतात्मा राजगुरु चौक  
मंत्रालय, मुंबई ४०० ०३२.  
दिनांक:- २२ मे, २०१८.

प्रहा :- शासन अधिसूचना, वित्त विभाग, क्र. राविआ-२०१७/प्र.क्र.३३/वित्त आयोग कक्ष, दि. २८ मार्च, २०१८.

#### प्रस्तावना -

भारताच्या संविधानाच्या अनुच्छेद २४३-आय व २४३-बाय तसेच महाराष्ट्र वित्त आयोग (संकीर्ण तरतुदी) अधिनियम, १९९४ च्या तरतुदींना अनुसरून महाराष्ट्र वित्त आयोगाची स्थापना करण्यात येते. महाराष्ट्र वित्त आयोग (संकीर्ण तरतुदी) अधिनियम, १९९४ मधील कलम ३ अनुसार आयोगाची संरचना एक अध्यक्ष व सदस्य सचिवांसह चार सदस्य अशी आहे. महाराष्ट्र वित्त आयोगाने अहवाल सादर केल्यावर आयोगाचे सनापन करण्यात येते. यापूर्वी स्थापित केलेल्या चौथ्या महाराष्ट्र वित्त आयोगाचे कामकाज पूर्ण झाल्यावर सनापन करण्यात आले आहे. उपरोक्त अधिनियमातील तरतुदीच्या अनुषंगाने पाचव्या महाराष्ट्र वित्त आयोगाची स्थापना करण्याचे प्रस्तावित होते. पाचव्या महाराष्ट्र वित्त आयोगाची स्थापना करण्यास तसेच सदर वित्त आयोगाच्या कामकाजाकरीता आवश्यक पदे निर्माण करण्याचे अधिकार उच्चस्तर सचिव समितीला प्रदान करण्यास दि.३० जानेवारी, २०१८ रोजी झालेल्या मंत्रिमंडळ बैठकीत मान्यता मिळाली आहे. सदर मान्यतेनुसार संदर्भाधीन दि.२८ मार्च, २०१८ च्या अधिसूचनेनुसार पाचव्या महाराष्ट्र वित्त आयोगाची स्थापना करण्यात आली आहे.

मंत्रिमंडळाने दि.३० जानेवारी, २०१८ रोजी झालेल्या बैठकीत दिलेल्या मान्यतेनुसार पाचव्या महाराष्ट्र वित्त आयोगाचे कामकाज करण्यासाठी एकूण १८ पदे निर्माण करण्याचा प्रस्ताव उच्चस्तरीय सचिव समितीस मान्यतेसाठी सादर केला होता. सदर प्रस्तावास उच्चस्तरीय सचिव समितीच्या दि.१८/०४/२०१८ रोजी झालेल्या बैठकीत मान्यता मिळाली असून सदर पदे ही नियमितपणे भरणे शक्य नसल्यास आवश्यकतेनुसार सेवानिवृत्त कर्मचा-यांमधून अथवा बाह्यस्रोताद्वारे अथवा समकक्ष संवर्गातून भरण्यास मान्यता देण्यात आली आहे. त्यानुसार शासनाने पुढीलप्रमाणे निर्णय घेतला आहे.

#### शासन निर्णय

पाचव्या महाराष्ट्र वित्त आयोगाच्या कामकाजाकरीता सोबत जोडलेल्या परिशिष्टामध्ये नमूद केलेली एकूण १८ अस्थापी पदे त्यांच्यासमोर दर्शविलेल्या दैतन संरचनेनुसार निर्माण करण्यास शासन मंजूरी देत आहे. सदर पदे ही नियमितपणे भरण्यात यावी. सदर पदे नियमितपणे भरणे शक्य नसल्यास आवश्यकतेनुसार सेवानिवृत्त कर्मचा-यांमधून अथवा बाह्यस्रोताद्वारे अथवा समकक्ष संवर्गातून भरण्यात यावीत. सदर अस्थापी पदे ही पाचव्या महाराष्ट्र वित्त आयोगाचे कामकाज पूर्ण होईपर्यंत चालू राहतील.

२. पाचव्या महाराष्ट्र वित्त आयोगाने पद भरती करताना सामान्य प्रशासन विभागाच्या शासन निर्णय क्र.संकीर्ण-२७१५/प्र.क्र.१००/१२, दि.१७ डिसेंबर, २०१६ व वित्त विभागाच्या शासन परिपत्रका क्र.पदनि-२०१३/प्र.क्र.११२/१३/ वित्तीय सुधारणा-१, दि. २ डिसेंबर, २०१३ तसेच अनुषंगिक शासन निर्णयामध्ये विहित केलेल्या कार्यपद्धतीचा अवलंब करावा. तसेच सदर पदभरती करण्याचे अधिकार पाचव्या महाराष्ट्र वित्त आयोगास राहिल.

३. उपरोक्त मंजूर केलेल्या अस्थायी पदांवरील अधिकारी व कर्मचारी यांच्या वेतनावरील खर्च व भत्ते याकरीता मंजूर करण्यात येणारा खर्च मागणी क्र.जी-२, २०१०, इतर प्रशासनिक सेवा, ८०० इतर खर्च (०३)(०२) राज्य वित्त आयोग (२०१००६३९) या लेखाशीर्षाखाली सन २०१८-१९ या आर्थिक वर्षात मंजूर केलेल्या तरतुदीमधून भागविण्यात यावा.

४. सदर शासन निर्णय महाराष्ट्र शासनाच्या [www.maharashtra.gov.in](http://www.maharashtra.gov.in) या संकेतस्थळावर उपलब्ध करण्यात आला असून त्याचा संकेतांक २०१८०५२३१०४२०३६००५ असा आहे. हा आदेश डिजिटल स्वाक्षरीने साक्षीकृत करून काढण्यात येत आहे.

महाराष्ट्राचे राज्यपाल यांच्या आदेशानुसार व नावाने,

**Vandana  
Krishna**

(वंदना कृष्णा)

अपर मुख्य सचिव (वित्तीय सुधारणा)

Digitally signed by Vandana Krishna  
DN: cn=Vandana Krishna, o=Maharashtra Government,  
ou=Ministry of Finance, email=vandana.krishna@maharashtra.gov.in,  
c=IN

प्रति,

१. राज्यपालांचे सचिव
२. मुख्यमंत्र्यांचे प्रधान सचिव
३. सर्व मंत्री आणि राज्यमंत्री यांचे स्वीय सहायक
४. मंत्रालयीन सर्व प्रशासकीय विभाग
५. प्रबंधक, उच्च न्यायालय (मूळ शाखा), मुंबई
६. प्रबंधक, उच्च न्यायालय (अपील शाखा), मुंबई
७. सचिव, महाराष्ट्र लोकसेवा आयोग, मुंबई
८. प्रधान सचिव, महाराष्ट्र विधानमंडळ सचिवालय (विधानसभा/ विधानपरिषद), मुंबई
९. आयुक्त, राज्य नाहिती आयोग, (सर्क)
१०. सर्व विभागीय आयुक्त
११. सर्व जिल्हाधिकारी
१२. सर्व मुख्य कार्यकारी अधिकारी.
१३. संचालक, नगरपरिषद प्रशासन संचालनालय, महाराष्ट्र, मुंबई.
१४. महालेखापाल-१ (लेखा परीक्षा) / (लेखा व अनुज्ञेयता), महाराष्ट्र, मुंबई.
१५. संचालक, लेखा व कोषागारे, मुंबई.
१६. अधिदान व लेखा अधिकारी, मुंबई.
१७. निमासी लेखा परीक्षा अधिकारी, मुंबई.
१८. अध्यक्ष, महाराष्ट्र विधानमंडळ सचिवालय, विधानभवन, मुंबई.
१९. विशेष आयुक्त, नवीन महाराष्ट्र सदन, कस्तुरबा गांधी मार्ग, नवी दिल्ली-११०००९.
२०. वित्त विभाग, कार्यासन- प्रशासन १, रोख, व्यय २, सेवा ५
२१. निवड नस्ती, वित्त विभाग (वित्त आयोग कक्ष)



शासन निर्णय क्रमांक पाविआ २०१८/प्र.क्र.६/वित्त आयोग कक्ष

शासन निर्णय क्रमांक :- पाविआ २०१८/प्र.क्र.६/वित्त आयोग कक्ष, दिनांक २२ मे, २०१८ चे सहपत्र  
माघव्या महाराष्ट्र वित्त आयोगाच्या कामकाजाकरीता पद निर्मिती

अ.क्र.	पदनाम	पदसंख्या	वेतनश्रेणी (रुपये)
१	सह सचिव/उप सचिव	२	३७,४००-६७,६०० ग्रेड पे ८७००/ ५५६००-३९९०० ग्रेड पे ७६००
२	अवर सचिव	१	५५६००-३९९०० ग्रेड पे ६६००
३	कक्ष अधिकारी	२	९३००-३४८०० ग्रेड पे ४८००
४	सहायक कक्ष अधिकारी	२	९३००-३४८०० ग्रेड पे ४३००
५	लिपिक-टंकलेखक/देयक लेखापाल	४	५२००-२०२०० ग्रेड पे १९००
६	लघुलेखक (उच्च श्रेणी/निम्न श्रेणी इंग्रजी व मराठी)	२	९३००-३४८०० ग्रेड पे ४४००/४३००
७	सांख्यिकी अधिकारी	२	९३००-३४८०० ग्रेड पे ४४००
८	सांख्यिकी सहाय्यक	१	९३००-३४८०० ग्रेड पे ४३००
९	शिपाई	२	४४४०-७४४० ग्रेड पे १३००
	एकूण	१८	

## Annexure - IV

सदस्य सचिव, पाचवा महाराष्ट्र वित्त आयोग यांना पदसिद्ध  
सचिव, महाराष्ट्र शासन दर्जा देण्याबाबत....

महाराष्ट्र शासन  
वित्त विभाग

शासन निर्णय क्रमांक :- पाविआ २०१८/प्र.क.११७/वित्त आयोग कक्ष

मादाम कामा मार्ग, हुतात्मा राजगुरु चौक,

मंत्रालय, मुंबई ४०० ०३२.

दिनांक:- २९ ऑगस्ट, २०१८.

प्रस्ताव :- शासन अधिसूचना, वित्त विभाग, क. राविआ-२०१७/प्र.क.३३/वित्त आयोग कक्ष, दि. २८ मार्च, २०१८.

### प्रस्तावना -

भारताच्या संविधानाच्या अनुच्छेद २४३-आय व २४३-बाय तसेच महाराष्ट्र वित्त आयोग (संकीर्ण तरतुदी) अधिनियम, १९९४ च्या तरतुदींना अनुसरून महाराष्ट्र वित्त आयोगाची स्थापना करण्यात येते. दि.३० जानेवारी, २०१८ रोजी झालेल्या मंत्रिमंडळ बैठकीतील निर्णयानुसार पाचव्या महाराष्ट्र वित्त आयोगाची स्थापना सदरभाषीन दि.२८ मार्च, २०१८ च्या अधिसूचनेनुसार करण्यात आली आहे. सदस्य सचिव, पाचवा महाराष्ट्र वित्त आयोग यांना पदसिद्ध सचिव, महाराष्ट्र शासन असा दर्जा प्रदान करण्याची बाब शासनाच्या विचाराधीन होती.

### शासन निर्णय-

"सदस्य सचिव", पाचवा महाराष्ट्र वित्त आयोग यांना "पदसिद्ध सचिव", महाराष्ट्र शासन असा दर्जा प्रदान करण्यास मान्यता देण्यात येत आहे, त्याच्या कार्यकळा पुढील प्रमाणे राहतील :-

- १) "सदस्य सचिव" हे मंत्रालय विभागाप्रमाणेच, त्याच्याकडे सोपविण्यात आलेले आयोगाचे सर्व विषय आणि बाबींसाठी सर्वथा जबाबदार असतील.
- २) "सदस्य सचिव" हे आयोगाच्या कार्यालयातील आस्थापना, सेवा आणि प्रशासकीय बाबींच्या सदरभात "पदसिद्ध सचिव" म्हणून सर्वथा जबाबदार असतील.
- ३) "सदस्य सचिव" यांना त्यांच्या कार्यालयीन कामकाजाच्या सदरभात "पदसिद्ध सचिव" या नात्याने आवश्यकतेनुसार लोकलेखा समितीसमोर साक्ष द्यावी लागेल.

"सदस्य सचिव", पाचवा महाराष्ट्र वित्त आयोग यांना "पदसिद्ध सचिव", महाराष्ट्र शासन असा दर्जा देण्यात आल्याने ते प्रशासकीय विभागास प्रदान करण्यात आलेल्या सर्व वितीय अधिकारांचा वापर करू शकतील.

उपरोक्त शासन निर्णय विनियम कार्यासन, वित्त विभाग याच्या साहमतीने निर्गमित करण्यात येत आहे.

शासन निर्णय क्रमांक: पाविआ २०१८/प्र.क्र.११७/वित्त आयोग कक्ष

उपरोक्त शासन निर्णय महाराष्ट्र शासनाच्या [www.maharashtra.gov.in](http://www.maharashtra.gov.in) या संकेतस्थळावर उपलब्ध करण्यात आला असून, त्याचा संगणक संकेतांक २०१८०८२९१५४२००७५०५ असा आहे. हा आदेश डिजीटल स्वाक्षरीने साक्षात्कृत करून काढण्यात येत आहे.

महाराष्ट्राचे राज्यपाल यांच्या आदेशानुसार व नावाने,

Vaibhav R  
Rajeghatge

Digitally signed by Vaibhav R Rajeghatge  
DN: cn=Vaibhav R Rajeghatge,  
c=IN, o=Government of Maharashtra,  
ou=Ministry of Finance  
3.4.2.2018.08.29.15:45:33 +05'30'  
[Signature] 3.4.2.2018.08.29.15:45:33 +05'30'  
Date: 2018.08.29 15:45:33 +05'30'

( वैभव राजेघाटगे )

उप सचिव, वित्त विभाग

प्रति,

- १) राज्यपालांचे सचिव
- २) मुख्यमंत्र्यांचे प्रधान सचिव
- ३) सर्व मंत्री आणि राज्यमंत्री यांचे स्वीय सहायक.
- ४) अध्यक्ष, पाचवा महाराष्ट्र राज्य वित्त आयोग, मुंबई.
- ५) मंत्रालयीन सर्व प्रशासकीय विभाग
- ६) प्रबंधक, उच्च न्यायालय (मूळ शाखा), मुंबई
- ७) प्रबंधक, उच्च न्यायालय (अपील शाखा), मुंबई
- ८) सचिव, महाराष्ट्र लोकसेवा आयोग, मुंबई
- ९) प्रधान सचिव, महाराष्ट्र विधानमंडळ सचिवालय (विधानसभा/ विधानपरिषद), मुंबई
- १०) आयुक्त, राज्य माहिती आयोग, (सर्व)
- ११) सर्व विभागीय आयुक्त
- १२) सर्व जिल्हाधिकारी
- १३) सर्व मुख्य कार्यकारी अधिकारी.
- १४) संचालक, नगरपरिषद प्रशासन संचालनालय, महाराष्ट्र, मुंबई.
- १५) महालेखापाल-१ (लेखा परीक्षा)/ (लेखा व अनुज्ञेयता), महाराष्ट्र, मुंबई.
- १६) संचालक, लेखा व कोषागारे, मुंबई.
- १७) अधिदान व लेखा अधिकारी, मुंबई,
- १८) निवासी लेखा परीक्षा अधिकारी, मुंबई.
- १९) ग्रंथपाल, महाराष्ट्र विधानमंडळ सचिवालय, विधानभवन, मुंबई.
- २०) विशेष आयुक्त, नवीन महाराष्ट्र सदन, कस्तुरबा गांधी मार्ग, नवी दिल्ली-११०००९.
- २१) वित्त विभाग, कार्यासन- प्रशासन १, रोख, व्यय २, सेवा ५, विनियम.
- २२) निवड नस्ती, वित्त विभाग (वित्त आयोग कक्ष).



## Annexure - V

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२ महाराष्ट्र शासन राजपत्र असाधारण भाग चार-अ, नोव्हेंबर १४, २०१८/कारिक २३, शके १९४०

### FINANCE DEPARTMENT

Mantralaya, Mumbai 400 032, dated the 14th November 2018

#### Order

MAHARASHTRA FINANCE COMMISSION (MISCELLANEOUS PROVISION) ACT, 1994.

No. SFC, 2017/C.R. 33/FCC.—dated 28th March 2018 and in pursuance of the provisions of Article 243-I read with Article 243-Y of the Constitution of India and the Maharashtra Finance Commission (Miscellaneous Provision) Act, 1994, the Fifth Maharashtra Finance Commission has been constituted.

The Government of Maharashtra is pleased to appoint Principal Secretary U.D.-2, Urban Development Department, Mantralaya, Mumbai and Secretary, Rural Development and Panchayat Raj Department, Bandhkam bhavan, Mumbai and Prof. Abhay Pethe, Economist, Mumbai School of Economics & Public Policy, University of Mumbai, Mumbai as Members of the Fifth Maharashtra Finance Commission upto the term of Fifth Maharashtra Finance Commission.

CH. VIDYASAGAR RAO,  
Governor of Maharashtra.



RNI No. MAHBIL/2009/31733

## महाराष्ट्र शासन राजपत्र असाधारण भाग चार-अ

वर्ष ४, अंक १२४]

बुधवार, नोव्हेंबर १४, २०१८/कार्तिक २३, शके १९४०

[पृष्ठे २, किंमत : रुपये १५.००

असाधारण क्रमांक २१२

प्राधिकृत प्रकाशन

महाराष्ट्र शासनाने केंद्रीय अधिनियमान्वये तयार केलेले  
(भाग एक, एक-अ आणि एक-ब यांमध्ये प्रसिद्ध केलेले नियम व आदेश यांअतिरिक्त) नियम व आदेश.

वित्त विभाग

मंत्रालय, मुंबई ४०० ०३२, दिनांक १४ नोव्हेंबर २०१८

आदेश

महाराष्ट्र वित्त आयोग (संकीर्ण तरतुदी) अधिनियम, १९९४.

क्रमांक राविआ. २०१७/प्र.क्र. ३३/वि.अ.क.—दिनांक २८ मार्च २०१८ अन्वये भारताच्या संविधानाच्या अनुच्छेद २४३-आय व २४३-बाब च्या तसेच महाराष्ट्र वित्त आयोग (संकीर्ण तरतुदी) अधिनियम, १९९४ च्या तरतुदींना अनुसरून पाचव्या महाराष्ट्र वित्त आयोगाची स्थापना करण्यात आली आहे.

पाचव्या महाराष्ट्र वित्त आयोगावर सदस्य म्हणून पाचव्या महाराष्ट्र वित्त आयोगाच्या कालावधीकरिता प्रथम सचिव, नवि-२, नगरविकास विभाग, मंत्रालय, मुंबई आणि सचिव, ग्रामविकास व पंचायत राज विभाग, सांधकाम भवन, मुंबई व डा. अभय पटे अर्थशास्त्रज्ञ, मुंबई अर्थशास्त्र व सांख्यिकीय धोरण संस्था, मुंबई विद्यापीठ, मुंबई यांची नियुक्ती करण्यात येत आहे.

चे. विश्वासराव राव,

महाराष्ट्राचे राज्यपाल.

## Annexure - VI

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महाराष्ट्र शासन राजपत्र असाधारण भाग चार-अ, जानेवारी, १७/पौष २७, शके १९४०

### FINANCE DEPARTMENT

Mantralaya, Mumbai 400 032, dated 17th January 2019

#### Order

MAHARASHTRA FINANCE COMMISSION (MISCELLANEOUS PROVISIONS) ACT, 1994.

No. SFC 2017/C.R.33/FCC.—In pursuance of the provisions of Article 243-I read with Article 243-Y of the Constitution of India and the Maharashtra Finance Commission (Miscellaneous Provisions) Act, 1994, the Fifth Maharashtra Finance Commission has been Constituted *vide* Government Notification, Finance Department, No.SFC 2017/C.R.33/FCC, dated 28th March 2018. As per the notification dated 28th March 2018, the Commission will have to submit its report by 27th January, 2019 (ten months from the date of notification). However, the Commission *vide* its letter dated 24th October, 2018 has requested Government to extend tenure of Commission upto 20th April 2019 to submit its report.

Accordingly, extending the tenure of the Fifth Maharashtra Finance Commission upto 20th April 2019 to submit its report. And also Chairman of 5th Maharashtra Finance Commission Shri Vishwanath Girraj, ( I.A.S. Retired ) will be reappointed (extending tenure) as the Chairman of the Fifth Maharashtra Finance Commission from 28th January, 2019 till 20th April, 2019.

CH. VIDYASAGAR RAO,  
Governor of Maharashtra.





## महाराष्ट्र शासन राजपत्र असाधारण भाग चार-अ

वर्ष ५, अंक ७(२)]

गुरुवार, जानेवारी, १७, २०१९/पौष २७, शके १९४०

[पृष्ठे २, किंमत : रुपये १५.००

असाधारण क्रमांक १७

प्राधिकृत प्रकाशन

महाराष्ट्र शासनाने केंद्रीय अधिनियमान्वये तयार केलेले  
(भाग एक, एक-अ आणि एक-स यांमध्ये प्रसिद्ध केलेले नियम व आदेश यांच्यातिरिक्त) नियम व आदेश.

वित्त विभाग

मंत्रालय, मुंबई ४०० ०३२, दिनांक १७ जानेवारी २०१९

आदेश

महाराष्ट्र वित्त आयोग (संकिर्ण तरतुदी) अधिनियम, १९९४.

क्रमांक राविआ २०१७/प्र.क्र.३३/विआक.—शासन अधिसूचना, वित्त विभाग, क्रमांक राविआ २०१७/प्र.क्र.३३/विआक, दिनांक २८ मार्च, २०१८ अन्वये भारताच्या संविधानाच्या अनुच्छेद २४३-आय व २४३-बाय च्या तसेच महाराष्ट्र वित्त आयोग (संकीर्ण तरतुदी) अधिनियम, १९९४ च्या तरतुदींना अनुसरून पाचव्या महाराष्ट्र वित्त आयोगाची स्थापना करण्यात आली आहे. दिनांक २८ मार्च, २०१८ च्या अधिसूचनेअन्वये आयोगास अहवाल सादर करण्यासाठी दिनांक २७ जानेवारी, २०१९ पर्यंत (अधिसूचना निर्गमित झाल्यापासून १० महिन्यांची) मुदत देण्यात आली आहे. तद्वति, आयोगाने त्यांच्या दिनांक २४ ऑक्टोबर, २०१८ च्या पत्राअन्वये शासनास अहवाल सादर करण्यासाठी दिनांक २० एप्रिल, २०१९ पर्यंत आयोगास मुदतवाढ देण्याची विनंती केली आहे.

त्यानुसार पाचव्या महाराष्ट्र वित्त आयोगास त्यांच्या अहवाल सादर करण्यासाठी दिनांक २० एप्रिल, २०१९ पर्यंत मुदतवाढ देण्यात येत आहे. तसेच, आयोगाचे अध्यक्ष श्री. विश्वनाथ गिरीराम (भा.प्र.से. सेवानिवृत्त) यांची दिनांक २८ जानेवारी २०१९ पासून दिनांक २० एप्रिल २०१९ पर्यंत पुर्ननियुक्ती (मुदतवाढ) करण्यात येत आहे.

चे. विद्यासागर राव,  
महाराष्ट्राचे राज्यपाल.

## Annexure - VII

Details of staff who worked in the 5<sup>th</sup> Maharashtra Finance Commission :

Sr. No.	Name of Office Staff	Designation	Remarks
1	Shri Y. D. Deshkar	Deputy Secretary	Retired Deputy Secretary (Finance Dept)
2	Shri C. W. Khandare	Under Secretary	Dy. CEO (Maharashtra Development Service)
3	Shri K. D. Sankhe	Desk Officer	Mantralaya Cadre
4	Shri Rajesh D. Kanade	Chief Officer, Grade-1	Urban Development Department
5	Shri. Mandar Wadadekar	Senior Consultant	Consultant from PriceWaterCoopers (PWC)
6	Shrimati Megha Ingale	Statistical Officer	Maharashtra Planning & Statistical Service
7	Shrimati Sudha Kashelkar	Statistical Officer	Deputed from All India Institute of Local Self Government
8	Shri Diganjay Rawal	Statistical Officer	Research Scholar, Gokhale Institute of Economics, Pune
9	Shrimati Yogita Mandale	Accounts Clerk (Additional Charge)	Finance Department
10	Shri Mayur Nagargoje	Accounts Clerk (Additional Charge)	Treasury & Accounts Department
11	Shrimati Vaishali Ausekar	Clerk cum Typist	Contractual Appointment
12	Shrimati Mrunmayi D. More	Clerk cum Typist	All India Institute of Local Self Government
13	Shri A.R. Redkar	Clerk cum Typist	Retired (MSFC)
14	Shri C.D. Paralkar	Peon	Retired (Finance Dept.)

## Annexure - VIII

List of Zilla Parishads & Panchayat Samitis:

### 1. Konkan Division

Konkan Division		
Zilla Parishad		Panchayat Samiti
Palghar	1	Dahanu
	2	Jawhar
	3	Mokhada
	4	Palghar
	5	Talasari
	6	Vasai
	7	Vikramgad
	8	Wada
Raigad	9	Alibag
	10	Karjat
	11	Khalapur
	12	Mahad
	13	Mangaon
	14	Mhasala
	15	Murud
	16	Panvel
	17	Pen
	18	Poladpur
	19	Roha
	20	Shrivardhan
	21	Sudhagad
	22	Tala
	23	Uran
Ratnagiri	24	Chiplun
	25	Dapoli
	26	Guhagar
	27	Khed
	28	Lanja
	29	Mandangad
	30	Rajapur
	31	Ratnagiri
	32	Sangmeshwar
Thane	33	Ambernath
	34	Bhiwandi
	35	Kalyan
	36	Murbad
	37	Shahapur
Sindhudurg	38	Deogad
	39	Dodamarg
	40	Kankavali



Konkan Division		
Zilla Parishad		Panchayat Samiti
	41	Kudal
	42	Malvan
	43	Sawantwadi
	44	Vaibhavawadi
	45	Vengurla

## 2. Nashik Division

Nashik Division		
Zilla Parishad		Panchayat Samiti
Ahmednagar	1	Akole
	2	Jamkhed
	3	Karjat
	4	Kopergaon
	5	Nagar
	6	Nevasa
	7	Parner
	8	Pathardi
	9	Rahata
	10	Rahuri
	11	Sangamner
	12	Shevgaon
	13	Shrigonda
	14	Shrirampur
Dhule	15	Dhule
	16	Sakri
	17	Shindkhede
	18	Shirpur
Jalgaon	19	Amalner
	20	Bhadgaon
	21	Bhusawal
	22	Bodwad
	23	Chalisgaon
	24	Chopda
	25	Dharangaon
	26	Erandol
	27	Jalgaon
	28	Janmer
	29	Muktainagar

### Nashik Division

Zilla Parishad		Panchayat Samiti
	30	Pachora
	31	Parola
	32	Raver
	33	Yawal
Nandurbar	34	Akarani
	35	Akkalkuwa
	36	Nandurbar
	37	Navapur
	38	Shahada
	39	Taloda
Nashik	40	Baglan
	41	Chandwad
	42	Deola
	43	Dindori
	44	Igatpuri
	45	Kalwan
	46	Malegaon
	47	Nandgaon
	48	Nashik
	49	Niphad
	50	Peth
	51	Sinnar
	52	Surgana
	53	Trimbak
	54	Yeola

### 3. Pune Division

Pune Division		
Zilla Parishad		Panchayat Samiti
Kolhapur	1	Ajara
	2	Bhudargad
	3	Chandgad
	4	Gadhinglaj
	5	Gagan Bavada
	6	Hatkanangale
	7	Kagal
	8	Karveer
	9	Panhala

Pune Division		
Zilla Parishad		Panchayat Samiti
	10	Radhanagari
	11	Shahuwadi
	12	Shirol
Pune	13	Ambegaon
	14	Baramati
	15	Bhor
	16	Daund
	17	Haveli
	18	Indapur
	19	Junnar
	20	Khed
	21	Maval
	22	Mulshi
	23	Pune City
	24	Purandar
	25	Shirur
	26	Velhe
	27	Atpadi
Sangli	28	Jath
	29	Kadegaon
	30	Kavathemahankal
	31	Khanapur-Vita
	32	Miraj
	33	Palus
	34	Shirala
	35	Tasgaon
	36	Valva-Islampur
	37	Jawali
Satara	38	Karad
	39	Khandala
	40	Khatav
	41	Koregaon
	42	Mahabaleshwar
	43	Man
	44	Patan
	45	Phaltan
	46	Satara
	47	Wai



Pune Division		
Zilla Parishad		Panchayat Samiti
Solapur	48	Akkalkot
	49	Barshi
	50	Karmala
	51	Madha
	52	Malshiras
	53	Mangalvedhe
	54	Mohol
	55	Pandharpur
	56	Sangola
	57	Solapur North
	58	South Solapur

#### 4. Aurangabad Division

Aurangabad Division		
Zilla Parishad		Panchayat Samiti
Aurangabad	1	Aurangabad
	2	Gangapur
	3	Kanand
	4	Khultabad
	5	Paithan
	6	Phulambri
	7	Sillod
	8	Soegaon
	9	Vaijapur
Beed	10	Ambajogai
	11	Ashti
	12	Beed
	13	Dharur
	14	Georai
	15	Kaij
	16	Majalgaon
	17	Parali V .
	18	Patoda
	19	Shirur ( Ka )
	20	Wadwani

Aurangabad Division		
Zilla Parishad		Panchayat Samiti
Hingoli	21	Aundha Nagnath
	22	Basmat
	23	Hingoli
	24	Kalamnuri
	25	Sengaon
Jalna	26	Ambad
	27	Badnapur
	28	Bhokardan
	29	Ghansawangi
	30	Jafrabad
	31	Jalna
	32	Mantha
	33	Partur
Latur	34	Ahemadpur
	35	Ausa
	36	Chakur
	37	Deoni
	38	Jalkot
	39	Latur
	40	Nilanga
	41	Renapur
	42	Shirur Anantpal
	43	Udgir
Nanded	44	Ardhapur
	45	Bhokar
	46	Biloli
	47	Deglur
	48	Dharmabad
	49	Hadgaon
	50	Himayatnagar
	51	Kandhar
	52	Kinwat
	53	Loha
	54	Mahur
	55	Modkhed
	56	Mokhed
	57	Najgaon (Kh)
	58	Nanded
	59	Umri

Aurangabad Division		
Zilla Parishad		Panchayat Samiti
Osmanabad	60	Bhoom
	61	Kalamb
	62	Lohara
	63	Omerga
	64	Osmanabad
	65	Paranda
	66	Tuljapur
	67	Washi
Parbhani	68	Gangakhed
	69	Jintur
	70	Manwat
	71	Palam
	72	Parbhani
	73	Pathri
	74	Purna
	75	Sailu
	76	Sonpeth

#### 5. Amravati Division

Amravati Division		
Zilla Parishad		Panchayat Samiti
Akola	1	Akola
	2	Akot
	3	Balapur
	4	Barshitakli
	5	Murtijapur
	6	Patur
	7	Telhara
Amravati	8	Achalpur
	9	Amravati
	10	Anjangaon S
	11	Bhatkuli
	12	Chandur Bazaar
	13	Chandur Railway
	14	Chikhaldara
	15	Daryapur
	16	Dhamangaon Railway
	17	Dharni
	18	Morshi



Amravati Division		
Zilla Parishad		Panchayat Samiti
	19	Nandgaon Khandeshwar
	20	Tiwsa
	21	Warud
Buldhana	22	Buldana
	23	Chikhli
	24	Deulgaonraja
	25	Jalgaon (Jamod)
	26	Khamgaon
	27	Lonar
	28	Malkapur
	29	Mehkar
	30	Motala
	31	Nandura
	32	Sangrampur
	33	Shegaon
	34	Sindkhedraja
Washim	35	Karanja
	36	Malegaon
	37	Mangrulpir
	38	Manora
	39	Risod
	40	Washim
Yavatmal	41	Arni
	42	Babhulgaon
	43	Darwha
	44	Digras
	45	Ghatanji
	46	Kalamb
	47	Kelapur
	48	Mahagaon
	49	Maregaon
	50	Ner
	51	Pusad
	52	Ralegaon
	53	Umarkhed
	54	Wani
	55	Yavatmal
	56	Zari Janmi

6. Nagpur Division

Nagpur Division		
Zilla Parishad		Panchayat Samiti
Bhandara	1	Bhandara
	2	Lakhandur
	3	Lakhani
	4	Mohadi
	5	Pauni
	6	Sakoli
	7	Tumsar
Chandrapur	8	Ballarpur
	9	Bhadrawati
	10	Brahmapuri
	11	Chandrapur
	12	Chimur
	13	Gondpipri
	14	Jiwati
	15	Korpana
	16	Mul
	17	Nagbhid
	18	Ponbhumna
	19	Rajura
	20	Saoli
	21	Sindewahi
	22	Warora
Gadchiroli	23	Aheri
	24	Armori
	25	Bhamaragad
	26	Chamorshi
	27	Desaiganj (Wadsa)
	28	Dhanora
	29	Etapalli
	30	Gadchiroli
	31	Korchi
	32	Kurkheda
	33	Mulchera
	34	Sironcha

Nagpur Division		
Zilla Parishad		Panchayat Samiti
Gondia	35	Amgaon
	36	Arjuni Morgaon
	37	Deori
	38	Gondia
	39	Goregaon
	40	Sadak Arjuni
	41	Salekasa
	42	Tirora
Nagpur	43	Bhivapur
	44	Hingna
	45	Kalmeshwar
	46	Kamptee
	47	Katol
	48	Kuhi
	49	Mouda
	50	Nagpur
	51	Narkhed
	52	Parseoni
	53	Ranatek
	54	Saoner
	55	Umred
Wardha	56	Arvi
	57	Ashti
	58	Deoli
	59	Hinganghat
	60	Karanja
	61	Samudrapur
	62	Seloo
	63	Wardha



## Annexure - IX - Urban Local Bodies

### 1. List of Municipal Corporations

Sr. No.	Division	District	Name of Municipal Corporation	Category
1	Konkan	Mumbai	Brihanmumbai	A+
2	Pune	Pune	Pune	A
3	Nagpur	Nagpur	Nagpur	A
4	Nashik	Nashik	Nashik	B
5	Pune	Pune	Pimpri Chinchwad	B
6	Konkan	Thane	Thane	B
7	Aurangabad	Aurangabad	Aurangabad	C
8	Konkan	Raigad	Navi Mumbai	C
9	Konkan	Thane	Vasai-Virar	C
10	Konkan	Thane	Kalyan-Dombivli	C
11	Nashik	Ahmednagar	Ahmednagar	D
12	Amravati	Akola	Akola	D
13	Amravati	Amravati	Amravati	D
14	Nagpur	Chandrapur	Chandrapur	D
15	Nashik	Dhule	Dhule	D
16	Nashik	Jalgaon	Jalgaon	D
17	Pune	Kolhapur	Kolhapur	D
18	Aurangabad	Latur	Latur	D
19	Aurangabad	Nanded	Nanded Waghala	D
20	Nashik	Nashik	Malegaon	D
21	Aurangabad	Parbhani	Parbhani	D
22	Konkan	Raigad	Panvel	D
23	Pune	Sangli	Sangli Miraj Kupwad	D
24	Pune	Solapur	Solapur	D
25	Konkan	Thane	Mira-Bhayandar	D
26	Konkan	Thane	Bhiwandi-Nizampur	D
27	Konkan	Thane	Ulhasnagar	D

2. List of 'A' Class Municipal Councils:

Sr. No.	Division	District	Name of Municipal Council
1	Konkan	Thane	Badlapur Municipal Council
2	Konkan	Thane	Ambarnath Municipal Council
3	Nashik	Jalgaon	Bhusawal Municipal Council
4	Nashik	Nandurbar	Nandurbar Municipal Council
5	Pune	Kolhapur	Ichalkaranji Municipal Council
6	Pune	Pune	Baramati Municipal Council
7	Pune	Satara	Satara Municipal Council
8	Pune	Solapur	Barshi Municipal Council
9	Aurangabad	Beed	Bid Municipal Council
10	Aurangabad	Jalna	Jalna Municipal Council
11	Aurangabad	Latur	Udgir Municipal Council
12	Aurangabad	Osmanabad	Osmanabad Municipal Council
13	Amravati	Amravati	Achalpur Municipal Council
14	Amravati	Yavatmal	Yavatmal Municipal Council
15	Nagpur	Gondia	Gondiya Municipal Council
16	Nagpur	Wardha	Wardha Municipal Council
17	Nagpur	Wardha	Hinganghat Municipal Council

3. List of 'B' Class Municipal Councils:

Sr. No.	Division	District	Name of Municipal Council
1	Konkan	Raigad	Khopoli
2	Konkan	Ratnagiri	Chiplun
3	Konkan	Ratnagiri	Ratnagiri
4	Konkan	Thane	Dahanu
5	Konkan	Thane	Palghar
6	Nashik	Ahmednagar	Sangamner
7	Nashik	Ahmednagar	Kopergaon
8	Nashik	Ahmednagar	Shrirampur
9	Nashik	Dhule	Shirpur-Warwade
10	Nashik	Dhule	Dondaicha-Warwade
11	Nashik	Jalgaon	Chopda
12	Nashik	Jalgaon	Amalner
13	Nashik	Jalgaon	Chalisgaon
14	Nashik	Jalgaon	Pachora
15	Nashik	Jalgaon	Jamner
16	Nashik	Nandurbar	Shahade
17	Nashik	Nashik	Manmad
18	Nashik	Nashik	Sinnar
19	Nashik	Nashik	Yevla
20	Pune	Kolhapur	Jaysingpur

Sr. No.	Division	District	Name of Municipal Council
21	Pune	Pune	Chakan
22	Pune	Pune	Talegaon Dabhade
23	Pune	Pune	Lonavala
24	Pune	Pune	Daund
25	Pune	Sangli	Uran Islampur
26	Pune	Sangli	Vita
27	Pune	Satara	Phaltan
28	Pune	Satara	Karad
29	Pune	Solapur	Pandharpur
30	Pune	Solapur	Akkalkot
31	Aurangabad	Aurangabad	Kannad
32	Aurangabad	Aurangabad	Sillod
33	Aurangabad	Aurangabad	Vaijapur
34	Aurangabad	Aurangabad	Paithan
35	Aurangabad	Beed	Manjlegaon
36	Aurangabad	Beed	Parli
37	Aurangabad	Beed	Ambejogai
38	Aurangabad	Hingoli	Hingoli
39	Aurangabad	Hingoli	Basmath
40	Aurangabad	Latur	Ahmadpur
41	Aurangabad	Nanded	Deglur
42	Aurangabad	Parbhani	Sailu
43	Aurangabad	Parbhani	Jintur
44	Aurangabad	Parbhani	Gangakhed
45	Amravati	Akola	Akot
46	Amravati	Akola	Balapur
47	Amravati	Akola	Murtijapur
48	Amravati	Amravati	Anjangaon
49	Amravati	Amravati	Warud
50	Amravati	Buldana	Shegaon
51	Amravati	Buldana	Nandura
52	Amravati	Buldana	Malkapur
53	Amravati	Buldana	Khamgaon
54	Amravati	Buldana	Mehkar
55	Amravati	Buldana	Chikhli
56	Amravati	Buldana	Buldana
57	Amravati	Yavatmal	Digras
58	Amravati	Yavatmal	Pusad
59	Amravati	Yavatmal	Umarkhed
60	Amravati	Yavatmal	Wani



Sr. No.	Division	District	Name of Municipal Council
61	Nagpur	Bhandara	Tumsar
62	Nagpur	Bhandara	Bhandara
63	Nagpur	Chandrapur	Warora
64	Nagpur	Chandrapur	Bhadravati
65	Nagpur	Chandrapur	Ballarpur
66	Nagpur	Gadchiroli	Gadchiroli
67	Nagpur	Nagpur	Katol
68	Nagpur	Nagpur	Kamptee
69	Nagpur	Nagpur	Wadi
70	Nagpur	Nagpur	Umred
71	Nagpur	Wardha	Arvi
72	Nagpur	Washim	Karanja
73	Nagpur	Washim	Washim

4. List of 'C' Class Municipal Councils:

Sr. No.	Division	District	Name of Municipal Council
1	Konkan	Raigad	Uran
2	Konkan	Raigad	Matheran
3	Konkan	Raigad	Karjat
4	Konkan	Raigad	Pen
5	Konkan	Raigad	Alibag
6	Konkan	Raigad	Murud Janjira
7	Konkan	Raigad	Roha Ashtami
8	Konkan	Raigad	Shrivardhan
9	Konkan	Raigad	Mahad
10	Konkan	Ratnagiri	Khed
11	Konkan	Ratnagiri	Rajapur
12	Konkan	Sindhudurg	Malwan
13	Konkan	Sindhudurg	Vengurla
14	Konkan	Sindhudurg	Sawantwadi
15	Konkan	Thane	Jawhar
16	Nashik	Ahmednagar	Rahta Pimplas
17	Nashik	Ahmednagar	Pathardi
18	Nashik	Ahmednagar	Rahuri
19	Nashik	Ahmednagar	Deolali Pravara
20	Nashik	Ahmednagar	Shrigonda
21	Nashik	Ahmednagar	Jamkhed
22	Nashik	Ahmednagar	Shevgaon
23	Nashik	Jalgaon	Yawal
24	Nashik	Jalgaon	Faizpur

Sr. No.	Division	District	Name of Municipal Council
25	Nashik	Jalgaon	Savda
26	Nashik	Jalgaon	Raver
27	Nashik	Jalgaon	Varangaon
28	Nashik	Jalgaon	Erandol
29	Nashik	Jalgaon	Dharangaon
30	Nashik	Jalgaon	Parola
31	Nashik	Jalgaon	Bhadgaon
32	Nashik	Nandurbar	Talode
33	Nashik	Nandurbar	Nawapur
34	Nashik	Nashik	Satana
35	Nashik	Nashik	Nandgaon
36	Nashik	Nashik	Chandvad
37	Nashik	Nashik	Trimbak
38	Nashik	Nashik	Bhagur
39	Nashik	Nashik	Igatpuri
40	Pune	Kolhapur	Panhala
41	Pune	Kolhapur	Vadgaon Kasba
42	Pune	Kolhapur	Hupari
43	Pune	Kolhapur	Kurundvad
44	Pune	Kolhapur	Kagal
45	Pune	Kolhapur	Murgud
46	Pune	Kolhapur	Gadhinglaj
47	Pune	Kolhapur	Shirol
48	Pune	Kolhapur	Malkapur
49	Pune	Pune	Junnar
50	Pune	Pune	Shirur
51	Pune	Pune	Alandi
52	Pune	Pune	Rajgurunagar (Khed)
53	Pune	Pune	Sasvad
54	Pune	Pune	Jejuri
55	Pune	Pune	Bhor
56	Pune	Pune	Indapur
57	Pune	Sangli	Ashta
58	Pune	Sangli	Tasgaon
59	Pune	Sangli	Jat
60	Pune	Sangli	Palus
61	Pune	Satara	Mahabaleshwar
62	Pune	Satara	Panchgani
63	Pune	Satara	Wai
64	Pune	Satara	Mhaswad

Sr. No.	Division	District	Name of Municipal Council
65	Pune	Satara	Rahimatpur
66	Pune	Solapur	Karmala
67	Pune	Solapur	Kurduvadi
68	Pune	Solapur	Sangole
69	Pune	Solapur	Mangalvedhe
70	Pune	Solapur	Maindargi
71	Pune	Solapur	Dudhani
72	Pune	Solapur	Mohol
73	Aurangabad	Aurangabad	Khuldabad
74	Aurangabad	Aurangabad	Gangapur
75	Aurangabad	Beed	Georai
76	Aurangabad	Beed	Dharur
77	Aurangabad	Hingoli	Kalamnuri
78	Aurangabad	Jalna	Bhokardan
79	Aurangabad	Jalna	Arabad
80	Aurangabad	Jalna	Partur
81	Aurangabad	Latur	Ausa
82	Aurangabad	Latur	Nilanga
83	Aurangabad	Nanded	Kinwat
84	Aurangabad	Nanded	Hadgaon
85	Aurangabad	Nanded	Mudkhed
86	Aurangabad	Nanded	Bhokar
87	Aurangabad	Nanded	Peth Umri
88	Aurangabad	Nanded	Dharmabad
89	Aurangabad	Nanded	Kundalwadi
90	Aurangabad	Nanded	Biloli
91	Aurangabad	Nanded	Loha
92	Aurangabad	Nanded	Kandhar
93	Aurangabad	Nanded	Mukhed
94	Aurangabad	Osmanabad	Paranda
95	Aurangabad	Osmanabad	Bhum
96	Aurangabad	Osmanabad	Kalamb
97	Aurangabad	Osmanabad	Tuljapur
98	Aurangabad	Osmanabad	Naldurg
99	Aurangabad	Osmanabad	Murum
100	Aurangabad	Osmanabad	Umarga
101	Aurangabad	Parbhani	Manwath
102	Aurangabad	Parbhani	Pathri
103	Aurangabad	Parbhani	Sonpeth
104	Aurangabad	Parbhani	Purna



Sr. No.	Division	District	Name of Municipal Council
105	Amravati	Akola	Telhara
106	Amravati	Akola	Patur
107	Amravati	Amravati	Chikhaldara
108	Amravati	Amravati	Chandurbazar
109	Amravati	Amravati	Morshi
110	Amravati	Amravati	Shendurjana
111	Amravati	Amravati	Daryapur Banosa
112	Amravati	Amravati	Chandur Railway
113	Amravati	Amravati	Dattapur Dhamangaon
114	Amravati	Buldana	Jalgaon (Jamod)
115	Amravati	Buldana	Deulgaon Raja
116	Amravati	Buldana	Sindkhed Raja
117	Amravati	Buldana	Lonar
118	Amravati	Yavatmal	Ner Nababpur
119	Amravati	Yavatmal	Darwha
120	Amravati	Yavatmal	Ghatanji
121	Amravati	Yavatmal	Pandharkaoda
122	Amravati	Yavatmal	Arni
123	Nagpur	Bhandara	Sakoli
124	Nagpur	Bhandara	Pauni
125	Nagpur	Chandrapur	Brahmapuri
126	Nagpur	Chandrapur	Mul
127	Nagpur	Chandrapur	Gadchandur
128	Nagpur	Chandrapur	Rajura
129	Nagpur	Chandrapur	Chimur
130	Nagpur	Chandrapur	Nagbhid
131	Nagpur	Gadchiroli	Desaiganj
132	Nagpur	Gondia	Tirora
133	Nagpur	Gondia	Amgaon
134	Nagpur	Nagpur	Mowad
135	Nagpur	Nagpur	Narkhed
136	Nagpur	Nagpur	Kalameshwar
137	Nagpur	Nagpur	Mohpa
138	Nagpur	Nagpur	Savner
139	Nagpur	Nagpur	Khapa
140	Nagpur	Nagpur	Kanhan (Pipri)
141	Nagpur	Nagpur	Ramtek
142	Nagpur	Nagpur	Wanadongri
143	Nagpur	Wardha	Sindi
144	Nagpur	Wardha	Pulgaon

Sr. No.	Division	District	Name of Municipal Council
145	Nagpur	Wardha	Deoli
146	Nagpur	Washim	Mangrulpir
147	Nagpur	Washim	Risod

5. List of Nagar Panchayats

Sr. No.	Division	District	Name of Nagar Panchayat
1	Konkan	Raigad	Khalapur
2	Konkan	Raigad	Tala
3	Konkan	Raigad	Mhasla
4	Konkan	Raigad	Poladpur
5	Konkan	Raigad	Mangaon
6	Konkan	Ratnagiri	Dapoli Camp
7	Konkan	Ratnagiri	Devrukh
8	Konkan	Ratnagiri	Lanja
9	Konkan	Ratnagiri	Guhagar
10	Konkan	Ratnagiri	Mandangad
11	Konkan	Sindhudurg	Kankavli
12	Konkan	Sindhudurg	Kudal
13	Konkan	Sindhudurg	Kasai -Dodamarg
14	Konkan	Sindhudurg	Devgad -Jamsande
15	Konkan	Sindhudurg	Vaibhavwadi
16	Konkan	Thane	Vikramgad
17	Konkan	Thane	Vada
18	Konkan	Thane	Mokhada
19	Konkan	Thane	Shahapur
20	Konkan	Thane	Murbad
21	Konkan	Thane	Talasari
22	Nashik	Ahmednagar	Shirdi
23	Nashik	Ahmednagar	Karjat
24	Nashik	Ahmednagar	Parner
25	Nashik	Ahmednagar	Nevasa
26	Nashik	Ahmednagar	Akole
27	Nashik	Dhule	Sakri
28	Nashik	Dhule	Sindkheda
29	Nashik	Jalgaon	Bodvad
30	Nashik	Jalgaon	Muktainagar
31	Nashik	Nandurbar	Vadfalya Dhadgaon
32	Nashik	Nashik	Niphad
33	Nashik	Nashik	Dindori
34	Nashik	Nashik	Kalwan
35	Nashik	Nashik	Surgana

Sr. No.	Division	District	Name of Nagar Panchayat
36	Nashik	Nashik	Deola
37	Nashik	Nashik	Peint
38	Pune	Kolhapur	Ajra
39	Pune	Pune	Vadgaon -Maval
40	Pune	Sangli	Khanapur
41	Pune	Sangli	Shirala
42	Pune	Sangli	Mahankal Kavthe
43	Pune	Sangli	Kadegaon
44	Pune	Satara	Lonand
45	Pune	Satara	Koregaon
46	Pune	Satara	Medha
47	Pune	Satara	Patan
48	Pune	Satara	Malkapur
49	Pune	Satara	Waduj
50	Pune	Satara	Dahiwadi
51	Pune	Satara	Khandala
52	Pune	Solapur	Malshiras
53	Pune	Solapur	Madha
54	Aurangabad	Aurangabad	Phulambri
55	Aurangabad	Aurangabad	Soygaon
56	Aurangabad	Beed	Ashti
57	Aurangabad	Beed	Kaij
58	Aurangabad	Beed	Shirur Kasar
59	Aurangabad	Beed	Patoda
60	Aurangabad	Beed	Wadwani
61	Aurangabad	Hingoli	Sengaon
62	Aurangabad	Hingoli	Aundha Nagnath
63	Aurangabad	Jalna	Ghansawangi
64	Aurangabad	Jalna	Mantha
65	Aurangabad	Jalna	Jafferabad
66	Aurangabad	Jalna	Badnapur
67	Aurangabad	Latur	Shirur-Anantpal
68	Aurangabad	Latur	Chakur
69	Aurangabad	Latur	Renapur
70	Aurangabad	Latur	Deoni
71	Aurangabad	Latur	Jalkot
72	Aurangabad	Nanded	Naigaon (Khairgaon)
73	Aurangabad	Nanded	Himayatnagar
74	Aurangabad	Nanded	Ardhapur
75	Aurangabad	Nanded	Mahur
76	Aurangabad	Osmanabad	Lohara



Sr. No.	Division	District	Name of Nagar Panchayat
77	Aurangabad	Osmanabad	Washi
78	Aurangabad	Parbhani	Palam
79	Amravati	Akola	Barshitakli
80	Amravati	Amravati	Dharni
81	Amravati	Amravati	Teosa
82	Amravati	Amravati	Bhatkuli
83	Amravati	Amravati	Nandgaon-Khandeshwar
84	Amravati	Buldana	Sangrampur
85	Amravati	Buldana	Motala
86	Amravati	Washim	Malegaon
87	Amravati	Washim	Manora
88	Amravati	Yavatmal	Zari Jamani
89	Amravati	Yavatmal	Maregaon
90	Amravati	Yavatmal	Mahagaon
91	Amravati	Yavatmal	Ralegaon
92	Amravati	Yavatmal	Kalamb
93	Amravati	Yavatmal	Babhulgaon
94	Nagpur	Bhandara	Mohadi
95	Nagpur	Bhandara	Lakhani
96	Nagpur	Bhandara	Lakhandur
97	Nagpur	Chandrapur	Gondpipri
98	Nagpur	Chandrapur	Korpana
99	Nagpur	Chandrapur	Sindewahi
100	Nagpur	Chandrapur	Saoli
101	Nagpur	Chandrapur	Jivati
102	Nagpur	Chandrapur	Pombhurna
103	Nagpur	Gadchiroli	Kurkheda
104	Nagpur	Gadchiroli	Aheri
105	Nagpur	Gadchiroli	Sironcha Ry.
106	Nagpur	Gadchiroli	Chamorshi
107	Nagpur	Gadchiroli	Aarmori
108	Nagpur	Gadchiroli	Dhanora
109	Nagpur	Gadchiroli	Etapalli
110	Nagpur	Gadchiroli	Mulchera
111	Nagpur	Gadchiroli	Korchi
112	Nagpur	Gadchiroli	Bhamragad
113	Nagpur	Gondia	Arjuni Moregaon

Sr. No.	Division	District	Name of Nagar Panchayat
114	Nagpur	Gondia	Goregaon
115	Nagpur	Gondia	Deori
116	Nagpur	Gondia	Sadak Arjuni
117	Nagpur	Gondia	Salekasa
118	Nagpur	Nagpur	Mouda
119	Nagpur	Nagpur	Mahadula
120	Nagpur	Nagpur	Parshivni
121	Nagpur	Nagpur	Bhiwapur
122	Nagpur	Nagpur	Kuhi
123	Nagpur	Nagpur	Hingna
124	Nagpur	Wardha	Karanja
125	Nagpur	Wardha	Ashti
126	Nagpur	Wardha	Seloo
127	Nagpur	Wardha	Samudrapur

## Acknowledgements - I

### Non-Officials

SFC interacted with the following office bearer of LB's during its field visits. They gave valuable inputs :

#### I. Chairman of Zilla Parishads

Sr. No.	District	Date
1	Thane	05.12.2018
2	Jalna	10.12.2018
3	Parbhani	11.12.2018
4	Nanded	
5	Amravati	16.12.2018
6	Buldhana	
7	Yavatmal	
8	Pune	04.01.2019
9	Satara	05.01.2019
10	Kolhapur	
11	Ratnagiri	09.01.2019
12	Sindhudurg	11.01.2019

#### II. Mayors of Municipal Corporations

Sr. No.	Municipal Corporation	Date
1	Bhiwandi	05.12.2018
2	Panvel	
3	Aurangabad	10.12.2018
4	Parbhani	11.12.2018
5	Nanded	
6	Latur	
7	Nagpur	14.12.2018
8	Amravati	16.12.2018
9	Pune	04.01.2019

#### III. Chairman of Municipal Corporations

Sr. No.	District	Municipal Council	Date
1	Thane	Murbad	05.12.2018
		Shahapur	
2	Palghar	Palghar	11.12.2018
3	Nanded	Biloli	
		Deglur	
4	Gondia	Gondia	14.12.2018
5	Chandrapur	Brahmapuri	
		Chimur	
6	Gadchiroli	Gadchiroli	
7	Bhandara	Sakoli	
		Lakhani	



Sr. No.	District	Municipal Council	Date
8	Akola	Telhara	17.12.2018
		Patur	
9	Washim	Karanja	
10	Amravati	Morshi	
	Amravati	Tiwasa	
		Warud	
11	Yavatmal	Yavatmal	
		Ralegaon	
		Maregaon	
		Kalamb	
		Darvha	
		Umerkhed	
12	Solapur	Sangola	04.01.2019
		Akkalkot	
		Pandarpur	
		Mangalvedha	
13	Pune	Talegaon Dabhade	
		Lonavala	
		Alandi	
		Chakan	
		Wadgaon	
14	Satara	Satara	
		Wai	
		Dahiwadi	05.01.2019
		Karad	
		Islampur	
		Mahabaleshwar	
15	Kolhapur	Jaisingpur	
16	Sangli	Shirala	09.01.2019
17	Ratnagiri	Dapoli	
		Chiplun	
		Devrukh	
		Ratnagiri	
		Lanja	
		Guhaghar	
		Mandangad	
18	Sindhudurg	Devgad-Jamsande	11.01.2019
		Sawantwadi	
		Vengurla	

## Acknowledgements - II

### Participants in Technical Workshop

SFC conducted the technical workshop on Financial, Audit and Financial Data at workshop at Hotel West End, Marine Lines, Mumbai on 13th December, 2018. The following dignitaries and officers attended the workshop. SFC acknowledges the valuable contribution and suggestions received from the participants.

#### List of Dignitaries:

Sr. No.	Hon'ble Guests
1	Shri. Yashwant Thakre, Principal Accountant General, Audit, Mumbai.
2	Shri Ravikiran Ubale, Deputy Accountant General, Mumbai.
3	Shri Rajgopal Devara, Principal Secretary, Finance Department, Mantralaya, Mumbai.

#### List of Officers:

Sr. No.	Officers Name	Designation / Department
1	Shri. S. Muthukrishnan	Commissioner / Director, Directorate Municipal Administration
2	Shri. P. J. Jadhav	Joint Secretary, Urban Development Department.
3	Shri. Sunil Lahane	Deputy Director, Directorate Municipal Administration
4	Shri. Satish Kulkarni	Deputy Director, Directorate Municipal Administration
5	Shri. Pisal	Account Officer, Directorate Municipal Administration
6	Shri. Shahapurkar	Deputy Director, Directorate Municipal Administration
7	Shri. Mohite	Director, Local Fund and Audit
8	Deputy Director, Municipal Corporation Audit	Deputy Director, Local Fund and Audit
9	Joint Director, Panchayat Raj Institutions	Joint Director, Local Fund and Audit
10	Shri. Vaibhav Rajeghatge	Deputy Secretary, Finance Department, Mantralaya, Mumbai.
11	Shri. A. N. Bhosale,	Joint Secretary (Retired), Finance Department, Mantralaya, Mumbai.
12	Shri. V. K. Patil,	Joint Secretary (Budget), Finance Department, Mantralaya, Mumbai.
13	Shri. Sanjay Bankar.	Deputy Secretary, Rural Development Department, Mantralaya, Mumbai.
14	Shri. G.D. Bhalerao,	Deputy Secretary, Rural Development Department, Mantralaya, Mumbai.
15	Shri. M.D. Jadhav,	Deputy Secretary, Rural Development Department, Mantralaya, Mumbai.

<b>Sr. No.</b>	<b>Officers Name</b>	<b>Designation / Department</b>
16	Shri. Narayan Ringane	Deputy Secretary, Finance Department, Mantralaya, Mumbai
17	Shri. Sunil Mone	Chartered Accountant
18	M/s S. K. Patodiya & Associates	Chartered Accountant Firm
19	Chief Finance and Account Officer,	Zilla Parishad, Thane.
20	Chief Finance and Account Officer	Zilla Parishad, Raigad
21	Chief Finance and Account Officer	Zilla Parishad, Palghar
22	Shri. Balaji Khatgaonkar	Commissioner, Mira-Bhayandar Municipal Corporation.
23	Shri. Ganesh Deshmukh	Commissioner, Panvel Municipal Corporation
24	Shri. Manoj Spashte	Accountant, Kulgaon - Badlapur Municipal Corporation
25	Dr. Danraj Garad	Chief Finance and Accounts Officer



## Acknowledgements - III

The SFC acknowledges the support received from officers who offered views / suggestions during meetings at Finance Commission's Office.

Sr. No.	Date	Name	Designation and Department
1	18.08.2018	Dr. Suhas Shinde	Chief Finance and Account Officer, Nashik Municipal Corporation.
		Shri. Sudhir Nakadi	Deputy Transport Commissioner, Bandra, Mumbai.
		Shri. Sharad Belwate	Chief Account Officer, Mira-Bhayandar Municipal Corporation.
		Shri Digvijaya Chavan	Chief Audit Officer, Mira-Bhayandar Municipal Corporation.
		Shri. Sanjay Shinde	Chief Officer, Khopoli Municipal Corporation.
2	24.08.2018	Shri Sainath Mutkule	Accounts Officer, Jalna Municipal Corporation.
		Shri R.T. Kharat	Office Superintendent, Deglur Municipal Corporation
		Shri. Shekhar Shetye	Asstt. Accountant, Ratnagiri Municipal Corporation.
		Shri. Santosh Pardeshi	Asstt. Accountant, Nandurbar Municipal Corporation.
		Shri. J.R. Lad	Accountant, Chopada Municipal Corporation.
		Shri. Pravin Vilayatkar	Accountant, Morshi Municipal Corporation.
		Shri. Sagar Thakre	Office Superintendent, Morshi Municipal Corporation.
		Shri Ashish Joshi	Asstt. Accountant, Varud Municipal Corporation.
		Shri. Irfan Pathan	Accountant, Palghar Municipal Corporation
		Smt. Priyanka Gangurde	Asstt. Accountant, Trimbak Municipal Corporation.
		Shri. E. S. Gawari	Asstt. Accountant, Satara Municipal Corporation
		Shri R.B. Shitole	Asstt. Accountant, Vita Municipal Corporation
3	17.09.2018	Shri. C.M. Kamble	Additional Commissioner, State Goods & Service Tax, Mazgaon, Mumbai.
		Shri. D.Y. Alwaris	Joint Commissioner, State Goods & Service Tax, Mazgaon, Mumbai.

Sr. No.	Date	Name	Designation and Department
4	26.09.2018	Shri P. J. Jadhav	Joint Secretary, Urban Development Department, Mantralaya, Mumbai.
		Shri. Sharad Kirawle	Desk Officer, Urban Development Department, Mantralaya, Mumbai
		Shri. Sanjay Patil	Under Secretary, Finance Department, Mantralaya, Mumbai.
		Shri. N. G. Andalkar	Desk Officer, Finance Department, Mantralaya, Mumbai.
5	08.10.2018	Smt. Priyanka Gangurde	Asstt. Accountant, Trimbak Municipal Corporation.
		Shri. S. S. More	Accountant, Badlapur Municipal Corporation.
6	09.10.2018	Shri. A.A. Natu	Accountant, Karjat Municipal Corporation.
		Shri Firoz Khan	M/s S.K.Patodia & Associates
		Shri Tushar Vinerkar	M/s S.K.Patodia & Associates
7	17.10.2018	Shri. R.R. Shinge	Director, Directorate of Economics & Statistic, Mumbai
		Dr. J.V. Choudhari	Joint Director, Directorate of Economics & Statistic, Mumbai
		Shri. Sanjay Bankar	Deputy Secretary, Rural Development Department, Mantralaya, Mumbai.
		Shri Pandit K. Jadhav	Deputy Secretary, Rural Development Department, Mantralaya, Mumbai.
		Shri. Vijay Chandekar	Under Secretary, Rural Development Department,
8	19.10.2018	Shri. Manoj Pashte	Accountant, Murbad Nagar Panchayat
		Shri Tushar Vinerkar	M/s S.K.Patodia & Associates
	26.11.2018	Smt. Manisha Maihskar	Principal Secretary, Urban Development Department, Mantralaya.
		Shri. A. K. Gupta	Secretary, Rural Development & Panchayat Raj Department, Mantralaya.
		Shri. Abhay Pethe	Professor, Mumbai University
		Shri Rajgopal Devara,	Principal Secretary, Finance Department, Mantralaya, Mumbai.
10	04.12.2018	Shri. N.M. Phirke	Deputy Director, Directorate of Economics & Statistic, Mumbai.
		Smt. M.M. Belgaoukar	Research Officer, Directorate of Economics & Statistic, Mumbai.

Sr. No.	Date	Name	Designation and Department
11	29.12.2018	Shri. S.B. Bhor	Deputy Director (Admin), Directorate of Treasury and Accounts.
		Smt. L.S. Mehta	Accounts Officer, Directorate of Treasury and Accounts.
12	31.12.2018	Shri. R.D. Bhagat	Joint Commissioner, Sales Tax, Mazgaon, Mumbai.
13	02.01.2019	Shri. S.C. Shrirangam	Secretary cum CEO, Maharashtra Building and other Constructions Worker's Welfare Board, Mumbai.
		Shri. Rajendra Kshirsagar	Joint Secretary, Revenue & Forest Department, Mantralaya.
		Shri. Vijay Chandekar	Under Secretary, Rural Development Department, Mantralaya.
		Shri. Madan G. Sonde	Desk Officer, Rural Development Department, Mantralaya.
		Shri. Sagar A. More	Desk Officer, Revenue & Forest Department, Mantralaya.
14	03.01.2019	Shri. P. Velrasu	Member Secretary, MJP, Mumbai.
		Shri. P.R. Nandanware	S.E. (I/C), CPDM, MJP, Mumbai.
15	07.01.2019	Shri Atul Kapole.	Deputy Secretary, WRD, Mantralaya
		Shri S.N. Bolbhand	Chief Auditor, WRD, Aurangabad.
		Shri. P.C. Zankar	Accounts Officer, PCMC.
		Shri. B.B. Telgi	Deputy Accountant, PCMC
		Smt. Ashwini B. Joshi	Clerk, Thane Municipal Corporation.
		Shri. Ramesh Sonare	Accounts Officer, Navi Mumbai Municipal Corporation
		Shri. Purushottam Gharat	Sr. Clerk, Navi Mumbai Municipal Corporation
		Shri. P.R. Rathod	Chief Accountant, Amravati Municipal Corporation
		Shri Vidyaratna Kakade	Chief Accountant, Sangli-Miraj-Kupwad Municipal Corporation
		Shri Shailendra Khot	Clerk, Chief Accountant, Sangli-Miraj-Kupwad Municipal Corporation
		Shri Anil Rebhankar	Clerk, Chandrapur Municipal Corporation.
16	14.02.2019	Shri Bhalchandra Behre	Deputy Director, Directorate of Municipal Administration, Worli.
		Shri Anil Lad.	Kalyan-Dombivali Municipal Corporation.
		Shri Satish Kulkarni	Deputy Director, Directorate of Municipal Administration, Worli



Sr. No.	Date	Name	Designation and Department
		Shri Anil Mule	Deputy Commissioner, Pune Municipal Corporation.
		Shri Ganesh Deshmukh	Commissioner, Panvel Municipal Corporation.
17	15.02.2019	Shri Ramanath Jha	Commissioner, IAS (Retired), MMRDA
18	25.02.2019	Smt. Snehal P. Shendre	Accountant, Gadchiroli Nagar Parishad.
19	27.02.2019	Shri Anil Kulkarni	Executive Engg. (Mechanical), MJP, Pune.
20	11.03.2019	Dr. Chetna Kerure	Chief Officer, Trimbak Nagar Parishad, Nashik.
		Shri Mahesh Waghmode	Chief Officer, Lonar Nagar Parishad
		Shri Rashid R. Naurangabadi	Supervisor, Chikhaldara Nagar Parishad.
		Shri Ramesh G. Gharniye	Head of Department Planning and Tourism, Alibaug Nagar Parishad.
21	14.03.2019	Shri. R.B. Bhagwat	Director (Retired), Directorate of Account Treasury, Mumbai.
22	28.03.2019	Shri Aseem Gupta	Principal Secretary, Rural Development & Panchayat Raj Department, Mantralaya.
		Shri. Sanjay Bankar	Deputy Secretary, Rural Development Department, Mantralaya, Mumbai.
		Shri Pravin D. Jain	Deputy Secretary, Rural Development Department, Mantralaya, Mumbai.
		Shri Girish Bhalerao	Deputy Secretary, Rural Development Department, Mantralaya, Mumbai.
23	03.04.2019	Shri Chandrakant Patil	Extension Officer, Rural Development Department, Mantralaya.
		Shri Shridhar A. Kulkarni	Extension Officer, Panchayat Samiti, Walwa, Sangli

**Senior officers who gave us invaluable suggestions and inputs:**

Sr. No.	Name of the Officer	Designation
1	Shri. Ramanath Jha	Retired IAS
2	Shri. Jayaraj Phatak	Retired IAS
3	Shri. Rajiv Agarwal	Retired IAS (AIIISG)
4	Shri. A. K. Jain	Retired IAS
5	Shri. Sudhir Srivastava	Retired IAS
6	Dr. Nitin Karer	Principal Secretary, UDD-I
7	Shri S. Muthulkrishnan	Director Municipal Administration
8	Shri P. J. Jadhav	Joint Secretary UDD
9	Shri Bhagat	Joint Commissioner, Sales Tax

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Officers of Finance department who gave unstinted support to the 5th SFC :

**Secretaries**

- |                         |                        |
|-------------------------|------------------------|
| 1. Shri D.K. Jain       | 4. Shri Rajgopal Devra |
| 2. Shri UPS Madan       | 5. Shri Rajiv Mittal   |
| 3. Smt. Vandana Krishna | 6. Shri Nitin Gadre    |

**Deputy Secretaries**

- |                            |                   |
|----------------------------|-------------------|
| 1. Shri Vaibhav Rajaghadge | 3. Shri V.K.Patil |
| 2. Shri Shaikh             |                   |

**Under Secretaries**

- |                        |                  |
|------------------------|------------------|
| 1. Smt. Vidya Waghmare | 2. Smt. Kalsekar |
|------------------------|------------------|

**Section Officers**

- |                      |
|----------------------|
| 1. Smt. Anushri More |
|----------------------|

**Special acknowledgment :**

- All concerned officers of Rural development department and Urban development department.
- Smt. Ashwini Bhide, IAS, MD, Mumbai Metro Rail Corporation for making available the office premises for SFC.





