



ABSTRACT

Rural Development and Panchayat Raj Department - Fourteenth Finance Commission – Issue of Guidelines and Operational Criteria for availing Performance Grant by the Village Panchayats - Orders issued.

Rural Development and Panchayat Raj (PR-1) Department

G.O. (Ms) No.55

Dated: 05.05.2016

Read:

1. G.O. (Ms) No.108, Rural Development and Panchayat (PR-1) Department, dated 24.07.2015.
2. From the Additional Secretary to Government of India, Ministry of Panchayat Raj, New Delhi D.O. No.11013/22/2015-FD, dated 01.02.2016.
3. From the Director of Rural Development and Panchayat Raj letter Roc. No.12173/2016/PR-I 2.1, dated 27.04.2016.

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ORDER:

The Fourteenth Finance Commission has recommended Grants in aid to the Village Panchayats as Basic Grant and Performance Grant. Out of the total Grants-in-aid to Village Panchayats, 90% of the Grant will be the Basic Grant and 10% will be the Performance Grant. As per the recommendations of Fourteenth Finance Commission, the grants-in-aid is to be devolved to the Village Panchayats only. Accordingly, the Basic Grant of Rs.947.65 crore has been released to the Village Panchayats for the year 2015-16 in two instalments. Fourteenth Finance Commission has stated that Performance Grants will be disbursed from the year 2016-17 onwards.

2. The Fourteenth Finance Commission has recommended that the detailed procedure and the operational criteria, including quantum of incentives to be given for the distribution of performance grant to the Village Panchayats be decided by the State Governments concerned, subject to the following eligibility conditions:

- i. Village Panchayats will have to submit audit report of Village Panchayat accounts that relate to a year not earlier than two years preceding the year in which the Village Panchayats seeks to claim the performance grant.
- ii. Village Panchayats will have to show an increase in their own revenues over the preceding year as reflected in the audited accounts.

3. In the G.O. first read above, orders were issued for utilizing the Fourteenth Finance Commission General Basic Grant and the guidelines for planning at Village Panchayats Level based on the recommendation of the Fourteenth Finance Commission.

4. The Additional Secretary to Government of India, Ministry of Panchayat Raj in the D.O. letter second read above has requested to prepare the guidelines for allocation of 10% Performance Grants proposed to be released by the Ministry of Finance during the month of October 2016 for the year 2016-17 keeping in view the two conditions mentioned in the recommendation of the Fourteenth Finance Commission.

5. The Director of Rural Development and Panchayat Raj in the letter third read above has sent the detailed guidelines and operational criteria for availing the Performance Grant by the Village Panchayats and stated that the guidelines were prepared in accordance with the recommendation of the Fourteenth Finance Commission and requested the Government to issue necessary orders approving the guidelines for availing the Fourteenth Finance Commission Performance Grant by the Village Panchayats and also requested to authorize him to draw and release the funds to the eligible Village Panchayats on receipt of Fourteenth Finance Commission Performance Grant from Government of India.

6. The Government after careful examination have decided to issue guidelines and operational criteria for availing Performance Grant by the Village Panchayats as annexed to this order and also authorize the Director of Rural Development and Panchayat Raj to draw and release the funds to the eligible Village Panchayats on receipt of Fourteenth Finance Commission Performance Grant from Government of India.

7. This order issues with the concurrence of Finance Department vide its U.O. No.27267/FC-II, dated 02.05.2016.

(By Order of the Governor)

Gagandeep Singh Bedi,
Secretary to Government.

To

The Director of Rural Development and Panchayat Raj, Chennai-15.
The Additional Chief Secretary / Commissioner of Rural Development
and Panchayat Raj (Training), Chennai-15.
All District Collectors. (except chennai)

Copy to:

The Senior Personal Assistant to Hon'ble Minister, (MA, RD, Law,
Courts and Prisons), Chennai-9
The Principal Personal Secretary, Secretary to Government,
Rural Development and Panchayat Raj Department, Chennai-9
The Secretary to Government of India, Ministry of Panchayati Raj,
Krishi Bhawan, Dr.Rajendra Prasad Road, New Delhi-110 001.

The Director, Finance Commission Division, Ministry of Finance, Department
of Expenditure, CGO Complex, Lodhi Road, New Delhi 110003
The Rural Development and Panchayat Raj (B&C/OP II) Department, Chennai-9
The Planning Development and Special Initiatives (B&C) Department, Chennai-09.
The Director, State Institute of Rural Development, Maraimalai Nagar,
Kanchipuram District.
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// Forwarded by Order //

Section Officer.

G.O. (Ms) No.55, Rural Development and Panchayat Raj (PR-1)
Department, dated 05.05.2016.

Guidelines and operational criteria for availing 14th Finance Commission Performance Grant by Village Panchayats

Introduction

The 14th Finance Commission has recommended Grants-in-aid to the Village Panchayats as Basic Grant and Performance Grant. Out of the total grants-in-aid to Village Panchayats, 90% of the Grant will be the Basic Grant and 10% will be the Performance Grant. The Basic Grant of Rs.947.65 crore for the year 2015-16 has already been released to the Village Panchayats. As per the recommendations of the 14th Finance Commission, the performance Grant will be released from the year 2016-17 onwards based on the performance of the Village Panchayats as it is a conditional grant. The share of Tamil Nadu under the above components to Village Panchayats for the period from 2015-16 to 2019-20 is given below:-

(Rs.in crore)

Grants	2015-16	2016-17	2017-18	2018-19	2019-20	Total (2015-20)
Basic Grant	947.65	1312.19	1516.12	1753.87	2369.86	7899.69
Performance Grant	---	172.12	194.78	221.20	289.64	877.74
Total	947.65	1484.31	1710.90	1975.07	2659.50	8777.43

2.Eligibility conditions for Performance Grant:

The 14th Finance Commission has recommended that detailed procedure and operational criteria, including quantum of incentives to be given for the distribution of performance grant to the Village Panchayats are to be decided by the State Governments concerned, subject to the eligibility conditions as described below:

- i. Village Panchayats will have to submit audit report of Village Panchayat accounts that relate to a year not earlier than two years preceding the year in which the Village Panchayats seeks to claim the performance grant.
- ii. Village Panchayats will have to show an increase in their own revenues over the preceding year as reflected in the audited accounts.

3.Submission of Audit Report of annual accounts by Village Panchayats:

3.1.Existing arrangements for audit of Village Panchayat accounts :

- i. Government have issued orders for rationalization of Village Panchayats Accounts and procedure for the operation of accounts vide G.O.Ms.No.146, Rural Development and Panchayat Raj (C4) Department, dated 17.8.2007, G.O.Ms.No.60, Rural Development and Panchayat Raj (PR-1) Department, dated 16.4.2015 and G.O.Ms.No.89, Rural Development and Panchayat Raj (PR-1) Department, dated 15.6.2015.
- ii. As per the Tamil Nadu Panchayats (Issue and Disposal of Audit Report of Village Panchayats) Rules, 2000, the Deputy Block Development Officer (Audit) is the Auditor of Village Panchayats.
- iii. Assistant Director of Rural Development (Audit) checks the audit reports of the Village Panchayats in the district to verify the correctness of the Audit done by the Deputy Block Development Officer (Audit).
- iv. The Local Fund Audit Department conducts test audit in 22% of Village Panchayats annually.
- v. In addition, the Office of the Accountant General conducts audit in select Village Panchayats on a regular basis.

3.2. Criteria for submission of audit report of the annual accounts by Village Panchayats:

As per the recommendations of the Fourteenth Finance Commission, Village Panchayats should submit audit report of Annual accounts that relate to a year not earlier than two years preceding the year in which the Village Panchayat seeks to claim the performance grant. For example, the audit of Village Panchayat accounts for the year 2014-15 should have been completed by the Auditor, that is, Deputy Block Development Officer (Audit) and placed by the Village Panchayat President before the Grama Sabha for getting performance grant for the year 2016-17. Accordingly, the year for which the audit report of annual accounts to be submitted by Village Panchayats for becoming **eligible to receive performance grant is** detailed below:

Sl. No.	Year of Release of Performance Grant	Year of Audit Report
1.	Performance Grant for the year 2016-17	Audit Report of Annual accounts for the year 2014-15
2.	Performance Grant for the year 2017-18	Audit Report of Annual accounts for the year 2015-16
3.	Performance Grant for the year 2018-19	Audit Report of Annual accounts for the year 2016-17
4.	Performance Grant for the year 2019-20	Audit Report of Annual accounts for the year 2017-18

4. Increase in own revenue generation by the Village Panchayats

Own source of revenue of Village Panchayats would include both **tax and non-tax revenue**. The Village Panchayats should ensure 100% assessment of House tax, Professional Tax, D & O Trade and other own source of revenue, finalise the demand and complete collection before the end of March of every year. The Village Panchayats should show better progress in augmentation of the own source of revenue as compared to the preceding year, for example, in 2014-15 comparing to the year 2013-14 as reflected in the audited accounts for availing the Performance Grant for the year 2016-17.

In other words, if T1 is the total Revenue in 2013-14 i.e.,

T1 = Tax and Non-tax revenue collection in 2013-14.

T2 = Tax and Non-tax revenue collection in 2014-15.

Then the Village Panchayat is eligible for Performance Grant amount in 2016-17 **only if T2 > T1**.

5. Distribution criteria for the release of 14th Finance Commission Performance grant:

5.1 Background

The Fourteenth Finance Commission has recommended that the **Basic grant** for Village Panchayats will be distributed among them, using the formula prescribed by the respective SFCs for the distribution of resources. Accordingly, following formula is adopted for the distribution of Fourteenth Finance Commission Basic Grant,

a) Minimum lumpsum grant of Rs.3 lakh to each Village Panchayat

b) The balance Basic Grant is released to Village Panchayats on the following basis:

i)	Total population	:	60%
ii)	SC/ST population	:	20%
iii)	Area	:	20%

In respect of **Performance Grant**, the Fourteenth Finance Commission has recommended that detailed procedure and the operational criteria, including quantum of incentives to be given, for disbursement of performance grant to Village Panchayats will be decided by the State Governments concerned keeping in view the two conditions given in para.2 above.

5.2 Operational Criteria for the release of Performance Grant

The Village Panchayats which fulfill both of the two conditions recommended by the 14th Finance Commission, namely, completion of audit of Village Panchayats accounts and increase in their own revenue sources, will only be eligible for access of Performance Grant.

The Performance Grant will be released to the **eligible** Village Panchayats on the basis of the following **distribution formula** (applicable amongst those eligible Village Panchayats),

- Total population : 60%
- SC/ST population : 20%
- Area : 20%

The Performance Grant for each Village Panchayat will be sanctioned annually based on the eligibility criteria achieved by the Village Panchayat as detailed below:

(a) Submission of audit report of annual accounts of the relevant year and

(b) at least 5% increase in the collection of own source of revenue over the previous year as reflected in the audited accounts.

The Performance Grant will be released to only those Village Panchayats, which fulfill the above conditions. In case, some amount of performance grant remains after disbursement to the eligible Village Panchayats, this undisbursed amount shall be distributed on equitable basis among all the eligible Village Panchayats that had fulfilled the conditions for availing the performance grant.

- Each Village Panchayat should fill-up the format in Annexure under joint signature of the Village Panchayat President and the Panchayat Secretary.
- The filled-up format shall be collected from the Village Panchayats by the respective Zonal Deputy Block Development Officer in accordance with the checklist as per Annexure-I and the same shall be handed over to the Deputy Block Development Officer (Audit).
- Both the submission of audit report of annual accounts of the relevant year as well as increase in the collection over the previous year by the Village Panchayats is to be certified by the Deputy Block Development Officer (Audit) with specific recommendation for eligibility to avail Performance Grant as per the Format for certification in Annexure-I and forward the same to Block Development Officer (Village Panchayats).

- The Block Development Officer (Village Panchayats) will check all the proposals submitted by the Deputy Block Development Officer (Audit) and then forward the proposals to the office of the District Collector.
- The Assistant Director (Panchayats) in the office of the District Collector shall consolidate the proposals received from the Block Development Officer (Village Panchayats) after conducting 10% super-check.
- The consolidated list of Village Panchayats eligible for the receipt of Performance Grant will be sent by the District Collector as per the Annexure-II to the Director of Rural Development and Panchayat Raj.
- The timeline for the activities is detailed below:

Sl.No.	Activity	Timeline
1.	Collection of applications from Village Panchayats by the Zonal Dy.BDO and handing over to the Dy.BDO(Audit)	Before 30 th May
2.	Certification by the Dy.BDO (Audit) and forwarding to BDO(V.P)	Before 10 th June
3.	Check by the BDO(V.P) and submission to the Asst. Director (Pts)	Before 30 th June
4.	10% super check by the Assistant Director (Panchayats) and forwarding the consolidated list of eligible Village Panchayats by the District Collector to the Director of Rural Development and Panchayat Raj	Before 10 th July

The District Collector should ensure that Audit Report of the relevant year have been placed before the Grama Sabha and Village Panchayats have made Online submission of Village Panchayat Form 30 in the official website of Rural Development and Panchayat Raj Department (www.tnrd.gov.in) and completion of PRIA Soft online entry in the Government of India website (www.accountingonline.gov.in) regularly.

6. Utilisation of Performance Grant:

Fourteenth Finance Commission Grant is intended to be used to support and strengthen the delivery of basic civic services such as water supply, sanitation and street-lighting etc. Also, as per Section 110 of the Tamil Nadu Panchayats Act, Village Panchayats are entrusted with the functions of provision of basic civic services such as water supply, sanitation and street-lighting etc. Further,

Government have issued orders for the utilization of Thirteenth Finance Commission Grant for strengthening the delivery of basic civic services such as water supply, sanitation and street-lighting etc. Considering the need for continuity in the provision of funds for delivery of basic services, the Performance Grant is to be utilized by the Village Panchayats to perform the following functions **as per the priority** given below:

- 1) Operation & Maintenance of water supply, street lights and sanitation. The first charge of the grant is to the Current Consumption charges due to TANGEDCO and water charges due to TWAD Board.
- 2) Filling up gaps in the provision of basic amenities in accordance with the guidelines issued by the Government for the utilization of Fourteenth Finance Commission Basic Grant.

7. Release of funds:

- i) The District Collector shall furnish the consolidated list of Village Panchayats eligible for the receipt of Performance Grant to the Director of Rural Development and Panchayat Raj as per the prescribed timeline.
- ii) The Director of Rural Development and Panchayat Raj will release 14th Finance Commission Performance Grant to the District Collectors based on the distribution criteria mentioned above under para 5.2.
- iii) The District Collectors shall release grants to the Village Panchayats concerned as per their entitlement immediately after receipt of funds from the Directorate. Prior to such release, the District Collector should **ascertain the quantum of amount to be sent to Village Panchayat Account No. 2 in the Panchayats where the CC Charges / water charges are heavy based on the half yearly average demand and the balance, if any, be released to Account No. 3 of the Village Panchayat concerned. In Village Panchayats where such charges are not heavy, the entire amount shall be released to Village Panchayat Account No.3 for execution of permissible works as per the Fourteenth Finance Commission Basic Grant Guidelines.**
- iv) No amount should be kept at District level at any point of time since the Grant is the entitlement of Village Panchayat and any delay in timely release will attract penal interest.

8. Documentation / Submission of Utilisation Certificates:

The expenditure incurred under 14th Finance Commission Performance Grant should be properly documented at District level. Utilisation Certificates should be got from all the Village Panchayats and consolidated report should be sent by the District Collectors to the Directorate.

The Secretary to Government, Rural Development and Panchayat Raj Department is empowered to modify the guidelines issued for utilisation of 14th Finance Commission Performance grant whenever necessary in consultation with the Director of Rural Development and Panchayat Raj and Finance Department.

Gagandeep Singh Bedi,
Secretary to Government.

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Section Officer.

ANNEXURE - I**Format for claiming 14th Finance Commission Performance Grant by
the Village Panchayats for the year**

Name of the District:
Name of the Panchayat Union:

Name of the Village Panchayat:

(in Rs.)

Sl. No.	Audit Report		Own Source of Revenue (Tax and Non-tax) Demand			Own Source of Revenue (Tax and Non-tax) Collection			Total Own Source of Revenue (OSR) Collection for the previous year	% of increase of OSR over the previous year $\{ (Col.9-Col.10)/Col.10 \times 100 \}$
	Year of Audit Report	Date of placement before Grama Sabha	Current Demand	Arrear Demand	Total Demand	Current collection	Arrear collection	Total collection		
1	2	3	4	5	6	7	8	9	10	11

Panchayat Secretary,
..... Village Panchayats

President
..... Village Panchayats

Checklist

The following records have been verified by me and the claims made by
..... Village Panchayat is found to be correct:

- Audit report of Annual Accounts relates to relevant year as per the guidelines.
- Minutes of the Grama sabha meeting for placement of Audit Report of the relevant year.
- Own Source of Revenue receipt as reflected in the relevant year Audit report of the Village Panchayat accounts is verified with that of previous year and it is% more than the OSR of previous year.

Zonal Deputy Block Development Officer
..... **Panchayat Union.**

Format for certification

Certified that I have verified the records and the following claims made by Village Panchayat is found to be correct:

- Audit report of annual accounts for the year has been placed in the Grama Shaba held on Increase in the collection of own source of revenue over the previous year is greater than 5%, i.e.,... %. It is further certified that the Village Panchayat is eligible for the receipt of performance grant for the year as per the guidelines issued by the Government.

Deputy Block Development Officer (Audit)
..... **Panchayat Union**

Gagandeep Singh Bedi,
Secretary to Government.

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Section Officer.

ANNEXURE - II**Format for claiming 14th Finance Commission Performance Grant for the year****Name of the District:**

Sl. No.	Name of the Panchayat Union	Name of the Village Panchayats eligible for Performance Grant

District Collector,
.....District.

Gagandeep Singh Bedi,
Secretary to Government.

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Section Officer.