Summary of Status of Panchayat Raj Institutions in Tamil Nadu

Introduction to PRIs in Tamil Nadu.

Tamil Nadu has a long history of local self-governance as is evident from the Uthiramerur stone inscriptions in Kanchipuram district. Tamil Nadu, in those days, was a land of village republics, with community groups undertaking many activities for their area development. This tradition reached its peak during the 10th and 11th centuries under the reign of Cholas when Village Councils used to levy taxes, improve community life and administer justice in their limited area. These Village Councils had effective links with the Chola rulers. "Kuda Olai Murai" was the name of the secret ballot method exercised to elect members to the Village Councils. With the downfall of Cholas, the State experienced a decline of the Village autonomy and rise of the centralized feudal administrative system. This continued till British rulers introduced local self-governance primarily as an administrative convenience for the imperial Government.

In the post-independence era, the first enactment in democratic decentralization in the State was the Madras Village Panchayats Act, 1950. Pursuant to the White Paper on the "Reform of Local Administration" in 1957, the Madras Panchayats Act, 1958 and Madras District Development Council Act were enacted with the following salient features:

a) A two-tier system of Village Panchayats and Panchayat Unions.

b) Creation of Panchayat Unions co-terminus with the Community Development Blocks.

c) Village Panchayat Presidents to become ex-officio members of the Panchayat Union Councils with the Chairperson of the Panchayat Union Council directly/indirectly elected.

d) Entrusting the Panchayat Unions and Village Panchayats with a large number of developmental and welfare functions.

e) Abolition of District Boards.

f) Creation of District Development Council as an advisory body.

This two-tier system operated very well till 1975 and elections were held regularly. Subsequently, the tenures of the Panchayat Unions and Village Panchayats were extended up to 1.2.1977 and 12.9.1979 respectively. Thereafter, Special Officers (Block Development Officer for all the Village Panchayats in a Block and Divisional Development Officer for all the Panchayat Unions in a Division) managed the rural Local Bodies till the next elections in 1986. The elected rural Local Bodies continued in office till March 1991. Again, no elections were held till October 1996 and the Special Officers managed the rural Local Bodies.

Impact of Constitution (73rd Amendment) Act 1992 in Tamil Nadu

Though the Panchayat Raj Institutions were in existence in various forms in various States, these institutions did not acquire the status and dignity of viable and responsive people's bodies due to a number of reasons including absence of regular elections, prolonged supersession, insufficient representation of weaker sections like Scheduled Castes, Scheduled Tribes and Women, inadequate devolution of powers and lack of financial resources. In the light of the experience gained and the short-comings that had been observed, the 73rd amendment of the Constitution was enacted in 1992, to enshrine in the Constitution certain basic and essential features of Panchayat Raj Institutions to impart certainty, continuity and strength to them. A number of fundamental changes were brought about in the Panchayat Raj System by virtue of this Act. Pursuant to this, the Tamil Nadu Panchayats Act 1994 was enacted and it came into force with effect from 22.04.1994.

Some of the important changes brought about by the 73rd Amendment to the Constitution and the Tamil Nadu Panchayats Act 1994 are listed below:

a) Introduction of a three tier system – at the Village, Intermediate (Block) and District levels. [There are 12,618 Village Panchayats, 385 Panchayat Unions (coterminous with Blocks) and 29 District Panchayats in Tamil Nadu].

b) Mandatory conduct of Local Body elections every five years and conduct of elections before the expiry of the duration of the Local Body or before the expiry of a period of 6 months from the date of its dissolution.

c) Introduction of reservation of seats (i.e. ward members) and offices (i.e. Chairpersons/Presidents) for Scheduled Castes/Scheduled Tribes in proportion to their population in every Local Body with provision for rotation of the reserved seats and offices.

d) Introduction of reservation of one third of total number of seats and offices for women with provision for rotation.

e) Constitution of a State Election Commission as an independent body to conduct elections to both rural and urban Local Bodies regularly.

f) Establishment of a quinquennial State Finance Commission to recommend devolution of resources from the State Government to the rural and urban Local Bodies.

g) Constitution of a District Planning Committee to consolidate the plans prepared by the rural and urban Local Bodies in the district with a view to prepare a comprehensive development plan for the district.

h) Introduction of the concept of 'Grama Sabha' comprising all registered voters in a Village Panchayat.

Milestones in Decentralisation

1882	The Resolution on Local Self-Government.
	The Royal Commission on Decentralisation.
1948	Constitutional debates on Gram Swaraj, 'Self-rule"
1950	Enactment of Madras Villages Panchayat Act 1950 in Tamil Nadu.
1957	Balwantrai Mehta Commission – an early attempt to implement the Panchayat structure at district and block (Samithi) levels.

1958	Enactment of Madras Village Panchayat Act 1958 in Tamil Nadu.
1963	K. Santhanam Committee – recommended limited revenue raising powers for Panchayats and the establishment of State Panchayat Raj Finance Corporations.
1978	Ashok Mehta Committee – appointed to address the weaknesses of PRIs, concluded that a resistant bureaucracy, lack of political will, ambiguity about the role of PRIs, had undermined previous attempts at decentralization, recommended that the District serve as the administrative unit in the PRI structure.
1985	G.V.K. Rao Committee – appointed to address weaknesses of PRIs, recommended that the block development office (BDO) should assume broad powers for planning, implementing and monitoring rural development programmes.
1986	L.M. Singhvi Committee – recommended that local self-government should be constitutionally enshrined, and that the Gram Sabha (the Village assembly) should be the base of decentralized democracy in India.
1992	The 73rd Amendment to the Indian Constitution – PRIs at district, block and village levels are granted permanent continuous nature. The Gram Sabha is recognized as a formal democratic body at the village level.
1994	Tamil Nadu Panchayats Act, 1994 enacted on 22.04.1994.
1996	1st ordinary Local Body Elections in Tamil Nadu.
1997	The First High Level Committee under the Chairmanship of Thiru. L. C. Jain, the then Member of State Planning Commission submitted its recommendations on devolution of powers and functions to rural Local Bodies in April, 1997.
1999	The Second High Level Committee under the Chairmanship of the then Hon'ble Rural Development and Local Administration Minister, Thiru. Ko. Si. Mani, submitted its report on devolution of powers and functions to Rural Local Bodies on 11.01.1999.
2001	2nd ordinary Local Body Elections in Tamil Nadu.
2006	3rd ordinary Local Body Elections in Tamil Nadu.
2007	The Third High Level Committee headed by Thiru M.K. Stalin, Hon'ble Minister for RD&LA was constituted to examine the scope for further devolution of powers and functions to rural and urban Local Bodies.
2011	Fourth Ordinary Local Body Elections in Tamil Nadu
2019	Fifth Ordinary Local Body Elections in Tamil Nadu (27 Districts)
2021	Fifth Ordinary Local Body Elections in Tamil Nadu (9 Districts)

Tamil Nadu's stand on the 73rd Constitutional Amendment

The Government of Tamil Nadu has had reservations regarding certain aspects of the 73rd Constitutional amendment and our experience of working under the new system for the past 12 years has only confirmed the same. The system prevailing under the old Tamil Nadu Panchayats Act of 1958 wherein the Presidents of Village Panchayats were ex-officio members of the Panchayat Union Council at the Block level ensured organic linkage between the two tiers. Hence, the name 'Panchayat Union' and it genuinely functioned as a 'union' of Village Panchayats. Since the Village Panchayat Presidents themselves 'doubled up' as ex-officio members of the Panchayat Union Council, there were no separate ward members for the Council. Having separate ward members for Panchayat Unions (6,570 for the State as a whole) and District Panchayats (656) has vastly increased the number of 'members' and has paved the way for inter-tier friction and disharmony. Although Article 243 C (3) of the Constitution states that a State may, by law, provide for the representation of Village Panchayat Presidents on the Panchayat Union Council and Panchayat Union Chairpersons on the District Panchayat, this arrangement is not satisfactory because it can render the Panchayat Union Councils and District Panchayats too unwieldy with too many members and can create disharmony between the two distinct power blocs within each Council. Hence, Tamil Nadu has not invoked Article 243 C (3). The lack of organic linkages between the three tiers results in a scenario where each tier is unaware of what the other two tiers are doing. It often leads to duplication in the selection of works and avoidable paperwork and loss of time in reworking the choices. Tamil Nadu has been pressing for the reversion to the 1958 model where the Presidents of Village Panchayats were ex-officio members of the Panchayat Union Council at the Block level.

Under the 1958 Act, the Chairpersons of the Panchayat Union Council could be either directly or indirectly elected. Most of the time, Tamil Nadu had direct elections for the posts of Chairpersons of Panchayat Unions and this arrangement was found to be working well as the Chairperson commanded respect and there was no scope for vexatious no-confidence motions. But after the 73rd amendment, the Constitution itself stipulates that Chairpersons of Panchayat Unions and District Panchayats should be elected indirectly. Only in the case of elections of Village Panchayat Presidents, the States have the freedom to opt for either direct election or indirect election. The State Government has been pressing that the States should have similar freedom in respect of elections of Chairpersons of Panchayat Unions and District Panchayats.

The Government of Tamil Nadu have, for long held the view that there should have been a single consolidated Amendment to the Constitution covering both rural and urban Local Bodies instead of two Amendments – one covering rural Local Bodies (73rd) and the other urban Local Bodies (74th). This 'compartmentalization' has resulted in a scenario whereby the District Panchayat – instead of being a nodal body responsible for coordinating and monitoring all the rural and urban Local Bodies in the district – finds that its jurisdiction is confined only to the rural areas. In a State like Tamil Nadu with about 42% urban population, and with several highly urbanised districts such as Kanyakumari (66%), Coimbatore (62%), The Nilgiris (58%), Theni (54%) and Madurai (52%), the argument that the District Panchayat should become a nodal body responsible for coordinating and monitoring the development activities in the entire district becomes weak. A system whereby all the Chairpersons of Panchayat Unions, Municipalities and Town Panchayats are ex-officio members of the District

Panchayats, with the Chairman of the District Panchayat being either directly or indirectly elected would have been more meaningful and credible. This weakness has been sought to be overcome through the District Planning Committee which has members drawn from both rural and urban Local Bodies, but its composition is flawed because there is no representation for Panchayat Union and Village Panchayat members on it.

A mention was made in His Excellency the Governor's Address in the Tamil Nadu Legislative Assembly in 2006 that the Tamil Nadu would press for the amendment of the Constitution seeking a two tier system of Panchayats and the abolition of District Panchayats. Tamil Nadu did have powerful elected District Boards till they were abolished in 1961. In their place, the District Development Council, an advisory-cum-planning body, comprising all the MPs, MLAs, Chairpersons of Panchayat Unions, Town Panchayats, Municipalities and Corporations in the district with the District Collector as Chairman were set up. The Government of Tamil Nadu believes that Village Panchayats and Panchayat Unions are the two tiers closest to the people, qualifying for the appellation 'local' and represent the 'cutting edge' of Local Self-Government. These two tiers need to be strong and vibrant and strengthened further. This Government is of the opinion that the reasons which led to the abolition of the old District Boards are still valid and applicable to the third tier of District Panchayat, which at present has only an advisory-cum-planning role. At the same time, this Government is aware that other States may have different views on this topic based on their own past legacy. For example, some States want Village and District Panchayats but do not want the intermediate tier (Block or Taluk Panchayat). But there is a general consensus that there is one tier too many under the present system.

It may be noted that with regard to the States, the Legislative Assembly is mandatory while the Legislative Council is optional as per the Constitution. Similarly, in order to accommodate divergent needs, the Constitution may be so amended so as to make the Village Panchayats mandatory for all the States and leaving it to the discretion of the concerned State Legislatures whether to have the intermediate Panchayats only or District Panchayats only or both. The State Government would press for such amendment to the Constitution.

Rural Local Body Elections

Though the Tamil Nadu Panchayats Act was enacted in April 1994, only after the change of Government in May 1996, the first ordinary elections were held to all the rural and urban Local Bodies in October 1996. The second ordinary elections to the Local Bodies were conducted during October 2001. The third ordinary elections to the Local Bodies were conducted in October 2006. The Fourth Ordinary elections to the Local Bodies were conducted in October 2011. The Fifth Ordinary elections to the Local Bodies were conducted in December 2019. (27 Districts) and October 2021(9 Districts)

Reservation of Seats and Offices and Rotation

Article 243 D of the Constitution relates to reservation and rotation of seats for Scheduled Castes, Scheduled Tribes and Women in rural Local Bodies. The relevant provisions of Tamil Nadu Panchayats Act, 1994 are Sections 11, 20, 32 & 57. These are supplemented by the Tamil Nadu Panchayats (Reservation of Seats and Rotation of Reserved Seats) Rules, 1995. The Rules provide for the reservation of seats by adopting a list of wards or Panchayats arranged in the descending order of the percentage of SCs, STs and Women and applying a 'cut off' at the point where the number of reserved seats and offices is equal to the prescribed ratio. The periodicity of rotation is also fixed under the Rules.

The Government amended Rule 7 of the Tamil Nadu Panchayats (Reservation of Seats and Rotation of Reserved Seats) Rules, 1995 vide G.O.Ms. No. 105, RD & PR (C4) Department, dated 1.9.2006 by virtue of which the posts of Presidents of Village Panchayats and Chairpersons of Panchayat Unions and District Panchayats reserved for SCs, STs and Women were rotated - after 10 years - for the October 2006 elections. While the posts of ward members of all the 3 tiers reserved for Women were rotated - after 10 years – those reserved for SCs and STs were not rotated; in other words, they would continue to be reserved as such until the Government direct otherwise.

Devolution of Powers

Local Government is a State subject figuring as item 5 in List II of the Seventh Schedule to the Constitution of India. Article 243 G of the Indian Constitution enshrines the basic principle for devolution of power to the rural Local Bodies. As per this article, subject to the provisions of this Constitution, the Legislature of a State may, by law, endow the Panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-Government and such law may contain provisions for the devolution of powers and responsibilities upon Panchayats at the appropriate level, subject to such conditions as may be specified therein, with respect to the preparation of plans for economic development and social justice; the implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the 29 matters listed in the Eleventh Schedule.

L.C. Jain Committee

The Government of Tamil Nadu is committed to ensuring that the Panchayat Raj Institutions function as effective institutions of Local Self-Government. In 1996, soon after the conclusion of the first ordinary elections to the three tiers of Panchayats, the Government constituted the First High Level Committee under the Chairmanship of Thiru L.C. Jain, the then full-time Member of the State Planning Commission to give recommendations on the entrustment of powers and functions to the three tiers of Panchayats. The Committee submitted its report to the Government in April, 1997.

The L.C. Jain Committee used 12 notations viz. Advise, Assist, Co-ordination, Establish and set up, Implementation, Identification of persons to be assisted, Inspection, Management and maintenance, Planning, Review, Supervision and Take over in respect all the 29 items for demarcating roles and functions of the 3 tiers of Local Bodies.To operationalise its recommendations, the Committee suggested the following:

- Establishment pattern of Village Panchayats, Panchayat unions, District Panchayats need an analysis.

- Engagement of professionals and consultants for speedy development, right from village level up to district level.
- Human Resource Development for PRIs (Training, Sensitization and Attitudinal change).
- Scheme review powers to be given to Local Bodies.
- Need for efficient Accounts and Audit arrangements for Local Bodies.
- Preparation of Works Manuals for Local Bodies.
- Guidelines for Maintenance of Assets created and handed over to the Panchayat bodies.
- Creation of proper Management Information System.
- Constitution of various Committees of PRIs.
- PRIs to be given clear working instructions on how to exercise the functions transferred to them.

Many of the recommendations of the L.C. Jain Committee have been crystallized into action towards empowering the Panchayats. Apart from the Rural Development Department, other departments such as Agriculture, Animal Husbandry, Forests, Social Welfare, Revenue, Khadi and Village Industries, Education, Health and Family Welfare, Adi-Dravidar Welfare, Co-operation, Food and Consumer Protection, have issued Government Orders for devolution of powers and functions in their respective spheres to the three tiers of Panchayats.

Ko. Si. Mani Committee

Again, the Government in G.O. Ms. No. 320, Rural Development (C1) Department, dated 11.11.1997 constituted the Second High Level Committee under the Chairmanship of Thiru. Ko. Si. Mani, the then Hon'ble Minister for Rural Development and Local Administration with experienced persons including sitting MLAs of various political parties as members of the Committee to recommend more devolution of powers and functions to the Panchayats. This High Level Committee submitted its report on 11.1.1999 with 1209 recommendations to the Government. The Government accepted 718 recommendations and issued orders for their implementation.

The key recommendations of the Ko. Si. Mani Committee are:

- Strengthening and convening Grama Sabhas more frequently than the existing four times in a year.
- As in Panchayat Unions, appointment of engineers, junior assistants, water supply maintenance staff in major Village Panchayats.
- To train the Panchayat staff in carrying out minor repairs for street light maintenance.
- Village Panchayats to be empowered to constitute Standing Committees.

- Collection of licence fees for Dangerous and Offensive Trades to be entrusted to Village Panchayats.
- Rural Welfare Officers to be redeployed for field work.
- The appointment of noon-meal staff like cook, ayah to be done by Appointment Committee in Panchayat Unions.
- A full time Secretary to be appointed for District Panchayats.
- Guidelines to be framed for five standing committees of District Panchayat.
    - District Panchayat Chairperson to be made as a member of District Purchase Committee.
    - District Collector to continue as the Chairperson of the District Planning Committee.
    - Direct Elections to elect Panchayat Union Chairpersons and District Panchayat Chairpersons.
    - Concurrent Audit and Continuous Audit to be introduced in all Local Bodies.
    - All the assets created under R.D. schemes to be handed over to Village Panchayats and Panchayat unions. An asset maintenance grant may be allocated to Village Panchayats and Panchayat Unions.

M.K. Stalin Committee

This Government, in continuance of its commitment to devolve greater powers and responsibilities to rural and urban Local Bodies, constituted the Third High Level Committee under the Chairmanship of the Hon'ble Minister for Rural Development and Local Administration, Thiru. M.K. Stalin vide G.O.Ms No.6 RD & PR(C1) Department, dated 22.1.2007 and with select District Panchayat Chairpersons, Panchayat Union Chairpersons and Village Panchayat Presidents besides certain subject experts as members. The Committee was required to study the duties, functions and powers already entrusted to the rural and urban Local Bodies and make recommendations for further devolution of the same in order to make them more effective.

The Third High Level Committee decided to get the views of as many stakeholders as possible before formulating its recommendations. In this context, the following strategies were adopted:

(i) Conduct of State Level Conference: A State Level Conference of Chairpersons of District Panchayats and Panchayat Unions, besides the urban Local Bodies was held in the presence of the Hon'ble Chief Minister on 18.03.2007 at Chennai. A total of 27 District Panchayat Chairpersons and 363 Panchayat Union Chairpersons, besides the heads of urban Local Bodies participated in the Conference. Various issues pertaining to effective functioning of Local Bodies were deliberated upon and discussions held in this Conference.

(ii) Conduct of Regional Conferences of all Village Panchayat Presidents: Despite the very large number of Village Panchayats (12,618) in Tamil Nadu, recognising the fact that Village Panchayats represented the tier that performs some of the most important functions - the Hon'ble Minister for Rural Development and Local Administration, Thiru. M.K. Stalin, convened Regional Conferences of all Village Panchayat Presidents at Erode (24.07.2007), Tiruchirappalli (25.07.2007), Tiruvannamalai (03.08.2007) and Virudhunagar (23.08.2007) to ascertain their views on devolution and the difficulties, if any, in their functioning. 11,984 Village Panchayats Presidents out of a total of 12,618 Presidents in Tamil Nadu participated in these Regional Conferences and made 47,108 recommendations.

(iii) Internal meetings were held to deliberate on various issues brought forth to the Committee through various forums, including the State Level and Regional Conferences of Local Body representatives.

(iv) Meetings were also held by the Chairman of the High Level Committee with Secretaries and Heads of Departments of various departments to deliberate upon devolution of further powers of rural Local Bodies on 11.10.2007 and 12.10.2007.

The Committee presented its report to the Hon'ble Chief Minister on 10.12.2007 and submitted a total of 99 recommendations categorized under 39 subjects. The important recommendations of the third High Level Committee are highlighted below:

- Grama Sabha to act as a forum of Social Audit for all the schemes implemented by various Departments.
- Approval of the list of all individual beneficiary schemes to be done by Grama Sabha.
- Conversion of multi-member wards into single member wards in all the Village Panchayats as is there in the case of the Panchayat Unions and District Panchayats.
- Stability of tenure of rural and urban Local Body representatives by making the moving and passing of No Confidence Motions more stringent.
- Designating November 1st of every year as the "Local Bodies Day".
- Empowering weaker Village Panchayats by enhancing their State Finance Commission grants and allocating the entire Central Finance Commission grants to Village Panchayats so as to enable them to meet the expenditure relating to water supply, electricity charges and sanitation.
- Pooling of assigned revenues of Local Cess, Local Cess Surcharge, and Surcharge on Stamp Duty and Entertainment tax at State Level and apportioning it to the districts thereafter.
- Giving Panchayat Raj Institutions greater operational independence by enhancing administrative sanction powers of Village Panchayats, Panchayat Unions and District Panchayats for works taken out of their General Funds.
- Rationalisation of Village Panchayat Accounts.

- Issue of Identity Cards to the Heads of three tiers of Panchayat and for the Members of Panchayat Unions and District Panchayats.
- Making BDOs (Village Panchayats) as separate Pay Drawing Officers.
- Provision of Telephone facility to all Village Panchayats.
- Provision of Wireless to Panchayat Unions.
- Vehicles for Panchayat Raj Institutions and key functionaries of Rural Development Department.
- Revival of Namakku Naame Thittam.
- Formulation of Panchayat Union School Renovation Programme.
- Setting up of Libraries and Sports Centres in all Panchayats under AGAMT.
- Designating Village Panchayats as 'Village Level Committee' for selecting the beneficiaries and implementing the schemes of various other departments at Village level.

It is important to note that 61 recommendations have already been accepted by the Government and necessary orders issued.

State Finance Commissions

As per the provisions of the 73rd Constitutional Amendment, Tamil Nadu was one of the first States to establish the State Finance Commission vide G.O.Ms.No.350 Finance Department dated 23.04.1994. So far, three State Finance Commissions have been constituted for devolution of funds to the Local Bodies.

First State Finance Commission

The first State Finance Commission was constituted for the period from 1997-1998 to 2001-2002. The key recommendations of the State Finance Commission are given in the below:

- The devolution of funds for Local Bodies should be gradually increased from 8% to 12% of the States' Own Tax Revenue during the Commission's Award period.
- The vertical sharing of devolution between rural Local Bodies and urban Local Bodies should be in the ratio of 60:40 respectively.
- After allocating a lump sum grant (Block grant) to meet the actual needs of the District Panchayats, the balance amount out of rural pool should be allocated amongst Panchayat Unions and Village Panchayats in the ratio of 50:50.
- 90% of the total realization of Entertainment Tax should go the Local Bodies concerned.
- The collection of cable TV tax may be done by the Government and the entire amount be given to the Local Bodies after retaining collection charges.

- The Local Cess Surcharge should be credited to the General Fund of the Panchayat Unions. This need not be remitted to the Panchayat Unions "Education Fund Account" and the maintenance of school buildings be done through the General Funds of Panchayat Unions.
- The House Tax may be calculated on 'Plinth Area or Rental Value basis'.

The Government in G.O.(Ms) No. 225, Finance (Revenue Resources) Department, dated: 2.5.97, ordered the sharing of the State Finance Commission Grant between rural and urban Local Bodies in the ratio of 55:45 and the rural share of 55% was apportioned among the Village Panchayats, Panchayat Unions and District Panchayats in the ratio 45:45:10 respectively.

Second State Finance Commission

The second State Finance Commission was constituted for the period from 2002-2003 to 2006-2007. The key recommendations of Second State Finance Commission are given below:

- The devolution of funds for Local Bodies shall gradually increase from 8% to 10% from States' Own Tax Revenue during the Commission's Award period.
- The vertical sharing of devolution between Rural Local Bodies and Urban Local Bodies should be in ratio of 58:42 respectively.
- After allocating the salary requirements of District Panchayats, the balance funds should be distributed between Village Panchayats and Panchayat Unions in the ratio of 60:40 respectively.
- 13% of the devolution may be used for distinct purposes, such as 3% as Reserve Fund, 5% as Equalization Fund and 5% as Incentive Fund. The balance of 87% of devolution fund may be used for general purposes.
- The rule enabling postponement of general revision of House Tax should be deleted.
- Village Panchayats and Panchayat Unions be fully compensated for loss of Local Cess and Local Cess Surcharge whenever land revenue is waived or ordered for remission.
- An amount of Rs.600/- per Hand Pump and Rs. 7, 500/- per Power Pump be fixed as Operating and Maintenance cost eligible for Village Panchayats for Hand Pumps and Power Pumps respectively.
- Grama Sabha should approve all works taken up by Panchayat Unions, District Panchayats and DRDAs and all State and Centrally sponsored schemes in Village Panchayats.
- The Census figures of 2001 be adopted for all resource transfers to the rural Local Bodies.
- A grant of Rs.6 crores be given for various training needs of Panchayat Raj Institutions.
- The District Collector may be nominated as Co-Chairman instead of Vice-Chairman of District Planning Committee.

The Government passed orders vide G.O. (Ms). No. 284, Finance (FC IV) Department, dated 12.8.2002 for devolution of funds out of the rural Local Bodies' share to the District Panchayats, Panchayat Unions, and Village Panchayats in the ratio of 8:45:47.

Third State Finance Commission

The third State Finance Commission was commissioned for the period from 2007-2008 to 2011-2012. The key recommendations of Third State Finance Commission are given below:

- The devolution of funds for Local Bodies shall be 10% of the States' Own Tax Revenue.
- The vertical sharing of devolution between rural Local Bodies and urban Local Bodies should be in ratio of 58:42 respectively.
- The horizontal sharing of devolution among Panchayat Raj Institutions be in the ratio of 8:32:60 for District Panchayat, Panchayat Unions and Village Panchayats respectively.
- 3% from out of Village Panchayat share should be set apart as Incentive Fund for Village Panchayats.
- All educational institutions including State Government Owned and Government aided buildings, except Elementary Education Schools, should be subjected to levy of House Tax.
- The power to levy and collect Cable TV tax be vested with the Local Bodies.
- The tax collecting machinery in Village Panchayats should be strengthened by involving Makkal Nala Paniyalargal and also allocating work among the Village Panchayat Assistants who have been brought under time scale.
- Social Audit may be conducted in Village Panchayats using the Grama Sabha as the forum for the above.
- The issuance of birth and death certificates be entrusted with the Village Panchayats.

The Government of Tamil Nadu have ordered Vide G.O.(Ms). No. 199, Finance (FC IV) Department, dated 25.5.2007 that the devolution of funds to the Local Bodies from the States' Own Tax Revenue for the year 2007-08 will be at 9%. This will gradually be raised to the optimum level during the award period. The ratio of the shares of rural and urban Local Bodies will continue to be 58:42. Since Village Panchayats are entrusted with most of the basic functions such as maintenance of village roads and streets, drinking water supply, sanitation, street lights and solid waste management and they are the largest in number (12,618), the allocation for the rural Local Bodies will be in the ratio of 60:32:8 among Village Panchayats, Panchayat Union Councils and District Panchayats.

Fourth State Finance Commission

The Government have, vide G.O.Ms.No.549, Finance (Finance Commission-IV) Department, dated 01.12.2009, constituted Fourth State Finance Commission to review the financial position of the rural and urban local bodies namely Village Panchayats, Panchayat Union Councils, District Panchayats, Town Panchayats, Municipalities and Municipal Corporations. The Commission has the mandate to make recommendations as to – (a) the principles which should govern –

(i) the distribution between the State and the said local bodies of the net proceeds of the taxes, duties, tolls and fees leviable by the Government which may be divided between them and the allocation between the said local bodies of their respective shares of such proceeds;

(ii) the determination of taxes, duties, tolls and fees which may be assigned to or appropriated by the said local bodies; (iii) the grants-in-aid to the said local bodies from the Consolidated Fund of the State.

(b) the measures needed to improve the financial position of the local bodies and to suggest possible new avenues for tapping resources in rural and urban local bodies keeping in mind the local body tax structure in other States. In reviewing the financial position of the local bodies, the Commission has been asked to assess the financial position of the local bodies as on 31st March, 2010. The Commission has been asked to make its report available by 31st May, 2011 covering the period of five years commencing on 1st April 2012.

Fifth State Finance Commission

The Government have, vide G.O.Ms. No. 84, Finance (Finance Commission-IV) Department, dated 31.03.2017, constituted Fifth State Finance Commission to review the financial position of the rural and urban local bodies namely Village Panchayats, Panchayat Union Councils, District Panchayats, Town Panchayats, Municipalities and Municipal Corporations. The Commission has the mandate to make recommendations as to – (a) the principles which should govern –

(i) the distribution between the State and the said local bodies of the net proceeds of the taxes, duties, tolls and fees leviable by the Government which may be divided between them and the allocation between the said local bodies of their respective shares of such proceeds;

(ii) the determination of taxes, duties, tolls and fees which may be assigned to or appropriated by the said local bodies; (iii) the grants-in-aid to the said local bodies from the Consolidated Fund of the State.

The Fifth State Finance Commission constituted by the State Government has given its report with the 49 recommendations in the month of December 2016 for the award period between 2017 and 2022.

The Government has accepted the recommendations of 5th State Finance Commission and accordingly, action taken report on the recommendations of the Fifth State Finance Commission was tabled in the Legislative Assembly on 24th March, 2017.

The following are the major recommendations for which orders are issued by the Government.

a) 10% of State's own Tax Revenue (SoTR) will be devolved to Rural and Urban Local Bodies.

b) Devolution grant will be shared in the ratio of 56:44 between Rural and Urban Local Bodies.

c) The vertical sharing ratio among three tiers of Rural Local Bodies shall be 8:37:55 for District Panchayats, Panchayat Unions and Village Panchayats.

d) Minimum lump sum Grant to the village Panchayats increased from Rs.5 Lakh to Rs.7 Lakh per year from the year 2017-18.

e) Minimum Lump sum Grant to Panchayat Unions increased to Rs.40 Lakhs per annum per Panchayat Union. 50%

f) Horizontal Distribution of SFC devolution to Rural Local Bodies will be done on the basis of the following formula: a) Population as per 2011 census: 60% b) Area: 15% c) SC/ST population: 15% d) Per capita consumption Expenditure Distance: 10%

g) Capital Grant Fund has been established to replace the infrastructure Gap Filling Fund, which aggregates 20% of the devolution intended for Rural Local Bodies.

h) Pooled Fund for Deficit Rural Local Bodies has been created with the aggregate 10 % of overall devolution intended for Rural Local Bodies. The Government has provided (Budget estimate) Rs. 6,573 Crore as grant to Rural Local Bodies for the year 2019-20.

Capital Grant Fund (CGF)

The 5th State Finance Commission has recommended for creation of Capital Grant Fund with the aggregate of 20 % of the overall devolution to Rural Local Bodies. Of this fund, 51 20% shall be set apart for taking up projects which are deemed to be of importance at the state level. These works shall be identified and approved by a committee comprising of the Secretary to Government, Rural Development and Panchayat Raj, Director of Rural Development, a representative of the Finance Department and Member secretary, State Planning Commission. The Balance 80% will be distributed district wise, based on the formula adopted for horizontal distribution among District Panchayats. The allocation of these funds project wise shall be decided by the District Planning Committee based on detailed guidelines to be issued by the RD & PR Department in consultation with Finance and Planning and Development Department.

Pooled Fund for Deficit Rural Local Bodies

A 10 % of the overall devolution intended for Rural Local Bodies be credited into a Pooled Fund for deficit RLBs. 40 % of the amount available in this fund, i.e. 4 percent of the overall devolution intended for RLBs, will be disbursed in the first three years of the award period by the Director of Rural Development & Panchayat Raj 52 only amongst those Panchayat Unions and Village Panchayats which have been in deficit for at least 3 of the last 5 years. 20% of the fund will be retained by DRD&PR and 20% distributed among the District Collectors based on the horizontal District Panchayat wise share. These funds will be utilized by DRD&PR to provide grant to those Village Panchayats and Panchayat Unions who have special problems which cannot be addressed under any of the existing transfer mechanism. 20% of the Pooled fund for deficit Rural Local Bodies will be provided to TWAD board to meet the deficit on Combined Water Supply Schemes. (CWSS)

Sixth State Finance Commission

The Government have, vide G.O.Ms. No. 60, Finance (Finance Commission-IV) Department, dated 28.02.2023, constituted Sixth State Finance Commission to review the financial position of the rural and urban local bodies namely Village Panchayats, Panchayat Union Councils, District Panchayats, Town Panchayats, Municipalities and Municipal Corporations. The Commission has the mandate to make recommendations as to – (a) the principles which should govern –

Sixth State Finance Commission
(2022-23 – 2027-28)

The Sixth SFC constituted in the year 2020 by the Government has submitted its recommendations, and most of the recommendations have been accepted by the Government.

Key recommendations of the Sixth SFC:

1. Award period of the Sixth SFC is 2022-23 to 2027-28.
2. Sixth SFC recommended devolving 10% of the State's own Tax Revenue to Local Bodies.
3. The vertical sharing ratio between Rural and Urban Local bodies will be 51:49.
4. The Government has also ordered to share the devolution grant among the District Panchayats, Panchayat Unions and Village Panchayats in the ratio of 6:39:55, respectively.
5. The Grant allocated to the three tiers will be devolved on the basis of the multiplier formula recommended by the Sixth State Finance Commission.
6. Sixth SFC has categorised the grants into two major heads as detailed below:
    1. Special Grant
    2. Devolution Grant.

Special Grant:

Special grants are granted to the department to carry out specific functions as per the recommendations in priority sectors. The special grants are further divided into Capital Grant Fund (CGF) and Operations, Maintenance and Deficit Grant Fund (OMDGF). The grants are earmarked at the State and District levels.

I. Capital Grant Fund:

As under the Fifth SFC, the Capital Grant fund is continued during the Sixth SFC award period too. The Capital Grant fund is further divided into State level and District level components. The State level component will be utilised for the following categories as per the Sixth SFC recommendations.

State Level – CGF

- Rural Infrastructure - Rs.660 crore
- ODR – Road Conversion - Rs.132 crore
- Regional Institute of Rural Development and Panchayat Raj - Rs.1 crore
- School maintenance - Rs.154 Crore.

District Level- CGF

- Capital Grant Fund at District level: Rs.200 crore

As per the recommendations of Sixth SFC, an amount of Rs.1147 crore has been allocated under the head of Capital Grant Fund for the year 2023-24.

II. Operation, Maintenance and Deficit Grant Fund (OMDGF):

The Operation, Maintenance and Deficit Grant Fund has replaced the Pooled Fund for Deficit RLBs. An amount of Rs.843.40 crore has been allocated for the year 2023-24 earmarked as below.

1. An amount of Rs.110 Crore has been earmarked to pay long-standing water charge dues to the TWAD Board.
2. An amount of Rs.220 Crore has been allocated to TANGEDCO to settle the arrears of electricity consumption charges.
3. An amount of Rs.308 Crore per annum allocated to be released to deficit RLBs as per the recommendations of the Sixth SFC
4. The Sixth State Finance Commission, for the second time, allocated an amount of Rs.69 Crore to Peri-Urban Panchayats and Rs.30 Crore to hill area Panchayats.
5. The Sixth SFC has recommended appropriating an amount of Rs.30.80 Crore as advance library cess to the Directorate of Libraries on behalf of Village Panchayats. The Village Panchayats, in turn, would collect the same from the rural households along with Property tax and utilise it.
6. An amount of Rs.5 Crore has been allocated to the Sanitary Worker's Welfare Board to undertake welfare activities of sanitary workers working in the Panchayats.
7. To ensure capacity building among the elected representatives and officers, an amount of Rs.60 Lakh has been allocated to Regional Institutes of Rural Development and Panchayat Raj.
8. Sixth SFC has allocated an amount of Rs.60 Crore for school improvement and Rs.10 Crore as a reward for the implementation of the Forests Rights Act in rural areas.

An amount of Rs.1990.40 crore has been allocated under the head of Special Grant for the year 2023-24.

Devolution Grant

The Devolution Grants are shared in the ratio of 6:39:55 among Three Tiers of Rural Local Bodies for District Panchayats, Panchayat Unions and Village Panchayats, respectively.

An amount of Rs.6217.59 crore has been allocated by the Government towards the devolution Grant for the year 2023-24.

Delimitation of Local Bodies

A large number of requests for upgradation, down gradation, bifurcation and amalgamation of rural and urban Local Bodies have been received by Government. Government have issued orders vide G.O. Ms No. 131, RD & PR (C1) Department, dated 16.3.2007 prescribing the procedure for the conduct of public hearings by Collectors/Heads of Departments before making their final recommendations to Government in response to such requests. It has been clarified to all the rural and urban Local Bodies that the terms of office of the present office bearers will not, in anyway, be affected.

The District Collectors have already conducted public hearings pertaining to the requests from various rural and urban Local Bodies. The Government will pass orders based on the recommendations of the Collectors and merits of each case.

Grama Sabha

The Grama Sabha is the grass root level democratic institution in each Village Panchayat. A vibrant Grama Sabha is essential for the effective functioning of Village Panchayats by promoting transparency and accountability in administration, enhancing public participation in the planning and implementation of schemes and in the choice of beneficiaries, and paving the way for social audit. The Government have ordered the conduct of Grama Sabha meetings a minimum of six times a year i.e. on 26th January, March 22nd, 1st May, 15th August, 2nd October and 1st November.

In order to streamline the procedure for the conduct of Grama Sabha, this Government brought out suitable amendments to the Tamil Nadu Grama Sabha (Quorum and Procedure for convening and conducting of meetings) Rules, 1998 vide G.O. Ms No. 130 RD & PR (C4) Department dated 25.9.2006 and specified that the Grama Sabha shall meet in each of the Village Panchayat wards by rotation. Since a quorum of 10% of the voters was unattainable and unwieldy for the bigger Village Panchayats, a reduced quorum based on the population of Village Panchayats has been prescribed.

No.	Population of a Village Panchayat	Quorum for the meeting
1	Up to 500	50
2	501-3,000	100
3	3,001-10,000	200
4	Above 10,000	300

It has also been specified that out of the quorum, at least 1/3rd shall be women and the number of SC/ST participants shall bear the same proportion to the quorum as the population of SCs / STs bears to the total population of the

Village Panchayat. Recording of Grama Sabha attendance and proceedings through proper registers and keeping photographic record have been made mandatory for the conduct of Grama Sabhas.

It has been decided to make the Grama Sabha a forum for the conduct of Social Audit of all schemes for the welfare of the people.

Village Panchayats

There are 12,525 Village Panchayats in the State spread across the 37 districts and the 388 Blocks. The average number of Village Panchayats per district is 338 and per Block is 32. The Nilgiris (35), Kanyakumari (95), Perambalur (121), Theni (130) and Karur (157) are some of the districts with fewer Village Panchayats while Tiruvannamalai (860), Villupuram (688), Cuddalore (683) and Thanjavur (589) and Thiruvallur (526) are some of the districts with a large number of Village Panchayats. As can be seen from Table 5, the population of Village Panchayats in Tamil Nadu is widely varying with some Village Panchayats having populations even below 500 while others have populations exceeding 25,000.

Classification of Village Panchayats on the basis of Population (2011 Census)

No.	Population	No. of Village Panchayats
1	Below 500	46
2	501-1,000	832
3	1,001-3,000	6,821
4	3,001-5,000	2,782
5	5001-10,000	1,754
6	Above 10,000	290
	Total	12,525

Among the three tiers, Village Panchayats assume a pre-eminent role in view of the wide variety of civic duties and other functions entrusted to them under Sections 110 and 111 of the Tamil Nadu Panchayats Act, 1994. This Government have always taken efforts to empower the Village Panchayats further in order to enable them to perform their functions in an effective manner. Various efforts have been taken by this Government to improve the finances of the Village Panchayats.

Since the Village Panchayats in Tamil Nadu vary widely in population from below 500 to above 25,000 and as the devolution of State Finance Commission grant is mostly linked to population, the smaller Village Panchayats got less grant and the bigger Village Panchayats got more. While the needs of the bigger Village Panchayats are also greater, it is a fact that there are certain fixed costs associated with the running of a Village Panchayat irrespective of the size and the SFC grant to a Village Panchayat should be sufficient to cover at least the fixed costs, if not the variable costs. There were cases where some Village Panchayats found it difficult to pay their electricity bills on time; a few couldn't pay the salaries and wages of their employees on time. The State Finance Commission recommended the earmarking of certain percentage of the SFC grant as 'Equalisation Fund' to assist such weaker Village Panchayats. But past experience showed that the allocation of the Equalisation Fund by Collectors was by discretion which introduced a certain element of arbitrariness.

The Government have thus passed G.O.Ms.No.199 Finance (Finance Commission – IV) Department dated 25.5.07 wherein a floor amount of Rs.3 lakhs has been earmarked for each Village Panchayat irrespective of the population and only after the apportionment of this amount, the remaining amount is distributed among the Village Panchayats in proportion to population. By virtue of this decision of the Government, the huge disparity in the income of the Village Panchayats has been reduced and at the same time weaker Village Panchayats have been empowered further towards self-sustainable.

It is, hence, seen that the average income levels have not only increased for majority of the Village Panchayats but also the inequity of the income levels amongst various Village Panchayats has decreased due to the steps taken by the Government.

Functions:

Sections 110 & 111 of the Tamil Nadu Panchayats Act, 1994 prescribe the duties and functions of Village Panchayats. Some of the important functions of a Village Panchayat are:

a) Construction, repair and maintenance of all village roads.

b) Extension of village sites and the regulation of buildings.

c) Lighting of public roads and public places in built-up areas.

d) Construction of drains.

e) Cleaning of streets and improvement of the sanitary condition of the village.

f) Construction and maintenance of public latrines.

g) Sinking and repairing of wells, the excavation, repair and maintenance of ponds or tanks and the construction and maintenance of water-works for the supply of water.

h) Maintenance of burial and burning grounds.

i) Maintenance of parks and reading rooms,

j) Implementation of schemes such as Indira Awaas Yojana (IAY) and National Rural Employment Guarantee Scheme (NREGS).

k) Such other duties as the Government may, by notification, impose.

Resources

The important sources of revenue for the Village Panchayat are:

a) Tax revenue:

Among the three tiers, the Village Panchayat alone has the power to levy taxes. House tax, Profession tax and Advertisement tax are the commonly levied taxes.

b) Non Tax revenue:

Licensing fees for building plan and layout approval, fees and charges on Dangerous & Offensive trades, water charges, fees on cart-stands, fishery rentals, 2C Patta fees, income from markets and fairs, ferries, fines and penalties and so on.

c) Assigned and shared revenues:

These revenues include the items pooled at the State level (Local Cess, Local Cess Surcharge, Surcharge on Stamp duty and Entertainment Tax) which are released by the Director of Rural Development and Panchayat Raj to all the three tiers of the Panchayats including the Village Panchayats. Other items of Assigned and shared revenues for the Village Panchayats include the seignior age fees (100%) and lease amount (50% share) on minor minerals and social forestry auctions amount.

d) Grants:

Central Finance Commission Grant, State Finance Commission Grant, development grants under Centrally-sponsored and State schemes.

Administrative powers

The Village Panchayat President himself has been designated as the Executive Authority. Cheques for payment have to be signed jointly by the President and Vice-President. Where the relationship between the two is not cordial, the Collector, in his capacity as Inspector of Panchayats, can designate any other member of the Village Panchayat as joint cheque signing authority along with the President.

The Government have brought out Tamil Nadu Panchayats (Preparation of Plan and Estimates for works and Mode and Conditions of works) Rules, 2007 vide G.O.Ms.No.203 R.D. & P.R. (PR.1) Department, dated 20.12.2007, wherein the Village Panchayats have been empowered to give administrative sanction and execute individual works up to Rs.2 lakhs from their General Funds. Previously the Village Panchayats were empowered to give administrative sanction for works up to Rs.1 lakh only. For all works costing more than Rs.2 lakhs but not more than Rs.50 lakhs, the District Collector is the competent authority to give the administrative sanction and for works costing more than Rs.50 lakhs, the Director of Rural Development and Panchayat Raj will be competent to accord administrative sanction.

The Government have brought out Tamil Nadu Panchayats (Preparation of Plan and Estimates for works and Mode and Conditions of works) Rules, 2007 vide G.O.Ms.No.131 R.D. & P.R. (PR.1(1)) Department, dated 06.12.2022, wherein the Village Panchayats have been empowered to give administrative sanction and execute individual works up to Rs.5 lakhs from their General Funds. Previously the Village Panchayats were empowered to give administrative sanction for works up to Rs. 2 Lakh only. For all works costing more than Rs.5 lakhs but not more than Rs.50 lakhs, the District Collector is the competent authority to give the administrative sanction and for works costing more than Rs.50 lakhs, the Director of Rural Development and Panchayat Raj will be competent to accord administrative sanction.

However, the Collector's prior administrative sanction is necessary in respect of all Centrally sponsored and State funded schemes. Village Panchayats have also been given freedom to execute urgent works up to Rs. 2,000 at a time and up to Rs. 5,000 for a year without any technical approval. The President can draw self-cheque up to Rs. 500 to meet contingent expenditures.

The Village Panchayats have been given necessary delegation of powers to enable them to attend to repairs and maintenance of hand pumps, power pumps and street lights promptly. They can spend Rs.600 per hand pump per year and up to Rs. 7,500 per power pump per year without reference to engineers for preparation of estimates or passing of bills. They can buy street light materials meeting the prescribed quality norms on their own.

Rationalisation of Village Panchayat Accounts

The Government vide G.O.Ms.No.92 Rural Development Department dated 26.3.97 had issued orders for rationalization of Village Panchayat Accounts and the procedure for operation of the Accounts. This was a great step forward in empowering Village Panchayats since it gave freedom to the President and Vice President to operate the various Accounts of a Village Panchayat free from pre-scrutiny by Block officials as was the earlier practice in which the Village Panchayat Consolidated Fund was maintained and operated in the Block office. However, certain weaknesses were noticed in this new system of maintenance of Village Panchayat Accounts. Several instances of the State Finance Commission Grant and Central Finance Commission Grant released to the Village Panchayats' Earmarked Grants Accounts being used for less important purposes and not for payment of dues relating to electricity and water charges came to the notice of the Government. Due to this practice, in order to avoid diversion of funds meant for current consumption charges and water supply maintenance, the District Collectors were directed to deduct the charges payable to TNEB and TWAD Board at the district level before releasing money to the Village Panchayats. However, this resulted in the following two anomalies:

a. TNEB issued wrong/duplicate bills in some instances which did not get deducted since payment was made at district level without proper check by the Village Panchayat Presidents concerned.

b. The Panchayat Presidents did not evince interest in ways and means of reducing power consumption as they never paid the electricity/water bills of their own.

Several instances also came to notice, wherein Village Panchayat Presidents and Vice-Presidents issued cheques for Scheme funds works/National Rural Employment Guarantee Scheme works without the works same being measured and check-measured and bills being passed by the Block Development Officer (Village Panchayats) concerned. The number of instances of unauthorized drawls was greater on the eve of Local Body elections. Therefore, the Government issued G.O. Ms.No.146 Rural Development and Panchayat Raj Department dt.17.8.2007 by further rationalizing the Village Panchayat Accounts and streamlining the procedures for operation of the Accounts so as to

a. Empower the Village Panchayat Presidents to pay the TNEB and TWAD Board dues from the funds at their disposal and at the same time prevent them from diverting these funds for less important purposes.

b. Prevent unauthorized drawls of money from scheme fund/NREGS fund Accounts without authorization of Block Development Officer(VP) concerned.

TNEB Issues

Maintenance of street lights and water supply are the two major functions of the Village Panchayats. Approximately, 70% of the income of the Village Panchayats used to be spent on payment of electricity charges. It was brought to the notice of the Government that in many cases, TNEB raised the bills on Village Panchayats on commercial rates without proper meter reading and levied 12% interest on the dues pending for more than 45 days. Undue delays were also noticed in obtaining estimation for installation of new street lights from TNEB authorities. The Government implemented a series of measures to settle some of these long term problems persisting between TNEB and the Village Panchayats.

The Government have, vide G.O.Ms.No.95 Energy (D2) Department, dated 12.10.2007 reduced the tariff of the EB service connection utilized for public lighting and water supply connection by Village Panchayats from Rs.3.40 per unit to Rs.3 per unit. The Government have also vide G.O.Ms.No.111 R.D. & P.R. Dept. dt.26.6.2007 announced a uniform rate per pole of Rs. 9,500/- for installation of new street lights by Village Panchayats. The period of payment for EB charges has been raised from 20 days to 60 days for the Village Panchayats, and the interest rate payable by the Village Panchayats for payments beyond 60 days has been reduced from 12% to 6%. The surcharge of Rs.18.46 crores prior to 13.3.2007 has been written off.

Based on the Government's direction, TNEB has taken steps to provide electricity meters to all those service connections of Village Panchayats which didn't have meters, besides replacing defective meters. Meter cards have been provided to all service connections in rural areas and TNEB has been asked to raise bills based only on the initial and final readings of the meters. Steps have also been taken to pay up all the arrears due from Village Panchayats to TNEB. Where the arrears have been cleared, an entry that "No arrears are due pertaining to this service connection as on ......" has been directed to be made on the meter cards in order to enable the Village Panchayats to start with a clean slate in future.

Panchayat Union Council

At the intermediate level, there are 388 Panchayat Unions (Blocks) in the State. The average number of Panchayat Unions per district is 13. The Nilgiris (4), Perambalur (4) has the lowest number of Panchayat Unions while Salem (20) has the highest.

Functions and Powers

Section 112 of the Tamil Nadu Panchayats Act, 1994 prescribes various powers and functions of Panchayat Union Councils. Some of the important functions of a Panchayat Union Council are:

a) Construction, repair and maintenance of all Panchayat union roads.

b) Construction of water works for the supply of water for drinking, washing and bathing purposes.

c) Construction and maintenance of elementary and middle schools.

d) Control of fairs and festivals under the control of the Panchayat Union.

e) Opening and maintenance of Panchayat Union public markets.

f) Implementing various Centrally sponsored and State schemes.

g) Preventive and remedial measures connected with any epidemic or with malaria.

Resources

Panchayat Unions cannot levy any tax. The revenues of a Panchayat Union consist of the following:

a) Non tax revenues:

License fees, market fees, receipt from rentals and properties, fines and penalties.

b) Assigned and shared revenues:

The Pooled Assigned Revenue component of Local Cess, Local Cess Surcharge, Surcharge on Stamp Duty and Entertainment Tax is proportionately distributed to the Panchayat Unions based on the State Finance Commission Grants formula. Lease amount of mines and minerals (50% share) comes individually to the Panchayat Unions concerned and is adjusted at the district level itself.

c) Grants:

State Finance Commission Grants, development grants under Centrally sponsored schemes and State schemes, grants for maternity centres, rural dispensaries.

By virtue of enactment of the Tamil Nadu Panchayats (Preparation of Plan and Estimates for works and Mode and Conditions of works) Rules, 2007 vide G.O.Ms.No.203 R.D. & P.R. Dept. dt. 20.12.2007, the Panchayat Union Councils have been empowered to give administrative sanction and execute individual works up to Rs.10 lakhs from their General Funds without any external approval. Earlier the Panchayat Unions were empowered to sanction funds up to Rs.5 lakhs only. For all works costing more than Rs.10 lakhs but not more than Rs.50 lakhs, the District Collector is the competent authority to give the administrative sanction and for works costing more than Rs.50 lakhs, the Director of Rural Development and Panchayat Raj will be competent to accord administrative sanction. However, for Centrally sponsored and State funded schemes, prior administrative sanction of the District Collector is necessary.

By virtue of enactment of the Tamil Nadu Panchayats (Preparation of Plan and Estimates for works and Mode and Conditions of works) Rules, 2007 vide G.O.Ms.No.131 R.D. & P.R. (PR.1(1)) Department, dated 06.12.2022, the Panchayat Union Councils have been empowered to give administrative sanction and execute individual works up to Rs.25 lakhs from their General Funds without any external approval. Earlier the Panchayat Unions were empowered to sanction funds up to Rs.10 lakhs only. For all works costing more than Rs.25 lakhs but not more than Rs.50 lakhs, the District Collector is the competent authority to give the administrative sanction and for works costing more than Rs.50 lakhs, the Director of Rural Development and Panchayat Raj will be competent to accord administrative sanction.

District Panchayats

There are 36 District Panchayats in the State.

Functions

The functions of the District Panchayats are mainly advisory in nature such as:

a) Preparation of development plan for the district.

b) Compilation of administration reports of Village Panchayats and Panchayat Union Councils of the district and preparation of Annual Report for the District.

c) Planning and review of Agriculture, Land Development, Animal Husbandry, Dairy, Poultry, Fisheries and Rural Industries etc.

d) Planning and review of rural housing programmes particularly housing for SC/STs.

e) Identification of major water supply schemes.

Resources

The District Panchayat has no taxation powers. Its only source of revenue is from statutory grants like State Finance Commission Grant and development grants under Centrally sponsored schemes.

By virtue of enactment of the Tamil Nadu Panchayats (Preparation of Plan and Estimates for works and Mode and Conditions of works) Rules, 2007 vide G.O.Ms.No.203 R.D. & P.R. Dept. dated 20.12.2007, the District Panchayats have been empowered to give administrative sanction and execute individual works up to Rs.20 lakhs from their General Funds without any external approval. Earlier the District Panchayats were empowered to sanction funds up to Rs.10 lakhs only. For all works costing more than Rs.20 lakhs but not more than Rs.50 lakhs, the District Collector is the competent authority to give the administrative sanction and for works costing more than Rs.50 lakhs, the Director of Rural Development and Panchayat Raj will be competent to accord administrative sanction. However, for

Centrally sponsored and State funded schemes, prior administrative sanction of the District Collector is necessary.

By virtue of enactment of the Tamil Nadu Panchayats (Preparation of Plan and Estimates for works and Mode and Conditions of works) Rules, 2007 vide G.O.Ms.No.131 R.D. & P.R. (PR.1(1)) Department, dated 06.12.2022, the District Panchayats have been empowered to give administrative sanction and execute individual works up to Rs.50 lakhs from their General Funds without any external approval. Earlier the District Panchayats were empowered to sanction funds up to Rs.20 lakhs only. For all works costing more than Rs. 50 lakhs but not more than Rs. 1 Crore, the District Collector is the competent authority to give the administrative sanction and for works costing more than Rs.1 Crore the Director of Rural Development and Panchayat Raj will be competent to accord administrative sanction.

Pooling of Assigned Revenues

The major sources of assigned/shared revenues to the rural Local Bodies are Local Cess, Local Cess Surcharge, Surcharge on Stamp duty, Entertainment tax, seigniorage fee and lease amount of mines and minerals, and sale proceeds of Social Forestry plantations. The total receipts to rural Local Bodies under these heads in a year is about Rs.250-300 crores. The Local Cess is equal to the land revenue collected and till 2006-07, was credited to the Village Panchayats. The Local cess surcharge is between five and ten times the land revenue collected and till 2006-07, was credited to the Panchayat Unions. The surcharge on stamp duty is pooled at the Block level and apportioned among the Village Panchayats in the Block in proportion to their land revenue collection. The entertainment tax is used to be shared between the Village Panchayats and Panchayat Union in the ratio 70:30, after deducting 10% towards collection expenses. The seigniorage fee on minor minerals is credited to the Village Panchayats concerned while in the case of the lease amount, 50% is credited to the Panchayat Union and 50% to the Village Panchayats concerned. In the case of social forestry auction amounts, 60% of the gross proceeds will go to the Village Panchayats concerned and 40% will be retained by Forest department.

It was observed that there is considerable delay in adjusting the various assigned/shared revenues to the Village Panchayats and Panchayat Unions and the paper work involved is disproportionate to the amounts involved. There was considerable inequity in the distribution of what are essentially Government revenues.

In order to overcome the delays in adjusting the various assigned/shared revenues to the Village Panchayats and Panchayat Unions and reduce the disproportionate paper work involved and inequities in the distribution, the Government have vide G.O.Ms.No.168 R.D. & P.R. Dept. dt.4.10.2007 ordered for the pooling of the Assigned Revenues due to the rural Local Bodies from the proceedings of the Local Cess, Local Cess Surcharge, Surcharge on Stamp Duty, and Entertainment Tax at the State level and apportionment of the above revenues to the rural Local Bodies thereafter. The above Pooling of Assigned Revenue has facilitated quick and easy disbursement of these revenues and is also equitable.

State Finance Commission Grant

To augment the resources of the Local Bodies, financial devolution to the Local Bodies is made on the basis of recommendations of the State Finance Commission (SFC).

Based on the recommendations of Third State Finance Commission, a higher share of State's own tax revenues for the rural and urban Local Bodies beginning with 9% (it being 8% till 2006-07) has been allocated for the year 2007-08. In 2007-08, Government had allocated Rs. 1,583.59 crores as the State Finance Commission grant for the rural Local Bodies. The percentage of devolution will be progressively increased to 10% within the award period of the Third State Finance Commission (2007-08 to 2011-12). The ratio of the shares of rural and urban Local Bodies will be 58:42 as before. Since Village Panchayats are entrusted with most of the basic functions such as maintenance of village roads and streets, drinking water supply, street lights, sanitation and solid waste management and they are also the largest in number (12,618), the allocation for the rural Local Bodies is shared in the ratio 60:32:8 among Village Panchayats, Panchayat Union Councils and the District Panchayats from the year 2007-08 onwards. These policy changes are expected to greatly improve the delivery of services at the grass roots level.

Central Finance Commission Grant

On the basis of the recommendations of the Twelfth Finance Commission (TFC), the Government of India have allotted a sum of Rs. 870 crores for the 5-year period from 2005-06 to 2009-10.

For 2007-08, this Government decided that the entire Twelfth Finance Commission Grant should be allocated only to Village Panchayats on the basis of population. The grants should be utilised by the Village Panchayats entirely for the operation and maintenance cost of water supply, street lighting and sanitation. On the basis of the recommendations of the Thirteenth Finance Commission status are eligible to draw two types of grant. 1. Basic Grant (from the year 2010 – 11), 2. General performance grant (from the year 2011-12). The Government of India have allocated a sum of Rs.143.55 crores as Basic grant (1st Instalment) of 13th Finance Commission for 2010-11. The grant should be utilized by the Village Panchayats.

Local Bodies' Day

The rural and urban Local Bodies are perhaps the agencies with the maximum public interface. There is need to further strengthen this interface and bring about greater transparency and openness in the functioning of Local Bodies. At the same time, it is also necessary to highlight their achievements and carry out the various information, education and communication campaigns relating to civic administration or implementation of schemes. One method of doing this is to designate a particular day in a calendar year as 'Local Bodies Day'. The Government have issued G.O.No.632, RD & PR(C1) Department, dated 26.10.2007 earmarking November 1 as 'Local Bodies' Day' to be celebrated by all rural and urban Local Bodies in Tamil Nadu every year. Tamil Nadu is the first State in the country to do this.

Stability in Tenure of Local Body Representatives:

The Government felt that frequent moving of no-confidence motions on trivial and unjustifiable grounds affected the continuity in planning and implementation of works in rural Local Bodies and are detrimental to public interest. In order to make the provisions for moving and passing the no-confidence motion more stringent, the Government have amended relevant provisions of the Tamil Nadu Panchayats Act, 1994, wherein the minimum strength required for issuance of motion of no confidence against the Vice-President of the Village Panchayat or the Chairperson or the Vice-Chairperson of the Panchayat Union or the District Panchayat concerned has been increased from the existing half of the sanctioned strength to three-fifth and the minimum strength required for carrying the motion has been increased from the existing two-third to four-fifth of the strength of the local body concerned. Also it has been stipulated that no motion of any confidence can be brought within one year of the assumption of the office or during the last year of the term of office of the Vice-President of the Village Panchayat or the Chairperson, Vice-Chairperson of the Panchayat Union or the District Panchayat concerned.