
Part IV

STREAMLINING THE DELIVERY SYSTEM

CHAPTER 1 : ORGANISATION

The State Finance Commission recommends that:

1. a minimum population of 2,500 may be adopted for the constitution of a Village Panchayat. This will be for the future and will not affect the existing Village Panchayats. [para 4.1.10]

2. when Two or more Village Panchayats desire for merger, a suitable financial incentive may be allowed by the Government to such Village Panchayats. [para 4.1.10]

3. the existing 53 Village Panchayats having a population of less than 500 may be considered for amalgamation with the nearby Village Panchayats in due course. [para 4.1.10]

4. the Village Panchayats may be classified into the following 3 grades according to average annual income for the last 5 years (including non-statutory and development grants).

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|--------------|---|---|------------------------------------|
| i) Grade III | - | " | upto Rs.50,000/- |
| ii) Grade II | - | " | From Rs. 50,001/- to Rs.1,00,000/- |
| iii) Grade I | - | " | Above Rs.1,00,000/-. |

The annual income range may be reviewed periodically and revised range may be fixed by the Government. [para 4.1.10]

5. the Village Panchayats may be reconstituted once every five years before each ordinary election to Panchayats making minor alterations in the jurisdiction, ward divisions etc., if required. [para 4.1.10]

6. during bifurcation or trifurcation or reconstitution of Panchayat Unions, the population of the individual Panchayat Unions (as per latest census) must be between 60,000 and 75,000 subject to contiguity. The Commission also recommends that for the purpose of administrative convenience, effective supervision and monitoring the implementation of development programmes, the size of the Panchayat Unions in terms of the area should be compact for the easy coverage of all the villages in a shorter period. The Panchayat Unions may be reconstituted once every 5 years making alterations in its jurisdiction wherever necessary. [para 4.1.15]

7. the norms of per capita Land Revenue may be revised as given in para 4.1.22. The principle may continue to be adopted as the basis for the classification/reclassification of Panchayat Unions. [para 4.1.23]

8. the details of classification of each Panchayat Union into any of these 6 categories can be worked out in consultation with District Collectors/Director of Rural Development based on the norms given in para 4.1.22. [Para 4.1.23]

9. the norms for upgradation of Village Panchayats into Town Panchayats may be fixed as indicated below: [para 4.1.33]

- i. Population not less than 15,000;
- ii. Average annual income of not less than Rs.10 Lakhs (excluding loans, lapsed deposits, house tax matching grant, non-statutory and development grants.)
- iii. Reasonable percentage of employment in non-agricultural activities.

10. out of 420 Town Panchayats rural in character as mentioned in para 4.1.26 which have a population of less than 10,000 according to 1991 census, 92 have an annual income of less than Rs.5 Lakhs. Amongst 235 Town Panchayats, urban in character, 6 have an annual income of less than 5 lakhs. The Commission feels that these 98 Town Panchayats (92+6) may be specially considered for improving their finances; or they may be classified into Village Panchayats duly consulting the Director of Town Panchayats. Otherwise, special financial packages both for improving basic services and for maintenance will have to be provided for in these cases. (Appendix No.103) [para 4.1.34]

11. after considering the cost escalation, the level of basic services to be extended and the minimum staff to be appointed, the following criteria of population and annual income may be followed for the gradation of Town Panchayats, while the existing institutions are allowed to continue in the respective grades: [para 4.1.36]

GRADE	PROPOSED CRITERIA	
	Population	Average annual Income for the last 3 years
II	Upto 10,000	Exceeding Rs.10 lakhs
I	Exceeding 10,000 & below 15,000	Exceeding Rs.15 lakhs
Selection Grade	Exceeding 15,000 & below 20,000	Exceeding Rs.20 lakhs
Special Grade	20,000 and above	Exceeding Rs.50 lakhs

NB: Loans, lapsed deposits, non-statutory and development grants shall be excluded in arriving at the average annual income.

12. the following minimum norms may be fixed for upgrading a Town Panchayat into Municipality/constitution of an area into Municipality. [para 4.1.41]

- (i) should be urban in character and should satisfy the census norms of density of population and that 75% of the male working force are engaged in non-agricultural activities;

(ii) minimum Population of 30,000; and

(iii) an average annual income (based on last 3 years) exceeding Rs.50 Lakhs, excluding non statutory and development grants, loans and lapsed deposits.

13. the following may be the revised norms for the classification/re-classification of Municipalities (loans, lapsed deposits non-statutory and development grants be excluded for computing the average annual income.) [para 4.1.45]

MUNICIPALITY GRADE	NORMS Average Annual Income based on last 3 years Rs.
II	Exceeding 50 Lakhs
I	Exceeding 100 Lakhs
Selection Grade	Exceeding 200 Lakhs
Special Grade	Exceeding 500 Lakhs

N.B.: Occasions for constituting a new Municipality of Grade III out of an existing urban area are apparently not very bright and so Municipalities of Grade III have not been considered.

14. the criteria for the constitution of a Municipal Corporation or upgrading a Municipality into a Municipal Corporation in future may be: [para 4.1.48]

(i) Minimum population of 10 lakhs; and

(ii) Average annual income of Rs.50 crores.

CHAPTER 2 : FUNCTIONS OF LOCAL BODIES

15. the existing functions of Local Bodies including the functions proposed for devolution under IVth, X th and XI th Schedules of the Tamil Nadu Panchayats Act 1994, Tamil Nadu District Municipalities (Amendment) Act 1994 and City Municipal Corporations Acts respectively, are by and large sufficient for the effective functioning of the Local Bodies. Provision and maintenance of drinking water supply sources may be added as an obligatory function of the Village Panchayats as was in the earlier Panchayat Acts. [para 4.2.14]

CHAPTER 3 : DEVOLUTION OF FUNCTIONS

16. though the 29 items and 18 items have been adopted in the State Acts for devolution to Panchayati Raj Institutions and Municipal Bodies respectively the items have not been defined clearly for each tier. With a view to clearly demarcate the items to each tier, the State Finance Commission has initiated action and held discussions with the concerned 17 State Government Departments' Secretaries and their Heads of Departments. For initial devolution, items have

been finalised on mutually agreed terms and a model package furnished to the Secretaries to Government concerned for issue of early Government orders. The consensus by and large was that devolution should be gradual and in phases. The devolution of functions should be accompanied with concomitant funds and functionaries. The details are given in Appendices No.104 & 105. These packages may be adopted. [para 4.3.14]

CHAPTER 4 : STAFFING PATTERN

17. There is a need for the Re-organization of the structure in the local bodies, particularly Rural, since the present pattern was created at the time of entrusting the CD programmes to the Panchayat Unions. Recognising this, Government have agreed to constitute a Task Force at the behest of Anna Institute of Management, Chennai. However, considering the sensitive nature of recommendations in this regard and the fact that this is being deliberated-upon at the Government level, State Finance Commission has consciously decided to be silent on these recommendations of the Task Force, leaving it to the Government to pursue the Task Force Report, if deemed necessary. [Para 4.4.04]

18. with regard to daily cores of street cleaning, scavenging etc., in Village Panchayats the work may be considered for privatization on lumpsum contracts and no separate staff need be posted, for the Village Panchayats. [Para 4.4.04]

19. In respect of combined water supply schemes, covering a number of settlements, viz., Village Panchayats, Town Panchayats and Municipalities, the maintenance may be best left to the care of the Tamil Nadu Water Supply and Drainage Board. In respect of water supply schemes, other than combined water supply schemes, which are individually catering to each Village Panchayat, the maintenance may best be left to the Village Panchayat who can seek if required the assistance of the local voluntary groups in each habitation, suitably trained for this purpose. I [para 4.4.04]

20. with the increasing amount of works taken up in various Local Bodies' schemes or otherwise, there is a growing need for the creation/strengthening the engineering cell particularly for the Panchayat Unions and for the Town Panchayats. The Government may examine the need with relation to the works taken up annually in the Local Bodies. [Para 4.4.07]

21. in respect of special schemes like Centrally assisted Integrated Development Programme of Small and Medium Towns, State aided Integrated Urban Development Project, Municipal Urban Development Fund, Water Supply Schemes, cost of project staff, whether recruited temporarily or existing staff should be built into the project and form an integral part of the overall project cost. [para 4.4.10]

CHAPTER 5 : HUMAN RESOURCE DEVELOPMENT AND TRAINING

22. an integrated training package of inductional, functional and managerial training shall be imparted to officials and non-official elected representatives involved with functions and responsibilities of local bodies. [para 4.5.16]

23. the Anna Institute of Management, Chennai being an apex body having expertise in the field of Human Resource Development will be retained as a consultant to assess the training needs of various sectors, levels and functions involved in Local Government Structure and in Line Department/Agencies structures and to give a Comprehensive Training Plan. [para 4.5.16]

24. the Anna Institute of Management and the State Institute of Rural Development (SIRD) and the Institute of Urban studies, Coimbatore will take up training of trainers as well as selectively, impart training to certain categories of officers from both Local Governments and Line Agencies/ Departments in the aspects of "Financial Management of Local Bodies" and " Management of Services by Local Bodies". [para 4.5.16]

25. it will be necessary to utilize the training modules already developed by the National Institute of Rural Development, Hyderabad to train trainers in Panchayati Raj Systems and National Institute of Urban Affairs, New Delhi for Urban Local Bodies. As the whole exercise is people oriented, extensive utilization of Non-Governmental Agencies should be taken up. Agencies like Madras Institute of Development Studies, Chennai, UNICEF, Gandhigram Rural Institute (Deemed University), Institute for Financial Management and Research, Chennai, Madras School of Economics, Chennai, N.I.P.F.P., New Delhi, All India Institute of Local self Government, Mumbai, MYRADA, C.P.R. Environmental Education Centre, Chennai, Sathiamoorthy Foundation Chennai, can be sources of expert resource persons to disseminate concepts and to bring about attitudinal transformation and such opportunities should be tapped regularly and fully. [para 4.5.16]

26. in as much as all departments and undertakings of government have already been directed by government in G.O.Ms.No.239 Personnel and Administrative reforms Department (Trg.III) dated 17.7.95 to allocate upto 0.5 percent of their salaries expenditure annually as their training budget, local body institutions like Panchayat Unions, District Panchayats, Town Panchayats, Municipalities and Municipal Corporations may be requested to contribute not less than 0.5 percent of their annual salary expenditure to a training fund to be set up for this purpose for strengthening the Rural and Urban training centres and for the training programmes, under the overall management of the Director of Rural Development/Director of Municipal Administration/ Director of Town Panchayats. Funds set apart for training components under JVVT, UBSP, NRY, Prime Ministers Self Employment Programme, besides assistance from UNICEF, MUDF, TNUDF may also be accessed for funding the training programme. [para 4.5.16]

27. in all Departments including line agencies who have functional relationship with the Local Bodies, a compact training cell shall be set up in the office of the concerned Head of the Department at the state level by re-deploying the existing staff, where such a cell is not already functioning. This cell will take up this responsibility, assess the training needs, processing of deputation of officers to various institutions, review the progress, annually updating the curriculum with special reference to the training needs of the departments. [para 4.5.16]

28. considering that the number to be trained may be around one lakh, a crash programme of training be initiated immediately, due precedence in the programme be given to elected representatives; training programme for officials may also be commenced. [para 4.5.16]

29. the Training Cell to be set up for formulating the training programmes, should bear in mind that the training format for non-officials is essentially one so as to expose them to their rights and responsibilities in managing and administering the local self-government, in the light of powers and functions devolved on them consequent on the constitutional amendments. whereas the training format meant for officials besides exposing them to the new role they may have to play in the revised set up, where powers of Government vest with the elected representatives, could also comprise of inductional, functional and managerial programmes. **The main theme for all the training programmes shall be development of skills and attitudes for realization of local governance by people.** [para 4.5.16]

30. the training given to junior assistants and new entrants recruited through Tamil Nadu Public Service Commission and State Level selection Committees, in the Civil Services Training Institute, Bhavani Sagar, shall be a pre-service training and shall be before appointment, so that they join in their jobs, fully trained on the fundamentals of Governmental/local body administration. [para 4.5.16]

31. the functional training to be imparted will cover both new entrants and those who are already in service, but who have not undergone such training programme earlier, while new entrants will join the regular package of functional training module conducted periodically, a one time assessment of all the personnel in service who have not undergone such training programme shall be made and a crash programme be conducted to complete the training within a fixed time frame. Such functional training programme should have in its curriculum modules of administration and maintenance of accounts. Only when the staff are thorough with the provisions of the Acts, rules and regulations, utilization of funds will be proper, maintenance of accounts will be regular and benefit will reach the people fully on time. [para 4.5.16]

32. the infrastructure facilities in the existing Rural Extension Training Centres, State Institute of Rural Development, Marai Malai Nagar and the Institute of Urban Studies, Coimbatore are to be strengthened for meeting the training needs. The State Institute of Rural Development, and the Institute of Urban Studies, Coimbatore shall also undertake Research and Development (R & D) work in Rural and Urban Local Body affairs respectively. [para 4.5.16]

CHAPTER 6 : COMMUNITY PARTICIPATION IN LOCAL ADMINISTRATION

33. in all development programmes, the role of community is very crucial both for the success of the programme as well as for its sustainability, emphasizes that the community should not only participate in the planning, implementation, monitoring and evaluation of the programmes but to the extent possible should be partners in the cost sharing. The Non-Governmental Organisations (NGOs) are better suited to organize the community and evolve suitable structures for such participation by the community; therefore recommended that NGOs should be involved not only in the task of community organization but also in policy formation, monitoring and evaluation. [para 4.6.15]

34. Non-Governmental organizations which are community based, non-political and are constituted by the marginalised people and have a close and effective rapport with the people they work, may be given their due recognition and effectively utilized in planning, implementation and management of programmes at grassroots level in both urban and rural areas. [para 4.6.15]

35. a catalogue enlisting all Non-Governmental and community organizations involved in Local Body Administration, both in rural and urban areas, be prepared immediately for involving them in formulation of plans, implementation and monitoring local area programmes of action. Their representatives can participate in various committees that are constituted for formulation of the programmes and monitoring of its implementations. [para 4.6.15]

36. adoption of a bottom up approach to plan for urban poverty alleviation may be resorted for starting from the micro plans at the community level and develop them into the town/district/metropolitan plans as envisaged in the 74th constitutional amendment, and also develop a total city plan for the urban poor. [para 4.6.15]

37. NGOs and wherever possible, Organisations like Scout, N.S.S. can be involved for the proper maintenance of community infrastructure like water supply, roads, street lighting etc. [para 4.6.15]

38. in Schools and Colleges, in their curriculum, the need for proper maintenance of core civic services, involvement of the students and the people in this affair must be included. [para 4.6.15]

CHAPTER 7 : ADEQUACY OF POWERS OF LOCAL BODIES AND STREAM LINING THE PROCEDURES

39. where as it is generally agreed that there is need for greater decentralisation and delegation of financial powers to the Local Bodies, Government may in consultation with Heads of departments concerned build sufficient mechanism to safe-guard the public interest and the properties of the Local Bodies with special reference to Revenue Expenditure, Capital Expenditure and Receipts from Lease/Auction. [para 4.7.08]

40. the technical sanction power for works may be suitably enhanced, in respect of technical officers of the Rural and Urban Local Bodies, at various levels as given in Para 4.7.03 for ensuring quality and adhering to the stipulated time frame for their completion. [para 4.7.08]

41. all employment generation schemes be carried out as per procedure prevalent at present and the responsibilities may vest with the Panchayats who will be fully responsible for proper and timely execution of works. Similar powers may vest with Town Panchayats and Municipal Councils in respect of Employment generation programmes in the Town Panchayats and Municipal areas and they may be made fully accountable for them. [para 4.7.08]

42. tender procedures should not only be transparent for promoting healthy competition but should also aim at excellence in quality of works. In respect of works, where tender procedure

is adopted, along with tender notice, tender schedules may also be published with reference to type design (already prepared and made available) with instructions to type the schedule filling the rates and submit the sealed tender to overcome the difficulty at present experienced in obtaining tender schedules from the Local Body Offices. [para 4.7.08]

43. supplying tender documents on cost be dispensed with, as the cost involved is very nominal. [para 4.7.08]

44. Schedule of rates finalised by technical departments should display more transparency rather than secrecy and must reflect market rates to a reasonable extent. [para 4.7.08]

45. a "Works Committee" be constituted in each Local Body except Village Panchayats with powers to recommend to the Council for deciding tenders and also to look into complaints about lapses in dealing with tenders and settle them. In the case of Village Panchayats, they themselves can attend to this work. This Committee can also look into quality of implementation. [para 4.7.08]

46. Local Body Council be vested with powers to accept tenders in excess of estimate rates with the recommendation of the works committee instead of passing them up for sanction through various levels as is prevalent now, with a view to decide the tenders quickly and start the works early. [para 4.7.08]

CHAPTER 8 : CONTROL SYSTEMS

47. the control mechanism with the aid of budget as a tool, should be tightened to the optimum level and for this purpose the local bodies should have the plans for the ensuing year prepared well in time by getting the details of schemes to be implemented (Central schemes, State schemes and local body works) in the next year well before the year commences. Not more than two revisions i.e., Revised Estimate in August and Final Modified Appropriation in next January can be done, so as to accommodate the deviations and take corrective action. The Government may prepare detailed guide lines in this regard and send them to the Local Bodies. [para 4.8.02]

48. there is scope and need to reduce the scriptory work in the Panchayat Unions by cutting down the number of unnecessary registers and thereby improve efficiency in office work. It was informed that necessary proposal in this regard had already been sent after a detailed study, to the Government from the Director of Rural Development with the concurrence of the Director of Local Fund Accounts. The Commission urges the Government to consider the proposal favourably. Computerisation is also suggested at Panchayat Union Level. [para 4.8.08]

49. notwithstanding the suggestion to minimise the registers, the need for opening the following registers in the Panchayat Unions is stressed. [para 4.8.09]

- a) A master Register for grants-in-aid received and expenditure incurred there from;
- b) Register of Endowment Properties detailing the nature of assets endowed, the object of expenditure met out of it.

In addition the following publications are also felt necessary.

- c) Hand Book of Instructions and Audit Points to be looked into before passing different kinds of bills.
- d) Job chart of Engineering Staff consequent on the devolution of additional powers and responsibilities to the Local Bodies

50. the forms and registers maintained in the Town Panchayats and Municipalities are too many and may be examined by the Director of Town Panchayats and Director of Municipal Administration respectively and steps may be taken for simplification in consultation with Director of Local Fund Accounts expeditiously. In respect of Municipal Corporations, the Government in Municipal Administration and Water Supply Department may initiate steps and arrange for issue of orders. [para 4.8.13]

51. the Director of Local Fund Accounts is at the moment carrying out the audit of Municipal Corporations, Municipalities, Town Panchayats and Panchayat Unions. For J.V.V.T. implemented in Village Panchayats the Director of Local Fund Accounts is carrying out the audit, and for other items at the Village Panchayat level, the audit is taken up by the Extension Officer (Panchayats). It was generally agreed that this dual audit at the Village Panchayat level could be avoided and Government could examine the possibility of having single audit system for the Village Panchayats. [para 4.8.26]

52. creation of forums similar to Public Accounts Committee in all the Districts including Chennai City, to discharge the functions which the PAC does in the case of State Accounts; this will monitor audit observations relating to Municipal Corporations, Municipalities, Town Panchayats and Panchayat Unions, however maintaining status-quo regarding Village Panchayats; [para 4.8.26]

53. instituting a system of take over of records for audit must be started as against the present practice of handing over of records which has resulted in shifting the responsibility. Record Keeper and the Manager/Head Asst. of the Local Body shall be made responsible for upkeep and production of records to audit. [para 4.8.26]

CHAPTER 9 : MECHANISM FOR PERFORMANCE AND ACCOUNTABILITY

54 (a). A reward system for good work by incentive (cash award and certificate) and disincentives for poor/bad work should be evolved to motivate local body personnel to give out their best; [para 4.9.09]

(b) a system of incentive by way of cash award and certificates to the best elected representatives viz. the Presidents/Chairmen/ Mayors and to the best Local Bodies is considered necessary. [para 4.9.09]

55. a systematic communication of local Government's performance should be evolved so as to make them visible to the citizens or residents. Local officials should also cultivate the habit

of reporting their performance to citizens periodically so as to make their performance visible. Preparation and publication of annual performance report that describes, in simple terms, the performance of the Local Body in terms of achievements against the goal set, basic features of revenue and expenditure sources for the budget and measures of the quantity and quality of services provided by the local Government, giving comparison with previous years and with other similar local governments; [para 4.9.09]

56. establishment of clear management responsibilities is necessary, making it clear as to who is responsible for the services and financial performance of specific departments, operational statements indicating quality and quantity of output expected, and accounting records sufficient to enable evaluation of the cost for the unit of quality and quantity of service and performance of individuals and departments; [para 4.9.09]

57. creation of Lok Pal or Lok Ayukta type of institution or OMBUDSMAN is necessary to monitor the accountability of elected representatives of the Local Bodies. [para 4.9.09]

CHAPTER 10 : DATA BASE FOR LOCAL BODIES

58. creation of an Urban Information System (URBIS) for the creation of Data Base for every urban local body viz. Town Panchayat, Municipality and Corporation should be an integral part of improving its managerial efficiency. Efforts put forth for creation of a Database for Chengalpattu Municipal Town, may be followed up for the creation of Data Base for other Municipal Towns as well. In the case of Town Panchayats data base can be created at the District Level/ Regional Level with reference to the jurisdictions of the Assistant Directors of Town Panchayats. In the case of Corporations, data base can be created at Corporation Level. [para 4.10.06]

59. a steering group may be constituted in the Directorate of Municipal Administration/ Directorate of Town Panchayats with experts in the field and users to give necessary technical advise and guidance and to monitor the progress. [para 4 10 06]

60. setting up of Rural Information system (RURIS) for rural Local Bodies, similar to urban information system (URBIS) is necessary. Management Information System by introducing Computers at Panchayat Union level and district level for aggregation of data available at the level of Village Panchayats and at the Panchayat Union level is necessary. [para 4.10.06]

61. Data already available at the District Level through NICNET may be utilised for developmental planning. [para 4.10.06]

62. a steering group may be constituted in the Directorate of Rural Development with experts in the field, users etc., to give necessary technical guidance periodically and to monitor the progress. [para 4.10.06]

63. the Government must assist initially for the capital expenditure towards computerisation at Panchayat Union Level, District Panchayat Level, Municipal Level and District/Regional Level in respect of Town Panchayats as a one time grant, which will be maintained by the respective local bodies. In the case of Town Panchayats, the maintenance cost should be shared by the Town Panchayats in the District/Region. [para 4.10.06]