

PART IV
STREAMLINING THE DELIVERY SYSTEM
CHAPTER 1
ORGANISATION

4.1.01 The details of Rural and Urban Local Bodies now in existence institutionwise are as given below:

Rural Local Bodies:

i) Village Panchayats	12,584
ii) Panchayat Unions	384
iii) District Panchayats	28

Total :	12,996

Urban Local Bodies:

iv) Town Panchayats	635
v) Municipalities	104
vi) Municipal Corporations	6

Total :	745

Grand Total : 13,741

Out of the total population in the State, Rural Local Bodies cover 58% and the Urban Local Bodies 42%.

CONSTITUTION / RE-CONSTITUTION:

A. Village Panchayats

4.1.02 Village Panchayats have been constituted as per Section 3 of the Tamil Nadu Panchayats Act, 1958 and Sec.4 of the Tamil Nadu Panchayats Act 1994, for every local area comprising of a revenue village or villages or any portion of a revenue village or contiguous portions of two or more revenue villages with a population estimated at not less than 500. The average population of a Village Panchayat is 2583.

4.1.03 While under Local Boards Act 1920, the panchayats were classified as Major and Minor Panchayats, as per the provisions of Madras Village Panchayats Act 1950, they were classified as Class I and Class II. The Tamil Nadu Panchayat Act, 1958, however, classified the

panchayats as Village/Town Panchayats. The Major/Class I Panchayats are equal to the present Town Panchayats and Minor/Class II Panchayats are equal to the Village Panchayats. As per the existing provisions, for constituting a Village Panchayat, a minimum population of 500 will be adequate and no financial limit is necessary. The average receipt and expenditure of a Village Panchayat excluding Development and Non-Statutory Grants based on 5 years average (1989-90 to 1993-94) is Rs.57,768/- and Rs.52,000/- respectively. Though the state average annual receipt and expenditure of a Village Panchayat appear to match, the financial position of majority of Village Panchayats is found to be very poor, they are unviable to maintain the core basic services like drinking water supply and street lights in their area. There, per capita total receipt is Rs.35 as against the per capita total expenditure of Rs.32. The per capita own revenue is Rs.7. Per capita assigned revenue is Rs.13 of which per capita surcharge on Stamp Duty alone accounts for Rs.12. Of the percapita total expenditure, the administrative cost accounts only Re.1 per capita. This low level expenditure is due to staff in the Village Panchayats not being fully deployed. Details of number of panchayats with annual receipts and charges according to population and per capita ranges, are given in Appendices 89 & 90. To perform the obligatory functions statutorily vested with the Panchayats as per Sec.110 of the Tamil Nadu Panchayats Act 1994, viz., roads, street lighting, public health arrangements, water supply etc. minimum level of income is required, though the level will vary among the panchayats based on geographical area.

4.1.04 It is necessary to have a democratic institution at the grass root level. Though the Tamil Nadu Panchayats Act 1958 was repealed and replaced by the Tamil Nadu Panchayats Act 1994, the norms for population prescribed for the constitution of Village Panchayats remained the same as adopted in 1958 Act. Of the 12,584 Village Panchayats, only 53 have a population upto 500. The maximum number of Village Panchayats are in the population rages of 1001 - 3000 (7629 Nos). The number of Village Panchayats and ranges of population (1991 Population) are as given below:

Table 4.1 Number of Village Panchayats according to population range.

Range of Population	Number of Village Panchayats
up to 500	53
501 - 1000	1,258
1001 - 2000	4,811
2001 - 3000	2,818
3001 - 4000	1,583
4001 - 5000	884
Exceeding 5000	1,177
Total	12,584

4.1.05 Since the average population of a Village Panchayat works out to 2583, keeping the population norm as 500 for the constitution of a Village Panchayat is likely to lead to fragmentation

of villages, making the units unviable both from the point of view of management and provision of minimum level of basic services like roads, street lights, public health, water supply etc.,.

4.1.06 The former Chief Secretary to Government of Tamil Nadu, Thiru. R.A. Gopalsamy, I.C.S. in his introductory note on the background of the Tamil Nadu Panchayats Act, 1958 has indicated that though there is a flexible provision that a Village Panchayat may have a population of 500, as a matter of administrative policy, no Village Panchayat is to be delimited with a population lesser than 1000 unless it is shown to the satisfaction of the Government that such a delimitation is unavoidable. Though no income limit could be prescribed for the initial constitution, the revision of population norms may create near financial stability so as to provide the required level of physical and social infrastructure.

4.1.07 The Commission after detailed examination considers that a minimum population of 2500 may be prescribed for the constitution of Village Panchayats in future. The proposed norm may not affect the existing Village Panchayats. Whenever two or more Village Panchayats desire for merger, the Government may encourage such proposals, as this would result in consolidation of settlements, leading to the formation of good and viable units for better administration and for provision and maintenance of civic services to the people in the area. A suitable financial incentive may also be allowed by the Government to such Village Panchayats which agree for the merger. The existing 53 Village panchayats with population up to 500 may be considered for amalgamation with the nearby Panchayats in due course.

Classification of Village Panchayats:

4.1.08 Neither the Tamil Nadu Panchayats Act 1958 nor the new Tamil Nadu Panchayats Act 1994 has any provision for classifying Village Panchayats into grades. From the point of administrative convenience it is felt desirable to classify the Village Panchayats into grades. The normal criterion adopted for such a classification in the case of other local bodies like Town Panchayats and Municipalities is based on average annual income. For classifying the Village Panchayats, various criterion such as total population, backwardness of the area and average annual income of the Village Panchayats were examined. The work load generally is considered with reference to financial transactions. After detailed deliberations, the commission felt that the criterion based on the average annual income (including non-statutory and Development grants) will be appropriate and hence the same is considered. It is further decided that the Village Panchayats may be classified into 3 grades.

4.1.09 Accordingly, for the 3 grades the classifications are given below:

Table 4.2. Norms for the classification of Village Panchayats into - 3 grades.

Grade	Range of average annual income (including Non-Statutory and Development grants) for the last 5 years ending 31.3.94	No. of Village Panchayats
III	Up to Rs. 50,000	5,297
II	Rs. 50,001 to Rs. 1 Lakh	3,597
I	Above Rs. 1 Lakh	3,690
	Total :	12,584

Note: This range of annual income may be reviewed periodically and suitably revised by the Government.

The Commission therefore recommends, that

- 4.1.10** i) 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.
- ii) when two or more Village Panchayats desire for merger, a suitable financial incentive may be allowed by the Government to such Village Panchayats.
- iii) 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.
- iv) the Village Panchayats may be classified into 3 grades according to average annual income for the last 5 years (including non-statutory and development grants). The annual income range may be reviewed periodically and revised range may be fixed by the Government.
- v) the Village Panchayats may be reconstituted once every 5 years before each ordinary election to Panchayats making minor alterations in the jurisdiction, ward divisions etc., if required.

B. PANCHAYAT UNIONS

Constitution/Reconstitution:

4.1.11 Section 15(1) of the Tamil Nadu Panchayats Act 1994 gives power to government, to declare through a notification, any Local area forming a development Block for the purpose of the National Extension Service Scheme of Community Development, to be a Panchayat Development Block and to constitute for every such Panchayat Development Block a Panchayat Union. At present there are 384 Panchayat Unions in the State encompassing 12584 Village Panchayats. Each Panchayat Union has in its jurisdiction an average of 33 Village Panchayats.

4.1.12 The Tamil Nadu Panchayats Act, 1994 has a major change as compared to the previous Tamil Nadu Panchayats Act 1958. Falling in line with the 74th Constitutional Amendment, the Town Panchayats have been excluded from the purview of the Tamil Nadu Panchayats Act 1994, whereby the areas of Town Panchayats are excluded from the jurisdiction of the Panchayat Unions. So much so, the average size of the Panchayat Union by population which was 95,780 under the repealed Panchayats Acts, 1958 came down to 84,635 as per the New Tamil Nadu Panchayats Act 1994. Wide variation is noticed in the size of Panchayat Union by number of Village Panchayats as well as by the area. While the small size of the Panchayat Unions in the hilly areas with less number of Village Panchayats is understandable because of accessibility, what is baffling in the plains, is their varying sizes both in terms of population and number of Village Panchayats. Even in population there are wide variations. Of the 384 Panchayat Unions, the average population spread is as follows:

Table 4.3 Number of Panchayat Unions according to population range.

Population spread		No. of Panchayat Unions.
Over 1 Lakh	-	104
Between 75,000 and 1 Lakhs.	-	133
Between 50,000 and 75,000	-	104
Less than 50,000	-	43
Total	-	384

4.1.13 Though the formation of new Panchayat Unions may not be on the anvil now, yet the situation may warrant amalgamation and bifurcation or trifurcation of Panchayat Unions at a later date for the following reasons:

i) When the Panchayats Act 1958 was framed, the National Extension Service Scheme of Community Development Blocks were already in existence. Panchayat Unions were formed for such development blocks without any alteration in boundaries, though the development blocks themselves were of contrasting size in terms of area, population and number of Village Panchayats. Therefore, there is a need to look into the size of the Panchayat Unions afresh and redraw their boundaries.

ii) The Districts in the State are bifurcated or trifurcated to achieve the objectives of compactness, effective management, administrative control and supervision, monitoring implementation of community development programmes, with Line agencies and Development departments. As a consequence, Revenue Divisions and Taluks were also bifurcated. This decentralisation process should also be extended to bifurcation of the unwieldy Panchayat Unions for the purposes of achieving compactness, better cohesion and accessibility to far-flung villages.

iii) As already indicated, Town Panchayats will no longer form part of the Panchayat Unions as they were brought under the purview of the Tamil Nadu District Municipalities Act (Amended 1994) and 8.78 million population living within Town Panchayat areas will no longer be under the jurisdiction of the Panchayat Unions. Consequently many of the existing Panchayat Unions would face a fairly high drop in population content. This will also necessitate redrawing and redefining the jurisdiction of the Panchayat Unions.

4.1.14 It is, therefore, felt that time has come to consider redefining the jurisdiction of the Panchayat Unions based on factors such as area, population, number of Village Panchayats and easy accessibility from the point of view of administration. The largest number of Village Panchayats comprised in a Panchayat Union is 73 (Uthiramerur Panchayat Union in ANNA District) and the lowest number is 3 (Gudalur Panchayat Union in The Nilgiris District). The average number of Village Panchayats in a Panchayat Union is 33 and in terms of population it is around 84,635.

4.1.15 **The Commission therefore recommends that**

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 duration. The Panchayat Unions may be reconstituted once every 5 years making alterations in its jurisdiction wherever necessary.

Classification/Reclassification:

4.1.16 The execution of Community Development Programme was statutorily entrusted to the Panchayat Unions under Sec.66 of the Tamil Nadu Panchayats Act 1958 corresponding to Sec.113 of the Tamil Nadu Panchayats Act 1994. While attempt was made to develop all Panchayat Unions, it was recognised that the capacity to raise resources differed among the Panchayat Unions. In course of years, though the areas of some Panchayat Unions have developed, some were lagging behind in the matter of development requiring relatively a higher State assistance to get themselves developed. Keeping this perspective in view, Government classified the Panchayat Unions into categories on a fiscal basis for the purpose of allowing Government Grants. The per capita Land Revenue formed the basis for such classification.

4.1.17 Initially all the Panchayat Unions in the State were arranged in order of magnitude of per capita Land revenue. Out of the total number of Panchayat Unions, the first 40% were located in this order from the highest and they were classified as category 'A'. The next 30% of Panchayat Unions were classified as category 'B'. The remaining 20% and 10% of Panchayat Unions were classified as category 'C' and category 'D' respectively. This fiscal classification was applied for allowing the government grant such as Local Cess Surcharge Matching Grant, Elementary Education Grant, Village Works Grants, etc; Higher categories of Panchayat Unions viz. A & B were considered better categories and so lesser grants were allowed. For lower categories viz. C & D, higher were the government grant.

4.1.18 The Panchayat Education Finance Enquiry Committee 1969 which subsequently went into this issue, considered that the arrangement of fiscal classification into A,B,C and D categories was not in the best interest of the Panchayat Unions. The Committee considered that the Panchayat Unions shall be classified into 6 categories instead of 4, as per the per capita land revenue of the Panchayat Union as indicated below and that there need not be any limit as to the number of Panchayat Unions in each category. The Committee accordingly recommended that the Panchayat Unions in the State should be classified into 6 categories (as shown below) which was accepted by the Government and implemented.

Table 4.4 Existing norms for the classification of Panchayat Unions.

Per Capita Land revenue	Category of the Panchayat Union
Above Rs.4	I
Between Rs.3 and Rs.4	II
Between Rs.2 and Rs.3	III
Between Re.1 and Rs.2	IV
Between Re.0.75 and Re....1	V
Below Re.0.75	VI

4.1.19 The Official Committee constituted in 1977 studied the question of the classification of the Panchayat Unions in a detailed manner. The original classification was done with reference to 1961 population. The revised classification was proposed by the Official Committee with reference to 1971 census. The Committee examined the following alternatives before making its recommendations for reclassification.

- (i) Land revenue of the area;
- (ii) The stage of development of the area;
- (iii) The number of villages and the area of the Panchayat Union;
- (iv) Backwardness of the area;

4.1.20 After examining all these points, the Committee considered that the Land revenue of the area indicated the degree of prosperity, need of the population in the area and that classification of Panchayat Unions according to per capita Land revenue method is more suitable. Accordingly, adopting 1971 census population, the revised classification was suggested taking the average Land revenue for 3 years.

4.1.21 The Expert Committee headed by Thiru. A.R. Damodaran, which went into the financial position of the Panchayats and Panchayat Unions in 1990, while examining the classification of Panchayat Unions, came to the conclusion that the per capita Land revenue basis adopted all these years can continue as the major resources of the Panchayat Unions were still related to the quantum of Land revenue and as no firm indicator could be adopted to measure the backwardness of the area, the stage of development etc;

4.1.22 The Commission which went into this question in greater depth has also come to the conclusion that the per capita Land revenue may continue to be adopted for classification of Panchayat Unions as it has not only stood the test of time but no other workable alternative is available for such classification. The present six categories may also continue. Since the Town Panchayats have been taken away from the purview of the Panchayat Unions, the existing per capita land revenue of Panchayat Unions may undergo changes and the norms for per capita land revenue for the classification of Panchayat Unions would also require further examination. The information, the Commission, has received so far, from the Commissioner of Land Revenue for 13 districts have given a mixed picture of varying changes in those districts. The Commission therefore, feels that the matter would have to be pursued further by the Department of Rural Development in consultation with Collectors and the Commissionerate of Land Revenue after obtaining information in respect of the remaining Districts also to arrive at revised norms with a view to evolve a fresh set of classification of Panchayat Unions. The details analysing the position in the 13 districts are in Appendix 15 in which the rates of Local Cess Surcharge Matching Grant have been indicated.

4.1.23 The Commission recommends, that

- i) 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.,
- ii) the details of classification of each Panchayat Union into these six categories can be worked out in consultation with District Collectors/Director of Rural Development based on the norms given in para 4.1.22.

C. TOWN PANCHAYATS

Constitution/Reconstitution:

4.1.24 The Town Panchayat as an institution of Local Administration is unique to Tamil Nadu. The classification of Town Panchayat as seen in Tamil Nadu Panchayats Act 1958, contemplated urban character as one of the norms. In practice, when village panchayats were upgraded as Town panchayats, only the norms of population and minimum income were adopted. As per Sec. 3 of the Tamil Nadu Panchayats Act 1958(repealed) every local area comprising a revenue village or villages or any portion of revenue village or contiguous portions of two or more revenue villages and having a population estimated at not less than 5000 and an annual income of not less than Rs.10,000 (this has subsequently been revised as Rs.1 lakh) can be notified as a Town Panchayat by the Inspector viz. the Director of Town Panchayats. The main criterion that the area should be urban in character was seldom looked into while upgrading the Village Panchayats as Town Panchayats. There are 635 Town Panchayats and the analysis of existing position reveals that a majority of them are still predominantly rural in character though they have been upgraded as Town Panchayats mostly on administrative grounds that they satisfied the existing norms of population and minimum annual income viz. 5000 and Rs. 1 Lakh respectively. Neither their urban character nor their financial viability have been considered before upgradation.

4.1.25 The 74th constitutional Amendment has brought the Town Panchayats under the purview of the "Nagar Palika" and accordingly the administration of the Town Panchayats was brought under the jurisdiction of the Tamil Nadu District Municipalities (Amendment) Act 1994.

4.1.26 The Constitution (74th Amendment) Act 1992 defines a Nagar Panchayat or a Town Panchayat as a transitional area i.e. an area in transition from rural to urban. This definition implies or underscores that the Town Panchayat is not truly or completely urban in character, but is in the evolutionary stages of becoming one and should therefore be logically bracketed with rural institutions. One further fact to buttress this argument is that the census classifies all Municipal Towns as urban irrespective of the fact whether they satisfy the census norms for recognition as urban or not, whereas only those Town Panchayats which satisfied the census norms are classified as urban. This rather anomalous position of Town panchayats being bracketed with the Municipal Act stands out like a sore thumb, when it is found that out of 635 existing Town panchayats in the State representing a total population of 87.80 lakhs, 420 Town Panchayats or 66% of the Town Panchayats are rural in character.

4.1.27 The Town Panchayats would become ineligible for the assistance from Government of India under Rural Poverty Alleviation and other programmes for the reason that the Town Panchayats have been brought under the purview of the Nagar Palika Act.

4.1.28 The Constitution (74th Amendment) Act 1992 indicates the transitional area or Town Panchayat as such area as the Governor may, having regard to the population of the area and the density of population therein, the revenue generated by the Local Administration, the percentage of employment in the non-agricultural activities, the economic importance or such other factor as he may deem fit specify by public notification. This definition is largely drawn on the criteria adopted by Registrar General of Census of India for treating a place as urban. The census defines a place as urban on the following criteria.

- a) A statutory town i.e, all places with a Municipality, Corporation, Cantonment Board or notified Town area Committee.
- b) All other places which satisfy the following criteria:
 - i) A minimum population of 5000;
 - ii) At least 75% of the male working population engaged in non-agricultural pursuits; and
 - iii) A density of population of at least 400 persons per Sq.Km.

4.1.29 The Tamil Nadu District Municipalities (Amendment) Act 1994, while incorporating the above provisions under Sec.3B of chapter 1A, has also provided that a Town Panchayat may be constituted for a local area comprising of a revenue village or villages or any portion of a revenue village or contiguous portions of two or more revenue villages, having a population estimated at not less than 5000 and an annual income of not less than one lakh rupees. It may also be seen that besides population and income criteria, for the first time, an economic criteria has been included for the constitution of Town Panchayat.

4.1.30 All the 420 Town Panchayats which are rural in character do not satisfy the economic criteria has to face relegation as Village Panchayats as per the enabling provisions of the Tamil Nadu District Municipalities (Amendment) Act 1994. Even in respect of 235 urban Town Panchayats, now considered as urban for purposes like water supply schemes and the Town panchayats which satisfy the census criteria for being called as Urban area, only 98 of them form part of the Urban agglomeration, the remaining 117 are independent Urban Panchayats, mostly small trade or marketing centres serving the surrounding rural hinterlands.

4.1.31 The condition of Town Panchayats reveal that many do not have adequate financial resources and most of them are no better than Village Panchayats. The average annual revenue receipt based on last 3 years ending 31.3.94 of the Town Panchayats in the State is Rs.74.02 crores; annual revenue expenditure is Rs.64.97 crores. Per capita revenue receipt is Rs.84 as against the per capita revenue expenditure of Rs.74. This does not take into account their liabilities and commitments pending payment for want of funds. The income from local taxation based on 1993-94 comes to Rs.25.13 crores; per capita income is Rs.29/- . The income from assignments and grants comes to Rs.27.89 crores, i.e. per capita income of Rs.32. The expenditure on general administration including salary to staff accounts for Rs. 12.18 crores with a per capita expenditure

of Rs.14/-. It is seen that a large number of Town Panchayats depend on Assigned Revenues and grants for meeting their statutory obligations and their local taxation is not adequate for meeting the total administrative cost. A sizable number of Town Panchayats are found not able to meet the salary commitments and the expenditure on street lighting. The major cause for the present state of affairs is the indiscriminate upgradation of Village Panchayats as Town Panchayats without giving serious consideration about the sound economic base which only could sustain regular generation of internal resource through taxes.

4.1.32 The annual administrative cost of Town Panchayat grade wise (inclusive of staff deployed for services) is as given below: (as per 1993-94 figures)

- i) Grade II - Rs. 2.25 lakhs;
- ii) Grade I - Rs. 3.40 lakhs;
- iii) Selection Grade - Rs. 8.23 lakhs

4.1.33 The Commission, considering the various aspects, recommends that the norms for upgradation of Village Panchayats into Town Panchayats may be fixed as indicated below:

- 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.

4.1.34 Out of 420 Town Panchayats rural in character as mentioned in para 4.1.26 which have a population of less than 10000 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 Rs. 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 Village Panchayats duly consulting the Director of Town Panchayats. Otherwise special financial packages both for infrastructure development and maintenance will have to be provided for in these cases. (Appendix 103).

Classification/Reclassification

4.1.35 The existing Town panchayats have been classified into 4 grades. This classification would assist the government in deciding the staff and other infrastructure facilities to be allowed to them. The existing criteria are indicated below against each grade:-

Table 4.5 Existing norms for the classification of Town Panchayats.

GRADE	EXISTING CRITERIA Average Annual Income for the last 3 years (Rs.)
II	4 lakhs
I	8 lakhs
Selection Grade	10 lakhs

4.1.36 The Commission recommends, 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:

Table 4.6 Norms proposed for the classification of Town Panchayats.

GRADE	PROPOSED CRITERIA	
	Population	Average Annual Income for the last 3 years.
II	Upto 10,000	Exceeding Rs.10 lakhs
I	Upto 15,000	Exceeding Rs.15 lakhs
Selection Grade	Upto 20,000	Exceeding Rs.20 lakhs
Special Grade	Above 20,000	Exceeding Rs.50 lakhs.

N.B: loans, lapsed deposits, non-statutory and development grants shall be excluded in arriving at average annual income.

D. MUNICIPALITIES

Constitution/Reconstitution:

4.1.37 The Tamil Nadu District Municipalities Act, 1920 did not indicate any norms. However the Town Panchayats are being upgraded as Municipalities by the Government, if the population is not less than 20,000 and the annual income exceeds Rs. 1 lakh (subsequently modified as Rs.3 lakhs)

4.1.38 The Constitution (74th Amendment) Act 1992 envisages that henceforth there will be 3 types of Municipalities, viz;

- * Nagar Panchayat;
- * Municipal Council and
- * Municipal Corporation.

4.1.39. Sec.4 of the Tamil Nadu District Municipalities (Amendment) Act, 1994 provides the following factors for constitution of a municipality:

- * Population of the area;
- * Density of population therein;
- * Revenue generated for Local Administration;
- * Percentage of employment in non-agricultural activities.
- * Economic importance or such other factors as the Governor may deem fit.

4.1.40 Regarding the upgradation of Town Panchayats as Municipalities the Director of Town Panchayats had expressed the view that only such of those Town Panchayats which satisfy the average annual income criteria of Rs.30 lakhs and above may be upgraded as

Municipalities. The Director of Municipal Administration had advocated that Town Panchayat whose average annual income exceeds Rs.20 lakhs and with a population of 20,000 may be considered for upgradation as a Municipality. The average annual Revenue receipt and Revenue expenditure of a Municipality based on last 3 years figures ending with 31.3.94 works out to Rs. 135 lakhs and Rs.125 lakhs respectively; in terms of per capita Revenue receipt is Rs.194 and Revenue expenditure is Rs.180.

4.1.41 The Commission, after considering all the above aspects, recommends that the following minimum norms may be fixed for upgrading a Town Panchayat into Municipality and for the constitution of an area into Municipality:

- 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.

Classification/Reclassification:

4.1.42 In 1992 the Classification/reclassification of Municipalities was done on the basis of average annual income. Subsequently, the Government revised the norms several times in 1963, 1970, 1974 and in 1983.

4.1.43 Lastly in 1988, the need to revise the criteria for the reclassification of Municipalities was examined due to the increase in income and expenditure levels of Municipalities and the Government in G.O.Ms.No. 1078, Municipal Administration and Water Supply Dept., dated 15.12.88 have prescribed the following revised norms for the reclassification of Municipalities:

Table 4.7 Norms existing for the classification of Municipalities.

Grade of the Municipality	Average annual income under all accounts for the past 4 years(including income under electrical undertakings) (Rs.)
III	10 lakhs
II	20 lakhs
I	40 lakhs
Selection Grade	100 lakhs
Special Grade	200 lakhs

The Government have also indicated that while computing the overall income of the Municipalities for the last 4 years, loans, lapsed deposits, non-recurring grants (non-statutory) should not be taken into account.

4.1.44 During 1995, the Commissioner of Municipal Administration, Chennai suggested to revise the norms as indicated below for the reclassification of Municipalities:

Table 4.8 Norms proposed by the Commissioner of Municipal Administration for the classification of Municipalities.

Grade of Municipality	Norms proposed Average annual income for the past 4 years excluding loans,lapsed deposits, non-recurring grants (non-statutory) (Rs.)
Grade II	Exceeding 50 lakhs
Grade I	Exceeding 100 lakhs
Selection Grade	Exceeding 200 lakhs
Special Grade	Exceeding 400 lakhs

4.1.45 The Commission after considering all the above factors, recommends that the following may be the revised norms for the Classification/re-classification of Municipalities.

Table 4.9 Norms proposed by the State Finance Commission for the classification of Municipalities.

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

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

4.1.46 The Commission has not made any recommendation regarding Constitution / classification of Grade III Municipalities in the light of the fact that many of the existing special grade town panchayats are already getting an annual income of more than Rs.30 lakhs and when they are likely to be considered for upgradation as Municipality, they may have an annual income nearing to Rs.50 lakhs and hence the norm for annual income for upgradation of Town Panchayat into Municipality has been suggested as Rs.50 lakhs and that they could be upgraded straightaway as Grade II Municipalities. The Commission is of the view that occasion for constituting a new Municipality of Grade III out of an existing urban (Town Panchayat) area are apparently not very bright and so Municipalities of Grade III have not been considered.

E. MUNICIPAL CORPORATION

Constitution/Reconstitution:

4.1.47 The Acts do not provide any specific guidelines but gives powers to Government to declare any area as a Corporation. There are at present 6 Municipal Corporations in our State viz. Chennai, Madurai, Coimbatore, Tiruchirapalli, Salem and Tirunelveli. The recently constituted Municipal Corporations of Tiruchirapalli, Salem and Tirunelveli have a population of 7.11 Lakhs, 5.78 Lakhs, and 3.66 Lakhs respectively according to 1991 census. Coimbatore and Madurai cities had a population of around 6 lakhs and 7 lakhs respectively when they were upgraded as Municipal Corporations in the early seventies and eighties. The average annual Revenue receipts and Revenue expenditure of the Corporations based on the last 3 years ending 31.3.1994 are given below:

Table 4 .10 Average annual income and expenditure of all Corporations.

Name of the Corporation	Average annual revenue		Per capita (Rs.)	
	Receipt	(Rupees in Expenditure	Crores) Receipt	Expenditure
i) Chennai	164.77	103.44	428.93	269.27
ii) Madurai	19.55	21.48	207.79	228.29
iii) Coimbatore	32.04	19.56	392.52	239.59
iv) Tiruchirapalli	12.51	10.58	187.13	158.19
v) Salem	10.75	10.54	181.03	177.52
vi) Tirunelveli	5.24	2.08	140.04	55.45
Total	244.86	167.68	338.43	255.07

The other major agglomerations in the State viz., Vellore, Erode, Tiruppur and Tuticorin have a population of 3.10 lakhs, 3.57 lakhs, 3.05 lakhs and 2.84 lakhs respectively. The National Commission on Urbanisation in its recommendations to Government of India, have adopted the following classifications for the cities: The highest classification (C6) has a population of 100 lakhs and the lowest classification (C1) has a population of 5 lakhs. Taking into account the norms adopted for the constitution of Municipal Corporations for Madurai, Coimbatore, Salem, Tiruchirapalli and Tirunelveli and keeping in view the recommendations of the National Commission on urbanisation, the Commission felt that a minimum population of 10 lakhs may be fixed as a norm for the constitution of a Municipal Corporation or upgradation of a Municipality into a Municipal Corporation. As regards income criteria, the Commission recommends a minimum income of Rs.50 crores.

4.1.48 The Commission therefore recommends, that

the criteria for the constitution of a Municipal Corporation or upgrading a Municipality into a Municipal Corporation in future may be:

- (i) Minimum population of 10 lakhs; and

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

F. TOWNSHIPS

4.1.49 Townships were constituted prior to the advent of the Tamil Nadu Panchayats Act 1958, under the Tamil Nadu District Municipalities Act 1920. They were called as Municipal Townships. After the introduction of the Tamil Nadu Panchayats Act 1958, a specific section viz. Sec.4 was provided to constitute townships for special areas comprising Educational, Industrial, Labour and Health resort. These townships were called Panchayat Townships. The members of the Township Committees, both official and non-official, were nominated by the Government. The Collector in the case of Municipal Township Committees, Collector/Revenue Divisional officer in the case of Panchayat Township Committees were appointed as the Chairman by the Government. At present there are 8 Municipal Township Committees, 5 of them constituted under the Tamil Nadu District Municipalities Act 1920 and the remaining 3 viz. Courtallam, Bhavanisagar and Mettur by Special Legislations. Subsequently as per the provisions of the Tamil Nadu Panchayats Act 1958, 17 Township Committees were constituted. For the Township Committees constituted under the Municipal Act, Municipal Commissioners were appointed as Executive Officers of the Township Committees. In the case of Panchayat Township Committees, Executive Officers of Town Panchayats were appointed as Executive officers.

4.1.50 The Director of Municipal Administration had submitted proposals to Government in 1973 indicating that Municipal Townships which were formed for predominantly industrial areas or places of Tourist attraction should be placed in charge of Municipal Commissioners with wide experience and that in classifying the Townships for purposes of appointment of Executive Officers, they should be treated as a distinct class. He had therefore recommended that the Municipal Townships may be classified into grades as indicated below:

Table 4.11 Norms existing for the classification of Municipal Town ships.

Grade of the Township	Norms for classification Annual Income under General Account- Ordinary (Rs.)
Grade II	5 lakhs and below
Grade I	Exceeding 5 lakhs but not exceeding 10 lakhs.
Selection Grade	Exceeding 10 lakhs

The Government have accepted the proposal and issued orders accordingly in G.O.Ms.No.380, Rural Development and Local Administration Department, Dated:6.3.1975. As far as Panchayat Townships are concerned, there are no classifications. Executive Officers of Town Panchayats were appointed by the Director of Town Panchayats as said earlier.

4.1.51 After the introduction of 74th constitutional amendment, both Municipal and Panchayat Townships were brought under the District Municipalities (Amendment) Act 1994 and called as Municipalities and Town Panchayats respectively as per sec.4 (B) of the Act.

4.1.52 According to the constitution (74th Amendment) Act 1992 and as per sec.4(A) of the District Municipalities (Amendment) Act 1994, provision has been made for the creation of new Townships for Industrial areas. The Governor may, having regard to the size of the area and the

Municipal service being provided or proposed to be provided by an Industrial Establishment in that area and such other factors as he may deem fit, declare by notification any Urban area comprised in any Municipality or in a specified area therein to be an Industrial Township, duly indicating for the Township the total number of members, manner in which they shall be chosen, Chairperson, the term of office, the procedure, the restrictions and conditions subject to which the Township Committee may perform its functions etc. This is essential in view of the fact that the abnormality in the per capita income of these institutions which were formed with specific criteria affects the norms for distribution of funds when they are equated with other Municipalities/ Town Panchayats.