



## **FINANCE (SFC-MC) DEPARTMENT**

**G.O.Ms.No.60, Dated 28<sup>th</sup> February, 2023.**

***(Subakiruthu, Maasi – 16, Thiruvalluvar Aandu – 2054)***

### **ABSTRACT**

State Finance Commission – Recommendations of the Sixth State Finance Commission – Recommendations including the devolution of resources from the State Government to local bodies – Comprehensive Orders directing the departments to implement the recommendations of the Sixth State Finance Commission – Orders – Issued.

### **Read the following:-**

1. G.O Ms.No.50, Finance (SFC-MC) Department, dated:06.03.2020.
2. Report of the Sixth State Finance Commission submitted to Hon'ble Governor of Tamil Nadu on 08.03.2022 and the Hon'ble Chief Minister on 14.03.2022.
3. Explanatory Memorandum on the action taken by the State Government on the recommendations of the Sixth State Finance Commission placed on the Legislative Assembly on 13.01.2023.

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### **ORDER:**

Based on the 73<sup>rd</sup> and 74<sup>th</sup> amendments to the Constitution of India and the concomitant State Legislations, the Sixth State Finance Commission was constituted in the Government Order read above to study the financial position of rural and urban local bodies and to make its recommendations to the Government. The Terms of Reference to the Sixth State Finance Commission were also issued in the said G.O. The Sixth State Finance Commission submitted its report to Hon'ble Governor of Tamil Nadu and the Hon'ble Chief Minister on 08.03.2022 and 14.03.2022 respectively. The Government examined all the recommendations of the Sixth State Finance Commission including the recommendations on the devolution of resources from the State's Own Tax Revenue and transfer of Assigned Revenue. The Explanatory Memorandum on the action taken by the State Government on the recommendations of the Sixth State Finance Commission along with the Report of the Sixth State Finance Commission were placed on the floor of the Legislative Assembly on 13.01.2023.

2. Considering the decisions arrived at in the Cabinet meeting held on 04.01.2023, and the recommendation of the State Finance Commission (**Para.1.37-a**) to issue a comprehensive order directing the concerned departments to implement the recommendations accepted by the cabinet, the Government issue this order.

3. The Departments concerned are directed to take follow up action on the pending recommendations of the State Finance Commissions, and ensure compliance in accordance with the Explanatory Memorandum submitted in the Assembly. (**para.No.1.37**)

4. Departments, in turn, are directed to prepare proposals and issue Government Orders with detailed Guidelines following normal Government procedure. (**Para.1.37-b**)

### **I. Finance Department**

1. The net State's Own Tax Revenue for the purpose of calculation of devolution amount should be determined by permitting the following deductions from gross State's Own Tax Revenue : (**Para.7.15**)
  - i. Surcharge on Stamp Duty of Local Bodies should be deducted under the Receipt major head. In case it is not done, the same should be provided through separate expenditure heads of accounts.
  - ii. For collection of State Goods and Services Taxes, State Excise, Stamp and Registration, Motor Vehicle Tax, Tax on Petroleum products, and other taxes, the cost of collection should be deducted.
  - iii. Other Surcharges.
2. A State High Level Committee, chaired by the Chief Secretary should review the status of implementation of State Finance Commission recommendations, and the Committee should conduct quarterly reviews. (**Para.1.39**)
3. A mid-year status should be submitted to the Hon'ble Finance Minister for review. (**Para.1.41**)
4. The status of implementation of State Finance Commission recommendations should be placed in the Assembly every year during the Budget Session. (**Para.1.42**)
5. During the third year of the implementation period, a mid-term status should be submitted to the Hon'ble Chief Minister for review. (**Para.1.43**)
6. After the Report of the Commission is placed in the Legislative Assembly, the Report and the Study Reports specifically prepared by

the expert bodies at the behest of the Commission should be hosted on the Government website. **(Para.1.45)**

7. Two separate receipt heads of account should be opened for the remittance of lease rent and seigniorage fees of minor minerals intended to be apportioned to the Local Bodies. **(Para.3.169)**
8. Public Private Partnerships have been least explored in the urban sector. The Tamil Nadu Infrastructure Development Board should take up a special drive to map revenue generating existing assets and identify new shelf of potential assets. A concerted effort should be taken to leverage various State Government schemes, Local Body Funds and Special Grants recommended by the Commission to create infrastructure projects under various Public Private Partnership (PPP) models in a mission mode during the five year award period of the Commission. **(Para.4.201)**
9. The present system of sending proposals every month for the release of State Finance Commission funds should be done away with. Initial release order be issued by the Finance Department at the beginning of the award period for release of monthly installments. The first ten instalments be released on fixed dates as per the Budget Estimates. The last four instalments be released once the Revised Estimates have been finalized, following the same mechanism. **(Para.6.35)**
10. The existing practice of devolving 10% of the Net State's Own Tax Revenue shall be continued. **(Para 7.14)**
11. Of the total devolution amount, the devolution between RLBs and ULBs shall be fixed as 51:49 respectively. **(Para.7.32)**

## **II. Rural Development and Panchayat Raj Department**

1. Exclusive sections should be formed in RD&PR and MA&WS departments to deal with the subjects relating to State Finance Commission, and also at Directorate of Rural Development, Commissionerate of Municipal Administration and Directorate of Town Panchyats levels. **(Para.1.40)**
2. Properties for levying of tax should be categorised as Residential, Commercial and Industrial as in ULBs. **(Para.3.49)**
3. The quinquennial revision of House Tax in respect of all Village Panchayats should be brought forward to a common date i.e., 1<sup>st</sup> April of the concerned year, through appropriate amendments to the Act and Rules, to ensure that Village Panchayats do not postpone or not revise House Tax. **(Para.3.50)**

4. Till the amendment of House Tax as Property Tax takes place, taxation for industrial / commercial buildings should be as follows: **(Para.3.52)**
  - i. Up to 5,000 sq. ft. – Rs. 1 per sq. ft. of plinth area for both industrial and commercial buildings.
  - ii. Above 5,000 sq. ft. – Rs.2 per sq. ft. of plinth area of industrial buildings, and Rs. 3 per sq.ft. of plinth area for commercial buildings.
5. The RLBs should issue house numbers for newly constructed houses bi-annually to ensure that all new houses are brought into the tax net. **(Para.3.53)**
6. Un-assessed buildings should be brought under the tax net by comparing with the list of electricity service connections and Commercial Taxes registration list. **(Para.3.54)**
7. All buildings of Central Government organizations, educational institutions, and State Government organisations should be brought under the Property Tax net. Necessary amendments to be brought in Act/Rules. **(Para.3.55)**
8. Windmills, land and buildings on which cell phone towers are erected should be taxed at rates applicable to commercial buildings as per Explanation II to Schedule I under Section 172 of the Tamil Nadu Panchayats Act, and this should be enforced. For assessment purposes, the actual area on which cell phone towers are built should be taken in lieu of the total area of the buildings. **(Para.3.56)**
9. Tribunals should be constituted at the Block level to settle issues on tax assessments, and the Block Development Officer (Village Panchayats) should function as the arbitral authority, and the Assistant Director (Panchayat) should act as the appellate authority **(Para.3.57)**
10. Online payment of tax should be enabled for all the Village Panchayats. Till the rollout of online software, receipts by handheld devices may be introduced to avoid pilferage. The collection platforms should be enabled to accept multiple payment modes and allow for automatic scheduling of property inspections, location tagging, etc. Online payment should be enabled latest from 1.04.2024. **(Para.3.58)**
11. Robust property database should be created with unique property identifiers (UPID) using the existing Geographic Information System (GIS) maps. The database should be updated as and when any change in the property profile occurs. This database should be integrated with the tax payment platform. **(Para.3.59)**

12. Till the online platform is established, the procurement of Bill Books and all other forms and registers required for Village Panchayats and Block Panchayats should be based on actual requirement only. Till the introduction of online payment/handheld devices, all the forms and registers and bill books should be standardised and procured from Government Press/Cooperative societies. Bill Books with the Block Development Officer's seal and initials of the Block Development Officer should be distributed to the Village Panchayats one at a time. Once the bill book is over, it should be handed over to the Block Development office with counterfoils. Handheld devices should be encouraged. **(Para.3.60)**
13. House Tax collection in Rural Local Bodies, which is a major source of Own Revenue, should be linked with the cost of service delivery for services such as streetlight maintenance and regular water supply. A portion of the expenditure for water charges and street light maintenance should be met from the House Tax collected by the Local Bodies. Residents should be sensitised that prompt tax payment is linked to better service delivery. **(Para.3.61)**
14. The early passage of the necessary Constitutional Amendments to increase the ceiling on Profession Tax, and to simplify the process of raising the limit in the future, as recommended by the 14<sup>th</sup> Central Finance Commission and the 5<sup>th</sup> State Finance Commission shall be taken up with Government of India. **(Para.3.67)**
15. A comprehensive database of all Professions liable for payment of Profession Tax should be created. It should coordinate with State and Central Government agencies, like the Commercial Taxes Department, Labour and Employment Department and Employee Provident Fund Organisation, and Professional self-regulating organisations to enable more effective collection of Profession Tax by providing the list of staff/employees under their payroll to the respective Local Bodies. **(Para.3.68)**
16. An exclusive institutional structure be created at the State level to manage the database of employees, and assist Local Bodies in the collection of Profession Tax. **(Para.3.69)**
17. Local Bodies should be empowered to take legal action and levy penalties on persons who have put up unauthorised hoardings and advertisements, in addition to removing hoardings which have not received requisite permission. **(Para.3.75)**
18. Rural Local Bodies should be allowed to collect tax for all types of advertisements including wall paintings/writings, posters, banners and flex boards. **(Para.3.76)**

19. Licensing for shorter periods be considered. The revision of tax should be done annually, with an upward revision of atleast 5% per year. **(Para.3.77)**
20. Properties already identified and not repaired/renovated should be repaired/ renovated and rented out to augment RLB's revenue, and this should be a continuous process. **(Para.3.84)**
21. All the shops and commercial complexes, ponds and lakes owned by the Rural Local Bodies should be let out / leased strictly through public auction only. **(Para.3.85)**
22. The fees for Building plan and Layout approval should be revised at the earliest, as per the Tamil Nadu Combined Development and Building Rules, 2019. **(Para.3.94)**
23. The Tamil Nadu Panchayat Buildings Rules, 1997, should be amended fixing the time limit for grant of building plan approval by the Executive Authority of the Village Panchayat, and the appropriate authority [Directorate of Town and Country Planning / Chennai Metropolitan Development Authority (DTCP/CMDA)] mentioned in Rules 3(1). **(Para.3.95)**
24. As the capacity for plan approvals is very limited in Local Bodies, a specialised Planning Unit should be created at the District level with redeployment of staff from Rural Development and Panchayats Raj Department, and Housing and Urban Planning Department. **(Para.3.96)**
25. Local Bodies should continuously monitor the construction activities in their jurisdiction, and should take steps to avoid the necessity of post-facto regularisations and penalty should be levied on the Local Bodies where new unapproved layouts come up after a given cut-off date. **(Para.3.97)**
26. The nomenclature of Dangerous and Offensive (D&O) Trade Licence fees should be changed to Trade Licence fees, as done in Greater Chennai Corporation. Necessary action should be expedited at the Government in RD & PR Department level to bring this change. **(Para.3.115)**
27. Revision of Dangerous and Offensive (D&O) Trades Licence Fees should be done annually. **(Para.3.116)**
28. Necessary action should be taken to resolve the issues regarding collection of Track Rent on Optical Fibre Cable (OFC) feeders and Cable Television cables at the earliest to enable Local Bodies to collect track rent. **(Para.3.123)**

29. The District Collectors should arrange for surveys of the Optical Fibre Cables laid Village Panchayat wise, and ensure that the Annual Track Rent is levied and collected as per the rules in force. **(Para.3.124)**
30. While finalising policy on Track Rent Collection, it should be ensured that the revenues of Local Bodies are not compromised. **(Para.3.125)**
31. The levy of Surcharge on Stamp Duty on documents relating to (i) Agreement (ii) Power of Attorney (iii) Release of benami right (iv) Release of right in favour of partners and (v) settlement, to augment revenue to the Local Bodies should be made. **(Para.3.145)**
32. The details of collection of surcharges should be shared by the Registration Department every month, with the concerned Head of Department, District Collector and Local Body. **(Para.3.146)**
33. Fishing rights in Panchayat Union Tanks should be given strictly through a transparent process of auction. **(Para.3.152)**
34. Further, the share of Rural Local Bodies from the Water Resource Department Tanks should be shared with the Local Bodies on the lines similar to that adopted for sharing of revenue from mining activities. **(Para.3.153)**
35. Timely release of the Panchayat's share of the proceeds of Fishery Rentals by Panchayat Unions and Public Works Department tanks should be regularly monitored by the District Collectors and the Director of Rural Development and Panchayat Raj, through a quarterly review. **(Para.3.154)**
36. A simple procedure should be evolved to release the share of Social Forestry sale proceeds to the concerned Panchayats in time. Sanction for the release be given at the District level, and the funds be transferred electronically during the month of February after due reconciliation with the Forest Department. **(Para.3.160)**
37. Two separate receipt heads of account should be opened for the remittance of lease rent and seigniorage fees of minor minerals intended to be apportioned to the Local Bodies. **(Para.3.169)**
38. The proportion of the revenue from minor minerals to be shared with Local Bodies should be fixed at 75%. **(Para.3.170)**
39. The release mechanism for the share of the Village Panchayats should be changed, and 75% of the entitlement of Panchayat based on the previous year's collection should be released in advance to overcome delays. The release mechanism should be centralised, and

the advance release be adjusted against actual collection subsequently. **(Para.3.172)**

40. TANGEDCO should ensure accuracy in billing after taking and recording the actual meter reading and reconcile any discrepancies, if any, with the concerned local bodies. **(Para.3.190)**
41. Since most of the electricity charges are incurred on water supply connections, the installation of solar powered motor pumps should be taken up wherever feasible. An energy efficiency audit of local bodies should be taken up annually. **(Para.3.191)**
42. TANGEDCO should use multiple modes of communication, such as SMS and e-mail to intimate the meter readings and electricity charges to the Village Panchayats, as is being done for individual customers. **(Para.3.192)**
43. TANGEDCO should bring out energy efficiency parameters for equipment, and a standardised list of cost effective equipment should be released. Local Bodies should procure only such standardised equipment, ensuring efficiency in energy consumption. **(Para.3.193)**
44. Smart switches for street lights shall be fixed to avoid electricity consumption during day time. **(Para.3.194)**
45. There should be a complete ban on new installation of high mast lights in RLBs, and steps should be taken to decommission old high mast lights in a phased manner. **(Para.3.195)**
46. Large Village Panchayats should be bifurcated based on population and number of habitations, to solve some of the issues relating to Peri-Urban Panchayats. **(Para.3.205)**
47. The Peri Urban Village Panchayats are facing special issues on liquid waste management and solid waste management and the need for infusing capital on drainage works is high. Considering this, possibilities of increasing the capacity of infrastructure in adjoining ULBs to accommodate requirements of Peri Urban Panchayats should be explored. **(Para.3.206)**
48. Village level Citizens' Charter should be prepared and displayed in front of a permanent Public Office. **(Para.3.207)**
49. For all Village Panchayats, there should be separate digital revenue maps with Local Bodies' boundaries marked. Similarly, Local Body boundaries should be clearly marked in Revenue Village maps. **(Para.3.208)**



50. More functions should be delegated to Village Panchayats, especially maintenance of assets and on social sector programmes. **(Para.3.210)**
51. With regard to employment generation and poverty alleviation, considering the Village Panchayats could play an active role on resource allocation, by complementing Government agencies implementing programmes for Self Help Groups, micro industries, agricultural activities etc. the VPs to coordinate with Tamil Nadu Women Development Corporation, Skill Development Corporation, Labour Welfare Boards etc. **(Para.3.216)**
52. The development of remunerative projects like new market complexes, truck terminals, theme parks, etc. be taken up jointly with Village Panchayats in areas adjoining the ULBs on a profit sharing basis. **(Para.4.139)**
53. A state-wide Capacity Building and Training Policy and a Capacity Building and Training Programme (CBTP) should be formulated with appropriate funding provisions for both urban and rural local bodies. **(Para.4.210)**
54. Role based "training needs assessments" should be developed and administered. Information and Computer Technology should be leveraged for "refresher trainings" through audio/video modules, and for tracking the perceived effect of training on capability and performance – both by the trainees and their managers (Tamil Nadu Institute of Urban Studies [TNIUS] and State Institute of Rural Development [SIRD] to collaborate for such initiatives). **(Para.4.211)**
55. Town and Country Planning authorities to devise a mechanism to train the village level staff and elected representatives on existing provisions/rules for the building/layout approval, to check for any violations. **(Para.5.50)**
56. The reconciled and audited establishment expenditure of the Planning wing of the Town and Country Planning authorities should be borne by all the Local Bodies in such areas. **(Para.5.51)**
57. The poverty reduction and other welfare programmes implemented by various departments, such as the MA&WS, Labour Welfare, Employment and Training, Social Welfare and RD&PR etc. should have special focus on the rehabilitated tenements. A separate Committee be formed for monitoring these focus programmes to ensure that resource are dovetailed across departments and habitat development becomes a comprehensive exercise. **(Para.5.74)**

58. The Highways Department should take up upgradation of important Panchayat Roads in a phased manner. Critical roads be identified in consultation with Local Bodies and respective town planning authorities. **(Para.5.77)**
59. The Highways department should extend technical support to the Local Bodies in designing solutions for reducing road accidents on roads under the Local Bodies jurisdiction. **(Para.5.78)**
60. Local Body roads connect to highways in numerous locations. Many of such roads join State or National Highways in acute or right angles. A comprehensive joint exercise should be undertaken to identify such important junctions and junction improvement plans should be drawn in consultation with concerned Local Bodies. **(Para.5.79)**
61. The Local Bodies, through their funds for road improvements, should give high priority for road safety. **(Para.5.80)**
62. District Level Technical Committees should be formed with representatives from the Highways department and engineering wings of local bodies to recommend technical solutions and fund requirements. Based on the review in the District Road Safety meetings chaired by the District Collectors, such comprehensive plans be considered by the Government for implementation through appropriate fund tie-ups. **(Para.5.81)**
63. The Local Bodies should reconcile the pending dues of Environmental Compensation, and ensure payment in a phased manner. **(Para 5.89)**
64. Considering Local Bodies provides many services using traditional methods that have serious implications for the environment and they are not able to explore better technology due to resource constraints, Tamil Nadu Pollution Control Board (TNPCB) should explore such solutions and implement pilot projects to demonstrate effectiveness. **(Para 5.90)**
65. Environment conscious measures should be internalised among Local Bodies regular development works. Considering their functional delegation and fund constraints, the Tamil Nadu Pollution Control Board (TNPCB) should form broad energy efficiency guidelines and environment friendly frameworks with suggestions on cost effective technologies that would help Local Bodies to graduate towards better plans within their fund and capacity constraints. The Tamil Nadu Pollution Control Board (TNPCB) could broaden its scope of work from its regulatory role, as creation of an enabling environment would have a long lasting impact on climate change. **(Para.5.91)**

66. The Local Bodies should clear all the pending dues in a phased manner during the award period. Annual arrear clearance statements could be prepared by the concerned Head of Department and compliance be ensured through due follow up. **(Para.5.96)**
67. The local bodies should take immediate efforts to qualify for the full grants to be received from the Central Finance Commission. **(Para.6.28)**
68. Presently common bank accounts are used for various purposes and fund sources. This makes reconciliation difficult. Hence, every local body should maintain a separate account for major sources of revenue such as its own sources, State Finance Commission grants, Central Finance Commission grants, scheme funds etc. If this is found difficult to implement, a robust ledger system should be introduced through a single account. This system of accounting would enable to keep track of funds, apart from making account keeping easier. **(Para. 6.29)**
69. The process of implementing a Fund Tracking System should be expedited, and that all levels of local body accounts should be covered under the newly envisaged system. **(Para.6.30)**
70. Presently, the devolution funds are drawn by the respective Heads of Department, and deposited in a separate bank account. From this bank account, funds are further transferred to the local bodies based on the devolution formula as adopted by the government. This procedure be modified so that the Head of Department prepares a complete list of Local Bodies with their bank accounts, and submits a common bill to the Treasury. This will ensure that the funds are directly transferred to the bank accounts of the Local Bodies, and delays caused due to administrative reasons for fund transfer are avoided. **(Para.6.31)**
71. A comprehensive software should be developed integrating accounting and transaction for all the local body funds. All expenditures should be authorised through challans in the software at the time of expenditure itself. Once finalised, the software should generate an advice to the bank to credit the amount to the final recipient. This would ensure that accounting does not depend on manual entries after transactions. Rather, the transaction itself will be captured in the accounting software. Any data regarding accounts can be made available at any time. Inaccuracies in data will be greatly reduced. This would ensure availability of timely accounts and data not only to the administrative department and the Local Bodies, but also to all the future State Finance Commissions. **(Para.6.33)**

72. Standardised Audit template for RLBs should be developed and proper training should be imparted to the auditing and supervisory officials concerned. Auditing progress should be monitored by the District Collector. **(Para.6.34)**
73. The present system of sending proposals every month for the release of State Finance Commission funds should be done away with. Initial release order be issued by the Finance Department at the beginning of the award period for release of monthly installments. The first ten instalments be released on fixed dates as per the Budget Estimates. The last four instalments be released once the Revised Estimates have been finalised, following the same mechanism. **(Para.6.35)**
74. Apart from the funds of the local body, many Government Departments implement various schemes for service delivery in the local bodies. However a consolidated data of such expenditure local body wise is not available. As such a geographical indicator, such as Local Government Directory, linking local bodies in all the expenditures should be included to track all government expenditure for local bodies. This would go a long way in ensuring efficient fund allocation among various parts of the State in general and among local bodies in particular. **(Para.6.36)**
75. Adequate and frequent training should be imparted to the staff handling accounting. Strengthening the capacities of the concerned staff to shift their day-to-day operations online be undertaken. This be done through Tamil Nadu Institute of Urban Studies (TNIUS) and the Regional Institute of Rural Development (RIRD). **(Para.6.38)**
76. Local Fund Audit officials be engaged as faculties in training programmes to impart training on audit procedures and practices to the local body staff engaged in audit work. **(Para.6.39)**
77. Audit of Village Panchayats accounts during the year should be done by engaging external auditing agencies under the overall supervision of Local Fund Audit Department, selected from the list of auditors separately empanelled for this purpose. This shall be in the years when the Local Fund Audit Department does not conduct audits for Village Panchayats. Reports should also be made available in the public domain. **(Para.6.40)**
78. Local bodies should switch over to digital demand raising for local body taxes and charges as the existing manual demand raising process is very cumbersome. Public should be allowed the choice of digital payments like those enabled by TANGEDCO. Reminders should be sent for payment through SMS. Once the digital platform is put in place, surplus staff be diverted for other work. **(Para.6.42)**

79. As Special Grants have been recommended for specific purposes out of the Rural share of devolution, these grants should be further divided into State-level grants and district level grants and at both the levels, the fund is to be further divided for two purposes and allotted as Capital Grant Fund (CGF) and Operation Maintenance Deficit Grant Fund (O&MDGF). **(Para.7.36)**
80. A sum of Rs. 9,334 crore as Special Grants at the State Level and Rs. 1,350 crore as Special Grants at the District level for the entire five year award period with detailed distribution specified for each year. This would account for 25.7% of the total projected devolution grants for RLBs during the award period. If the Central Finance Commission Grants are also taken into account, the Special Grants would account for 19% of the total devolution grants. **(Para.7.38)**
81. A sum of Rs.1,573 crore as Special Grants per annum at State Level with an annual increase of Rs.146.80 crore during the award period has been earmarked. **(Para.7.39)**
82. The State Level grants should be administered by the State Level Committee. The composition of the grants indicate, it would involve various stakeholder agencies. Hence, the requirements of funds should be assessed, and allocation among Local Bodies for the specific purpose stipulated under this category should be determined by a committee with representatives from the departments of Rural Development and Panchayat Raj, Finance and School Education, Representatives of TWAD Board and TANGEDCO should also be special invitees to the Committee.**(Para.7.40)**
83. The special grant funds at State Level namely the Capital Grant Fund, with an allocation of Rs.861 crore for the first year, with a fixed annual increase of Rs.86 crore per annum over the previous year allocation; and Operations Maintenance and Deficit Grant Fund, with an annual allocation of Rs.712 crore and an increase of Rs.60.8 crore per annum over the previous year allocation is earmarked. **(para.7.41)**
84. The Capital Grant Fund shall be divided into four components as indicated below: **(Para.7.43)**
- a. Rs.600 crore should be allocated in the first year of award for improvement of rural infrastructure with a priority to weaker Local Bodies. The Fund should get an annual increase of Rs.60 crore over the previous year allocation over the next four years with a total allocation of Rs. 3,600 crore during the entire award period. The Fund should be spent for water supply and solid waste management on priority. Other infrastructure works

could also be undertaken, depending on the requirement.

- b. In the first year of the award period, Rs.120 crore should be allocated for conversion of Panchayat Road into Other District Roads, and improvement of important streets. Rs.12 crore should be increased annually over the previous year allocation for the next four years with a total allocation of Rs.720 crore during the entire award period.
  - c. Rs.1 crore should be allocated for developing infrastructure for the rural regional training institutes during each of the years, with a total allocation of Rs.5 crore during the entire award period.
  - d. Rs.140 crore should be allocated for improving the infrastructure in the schools located in the RLBs in the first year. Rs.14 crore should be given as annual increase over the previous year's allocation over the next four years, with a total allocation of Rs.840 crore in five years. Priority should be given to creation of additional classrooms in the schools. Selection of schools should not be restricted to Panchayat Union schools alone. Even the high school and higher secondary schools falling under the jurisdiction of the Local Bodies serve the population of the Local Bodies. Hence the Fund could be spent even on high schools and higher secondary schools. This should serve as a first step towards increasing further functional delegation to the Local Bodies. The Public Works department could have parallel jurisdiction, and the requirement of obtaining no objection certificates should be done away with.
85. The Operation and Maintenance Deficit Grant Fund (O&MDGF) should have a total allocation of Rs.4,169 crore during the five-year award period i.e., 2022-2027. The first year allocation shall be Rs.712 crore. The fund would further be divided into eight components as indicated below: **(para.7.44)**.
- a. Rs.100 crore should be allocated to TWAD Board in the first year with an annual increase of Rs.10 crore over the previous year's allocation for the next four years making the total allocation of Rs.600 crore during the entire award period. This fund should be spent for meeting the water charge requirements of those weaker local bodies which are not able to pay the annual charges from their existing resources. The grant can be made directly to the Board.

- b. Rs.60 lakh should be allocated annually to Rural Regional Training Institutes for capacity building of officials working for RLBs, and of the public representatives.
- c. Rs.280 crore in the first year with an annual increase of Rs.28 crore over the previous year's allocation should be allocated to RLBs with deficit for two consecutive financial years subject to a maximum grant of Rs.10 lakh per local body per year. This Fund should be untied and should not be intercepted for any other purposes at the state level or the district level.
- d. Rs.200 crore should be allocated in the first year with an annual increment of Rs.20 crore over the previous year allocation for meeting the electricity bill requirements of those local bodies which are not able to pay their electricity charges with their existing resources. This amount be directly given to TANGEDCO after due verification of the pending bills and certification by the Local Bodies.
- e. Rs.28 crore should be allocated to the Department of Public Libraries in the first year as advance payment of Library Cess collection, with an annual increase of Rs.2.8 crore over the previous year allocation for the next four years. Having collected the advance Library Cess from the Local Body devolution, and subsequently the Local Bodies could retain the actual Library Cess collected at their level.
- f. Efforts be taken to ensure that the sanitary workers in RLBs are registered with the Sanitary Workers Welfare Board. Rs.5 crore per year should be given as a grant to the Board to undertake welfare/social security initiatives for the Sanitary Workers in rural areas. Director, Rural Development should be co-opted as a member/special invitee to the Sanitary Workers Welfare Board.
- g. 687 Village Panchayats are in close proximity to ULBs, and termed as Peri Urban Panchayats. To meet their additional needs the Commission, Rs.10 lakh per Peri Urban Panchayat in addition to their regular lump sum amount is awarded. In case the Rural Development Department changes the number of Peri Urban Panchayats as per revised criteria, the same should be adopted for this purpose also.

- h. Similarly, 299 Village Panchayats, which are located in hilly areas should also get an additional lump sum amount of Rs.10 lakh per hilly Village Panchayat.
86. There are two Special Grant funds at district namely the Capital Grant Fund and Operations and Maintenance Deficit Grant Fund. **(para.7.46).**
87. The allocation to individual local bodies out of the district level grants should be determined by the District Planning Committee. Till the DPC is formed, the allocation be made by the District Collector as Inspector of Panchayats. **(para.7.47).**
88. The Capital Grant Fund have a total allocation of Rs.1,000 crore during the five year award period of this Commission. The allocation shall be Rs.200 crore per year. **(para.7.48).**
89. The Capital Grants should be divided among Districts based on the following formula – Population (65%), Area (15%) and SC/ST population (20%). **(para.7.49).**
90. The capital grants should be spent on essential services at the village level such as water supply, connectivity, community infrastructure, and infrastructure not covered under any other scheme. **(para.7.50).**
91. Rs.60 crore shall be allotted proportionately each year among districts based on the number of schools within the RLBs in each district. This Fund should be used for minor works and maintenance of school infrastructure. **(Para.7.53)**
92. The selection of schools should not be restricted to Panchayat union schools alone. As the high schools and higher secondary schools falling under the jurisdiction of the local bodies serve the population of the local bodies, the fund could be spent on high schools and higher secondary schools as well. This should serve as a first step towards increasing further functional delegation to the Local Bodies. The Public Works Department could have parallel jurisdiction. The requirement of obtaining no objection certificate should be done away with. **(Para.7.54)**
93. The amount to be devolved as direct devolution to the local bodies should be arrived at by deducting the special grants from the overall share to the RLBs as per the Devolution Formula. **(Para.7.61).**
94. Un-tied devolution to local bodies should not be intercepted under any circumstances. General Fund to Local Bodies should directly go to the Local Bodies. There should not be any tied component associated with them. **(Para.7.67).**



95. The releases should be according to the multiplier factors for all local bodies arrived at by the Commission for each Local Body based on the weightage formula recommended. **(Para.7.68)**.
96. The multiplier factors available online through its website, along with a simple online calculator shall be made. **(Para.7.73)**
97. There shall be no minimum lump-sum grant to District Panchayats. All the grants should be devolved based on the following weightage formula for distribution between District Panchayats – Population (65%), Area (15%) and SC/ST population (20%). **(Para.7.75)**
98. For each Panchayat Union, Rs.40 lakh should be given as a minimum lump sum grant. **(Para.7.77)**
99. The remaining amount, after deducting the minimum lump sum grants from the total devolution to Panchayat Unions, should be devolved to the Panchayat Unions with the following weightage formula – Population (65%), Area (15%) and SC/ST population (20%). **(Para. 7.78)**
100. Of the devolution to the Village Panchayats, for each Village Panchayat, a basic minimum lump sum grant of Rs.7 lakh should be given.**(Para.7.81)**
101. The basic lump sum grant should be divided between two shares for settling the charges due to the electricity and water supply in the ratio of 70:30. From each account, the charges should be settled in the first instance. In case there is excess amount available in the account after settling the electricity or the water charges as the case may be, such amount should be transferred to the other account for electricity and water charges, respectively.**(Para.7.82)**
102. In case there are no dues pending for water charges or electricity charges in the Panchayat, then and then alone should the amount be transferred to the General Fund account. **(Para.7.83)**
103. The Fund remaining from the devolution to Village Panchayats after deducting the minimum lump sum grants shall be devolved to the Village Panchayats according to the following weightage formula – Population (65%), Area (15%) and SC/ST population (20%).**(Para.7.84)**
104. For RLBs, funds for payments to utilities are disbursed to a common Account No.II. This includes the dues payable for electricity bills and water charges. It is essential that the dues payable to these utilities are paid in time and no pendency is allowed, to ensure smooth functioning of these utilities there by improving their performance

and their service delivery to the local bodies. Therefore, the funds devolved into Account Number II should be devolved into two separate accounts one each for electricity bills and for water charges. Initially, funds should be apportioned between these two accounts in the ratio of 70:30. If the pendency is nil in one of the accounts, the remaining funds be transferred to the other Account. If pendency is nil in that account as well, the funds could be transferred to the General Fund Account. **(Para.6.32)**

105. In order to improve transparency and accountability in financial performance of the local bodies, all accounts from Account No. I to XI should be updated online on a timely basis, and the audited reports and remarks should also be available in the public domain, accessible to every citizen. **(Para.6.37)**
106. Each Village Panchayat should be provided with a unique code to enable easy access of all related data of VPs online. **(Para.6.41)**
107. Accounting system in RLBs should be strengthened by forming a separate wing at the Panchayat Union level. **(Para.6.43)**
108. Social Auditing should be strengthened and made mandatory for all works undertaken in local bodies. Major works done by the Panchayats should be displayed with financial details in prominent places. Existing Social auditing mechanism in RLBs be made effective by participation of higher level Government officials. **(Para.6.45)**
109. The 14 key reforms be implemented before June 2024 with the support of the respective departments. In case these reforms are not implemented before the due date, the annual quantum of Special Grants to be administered at the State level should be reduced by 20% from the year 2024-25 onwards. **(Para.7.140)**
110. The reduced quantum of funds should be added to the direct devolution grants of RLBs and ULBs and should be further devolved as per the formula recommended by this Commission. **(Para.7.141)**
111. If the reforms are achieved within the time line prescribed, the State Government shall devolve an additional one time incentive grant of Rs.300 crore to the ULBs and an additional one time incentive grant of Rs.300 crore to the RLBs. **(Para.7.142)**
112. The one time additional incentive grant shall be added to the State Level Capital Grant Fund of the RLBs and ULBs as the case may be. **(Para.7.143)**

113. The key reforms identified for RLBs are: **(Para.7.146)**

- b. The authority to grant permission for advertising should be with Local Bodies, with the concurrence of District administration. Advertising agencies should apply to Local Bodies, and Local Bodies should seek concurrence of the District administration. Permission should be granted or rejected by the District Administration in a time bound manner. If the permission is not accorded within the prescribed time limit then it should be treated as "deemed to have been permitted".
- c. Large Village Panchayats should be bifurcated based on population.
- d. Levy of Surcharge on Stamp Duty on documents relating to (i) Agreement including Construction Agreements (ii) Power of Attorney (iii) Release of benami right (iv) Release of right in favour of partners and (v) all types of settlement, to augment revenue of the Local Bodies should be made.
- e. A comprehensive software should be developed for accounting and transaction for all the local body funds. Any expenditure should be authorised through a challan in the software. Once finalised, the software should generate an advice to the bank to credit the amount to the final recipient to ensure that accounting does not depend on manual entries after transaction. Rather, the transaction itself would be captured in the accounting software. Any data regarding accounting could be made available at any time and inaccuracies in data be greatly reduced. This would ensure availability of accounts and data, not only to the administrative department and the Local Bodies, but also to all the future State Finance Commissions.
- f. Un-tied devolution to Local Bodies should not be intercepted under any circumstances. General Fund to Local Bodies should directly go to the Local Bodies. There should not be any tied component associated with them.
- g. At least 75% arrears of House Taxes as on 01.04.2022 should be collected and at least 75% of current demand of House Tax in 2023-24 should be collected.

114. The authority to grant advertisement permission should be delegated to the Local Bodies, with the concurrence of competent authority from the District administration. Concurrence of District administration should be time bound, which if not received within a specific time, should be deemed to have concurred and towards this an Amendment shall be made to bring in the concept of License Fee for permission for advertisements. **(Para 3.78)**
115. Water meters should be fixed for bulk water service connections, especially for all Over Head Tanks in a phased manner and this is tied with compliance for the release of special grant to TWAD Board for 2024-25 onwards. **(Para 3.111)**
116. With regard to transfer of 75% of Assigned Revenue to the respective Local Bodies, and the remaining portion should be used for the requirements of weaker Local Bodies, along the lines of Grants to deficit RLBs, as recommended in the Scheme of Devolution, the Government decided that after provision of infrastructure to local bodies through implementation of special schemes at State Level, availability of funds under Assigned Revenue if any shall be provided. The State level Committee constituted for that purpose be authorised to monitor this fund as well. **(Para 3.134)**
117. With regard to allocation of proportion of resource allocation from such a fund should be maintained at least at the Block level under which the respective Village Panchayats fall, it is decided that after provision of infrastructure to local bodies through implementation of special schemes at State Level, availability of funds under Assigned Revenue if any shall be provided. **(Para 3.135)**
118. With regard to maintenance of assets, it is decided that while the primary responsibility of maintenance will lie with the department which has constructed the building, the local bodies (Panchayat Union/Village Panchayat) to carry out maintenance works with technical assistance from the concerned departments. **(Paras.3.213 & 3.215)**
119. Implementation of Forest Rights Act should be given top priority in the districts with tribal population. Rs.20 lakh should be given for each hamlet in which majority of individual Forest rights have been given and majority of community rights have been settled. This Fund should be spent by the District Collector for meeting basic infrastructure requirements of the hamlets based on the recommendations of the Joint Forest Management Committee with a condition that minimum of 50 cases should have been settled. **(Para.7.60)**

120. The vertical sharing ratio among RLBs shall be 6:39:55, i.e., 6% to District Panchayats, 39% to Panchayat Unions and 55% to Village Panchayats. **(Para 7.66)**
121. Of the total direct devolution grants, 6% should be given to District Panchayats.**(Para 7.74)**
122. Of the total direct devolution grants, 39% should be devolved to the Panchayat Unions.**(Para 7.76)**
123. Of the total direct devolution amount, 55% should be devolved to the Village Panchayats. **(Para 7.79)**
124. The Tamil Nadu Panchayats Act, 1994 should be suitably amended to permit classification as Peri-Urban Villages based on population and proximity to ULBs, and to collect House Tax (to be amended as Property Tax) at the rates existing in adjacent ULBs and the recommendation is deferred and should be examined separately. **(Para 3.203 and Para 7.146-c)**
125. Peri-Urban Panchayats should be empowered to levy Vacant Land Tax (VLT) for house sites other than agricultural lands, based on plinth area as in ULBs, by amending the Tamil Nadu Panchayats Act, 1994. The basis for levy may be area, in lieu of plinth area as in ULBs, by amending the Tamil Nadu Panchayats Act, 1994 and the recommendation is deferred and should be examined separately. **(Para 3.204)**

### **III. Municipal Administration and Water Supply Department**

1. Exclusive sections should be formed in RD&PR and MA&WS departments to deal with the subjects relating to State Finance Commission, and also at Directorate of Rural Development, Commissionerate of Municipal Administration and Directorate of Town Panchayats levels. **(Para.1.40)**
2. The coordination between Town Planning and Revenue wings should be structurally strengthened through an automated workflow process, with data sharing regarding planning permissions, construction and completion, to ensure that properties are brought into the tax net promptly.**(Para.4.73)**
3. The proposed end-to-end software for according planning permission should be completed expeditiously.**(Para.4.74)**
4. In Chennai, planning permissions for various types of buildings rest with different authorities like GCC and CMDA. An online link between the databases of CMDA and GCC would ensure a fool proof system of

updatation of Property Tax registers. This should be done alongside the automation and online process proposed to be introduced for Building Plan clearances in CMDA. **(Para.4.75)**

5. Geographical Information System (GIS) mapping of all ULBs to bring left out properties into the assessment process should be completed in all Municipalities and Corporations. This should be implemented in Corporations within a period of two years. GCC should complete the process before March 2023. **(Para 4.76)**
6. A special drive for Geographical Information System (GIS) mapping should be launched for Town Panchayats to cover all Town Panchayats in a phased manner during the five year award period of the Sixth State Finance Commission. **(Para 4.77)**
7. The computerisation of the Property tax system must be speedily completed and online self-assessment of Property Tax should be implemented with necessary amendments to the Tamil Nadu District Municipalities Act, 1920, and other City Municipal Corporation Acts. **(Para 4.78)**
8. To prevent accumulation of arrears on State Government buildings, a mechanism should be put in place to ensure that Department wise and Local Body wise demand for Property Tax are consolidated, and adequate budgetary provisions sought from the Finance Department under the relevant heads of account. A special committee should be formed with representatives of related Departments to arrive at the consolidated Property Tax requirements of Government Departments and Agencies each year. **(Para 4.80)**
9. The issue of necessary amendments to Article 285 of the Constitution should be taken to make the Union Government buildings liable for Property Tax. In the interim, the Ministry of Urban Development Government of India must be impressed upon to make statutory provisions enabling levy of service charges to replace the current executive instructions which have proven ineffective. **(Para 4.81)**
10. The ULBs should adopt an Area Based Valuation method for assessing Property Tax instead of the current system of Annual Rental Value based assessment. Guideline value uploaded by the Registration Department and sales statistics be linked with the Tax Assessment software of the ULBs for the purpose of comparison. Streetwise uniformity of rate should be maintained, allowing for slabs based on type of property. **(Para.4.82)**
11. An integrated online "Self-Assessment of Property Tax Platform" should be established with an automatic calculation of the tax to be

paid based on data, some of which, like the guideline value or the zonal valuation of the property is already available online; and the rest could be provided by the assesseees. The system of self-assessment could then be effectively utilised, with provisions for scrutiny and audit to ensure that the self-assessment has been done correctly. **(Para 4.83)**

12. Only the actual area/floor area on which Cell Phone Towers base is built should be assessed as a commercial building for Property Tax purpose.**(Para 4.84)**
13. As Section 81(A) of the District Municipalities Act, 1920, empowers the State Government to publish a notification directing any Municipal Council regarding levy of Property Tax or any other taxes it should be seen only as a safeguard for revenue; whereby the local body is stopped from either doing away with a tax or reducing the rate of levy should not intervene when there is an upward revision of taxes carried out by the respective ULBs.**(Para 4.86)**
14. The quinquennial general revision of Property Tax should reflect at least the Cumulative Consumer Price Index change since the previous revision. In case Local Bodies fail to proactively notify any revision of Property Taxes, the Property Tax rates should automatically stand revised to a minimum of the cumulative Consumer Price Index change. The relevant portion of the District Municipalities Act, 1920 be amended to give effect to this.**(Para 4.87)**
15. A register should be maintained by the concerned Department, which contains the consolidated details of Government Agencies' properties Local Body wise. This should form the basis for allocation of adequate funds for Property Tax from the respective Government Agencies.**(Para 4.88)**
16. The Property Tax Board should be activated and disputes relating to valuation of properties should be referred to the Board for speedy resolution.**(Para 4.89)**
17. As a general policy, the State Government should not provide exemptions to any entity from the tax and non-tax levies of Local Bodies. In cases where the grant of such an exemption becomes necessary, the ULBs should be compensated for the loss. In this regard it has been decided to consider on case to case basis.**(Para.4.90)**
18. A systematic Geographic Information System (GIS) based survey of the land, followed up with a field verification of ownership, based on the relevant revenue records, should be carried out. Based on this

inventory of vacant land, Vacant Land Tax should be levied. **(Para. 4.96)**

19. Instead of levying and collecting Vacant Land Tax only at the time of seeking/ giving planning permissions, the Vacant Land Tax should be collected regularly and annually. **(Para.4.97)**
20. Payment of arrears of Property Tax dues or Vacant Land Tax dues should be made mandatory before registration of land/property. **(Para. 4.100)**
21. The early passage of the necessary Constitutional amendment to enhance and remove the ceiling on the Profession Tax that can be levied, and to simplify the process of raising the Profession Tax in the future, as recommended by the 14<sup>th</sup> and the 15<sup>th</sup> Central Finance Commissions be taken up with Government of India. **(Para 4.115)**
22. State and Central Government agencies like the Commercial Tax Department, Labour and Employment Department, Employee Provident Fund Organisation, and professional self-regulating organisations should coordinate and cooperate with local bodies to enable more effective collection of Profession Tax by providing list of staff/employees under their payroll to the respective Local Bodies either through online or offline mode. **(Para.4.116)**
23. The authority to grant advertisement permission should be delegated to the Local Bodies, with the concurrence of competent authority from the District administration. Concurrence of District administration should be time bound, and if not received within a specific time, it should be deemed to have concurred. **(Para 4.123)**
24. Local Bodies should be empowered to take legal action and levy penalties on persons who have put up unauthorised hoardings and advertisements, in addition to removing hoardings which have not received requisite permission. **(Para 4.124)**
25. The revision of tax should be done annually, with an upward revision of at least 5% per year. **(Para 4.126)**
26. The present executive instructions regarding regulation of lease and rent should be replaced with Statutory Rules to provide greater sanctity and certainty, allowing for more investment in creation of remunerative assets which would augment the non-tax revenue. **(Para 4.137)**



27. All shops of ULBs should be rented / leased out following tender and public auction, as per the Transparency in Tender Act, 2000. **(Para 4.138)**
28. The development of remunerative projects like new market complexes, truck terminals, theme parks, etc. be taken up jointly with Village Panchayats in areas adjoining the ULBs on a profit sharing basis. **(Para.4.139)**
29. All house connections should be metered in a phased manner. Initially, high cost Residential and Commercial establishments should be targeted. **(Para 4.145)**
30. The Rule provisions in Schedule-V of the Tamil Nadu District Municipalities Act, 1920 and the relevant schedule in respect of other Municipal Corporation Acts should be amended to enable the Council to notify the list of trades, and to revise the rates once in three years. The necessary amendments be notified at the earliest. New trades should be updated every year. **(Para 4.154)**
31. The nomenclature Dangerous and Offensive (D&O) trade license fee should be revised as "Trade License Fee" as in the case of Greater Chennai Corporation. **(Para.4.155)**
32. Commercial Tax Department should seek additional details like payment of License Fee, Property Tax and Profession Tax from traders while registering for Goods and Services Tax (GST) to favour the Local Bodies in augmenting revenue. Local Bodies shall get the list from the Commercial Tax Department periodically and reconcile tax collection and add unassessed traders into the tax net. **(Para. 4.156)**
33. Combined Development and Building Rules, 2019 should be amended, and all Government Buildings belonging to the State as well as Central Governments should be obligated to obtain necessary building licenses and planning permissions from the competent authority, namely ULB or Local Planning Authority or CMDA by remitting such fees as prescribed in the ULB's Bye-laws or as levied by the Planning Authority. **(Para.4.161)**
34. Necessary action should be taken to resolve the issues regarding collection of track rent on Optical Fibre Cable feeders and Cable Television cables at the earliest to enable Local Bodies to collect track rent. While finalising policy on Track Rent Collection, it must be ensured that the revenues of Local Bodies are not compromised. **(Para.4.168)**

35. Levy of Surcharge on Stamp Duty should be extended to (i) Agreement (ii) Power of Attorney (iii) Release of benami right (iv) Release of right in favour of partners and (v) Settlement. In addition, "Construction agreements" and "Settlement among family members" should also be subject to Stamp Duty. **(Para.4.180)**
36. The details of collection of surcharge on Stamp Duty should be informed to the Local Bodies concerned and the District Collectors by the Registration Department. **(Para.4.181)**
37. Detailed guidelines should be issued for all ULBs regarding the issue of bonds and other debt instruments. Comprehensive efforts should be taken for credit rating of the ULBs through specialised agencies to enable them raising infrastructure bonds. **(Para 4.198)**
38. The ULBs shall be encouraged to issue bonds and other debt instruments for augmenting resources for capital projects. Given the funding requirements of the Urban Local Bodies, and given the fact that the other two tiers of the Government are permitted deficit financing of their budgets, the conditions that ULBs must be surplus for consecutive three years for issuing bonds seems onerous. Efforts be taken to modify the conditions for issue of bonds in consultation with appropriate regulatory authorities. **(Para 4.199)**
39. As Statutory Fiscal Reforms and Budgetary Management compliance has helped the State Governments discipline their accounts and deficits, it is high time that the need for such discipline at least for Corporations is recognised. Efforts be taken to introduce statutory provisions in the existing acts or enact new legislations to ensure fiscal discipline among Municipal Corporations. **(Para 4.200)**
40. Public Private Partnerships have been least explored in the urban sector. The Tamil Nadu Infrastructure Development Board should take up a special drive to map revenue generating existing assets and identify new shelf of potential assets. A concerted effort should be taken to leverage various State Government schemes, Local Body Funds and Special Grants recommended by this Commission to create infrastructure projects under various PPP models in a mission mode during the five year award period of the Commission. **(Para.4.201)**
41. In case of high cost infrastructure, the Government should bear the cost of infrastructure only if it is found to be uneconomical for implementation under a PPP model. Even then, possibilities for doing O&M in the PPP model should be explored. **(Para 4.202)**

42. Platform companies and Special Purpose Vehicles should be formed for all revenue generating assets. Operational Expenditure (OpEx) models of asset maintenance, especially for metered services, with resource mobilisation from the private sector should be developed across sectors in urban areas. **(Para.4.203)**
43. For the creation and maintenance of public sanitation systems/facilities, the local bodies should explore the possibility of undertaking small scale Public Private Partnership (PPP) projects through Special Purpose Vehicles (SPVs). **(Para 4.204)**
44. Guidelines for integration of HR cadre for newly added areas should be created. Among other aspects, these should cover: **(Para.4.208)**
  - i. Sufficiency of HR across levels and functions in view of consolidated availability and service delivery needs, and taking into account redundancies and needs arising from changes in service standards, technology, processes etc.
  - ii. Identification of role based training needs and guidelines for creating a pipeline of high capacity staff.
  - iii. Resourcing and approvals for bridging quantity and quality gaps in staff.
  - iv. Norms for integration of cadre across added areas with specification of timelines for the integration process.
45. Job charts should be revised for improved clarity on roles and responsibilities, and guidelines and templates should be provided for definition of Key Performance Indicators (KPIs) and performance measurement/validation protocols across designations. **(Para.4.209)**
46. A state-wide Capacity Building and Training Policy and a Capacity Building and Training Programme (CBTP) should be formulated with appropriate funding provisions for both urban and rural local bodies. **(Para.4.210)**
47. Role based “training needs assessments” should be developed and administered. Information and Computer Technology should be leveraged for “refresher trainings” through audio/video modules, and for tracking the perceived effect of training on capability and performance – both by the trainees and their managers (Tamil Nadu Institute of Urban Studies [TNIUS] and State Institute of Regional Development [SIRD] to collaborate for such initiatives). **(Para.4.211)**

48. Post-training assessments should be conducted for all the trainings (both in-person and online), based on which credits be given and officials who have passed the exam be incentivized. **(Para.4.212)**
49. Capacity Building should also be imparted to the elected representatives of local bodies to ensure that they have both knowledge and behavioural competencies required to effectively discharge their roles. **(Para.4.213)**
50. More generally, technical support should be provided to local bodies to evaluate HR sourcing alternatives (on-roll recruitment, contracting, and outsourcing etc.) for key positions and choose the most cost effective models. **(Para.4.214,II)**
51. Administrative Reform Commission/Committee should be constituted to study and report the measures to be followed for good governance at the grass root levels in local bodies (rural and urban). Such a Commission may also assess and recommend modifications to the organizational structure and service rules to balance autonomy with accountability at the last mile. **(Para.4.215)**
52. A centralised cell should be constituted for analysis of HR data from multiple sources. (e.g., HRMS, projection of HR liabilities, retirement and pipeline assessment, training effectiveness evaluations, collation of good practices etc.). **(Para.4.216)**
53. Rs.1.5 crore should be allocated to St.Thomas Mount cum Pallavaram Cantonment Board and Rs.50 lakh should be allocated to Wellington Cantonment Board each year from the Capital Grant Fund during the award period. **(Para 4.234)**
54. The funds allocated should be spent based on recommendations of a Committee formed for this purpose with three members, namely, the Member of Legislative Assembly from the constituency in which the area of the Cantonment Board overlaps, the Chief Executive Officer of the Board and one elected representative on the Board, to be recommended by the Board. **(Para 4.235)**
55. A scheme for mobilising Corporate Social Responsibility (CSR) component be formulated where by an individual/agency/companies who are interested in contributing for the welfare of a particular local body could contribute directly for infrastructure development of Urban Local Body. **(Para.4.236)**
56. The Corporate Social Responsibility (CSR) funds or funds from corporate are to be used by local bodies to create infrastructure / assets or any other improvement to the local bodies as per the guidelines. Towards this, it is decided to give a matching share of

33% based on the scheme guidelines, which should be framed by the Government. **(Para.4.237)**

57. Within the local bodies, Land Bank of all Government lands should be created so that land availability could be assessed for providing suitable infrastructure to the local bodies, and development of land - either for Value Capture, or for creation of public assets can be planned. It is essential to explore reclaiming the excess land given to various Government Departments, agencies, and local body's own infrastructure for future development. **(Para.4.238)**
58. Currently, no asset register for immovable properties is being maintained by local bodies. A comprehensive exercise for creation of Asset Register should be undertaken and the completed register should be made available online. **(Para.4.239)**
59. Un-tied devolution to local bodies should not be interrupted under any circumstances. General Fund to local bodies should directly go to the local bodies. There should not be any tied component associated with them. **(Para 4.240)**
60. Infrastructure requirements of poorer localities of ULBs should be identified and given high priority while planning capital investments. **(Para 4.241)**
61. Service level benchmarking should be undertaken for all ULBs on an annual basis with the help of third party professional agencies. Better performing ULBs and wards within ULBs could be rewarded with additional resource allocation. **(Para 4.242)**
62. A comprehensive Deprivation Index of civic amenities should be developed for assessing the financial requirements of all the Local Bodies. Fund allocation for development activities should be done taking into consideration this Deprivation Index. **(Para 4.243)**
63. Comprehensive manuals for maintenance of assets should be created. Local Bodies should prioritise utilising their own revenue receipts for maintenance of assets and ensuring uninterrupted service delivery. **(Para.4.244)**
64. Specialised agencies such as Tamil Nadu Urban Infrastructure and Financial Services Limited (TNUIFSL) and Tamil Nadu Urban Finance and Infrastructure Development Corporation (TUFIDCO) should extend support to ULBs and RLBs for availing of funds from under explored funding sources like the Tamil Nadu Innovation Initiative (TANII). **(Para.4.245)**

65. Standardised templates should be created for Local Bodies to calculate cost to serve (capital and Operations & Maintenance) for tariff justifications. A State level portal be developed with cost to serve and tariff benchmarks of Local Bodies and parastatal agencies using data from past projects. **(Para 4.246)**
66. A State level cell should be created to support Local Bodies in mapping properties, suggesting value capture options, reviewing contracts and support on auction processes. This cell would also maintain a repository of successful monetisation projects and relevant connections for other Local Bodies to reference, through the Commissioner of Land Administration. **(Para.4.247)**
67. Analytical support should be provided by the State Level Cell to Local Bodies to help them forecast their committed liabilities over time, and in comparison with expected revenues for better longer term planning. **(Para 4.248)**
68. In order to reduce dependence of TWAD Board on power supplied by TANGEDCO, solar powered water pumps should be installed wherever feasible. A component of the existing water supply schemes may be allocated for this purpose.**(Para.5.17)**
69. Centage charges be increased to 13% for all capital works implemented by TWAD Board. **(Para 5.18)**
70. Water charges should be revised to atleast Rs.9 per kl from Rs.8.1 per kl for RLBs, and to Rs.13 per kl from Rs.10.4 per kl for ULBs, with a minimum 5% annual increase moving forward. **(Para 5.19)**
71. A separate Head of Account should be opened for allocation of grants to TWAD, and TWAD Board be permitted to draw the amount directly from the consolidated fund. The dues of the respective Local Bodies could be adjusted as per the recommendation of the concerned Head of Department. **(Para 5.21)**
72. The CMWSSB should take up metering of water connections in a phased manner. In the first phase, high cost residential areas, and large commercial establishments should be targeted. **(Para 5.36)**
73. Desalination plants are a very high cost solution to meet water supply requirements. Such plants should be undertaken only as a last resort. The project cost should include fund tie up for ten years of operations and maintenance cost. The CMWSSB should also explore the possibility of bringing in renewable energy components integrated into desalination plant projects.**(Para.5.37)**

74. Water charges be applied through a slab system, imposing higher charges on larger properties. The higher consumption slabs of other agencies such as domestic consumer category with more than 500 units of electricity consumption, or properties with more than a particular plinth area as per GCC and adjoining local bodies' property tax database be taken as a base. **(Para 5.38)**
75. The sharing ratio of devolution grant between the Greater Chennai Corporation and CMWSSB should be changed to 82:18 from the current ratio of 85:15. **(Para 5.39)**
76. CMWSSB should be given its component of devolution grants directly through a separate Head of Account. **(Para 5.40)**
77. The reconciled and audited establishment expenditure of the Planning wing of the Town and Country Planning (T&CP) authorities should be borne by all the Local Bodies in such areas.**(Para.5.51)**
78. The Town and Country Planning Department should take up Town Planning Schemes for major towns. **(Para.5.53)**
79. CMDA should positively consider allocation of more funds for provision of infrastructure and civic amenities in Local Bodies in proportion to the sources raised by CMDA from the properties that fall within these ULBs.**(Para.5.61)**
80. The poverty reduction and other welfare programmes implemented by various departments, such as the MA&WS, Labour Welfare, Employment and Training, Social Welfare and RD&PR etc. should have special focus on the rehabilitated tenements. A separate committee be formed for monitoring these focus programmes. This would ensure that resources are dovetailed across departments and habitat development becomes a comprehensive exercise. **(Para. 5.74)**
81. The Highways Department should take up upgradation of important Panchayat Roads in a phased manner. Critical roads could be identified in consultation with Local Bodies and respective town planning authorities.**(Para.5.77)**
82. The Highways department should extend technical support to the Local Bodies in designing solutions for reducing road accidents on roads under the Local Bodies jurisdiction. **(Para.5.78)**
83. Local Body roads connect to highways in numerous locations. Many of such roads join State or National Highways in acute or right angles. A comprehensive joint exercise should be undertaken to identify such important junctions and junction improvement plans should be drawn in consultation with concerned Local Bodies.**(Para.5.79)**

84. The Local Bodies, through their funds for road improvements, should give high priority for road safety. **(Para.5.80)**
85. District Level Technical Committees should be formed with representatives from the Highways department and engineering wings of local bodies to recommend technical solutions and fund requirements. Based on the review in the District Road Safety meetings chaired by the District Collectors, such comprehensive plans be considered by the Government for implementation through appropriate fund tie-ups. **(Para.5.81)**
86. The Local Bodies should reconcile the pending dues of Environmental Compensation, and ensure payment in a phased manner. **(Para.5.89)**
87. Local Bodies provide many services using traditional methods that have serious implications for the environment and are not able to explore better technology due to resource constraints. The Tamil Nadu Pollution Control Board should explore such solutions and implement pilot projects to demonstrate effectiveness. **(Para.5.90)**
88. Environment conscious measures be internalised among Local Bodies regular development works. Considering their functional delegation and fund constraints, the Tamil Nadu Pollution Control Board should form broad energy efficiency guidelines and environment friendly frameworks with suggestions on cost effective technologies that would help Local Bodies to graduate towards better plans with in their fund and capacity constraints. The Tamil Nadu Pollution Control Board could broaden its scope of work from its regulatory role, as creation of an enabling environment would have a long lasting impact on climate change. **(Para.5.91)**
89. The Local Bodies should clear all the pending dues in a phased manner during the award period. Annual arrear clearance statements be prepared by the concerned Head of Department and compliance be ensured through due follow up. **(Para.5.96)**
90. The local bodies should take immediate efforts to qualify for the full grants to be received from the Central Finance Commission. **(Para. 6.28)**
91. Presently common bank accounts are used for various purposes and fund sources. This makes reconciliation difficult. Hence, every local body should maintain a separate account for major sources of revenue such as its own sources, State Finance Commission grants, Central Finance Commission grants, scheme funds etc. If this is found difficult to implement, a robust ledger system should be introduced through a single account. This system of accounting would enable to



keep track of funds, apart from making account keeping easier.  
**(Para.6.29)**

92. The State Government is in the process of implementing a Fund Tracking System and this should be expedited, and that all levels of local body accounts should be covered under the newly envisaged system.**(Para.6.30)**
93. Presently, the devolution funds are drawn by the respective Heads of Department, and deposited in a separate bank account. From this bank account, funds are further transferred to the local bodies based on the devolution formula as adopted by the government. This procedure could be modified so that the Head of Department prepares a complete list of Local Bodies with their bank accounts, and submits a common bill to the Treasury. This will ensure that the funds are directly transferred to the bank accounts of the Local Bodies, and delays caused due to administrative reasons for fund transfer are avoided. **(Para.6.31)**
94. A comprehensive software should be developed integrating accounting and transaction for all the local body funds. All expenditures should be authorised through challans in the software at the time of expenditure itself. Once finalised, the software should generate an advice to the bank to credit the amount to the final recipient. This would ensure that accounting does not depend on manual entries after transactions. Rather, the transaction itself will be captured in the accounting software. Any data regarding accounts can be made available at any time. Inaccuracies in data will be greatly reduced. This would ensure availability of timely accounts and data not only to the administrative department and the Local Bodies, but also to all the future State Finance Commissions.**(Para.6.33)**
95. The present system of sending proposals every month for the release of State Finance Commission funds should be done away with. Initial release order be issued by the Finance Department at the beginning of the award period for release of monthly installments. The first ten instalments be released on fixed dates as per the Budget Estimates. The last four instalments be released once the Revised Estimates have been finalised, following the same mechanism.**(Para.6.35)**
96. Apart from the funds of the local body, many Government Departments implement various schemes for service delivery in the local bodies. However a consolidated data of such expenditure local body wise is not available. The Government should include a geographical indicator, such as Local Government Directory, linking local bodies in all the expenditures, to track all government expenditure for local bodies and this would ensure efficient fund

allocation among various parts of the State in general and among local bodies in particular. **(Para.6.36)**

97. Adequate and frequent training should be imparted to the staff handling accounting. Strengthening the capacities of the concerned staff to shift their day-to-day operations online needs to be undertaken. This shall be done through Tamil Nadu Institute of Urban Studies (TNIUS) and the Regional Institute of Rural Development (RIRD). **(Para.6.38)**
98. Local Fund Audit officials shall be engaged as faculties in training programmes to impart training on audit procedures and practices to the local body staff engaged in audit work. **(Para.6.39)**
99. Local bodies should switch over to digital demand raising for local body taxes and charges as the existing manual demand raising process is very cumbersome. Public should be allowed the choice of digital payments like those enabled by TANGEDCO. Reminders should be sent for payment through SMS. Once the digital platform is put in place, surplus staff be diverted for other work. **(Para.6.42)**
100. The Fifth State Finance Commission recommendation on the deployment of dedicated accounting staff in the Municipalities and Corporations should be expedited for implementation. **(Para 6.44)**
101. In Urban Local Bodies as well, social auditing should be experimented, first at a ward level on pilot basis. Based on the experience, it should be extended to all wards in the Urban Local Bodies. **(Para 6.46)**
102. The Operations and Maintenance Deficit Grant Fund (O&MDGF) should have a total allocation of Rs.4,169 crore during the five-year award period of the Commission. The first year allocation would be Rs.712 crore. The fund would further be divided into eight components as indicated below: **(Para.7.44)**
  - a. Rs.100 crore should be allocated to TWAD Board in the first year with an annual increase of Rs.10 crore over the previous year's allocation for the next four years making the total allocation of Rs. 600 crore during the entire award period. This fund should be spent for meeting the water charge requirements of those weaker local bodies which are not able to pay the annual charges from their existing resources. The grant be made directly to the Board.

103. To distinguish other ULBs from the Greater Chennai Corporation for the purpose of State Finance Commission devolution and to adopt a different devolution pattern. **(Para 7.88)**
104. The total devolution grants for ULBs should be divided into two broad categories i.e., the Capital city in the State i.e., Greater Chennai Corporation and the other ULBs. **(Para 7.89)**
105. The distribution between Greater Chennai Corporation and other ULBs should be shared in the Ratio of 16:84. **(Para 7.95)**
106. Of the total devolution amount of urban local bodies, 16% should be devolved for Greater Chennai Corporation. **(Para 7.96)**
107. Of the total devolution for the Greater Chennai Corporation, 82% should be devolved directly to the GCC and 18% should be devolved to the CMWSSB. This amount to the CMWSSB should be spent for meeting the deficit in expenditure of the Board. **(Para 7.97)**
108. From the share remaining with Greater Chennai Corporation, Rs.60 crore should be allocated to the Department of Public Libraries in the first year as advance payment of Library Cess collection, with an annual increase of Rs.6 crore over the previous year allocation for the next four years. Having collected the advance Library Cess from the Local Body devolution, subsequently the local body could retain the actual Library Cess collected at their level. Thus, the total grant for this purpose during the award period will be Rs.360 crore. **(Para. 7.98)**
109. Further, the funds should not be routed through the Directorate of Municipal Administration. The GCC and CMWSSB should be enabled to draw their share of devolution amount directly from the Treasury like other Heads of Departments. **(Para 7.99)**
110. Of the total devolution to the ULBs, 84% should be devolved to the other ULBs i.e., the ULBs other than Greater Chennai Corporation. **(Para 7.101)**
111. The total devolution amount to the other Urban Local Bodies should be divided into two broad categories, Special Grants and Direct Devolution. **(Para 7.102)**
112. In order to meet the infrastructure requirements of ULBs, Rs.500 crore should be set aside in the first year as Capital Grant Fund. This Fund should increase by an amount of Rs.50 crore per annum over the previous year allocation during the award period. Thus, the total grant for this purpose during the award period would

be Rs.3,000 crore. Priority should be given to improve the tree cover in urban areas.**(Para 7.105)**

113. Considering there is a separate Special Grant for urban road development, the Capital Grant Fund should not be utilised for road works. This amount should be spent in the following proportion among various types of urban Local Bodies – Municipal Corporations (31%), Municipalities (36%) and Town Panchayats (33%).**(Para 7.106)**
114. For improving the road connectivity and quality of riding surfaces, Rs.200 crore should be given as a special grant for the Urban Road Development Fund. This amount should increase by an amount of Rs.20 crore per annum over the previous year's allocation during the award period. Thus, the total grant for this purpose during the award period would be Rs.1,200 crore.**(Para.7.108)**
115. In order to meet the gap between expenditure and available resources of Urban Local Bodies, Rs.200 crore should be allocated as a Special Grant in the first year. Rs.20 crore should be increased in the Operations and Maintenance Grant Fund every year over the previous year's allocation during the award period. Thus, the total grant for this purpose during the award period would be Rs.1,200 crore. This amount should be spent in the following proportion among various types of Urban Local Bodies – Municipal Corporations (31%), Municipalities (36%) and Town Panchayats (33%). **(Para 7.110)**
116. Rs.160 crore should be allocated for improving the infrastructure in the schools located in the urban Local Bodies in the first year. Of this, Rs.100 crore should be spent on capital works and Rs.60 crore should be spent on Operations and Maintenance. Rs.16 crore should be given as annual increase over the previous year's allocation over the next four years with the total allocation of Rs.960 crore in five years. Priority should be given to creation of additional classrooms in the schools.**(Para.7.111)**
117. The selection of schools should not be restricted to primary schools alone. Even the high schools and higher secondary schools falling under the jurisdiction of the Local Bodies serve the population of the Local Bodies. Hence the fund can be spent even on high schools and higher secondary schools. This should serve as a first step towards increasing further functional delegation to the Local Bodies. The Public Works department can have parallel jurisdiction. The requirement of obtaining no objection certificate should be done away with.**(Para.7.112)**

118. To strengthen the capacity of ULBs and their staff, various training programmes should be conducted by the Tamil Nadu Institute of Urban Studies. For this purpose Rs.5 crore should be allocated to Tamil Nadu Institute of Urban Studies per year during the award period. Thus, the total grant for this purpose during the award period would be Rs.25 crore. **(Para 7.116)**
119. To meet the requirement of conducting various studies, transaction advisory services and project evaluations in ULBs, Rs.5 crore should be allocated per year. These services could be availed from Tamil Nadu Urban Infrastructure and Financial Services Limited (TNUIFSL). Thus, the total grant for this purpose during the award period would be Rs.25 crore.**(Para 7.118)**
120. To ensure Geographical Information System (GIS) mapping of all properties in Urban Local Bodies, Rs.10 crore should be allocated per year during the award period. Thus, the total grant for this purpose during the award period would be Rs.50 crore.**(Para 7.120)**
121. Rs.90 crore should be allocated to the Department of Public Libraries in the first year as advance payment of Library Cess collection with an annual increase of Rs.9 crore over the previous year's allocation for the next four years. Having collected the advance Library Cess from the Local Body devolution, subsequently the Local Bodies could retain the actual Library Cess collected at their level. Thus, the total grant for this purpose during the award period would be Rs.540 crore. **(Para.7.122)**
122. Efforts be taken to ensure that the sanitary workers in ULBs are registered with the Sanitary Workers Welfare Board. Rs.10 crore per year should be given as a grant to the Board to undertake welfare/social security initiatives for the Sanitary Workers in urban areas. Director of Municipal Administration should be co-opted as member/special invitee to the Board. The total grant for this purpose during the award period would be Rs.50 crore.**(Para.7.124)**
123. A lump sum grant should be given to newly added Local Bodies in the respective categories for catering to their resource needs for effective service delivery owing to such upgradation. A grant of Rs.60 crore should be allocated each year for this purpose during the first three years, and a grant of Rs.80 crore should be allocated each year during the last two years of the award period, thus making the total allocation of Rs.340 crore. Out of this allocation: **(Para 7.126)**
- i. Rs.5 crore should be given each year during the award period to each of the newly created Municipal Corporations in the past five years.

- ii. Rs.1 crore should be given each year during the award period to each of the newly created Municipalities in the past five years.
- iii. Rs.20 lakh should be given each year to each newly created Town Panchayat during the award period. Since no new Town Panchayats have been added as on date, the Commission assumes that another 100 Town Panchayats may be added at the end of the tenure of present elected local bodies in the rural area. This would leave only two years for special grants during the award period. Hence a total of Rs.20 crore could be set aside for each of these years during the last two years of award period.

124. After deducting the amount devolved under Special Grants, the balance amount is for direct devolution to the non-Metro ULBs i.e, other Urban Local Bodies other than GCC based on the following proportion suggested by the Commission – Municipal Corporations (31%), Municipalities (36%) and Town Panchayats (33%). **(Para 7.127)**
125. In order to have a predictability of fund flow, it has been decided for having major changes in fund flow mechanism. The releases should be according to the multiplier factors for all Local Bodies arrived at by the Commission for each Local Body based on the weightage formula recommended. **(Para 7.130)**
126. The multiplier factors be made available online through its website along with a simple online calculator. **(Para 7.133)**
127. Un-tied devolution to Local Bodies should not be intercepted under any circumstances. General Fund to Local Bodies should directly go to the Local Bodies. There should not be any tied component associated with them. **(Para 7.134)**
128. The total direct devolution amount of 31% devolved to the Municipal Corporations should be devolved adopting the following weightage formula-Population (65%), Area (15%) and Slum Population (20%). **(Para 7.135)**
129. The total direct devolution amount of 36% should be devolved to the Municipalities adopting the following weightage formula - Population (60%), Area (20%) and Slum Population (20%). **(Para 7.136)**
130. Of the total direct devolution amount, 33% should be devolved to the Town Panchayats. Rs.40 lakh should be given as minimum lump sum grant for each Town Panchayat. **(Para 7.137)**

131. After deducting the Minimum Lump sum Grant, the remaining amount should be devolved to the Town Panchayats adopting the following weightage formula – Population (55%), Area (25%) and Slum Population (20%). **(Para 7.138)**
132. The 14 key reforms be implemented before June 2024 with the support of the respective departments. In case these reforms are not implemented before the due date, the annual quantum of Special Grants to be administered at the State level should be reduced by 20% from the year 2024-25 onwards. **(Para.7.140)**
133. The reduced quantum of funds should be added to the direct devolution grants of RLBs and ULBs and should be further devolved as per the formula recommended by this Commission. **(Para.7.141)**
134. If the reforms are achieved within the time line prescribed, the State Government shall devolve an additional one time incentive grant of Rs.300 crore to the ULBs and an additional one time incentive grant of Rs.300 crore to the RLBs. **(Para.7.142)**
135. The one time additional incentive grant shall be added to the State Level Capital Grant Fund of the RLBs and ULBs as the case may be. **(Para.7.143)**
136. The key reforms identified for the ULBs are as follows: **(Para 7.147)**
- a. Geographical Information System (GIS) mapping of all ULBs to bring left out properties under assessment should be completed in all Municipalities and Corporations. This should be implemented in Corporations within a period of two years.
  - b. The quinquennial general revision of Property Tax should reflect atleast the cumulative Consumer Price Index (CPI) change since the previous revision. In case Local Bodies fail to notify proactively any revision of property taxes, the Property Tax rates should automatically stand revised to a minimum of the cumulative Consumer Price Index (CPI) change during the previous five years. Further to bring in amendment of the relevant portion of the District Municipalities Act, 1920 to give effect to this.

- d. As no asset register for immovable properties is being maintained currently by Urban Local Bodies, a comprehensive exercise for creation of Asset Register should be undertaken and the completed register should be made available online.
- e. Within the Local Bodies, Land Banks of all Government lands should be created so that land availability can be assessed for providing suitable infrastructure to the Local Bodies and development of land either for value capture or for creation of public assets can be planned. It is essential to explore reclaiming the excess land given to various Government departments, agencies, and local body's own infrastructure for future development.
- f. Un-tied devolution to Local Bodies should not be intercepted under any circumstances. General Fund to Local Bodies should directly go to the Local Bodies. There should not be any tied component associated with them.
- g. At least 75% arrears of property taxes as on 01.04.2022 should be collected, and at least 75% of the current demand of property taxes should be collected.

137. With regard to imposing of penalty for belated payments and publishing of Tax defaulters list by the ULBs soon after the close of the financial year, it has been decided that the list of defaulters whose tax is overdue for more than 1 year be made available in a website and shall be updated as and when it is paid. A mechanism for incentive for advance payment could be made automatic in the online payment platform. **(Para 4.79)**

138. With regard to the quinquennial general revision of Property Tax, there shall be no further postponement of the general revision. In the event of postponements of general revision due to Government intervention, it is decided that the ULBs and CMWSSB need not be compensated for the loss of revenue. **(Para 4.85)**

139. As per the existing rules, the licence for advertisement is granted for 3 years, and the collection of tax is by every half year. Licensing for shorter periods could also be considered. Towards this, it is decided that an Amendment shall be made to bring in the



concept of License Fee for permissions for advertisements. **(Para 4.125)**

140. When a new scheme is implemented, it is decided that a rate 10% higher than the normal rate should be charged from the benefiting Local Bodies for the first five years. This would cross subsidise the older schemes to some extent. **(Para 5.20)**
141. With regard to naming a new category of Urban Local Body viz., 'Metropolitan City' for the purpose of devolution grants to accommodate the special nature of Greater Chennai Corporation, it is decided that instead "Metropolitan City" it shall be called as "Greater Chennai Corporation". **(Para 7.87)**
142. In order to meet the deficit of TWAD Board due to under recovery of water charges from Local Bodies, and the inability to meet the Operations and Maintenance (O&M) charges of maintaining water supply schemes, Rs.120 crore should be awarded in the first year. During the award period, Rs.12 crore should be increased per annum over the previous year's allocation in the Special Grant to TWAD Board. Thus, the total grant for this purpose during the award period would be Rs.720 crore and it is decided that the bulk meters be fixed especially for all overhead tanks by 01.04.2024 to avail the special grant recommended for TWAD Board from 2024-25. **(Para 7.103)**
143. The Government decided that 30 Municipalities and Town Panchayats be selected based on the tourist footfall of annual/special festivals. For these 30 towns, Rs.50 lakh should be given as Special Grant per annum, over and above their regular devolution. In addition, Rs.5 crore should be allocated (per annum) to ULBs which have special festivals or events that require such additional funding for catering to the service requirement of such festivals or events. Thus, the total grant for this purpose during the award period would be Rs.100 crore. **(Para.7.114)**

#### **IV. Housing and Urban Development Department**

1. The fees for Building plan and Layout approval should be revised at the earliest, as per the Tamil Nadu Combined Development and Building Rules, 2019. **(Para.3.94)**
2. The Tamil Nadu Panchayat Buildings Rules, 1997, should be amended fixing the time limit for grant of building plan approval by the Executive Authority of the Village Panchayat, and the appropriate authority [ Directorate of Town and Country Planning / Chennai Metropolitan Development Authority (DTCP/CMDA)] mentioned in Rules 3(1). **(Para.3.95)**

3. Capacity for plan approvals is very limited in Local Bodies. A specialised Planning Unit should be created at the District level with redeployment of staff from Rural Development and Panchayats Raj Department, and Housing and Urban Planning Department. **(Para. 3.96)**
4. Local Bodies should continuously monitor the construction activities in their jurisdiction, and should take steps to avoid the necessity of post-facto regularisations. The levying of penalty on the Local Bodies where new unapproved layouts come up after a given cut-off date is to be made. **(Para.3.97)**
5. The coordination between Town Planning and Revenue wings should be structurally strengthened through an automated workflow process, with data sharing regarding planning permissions, construction and completion, to ensure that properties are brought into the tax net promptly. **(Para.4.73)**
6. The proposed end-to-end software for according planning permission should be completed expeditiously. **(Para.4.74)**
7. In Chennai, planning permissions for various types of buildings rest with different authorities like GCC and CMDA. An online link between the databases of CMDA and GCC would ensure a fool proof system of updation of Property Tax registers. This could be done alongside the automation and online process proposed to be introduced for Building Plan clearances in CMDA. **(Para.4.75)**
8. As a general policy, the State Government should not provide exemptions to any entity from the tax and non-tax levies of Local Bodies. In cases where the grant of such an exemption becomes necessary, the ULBs should be compensated for the loss. **(Para.4.90)**
9. A systematic Geographical Information System (GIS) based survey of the land, followed up with a field verification of ownership, based on the relevant revenue records, should be carried out. Based on this inventory of vacant land, Vacant Land Tax should be levied. **(Para.4.96)**
10. Instead of levying and collecting Vacant Land Tax only at the time of seeking/ giving planning permissions, the Vacant Land Tax should be collected regularly and annually. **(Para.4.97)**
11. Combined Development and Building Rules, 2019 should be amended, and all Government Buildings belonging to the State as well as Central Governments should be obligated to obtain necessary building licenses and planning permissions from the

competent authority, namely ULB or Local Planning Authority or CMDA by remitting such fees as prescribed in the ULB's Bye-laws or as levied by the Planning Authority. **(Para.4.161)**

12. Within the local bodies, Land Bank of all Government lands should be created so that land availability can be assessed for providing suitable infrastructure to the local bodies, and development of land - either for Value Capture, or for creation of public assets can be planned. It is essential to explore reclaiming the excess land given to various Government Departments, agencies, and local body's own infrastructure for future development. **(Para.4.238)**
13. Currently, no asset register for immovable properties is being maintained by local bodies. A comprehensive exercise for creation of Asset Register should be undertaken and the completed register should be made available online. **(Para.4.239)**
14. All fee/charges should be revised in line with CPI since the last revision of such fees and charges. **(Para.5.49)**
15. Town and Country Planning authorities shall devise a mechanism to train the village level staff and elected representatives on existing provisions/rules for the building/layout approval, to check for any violations. **(Para.5.50)**
16. The reconciled and audited establishment expenditure of the Planning wing of the Town and Country Planning authorities should be borne by all the Local Bodies in such areas. **(Para.5.51)**
17. The Local Planning Authorities should ensure that the plans are followed up, and future development is encouraged through planned improvement in infrastructure, especially of road networks. **(Para.5.52)**
18. The Town and Country Planning Department should take up Town Planning Schemes for major towns. **(Para.5.53)**
19. CMDA should positively consider allocation of more funds for provision of infrastructure and civic amenities in Local Bodies in proportion to the sources raised by CMDA from the properties that fall within these ULBs. **(Para.5.61)**
20. Development Charges and other fees be enhanced immediately to reflect the inflation i.e., the Consumer Price Index (CPI) change since the last revision. **(Para.5.62)**
21. The initiatives taken by Tamil Nadu Urban Habitat Development Board (TNUHDB) for involving the occupants in the maintenance of

the tenements are appreciated. Tamil Nadu Urban Habitat Development Board should take these efforts forward and build capacity among the associations of residents to manage their localities and make themselves sustainable. **(Para.5.69)**

22. After construction of the buildings/ infrastructure, Local Bodies should take over the common infrastructure maintenance and ensure basic amenities to the residents. **(Para.5.70)**
23. Public Private Partnership (PPP) models of area development and affordable rental housing need be taken up in core areas of high density urban areas. The Government should assist such projects through adequate Viability Gap Funding to make them feasible. **(Para.5.71)**
24. Transferable Development Rights (TDR) are an under-utilised source for raising funds. The Government should frame a comprehensive policy framework to encourage this source with adequate incentive mechanisms. **(Para.5.72)**
25. While spending the allocation from the Capital Grant Funds and Operations and Maintenance Grants devolved to urban local bodies, priority should be given to the improvement of common infrastructure development in tenements handed over by the Tamil Nadu Urban Habitat Development Board. **(Para.5.73)**
26. The poverty reduction and other welfare programmes implemented by various departments, such as the MA&WS, Labour Welfare, Employment and Training, Social Welfare and RD&PR etc. should have special focus on the rehabilitated tenements. A separate committee be formed for monitoring these focus programmes. This would ensure that resources are dovetailed across departments and habitat development becomes a comprehensive exercise. **(Para.5.74)**
27. While developing new tenements, Tamil Nadu Urban Habitat Development Board should conduct a comprehensive need assessment exercise in coordination with other relevant departments to ensure access to basic services such as water, road access, bus service, bus stops, schools, etc. The Apex Committees monitoring schemes should approve comprehensive plans based on these recommendations and should ensure coordination between various departments and implementing agencies. **(Para.5.75)**

## **V. Energy Department**

1. Un-assessed buildings should be brought under the tax net by comparing with the list of electricity service connections and Commercial Taxes registration list. **(Para.3.54)**
2. TANGEDCO should ensure accuracy in billing after taking and recording the actual meter reading and reconcile any discrepancies, if any, with the concerned local bodies. **(Para.3.190)**
3. Since most of the electricity charges are incurred on water supply connections, the installation of solar powered motor pumps should be taken up wherever feasible. An energy efficiency audit of local bodies should be taken up annually. **(Para.3.191)**
4. TANGEDCO should use multiple modes of communication, such as SMS and e-mail to intimate the meter readings and electricity charges to the Village Panchayats, as is being done for individual customers. **(Para.3.192)**
5. TANGEDCO should bring out energy efficiency parameters for equipment, and a standardised list of cost effective equipment should be released. Local Bodies should procure only such standardised equipment, ensuring efficiency in energy consumption. **(Para.3.193)**
6. Smart switches for street lights may be fixed to avoid electricity consumption during day time. **(Para.3.194)**
7. There should be a complete ban on new installation of high mast lights in RLBs, and steps should be taken to decommission old high mast lights in a phased manner. **(Para.3.195)**
8. In order to reduce dependence of TWAD Board on power supplied by TANGEDCO, solar powered water pumps should be installed wherever feasible. A component of the existing water supply schemes be allocated for this purpose. **(Para.5.17)**
9. Desalination plants are a very high cost solution to meet water supply requirements. Such plants should be undertaken only as a last resort. The project cost should include fund tie up for ten years of operations and maintenance cost. The CMWSSB should also explore the possibility of bringing in renewable energy components integrated into desalination plant projects. **(Para.5.37)**
10. A portion of the Capital Grant Fund should be utilised for meeting the cost of the capital investment required towards establishing

local renewable energy generation facilities, including solar, wind energy and biomethanation plants. **(Para.5.104)**

11. Local bodies should switch over to digital demand raising for local body taxes and charges as the existing manual demand raising process is very cumbersome. Public should be allowed the choice of digital payments like those enabled by TANGEDCO. Reminders should be sent for payment through SMS. Once the digital platform is put in place, surplus staff may be diverted for other work. **(Para.6.42)**
12. The Operations and Maintenance Deficit Grant Fund (OMDGF) should have a total allocation of Rs.4,169 crore during the five-year award period of this Commission. The first year allocation would be Rs.712 crore. The fund would further be divided into eight components as indicated below: **(Para.7.44)**
  - d. Rs.200 crore should be allocated in the first year with an annual increment of Rs.20 crore over the previous year allocation for meeting the electricity bill requirements of those local bodies which are not able to pay their electricity charges with their existing resources. This amount can be directly given to TANGEDCO after due verification of the pending bills and certification by the Local Bodies.
13. The basic lump sum grant should be divided between two shares for settling the charges due to the electricity and the water supply in the ratio of 70:30. From each account, the charges should be settled in the first instance. In case there is excess amount available in the account after settling the electricity charges or water charges as the case may be such amount should be transferred to the other account for electricity and water charges, respectively. **(Para.7.82)**
14. In case there are no dues pending for electricity charges or water charges in the Panchayat, then and then alone should the amount be transferred to the General Fund Account. **(Para.7.83)**

## **VI. Director of Local Fund Audit**

1. Standardised Audit template for RLBs should be developed and proper training should be imparted to the auditing and supervisory officials concerned. Auditing progress should be monitored by the District Collector. **(Para.6.34)**

2. Local Fund Audit officials shall be engaged as faculties in training programmes to impart training on audit procedures and practices to the local body staff engaged in audit work. **(Para.6.39)**
3. Audit of Village Panchayats accounts during the year should be done by engaging external auditing agencies under the overall supervision of Local Fund Audit Department, selected from the list of auditors separately empanelled for this purpose. This shall be in the years when the Local Fund Audit Department does not conduct audits for Village Panchayats. Reports should also be made available in the public domain.**(Para.6.40)**
4. The Government should take urgent action to fill up vacant positions in the Local Fund Audit Wing.**(Para.6.47)**

## **VII. Commercial Taxes and Registration Department**

1. Un-assessed buildings should be brought under the tax net by comparing with the list of electricity service connections and Commercial Taxes registration list.**(Para.3.54)**
2. A comprehensive database of all Professions liable for payment of Profession Tax should be created. It should coordinate with State and Central Government agencies, like the Commercial Taxes Department, Labour and Employment Department and Employee Provident Fund Organisation, and Professional self-regulating organisations to enable more effective collection of Profession Tax by providing the list of staff/employees under their payroll to the respective Local Bodies.**(Para.3.68)**
3. Levy of Surcharge on Stamp Duty on documents relating to (i) Agreement (ii) Power of Attorney (iii) Release of benami right (iv) Release of right in favour of partners and (v) settlement, to augment revenue to the Local Bodies shall be made.**(Para.3.145)**
4. The details of collection of surcharges should be shared by the Registration Department every month, with the concerned Head of Department, District Collector and Local Body.**(Para.3.146)**
5. The ULBs should adopt an Area Based Valuation method for assessing Property Tax instead of the current system of Annual Rental Value based assessment. Guideline value uploaded by the Registration Department and sales statistics be linked with the Tax Assessment software of the ULBs for the purpose of comparison. Streetwise uniformity of rate should be maintained, allowing for slabs based on type of property.**(Para.4.82)**

6. A systematic Geographical Information System (GIS) based survey of the land, followed up with a field verification of ownership, based on the relevant revenue records, should be carried out. Based on this inventory of vacant land, Vacant Land Tax should be levied. **(Para.4.96)**
7. Payment of arrears of Property Tax dues or Vacant Land Tax dues should be made mandatory before registration of land/property. **(Para.4.100)**
8. State and Central Government agencies like the Commercial Tax Department, Labour and Employment Department, Employee Provident Fund Organisation, and professional self-regulating organisations should coordinate and cooperate with local bodies to enable more effective collection of Profession Tax by providing list of staff/employees under their payroll to the respective Local Bodies either through online or offline mode. **(Para.4.116)**
9. Commercial Tax Department should seek additional details like payment of License Fee, Property Tax and Profession Tax from traders while registering for GST, which will favour the LBs in augmenting revenue. Local Bodies shall get the list from the Commercial Tax Department periodically and reconcile tax collection and add unassessed traders into the tax net. **(Para.4.156)**
10. Levy of Surcharge on Stamp Duty should be extended to (i) Agreement (ii) Power of Attorney (iii) Release of benami right (iv) Release of right in favour of partners and (v) Settlement. In addition, "Construction agreements" and "Settlement among family members" should also be subject to Stamp Duty. **(Para.4.180)**
11. The details of collection of surcharge on Stamp Duty should be informed to the Local Bodies concerned and the District Collectors by the Registration Department. **(Para.4.181)**
12. Within the local bodies, Land Bank of all Government lands should be created so that land availability can be assessed for providing suitable infrastructure to the local bodies, and development of land - either for Value Capture, or for creation of public assets can be planned. It is essential to explore reclaiming the excess land given to various Government Departments, agencies, and local body's own infrastructure for future development. **(Para.4.238)**
13. Currently, no asset register for immovable properties is being maintained by local bodies. A comprehensive exercise for creation



of Asset Register should be undertaken and the completed register should be made available online. **(Para.4.239)**

14. Comprehensive manuals for maintenance of assets should be created. Local Bodies should prioritise utilising their own revenue receipts for maintenance of assets and ensuring uninterrupted service delivery. **(Para.4.244)**
15. A State Level Cell should be created to support Local Bodies in mapping properties, suggesting value capture options, reviewing contracts and support on auction processes. This cell would also maintain a repository of successful monetisation projects and relevant connections for other Local Bodies to reference, through the Commissioner of Land Administration. **(Para.4.247)**
16. Apart from the funds of the local body, many Government Departments implement various schemes for service delivery in the local bodies. However a consolidated data of such expenditure local body wise is not available. The Government should include a geographical indicator, such as Local Government Directory, linking local bodies in all the expenditures, to track all government expenditure for local bodies. This would go a long way in ensuring efficient fund allocation among various parts of the State in general and among local bodies in particular. **(Para.6.36)**
17. The key reforms identified for RLBs are: **(Para.7.146)**
  - d. The Government should levy Surcharge on Stamp Duty on documents relating to (i) Agreement including Construction Agreements (ii) Power of Attorney (iii) Release of benami right (iv) Release of right in favour of partners and (v) all types of settlement, to augment revenue of the Local Bodies.

### **VIII. Labour Welfare and Skill Development Department**

1. A comprehensive database of all Professions liable for payment of Profession Tax should be created. It should coordinate with State and Central Government agencies, like the Commercial Taxes Department, Labour and Employment Department and Employee Provident Fund Organisation, and Professional self-regulating organisations to enable more effective collection of Profession Tax by providing the list of staff/employees under their payroll to the respective Local Bodies. **(Para.3.68)**
2. For employment generation and poverty alleviation, Village Panchayats can play an active role on resource allocation, by complementing Government agencies implementing programmes

for Self Help Groups, micro industries, agricultural activities etc. Towards this, the VPs to coordinate with Tamil Nadu Women Development Corporation, Skill Development Corporation, Labour Welfare Boards etc. **(Para.3.216)**

3. State and Central Government agencies like the Commercial Tax Department, Labour and Employment Department, Employee Provident Fund Organisation, and professional self-regulating organisations should coordinate and cooperate with local bodies to enable more effective collection of Profession Tax by providing list of staff/employees under their payroll to the respective Local Bodies either through online or offline mode. **(Para.4.116)**
4. The poverty reduction and other welfare programmes implemented by various departments, such as the MA&WS, Labour Welfare, Employment and Training, Social Welfare and RD&PR etc. should have special focus on the rehabilitated tenements. A separate committee be formed for monitoring these focus programmes to ensure that resource are dovetailed across departments and habitat development becomes a comprehensive exercise. **(Para.5.74)**

### **IX. Highways and Minor Ports Department**

1. The Highways Department should take up upgradation of important Panchayat Roads in a phased manner. Critical roads can be identified in consultation with Local Bodies and respective town planning authorities. **(Para.5.77)**
2. The Highways department should extend technical support to the Local Bodies in designing solutions for reducing road accidents on roads under the Local Bodies jurisdiction. **(Para.5.78)**
3. Local Body roads connect to highways in numerous locations. Many of such roads join State or National Highways in acute or right angles. A comprehensive joint exercise should be undertaken to identify such important junctions and junction improvement plans should be drawn in consultation with concerned Local Bodies. **(Para.5.79)**
4. The Local Bodies, through their funds for road improvements, should give high priority for road safety. **(Para.5.80)**
5. District Level Technical Committees should be formed with representatives from the Highways department and engineering wings of local bodies to recommend technical solutions and fund requirements. Based on the review in the District Road Safety meetings chaired by the District Collectors, such comprehensive

plans could be considered by the Government for implementation through appropriate fund tie-ups. **(Para.5.81)**

6. For improving the road connectivity and quality of riding surfaces, Rs.200 crore should be given as a special grant for the Urban Road Development Fund. This amount should increase by an amount of Rs.20 crore per annum over the previous year's allocation during the award period. Thus, the total grant for this purpose during the award period would be Rs.1,200 crore. **(Para.7.108)**

## **X. Information Technology and Digital Services Department**

1. Necessary action be taken to resolve the issues regarding collection of Track Rent on Optical Fibre Cable feeders and Cable Television cables at the earliest to enable Local Bodies to collect track rent. **(Para.3.123)**
2. The District Collectors should arrange for surveys of the Optical Fibre Cables laid Village Panchayat wise, and ensure that the Annual Track Rent is levied and collected as per the rules in force. **(Para.3.124)**
3. While finalising policy on Track Rent Collection, the Government should ensure that the revenues of Local Bodies are not compromised. **(Para.3.125)**
4. Necessary action be taken to resolve the issues regarding collection of track rent on Optical Fibre Cable feeders and Cable Television cables at the earliest to enable Local Bodies to collect track rent. While finalising policy on Track Rent Collection, it should be ensured that the revenues of Local Bodies are not compromised. **(Para.4.168)**

## **XI. Animal Husbandry, Dairying, Fisheries and Fishermen Welfare Department.**

1. Fishing rights in Panchayat Union Tanks should be given strictly through a transparent process of auction. **(Para.3.152)**
2. Timely release of the Panchayat's share of the proceeds of Fishery Rentals by Panchayat Unions and Public Works Department tanks should be regularly monitored by the District Collectors and the Director of Rural Development and Panchayat Raj, through a quarterly review. **(Para.3.154)**

3. With regard to maintenance of assets, it is decided that while the primary responsibility of maintenance will lie with the department which has constructed the building, the local bodies (Panchayat Union/Village Panchayat) may carry out maintenance works with technical assistance from the concerned departments. **(Para.3.215)**

## **XII. Water Resources Department**

1. The share of Rural Local Bodies from the Water Resource Department Tanks should be shared with the Local Bodies on the lines similar to that adopted for sharing of revenue from mining activities. **(Para.3.153)**
2. The release mechanism for the share of the Village Panchayats should be changed, and 75% of the entitlement of Panchayat based on the previous year's collection should be released in advance to overcome delays. The release mechanism should be centralised, and the advance release could be adjusted against actual collection subsequently. **(Para.3.172)**
3. With regard to maintenance of assets, it is decided that while the primary responsibility of maintenance will lie with the department which has constructed the building, the local bodies (Panchayat Union/Village Panchayat) may carry out maintenance works with technical assistance from the concerned departments. **(Para.3.215)**

## **XIII. Environment, Climate Change and Forests Department**

1. A simple procedure should be evolved to release the share of Social Forestry sale proceeds to the concerned Panchayats in time. Sanction for the release be given at the District level, and the funds can be transferred electronically during the month of February after due reconciliation with the Forest Department. **(Para.3.160)**
2. The Local Bodies should reconcile the pending dues of Environmental Compensation, and ensure payment in a phased manner. **(Para 5.89)**
3. Considering Local Bodies provides many services using traditional methods that have serious implications for the environment and they are not able to explore better technology due to resource constraints, Tamil Nadu Pollution Control Board should explore such solutions and implement pilot projects to demonstrate effectiveness. **(Para 5.90)**

4. Environment conscious measures should be internalised among Local Bodies regular development works. Considering their functional delegation and fund constraints, the Tamil Nadu Pollution Control Board should form broad energy efficiency guidelines and environment friendly frameworks with suggestions on cost effective technologies that would help Local Bodies to graduate towards better plans within their fund and capacity constraints. The Tamil Nadu Pollution Control Board could broaden its scope of work from its regulatory role, as creation of an enabling environment would have a long lasting impact on climate change. **(Para.5.91)**
5. Implementation of Forest Rights Act should be given top priority in the districts with tribal population. Rs.20 lakh should be given for each hamlet in which majority of individual Forest rights have been given and majority of community rights have been settled. This Fund should be spent by the District Collector for meeting basic infrastructure requirements of the hamlets based on the recommendations of the Joint Forest Management Committee subject to a condition that minimum of 50 cases should have been settled. **(Para.7.60)**

#### **XIV. Industries, Investment Promotion & Commerce Department**

1. Two separate receipt heads of account should be opened for the remittance of lease rent and seigniorage fees of minor minerals intended to be apportioned to the Local Bodies. **(Para.3.169)**
2. The proportion of the revenue from minor minerals to be shared with Local Bodies should be fixed at 75%. **(Para.3.170)**
3. The nomenclature Dangerous and Offensive (D&O) trade license fee should be revised as "Trade License Fee" as in the case of Greater Chennai Corporation. **(Para.4.155)**
4. Necessary action be taken to resolve the issues regarding collection of track rent on Optical Fibre Cable feeders and Cable Television cables at the earliest to enable Local Bodies to collect track rent. While finalising policy on Track Rent Collection, the Government should ensure that the revenues of Local Bodies are not compromised. **(Para.4.168)**
5. Platform companies and Special Purpose Vehicles should be formed for all revenue generating assets. Operational Expenditure (OpEx) models of asset maintenance, especially for metered services, with resource mobilisation from the private sector should be developed across sectors in urban areas. **(Para.4.203)**

6. A scheme for mobilising Corporate Social Responsibility (CSR) component be formulated where by an individual/agency/ companies who are interested in contributing for the welfare of a particular local body could contribute directly for infrastructure development of Urban Local Body. **(Para.4.236)**
7. The Corporate Social Responsibility (CSR) funds or funds from corporate are to be used by local bodies to create infrastructure / assets or any other improvement to the local bodies as per the guidelines. Towards this, it is decided to give a matching share of 33% based on the scheme guidelines, which should be framed by the Government. **(Para.4.237)**

### **XV. Social Welfare and Women Empowerment Department**

1. More functions should be delegated to Village Panchayats, especially maintenance of assets and on social sector programmes. **(Para.3.210)**
2. The poverty reduction and other welfare programmes implemented by various departments, such as the MA&WS, Labour Welfare, Employment and Training, Social Welfare and RD&PR etc. should have special focus on the rehabilitated tenements. A separate committee be formed for monitoring these focus programmes. This would ensure that resources are dovetailed across departments and habitat development becomes a comprehensive exercise. **(Para.5.74)**

### **XVI. Revenue and Disaster Management Department**

1. More functions should be delegated to Village Panchayats, especially maintenance of assets and on social sector programmes. **(Para. 3.210)**
2. A State Level Cell should be created to support Local Bodies in mapping properties, suggesting value capture options, reviewing contracts and support on auction processes. This cell would also maintain a repository of successful monetisation projects and relevant connections for other Local Bodies to reference, through the Commissioner of Land Administration. **(Para.4.247)**

## **XVII. School Education Department**

1. The Local Bodies should clear all the pending dues in a phased manner during the award period. Annual arrear clearance statements could be prepared by the concerned Head of Department and compliance be ensured through due follow up. **(Para.5.96)**
  
2. The Capital Grant Fund shall be divided into four components as indicated below: **(Para.7.43)**
  - d. Rs.140 crore should be allocated for improving the infrastructure in the schools located in the RLBs in the first year. Rs.14 crore should be given as annual increase over the previous year's allocation over the next four years, with a total allocation of Rs.840 crore in five years. Priority should be given to creation of additional classrooms in the schools. Selection of schools should not be restricted to Panchayat Union schools alone. Even the high school and higher secondary schools falling under the jurisdiction of the Local Bodies serve the population of the Local Bodies. Hence the Fund can be spent even on high schools and higher secondary schools. This should serve as a first step towards increasing further functional delegation to the Local Bodies. The Public Works department can have parallel jurisdiction, and the requirement of obtaining no objection certificates should be done away with.
  
3. The Operation and Maintenance Deficit Grant Fund (OMDGF) should have a total allocation of Rs.4,169 crore during the five-year award period of this Commission. The first year allocation would be Rs.712 crore. The fund would further be divided into eight components as indicated below: **(Para.7.44)**
  - e. Rs.28 crore should be allocated to the Department of Public Libraries in the first year as advance payment of Library Cess collection, with an annual increase of Rs.2.8 crore over the previous year allocation for the next four years. Having collected the advance Library Cess from the Local Body devolution, and subsequently the Local Bodies can retain the actual Library Cess collected at their level.
  
4. Rs.60 crore shall be allotted proportionately each year among districts based on the number of schools within the RLBs in each

district. This Fund should be used for minor works and maintenance of school infrastructure. **(Para.7.53)**

5. The selection of schools should not be restricted to Panchayat union schools alone. Even the high schools and higher secondary schools falling under the jurisdiction of the local bodies serve the population of the local bodies. Hence, the fund can be spent on high schools and higher secondary schools as well. This should serve as a first step towards increasing further functional delegation to the Local Bodies. The Public Works Department can have parallel jurisdiction. The requirement of obtaining no objection certificate should be done away with. **(Para.7.54)**
6. From the share remaining with Greater Chennai Corporation, Rs.60 crore should be allocated to the Department of Public Libraries in the first year as advance payment of Library Cess collection, with an annual increase of Rs.6 crore over the previous year allocation for the next four years. Having collected the advance Library Cess from the Local Body devolution, subsequently the local body can retain the actual Library Cess collected at their level. Thus, the total grant for this purpose during the award period would be Rs.360 crore. **(Para.7.98)**
7. Rs.160 crore should be allocated for improving the infrastructure in the schools located in the urban Local Bodies in the first year. Of this, Rs.100 crore should be spent on capital works and Rs.60 crore should be spent on Operations and Maintenance. Rs.16 crore should be given as annual increase over the previous year's allocation over the next four years with the total allocation of Rs.960 crore in five years. Priority should be given to creation of additional classrooms in the schools. **(Para.7.111)**
8. The selection of schools should not be restricted to primary schools alone. Even the high schools and higher secondary schools falling under the jurisdiction of the Local Bodies serve the population of the Local Bodies. Hence the fund can be spent even on high schools and higher secondary schools. This should serve as a first step towards increasing further functional delegation to the Local Bodies. The Public Works department can have parallel jurisdiction. The requirement of obtaining no objection certificate should be done away with. **(Para.7.112)**
9. Rs.90 crore should be allocated to the Department of Public Libraries in the first year as advance payment of Library Cess collection with an annual increase of Rs.9 crore over the previous year's allocation for the next four years. Having collected the advance Library Cess from the Local Body devolution, subsequently the Local Bodies could retain the actual Library Cess collected at their level. Thus, the total



grant for this purpose during the award period would be Rs.540 crore. **(Para.7.122)**

10. With regard to maintenance of assets, it is decided that while the primary responsibility of maintenance will lie with the department which has constructed the building, the local bodies ( Panchayat Union/Village Panchayat) may carry out maintenance works with technical assistance from the concerned departments.**(Para.3.215)**

### **XVIII. Adi Dravidar and Tribal welfare Department**

1. The Operation and Maintenance Deficit Grant Fund (OMDGF) should have a total allocation of Rs.4,169 crore during the five-year award period of this Commission. The first year allocation would be Rs.712 crore. The fund would further be divided into eight components as indicated below: **(Para.7.44)**
  - f. Efforts need to be taken to ensure that the sanitary workers in RLBs are registered with the Sanitary Workers Welfare Board. Rs.5 crore per year should be given as a grant to the Board to undertake welfare/social security initiatives for the Sanitary Workers in rural areas. Director, Rural Development should be co-opted as a member/special invitee to the Sanitary Workers Welfare Board.
2. Efforts need to be taken to ensure that the sanitary workers in ULBs are registered with the Sanitary Workers Welfare Board. Rs.10 crore per year should be given as a grant to the Board to undertake welfare/social security initiatives for the Sanitary Workers in urban areas. Director of Municipal Administration should be co-opted as member/special invitee to the Board. The total grant for this purpose during the award period would be Rs.50 crore. **(Para.7.124)**
3. Implementation of Forest Rights Act should be given top priority in the districts with tribal population. Rs.20 lakh should be given for each hamlet in which majority of individual Forest rights have been given and majority of community rights have been settled. This Fund should be spent by the District Collector for meeting basic infrastructure requirements of the hamlets based on the recommendations of the Joint Forest Management Committee subject to a condition that minimum of 50 cases should have been settled. **(Para.7.60)**

## **XIX. Human Resources Management Department**

1. Guidelines for integration of HR cadre for newly added areas should be created. Among other aspects, these should cover: **(Para.4.208)**
  - i. Sufficiency of HR across levels and functions in view of consolidated availability and service delivery needs, and taking into account redundancies and needs arising from changes in service standards, technology, processes etc.
  - ii. Identification of role based training needs and guidelines for creating a pipeline of high capacity staff.
  - iii. Resourcing and approvals for bridging quantity and quality gaps in staff.
  - iv. Norms for integration of cadre across added areas with specification of timelines for the integration process.
2. Job charts should be revised for improved clarity on roles and responsibilities, and guidelines and templates should be provided for definition of Key Performance Indicators (KPIs) and performance measurement/validation protocols across designations. **(Para.4.209)**
3. A state-wide Capacity Building and Training Policy and a Capacity Building and Training Programme (CBTP) should be formulated with appropriate funding provisions for both urban and rural local bodies. **(Para.4.210)**
4. Role based "training needs assessments" should be developed and administered. Information and Computer Technology should be leveraged for "refresher trainings" through audio/video modules, and for tracking the perceived effect of training on capability and performance – both by the trainees and their managers [Tamil Nadu Institute of Urban Studies and State Institute of Rural Development (TNIUS and SIRD may collaborate for such initiatives)]. **(Para. 4.211)**
5. Post-training assessments should be conducted for all the trainings (both in-person and online), based on which credits may be given and officials who have passed the exam may be incentivized. **(Para. 4.212)**
6. Capacity Building should also be imparted to the elected representatives of local bodies to ensure that they have both

knowledge and behavioural competencies required to effectively discharge their roles.**(Para.4.213)**

7. More generally, technical support should be provided to local bodies to evaluate HR sourcing alternatives (on-roll recruitment, contracting, and outsourcing etc.) for key positions and choose the most cost effective models.**(Para.4.214,II)**
8. Administrative Reform Commission/Committee should be constituted to study and report the measures to be followed for good governance at the grass root levels in local bodies (rural and urban). Such a Commission shall also assess and recommend modifications to the organizational structure and service rules to balance autonomy with accountability at the last mile.**(Para.4.215)**
9. A centralised cell should be constituted for analysis of HR data from multiple sources.(e.g., HRMS, projection of HR liabilities, retirement and pipeline assessment, training effectiveness evaluations, collation of good practices etc.)**(Para.4.216)**

#### **XX. Co-operation, Food and Consumer Protection Department**

1. With regard to maintenance of assets, it is decided that while the primary responsibility of maintenance will lie with the department which has constructed the building, the local bodies (Panchayat Union/Village Panchayat) may carry out maintenance works with technical assistance from the concerned departments.**(Para.3.215)**

#### **XXI. Health and Family Welfare Department**

1. With regard to maintenance of assets, it is decided that while the primary responsibility of maintenance will lie with the department which has constructed the building, the local bodies (Panchayat Union/Village Panchayat) may carry out maintenance works with technical assistance from the concerned departments.**(Para.3.215)**

#### **XXII.Tourism,Culture and Religious Endowments Department**

1. With regard to maintenance of assets, it is decided that while the primary responsibility of maintenance will lie with the department which has constructed the building, the local bodies (Panchayat Union/Village Panchayat) may carry out maintenance works with technical assistance from the concerned departments.**(Para.3.215)**

2. The Government decided that the Municipalities and Town Panchayats be selected based on the tourist footfall of annual/special festivals. For these 30 towns, Rs.50 lakh should be given as Special Grant per annum, over and above their regular devolution. In addition, Rs.5 crore should be allocated (per annum) to ULBs which have special festivals or events that require such additional funding for catering to the service requirement of such festivals or events. Thus, the total grant for this purpose during the award period would be Rs.100 crore. **(Para.7.114)**

5. The following recommendations shall be examined separately by the respective departments:

- i. The Government should consider levying annual penalty on the properties in such unapproved layouts, at atleast five times the rates of House Tax, till such layouts are regularised after due modifications, as per the existing rules. The revenue earned through such penalties should be shared with the concerned Local Bodies. **(Para.3.98)**
- ii. A qualifying entrance test should be made mandatory for the post of Panchayat Secretary. Any candidate applying for the post should possess the qualifying certificate. However, a Certificate of passing such a test would not confer the right to appointment automatically. **(Para.3.20)**
- iii. Posts in Local Bodies including outsourced posts should be filled up from the list of candidates who have passed appropriate eligibility tests conducted by the authorised agency. **(Para.4.214-I)**

6. Issuance of Government Orders and progress in implementation should be reviewed regularly by the respective departments as per the review mechanisms recommended. **(Para.1.37-c)**

7. The data collected by the Commission should be taken up for further analysis and action by various departments. **(Para.1.44)**

8. The pension commitment of local body pensioners shall be deducted from the devolution meant for the respective local bodies instead of respective tiers.

9. The Government Orders on the basis to be adopted for distribution of funds among various local bodies would be issued separately by the respective departments in consultation with Finance Department.

10. The orders issued in paras above shall take effect from 01.04.2022. The departments concerned are requested to take necessary follow up action based on the orders issued above.

**(BY ORDER OF THE GOVERNOR)**

**N.MURUGANANDAM  
ADDITIONAL CHIEF SECRETARY TO GOVERNMENT.**

To

- The Additional Chief Secretary to Government,  
Municipal Administration & Water Supply Department,  
Secretariat, Chennai – 9.
- The Principal Secretary to Government,  
Rural Development & Panchayat Raj Department,  
Secretariat, Chennai – 9.
- The Additional Chief Secretary to Government,  
Industries, Investment Promotion & Commerce Department,  
Secretariat, Chennai– 9.
- The Additional Chief Secretary to Government ,  
Water Resources Department, Secretariat, Chennai-9.
- The Additional Chief Secretary to Government,  
Labour Welfare & Skill Development Department,  
Secretariat, Chennai – 9.
- The Additional Chief Secretary to Government,  
Energy Department, Secretariat, Chennai – 9.
- The Additional Chief Secretary to Government,  
Environment, Climate Change and Forest Department,  
Secretariat, Chennai – 9.
- The Additional Chief Secretary to Government,  
Co-operation, Food and Consumer Protection Department,  
Secretariat, Chennai – 9.
- The Additional Chief Secretary to Government,  
Highways & Minor Ports Department, Secretariat, Chennai – 9.
- The Additional Chief Secretary to Government,  
Revenue and Disaster Management Department,  
Secretariat, Chennai – 9.
- The Principal Secretary to Government,  
School Education Department, Secretariat, Chennai – 9.
- The Principal Secretary to Government,  
Housing & Urban Development Department,  
Secretariat, Chennai – 9.

- The Principal Secretary to Government,  
Health and Family Welfare Department,  
Secretariat, Chennai – 9.
- The Principal Secretary to Government,  
Tourism, Culture & Religious Endowment Department,  
Secretariat, Chennai – 9.
- The Principal Secretary to Government,  
Animal Husbandry, Dairying, Fisheries & Fishermen Welfare  
Department, Secretariat, Chennai – 9.
- The Principal Secretary to Government,  
Social Welfare and Women Empowerment Department,  
Secretariat, Chennai – 9.
- The Secretary to Government ,  
Human Resources Management Department,  
Secretariat, Chennai-9.
- The Secretary to Government,  
Commercial Taxes & Registration Department,  
Secretariat, Chennai – 9.
- The Secretary to Government,  
Information Technology and Digital Services Department,  
Secretariat, Chennai – 9.
- The Secretary to Government,  
Adi Dravidar and Tribal Welfare Department,  
Secretariat, Chennai – 9.
- The Commissioner of Rural Development & Panchayat Raj,  
Panagal Buildings, Saidapet, Chennai-15.
- The Director of Municipal Administration, R.A.Puram, Chennai – 28.
- The Director of Town Panchayats, R.A.Puram, Chennai-28.
- The Director General of Audit, Nandanam, Chennai – 35.
- The Special Director of Local Fund Audit, Nandanam, Chennai – 35.
- The Principal Accountant General, Teynampet, Chennai – 18.
- All District Collectors.
- All District Rural Development Agencies.
- All Assistant Director of Panchayats.
- All Assistant Director of Town Panchayats.
- All Regional Directors of Municipal Administration.
- All Panchayat Unions.
- All District Panchayats.
- All Town Panchayats.
- All Municipalities and Cantonment Boards.
- All Municipal Corporations including Greater Chennai Corporation.
- Chennai Metropolitan Water Supply and Sewage Board, Chennai-28.
- Tamil Nadu Water Supply and Drainage Board, Chennai – 5.

Tamil Nadu Energy Generation and Distribution Corporation Limited,  
Chennai – 2.  
Tamil Nadu Transmission Corporation Limited, Chennai – 2.  
Finance (MA&WS/ RD/ FC.I/ LFA/Resources I/ W&M II/Infra Cell)  
Department, Chennai – 9.

Copy to:

Governor's Secretariat, Chennai –25.  
The Principal Secretary - I to Hon'ble Chief Minister, Chennai-9.  
The Secretary (II, III & IV) to Hon'ble Chief Minister, Chennai-9.  
The Special Personal Assistant to Hon'ble Minister for Finance and  
Human Resource Management, Chennai -9.  
The Director of Economics & Statistics, Chennai –6.  
The Director of Evaluation & Applied Research, Chennai –108.  
Stock File / Spare Copy.

**//Forwarded: By order//**

  
**SECTION OFFICER**