GOVERNMENT OF GUJARAT

REPORT

of

THE GRANT-IN-AID CODE COMMITTEE

for

MUNICIPALITIES

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Deputy Minister for
Finance, Planning, Industries and
Electricity,
Gujarat State,
Sachivalaya, Ahmedabad-15.
31st July, 1964.

SHRI Balvantray Mehta,
Chief Minister,
Gujarat State,
Ahmedabad.

The Committee for Grant-in-aid Code for Municipalities was appointed under Government Resolution, General Administration Department No. GIC 4062-M, dated the 26th October, 1962.

I have pleasure in submitting herewith two copies of the report prepared by the committee on full consideration of the terms of reference.

Maldevji M. Odedra,
Chairman,
Committee for Grant-in-aid Code
for Municipalities, Gujarat State,
Ahmedabad.

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CHAPTER I

INTRODUCTION

1.1. Local Self Government is and should be, the basis of a true system of democracy. The policy of the Government has been to promote democractic decentralization and enlargement of the functions of the local bodies. For the successful working of Local Self Government, it is necessary that adequate finances are made available. In his presidential address to the Provincial Local Bodies Conference at Surat in 1935, late Sardar Vallabhbhai Patel said :—

> "It is being said that the franchise of the electorate has been enlarged and the local bodies have been given very wide powers. True, I accept it. But what good would come out of it unless and until the question of local finances is settled first. The extension of franchise and widening the scope of duties would be like dressing a dead woman."

The question of municipal finance has been examined from time to time by various Committees. The Taxation Enquiry Commission has referred to local taxes in its report and suggested various taxes that should be exclusively levied by the municipalities. The Local Finance Enquiry Committee has gone into the problems of municipal finance in greater details and has made several recommendations. A Committee set-up by Government of Gujarat for rationalisation of municipal functions has also made various recommendations regarding the financial assistance required to be given to municipalities by the State Government. These were examined by the State Government and it was decided that the present system of grant-in-aid should be studied in greater detail as the quantum of grant-in-aid required to be given to the municipalities depends on a number of factors like the basic requirements of the municipalities, their existing financial resources etc., Government appointed this Committee, consisting of the following members to examine this vital problem.

(1)	Shri Maldeoji Odedra, Deputy Minister, Finance, Planning, Industries and Electricity.	*Chairman*
(2)	Mrs. S. L. Singla, I. A. S., Deputy Secretary, Finance Department.	*Member*
(3)	Shri K. R. Gupta, Deputy Accountant General, Gujarat.	*Member*
(4)	Shri M. G. Shah, I. A. S., Deputy Secretary, General Administration Department.	*Member Secretary*

The terms of reference is "to study the present grants-in-aid and procedure for payment to municipalities and to suggest modifications in the same with a view to enable municipalities to function more efficiently, but also keeping in view the financial position of the State and the need for the municipalities to mobilize their own resources to the maximum extent".

The Committee visited the three Divisional Headquarters and discussed the problems relating to the municipalities with the Commissioners, Collectors and the representatives of the municipalities. The Committee also invited the views of the Secretaries and Heads of various departments connected with the working of municipalities and later also discussed with them problems arising out of the discussions the Committee had with the representatives of the municipalities. The attempt of the Committee has been to arrive at a suitable and reasonable quantum of grant-in-aid; the method on which the quantum should be worked out; and the procedure for disbursing the grants. The Committee has tried to make a practical approach to this problem. The State's finances, and the requirements of the municipalities, the scope and feasibility of raising additional finances by the municipalities themselves have been kept in view. The Committee has also borne in mind the desirability of giving reasonable freedom to the municipalities in running the Local Self Government. In order to maintain a balance between "independence of Municipalities" and "control by the Government" some of the grants have been linked with the resources of the Municipalities. In order to provide proper incentive to the Municipalities to raise their own resources, certain conditions have been attached to some of the grants. The Committee is of the opinion that with the proper balance of Government control, and independence of the municipalities, with the provision of adequate funds, and a simple procedure for disbursing grants, the administration of municipalities can be considerably improved. The whole problem has been studied and conclusions reached, keeping in view this objective.

CHAPTER II

GENERAL APPROACH TO MUNICIPAL PROBLEMS

2.1. The total area of the State according to 1961 census is 1,86,879 sq. kilo-meters (72,154 sq. miles). This is about 6.4% of the area of the Indian Union. The population of the State according to this census is 2.6 crores, which is roughly 4.7% of the population of the country. This population lives in 181 towns and 19,059 villages. Urban-Rural ratio of population in Gujarat State is 25.77% as against an all India average of 18.25%. There are 6 cities having a population of one lakh and above, including Ahmedabad. 9 towns have a population of between 50,000 and one lakh and 40 towns with a population of between 20,000 and 50,000. Excluding the population of Ahmedabad Municipal Corporation, the total population of 54 municipalities comes to 28,46,348 which is 13.80% of the total [illegible] population and 53.61% of the urban population.

2.2. The Gujarat State has a vast coastline of 1,000 miles having one major and 9 intermediate and 40 minor ports, handling an yearly traffic of nearly 4 million tons. These ports not only render effective internal transport services, but also earn valuable foreign exchange of more than 22 crores a year. They are also a source of revenue and employment in the State.

2.3. There were 860 Joint Stock Companies in the State with a paid-up capital of Rs. 67.37 crores on 31st March 1962. There were about 4,181 registred factories having an average daily employment of 3.84 lakhs. The generation of electricity in the State in 1962 was 1,602.845 million K. W. H. and the consumption by Industries was about 80% of the total. There were 56,189 Motor Vehicles in operation in the State in the year 1963.

2.4. These facts show that there is comparatively higher percentage of urban population in our State and there is concentration of industries in certain areas. There are a number of factors responsible for this urbanisation. Rapid industrialisation, better opportunities for employment and work, better civic services etc. develop the urban areas and create a number of problems. Water supply and drainage facilities are to be provided, arrangements for housing are to be made, care is to be taken for the health of the citizens and a number of other facilities and conveniences are to be provided. Progressive urbanisation thus operates as an explosive force to aggravate the revolution of rising expectations. The urban population tends to become increasingly self-conscious and dissatisfied with the status quo in matters social, political and economic. Urbanisation has been progressively increasing since 1881; it was during 1941-51 that the ratio rose fastest of all as a consequence primarily of the great upsets that were caused by World War II.

2.5. Urbanisation thus creates pressing problems of housing, water supply, drainage, sanitary services, transport, education, health and so on. The problems to be faced are formidable in size and complexities. Much of the deterioration which occurs in living conditions in rapidly growing areas is due to the high cost of urban development, in particular the costs of providing water supply and drainage, housing and other essential services. The situation is further accentuated by the existence of unemployment, growth of slums etc. Urbanisation also creates problems of Town Planning. Haphazard development takes place on the outskirts of the municipal limits. To secure orderly development, Town Planning is indispensable. Master Plans should be drawn up for the State Capital, Port towns, new industrial centres and many other large and growing cities. This is necessary both for securing social and economic development and for achieving greater cultural unity and social integration in the life of developing urban communities.

2.6. All these problems can be effectively tackled only by the municipalities with the active help of the State and Central Governments. Unfortunately the municipal administrations are not in a position to carry out these functions efficiently. They need sufficiently be stren gthened by giving them necessary resources and efficient personnel.

2.7. Our approach to the municipal problems should, therefore, be on the following lines:—

(*a*) We must examine in detail the functions of the Municipalities.

(*b*) What are the total resources required for effecient discharge of these functions.

(*c*) To what extent the Municipalities can develop their own resources, and

(*d*) How the State Government should supplement the same by giving-grants-in-aid.

We propose to examine these problems in the subsequent chapters.

CHAPTER III

Functions of the Municipalities

3.1. From the year 1687 when for the first time in India, Municipal Government was introduced in the Town of Madras in the days of East India Company, a number of factors have changed the character and functions to be performed by the municipalities. In the early times, the Municipal Government was meant for providing only certain essential services like lighting public street, providing water supply, maintenance of roads and sanitation especially cleaning of streets and roads. Education and medical relief were subsequently added. Before Independence, a number of industries were established and towns and cities were growing with fast speed. Political freedom changed the entire nature of these functions. We began to think that local bodies should be responsible not only for providing these essential minimum services to their population, but they should be units of Local Self-Government and they should look after all round development of their population. Democratic Decentralisation idea gained ground and when Panchayat Raj institutions came into existence throughout the country, it became necessary to revise our thinking on the functions to be performed by the municipalities. It was felt that one of the main principles of efficient administration should be that executive authority must be decentralised. Decentralisation has certain democratic qualities. Not only that, the decentralised pattern is specially suitable for the administration of municipal areas and villages, but it also has several advantages which help development. It stimulates the interest of the community in the local and national problems, which leads to the harnessing and canalising of local talents and resources for the service of the community. Instead of passive role of the communities, what we need to-day is active participation of the people, which would stimulate their sense of initiative responsibility and sacrifice. A decentralised pattern creates favourable conditions and involves both the community and administration in a common process. With this end in view, a Democratic Decentralisation Committee was appointed by the Government of Gujarat under Government Resolution, Rural Development Department No. DDD-1060-G, dated the 15th July 1960. The said Committee gave careful thought to evolve a sound system of district administration. The Gujarat Panchayats Act, 1963 was enacted on the basis of this report. The implementation of Gujarat Scheme for Decentralisation and Democratisation of administration on a State wide scale on 1st April, 1963, marked the culmination of a process that was initiated by the Community Development Programme in 1952 and accelerated by the Balwantray Mehta Study Team Report on Community Development in 1957.

It was, therefore, felt by the Government of Gujarat that a fundamental change should also be made in the constitution, structure and functions of municipalities. Accordingly, the Government appointed another Committee for Rationalisation of Municipal Functions under

Government Resolution No. MUN-4061-AI, dated 13th April, 1961. The said Committee after having studied the various organisational, functional, financial and other problems of the municipalities in the State submitted its report to the Government. A Bill of 1963 to consolidate and amend the law relating to the Municipalities in the State of Gujarat has been framed on the basis of this report and is under consideration of the State Legislature.

3.2 That Committee has gone into details as to what should be the functions of the municipalities. Our terms of reference are confined to the various grants-in-aid. As finance and grants are correlated with functions, it is necessary to mention what functions are assigned to municipalities in order to see whether the financial resources for the discharge of these functions are adequate or not. The Bill has divided the functions of the municipalities into 3 categories as under :—

(*i*) Obligatory *vide* Sections 82, 83 and 84.

(*ii*) Discretionary *vide* Section 86.

(*iii*) Agency functions, *vide* Sections 88 and 93.

The main obligatory, discretionary and agency functions can be briefly stated as under :—

(*i*) *Obligatory functions.*—These functions are grouped under the following 5 Heads, *viz.* :—

(*a*) Education

(*b*) Public Health and Sanitation

(*c*) Medical Relief.

(*d*) Town Planning, Development and Public Works.

(*e*) General Administration.

(*a*) *Education.*— Under education their primary concern is to establish and maintain pre-primary schools such as balwadis, balmandirs, primary schools etc. They are responsible for the introduction and promotion of the State policy of compulsory free primary education.

(*b*) *Public Health and Sanitation.*— Here they are concerned with the water supply and drainage, sanitation, conservancy, vaccination, the control of epidemics and regulation of offensive and dangerous trades, watering and cleansing of public streets and other places, disposal of night soil etc.

(*c*) *Medical Relief.*— To provide medical relief they may establish and maintain or aid public hospitals, maternity and child welfare

centres, family planning centres etc. They also provide public medical relief and special medical aid and accommodation for sick in time of dangerous disease.

(*d*) *Town Planning, Development and Public Works.*— These works include construction and maintenance of roads, markets, slaughter houses etc., improving agriculture including crop protection etc., accommodation for cattle or buffaloes, preparation of Master Plans and town planning schemes and their implementation.

(*e*) *General Administration.*— In this respect, the duties include lighting public streets, places and building, protecting life and property from fire, removing obstructions in public streets and places, erecting boundary, registering births, marriages etc.

As regards discretionary functions, they are divided as under:—

(*ii*) *Discretionary functions :*

(*1*) *In the sphere of Public Works.*—

(*a*) Constructing, establishing or maintaining public parks,gardens, libraries, museums, lunatic asylums, halls, offices, dharmashalas, rest houses and such other public buildings;

(*b*) establishing telephone lines;

(*c*) organising transport facilities for the convenience of the public;

(*d*) planting and maintaining of trees;

(*e*) supply of electrical energy;

(*f*) construction of sanitary dwelling for the poorer classes;

(*g*) providing accommodation for the municipal employees;

(*2*) *In the sphere of Education.*—

(*a*) providing music for the people;

(*b*) making contribution to the education funds of the Local Self-Government institutions;

(*c*) undertaking measures for the promotion of social and moral welfare;

(*d*) establishing and running gymnasia, playgrounds, theatres, libraries, reading rooms and other recreation centres;

(3) *In the sphereof Public Health and Sanitaton.*—

(*a*) destruction of dogs under Municipal or Police Act;

(*b*) establishing farm or factory for the disposal of sewage;

(*c*) setting up of dairies or farms;

(*d*) promoting the well being of municipal employees etc;.

(*e*) any other measure not specified in obligatory duties likely to promote the public safety, health, convenience or education;

(4) *In the sphere of Development.*—

(*a*) residential buildings for housing homeless persons;

(*b*) encouraging and assisting co-operative housing societies;

(*c*) undertaking manufacture of building materials and their distribution at fair prices;

(5) *In the sphere of Administration.*—

(*a*) public reception, ceremony, entertainment or exhibition within the municipal boroughs;

(*b*) taking a census and making a survey etc.

(6) *In the sphere of Agriculture and Co-operation.*—

(*a*) promoting the idea of co-operation and self-help;

(*b*) reclamation of waste land;

(*c*) construction of godowns and starting granaries; conservations of manurial resources and preparing compost manure, organic manure and mixture;

(*d*) establishing and maintaining nurseries and arranging for storage and distribution of fruits and vegetables;

(*e*) improvement of agriculture and cattle breed;

(*f*) assisting in establishment of large scale, small scale, cottage and craft industries.

(*iii*) *Agency Functions.*— These functions may be transferred by the State Government. They are :—

(*1*) Collection of land revenue.

(*2*) Functions and duties relating to Government under any enactment, which the State Legislature is competent to enact or otherwise in the executive power of the State and appear to relate to matters arising within a municipal borough and to be of an administrative character.

(*3*) Developmental functions which are performed by the following Departments, *viz.*, Agriculture, Animal Husbandry, Public Health and Medical Relief, Public Works Department, Social Welfare, Revenue, Prohibition, Co-operatives, Cottage Industries and Small Scale Industries and District Statistical Office.

It will be seen from the above list of obligatory, discretionary and agency functions to be performed by the municipalities as envisaged in the Bill that they are expected to undertake allround development of the area and the people in their jurisdiction. For the purpose of studying the financial aspect of these functions, expenditure on them can be classified into 2 categories, *viz.*,

1. Recurring

2. Non-recurring.

3.3. Most of the functions under the second category would be of a developmental character, such as water supply and drainage, construction of roads, construction of buildings, schools, family planning centres, hospitals and dispensaries etc., Schemes for such developmental activities in the municipal areas are normally provided in the Five Year Plan of the State. Recurring obligations may be of 2 types :—

(*1*) Wherefrom no remuneration by way of fees or rates is earned by municipalities such as establishment, cleaning streets, pre-primary and primary education, lighting, maintenance of dispensaries and hospitals, maintenance of roads etc.

(*2*) Certain services for which rates or fees can be levied *viz.*, water supply and drainage, high schools, colleges etc.

3.4. Generally speaking, municipal resources should be such that if they are fully exploited within practical limits, they should be sufficient for discharging these recurring obligations, except perhaps for primary education. For capital works Government should assist the municipalities. Sufficient provision should be made for such purposes in the Five Year Plan of the State. For agency functions, the municipalities should be reimbursed fully.

CHAPTER IV

Financial Resources of the Municipalities

4.1. We have enumerated the various functions which are expected to be performed by the Municipalities in the earlier chapter. We have estimated roughly the minimum cost for fulfilling these obligations in Chapter VI. We are here discussing the financial resources of the municipalities. The financial resources at the disposal of the municipalities are of two kinds:—

(1) Tax-revenue, and

(2) Non-tax revenue.

These resources may be classified as under :—

(*a*) Proceeds from taxes and rates levied by municipalities,

(*b*) Fees and charges;

(*c*) Income from property, investment and remunerative undertakings;

(*d*) Public contributions;

(*e*) Assistance from the State Government by way of share in the proceeds of certain taxes levied by the State and by way of grant-in-aid, either general purpose grant or specific purpose grants.

4.2. Let us take first the tax resource. Under the scheduled Taxes Rules framed under the Government of India Act, 1919, the following were taxes which were to be utilised by or for local authorities:—

(1) a toll;

(2) a tax on land or land values;

(3) a tax on vehicles or boats;

(4) a tax on buildings;

(5) a tax on animals;

(6) a tax on menials and domestic servants;

(7) an octroi;

(8) a terminal tax (on goods imported into or exported from a local area, save where such tax first imposed in an area in which octroi was not levied on or before 6th July 1917);

(9) a tax on trades professions and callings;

(10) a tax on private markets;

(11) a tax imposed in return for services rendered, such as:—

(*a*) a water rate;

(*b*) a lighting rate;

(*c*) a scavenging, sanitary or sewage rate;

(*d*) a drainage tax, and

(*e*) fees for the use of markets and other public conveniences.

4.3. The scheduled Taxes Rules were repealed with the enactment of the Government of India Act, 1935. List (*ii*) of the former scheduled Taxes was included in the Provincial List, without any indication that the taxes in question were reserved for local authorities. This position is continued in the Constitution of India. It contains three Lists of subjects; the Union List (List No. I), the State List, (List No. II) and the Concurrent List (List No. III). Local bodies are not mentioned separately. Some of the items which belong to Local Bodies and were included in List (II) of Scheduled Taxes during the Montague-Chelmsford Reforms are included in the Union List, such as terminal taxes, while the majority of them are included in the State list.

4.4. In order to give the local bodies definite sources of revenue, the Local Finance Enquiry Committee has recommended that a convention may be established by which proceeds from the following sources of revenue should be exclusively available to the local authorities :—

Union List :

1. Entry No. 89
   Terminal taxes on goods or passengers carried by railway, sea or air.

State List :

2. Entry No. 49
   Taxes on lands and buildings.

3. Entry No. 50
Taxes on mineral rights subject to any limitations imposed by Parliament by law relating to mineral development.

4. Entry No. 52
Taxes on the entry of goods into a local area for consumption, use or sale therein (An octroi).

5. Entry No. 53
Taxes on the consumption or sale of Electricity.

6. Entry No. 55
Taxes on advertisements other than advertisements published in the newspapers.

7. Entry No. 56
Taxes on goods and passengers carried by road or on inland waterways.

8. Entry No. 57
Taxes on vehicles (other than those mechanically propelled).

9. Entry No. 58
Taxes on animals and boats.

10. Entry No. 59
Tolls.

11. Entry No. 60
Taxes on professions, trades, callings and employments.

12. Entry No. 61
Capitation taxes.

13. Entry No. 62
Taxes on entertainments including amusements.

4.5. Considering the suitability for devolution of the taxes in the State List, it is found that taxes at Sr. Nos. 2, 4, 6, 9 and 11 *i.e.* taxes on lands and buildings, Octroi, taxes on advertisements other than advertisements published in newspapers, taxes on vehicles (other than those mechanically propelled), taxes on animals and boats, and taxes on professions, trades, callings and employments are already within the perview of the municipalities; and not exploited by the State except No. (2) where the State has now levied an Education Cess at a very low rate ranging from 1 1/2 per cent. to 3 per cent.

As regards terminal taxes on goods and passengers carried by railway, sea or air at Sr. No. 1, the Union Government have recently repealed the Act under which tax on passenger fares in Railways was levied. The levy has been absorbed in the railway fares and fixed compensation is being given to the State Governments for a certain period. As regards taxes on mineral rights benefit in at Sr. No. 3, it is felt that it will not only benefit in a few municipalities but it would also

raise problems of policy co-ordination and confinement of incidence. The State is, therefore, the appropriate authority to levy this tax. Tolls, which occur at Sr. No. 7, have been abolished by the Bombay Motor Vehicles Taxation Act, 1958, after fixing compensation to be paid to the municipalities for the loss of revenue. It is felt that the tolls as a form of general taxation are also outmoded except in only one specific case of new bridges on which more than a certain amount of expenditure has been incurred.

The remaining three taxes are electricity duties (No. 5), capitation taxes (No. 12) and taxes on entertainment (No. 13). The first of these is unsuitable for levy by municipalities as observed by the Taxation Enquiry Commission. The second being a tax levied upon a person (*i. e.* per human head) without any regard to his means and capacity has been exploited by municipalities and by the State Government, for perhaps obvious reasons. The tax on entertainments is treated in certain States as a source of revenue on which local bodies have a claim. In a few States, the local bodies actually levy this tax. In Madras, Andhra and Mysore the net proceeds are distributed to the local bodies. The Taxation Enquiry Commission has however observed that if revenues from this source are transferred, the proceeds from it will benefit only municipalities serving more prosperous towns and cities.

In addition to the above sources, the Taxation Enquiry Commission had considered two other taxes *viz* : (*i*) the theatre or show and (*ii*) the duty on transfer of property (levied along with the stamp duty collected by the Government). As regards (*i*), a theatre or show tax is levied at present by the municipalities at a flat rate for each show or performance. As regards (*ii*), suitable provision has been proposed in the new municipal legislation so as to levy a maximum duty of 10% of the stamp duty levied by Government for transfer of properties.

4.6. At present there are three types of municipalities *viz.* Borough, City and District Municipalities in different parts of the State, and they are governed by the following Acts :—

1. The Bombay District Municipal Act, 1901.
2. The Bombay Municipal Boroughs Act, 1925.

These Acts were adapted and applied to the Saurashtra and Kutch areas. Resources available at present to different types of municipalities are provided under the said Acts. As stated earlier, a new Bill to consolidate and amend the law relating to the municipalities in this State has been introduced by Government in the State Legislature, and the same has been referred to the Select Committee. The said Bill provides for following taxes and duties to be imposed by the municipalities in the State :—

(*i*) Tax on lands or buildings.

(*ii*) Tax on vehicles (not mechanically propelled).

(*iii*) Toll on vehicles and animals (not liable to tax under (*ii*) above).

(*iv*) Octroi.

(*v*) Tax on dogs.

(*vi*) General Sanitary Cess.

(*vii*) Special Sanitary Cess.

(*viii*) Drainage tax.

(*ix*) General or special water rate or both

(*x*) Lighting tax

(*xi*) Fees on pilgrims.

(*xii*) Special educational Cess.

(*xiii*) Tax on sale of cattle.

(*xiv*) Betterment levy on lands or buildings under development schemes.

(*xv*) Any other tax which under the Constitution the State Legislature is empowered to levy.

It may be mentioned that the taxes shown at Sr. No. (*xiii*) and (*xiv*) would be new sources of income to the municipalities.

4.7. Let us now examine how far the existing resources have been exploited by the municipalities. Statement No. 1 appended to this chapter shows the main sources of income of the 54 municipalities during the year 1961–62 *viz.* the revenue derived from direct and indirect taxes, Government grants and income from miscellaneous items and the respective percentage of the total receipts. Similarly statement No. II appended to this chapter shows the incidence of per capita taxation in the 54 municipalities.

4.8. It will be seen from statements I and II that —

(*a*) the average per capita incidence of direct taxation for all municipalities is Rs. 4.84;

(*b*) the average per capita incidence of indirect taxation is Rs. 9.20;

(*c*) the average per capita incidence of direct and indirect taxes is Rs. 14.04;

(*d*) the average per capita income from Government grants is Rs. 3.7; and

(*e*) the average per capita income from all the sources including Government grants is Rs. 21.3.

4.9. The most important taxes in force in 1961-62 (and even today) were octroi duties and taxes on lands and buildings. From statement No. I it is seen that octroi is the only indirect tax and it constitutes the mainstay of municipal finances. It is levied by practically all the municipalities in the State. Per capita incidence of octroi works out to Rs. 9.20. Yield from octroi is 43.15% of the total revenues. Next in importance to octroi is the income from direct taxes like property tax, sanitary cess, water rate etc. These taxes yield 23.40% of the total revenues of the municipalities out of which property tax accounts for 11.75%. Except the special water rate, rest of the items in the tax revenue are negligible. The incidence of direct taxes is strikingly low as compared to that of indirect taxes.

4.10 *Non-tax revenue.*—The main item of non-tax revenue is Government grant, which also plays an important part in the finance of the municipalities. Miscellaneous income comprises of such items, as licence fees, permit fees, revenues from markets and slaughter houses, rents from lands and buildings, miscellaneous sales etc. which together account for 15.85% of the total revenue.

STATEMENT No. 1

Appended to Chapter No. IV

Showing the revenue of the 54 Municipalities for the year 1961–62

Sr. No.	Source	Number of Municipalities	Total Revenue	Percentage of Total
1	2	3	4	5
			Rs.	
1.	DIRECT TAXES			
	(*i*) House tax or consolidated property tax ..	37	71,64,900	11.76%
	(*ii*) (*a*) Special Sanitary Cess	38	13,34,100	2.19%
	(*b*) General Sanitary Cess	10	1,31,900	0.22%
	(*iii*) (*a*) Special Water Rate ..	27	38,72,400	6.36%
	(*b*) General Water Rate ..	17	8,85,200	1.45%
	(*iv*) Tax on aminals and vehicles	47	6,94,200	1.14%
	(*v*) Theatre tax ..	30	1,75,100	0.28%
	Total ..		1,42,57,800	23.40%
2.	INDIRECT TAX			
	Octroi (excluding refund)	53	2,62,55,200	43.15%
3.	GOVERNMENT GRANTS	54	1,04,36,800	17.60%
4.	MISCELLANEOUS INCOME (Such as licence fees, permit fees, fees and revenue from slaughter house and market, rents of land and building, misc. sales etc.) ..	54	96,42,300	15.85%
	Grand Total ..		6,05,92,100	100.00%

STATEMENT II

Appended to Chapter No. IV

Statement showing per capita incidence of direct, indirect and total taxation of the 54 municipalities for the year 1961-62.

Sr. No.	Name of the Municipality	Per-Capita Incidence of Direct Taxes	Per-Capita Incidence of Indirect Taxes	Total Incidence of Taxes
1	2	3	4	5
	AHMEDABAD DISTRICT			
1.	Viramgam ..	3.88	7.82	11.70
2.	Dholka ..	4.60	7.22	11.82
	KAIRA DISTRICT			
3.	Nadiad	11.20	7.81	19.01
4.	Kapadwanj ..	7.74	8.58	16.32
5.	Anand	5.65	9.56	15.21
6.	Petlad ..	4.83	7.00	11.83
7.	Cambay	4.23	5.75	9.98
8.	Borsad	4.93	5.16	10.9
9.	Umreth	7.92	3.16	11.8
	MEHSANA DISTRICT			
10.	Patan	9.08	4.91	10.94
11.	Mehsana	5.73	7.53	13.28
12.	Sidhpur	2.74	7.42	9.96
13.	Kalol	7.78	14.36	22.13
14.	Visnagar	4.10	3.30	8.40
15.	Kadi	4.10	9.46	13.37
16.	Unjha	6.41	7.34	13.75
	BANASKANTHA DISTRICT			
17.	Palanpur ..	3.97	8.68	18.65
	SABARKANTHA DISTRICT			
..	.. ..	Nil ..	..	..
	PANCHMAHALS DISTRICT			
18.	Godhra	7.21	4.09	11.30
19.	Dohad ..	1.98	7.84	9.82

1	2	3	4	5
		BARODA DISTRICT		
20.	Baroda	8.97	10.20	19.17
21.	Dabhoi	4.59	6.23	10.82
		BROACH DISTRICT		
22.	Broach	6.50	9.00	15.50
23.	Ankleshwar ..	2.86	9.95	13.51
24.	Rajpipla	4.78	10.32	15.08
		SURAT DISTRICT		
25.	Surat	9.59	13.39	22.98
		BULSAR DISTRICT		
26.	Navsari	9.47	9.62	19.09
27.	Bulsar	4.10	12.72	16.82
28.	Bilimora	4.05	12.60	16.65
		DANGS DISTRICT		
	.. ..	.. Nil ..	..	..
		RAJKOT DISTRICT		
29.	Rajkot	5.03	9.75	14.78
30.	Gondal	1.65	10.15	11.80
31.	Morvi	1.73	9.78	11.51
32.	Jetpur	0.33	9.98	10.31
33.	Dhoraji	0.59	7.26	7.85
34.	Upleta	0.21	6.93	7.12
35.	Wankaner ..	0.09	6.52	6.61
		JAMNAGAR DISTRICT		
36.	Jamnagar ..	6.48	10.92	17.40
		BHAVNAGAR DISTRICT		
37.	Bhavnagar ..	5.10	7.35	12.45
38.	Botad ..	0.82	12.61	13.43
39.	Mahuva	1.65	8.73	10.38
40.	Savarkundla ..	0.33	9.68	10.01
41.	Palitana	0.66	7.20	7.86

1	2	3	4	5
		JUNAGADH DISTRICT		
42.	Junagadh ..	1.17	10.36	11.53
43.	Porbandar ..	3.91	12.74	16.65
44.	Veraval	0.73	15.35	16.08
45.	Mangrol	0.37	5.88	6.25
		SURENDRANAGAR DISTRICT		
46.	Surendranagar ..	0.98	14.82	15.80
47.	Wadhwan	1.04	4.02	5.06
48.	Dhrangadhra ..	0.92	7.75	8.65
49.	Limbdi	1.43	7.02	8.45
		AMRELI DISTRICT		
50.	Amreli	4.60	9.28	13.88
		KUTCH DISTRICT		
51.	Bhuj	0.69	5.08	5.77
52.	Mandvi	1.22	4.17	5.39
53.	Anjar	0.65	2.52	3.17
54.	Gandhidham ..	6.56	Nil	6.56

CHAPTER V

EXPENDITURE OF THE MUNICIPALITIES

5.1 In this chapter, we would examine the pattern of expenditure incurred by the municipalities on various important items. We have obtained data regarding the expenditure incurred by all the municipalities of our State. This data is tabulated in statement I given below :—

Expenditure incurred by 54 municipalities in 1961-62

Sr. No.	Items of Expenditure	Amount	Percentage of total
1	2	3	4
		Rs.	
1	*General Administration*	1,78,44,600	27.19%
2	*Public Safety*		
	(*i*) Fire	9,58,900	1.49%
	(*ii*) Lighting	23,46,500	3.59%
3	*Public Health and Convenience*		
	(*a*) Water Supply	47,35,600	7.53%
	(*b*) Medical Relief	17,43,800	2.67%
	(*c*) Public Works	1,02,08,000	15.57%
	(*d*) Conservancy	75,08,900	11.05%
	(*e*) Drainage	21,57,800	3.45%
4	*Public Instruction (Education)*		
	(*a*) Primary	49,51,700	7.56%
	(*b*) Other than Primary Education	11,28,300	1.74%
5	*Miscellaneous*	1,21,00,100	18.45%
	(Such as interest on loans, payment into sinking fund, depreciation fund, election charges, Census charges and expenses in connection with suits and prosecution etc.)		
	GRAND TOTAL	6,56,84,200	100 %

The above figures show the expenditure for the year 1961-62 under the various major heads like General Administration, Public Safety, Public Health and Convenience, Public Instruction and Miscellaneous. It is seen therefrom that the municipalities spend on medical relief only 2·67% as against 4% prescribed by Government, while on primary education the expenditure is as low as 7·56%. On items like water supply and drainage the percentage of expenditure is 7.23% and 3.45% respectively. Expenditure on miscellaneous items amount to nearly 18.45% of the total. These items include interest on loans, payment to Sinking Fund, Depreciation Fund, Election charges, Census charges and expenses in connection with suits proceedings. Reference to audit report of various municipalities indicate that certain municipalities are lacking in care to provide for payment of interest, repayment of loan,depreciation charges etc. This percentage would therefore go up if these debits are included. It is also seen from this statement that on an average municipalities are spending as large as 27.20% on general administration and establishment. Statement II appended to this chapter gives a clear idea about the expenditure incurred by each individual municipality on general administration. It is seen that many municipalities are spending more than the prescribed limit on their establishment. In as many as 28 municipalities, the percentage of establishment expenditure is more than 40% and has been as high as 59% in the case of Billimora municipality.

5.2 Functions of the municipalities have been broadly categorised as obligatory and discretionary. A statement showing the percentage of expenditure incurred both on these functions is appended to this chapter as statement No. III. It also indicates as to how much and what percentage is spent both on revenue and capital items. Expenditure on obligatory functions like primary education and public health is very low and that certain municipalities spend more on discretionary functions than on obligatory ones.

5.3 In the earlier chapter, we have examined the income of the municipalities. We have also studied the audit report of these municipalities and an analysis thereof reveals that out of 14 borough municipalities only 2 municipalities *viz.* Viramgam and Jamnagar have balanced budgets (after providing reasonable important services) and therefore can be said to have sound financial position. 4 municipalities of Nadiad, Godhra, Navsari and Bhavnagar can be considered functioning fairly satisfactorily. The finances of Baroda and Surat were not satisfactory and of Broach precarious. The municipalities of Bhuj, Mandvi, Anjar and Gandhidham were mainly dependent on Government grants and subvention. These municipalities have no resources of their own worth the name. Rajkot municipality faced financial difficulties and it had excess of liabilities over the assets. It is, thus observed that with the exception of 2 municipalities mentioned above, the financial position of the 12 borough municipalities cannot be considered as sound.

5.4 As regards the District and City municipalities, 16 municipalities *viz.* Kapadwanj, Petlad, Anand, Cambay, Patan, Mehsana, Kalol

Visnagar, Unjha, Dohad, Dabhoi, Bulsar, Botad, Junagadh, Porbandar and Veraval were having surplus budgets, but the reports show that many of them, have not been able to discharge fully their obligatory functions like water supply and drainage, primary education, medical relief and public health services etc. The 12 municipalities, namely Umreth, Sidhpur, Palanpur, Rajpipla, Billimora, Morvi, Jetpur, Dhoraji, Wankaner, Mangrol, Wadhwan and Amreli had only balanced budgets in the sense that their expenditure was within the income limit but they could not provide necessary services and facilities. 8 Municipalities *viz.* Dholka, Borsad, Kadi, Ankleshwar, Gondal, Upleta, Savar-Kundla and Surendranagar faced financial difficulties and were in an unsatisfactory financial position. The position obtaining in 4 municipalities of Mahuva, Palitana, Dhrangadhra and Limbdi was precarious, as they had excess of liabilities over assets and they had no worth while surplus.

An inescapable deduction is that the financial position of the municipalities in general is not satisfactory and requires to be strengthened.

STATEMENT No. II

Appended to Chapter No. V

Showing the expenditure by the 54 Municipalities on General Administration and Establishment for the year 1961-62

Sr. No.	Name of the Municipality	Actual expenditure	Percentage of normal expenditure
1	2	3	4
		Rs.	
	AHMEDABAD DISTRICT		
1.	Viramgam	2,20,500	40.5 %
2.	Dholka	1,42,402	52.89 %
	KAIRA DISTRICT		
3.	Nadiad	4,22,188	24.55 %
4.	Kapadwanj	3,26,468	43.94 %
5.	Anand	94,188	21.11 %
6.	Petlad	1,81,614	35.52 %
7.	Cambay	2,30,000	23.85 %
8.	Borsad	1,00,980	40.65 %
9.	Umreth	1,03,312	45.68 %
	MEHSANA DISTRICT		
10.	Patan	2,43,113	47.4 %
11.	Mehsana	1,85,426	47.6 %
12.	Sidhpur	1,98,220	55.98 %
13.	Kalol	1,83,509	47. 5 %
14.	Visnagar	1,71,293	60.00 %
15.	Kadi	41,070	34.73 %
16.	Unjha	81,795	33.93 %
	BANASKANTHA DISTRICT		
17.	Palanpur	2,44,760	37.63 %
	SABARKANTHA DISTRICT		
	N I L		
	PANCHMAHALS DISTRICT		
18.	Godhra	2,44,300	33.73 %
19.	Dohad	2,45,100	48.98 %

1	2	3	4
	Baroda District		
20.	Baroda	26,29,055	35.86 %
21.	Dabhoi	2,10,058	77.00 %
	Broach District		
22.	Broach	5,48,355	33.02 %
23.	Ankleshwar	2,00,718	49.9 %
24.	Rajpipla	1,08,798	35.8 %
	Surat District		
25.	Surat	18,53,239	26.56 %
	Bulsar District		
26.	Navsari	3,88,866	35.02 %
27.	Billimora	2,64,156	59.11 %
28.	Bulsar	2,40,286	30.61 %
	Dangs District		
	N I L		
	Rajkot District		
29	Rajkot	13,86,245	56.00 %
30	Gondal	4,13,923	51.00 %
31	Morvi	7,77,326	40.00 %
32	Jetpur	1,50,009	31.00 %
33	Dhoraji	2,11,539	31.00 %
34	Upleta	2,55,836	35.00 %
35	Wankaner	1,04,155	29.00 %
	Jamnagar District		
36	Jamnagar	8,10,658	30.81 %
	Bhavnagar District		
37	Bhavnagar	12,01,602	41.52 %
38	Botad	1,29,477	57.59 %
39	Mahuva	3,33,712	47.71 %
40	Savarkundla	1,66,987	50.33 %
41	Palitana	1,44,157	57.09 %

1	2	3	4
	JUNAGADH DISTRICT		
42	Junagadh	4,84,970	42.69 %
43.	Porbandar	5,26,727	40.05 %
44.	Veraval	3,15,168	42.23 %
45.	Mangrol	1,02,901	52.85 %
	SURENDRANAGAR DISTRICT		
46.	Surendranagar	2,76,860	32.00 %
47.	Wadhwan	1,07,604	49.00 %
48.	Dhrangadhra	1,87,248	47.00 %
49.	Limbdi	1,55,733	50.00 %
	AMRELI DISTRICT		
50.	Amreli	1,97,914	48.00 %
	KUTCH DISTRICT		
51.	Bhuj	1,25,266	33.00 %
52.	Mandvi	83,166	33.00 %
53.	Anjar	90,116	56.33 %
54.	Gandhidham	1,80,000	53.95 %

STATEMENT III.

Appended to Chapter No. V.

Showing the Expenditure and percentage of Expenditure on Obligatory and Discretionary duties incurred by the 54 municipalities for the year 1961-62.

Sr. No.	Name of the Municipality	Obligatory Duties.				Discretionary Duties.			
		Caiptal		Revenue		Capital		Revenue	
		Amount of Expenditure	Percentage to total expenditure	Amount of expenditure	Percentage to total expenditure	Amount of expenditure	Percentage to total expenditure	Amount of expenditure	Percentage to total expenditure
1	2	3	4	5	6	7	8	9	10
		Rs.		Rs.		Rs.		Rs.	
	AHMEDABAD DISTRICT								
1	Virmgam	74,300	13.6%	4,46,488	81.08%	Nil	Nil	23,914	4.4%
2	Dholka	1,45,688	45.32%	1,39,869	43.51%	7,774	2.41%	28,071	8.73%
	KAIRA DISTRICT								
3	Nadiad	1,74,444	7%	17,16,466	74%	Nil	Nil	2,704	Less than 1%
4	Kapadwanj. ...	1,27,079	13%	6,68,723	74%	37,417	4%	38,588	4%
5	Anand	2,30,868	12%	2,09,486	10%	Nil	Nil	525	Less than 1%
6	Petlad	68,093	6.75%	2,97,609	29.53%	58,156	5.77%	4,08,247	40.51%
7	Cambay	2,05,525	15.6%	4,95,055	36.29%	18,000	1.32%	1,37,076	10.09%

8	Borsad	11,578	29%	3,35,359	86.00%	Nil	Nil	952	Less than	1%
9	Umreth	1,25,756	46%	2,26.135	47.00%	Nil	Nil	306	Less than	1%
	MEHSANA DISTRICT									
10	Patan	43,925	2%	3,51,166	15.07%	6,19,321	27.6%	4,86,164		21%
11	Mehsana	2,22,353	23%	2,42,038	25.08%	1,04,185	11.2%	33,141		2.5%
12	Sidhpur ...	80,486	16.86%	3,81,918	79.99%	11,267	2.36%	3,803		.79%
13	Kalol	95,307	17.04%	3,54,713	63,28%	78,781	14.04%	31,698		5.64%
14	Visnagar	15,727	1.7%	1,51,113	16.4%	83,954	9.1%	3,43,419		37.2%
15	Kadi	1,06,979	44.19%	1,69,106	46.42%	8,135	2.25%	13,435		3.68%
16	Unjha	1,03,672	31.54%	2,00,488	61%	17,053	5.18%	7,455		2.88%
	BANASKANTHA DISTRICT									
17	Palanpur	1,99,710	30.65%	3,05,086	46.81%	Nil	Nil	12,788		1.96%
	SABARKANTHA DISTRICT									
	Nil	...	...	...	Nil	...	...	...	...	...
	PANCHMAHALS DISTRICT									
18	Godhra	Nil	Nil	6,40,307	71.4%	Nil	Nil	68,882		7.6%
19	Dohad	83,295	16.64%	2,64,034	52.75%	Nil	Nil	20,593		39%
	BARODA DISTRICT									
20	Baroda	11,81,988	14.08%	71,95,501	85.7%	Nil	Nil	1,34,901		1.87%
21	Dabhoi	40,196	5.73%	1,10,315	19.72%	21,226	3.02%	30		Nil

Sr. No.	Name of the Municipality	Obligatory Duties				Discretionary Duties			
		Caiptal		Revenue		Capital		Revenue	
		Amount of Expenditure	Percentage to total expenditure	Amount of expenditure	Percentage to total expenditure	Amount of expenditure	Percentage to total expenditure	Amount of expenditure	Percentage to tota expenditure
1	2	3	4	5	6	7	8	9	10
		Rs.		Rs.		Rs.		Rs.	
	BROACH DISTRICT								
22	Broach	2,78,796	16.9%	13,45,047	81.6%	Nill	Nil	23,223	1.4%
23	Ankleshwar	40,814	10.9%	3,30,894	89.61%	40,814	10.9%	94,819	23.5%
24	Rajpipla	21,439	7.6%	2,81,940	92.4%	Nil	Nil	22,210	7.3%
	SURAT DISTRICT								
25	Surat	6,60,081	8.94%	62,43,942	84.4%	2,60,474	3.50%	2,16,166	2.96%
	BULSAR DISTRICT								
26	Navsari	59,540	5.31%	9,75,822	87.07%	75,270	6.73%	10,028	0.89%
27	Bulsar	2,34,921	29.93%	5,35,359	68.17%	Nil	Nil	14,555	1.90%
28	Billimora	38,459	6.59%	2,99,748	51.34%	98,548	16.86%	1,47,232	25.21%
	DANGS DISTRICT								
	Nil	...	...	...	Nil	...	...	...	...
	RAJKOT DISTRICT								
29	Rajkot	6,88,542	18%	12,48,912	32%	2,03,843	5%	1,73,045	4%

30	Gondal	36,942	4%	3,57,949	38%	78,048	8%	1,82,431	30%	
31	Morvi	1,05,238	13%	3,63,919	47%	93,345	12%	46,904	6%	
32	Jetpur	5,423	1.1%	1,37,151	27%	Nil	Nil	76,169	15%	
33	Dhoraji	15,465	2%	2,30,168	30%	44,436	5.5%	1,46,994	19%	
34	Upleta	86,682	12%	1,53,968	21.4%	1,01,896	14%	1,73,935	24%	
35	Wankaner	1,30,344	37%	1,22,774	35%	Nil	Nil	46,506	13%	
	JAMNAGAR DISTRICT									
36	Jamnagar	27,825	86%	7,15,961	23%	7,00,086	22%	9,96,089	31%	
	BHAVNAGAR DISTRICT									
37	Bhavnagar	14,66,153	31.50	24,14,042	51.20%	3,33,548	7.07%	5,01,206	10.63%	
38	Botad	1,06,998	32.08%	1,89,473	56.78%	1,401	0.47%	25,713	10.69%	
39	Mahuva	1,04,662	8.47%	2,36,670	19.15%	4,33,491	35.11%	4,60,596	37.27%	
40	Savarkundla	30,232	8.85%	2,80,749	83.14%	Nil	Nil	29,486	8.01%	
41	Palitana	1,30,890	34.14%	2,39,421	62.44%	Nil	Nil	15,067	3.42%	
	JUNAGADH DISTRICT									
42	Junagadh	47,931	19.7%	10,10,683	62.6%	Nil	Nil	1,25,260	7.7%	
43	Porbandar	8,85,011	30.2%	10,20,373	45.23%	55,192	2.49%	2,34,740	13.06%	
44	Veraval	1,85,343	16.71%	5,79,155	58.52%	82,836	8.39%	1,62,183	16.38%	
45	Mangrol	23,442	11.92%	1,51,822	77.23%	2,300	1.17%	19,009	9.63%	

Sr. No.	Name of the Municipality	Obligatory Duties				Discretionary Duties			
		Caiptal		Revenue		Capital		Revenue	
		Amount of Expenditure	Percentage to total expenditure	Amount of expenditure	Percentage to total expenditure	Amount of expenditure	Percentage to total expenditure	Amount of expenditure	Percentage to total expenditure
1	2	3	4	5	6	7	8	9	10
		Rs.		Rs.		Rs.		Rs.	
	SURENDRANAGAR DISTRICT								
46	Surendranagar	3,68,521	20%	5,26,979	43%	Nil	Nil	59,496	5%
47	Wadhwan	10,498	9%	1,45,023	63%	Nil	Nil	14,496	6%
48	Dhrangadhra ...	28,894	7%	2,15,806	54%	Nil	Nil	23,149	6%
49	Limbdi	58,004	16%	1,86,230	50%	Nil	Nil	63,128	17%
	AMRELI DISTRICT								
50	Amreli	18,194	3.69%	3,12,250	67%	65,895	13.40%	75,894	15.41%
	KUTCH DISTRICT								
51	Bhuj	1,12,216	88%	2,41,476	96%	13,676	12%	9,627	4%
52	Mandvi ...	98,162	52.77%	2,00,744	67.22%	Nil	Nil	875	0.30%
53	Anjar	1,736	0.98%	2,71,037	97.05%	Nil	Nil	272	0.17%
54	Gandhidham ...	7,379	2.51%	2,71,037	97.05%	Nil	Nil	Nil	Nil

CHAPTER VI

Municipal Finances-an Assessment of Minimum Equirements and Deficiencies

6.1. In this Chapter we have attempted to find out the average cost of meeting with the various obligatory and discretionary functions which the municipalities are expected to discharge under the proposed Bill. This is very necessary because we can then compare this cost with the resources that a municipality can raise of its own to the highest extent possible and within practical limits. This would then enable us to find out whether a municipality can discharge all its functions without any assistance from the State and if there is a gap between the two what is its extent. A survey of 7 municipalities, which we have considered representative samples in respect of their revenue, expenditure, exploitation of their sources of taxation, and various services and amenities which are more or less satisfactorily provided to the public, has been conducted for this purpose. These 7 municipalities are ;

A Class -- Baroda, Surat and Jamnagar.

B Class – Nadiad and Junagadh.

C Class – Kapadwanj and Limbdi.

6.2. A precise fixation of cost of minimum requirements is difficult to arrive at. Eventhough very often minimum standards are referred to in the context of providing amenities and services, no such standards are seen prescribed in any precise form except in certain aspects of public health works in the report of Bhore Committee. Even here the details in terms of municipal institutions are lacking. We have, however, selected the above 7 municipalities which are providing these basic amenities and services more or less satisfactorily. All municipalities mentioned above have water works schemes, though they are in need of material improvement and expansion due to rising population and growth of industries. Drainage exist in Baroda, Nadiad and Surat only. Jamnagar, Kapadwanj, Junagadh and Limbdi are yet to provide underground drainage system. With regard to primary education, municipalities of Surat, Nadiad, and Baroda are managing their schools through their respective School Boards. Though Kapadwanj has not taken over primary education, it is regularly paying its contribution. Jamnagar , Junagadh and Limbdi are neither managing primary education nor paying any contribution, though Junagadh is running secondary schools, which is incidentally not its obligatory function. In the sphere of medical relief, it is noticed that Kapadwanj, Limbdi, Surat and Nadiad are providing Hon. Hospital and/or dispensary facilities, while Baroda, Jamnagar and Junagadh have no such arrangements of their own. As far as the condition of roads is concerned, it is fairly satisfactory in these 7 cities, though there is scope for considerable improvement and expansion, because of increase in their limits.

6.3. The above is only a broad sketch indicating the essential services rendered by these municipalities and that deficiencies thereof. Though many of them are old and well established, they have to make considerable lee-way to render satisfactory level of services when considered in the present circumstances and context of modern life.

6.4. In the statements I & II attached to this chapter, average income and expenditure of these municipalities for the last 3 financial years ending 31st March 1964 have been given. They indicate the average per capita income and expenditure of these municipalities. A statement showing the per capita income and expenditure in relation to normal income and expenditure of the remaining 47 municipalities is also attached to this chapter as statement No. III. The discussion regarding cost of rendering minimum basic services would not be complete unless a mention regarding general condition of these services in other 47 municipalities is also made.

6.5. So far as water supply schemes are concerned, most of the municipalities have either to improve their water supply schemes, expand it or yet to start. As regards the underground drainage, none of the 47 municipalities with the exception of Bhavnagar have got under-ground drainage facility. In respect of public works like roads and lanes, keeping them in good condition, providing foot-paths, landing places and similar facilities essential for safty and convenience, it is generally our experience, that the municipalities in the State are lagging far behind.

Most of the Municipalities are lacking in the facility of medical relief, and wherever it is provided, it is inadequate and scanty.

With the exception of the municipalities of Surat, Baroda, Broach, Godhara, Nadiad and Navsari, the primary education is managed even in the urban areas by the Primary Education Committees of the District Panchayats. As primary education is one of the important obligatory functions of the municipalities, the remaining municipalities would also sooner or later have to come forward to take over Primary Education which is expanding rapidly and to provide good school buildings.

It is seen from the statement appended to this chapter that the total per capita expenditure of Nadiad, Kapadwanj, Baroda and Surat comes to about Rs. 35. We may have mentioned above certain deficiencies in these cities. To cover them, we feel that about Rs. 5 per capita would be necessary. The Committee, therefore, has come to a conclusion that the minimum per capita income required for meeting the cost of establishment, maintenance of essential services and minimum improvement should be placed at Rs. 35. By and large it can be stated that the incidence of urban prob'ems and the cost of meeting them would more or less be the same at all the urban places for a given unit of population. As compared to this required income, the total revenue of the 54 municipalities for the year 1961-62 was Rs. 6,05,92,199 as shown in statement I, appended to Chapter No. IV. This works out to a per capita income

of Rs. 21.3. This means that per capita deficiency is Rs. 13.7. It implies that if 54 municipalities of the State are to maintain certain minimum and satisfactory standards of service, they will have to raise additional resources of nearly 3.75 crores. We are examining in the next chapter how much of this gap can be filled in by the municipalities themselves by exploiting their resources and what would be the balance which should be met by way of grants-in-aid by the State Government. Our estimate is that municipalities can raise about Rs. 1. 2. crores and the gap of Rs. 2.55 crores should be filled in by the State Government. We have, however, taken into consideration the financial condition of the State while recommending individual grants-in-aid and our estimate is that the additional burden on the State would be to the extent of only Rs. 38 lakhs. Even if all the recommendations of this Committee are accepted by the State Government, there will be an unbridged gap of Rs. 2.17 crores. This indicates the collosal task before the municipalities of further raising their own resources and need for giving more grant-in--aid by Government.

STATEMENT NO. I.

APPENDED TO CHAPTER No. VI.

Showing the average revenue of the seven selected municipalities for the three years ending 31st March, 1964

Sr. No.	Sources of Income.	Names of the Municipalities.						
		Nadiad	Kapadwanj	Baroda	Surat	Jamnagar	Limbdi	Junagadh
1	2	3	4	5	6	7	8	9
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Direct Taxes.							
	(i) House tax or consolidated property tax.	7,10,700	2,25,000	12,75,600	12,51,300	5,12,000	...	...
	(ii) (a) Special Sanitary Cess ...	5,900	3,400	50,900	5,15,100	...	10,900	...
	(b) General Sanitary Cess ...	...	2,800	...	...	...	...	...
	(iii) (a) Special Water rate ...	2,10,600	49,300	8,59,700	9,90,000	1,25,200	16,700	80,500
	(b) General Water rate ...	...	11,100	...	..	...	...	...
	(iv) Tax on animals and vehicles ...	23,400	23,300	1,54,500	1,75,200	48,700	2,200	3,500
	(v) Theatre Tax	14,700	3,000	53,400	39,300	28,400	1,300	...
2	Indirect Tax-Octroi (excluding Refunds),	6,41,700	2,34,400	30,84,700	44,34,600	17,50,300	1,66,100	7,85,000
3	Government Grants.	3,81,800	1,22,900	11,10,400	9,22,300	1,61,400	49,600	1,81,900
4	Miscellaneous Income	2,15,900	1,84,800	24,54,200	8,04,400	4,22,000	1,29,700	2,95,200
	Total	22,04,700	7,60,000	90,43,400	91,33,100	30,48,000	3,76,500	13,46,100
	Per Capita Income ...	27.93	28.88	30.64	31.68	21.82	17.27	18.62
	Population (1961 Census) ...	78,952	26,313	2,95,144	2,88,239	1,39,692	21,801	72,298

STATEMENT NO. II

APPENDED TO CHAPTER No. VI.

Showing the average expenditure of the seven selected municipalities for three years ending 31st March, 1964.

Sr. No.	Heads of expenditure	Names of the Municipalities.						
		Nadiad	Kapadwanj	Baroda	Surat	Jamnagar	Limbdi	Junagadh
1	2	3	4	5	6	7	8	9
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	General Administration	2,14,100	77,700	10,08,700	7,47,300	2,42,800	37,000	4,85,000
2	Public Safety							
	(*a*) Fire	36,100	8,400	1,75,000	1,04,900	35,400	5,800	60,500
	(*b*) Lighting	47,000	19,300	1,29,800	2,58,500	206,200	19,100	1,35,000
3	Public Health and Convenience ...							
	(*a*) Water Supply	32,400	91,700	13,93,500	9,04,900	1,94,500	25,200	1,75,000
	(*b*) Medical Relief	82,700	89,900	47,200	4,26,700	600	19,200	10,000
	(*c*) Public Works	1,41,200	1,47,500	13,57,900	12,90,600	5,80,000	53,300	2,75,000
	(*d*) Conservancy	2,56,800	1,11,800	5,49,100	11,53,300	6,00,900	1,15,900	3,00,000
	(*e*) Drainage	2,04,900	25,300	6,70,800	5,35,300	24,300	...	55,000

Sr. No.	Heads of expenditure	Names of the Municipalities						
		Nadiad	Kapadwanj	Baroda	Surat	Jamnagar	Limbdi	Junagadh
1	2	3	4	5	6	7	8	9
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
4	Public Instruction (Education) ...							
	(a) Primary	4,67,800	38,000	17,80,600	15,78,600	...	...	...
	(b) Other than Primary ...	...	1,24,500	66,700	9,400	30,600	...	1,40,000
5	Miscellaneous	5,07,700	54,600	19,11,200	20,70,400	58,600	1,19,500	2,75,000
	Total	23,90,700	7,88,700	90,90,500	90,79,900	19,73,900	3,95,000	19,11,000
	Per capita expenditure	30.28	29.97	30.81	31.50	14.13	18.12	26.45
	Population (1961 Census)	78,952	26,313	2,95,144	2,88,239	1,39,692	21,801	72 208

STATEMENT NO. III

APPENDED TO CHAPTER NO. VI

Statement showing the per copita Income and Expenditure of the 47 municipalities.

Sr. No.	Name of the Municipality	Population (1961 Census)	Accounting years	Average normal income of the last three years	Average normal expenditure of the last three years	Per capita Income	Per capita expenditure
1	2	3	4	5	6	7	8
1	Viramgam	38,946	1960–61 1961–62 1962–63	6,20,700	4,88,500	15.93	12.54
2	Dholka	26,876	1957–58 1958–59 1959–60	3,32,000	2,84,300	12.35	10.57
3	Palanpur	23,139	1960–61 1961–62 1962–63	3,42,400	3,41,300	14.79	14.74
4	Cambay	50,591	1957–58 1958–59 1959–60	5,24,000	4,20,400	10.36	8.30
5	Petlad	35,249	1960–61 1961–62 1962–63	6,07,600	5,31,100	17.24	15.06
6	Anand	40,458	1958–59 1959–60 1960–61	8,81,000	4,09,300	21.75	10.11
7	Umreth	21,249	1959–60 1960–61 1961–62	2,95,500	2,28,900	13.90	10.77
8	Borsad	24,704	1959–60 1960–61 1961–62	3,18,600	3,26,900	12.90	13.23
9	Mehsana	32,325	1960–61 1961–62 1962–63	5,67,800	4,02,900	17.60	12.46
10	Patan	50,264	1958–59 1959–60 1960–61	6,88,400	3,94,900	13.69	7.87
11	Sidhpur	33,409	1960–61 1961–62 1962–63	4,52,600	3,40,500	13.54	10.19
12	Visnagar	25,685	1957–58 1958–59 1959–60	2,40,400	1,96,300	9.36	7.64
13	Unjha	19,642	1960–61 1961–62 1962–63	3,43,000	243,900	17.46	12.41

1	2	3	4	5	6	7	8
14	Kadi	23,661	1960–61 1961–62 1962–63	3,83,200	3,87,800	16.19	16.39
15	Kalol	31,609	1957–58 1958–59 1959–60	6,77,000	3,40,200	21.41	10.76
16	Dabhoi	29,761	1960–61 1961–62 1962–63	4,30,900	4,58,500	14.48	15.40
17	Broach	73,470	1958–59 1959–60 1960–61	16,03,500	15,39,000	21.82	...
18	Ankleshwar	20,267	1959–60 1960–61 1961–62	4,28,100	4,18,800	21.07	20.66
19	Rajpipla	21,197	1959–60 1960–61 1961–62	3,73,600	3,07,700	17.62	14.51
20	Bilimora	22,880	1961–62 1962–63 1963–64	7,34,600	5,36,600	32.10	23.45
21	Bulsar	35,060	1959–60 1960–61 1961–62	6,40,500	4,62,100	18.27	13.18
22	Navsari	51,314	1957–58 1958–59 1959–60	19,65,200	9,23,700	20.76	18.00
23	Godhra	52,167	1961–62 1962–63 1963–64	10,22,900	10,18,200	19.61	19.52
24	Dohad	35,483	1958–59 1959–60 1960–61	5,13,800	5,21,200	14.48	14.69
25	Rajkot	1,93,498	1960–61 1961–62 1962–63	44,95,000	27,18,000	23.23	14.04
26	Gondal	44,958	1958–59 1959–60 1960–61	6,57,100	5,92,700	14.62	13.19
27	Morvi	50,192	1957–58 1958–59 1959–60	6,84,300	6,02,800	13.63	12.00
28	Dhoraji	48,397	1958–59 1959–60 1960–61	6,00,600	5,51,300	12.41	11.39
29	Upleta	27,528	1957–58 1958–59 1959–60	4,00,200	3,67,700	14.54	13.36
30	Jetpur	31,168	1959–60 1960–61 1961–62	3,84,300	3,64,000	12.33	11.68

1	2	3	4	5	6	7	8
31	Wankner	20,231	1960–61 1961–62 1962–63	2,26,600	2,20,000	11.20	10.87
32	Bhavnagar	1,71,039	1959–60 1960–61 1961–62	33,52,300	27,19,000	19.66	15.90
33	Botad	26,168	1960–61 1961–62 1962–63	4,04,100	2,42,200	15.44	9.26
34	Palitana	24,581	1959–60 1960–61 1961–62	2,80,500	2,43,800	11.41	9.92
35	Savarkundla	30,122	1960–61 1961–62 1962–63	4,27,600	3,30,300	14.20	10.97
36	Mahuva	31,668	1960–61 1961–62 1962–63	7,56,200	7,09,500	23.88	22.41
37	Porbandar	74,476	1960–61 1961–62 1962–63	19,78,000	18,26,000	26.56	24.53
38	Veraval	46,248	1960–61 1961–62 1962–63	10,36,200	7,69,400	22.40	16.64
39	Mangrol	20,798	1957–58 1958–59 1959–60	1,66,500	1,40,500	8.00	6.76
40	Surendranagar	48,602	1959–60 1960–61 1961–62	10,45,800	8,12,000	21.52	16.70
41	Wadhwan	27,194	1956–57 1957–58 1958–59	1,93,000	1,72,700	7.10	6.35
42	Dhrangadhra	32,197	1957–58 1958–59 1959–60	3,20,100	3,01,700	9.94	9.37
43	Amreli	32,406	1960–61 1961–62 1962–63	6,16,500	4,11,900	19.02	12.71
44	Bhuj	38,747	1958–59 1959–60 1960–61	3,33,600	2,69,800	8.60	6.96
45	Mandvi	26,609	1958–59 1959–60 1960–61	2,33,000	2,41,100	8.76	9.06
46	Anjar	23,301	1958–59 1959–60 1960–61	1,32,600	1,35,500	5.69	5.81
47	Gadhidham	26,448	1959–60 1960–61 1961–62	1,53,600	1,89,400	5.80	7.16

CHAPTER VII

Exploitation of The Resources of Municipalities

7.1. We have examined in chapter IV the financial resources of municipalities. In this chapter we may analyse how far these resources are and can be further exploited. We have given expenditure figures in chapter V and analysed them. We may here examine whether there is any scope for economy.

7.2. As regards exploitation of their resources, we will first briefly discuss the level of direct taxes. It is seen from Annexure I appended to chapter IV that incidence of direct taxation for all municipalties is as low as Rs. 4.84 per head. The table below will show the range of per capita direct taxation.

Sr. No.	*Range of direct taxation*	*No. of Municipalities*
1.	Below Rupee 1	13
2.	Between Rs. 1 and 2	9
3.	Between Rs. 2 and 5	16
4.	Above Rs. 5	16
	Range 4.84% average per capita.	54

It is clear from this table that in as many as 38 municipalities, the per capita direct taxation is below Rs. 5. The Committee feels that there is considerable scope for the municipalities to increase their income from direct taxes. Property tax is the most important one in the category of direct taxes. About 20 municipalities have already levied a consolidated property tax. Out of the remaining 34, 10 have levied general sanitary cess and 17 have levied general water rate. General experience is that the municipalities are reluctant to face the odium by stepping up or extending the direct taxes. This is because they are more directly associated than either the State or the Central Government with the people and therefore, taxation too is more demonstrably required to be justified by the efficiency of the services performed.public criticism against local taxation is generally greater, where the local body has not adequately provided the essential amenities such as water supply,drainage etc. It is thus felt that the municipalities are caught in a vicious circle. Because they are not in a position to give certain essential services, they are not able to tax the public and because taxes cannot be levied, services cannot be provided. This vicious circle will have to be broken at a certain stage and direct taxes will have to be levied by the municipalities. We therefore, here examine the possibility of levying direct taxes.

7.3. *Property tax.*—Property tax levied by the municipalities comprise of :—

(*a*) A tax for general purpose on lands and buildings.
(*b*) Water rate and drainage tax.
(*c*) Lighting tax
(*d*) A conservancy or scavanging tax.

It is levied on the basis of rateable value of the property. The State Government has been exhorting, since 1948, all the municipalities to levy consolidated tax on buildings and lands of not less than 20% of their annual letting value or 1.5.% of their capital value in place of the following taxes :-

(*a*) House Tax.
(*b*) General Sanitary Cess,
(*c*) General Water rates,
(*d*) Lighting tax.

The Government have also tied up the grant of dearness allowance to the extent of property taxes levied by them. Some of the municipalities have shown initiative to increase their property taxes, but in case of many of them, the rate is still low and as many as 18 municipalities, particularly in the Saurashtra area have not even imposed this tax.

7.4. During our discussions with the Presidents of the municipalities, they have argued that Government should not insist upon them to impose this tax, if they are in a position to tap adequate resources from other taxes like octroi and that the rate of tax of 20% of the annual letting value suggested by Government is too high and that dearness allowance grant should not be tied up to the levying of this tax. We have considered this argument and feel that direct taxation should be resorted to by the municipalities. Not only it is one of the main sources of income to the municipalities, but is a progressive tax and it provides a stable, reliable and equitable source of income to the municipalities. A detailed statement No. 1 showing the income from House/ Consolidated property tax for the year for which data was available, the basis, rate and per capita incidence is appended to this chapter. For examining this statement we feel that the following test, if applied, gives the following result :—

Sr. No.	Rate of Property tax	Number of Municipalities	Standard of performance
(*i*)	15 to 20 % of annual letting value.	5	Good.
(*ii*)	10 to 15% of annual letting value.	9	Average.
(*iii*)	6 to 10% of annual letting value.	11	Not satisfactory.
(*iv*)	Below 6% of annual letting value.	11	Poor
(*v*)	Not levied	18	Indifferent.
		54	

It is very clear from the above table that this tax has not been exploited to a reasonable extent by majority of the municipalities.

The Government have imposed Education Cess at the rate ranging between 1% to3 % of annual letting value.We have studied the assessment of demand of Education Cess in respects of 15 to 20 municipalities and find that at the above rates, the per capita incidence in these municipalities comes to about Rs. 2. As already mentioned, 18 municipalities in the State have not yet levied either House Tax or Consolidated propertyTax. To begin with if these municipalities start levying the property tax at least between 6% to 10 % of the annual letting value, it should give them as an average Rs. 5 per capita income. It is our estimate that these municipalities can raise at least Rs. 40 lakhs from this source of revenue (*vide* statement No.II annexed to this chapter).

Only 5 municipalities in the State have levied property tax between 15% to 20 % of annual letting value, while 9 municipalities have imposed the tax at the rate of 10% to 15%, 11 municipalities have fixed the rate between 6% to 10% and 11 municipalities have kept the rate below 6%. Keeping in view the standard of 20% of annual letting value prescribed by the Government it would be obvious that there is sufficient scope for these municipalities also to raise additional resources from this tax. Even on the conservative estimates we would place this additional yield by these 36 municipalities at approximately Rs. 25 lahks.

The process of levying or enhancing the tax can be easily completed within a maximum period of three years. It may thus be said that within the next three years, additional revenues to the tune of Rs. 65 lakhs would be available to the municipalities, if the property tax is exploited reasonably well.

The Committee would, therefore, like to impress upon the municipalities that wherever they have not levied the property tax, they should levy it and where it is levied, it should be raised to a reasonable level. One way of achieving this object would be to provide in the enactment governing the municipal bodies, this tax as a compulsorily leviable tax at a minimun rate of 6% of annual rateable value, not withstanding that the municipalities might be raising sufficient revenues by other methods.

7.5. *Octroi and Terminal Tax.*— These two taxes, between them, account for the major portion (*i.e.*, 43. 15%) of the total income of all the municipalities giving a per capita income of Rs. 9.20. They constitute the largest single source of municipal income and despite some disadvantages to them apparently retain their position as the favourite for local taxation. The right to impose octroi on certain articles is many a time restricted by the statutory orders issued by the Government. This has to some extent adversely affected the revenues of the municipality. on the whole,we are of the opinion that this source is reasonably exploited by practically all the municipalities. In regard to octroi generally we suggest that the following reforms should be introduced:–

(*i*) A model schedule giving the minimum and maximum rates should be prescribed by State Government for all the municipalities.

(*ii*) In the context of wide range of octroi duty and appreciation of prices of all kinds of articles, we suggest levy of octroi, generally on an *advalorem* basis *i. e.*, from weight to value.

(*iii*) with the multiplication of means of transport and complexity of trade, octroi has become more difficult to assess and collect and there is considerable scope for fraud, large scale evasion and under assessment. This should be carefully checked. The collection of octroi should not be virtually left in the hands of subordinate staff but should be supervised frequently and effectively by the higher executives.

(*iv*) The question of refunds and the question of octroi on goods in transit, constitute some of the chief drawbacks of octroi system. It is desirable that the system should be so designed as to curtail the occasions for refunds to a minimum and to plug the loopholes.

(*v*) The existing rates vary from municipality to municipality. It is desirable that the rates are progressively adjusted.

We expect that if prompt action is taken by the municipalities in these matters it would increase the income from this source at least by about 10% *i. e.*, Rs. 25 lakhs annually.

7.6 *Income from rates, fees etc.*—It would be seen from the statement No. I appended to chapter IV that only 10 municipalities have levied general sanitary cess, while the number of municipalities which have imposed general water rate is 17 only. Considering the fact that practically all the municipalities are providing these general services to the public and that considerable expenditure is being incurred in providing these services, it is most essential and desirable that all the municipalities should adequately tap this source of revenue.

At present special sanitary cess is being levied in 38 municipalities, where this special service is provided to the public. According to the Government orders the special sanitary cess service should be at least self-supporting. It is generally found that this service is not self supporting in most of the municipalities. As such, all efforts should be made by the municipalities concerned to make it self supporting.

We would also like to urge that the municipalities should strive to increase the yield from licence fees, and income from properties.

If the suggestions made above are earnestly implemented by the municipalities, they can certainly increase their revenue from these sources by at least Rs. 15 lakhs annually.

7.7 *Profession Tax.*—In this State no municipality levies profession tax as such but some of them levy small taxes in the form of license

fees on specified trades and callings which are subject to municipal control. The income from this source is negligible.

7.8 *Assessment and Collection of Taxes.*—It would not be merely sufficient if the municipalities levy the taxes or increase the rates; it is of equal importance that the taxes are properly assessed and promptly collected. The Committee is of the opinion that there are lapses on the part of various municipal administrations in exploiting their revenues by under assessment. The most disturbing feature is the failure to collect taxes imposed with the result that in quite a large number of municipalities, arrears of taxes and dues have remained very high. Individual audit reports throw a flood of light in this respect. This has been mainly due to the lack of proper supervision over the collecting staff, and partly due to unwillingness of the executive to take prompt and timely action. It is desirable that the arrears of taxes and dues should not be more than 5% of their annual demand.

7.9 *Enlargement of the existing resources.*—Coming to the second question of enlargement of existing financial resources, the Committee feels that existing resources are inadequate.In considering the question of enlargement of resources, we have to deal with the following matters :—

(1) Enlargement of powers of taxation.
(2) sharing of taxes with the State Government.
(3) Entrusting more and more public utility undertakings to municipalities.
(4) Effecting economy in expenditure.
(5) Increasing grants-in-aid from Government.

Regarding (*1*) it is argued that it is necessary to give elastic resources of revenues to the municipalities, in view of the fact that their expenditure is constantly increasing and the revenues at their disposal are comparatively static. We find some truth in this.

The Committee has considered various suggestions made by different national and state level Committees and Commissions with regard to powers of taxation and assignment of tax revenues for the exclusive utilisation of the municipal and other local bodies. It has also gone through the suggestions made by Municipal Rationalisation Committee. We noticed that a Bill to consolidate and amend the existing municipal law provides two more items of tax resources which can be imposed by the municipalities; a provision has also been made in the said Bill to levy maximum duty of 10% of stamp duty for transfer of properties within their jurisdiction. These new sources are as under :—

(1) Betterment levy.
(2) Tax on sale of cattle.
(3) 10% increase of stamp duty for municipality.

The Committee feels that these sources if exploited by the municipalities would supplement their existing tax resources. However, as these are new taxes it is difficult to estimate the amount of additional income therefrom.

7.10. *Sharing of Taxes with the municipalities.*—In the foregoing paragraphs we have dealt at length regarding the income of municipalities from direct and indirect taxes and the effective steps for assessment and collection of taxes. We will now consider the alternate method of financing the municipalities *viz.* the assignment of the whole or part of proceeds of certain State Taxes. At present the following taxes levied by the State are shared with the municipalities ;

Shared Taxes.	*Average grant for the triennium ending 1962-63*
	Rs.
(1) 75% of non-agri. assessment	2,19,100
(2) 15% of land revenue	60,200
(3) Entertainment Tax (Average of three years ending 1958-59) (in Saurashtra and Kutch)	6,35,800

The representatives of most of the 54 municipalities have strongly represented to the Committee that either the whole or substantial part of the proceeds of the following taxes levied by the State should be assigned to the municipalities (by way of grants-in-aid).

(1) Motor Vehicles tax ;
(2) Electricity Duties ;
(3) Stamp Duties ;
(4) Entertainment tax ;
(5) Non-agricultural Assessments ;
(6) Land Revenue, and
(7) Education Cess.

A reference has also been made in chapter IV with regard, to Nos. (*1*), (*2*), (*3*) and (*4*). We are generally of the opinion that normally grants-in-aid should be preferred to assignments of shares of taxes as a method of financing the municipalities. This is firstly, because revenue without responsibility would be demoralising, and second because, grants-in-aid can be determined on the basis of needs and be coupled with the maintenance of desirable standards. To this, we make three exceptions namely (*1*) Non-Agricultural Assessment (*2*) Land Revenue, and (*3*) Education Cess and recommend that income from these three taxes should be shared with the municipalities on the following basis by way of grant-in-aid.

(1) 75% of Non-agricultural Assessment.
(2) 75% of Land Revenue
(3) 33 1/3% of Education Cess.

The resources thus available to the municipalities will increase to Rs. 14,59,800, from Rs. 9,14,800.

7.11. *Public Utility Undertakings.*—Potentially, the increase from public undertakings of a commercial character, such as tram-ways and buses, or distribution of electricity or gas, setting up of dairies for distribution and processing of milk and milk products etc., is a significant item of municipal revenue. But in fact only few municipalities have achieved progress in this important sector of revenue yielding municipal activities. The Committee is of the view that every encouragement should be given to the municipalities to develop and expand their non-tax revenue. The bigger municipalities will come forward to undertake public utility services. In absence of details the Committee is not in a position to indicate the income that may accrue from this source.

7.12. We may now examine how far it is possible to effect economy in expenditure on establishment. As pointed out earlier, expenditure on establishment of the municipalities comes to 27.20% of the total expenditure. It was also seen that nearly 28 municipalities spend more than 40% of thier revenues on establishment alone. This position is not at all happy. We find from the material supplied to us by the Audit that there is scope for reduction in expenditure on establishment and it can be reduced at least upto 25%. If this is done it would result into a saving of over Rs. 15 lakhs per year.

7.13. *Government Grants.*— Following figures indicate the amounts of grants-in-aid paid by Government to 54 municipalities.

Year	*Amount in Rs.*
1960–61	84,41,700
1961–62	1,04,36,800
1962–63	97,76,800

In terms of total income of 54 municipalities,the percentage of Government grants-in-aid comes to 17.60%, during the year 1961-62. It will be seen that Government grants assume a position of importance in the matter of municipal finances. Looking to the existing financial situation of the municipalities and somewhat inelastic sources of revenue at their disposal coupled with a great backlog of services and work like water supply, drainage, sanitation, medical relief, public health measures, primary education and improvement of communications, the Committee feels that the State Government should continue to play a positive and a large role by way of financial assistance to the municipalities in the field of essential services and obligatory duties in order to develop and expand their resources. As the finances are co-related with the functions it would be all the more necessary to augment the financial resources of the municipalities sufficiently, if increased reponsibilties and more duties and functions are to be assigned to the municipalities under the new Gujarat Municipal Act.

7.14 The Committee has studied the existing structure of grant-in-aid and recommended a new pattern in the subsequent chapters under which the annual additional income to the municiapalities by way of grants-in-aid would amount to Rs. 37,97,400 from average of Rs. 93,51,700.

7.15. The question which remains to be settled is the extent of resources which can be secured in the immediate future through the various measures discussed above. We have discussed each item in the foregoing paragraphs. It could be said that in this way about Rs. 120 lakhs could be raised by the municipalities by exploiting their own resources and about Rs. 37,97,400 as the additional grant-in-aid from Government. The details are shown in the table below :-

I. By utilisation of Municipal Resources.

		Estimated additional yield (Rs. in lakhs)
(*a*)	Through levy and/or increase of property tax.	65
(*b*)	Octroi.	25
(*c*)	Miscellaneous items ..	15
(*d*)	Economy in expenditure. ..	15
	Total (I)	120

II. Additional Grant-in-aid from Government.

(*a*)	By assigned revenue.	12.40
(*b*)	By direct grants. ..	25.57
	Total (II)	37.97
	Grand Total (I + II)	157.97

STATEMENT NO. I

Appended to Chapter No. VII.

Gujarat State Municipalities-Income from house/consolidated property tax for the year for which date is available-the basis, rate and per capita incidence of tax

Sr. No.	Name of the Municipality	Year	Consolidated property tax or House tax	Rate and Basis of tax	Current Demand / Recovery	Per capita incidence based on Current demand	Remarks
1	2	3	4	5	6	7	8
					Rs.	Rs. Ps.	
1	Viramgam	1962–63	Consolidated tax.	12 1/2% of Annual letting Value (flat)	142229 / 144698	4.00	
2	Dholka	1962—63	-do-	21.17% of Annual letting Value (Flat)	137707 / 74540	6.01	
3	Mehsana	1961—62	-do-	11 1/4%of Annual letting Value	157900 / 131356	4.09	
4	Patan	1961—62	-do-	7 1/2 to 10% of Annual letting Value.	172000 / 88254	3.30	
5	Sidhpur	1961—62	-do-	5% to 6 1/4% @ of Annual letting Value.	107878 / 56279	3.2	
6	Unjha	1961—62	-do-	14% to 18% of Annual letting Value,	112960 / 97206	5.60	
7	Visnagar	1961—62	Housetax	4% of Annual letting Value.	38566 / 36862	1.40	
8	Kadi	1960—61	-do-	10% of Annual letting Value.	64995 / 30681	3.10	
9	Kalol	1961—62	Consolidated tax.	10% of Annual letting Value.	204866 / 153216	6.40	
10	Nadiad	1962—63	-do-	12 1/2% to 25% of Annual letting Value	685200 / 593471	8.60	
11	Kapadwanj	1962—63	-do-	15% of the Annual letting Value.	155921 / 143807	6.00	
12	Anand	1962—63	House tax	3. 1/8% of Annual letting Value.	239267 / 183364	4.90	

1	2	3	4	5	6	7	8
					Rs,	Rs. Ps.	
13	Umreth	1962—63	do-	0.60% of Capital Value (*i. e.* 8% of Annual letting Value).	64950 57535	3.00	
14	Petlad	1962—63	-do-	2 1/2% to 7% of Annual letting Value.	220830 143369	6.05	
15	Borsad	1962—63	House tax	0.32% to 0.64% of Capital Value (*i.e.* 4 1/4% to 8 1/2% of Annual letting Value.	49755 46658	2.00	
16	Cambay	1962—63	Consolidated tax.	0.40% of Capital Value (*i. e.* 5 1/3 of Annual letting Value)	280066 252247	5.04	
17	Palanpur	1961—62	do-	6 1/4% to 15% of Annual letting Value.	133007 94671	4.06	
18	Baroda	1961—62	House tax	6 1/4% of Annual letting Value.	1448143 1307761	3.66	
19	Dabhoi	1961—62	-do-	7 1/2% of Annual letting Value.	94521 71185	3.06	
20	Godhra	1961—62	-do-	12 1/2%of Annual letting Value.	189916 133427	3.90	
21	Dahod	1961—62	Consolidated tax.	1% to 12 1/2% of Annual letting Value.	162215 51535	4.55	
22	Broach	1961—62	House tax	0.65% of Capital Value(*i. e.* 8 2/3% of Annual letting Value.	358102 272899	4.9	
23	Ankleshwar	1961-62	Consolidated tax	0.65% of Capital Value . (*i. e.* 8.2/3% of Annual letting Value)	55256 50831	2.07	
24	Rajpipla	1961-62	House tax	6% of the Annual letting Value.	53851 46660	2.04	
25	Surat	1960-61	Consolidated tax.	0.40 of Capital value (*i.* e. 8% of Annual letting Value from 1-4-1963.)	10,50,840 1024849	3.75	
26	Bilimora	1961-62	house tax.	0.31%of the Capital Value (*i.e.* 4.1/7%of Annual letting Value.)	56025 55778	2.05	
27	Bulsar	1961-62	Consolidated tax	5% to 13% of Annual letting Value.	111091 102432	2.97	
28	Navsari	1961-62	House tax	5.06% of Annual letting Value.	194157 181851	3.75	

1	2	3	4	5	6	7	8
					Rs.	Rs. Ps.	
29	Bhuj	1961-62	Consolidated tax.	5% of Annual letting Value.	32475 27765	0.90	
30	Mandvi	1961-62	-do-	5% of Annual letting Value.	30398 24889	1.25	
31	Anjar	1961-62	-do-	1% to 6 1/4% of Annual letting Value.	31350 15326	1.20	
32	Jamnagar	1961-62	-do-	10% of Annual letting Value.	508000 387978	3.04	
33	Amreli	1961-62	House tax	0.31% of Capital Value (*i. e.* 4 1/7% of of annual letting Value)	53000 38957	1.05	
34	Porbandar	1960-61	-do-	4% of Annual letting Value	69023 61727	1.02	
35	Rajkot	1960-61	-do-	5% of Annual letting Value.	406762 135725	2.00	
36	Wankaner	1960-61	-do-	6 1/4% to 15% of Annual letting Value	No recovery as challenged in court.	—	
37	Gandhidham	These Municipalities have not levied consolidated property Tax or House Tax.					
38	Gondal						
39	Morvi						
40	Dhoraji						
41	Upleta						
42	Jetpur						
43	Surendranagar						
44	Wadhwan						
45	Dhrangadhra						
46	Limbdi						
47	Bhavnagar						
48	Botad						
49	Palitana						
50	Savarkundla						
51	Mahuva						
52	Junagadh						
53	Veraval						
54	Mangrol						

STATEMENT NO. II

Appended to Chapter VII

Sr. No.	Name of the Municipality	Class of the Municipality	Population	Approximate annual yield	per capita incidence, if consolidated property tax House Tax is levied between 6 1/4% to 10% of the Annual letting value.
1	2	3	4	5	6
				Rs	
1.	Bhavnagar ..	A	1,71,089	8,55,445	5
2.	Junagadh ..	B	74,298	3,71,490	5
3.	Morvi ..	B	50,192	2,50,960	5
4.	Surendranagar	C	48,602,	2,43,010	5
5.	Dhoraji ..	C	48,397	2,41,985	5
6.	Veraval ..	C	46,248	2,31,240	5
7.	Gondal ..	C	44,958	2,24,790	5
8.	Dhrangadhra	C	32,197	1,60,985	5
9.	Mahuva ..	C	31,668	1,58,340	5
10.	Jetpur ..	C	31,168	1,55,840	5
11.	Savarkundla.	C	30,122	1,50,610	5
12.	Upleta ..	C	27,528	1,37,640	5
13.	Wadhwan ..	C	27,194	1,35,970	5
14.	Gandhidham...	C	26,448	1,32,240	5
15.	Botad ..	C	26,168	1,30,840	5
16.	Palitana ..	C	24,581	1,22,805	5
17.	Limbdi ..	C	24,801	1,09,005	5
18.	Mangrol ..	C	20,798	1,03,990	5
			Total	39,17,285	

	Rs.
Class-A	8,55,445
Class-B	6,22,450
Class-C	24,39,390
Total	39,17,285

CHAPTER VIII

The Present System of Grant-In-Aid

8.1. The broad classification of the various types of Grants-in-aid given by the Government to the municipalities can be as follows :—

(1) Statutory grants,

(2) Non-statutory grants.

Non-statutory grants can be further classified as follows :-

(*a*) General purpose grants,

(*b*) Specific purpose grant,

(*c*) Compensatory grant, and

(*d*) Miscellaneous grant.

Statement-I appended to this chapter gives the details of these grants given by the Government during the years 1960-61, 1961-62 and 1962-63.

The Statement will reveal that the grants-in-aid are paid in one of the following ways :—

(*i*) Grants representing percentage of cost of expenditure on certain items related to a particular service.

(*ii*) Block grants as a general supplement to the revenues of the municipalities.

(*iii*) Proportionate grants including percentage and unit grants

(*iv*) Compensatory grant by way of reimbursement of the expenditure incurred or compensation for loss of revenues on abolition of municipal levies.

(*v*) Miscellaneous and isolated grants.

8.2. *Existing scale of Grants.*—Statement-I annexed to chapter IV gives the details of total grant given to the municipalities by Government. The average Government grant during the last three years forms 17.6% of the total revenues of the municipalities. The average total annual grant comes to Rs. 93,51,700. Compared to the revenue receipts of the State, the total grant comes to only 1.6%.

8.3. The grants are being sanctioned at present under the existing orders of the various administrative departments. There is no grant-in-aid Code today. Moreover, grants at different rates are being sanctioned in different areas (areas falling under ex-Saurashtra State, ex-Bombay

State etc.). The present pattern of grant-in-aid, therefore, reveals certain obvious anomalies, for example, the Entertainment Duty grant is being paid in Saurashtra area but is not being paid to the municipalities falling in Gujarat area. Similarly, grant-in-aid on Vaccination is paid at different rates in different regions. Moreover, the present system of grant-in-aid does not take into account the requirements of different sizes of municipalities, and also does not take into account of the peculiar problems of certain regions. The procedure involved is also very complicated. In many cases, the grants-in-aid are sanctioned at the fag end of the year. Sometimes grants are not paid for two or three years due to various procedural difficulties.

8.4. There are a large number of small items on which nominal grants are being paid by the Government. These isolated grants and petty grants only amount to Rs. 2.7 lakhs per annum. The labour involved and the time taken in scrutinising and sanctioning such small grants are not worthwhile.

8.5. During the discussions the Committee had with the representatives of the municipalities, it was revealed that there is a widespread discontentment regarding the system of grant-in-aid. This discontentment is due to inadequacy of the quantum of grant and the delay involved in a complicated procedure. While examining the question of prescribing a Code for grant-in-aid, it is necessary to know the reaction and the working of the existing pattern of grant-in-aid. It has just been mentioned that the reaction of the municipalities to the existing system of grant-in-aid is not happy. The working of this system has also shown unsatisfactory results. It, therefore, takes us to the question as to what should be the broad pattern of grant-in-aid.

STATEMENT—I

Appended to Chepter No. VIII

Showing the present position regarding purposes and basis of grants and the amounts there of given to the municipalities during years 1960-61, 1961-62 and 1962-63.

Sr. No.	Purpose for grant-in-aid	Basis on which grants are given		Amounts of grants given Rs.			Three years' average	Remarks
				1960—61	1961—62	1962—63		
1	2	3			4		5	6
1	Grant-in-aid from Non-Agriculture Assessment.	75% of Non-Agriculture Assessment		1,58,000	2,05,300	2,94,000	2,19,100	Entire State.
2	Grant-in-aid from Land Revenue.	15% of Land Revenue.		59,400	53,100	68,200	60,200	"
3	Grant-in-aid from Entertainment Duty.	Three years average as on 1958-59.		6,80,600	6,26,700	6,00,000	6,35,800	Saurashtra & Kutch
4	Grants-in-aid on Account of Subvention.	*Ad-Hoc.*		56,500	56,500	44,000	52,300	Kutch
5	Grants-in-aid for Water Supply & Drainage Schemes.	For Committed Schemes	For New Schemes	27,55,200	37,06,800	30,66,000	31,76,000	Entire State.
		33% to Borough Municipality.	20% to Borough Municipality.					
		40% to City Municipality.	30% to District and City Municipality.					
		50% to District Municipality.						
		of the cost of the Scheme.						

6	Grant-in-aid for appointment of Health Officers & Sanitary Inspectors.	50% of the cost on account of Health Officer and 33 1/3% on Sanitary Inspectors.	40,000	39,000	47,800	42,300	Old Bombay area
7	Grant-in-aid for Dispensaries.	(I) Equal to pay and allowances of medical officer, or					
8	Grant-in-aid for Hospitals.	(II) If the institution has indoor accommodation & having more than one Medical officer equal to amount of pay and allowances of its Medical Officers or 1/3rd of their approved expenditure for the previous year or the actual deficit whichever is less.	1,08,800	1,08,800	1,08,(00	1,08,500	Entire State
9	Grant-in-aid for Maternity Homes and Maternity Hospitals.	-do-	Nil	1300	Nil	400	-do-
10	Grant-in-aid for Maternity & Child Welfare Centres.	75% towards recurring Expenditure subject to a maximum of Rs. 6000 & 50% towards Non-recurrent on Buildings & Equipment.	57,900	64,900	69,100	64,000	Saurashtra
11	Grant-in-aid for Building & Equipment for Hospitals & Dispensaries.	Building:-1/3rd of the net cost of construction or actual deficit whichever is less. Equipment.- Upto 50% of the cost.	Nil	Nil	24,400	8,100	Entire State
12	Grant-in-aid for Epidemic Control.	50% of the expenditure on the control measures.	7,900	Nil	9,500	5,800	-do-
13	Grant-in-aid for Vaccination.	In Surat.- difference in the amount of existing pay scales & those that existed when district was declared as selected. In rest of Old Bombay area.- Local Bodies, contributes the entire cost.	500	1,200	1,400	1,000	As in Column 3.

1	2	3	4		5	6	
		In Saurashtra & Kutch Government bear the entire expenditure.					
14	Grant-in-aid for leprosy control.	50% towards the emoluments of leprosy assistant subject to a maximum of Rs. 50 per month.	Nil	Nil	Nil	Nil	Entire State
15	Grant-in-aid for Mosquito Control.	*Ad-Hoc.*	8,300	8,300	Nil	5,500	Isolated.
16	Grant-in-aid for Triple Vaccine.	Upto 20% of the cost of tripple vaccine in district & city municipalities only.	Nil	Nil	Nil	Nil	"
17	Grant-in-aid for carrying night-soil by wheel barrows.	50% of the expenditure	30,400	34,200	26,900	30,500	Entire State.
18	Grant-in-aid for primary Education	50% of the approved expenditure on voluntary as well as compulsory primary education to bigger municipalities & 60% to smaller ones.	14,77,600	18,02,300	20,22,500	17,67,500	6 Municipalities.
19	Grant-in-aid for Secondary Education.	50% of approved expenditure	2,30,600	4,98,200	4,63,500	3,97,400	Entire State
20	Grant-in-aid for construction of quarters for conservancy staff.	1/3rd of cost subject to particular ceilings per tenement.	16,600	39,200	Nil	18,600	-do-
21	Grant-in-aid for repairs of roads.	Rs. 225 per mile which is now reduced to Rs. 135 per mile.	1,70,000	1,65,800	2,03,000	1,79,600	-do-
22	Grant-in-aid for dearness allowances of municipal employees.	50% of the expenditure related to rate of property tax levied by the municipalities.	22,82,900	26,06,900	18,33,000	22,40,900	-do-

23	Grant-in-aid under Bombay Motor Vehicles Tax Act, 1958.	Compensation as determined under the Act.	21,000	21,000	21,000	21,000	Old Bombay area.
24	Grant-in-aid under the Cattle Trespass Act, 1871.	Total receipts.	14,300	35,900	22,100	24,100	Entire State.
25	Grant-in-aid under the Public Conveyance Act, 1920.	Average for three years of net surpluses subject to minimum of 25% of average receipts.	300	8,100	2,400	3,600	Old Bombay area.
26	Grant-in-aid under Bombay Shops & Establishment Act, 1948.	Fines realised or certain percentage in old Bombay area. 80% of fines in Saurashtra area.	21,000	25,000	19,000	21,700	As in column 3.
27	Grant-in-aid from fines under municipal & other Acts.	80% of the fines in old Bombay area area and net surplus in Saurashtra area.	1,27,200	78,900	90,200	98,800	"
28	Grant-in-aid under Poison Act, 1949.	Statutory.	100	200	100	100	Old Bombay area.
29	Isolated or miscellaneous to petty Grants.	As decided by Government from time to time.	1,16,600	2,49,200	1,40,700	1,68,800	..
to 47		Grand total	84,41,700	1,04,36,800	97,76,800	93,51,700	

CHAPTER IX

Grant-In-Aid-Principles And Pattern-Recommendations

9.1 The study of the existing grant-in-aid pattern has made it quite evident that the system needs a change. The change should be such as to bring in simpler procedure, larger grants and little delay. In order to reach a resonable pattern, it is necessary to keep in mind the Government's policy of decentralisation and the importance attached to Local Self Government.

9.2. The municipalities are supposed to provide the basic amenities to their civic population. Services rendered by municipalities can be classified as follows:-

(*i*) National in character.

(*ii*) Local in character.

Certain services required to be performed by the municipalities relate to the problems of the locality. There are others which are of general nature and affect the Nation as a whole. For example, a service like Primary Education is not restricted to any particular locality. It is, therefore, National in character. On the other hand, a service like street electricification, is local in character. While considering the question of prescribing a pattern of grant-in-aid it is to be borne in mind what should be the priorities of different services rendered by municipalities. The Committee considers that those services which are National in character should be given higher priority as compared to services which are local in character. As a matter of fact for local services, the local bodies should be able to raise sufficient funds within their own resources and should not normally depend on any grant from Government. In a democracy, it is necessary and desirable to provide sufficient scope for local initiative and enterprise. It is, therefore, felt that the problems which are local in character should be legitimately left to the local initiative and as a rule Government should not step in to give any grant-in-aid for such services.

9.3. The points arising for decision, therefore, in regard to a system of grants-in-aid to municipalities for the Committee are -

(*1*) What should be the guiding principle for making grants ?

(2) On what basis should the grants be distributed ?

9.4. The following are three known points of view on the subject:-

(*i*) One extreme view is that there should be a clear cut division of functions and financial resources between Government and the local bodies through an independent Commission, and

consequently no grant-in-aid be given except in rare cases due to some extraordinary circumstances.

(*ii*) The second view is that wherever possible, local bodies should be assigned sources of revenue in preference to grants and where it is not possible to meet the full requirements from assigned revenues, grants should be given as last resort.

(*iii*) The third view is that separation of some difinite sources of income and sharing of others should be adopted to the extent to fulfil the normal requirements of local bodies. The grants should come in as supplementary to these methods of financial adjustments.

9.5. After careful consideration, the Committee is of the view that the third alternative is most suitable. The Committee has come to this conclusion as it may not be always possible to assign definite sources of revenue to the municipalities, which should be just equal to their requirements. As the requirements of local bodies are liable to change from time to time, it is necessary that an element of grant-in-aid should be there for making such adjustments. Moreover, taking into consideration the limitations of the State Government, it would not be desirable to assign sources of revenue far in excess of the requirements of municipalities. It is difficult to make adjustments if the sources of revenue exceed the requirements of the local bodies but *vice-versa* adjustment can be made by suitable quantum of grant. Grant-in-aid also serves as an instrument of implementing state policy. It is because of these considerations that grants-in-aid have been forming an essential part of the financial structure of the local bodies.

9.6 It is a difficult task to prescribe the quantum of grant-in-aid which should be given to the municipalities. It is difficult because a balance has to be maintained between the resources and the expenditure. Whereas the grants should not be meagre as to cause hardship to the municipalities, they should not be so lavish as to make the local bodies lethargic. The bulk of the revenues should be from their own resources and the grant-in-aid from Government should only come as a balancing medium. The municipalities should feel the necessity, and, should have the proper encouragement from Government to exploit the possible resources to the fullest extent. The grants should be sufficient to secure the observance of the priority of the obligatory functions and it should enable the municipalities to shoulder their responsibilities through self. This is necessary if the required social awakening at all levels is to be achieved. The civic sense of the people have to be emancipated.

9.7 It is considered that there should be a uniform pattern of grant-in-aid in the State. At the same time one should not forget that the requirements and the needs of different areas and different munici-

palities may vary. All that needs to be ensured is that all municipalities are capable of providing satisfactorily the minimum amenities to the people. The standard of minimum amenities should be defined by Government and not left to the discretion of different municipalities as otherwise equal opportunities for raising the standard of living will not be provided to all the municipalities. This, however, does not imply that the municipalities which are in a position to provide more than the minimum services should not do so. As a matter of fact they should be encouraged.

9.8 Having considered the functions of the municipalities, their financial resources and the need for grants from Government, the Committee considers that the following pattern of grant-in-aid should be adopted :-

The municipalities have been classified into (A), (B) and (C) classes according to population as under :—

Classification of Municipalities

Basis of Classification	Classification	No. of such municipalities	Total population
1	2	3	4
Population			
(*i*) Over 1,00,000	A	5	10,87,612
(*ii*) Between 1, 00,000 and 50,000	B	9	5,55,724
(*iii*) Between 50,000 and 20,000	C	40	12,03,012
		54	28,46,348

It has been observed that municipalities of larger populatoin usually have greater financial resources and the municipalities with lesser population are normally poorer. As has been mentioned earlier, certain basic amenities of a prescribed standard should be provided by all municipalities to their residents. It becomes necessary that the municipalities having less potential for raising resources should be given larger amount of grant-in-aid than municipalities having larger potential. The Committee has, therefore, categorized the municipalities into (A), (B) and (C) classes and wherever necessary, different rates, of grant-in-aid have been recommended.

9.9 The Committee has come to the conclusion that for meeting the general and basic expenditure of the municipalities, a per capita general purpose grant should be given. This grant should not be related to any specific work or service rendered by the municipality. The quantum of grant and how it is to be disbursed is mentioned in the following chapter. This grant, however, has been linked with the levying of minimum tax of Rs. 10 per head per annum. This condition has been imposed in order to provide an incentive to the municipalities to exploit their resources which should really form the base of revenue of the local bodies.

9.10 Specific purpose grants have been recommended for rendering essential and basic services and amenities. The details are given in the following chapter. Here the grants have been related to the actual expenditure incurred by the municipalities on specific services and amenities. The purpose of so relating the grant with the expenditure is to ensure that sufficient attention is paid and proper priority is given by the municipalities to important services. In such grants, the Committee has recommended a more liberal scale. This has been done in order to provide the minimum finances required to meet the expenditure on essential services. As has been stated in the foregoing chapters, there is a need to increase the quantum of grant-in-aid for certain services in order to enable the municipalities to take them up in a satisfactory manner.

9.11 Compensatory or Statutory grants are paid as compensation on account of loss of revenue or for reimbursement of expenditure under different Acts. With regard to these grants, fixed principles are already made in the Act or Rules, as the case may be. Annual amount of this grant is very small compared to total grant paid by Government to municipalities. As these grants are statutory, we have included them in the new pattern.

9.12 As the obligations of municipalities include both recurring and non-recurring expenditure, the Committee is of the opinion that grant-in-aid should be given on both recurring and non-recurring expenditure. Specific recommendations have been given in chapter X.

9.13 While making detailed recommendations on the quantum and pattern of grant-in-aid to be given to the municipalities, the Committee has borne in mind the necessity and the desirability of preserving the autonomy of the local bodies. Certain liberty and freedom has to be allowed to the local bodies, if they are to function effectively. The Committee has, at the same time, ensured that the pattern of grant-in-aid should be such as to provide reasonable Government check on the activities of the local bodies in order to ensure that proper priority is given to important and essential services.

9.14 As time changes, the requirements of people also change. The services rendered by municipalities to day may not be ade-

quate after a few years. The Committee therefore, considers that the pattern of grant-in-aid should be reviewed every 5 years in order to keep it upto-date.

9.15 While studying the present grants-in-aid system and recommending changes or modifications therein, we have kept in view the financial position of the State. We are also aware of the limited capacity of the State Government to liberalise the quantum of grant-in-aid to municipalities.

The State budget for the years 1963-64 (revised) and 1964-65 (budget) show an overall deficit of Rs. 1.33 crores and Rs. 5.26 crores respectively. This can be seen from the following figures :—

(Rs. in crores)

		1963–64 *(Revised)*	1964–65 *(Budget)*
I.	(*i*) Revenue Receipts	89.77	94.15
	(*ii*) Revenue Expenditure	83.94	89.73
	Surplus ..	+ 5.83	+ 4.42
II	(*i*) Capital Receipts	42.60	47.95
	(*ii*) Capital Expenditure	52.60	62.10
III	Net transactions under debt heads ..	+ 2.84	+ 5.47
IV	Overall deficit	— 1.33	— 5.26

The revenue budget for the year 1964–65 would also show a large deficit of Rs. 6.44 crores. This deficit is met by the transfer of Rs. 5.61 crores from Special Revenue Fund constituted under provisions of the Bombay Reorganisation Act, 1960 for meeting the deficit of the Gujarat State for period upto 1969-70, and the annual grant of Rs. 5.25 crores from the Government of India on the basis of the recommendations of the Third Finance Commission. It will, not, therefore, be possible for the Government to undertake very heavy commitment or to assume any large responsibility to give grants in aid to municipalities in respect of all their functions and services.

As already shown, the average annual grant now given to the municipalities amount to Rs. 93,51,700 which works out to about one percent of the State's revenue receipts, as shown above. Compared to this, the amount of grant as per our recommendations, would increase by Rs. 37,97,400 *i. e.*, from Rs. 93,51,700 to Rs. 1,33,47,700 a year. Although it will cover only a part of the deficiency in municipal resources, yet it will provide substantial relief to them. The Committee has made these recommendations as against much larger requirement of Rs. 2.55 crores because of the present limited capacity of the State.

9.16 The structure of grant-in-aid would now, therefore, be as under:—

I. General purpose grants.

II. Specific purpose grants and

III. Statutory and Compensatory grants.

I. The following items should be included under the group I "General purpose Grants" :

(*i*) A basic per capita general purpose grant.

(*ii*) Grants-in-aid based on a certain percentage from non-agricultural assessment.

(*iii*) Grant-in-aid based on certain percentage from land revenue.

(*iv*) Grant-in-aid based on certain percentage from Education Cess.

II. Grants on the following items may be placed under group "Specific purpose Grants".

(*i*) Water Supply and Drainage.

(*ii*) Appointment of Health Officers and Sanitary Inspectors,

(*iii*) Dispensaries,

(*iv*) Hospitals,

(*v*) Maternity Homes and Maternity Hospitals,

(*vi*) Maternity and Child Welfare Centres,

(*vii*) Epidemic Control,

(*viii*) Buildings and Equipment for hospitals and dispensaries

(*ix*) Vaccination,

(*x*) Mosquito Control,

(*xi*) Leprosy Control,

(*xii*) Triple Vaccine,

(*xiii*) Wheel Barrows,

(*xiv*) Primary Education,

(*xv*) Harijan Housing,

(*xvi*) Construction and improvement of roads,

(*xvii*) Dearness Allowance,

III. The following items should be included under Group "Statutory or Compensatory Grants."

(*i*) Grant-in-aid under the Bombay Motor Vehicles Taxation Act, 1958,

(*ii*) Grant-in-aid under Public Conveyance Act, 1920,

(*iii*) Grant-in-aid for administration of the Bombay Shops and Establishment Act, 1948,

(*iv*) Grant-in-aid from fines realised in cases under the municipal and other Acts tried by Magistrates,

(*v*) Grant-in-aid for providing mandatory, informatory and cautionary traffic signs under the Motor Vehicles Act, 1939.

CHAPTER X

Grant-In-Aid Recommendations

10.1 In the foregoing chapters, we have examined in detail the problems relating to the functions of the municipalities with special reference to financial resources and Government grants. After having studied the existing structure of grant-in-aid and its working, we have recommended a new pattern of grant-in-aid in chapter IX.

10.2 In this chapter we are examining merits of each existing grant and are making specific recommendations for its continuance or otherwise. We are also laying down the basis and the quantum of each grant. While agreeing to the principle of unification of grants, we are suggesting a reasonable period in order to adjust their budgets for those municipalities whose grants are being reduced. Certain grants like Entertainment Duty, Subvention, Housing for conservancy staff and certain petty miscellaneous isolated grants etc. are proposed to be discontinued. While some new and more helpful grants like Basic General Purpose Grant, Education Cess grant and grant for Triple Vaccine, Mosquito Control etc. have been recommended.

10.3 Substantial increase in the scale of grants-in-aid for Roads, Primary Education and grant from Land Revenue have been proposed. Moderate increase in grants like Water Supply and Drainage, Dearness Allowance, Dispensaries and Hospitals, Salary and allowances of Health Staff, has been recommended. The objects and purposes of grants have been clearly stated and the basis of distribution and regulation have been laid down so as to cause minimum of complexity and delay. Table I annexed herewith gives the names of municipalities falling under A, B & C classes.

10.4 As has been stated in chapter IX the total financial implications of the recommendations being made by this committee comes to Rs. 37,97,400 per annum. For ready reference table No. II showing detailed figures of each grant is annexed.

10.5 At the end of this chapter, we have given an abstract of recommendations showing:

(*i*) the purpose of each grant,
(*ii*) the basis of distribution and regulation of grant,
(*iii*) annual amount payable on each grant.

10.6 We would like to mention that the scheme of grants-in-aid is devised and arranged in an integrated manner and should be viewed as a whole.

TABLE I

Showing the Classification of 54 municipalities based on population 1961-Census

Sr. No.	Municipality	Population
1	2	3
	Class "A" Municipalities	
1	Baroda	2,95,144
2	Surat	2,88,239
3	Rajkot	1,93,498
4	Bhavnagar	1,71,039
5	Jamnagar	1,39,692
		10,87,612
	Class "B" Municipalities	
6	Nadiad	73,352
7	Cambay	50,591
8	Patan	50,264
9	Godhra	52,167
10	Broach	73,470
11	Navsari	51,314
12	Morvi	50,192
13	Junagadh	74,298
14	Porbandar	74,476
		5,55,724
	Class "C" Municipalties	
15	Viramgam	38,946
16	Dholka	26,876
17	Kapadwanj	26,313
18	Anand	40,458
19	Petlad	35,239
20	Borsad	24,704
21	Umreth	21,249
22	Mehsana	32,325
23	Sidhpur	33,409
24	Kalol	31,609
25	Visnagar	25,685
26	Kadi	23,661
27	Unjha	19,642
28	Palanpur	29,139

1	2	3
29	Dohad	35,483
30	Dabhoi	29,761
31	Ankleshwar	20,287
32	Rajpipla	21,197
33	Bulsar	35,060
34	Billimora	22,880
35	Gondal	44,958
36	Jetpur	31,168
37	Dhoraji	48,397
38	Upleta	27,528
39	Wankaner	20,231
40	Botad	26,168
41	Mahuva	31,668
42	Savarkundla	30,122
43	Palitana	24,581
44	Veraval	46,288
45	Mangrol	20,798
46	Surendranagar	48,602
47	Wadhwan	27,194
48	Limbdi	21,801
49	Dhrangadhra	32,197
50	Amreli	32,406
51	Bhuj	37,747
52	Mandvi	26,609
53	Anjar	23,301
54	Gandhidham	26,448
		12,03,012

Abstract of Classification

Sr. No.	Basis: Population	Class	No. of Municipalities	Population
1	2	3	4	5
(*i*) Over	1,00,000	A	5	10,87,612
(*ii*) Between	1,00,000	B	9	5,55,724
and	50,000			
(*iii*) Between	50,000	C	40	12,03,012
and	20,000			
			54	28,46,348

TABLE II

Showing the Financial Implications on account of the Recommendations of the Committee

Sr. No.	Purpose of Grant.	Amount of annual average grant upto 1962-63	Amount of annual grant payable as per recommendations of the Committee	Difference column 3 and 4 +Increase —Decrease
1	2	3	4	5
	General purpose Grants.	Rs.	Rs.	Rs.
1.	Grant for basic General Purposes.	—	10,68,000	+10,68,000
2.	Grant from Non-Agricultural Assessment.	2,19,100	2,19,000	—
3.	Grant from Land Revenue.	60,200	3,01,000	+2,40,800
4.	Grant from Entertainment Duty.	6,35,800	3,17,900	—3,17,900
5.	Grant on account of Subvention.	52,300	—	—52,300
6.	Grant from Education Cess.	—	10,00,000	+10,00,000
	Specific purpose Grant			
7.	Grant for Water Supply and Drainage Scheme.	31,76,000	34,16,000	+2,40,000
8.	Grant for Primary Education.	17,67,500	24,64,900	@ +4,78,000
9.	Grant for Roads.	1,79,600	10,00,000	+8,20,400
10.	Grant for Dearness Allowance to Municipal Employees.	22,40,900	24,91,000	+2,50,100
11.	Grant for Maintenance of Dispensaries	1,08,500	1,58,500	+50,000
12.	Grant for Maintenance of Hospitals			
13.	Grant for Maternity Homes and Maternity Hospitals.	400	15,000	+14,600
14.	Grant for Maternity and Child Welfare Centres.	64,000	75,000	+11,000
15.	Grant for Buildings and Equipments for Hospitals, Dispensaries, Maternity Homes and Child Welfare Centres etc.	8,100	33,100	+25,000
16.	Grant for appointment of Health Officer and Sanitary Inspectors.	42,300	90,000	+47,700
17.	Grant for Epidemic Control.	1,000	5,800	— *
18.	Grant for Vaccination.	1,000	6,000	+5,000
19.	Grant for Leprosy Control.	—	—	—

1	2	3	4	5
20.	Grant for Mosquito Control.	5,500	50,000	+44,500
21.	Grant for Triple Vaccine	—	25,000	+25,000
22.	Grant for carrying night soil by wheel barrows.	30,500	45,500	+15,000
23.	Grant for construction of quarters for conservancy staff.	18,600	—	— *
24.	Grant for Secondary Education.	3,97,400	3,97,400	—
	Compensatory Grant.			
25.	Grant under Bombay Motor Vehicles Tax Act, 1958.	21,000	21,000	—
26.	Grant under Cattle Tresspass Act, 1871.	24,100	24,100	—
27.	Grant under Public Conveyances Act, 1920.	3,600	5,000	+1,400
28.	Grant under Bombay Shops and Establishments Act, 1948.	21,700	21,700	—
29.	Grant from Fines under Municipal and other Acts.	98,800	98,800	—
30.	Grant under Poisons Act, 1949.	100	—	—100
31. to 49.	Isolated or Miscellaneous Petty Grants.	1,68,800	—	—1,68,800
	Total ..	93,51,700	1,33,47,700	+37,97,400

@The difference represents increase over grant paid during 1963-64.
* Minus entry is not shown as grant is either recommended or continued under other apropriate scheme.

GRANT NO. I

Basic Per Capita General Purpose Grant

1. In the earlier chapters, we have shown that even the essential obligations of the municipalities are neglected. The uneconomic aspect of municipal administration is, that many of them are obliged to spend bulk of their resources on establishment. We have also shown that the neglect of essential obligations and uneconomic working of these municipalities are the direct results of a wide gap between their resources and the minimum requirements. This gap will have to be bridged to a greater extent by the municipalities mobilising their own resources, and to some extent through Government grants. Specific grants are proposed to be given to the municipalities for carrying specific works or services on the basis of certain percentage of the total expenditure incurred on services. Certain other conditions are also attached *e. g.* raising the rate of particular tax upto a particular level or spending a certain percentage of the income for a particular service. All these may not be possible at one time as many municipalities to fulfil unless their normal expenditure is met. Moreover, municipalities in a particular area will have to adjust their budgets on account of discontinuation, unification or rationalisation of certain grants. Looking to the financial position, particularly of the C class municipalities, they require, to an extent the strengthening of their financial position. Unless a municipality is made secure, it will not be able to render necessary services. In order to help the municipalities by way of financial assistance we have recommended this grant.

2. Although, we are recommending the introduction of a new type of grant in our State, yet the idea of basic per capita general purpose grant is not a novel one. This can be seen from the recommendations of the Taxation Enquiry Commission which are as follows :—

"We recommend that adoption by each State of a system of grant-in-aid based on the following principles :—

(*i*) There should be a basic "general purposes" grant for each local body other than the bigger municipalities and Corporations;

(*ii*) The local bodies eligible for such grant should within each category (Municipality, Local Board, Panchayat etc.) be classified into a few simple divisions based on population, area, resources, etc., and the grant itself related to these factors as well as to the size of the normal budget of the local bodies;

(*iii*) The basic grant should be such that, after taking into account their own resources the local bodies will have fairly adequate finance for discharging their obligatory and executive functions ;

(*iv*) The basic grants should be assured over a reasonabel number of years-say three or five and, save for exceptional reasons, not be subject to alterations from year to year within that period, and

(*v*) There should be in addition specific grants (annual and other) which as at present, will be for particular items and services. This should be conditional on —

(*a*) The particular service being maintained at a prescribed level of efficiency ; and

(*b*) the local body exploiting its own resources to the extent indicated by Government from time to time."

Our recommendation for such general purpose grant also finds support in the grant-in-aid system (probably based on the recommendations of the Taxation Enquiry Commission) adopted by the Madhya Pradesh Government in 1962, whereby, over and above the specific purpose grants, it has provided the *per capita* general purpose grant on the following scale :—

(*i*)	Municipal Corporation	Rs. 0.50 per head of population.
(*ii*)	Municipalities having population below 10,000.	Rs. 1.50 per head of population.
(*iii*)	Municipalities having population between 10,000 and 20,000. ..	Rs. 1.25 per head of population.
(*iv*)	Municipalities having population between 20,000 and 50,000. ..	Rs. 1.00 per head of population.
(*v*)	Municipalities having population above 50,000. ..	Rs. 0.75 per head of population.

Our recommendation is further supported by the Study Team on Panchayati Raj Finance (1963) popularly known as the "Santhanam Committee". The relevant portion of the said report (para 4.34 at page 19/20 of the report) is reproduced below :—

" In spite of all these methods of assistance, we have to record the painful fact that the total income of a vast majority of Panchayats is far from adequate to give them a firm foundation. It is obvious that, without necessary administrative staff, a village panchayat will not be able to function effectively. Efforts of a

panchayat to raise local resources by taxation and by other ways will be more successful if people know that the proceeds are to be used for the provision of civic amenities and not for mere administrative expenses. We, therefore, recommend that a basic minimum maintenance assistance of Re. 1 *per capita* should be given to every panchayat and that the Central Government and State Governments should share equally in such assistance. It may be argued that the Government of India has not so far given any direct assistance to panchayats for such purpose. But, we are sure that the Central Government is as anxious as the State Governments that this basic unit of Panchayati Raj should not languish or wither away for want of minimum income. We do not think that, without the great impetus given by the Balwantray Mehta Committee Report and the resolution of National Development Council, panchayats would have come to be established universally all over India."

3. If the idea of making basic general purpose grant is accepted the next question will be what should be the quantum of grant and on what basis this should be regulated or distributed. A number of factors like population, income, expenditure, present as well as potential resources etc. can be considered. We are of the view that this basic general purpose grant should be a *per capita* grant given according to the population of each municipality, the rate of grant varying according to its classification made by us for the purpose. The main purpose of this grant is to render initial financial aid to a municipality in order to strengthen its foundation and enable it to provide essential services and discharge obligatory functions.

4. *Recommendations.*—The Committee recommends that —

a basic *per capita* general purpose grant based on 1961 census should be paid to all the municipalities at the rates mentioned below:

(*a*) A—Class Municipality .. 25 Paisa per capita per year.

(*b*) B—Class Municipality .. 35 Paisa per capita per year.

(*c*) C—Class Municipality .. 50 Paisa per capita per year.

(*i*) This grant should be subject to the condition that the total per capita taxation by the municipalities should not be less than Rs. 10 per annum. If the per capita municipal taxation is less than Rs. 10 per annum the municipalities should bring it upto that level within a period of three years failing which at the expiry of three year's period, the grant should be stopped.

(*ii*) This grant should be paid quartely.

(*iii*) Collector should be the sanctioning and disbursing authority.

Financial Implications

Class of Municipality	No. of such Municipality.	Their total population.	Rate of per capita grant.	Amount admissible. Rs.
1	2	3	4	5
A Class Municipality	5	10,87,612	25 Paisa	2,71,903
B Class Municipality	9	5,55,724	35 Paisa	1,94,503
C Class Municipality	40	12,03,012	50 Paisa	6,01,506
		28,46,348		10,67,912
		i. e.		10,68,000

Three Years average upto 1962–63	Annual amount as per recommendations	Difference + Increase —Decrease
Rs.	Rs.	Rs.
1	2	3
Nil.	10,68,000	+10,68,000

GRANT NO. 2

GRANT-IN-AID FROM NON-AGRICULTURAL ASSESSMENT

1. Government of Bombay, directed in the Health and Local Government Resolution No. 4104/33, dated 28th May 1948 that all the municipalities should be paid grants equal to 75% of non-agricultural assessment and 15% of the Land Revenue excluding non-agricultural assessment, realised during the previous year in their respective areas. This grant was to be paid in the first instance for one year *i.e.*, 1948-49 at the above scale and was to be continued thereafter only if the municipalities increase their revenue by an equal amount by additional taxation. This grant was continued year after year on the same terms and conditions, but in the year 1959-60, it was decided, that this grant should be paid to every municipality without any condition (*vide* Local Self Government and Public Health Department, Government Resolution No. MUN-1858-A(a), dated 10th July1959). This grant is continued to be paid at the same rate till to day on a uniform basis throughout the State.

2. We are of the view that for the purposes of this grant the limits of municipalities should be taken as co-extensive with the revenue limits of the town and the grant should be made on one condition of minimum per capita taxation by the municipalities.

Recommendations.—The Committee recommends that—

(*i*) Grant-in-aid equal to 75% of the non-agricultural assessment, realised during the previous year in their respective areas should be paid to the municipalities.

(*ii*) the limits of municipality should be taken as co-extensive with the revenue limits of the town.

(*iii*) the grant will be paid provided that the municipality has levied minimum per capita taxes of Rs.10 within the period of three years from 1965-66.

(*iv*) the grant should be paid annually and that the District Collector should be the sanctioning the disbursing authority.

Financial Implications.—We have not been able to ascertain what will be the additional amount of grant by enlarging the limits of municipalitics. In any case, there will not be substantial additional liability.

Three years average upto 1962-63	Annual amount of grant as per recommendations of the Committee	Difference + Increase — Decrease
Rs. 2,19,000	Rs. 2,19,100	Difference will be almost negligible.

GRANT No. 3

Grant-in-aid from land Revenue

1. With a view to assist municipalities, the Government of Bombay directed in the Health and Local Government Resolution No. 4104/33, dated 28th May 1948 that municipalities should be paid grants equal to 75% of the Non-Agricultural Assessment and 15% of the Land Revenue excluding non-agricultural assessment, realised during the previous year in respective areas. This grant was paid on the condition that the municipalities increase their revenue by an equal amount by additional taxation. But in the year 1959-60 it was decided that this grant should be paid to every municipality without any condition. It is continued to be paid at the same rate till to-day on the uniform basis of 15% of Land Revenue throughout the State. The annual amount of this grant roughly comes to Rs. 60,200.

2. It was represented to the Committee that the Land Revenue being the local tax should entirely or substantially, be transferred to the municipalities. The Committee is of the opinion that Land Revenue, in the present context of allocation of functions and resources, is an ideal tax for local purposes as it pre-eminently satisfies all cannons of local taxation. If, therefore, local expenditure incurred by municipalities has to be met by local taxation, it is the land that must also bear the burden. The Committee feels that the entire proceeds of the land revenue including non-agricultural assessment belong to the local bodies and should, therefore, be assigned to municipalities. The Committee is more inclined to this view because in the proposed new Gujarat Municipalities Act, improvement of agriculture by suitable measures including crop experiments is going to be an obligatory duty of every municipality. In the sphere of development and reclamation of waste lands etc. it has discretionary function. This view is further strengthened by a provision under section 195 of the Gujarat Panchayat Act, 1961, whereunder entire income of revenue after deducting establishment expenditure (equal to 25%) and 5% for the State Equalisation Fund, is to be paid to the Panchayats at Gram, Taluka and District levels.

3. The Committee regards it as fair if 75% of land revenue collected within the municipal limits should be made over to the municipalities. Further, it is of the view that the limits of the municipalities should be taken as co-extensive with the revenue limits of town for the purpose of this grant also.

Recommendations.—The Committee, therefore, recommends that.—

(*i*) Grant-in-aid equal to 75% of the Land Revenue realised during previous year in their respective areas should be paid to the municipalities.

(*ii*) The limits of the municipality should be taken as co-extensive with the revenue limits of the town.

(*iii*) The grant will be paid provided that the municipality levies a minimum per capita tax whether direct or indirect of Rs. 10 per annum within a period of three years from 1965-66.

(*iv*) The grant should generally be used for the improvement of agriculture and the betterment of agriculturists within the area of the municipality.

(*v*) The grant should be paid annually and that the Collector should be sanctioning and the disbursing authority.

Financial Implications.—The annual amount of grant at the rate of 15% at present comes to Rs. 60,200. As a result of our recommedations it will be Rs. 3,01,000 a year. Further the present grant is limited to only municipal limit which is generally not co-extensive with the revenue limits of the town.

There will be additional responsibility if the grant is paid from land revenue realised in the extended area as per our recommendation. In absence of the figures of land revenue of the extended area we are not in a position to give estimate on this account.

Three years average upto 1962–63	Amount of grant as per recommendations	Difference + Increase — Decrease
Rs.	Rs.	Rs.
60,200	3,01,000	+ 2,40,800

GRANT NO. 4

GRANT-IN-AID FROM ENTERTAINMENT DUTY

Government of Saurashtra was collecting entertainment duty under the Entertainments Duty Ordinance, 1949 (No. VIII of 1949). Before the formation of the state of Saurashtra in 1948, most of the municipalities in the Saurashtra area were run as a part of State Department. After the formation of the State of Saurashtra the municipalities in the State were established. Naturally, the financial position of these municipalities was weak and their resources required to be strengthened so as to enable them to undertake works of public untility on a progressive basis. This was possible either by giving a liberal grant-in-aid from the State revenues or sharing a substantial portion of the revenue derived by the State Government from some taxation. The then Government of Saurashtra considered it desirable to share the substantial portion of revenues derived by it from the Entertainment Duty levied under Ordinance VIII of 1949 and, therefore, ordered under Resolution, Revenue Department (Local Self Government) No. L. S. G. 5/1/56 dated 16th November 1955 that :—

(*1*) 50% of the net collections of the revenues derived from the levy of Entertainment Duty in cities where there are Borough Municipalities namely Rajkot, Jamnagar and Bhavnagar, should be transferred to the respective municipalities;

(*2*) the entire net collection from this source in other municipal areas should be transferred to the respective municipalities in that area.

These orders of November 1955 were subsequently modified by Government Circular Revenue Department (Local Self Government) No. RD/LSG-5-1 dated 8th May 1956 whereby it was ordered that from the actual collection 2-1/2% should be deducted as collection charges and the remaining amount should be distributed in accordance with orders contained in Government Resolution, Revenue Department (Local Self Government) No. LSG/5th January 1956 dated the 16th November 1955. In Kutch area, the practice was that the municipalities retained the proceeds from Entertainment Duty which they were collecting. This practice which was in vogue in the Saurashtra and Kutch area was discontinued from 9th May 1958 as a result of the extension of the Bombay Entertainment Duty Act, 1923 to these areas by the Bombay Entertainment Duty (Extension and Amendment) Act, 1958.

2. The Government of Bombay, however, in its Resolution No. mun. 2558/A dated 30th April 1959 decided to pay compensation to municipalities in the Saurashtra and Kutch areas which suffered loss of income on this account on the basis to be adopted hereafter. Pending a decision in respect of the basis to be adopted, Government decided to pay compensation provisionally to the municipalities on

the basis of the gross average income during the last three years either from the direct levy of entertainment duty or from grant or assignment made to them by Government in this respect. It was at the same time made clear to the municipalities that the compensation is sanctioned on provisional basis and the amount is subject to adjustment in the light of the final decision which the Government may take regarding the basis on which the compensation should be paid. It was also made clear to them that overpayment, if any, will be adjusted during the following year.

The decision in respect of the basis on which this compensation should be paid has not been finally taken by the State Government till this date and the compensation has been continued to be paid to these areas all these years on the provisional basis.

3. The figures of income to the State Government on account of Entertainment Duty for the Years 1961-62 and 1962-63 are given below :—

	1961—62 Rs.	1962—63 Rs.
Ahmedabad city	36,34,534	42,31,095
Ahmedabad Division (excluding Ahmedabad city).	7,73,880	9,11,366
Baroda Division.	23,32,398	24,92,639
Rajkot Division	14,74,539	17,12,039
	81,15,351	93,47,139

The amounts of grant for the corresponding years are as follows :—

1961—62	1962—63
Rs. 6,13,234	5,86,877

4. The question now before the committee is to determine whether this grant should be paid uniformaly to all the municipalities of the State or to be discontinued in Saurashtra and Kutch areas. This question was examined by the Municipal Rationalisation Committee and it recommended to the State Government, that the amount of Entertainment Tax should be allotted to the municipalities. The State Government, however, could not accept the recommendation of the Municipal Rationalisation Committee in toto but it accepted in principle that some grant should be paid to the municipalities out of the Entertainment Duty collected. A provision has, therefore, been made in the proposed Gujarat Municipalities Bill (L. A. Bill LXXXIV of 1963) to grant to each municipality an amount equal to ten percent of the Entertainment Duty collected in the revenue year immediately preceding, within the borough.

5. The committee apprehends that the result of the proposed provision, apart from the propriety of making a statutory arrangement, will be that the proceeds from this duty will benefit only the municipalities serving the more prosperous towns and cities whereas the smaller and needier municipalities will get comparatively very small amount of grant or in some cases even no grant. For example, the total receipts from this tax during 1962-63 comes to Rs. 93.47 lacs out of which Rs. 42.31 lacs is from the city of Ahmedabad and the remaining amount of Rs. 51.16 lacs is from the other areas including 54 municipalities. Even if, we assume that the whole amount of Rs. 51.16 lacs comes from 54 municipal towns and calculate the amount of grant on the basis of 10% it will come to about Rs. 5 lacs, which is almost equal to the present amount of grant paid in Saurashtra and Kutch areas. Out of this amount the major portion will be shared by the big municipalities of Baroda, Surat, Rajkot, Bhavnagar, Junagadh Nadiad, Jamnagar, etc., It is, therefore, clear that such an arrangement will not be equitable.

6. The Committee is of the view that neither the proposed arrangement nor the existing one should be adopted or continued. Instead, we have recommended a basic per capita general purpose grant which will be on a larger scale and at the same time more equitable. Morever, we have recommended the discontinuance of this grant in such a way that the municipalities which are, at present, getting this grant will have sufficient time to adjust their budgetory positions by raising their resources and by increasing financial aid from other types of grants.

Recommendations.—The Committee, therefore, recommends to discontinue the payment of grant from Entertainment Duty reducing it by 20% each year from 1965-66. The position will, therefore, be as under :—

Year	*Quantum of Grant*
1965–66	80% of the grant payable in 1964-65.
1966–67	60% of the grant payable in 1964-65.
1967–68	40% of the grant payable in 1964-65.
1968–69	20% of the grant payable in 1964-65.
1969–70	Nil

Financial Implications.—The average saving in the next four years will be Rs. 3,17,900 which comes to 50% of the existing annuals grant. In the fifth and the subsequent years, the annual saving will amount to Rs. 6,35,800.

Three years average upto 1962-63.	Net Four Years Average from 1965-66 as per recommendations.	Difference + Increase — Decrease
Rs.	Rs.	Rs.
6,35,800	3,17,900	3,17,900

GRANT No. 5

GRANT-IN-AID BY WAY OF SUBVENTION TO THE MUNICIPALITIES IN KUTCH DISTRICT

Grant-in-aid by way of subvention is given to the municipalities whose financial position is weak and require such assistance to balance their budgets. These grants are not paid on permanent basis but are paid on *ad-hoc* basis for a prticular period. This type of grant is paid in this State to the municipalities in the Kutch District and it has been decided by the State Government to discontinue this grant by reducing it by 20% each year from the year 1962-63 so that no grant will be payable in 1966-67.

Recommendations.—The committee is in agreement with the action of the Government and has no recommendation to make. As we have recommended the new basic per capita general purpose and other grants, the municipalities in Kutch will not stand to lose.

Financial Implications.—There will be a saving of Rs. 55,200 to the Government at the 1962-63 level of grant as under —

Amount of grant in 1962-63	Amount of grant in 1966-67 as per the orders of the Government	Difference (+) Increase (—) Decrease
1	2	3
Rs.	Rs.	Rs.
55,200	Nil	— 55,200

GRANT No. 6

GRANT-IN-AID FROM EDUCATION CESS

1. For the 'purpose of providing the cost of promoting education in the State of Gujarat, the State Government enacted the Act called the Gujarat Education Cess Act, 1962 (GUJ. No. XXXV of 1962). Under the said Act the State Government is authorised to levy and collect with effect from 1st August, 1962 a tax on lands and buildings situated in the urban area on the basis of the annual letting value thereof or on the basis of purpose for which it is used. The duty to collect this tax is cast upon the local bodies in their respective areas and they in turn are entitled to such rebate as may be prescribed by the State Government.

2. The Committee, at a number of meetings, had an opportunity, to know the views of the municipalities on the propriety and power of the State Government to levy a tax on lands and buildings situated within their limits. They vehemently opposed the State Government's action in encroaching upon their right to levy such a tax. Their stalk argument was that a tax on property was a local tax and it should be exclusively left to the Local Bodies. As an alternative, they pressed before the committee that the entire or substantial proceeds of the tax should be transferred to them.

3. We appreciate the view point of the municipalities, but we will have to look to the other side of the case. The main object of Education Cess Act is to provide for the creation of a fund for the promotion of education in the State of Gujarat. The State Government is required to raise more than 29 crores of rupees by way of additional taxation to finance the State's Third Five Year Plan estimated to cost Rs. 236.5 crores and also to be eligible for Central assistance towards fulfilment of the Plan. The State has, therefore, taken certain taxation measures, and one of these measures is the levy of Education Cess which consists of (*a*) a surcharge on all agricultural lands at the rate of 20 Naye paisa on every rupee of land revenue-including water rate and (*b*) a tax on lands and buildings ranging between 1 1/2% to 3% in urban areas. Government have estimated a revenue of Rs. 100 lacs from surcharge on land revenue and Rs. 50 lacs from urban property. It will thus be clear that both the rural and urban areas would contribute towards the education cess. Moreover, the rate of tax on property is not high. Besides, very few municipalities have exploited the sources available to them, let alone field of property tax. We also feel that the beginning made by Government will go a long way to help municipalities to exploit this source which they could not do on account of the difficulties involved in the proper valuation of property.

4. At the same time we are of the opinion that the municipalities have a legitmate claim to share the proceeds of this tax. Keeping in view the liberal scale of grant recommended for Primary Education, we feel that at least one third (1/3) of the proceeds of the tax should be

given as grant to the municipalities. From the available materials we expect that the annual receipts from all the 54 municipal areas will come to about Rs. 35 lacs. The municipalities, thus, will be getting about Rs. 10 lacs a year.

Recommendations.—In order to help municipalities to dischrage the functions entrusted to them and to strengthen their financial position we recommend that—

(*i*) grant equal to one-third of the tax on lands and buildings collected in a municipal area under the Gujarat Education Cess Act, 1962, should be given to the municipality concerned subject to the following conditions :—

(*a*) the grant should be given with effect from 1st August 1962, the date from which the tax is levied.

(*b*) no rebate towards the cost of collection should be given to the municipalities where the tax is collected through their agencies.

(*c*) the cost of collection incurred by Government in municipal areas where no property tax is levied should be deducted from the grants to be given to the municipalities.

(ii) grant may be given to municipalities irrespective of the fact whether they levy property tax or not. But in order to be eligible for this grant the per capita municipal taxation whether direct or indirect should not be less than Rs. 10. If it is less the municipalities should bring it upto Rs. 10 per annum within a period of three years, failing which the grant will cease thereafter.

(iii) grant related to collections of tax for a particular year should be given in the next year after the net collections for the previous year is verified in the case of municipalities collecting the tax, and, the actual cost of collection by Government is known in the case where Collectors are required to collect the tax.

(iv) Collector should be the controlling officer.

Financial Implications.—The financial implication of our recommendation will be as under :—

Three Years average upto 1962-63	Annual amount of grant as per recommendations	Difference + Increase — Decrease
1	2	3
Rs.	Rs.	Rs.
Nil	10,00,000	+ 10,00,000

GRANT NO. 7

GRANT-IN-AID FOR WATER SUPPLY AND DRAINAGE

1. It is one of the most important functions of the municipalities to provide protected drinking water to the civic population, and a drainage system for the town, for good sanitation and health. As financial resources of the municipalities are limited to execute the big works of capital nature involving substantial outlay, the financial assistance by way of loans and grant-in-aid from Government on an adequate scale would be necessary.

2. The pattern of financial assistance by way of grants-in-aid and loans to the municipalities for their Water Supply and Drainage Schemes sanctioned upto 31st March, 1963 was as follows :—

(1) In Gujarat area of old Bombay State, Water Supply and Drainage Schemes of the municipalities are divided into two categories, *viz.* :—(*a*) those schemes for which no loans are to be given by the Government but the municipalities contribute their share from their own resources and Government gives grant-in-aid; and (*b*) those schemes which fall under the National Water Supply and Sanitation Programme for which loans and grants are given by the Government.

(2) The committed schemes of Municipal Water Supply and Drainage of ex-Saurashtra Government are to be financed wholly by the State Government giving loans as well as grant-in-aid.

(3) In both areas Government grant-in-aid is limited to:—

(*a*)	Borough Municipalities.	33 1/3% of the cost of the Scheme.
(*b*)	City Municipalities.	40% of the cost of the Scheme
(*c*)	District Municipalities.	50% of the cost of the Scheme

(4) In Kutch area, Bhuj, Mandvi and Anjar are borough municipalities and their Water Supply Schemes are included in the Third Five Year Plan. As these schemes are not yet sanctioned, the municipalities at present are eligible to grant-in-aid equal to 20% of the cost under the revised G. R. No. PCB/1061-R. D. D./D, dated 14th March, 1963. We have recommended 40% grant-in-aid to be given to those municipalities.

(5) Water Supply Schemes of (1) Porbandar and (2) Gandhidham are taken up and being executed as Government schemes in the Third Plan and are to be fully financed by the State Government.

3. However, the rates of grants mentioned above, were revised under Government Resolution in General Administration Department

No. RDD. PCB. 1061-D, dated the 14th March, 1963, and in case of new schemes sanctioned after 1st April, 1963 the grant-in-aid is reduced to (*a*) 20% in case of borough and (*b*) 30% in case of other municipalities. Inspite of these reductions, the local bodies came forward with their schemes. The Government, however, could not accommodate all such schemes within the Third Plan. Certain local bodies expressed their desire to permit them to implement their schemes from their own resources, in the first instance, provided the Government gives grant-in-aid as and when funds become available. Government, therefore, decided *vide* Health and Industries Department, Government Resolution No. YWS-1060/19862-A.2, dated 5th June, 1962, that grant-in-aid may be given in respect of such schemes when funds permit and at the rates prevailing at the time the grant is sanctioned.

4. In short, the grant-in-aid pattern for the Water Supply and Drainage Schemes is as follows :—

(*i*) For committed schemes sanctioned upto 31st March, 1963, of 41 municipalities shown in Statement Nos. II and III (annexed herewith).

(*a*) 33 1/3% of the cost in case of borough municipalities,

(*b*) 40% of the cost in case of city municipalities and,

(*c*) 50% of the cost in case of district municipalities.

(*ii*) In case of schemes to be taken or sanctioned after the 1st April, 1963, of 11 municipalities shown in Statement No. IV (annexed herewith).

(*a*) 20% of the cost in case of borough municipalities, and

(*b*) 30% of cost in case of other municipalities.

5. Water Supply Schemes of municipalities mentioned at (*i*) above, will be eligible for grant-in-aid at the rates prevailing at the time of their sanction. Municipalities mentioned at (*ii*) above *vide* Statement IV now require consideration. All of them except Cambay are C class municipalities. Left to themselves, they will hardly be in a position to undertake these schemes and bear 70% of the cost in the near future, chiefly because their financial resources are limited and cost of schemes has gone up. Therefore, the Committee consider that the present rate should be revised from 30% to 40%. The additional financial liability as shown in cols. 5, 6, 7 of Statement IV will be only Rs. 16,97,278, which is not high. The rate of grant-in-aid may be slightly increased in A and B class municipalities.

6. The position regarding underground drainage is worse than that of water supply schemes as can be seen from the table below :—

Position	No. of municipal towns	Particulars
(*i*) Drainage schemes already functioning.	5	Surat, Nadiad, Baroda, Navsari and Bhavnagar.
(*ii*) Drainage schemes under execution.	3	Porbandar, Kapadwanj and Kalol.
(*iii*) Drainage schemes for which plans and estimates are sanctioned but not taken up for execution.	2	Broach and Mahuva.
(*iv*) Towns for which plans and estimates are yet to be prepared.	44	Rest of municipal towns.
	54	

We are of the opinion that the rates of grant-in-aid for Municipal Drainage Schemes should be the same as those for Water Supply Schemes.

7. *Recommendation.*—The Committee recommends that, grant-in-aid for Water Supply and Drainage Schemes of municipalities, may be given at the rate shown against each class of municipality as under :—

Municipality	*Rate of grant-in-aid*
(*i*) A Class Municipalities.	25% of the cost.
(*ii*) B Class Municipalities.	33% of the cost.
(*iii*) C Class Municipalities.	40% of the cost.

Financial Implications.—We have worked out the financial implications of non-recurring nature of water supply schemes as under :—

(Rs. in lacs)

Municipal Water Supply Schemes	No. of Municipalities	Grant-in-aid		Difference
		Balance grant at existing rate applicable	As per recommendations of Committee	
1	2	3	4	5
As shown in—				
(1) Statement No. II	11	12.27	12.27	...
(2) Statement No. III	30	156.91	156.91	...
(3) Statement No. IV	11	52.93	69.90	16.97
Total ...	52	222.11	239.08	16.97

X16·97 It will be seen from above that the additional liability as per our recommendation would come to Rs. [illegible] lakhs. The total liability will thus come to Rs. 239.08 lakhs. Considering the present average annual expenditure of Rs. 31.76 lakhs, we are sure that it will not be difficult to clear the entire liability within a period of 7 years beginning from 1964-65, by providing Rs. 34.16 lakhs annually in the budget.

Three years' average upto 1962–63	As per recommendations of the Committee	Difference +Increase —Decrease
31,76,000	34,16,000	+ 2,40,000

STATEMENT NO. I

Statement showing the position of Estimates/Expenditure and Grant-in-aid in respect of 54 municipalities as on 31st March 1964.

(Amount in lacs of Rupees)

Sr. No.	Present position	No. of Municipal Schemes	Estimated cost	Expenditure up to 31st March 1964	Grant paid upto 31st March 1964	Balance of grant to be paid on estimated cost at
1	2	3	4	5	6	7
			Rs.	Rs.	Rs.	Rs.
1	Municipal W. S. S. in existence Statement II ..	11	215.59	201.89	87.25	12.27
2	Municipal W. S. S. under progress Statement III.	30	705.70	306.10	129.70	156.92
3	Municipal W. S. S. to be prepared and executed Statement IV ..	11	176.43	Nil	Nil	69.90 (at the rate of 40% of cost).
		52	1097.72	507.99	216.95	239.09
4	Government Municipal W. S. S.	2	169.96	22.76	Nil	Nil
		54	1267.68	530.75	216.95	239.09

STATEMENT NO. II

Showing the detailed position in respect of Municipal Water Supply Schemes in existence as on 31st March 1964

Sr. No.	Municipality	Estimated cost	Type of the Scheme	Government Assistance		Expenditure incurred upto 31-3-64	Grant-in-aid paid or adjusted upto 31-3-64	Balance of Grant in-aid to be paid on Estimated cost
				Percentage of grants	Percentage of loan			
1	2	3	4	5	6	7	8	9
		Rs.				Rs.	Rs.	Rs.
1	Nadiad	25,98,000	N. W. S. &. S.	33 1/3%	...	25,98,069	7,88,175	78,000
2	Kapadwanj	16,36,960	-do-	50%	...	8,87,999	4,39,845	3,78,635
3	Umreth	8,93,645	Deposit Contribution	50%	...	7,85,836	3,62,625	84,197
4	Mehsana							...
	Stage I	3,63,016	-do-	50%	...	2,62,334	1,31,167	
	Stage II	6,11,520	-do-	50%	...	4,85,872	...	3,56,101
5	Kalol	10,80,000	-do-	50%	50%	10,51,381	5,25,695	15,000
6	Unjha	1,31,647	-do-	50%	...	1,20,666	60,332	5,492
7	Broach	69,07,262	N. W. S. &. S.	33 1/3%	...	63,78,765	22,72,139	30,281
8	Surat	12,07,995	Deposit Contribution	33 1/3%	...	12,10,435	3,50,851	51,814
9	Navsari	11,60,000	-do-	33 1/3%	...	11,44,455	4,15,753	...
10	Bulsar	37,82,937	N. W. S. &. S.	50%	...	36,57,893	16,90,369	2,01,100
11	Dhoraji	17,86,414	-do-	40%	60%	16,46,271	6,88,000	26,556
		2,15,59,396		...	...	2,01,89,976	87,24,951	12,27,176

Note.—"N. W. S. & S." means National Water Supply and Sanitation Scheme.

STATEMENT No. III

Showing the detailed position in respect of Municipal Water Supply Schemes under progress as on 31st March 1964

Sr. No.	Municipality	Estimated cost	Type of the scheme	Government Assistance		Expenditure incurred upto 31-3-64	Grant-in-aid paid or adjusted upto 31-3-64	Balance of Grant-in-aid to be paid on Estimated cost
				Percentage of grants	Percentage of loan			
1	2	3	4	5	6	7	8	9
		Rs.				Rs.	Rs.	Rs.
1	Rajkot	72,27,000	N. W. S. & S.	33 1/3%	66 2/3%	52,14,988	17,42,656	6,66,344
2	Viramgam	16,00,000	Deposit Contribution	20%	..	3,05,357	39,500	2,89,500
3	Anand	16,01,413	N. W. S. & S.	50%	50%	16,00,413	6,67,700	1,33,006
4	Borsad	7,83,152	-do-	50%	50%	5,46,740	2,61,564	1,30,012
5	Dabhoi	23,00,000	Deposit Contribution	50%	..	22,41,473	9,98,300	1,61,700
6	Godhra	9,99,500	-do-	50%	..	8,62,36	3,52,428	1,47,322
7	Baroda	45,47,100	-do-	25%	..	39,55,870	9,83,646	1,53,129
8	Jamnagar	62,00,000	N. W. S. & S.	33 1/3%	66 2/3%	60,65,765	19,52,923	1,13,743
9	Bhavnagar	40,00,000	-do-	-do-	-do-	28,63,944	9,20,513	4,12,820
10	Botad	8,43,205	-do-	50%	50%	5,60,625	2,67,900	1,53,702
11	Mahuva	17,00,000	-do-	50%	50%	4,59,040	2,29,520	6,20,480
12	Savarkundla	9,66,750	-do-	50%	50%	8,73,617	1,53,745	3,29,630

1	2	3	4	5	6	7	8	9
13	Palitana	19,86,908	Deposit Contribution	50%	50%	6,11,406	2,21,621	7,71,833
14	Amreli Stage II-A	13,12,112	-do-	Rs. 10,15,300 as gift and 33/1/3%	66 2/3% on balance	12,87,424	10,95,064	19,173
	Stage II-B	86,520	-do-	33 1/3%	66 2/3%	24,239	..	28,830
15	Veraval	41,57,818	N. W. S. & S.	40%	60%	26,89,004	10,69,002	5,94,121
16	Mangrol	11,61,000	-do-	50%	50%	6,47,957	3,32,540	2,47,960
17	Surendranagar	68,50,033	-do-	50%	50%	12,64,849	5,97,474	28,27,543
18	Wadhwan							
19	Dhrangadhra	16,17,210	-do-	50%	50%	6,37,139	3,10,888	4,97,717
20	Limbdi	12,36,700	-do-	-do-	-do-	3,44,819	1,60,494	4,57,856
21	Petlad	8,82,940	Deposit Contribution	30%	...	2,98,373	...	2,52,882
22	Sidhpur	14,31,060	-do-	50%	...	1,15,844	...	7,15,530
23	Patan	2,82,300	-do-	50%	...	...	...	1,41,150
24	Gondal	25,72,608	N. W. S. & S.	40%	60%	7,28,983	2,94,678	2,29,678
25	Rajpipla							
	Stage I	4,25,022	-do-	50%	50%	4,07,022	2,17,575	50,727
	Stage II	2,45,300	-do-	50%	50%	2,17,644	66,857	

26	Junagadh	64,13,985	-do-	40%	60%	8,70,174	...	25,65,594
27	Morvi	38,39,270	-do-	-do-	-do-	7,25,849	...	15,35,708
28	Jetpur	15,92,500	-do-	-do-	-do-	5,00,321	...	6,37,000
29	Wankaner	11,21,410	-do-	50%	50%	2,92,399	...	5,60,705
30	Upleta	5,80,180	-do-	-do-	-do-	69,232	33,206	2,56,884
		7,05,62,996				3,06,09,879	1,29,69,794	1,56,91,644

STATEMENT NO. IV

Showing the position of Municipal Water Supply Schemes to be executed as on 31st March 1964.

Sr. No.	Municipal Scheme			Estimated cost	Present stage of the scheme	Amount of grant payable		Difference
						At the existing revised rate of 30% of the cost under G.R. No. PCB/1061/ R. D. D., dated 14th March 1963	At the rate of 33% to Cambay and 40% to others as recommended by the Committee	Columns 5 and 6
1	2			3	4	5	6	7
1	Cambay	...	...	10,00,000	Under preparation	3,00,000	3,33,000	33,000
2	Dohad	...	...	38,05,886	Sanctioned but not executed	11,41,766	15,22,354	3,80,588
3	Ankleshwar	...	...	22,00,000	Under scrutiny	6,60,000	8,80,000	2,20,000
4	Billimora	...	....	20,00,000	-do-	6,00,000	8,00,000	2,00,000
5	Bhuj	...	...	27,78,000	Plans and Estimates under preparation	8,33,400	11,11,200	2,77,800
6	Mandvi	...	...	8,23,000	-do-	2,46,900	3,29,200	82,300
7	Anjar	...	...	14,23,000	-do-	4,26,900	3,96,200	1,42,300
8	Visnagar		...	1,43,900	-do-	43,170	57,560	14,390
9	Dholka	...	...	15,00,000	Under preparation and scrutiny	4,50,000	6,00,000	1,50,000
10	Kadi	...	...	8,33,000	-do-	2,49,900	3,33,200	83,300
11	Palanpur	...	...	11,36,000	-do-	3,40,800	4,54,400	1,13,600
		Total	...	1,76,42,786		52,92,836	69,90,114	16,97,278

GRANT NO. 8

Grants-in-aid to Municipalities for Primary Education

Article 45 of the Constitution says that "the State shall endeavour to provide within a period of ten years for free and compulsory primary education of all children until they complete the age of fourteen years." The word "State" in the above Article includes a local authority. Moreover, the Municipal Act also provides that primary education shall be one of the obligatory functions. It is, therefore, obvious that municipalities are responsible for financing primary education. At the same time as primary education is eventually a nation building activity the State has also to play its role. The municipalities have, therefore, a legitimate claim for financial assistance from the State.

2. The Kher Committee recommended that the municipalities should contribute 15 percent of their total income towards expenditure on primary education. It has also been recommended by the Naik Committee that all authorised municipalities should be under a statutory obligation to contribute not less than 10 per cent or not more than 15 per cent of their total income (excluding Government grant) for expenditure on Primary Education.

3. The existing pattern of grant-in-aid to municipalities for primary education has been carefully examined by the Committee. It has also had a number of discussions with the officers of the Education Department and the representatives of the various municipalities. The Committee has also taken into consideration the recommendations made by the Naik Committee on the subject. As has been already mentioned in the foregoing chapter of this report, the primary education is one of the important obligatory functions of the municipalities. As it involves a huge expenditure, the municipalities are not in a position to provide satisfactory facilities for primary education due to their limited financial resources. It is for this reason that the Government has to step in to assist the municipalities to fulfil this important obligation. Out of 54 municipalities in the State, only 6 municipalities (referred to as the Authorised Municipalities) have taken up the administration of primary education in their areas. The remaining 48 municipalities have not come forward to take up this vital task because of paucity of funds. In a service like primary education, it is desirable that the local administration takes suffcient interest in the promotion of such an activity. Primary education should, therefore, legitimately be in the control of municipalities. All those municipalities which are not administering the primary education in their areas, are supposed to contribute to the cost of primary education. Even this is not being done. Very few municipalities are paying their contribution to Government regularly. Experience has shown that much of this payment remains in arrears and Government had to waive the recovery of lakhs of rupees in the past. The Table below shows the amounts in arrears from some of the Non-Authorised Municipalities :—

Summary of Arrears due from Non-Authorised Municipalities District wise up to 1962-63

Municipalities	Amount of arrears
	Rs.
1. Ahmedabad District.	2,56,481
2. Broach "	1,33,538
3. Kaira "	14,57,265
4. Surat "	1,83,921
5. Panchmahals "	5,35,835
6. Banaskantha "	8,20,778
7. Sabarkantha "	4,63,130
8. Baroda "	4,15,641
9. Amreli "	2,50,907
10. Mehsana "	8,97,115
Total ..	54,14,611

The Committee, is therefore, of the view that unless financial assistance to a greater extent is given to the municipalities, it would not be possible for the latter to take up the administration of primary education.

4. The representatives of the municipalities also brought to the notice of the Committee, difficulties in obtaining grant-in-aid from Government. All the items of expenditure are not admitted by Government for calculating grant-in-aid. This puts the municipalities in financial difficulties. Moreover, for every small item of expenditure the Local Bodies have to obtain prior approval of the Government. The day to day administration of these schools, therefore, become very difficult. As the grants are given on the admissible items of expenditure based on audited accounts of a municipality, it takes considerable time before grant can be actually disbursed. The accounts of the municipalities are audited by the Examiner, Local Funds Accounts who is hardly in a position to produce a statement of audited accounts immediately after the close of the financial year. The municipalities also feel that unless they are given reasonable freedom in running the administration, it will not be possible for them to take over primary education.

5. The Committee has considered various ways and means to simplify the procedure for making grant-in-aid on primary education by Government. The Committee has arrived at the conclusion that the grant on primary education should be split into two parts, (*i*) Grant related to the pay and allowances of the teaching staff and (*ii*) grant

related to other expenditure incurred on primary education. As regards pay and allowances of the teaching staff, there cannot be much difficulty in calculating the grant-in-aid admissible to a municipality because pay and allowances of the various categories of teaching staff are already laid down by the Education Department, and grants are eligible only on the basis of these pay scales. The real difficulty arises when grant is to be given on other expenditure. Items of this type of expenditure differ from municipality to municipality. It may even differ from school to school. It is very difficult for any one person to say which item of miscellaneous expenditure should be given priority. As a list of items admissible for grant-in-aid was made long time back, the same is not really up-to-date. Moreover, as has been stated earlier, it is necessary and desirable to give certain freedom to the local administration in such matters. It was also brought to the notice of the Committee that whereas a large number of items can be admitted for expenditure under the Primary Education Fund, many of these items are not declared admissible for grant-in-aid. The Committee has also considered the question of revising the existing list of items admissible for grant-in-aid. It is felt that even if this list is revised, it may be difficult to make it really comprehensive. Moreover, as times are changing, the needs of students are also changing. It will, therefore, be a difficult task to keep this list up-to-date. The Committee has, therefore, come to the conclusion that in order to simplify the method of calculating grant-in-aid admissible to municipalities for Primary Education, certain *ad hoc* grant on the basis of the number of students should be given for meeting expenditure other than pay and allowances of the teaching staff.

6. *Recommendations.*—(1) Grant-in-aid equal to 55% of the expenditure on pay and allowances of the teaching staff may be given to the "A" and "B" class municipalities.

(2) Grant-in-aid equal to 66% of the expenditure on pay and allowances of the teaching staff may be given to the "C" class municipalities.

(3) A per capita grant based on the number of students may be given to the municipalities. As full data is not available before the Committee, actual figure of the per capita grant cannot be given. This should, however, be calculated by the Education Department on the following formula :—

The total expenditure incurred on items other than pay and allowances of the teaching staff by the six Authorised Municipalities during the years 1961-62, 1962-63 and 1963-64 should be calculated. Average expenditure per student per annum should be worked out. 80% of this amount should be the per capita *ad hoc* grant. This figure should be rounded-off.

(4) Per capita *ad hoc* grant should be restricted to the actual expenditure.

(5) For calculating admissible expenditure, all items of expenditure allowed to be debited to the Primary Education Fund should be considered as items admissible for grant-in-aid.

(6) This grant should be paid quarterly.

(7) The Director of Education should be sanctioning and controlling officer.

(8) In order to encourage the Non-Authorised Municipalities to take over the responsibility of administering Primary Education, the Government have recently, *vide* Education and Labour Department Resolution No. INT-1162-AI, dated 29th January 1964, laid down a staggering rate of grant-in-aid. The Committee considers that staggering rate of grant-in-aid is necessary to attract the Non-Authorised municipalities to take over Primary Education. The following staggering rates are, therefore, recommended.

	1st Year	2nd Year	3rd Year & subsequent years
A & B Class municipalities.	75%	65%	55%
C Class municipalities.	80%	70%	66%

Financial Implications.—As has already been stated, out of 54 municipalities only 6 municipalities (Authorised Municipalities) are running Primary Education. At the present rate, these municipalities are receiving an annual grant of Rs. 19,86,900 at the rate of 50% of the approved expenditure. If these municipalities are given grants according to the recommendations of the Committee, it will amount to Rs. 24,64,900. The net increase comes to Rs. 4,77,900. The Committee, would, however, like to mention that if all the 54 municipalities take over Primary Education, there will be a net saving to Government as at present Government is meeting almost the entire expenditure in 48 municipalities.

An annual saving of Rs. 12,60,000 will accrue to the Government if the recommendations of this Committee are adopted and all the 54 municipalities take over the administration of Primary Education.

Amount of yearly grant at the present rate to 6 municipalities.	Amount of yearly grant to 6 municipalities as per the recommendations of the Committee	Difference + Increase — Decrease
Rs.	Rs.	Rs.
19,86,900	24,64,900	+ 4,77,900

GRANT NO. 9

GRANT-IN-AID FOR CONSTRUCTION

IMPROVEMENT AND MAINTENANCE OF ROADS

Government of Bombay decided in 1954 to pay additional grant-in-aid to the municipalities out of State Road Fund and provided a sum of rupees seven lakhs in 1954-55,for construction and repairs of roads. This grant continued to be paid at the rate varying from time to time between Rs. 150 to Rs. 225 per mile.

2. Government of Saurashtra (Local Self Government) under its resolution No. RD/12-50/53-56, dated the 22nd October 1955 decided to render financial assistance to the municipalities in respect of cost on the work of construction and upgrading of roads, within municipal limits to the extent detailed below :—

(i) 1/3rd of the cost to be given as loan;
(ii) 1/3rd of the cost to be given as grant-in-aid;
(iii) the balance of the cost to be met by the municipalities from their own funds.

3. This scheme was, however, not included in the Second Five Year Plan of Saurashtra State. The position was reviewed by the earstwhile Government of Bombay in 1958 and it was decided to bring uniformity in the matter of this grant on the lines of pre-reorganised Bombay State.

4. After the formation of Gujarat State, this grant is paid to all the municipalities in the State uniformly from the provision made under Scheme No. 313—"Road Development"—under the Major Head of Development—"Transport and Communication", in the Third Five Year Plan. During the years 1961-62 and 1962-63 this grant was paid at the rate of Rs. 225 per mile and during 1963-64, at the rate of Rs. 135 per mile. The total amount of grant paid by Government to 54 municipalities during the last three years ending 1962-63 is given below :—

1960–61	1961–62	1962–63
Rs.	Rs.	Rs.
1,70,000	1,65,800	2,03,000

5. It is very clear from the above resume and figures that the municipalities hardly receive any financial assistance from Government in respect of roads. It may be mentioned that the total road mileage in 54 municipal areas comes to about 1600 miles. On the question of payment of compensation for loss of potential income from tolls and tax on motor vehicles, municipalities feel very strongly in view of the disabilities imposed by the Bombay Motor Vehicles Tax Act, 1958, in exploiting this source. This grievence was brought to our notice by all the municipalities. Alongwith speedy increase in the number of vehicles, there has been an increase in the laden weight. Due to industrial development and urbanisation during the last few years, traffic of heavy trucks

has increased considerably. Side by side, the cost of road construction and maintenance has also gone up. These factors require strengthening of the existing roads and construction of new ones with adequate thickness, in and round about municipal areas.

6. Looking at the problems also from the aspect of the expenditure on the development and construction of roads and the provision for current repairs and maintenance, as shown in the table below, we feel that the present scale of annual average Government grant of rupees 1,79,600 for roads to the municipalities is utterly inadequate and virtually negation of grant.

Table showing Government expenditure on construction and maintenance of Roads and Grants to Municipalities

(figs. in lakhs)

Year	Plan expenditure on roads	Non-Plan exp. on maintenance repairs etc.	Total Co. 5 2+3	Amount of grant to municipalities.
1	2	3	4	5
1960—61	226.25	110.15	336.40	1.70
1961—62	515.33	170.98	686.36	1.66
1962—63	351.97	178.09	530.06	2.03
1963—64	358.24	182.84	541.08	2.16

7. We are of the definite opinion that both, the scale of grant and basis of distribution,should be reviewed so as to raise the amount of grant to a minimum of Rs. 10 lakhs a year for construction, upgrading and maintenance of roads in municipal areas.

Recommendations.—We, therefore, recommend that a minimum annual grant-in-aid of Rs. 10 lakhs should be given to the municipalities as under:-

(i) First, a grant-in-aid for maintenance and repairs to roads to all municipalities at the uniform rate of Rs. 250 per mile.

(ii) Secondly, a percentage cum unit grant-in-aid for construction of new roads and upgrading of existing ones to municipalities on the following basis :—

Municipality	*Basis of grant-in-aid*
A—Class	30% of expenditure
B—Class	40% of expenditure
C—Class	50% of expenditure

(iii) As regards (i), the total road mileage in all the 54 municipalities works out to about 1,600 miles and therefore, annual grant-in-aid for maintenance and repairs calculated on the basis of Rs. 250 per mile works out to Rs. 4,00,000.

(iv) As regards (ii), the standard specifications, estimates etc. should be prepared by the Public Works Department and the grant-in-aid should be regulated by suitable Government orders.

(v) The concerned Collector should be the sanctioning and disbursing authority.

Financial Implications

Amount of three years average upto 1962-63	Amount as per recommendations	Difference + Increase — Decrease
1	2	3
Rs.	Rs.	Rs
1,79,600	10,00,000	+ 8,20,400

GRANT NO. 10

GRANT-IN-AID TOWARDS EXPENDITURE ON DEARNESS ALLOWANCE

1. Government gives a grant to all municipalities towards expenditure incurred by them on account of dearness allowances to their low paid employees. The scheme was started by the Bombay State in the year 1948-49 and is being continued in the State of Gujarat even after bifurcation.

2. When the scheme was first started in the year 1948-49 *vide* Bombay Government Resolution, Health and Local Government Department No. 4204/33 of 28th May, '48 all the municipalities except the municipalities of Ahmedabad, Surat, Poona City, Sholapur and Hubli were to be paid grants-in-aid equal to 50% of the expenditure incurred by them on payment of dearness allowance to their entire staff, including the sanitary staff. Where the rates of dearness allowance of any municipality exceed the corresponding rates prescribed by Government for Government servants the grant-in-aid was limited to the amount admissible at Government rates only.

The grant at the rate mentioned above was to be paid for one year only in the first instance *i.e.*, from 1st April 1948 to 31st March 1949 and was to be continued thereafter only if the municipalities increased their revenue by an equal amount by additional taxation.

The above grant was however continued during the years 1949-50 to 1955-56 on the same terms. The grant was continued during the year 1956-57 as per terms laid down in Government Resolution, Health and Industries Department No. MUN 2858 (a) dated the 10th July, 1956.

3. The important change that was made in the grant was as under :-

(*1*) The grant admissible to Surat and Baroda Municipalities was fixed at 25% of the expenditure incurred on payment of Dearness Allowance with entire staff including the sanitary staff.

(*2*) The grant was linked with tax on buildings and lands and total revenues of municipalities.

(*3*) The payment of grant was made quarterly.

(*4*) Distinction as made in the basis for grant for the municipalities from the merged area and those already existing in the area of the old Bombay State.

4. The Scale of Grant for the year 1959-60 was as under :-

Percentage rate of property tax on the basis of Annual Letting Value as on 1st April 1959

Municipalities from non-merged areas	Municipalities from merged areas	Percentage of D. A., grant admissible.
17% and above.	15% and above.	100%
16% and above but below 17%	14% and above but below 15%	95%
15% and above but below 16%	13% and above but below 14%	90%
14% and above but below 15%	12% and above but below 13%	85%
13% and above but below 14%	11% and above but below 12%	80%
12% and above but below 13%	10% and above but below 11%	75%
	Less than 10%	662/3%

It was made clear in the Government Resolution of 10th July, 1959 that the rates of percentage of property taxes specified in columns 1 and 2 of the table should be liable to upward revision in future years towards the goal of 20% of Annual Letting Value and the preferential treat- ment given to the municipalities in merged areas should be done away with within next five years or even earlier.

It was also made clear in the said Government Resolution that the Dearness Allowance grant of those municipalities which do not meet 75% of the cost on sanitary service from the income of sanitary Cess should be reduced to 50% of the grant admissible.

5. The municipalities which were established during the year 1957 and municipalities which had not completed 5 years from the year of establishment were to be paid the full grant-in-aid on account of Dearness Allowance irrespective of level or property taxes.

6. This grant was made not payable to the staff of commercial enterprises of municipalities such as Electricity undertaking, transport undertakings or municipal theatres. Water supply and conservancy services, however, were not treated as commercial enterprises even if the expenditure on these is met from a special conservancy tax or water cess levied by the municipality.

7. In the year 1960-61, 1961-62, 1962-63 and 1963-64 the Dearness Allowance grant was paid on the same terms and conditions. The rate of percentage of property tax on which the grant has been based was, however, raised upward every year as per Government policy.

8. For the year 1960-61 onward a new condition was added whereby grants towards dearness allowance paid by other department of Governments (*e. g.*, grant on account of Shops & Establishment Act) were to be taken into account in calculating the Dearness Allowance grant.

This grant was paid in year 1963-64 on the following rates:–

Municipalities in merged and non-merged areas	Municipalities in Saurashtra and Kutch areas	Percentage of grant-in-aid admissible
20% or more;	18 1/2% or more.	100%
19% or more;	17 1/2% or more.	92 1/2%
18% or more;	16 1/2% or more.	85%
17% or more;	15 1/2% or more.	77 1/2%
16% or more;	14 1/2% or more.	70%
15% or more;	13 1/2% or more.	60%
14% or more;	12 1/2% or more.	50%
13% or more;	11 1/2% or more.	40%
12% or more;	10% or more.	30%

9. It will be seen from the conditions laid down for the payment of this grant right from 1948 that the intention of the Government is to induce the municipalities to increase their revenues by additional taxation and in particular to raise the consolidated property tax to 20% of the Annual Letting Value of properties (or 15% of the capital value). It was also brought to the notice of the municipalities in the order dated 10th July 1959 and in subsequent orders that the policy of the Government will be to revise the scale for Dearness Allowance grants upwards gradually so that ultimately only minicipalities levying property taxes at the rate of 20% of the annual letting value or more would get the full grant-in-aid.

10. The question of this grant was dicscussed by the committee with the Presidents of the miunicipalities. The concesus of opinion of the municipal representatives was that this grant should not be linked up with property tax or any other tax but that it should be given at the rate of 50% of expenditure incurred on Dearness Allowance to their employees by the municipalities, irrespective of the property tax or taxes levied by the municipalities. It was argued begfore the committee by the Presidents of Surat and Baroda municipalities that the distinction made in respect of payment of this grant to them at the rate of 25% of the total grants admissible was arbitrary and unjust to them and therefore should be removed.

The committee has carefully considered both these points.

11. The Committee agrees in principle with the State Government that Grants-in-aid should be so given that, while achieving clearly the defined objects of policy and administration, they do not encourage in municipalities an unwillingness to develop their own resources. Self help is essential for the development of local Government and although it may not be possible to make that it needs, the principle of self help does not become any the less important on that account. It must, however be admitted that consequent widening of the powers of local bodies (municipalities), the present position regarding grant-in-aid in Gujarat is not satisfactory. Committee is of the view that even with the utmost effort, they (municipalities) cannot expect to raise the property tax to the standard of 20 p. c. fixed by the Government for getting the full Dearness Allowance Grant. The Committee therefore, feels that the standard fixed by the Government requires to be refixed. The committee also feels that the distinction made in payment of this grant to Surat and Baroda Municipalities should be reduced if not removed and is of the opinion that grant to these two municipalities should be paid at the rate of 33% insetead of 25% at present.

12. *Recommendations.*— We, therefore, recommend that—

(*i*) Grant-in-aid towards expenditure on dearness allowance at the rate of 33% to the municipalities of Baroda and Surat and 50% to other municipalities should be paid on the following basis and conditions :—

Percentage rate of property tax on the basis of Annual Letting Value Value.	*Percentage of Dearness Allowance grant admissible*
15% or more.	100%
10% or more but less than 15%	75%
6% or more but less than 10%	50%
Below 6%	Nil.

(*ii*) The Committee recommends that those municipalities which are levying property tax at the rate less than 6% and who are not entitled to grants as recommended in (*1*) above should be given this grant for a period of 3 years at the rate at which they were given during the year 1964–65.

(*iii*) The grant should be paid quarterly.

(*iv*) The Dearness Allowance grant of those municipalities, which do not meet 75 % of the cost of sanitary service from the income of sanitary cess should be reduced to 75 % of the grant admissible.

(*v*) The municipalities which were established during the year 1963–64 and municipalities which had not completed 5 years from the year of establishment should be paid the full grant-in-aid irrespective of level of property tax.

(*vi*) The grant should not be paid towards the expenditure on payment of dearness allowance to the staff of commercial enterprises such as electricity undertaking, transport undertakings etc.

Financial Implications.— This will be as under:—

	Additional Amount. Rs.
(*1*) On account of increased scale of grant-in-aid from 25 % to 33 % to municipalities of —	
(*a*) Baroda	60,000
(*b*) Surat.	40,000
(*2*) On account of liberal regrading of the basis relating to property Tax.	1,50,000
Total ..	2,50,000

Average of three years upto 1962–63	Yearly amount of grant as per recommendations	Difference + Increase — Decrease
Rs.	Rs.	Rs.
1	2	3
22,41,000	24,91,000	+ 2,50,000

GRANT-IN-AID FOR MEDICAL RELIEF AND PUBLIC HEALTH SERVICES

1. One of the directives of State Policy, as contained in Article 47 of the Constitution of India, is—

"The State shall regard the raising of the Level of nutrition and the standard of living of its people and the improvement of public health amongst its primary duties."

2. Among the several functions assigned to municipalities, Medica and Public Health are two which have been declared obligatory by the municipal enactments. Their duties and powers in this respect as interpreted in the relevant Acts may be summerised as under :—

(a) Providing protected Water Supply;

(b) the construction, maintenance and clearing of drains and drainage works and of public latrines, urinals and similar conveniences;

(c) scavenging and the removal and disposal of excrementitious and other filthy matter and refuse and rubbish;

(d) the reclamation of unhealthy localities, the removal of noxious vegetation and abatment of all nuisances;

(e) Public Vaccination;

(f) preventing and suppressing of dangerous diseases;

(g) establishing and maintaining public hospital and dispensaries and carrying out other measures necessary for medical relief.

(h) providing special medical aid for the sick in time of dangerous disease; and taking such measures to prevent the outbreack and to suppress or prevent the recurrence of the disease.

In addition to the functions mentioned above,the municipalities are required, if the State Government so directs, to provide (i) for antirabic treatment and (ii) treatment for lunatics and lepers. Thus the work in this sphere is distinguishable into several activities, *viz*:—

(i) Conservancy

(ii) Sanitation

(iii) Medical Relief

(iv) Anti-epidemic work

(v) Vaccination

3. It can be seen from statement No. 1 annexed to chapter v that the expenditure incurred on these services comes to nearly 24.41% of the total expenditure of 54 municipalities during 1961-62,of which 2.67% were for medical relief, 3.45% for drainage, 7.23% for water supply and

11.6% for conservancy. These figures are unimpressive. As regards sanitation, medical facilities and taking preventive health measures, the condition is far from satisfactory. The position is even worse with regard to water supply and drainage as already pointed out by us in earlier paragraphs. The development of sewage system in the State has been very slow. Even in those towns which are provided with sewers, it by no means follows that all the latrines are connected with sewers. The collection and disposal of human excreta is a service obtaining in many municipalities. But even in a number of larger cities this service is at a very low standard. Night soil is removed in baskets and deposited.

Some of the municipalities are even lacking the essential and basic requirement of qualified health personnel . Only 8 or 9 municipalities are running hospitals, dispensaries and only two are having maternity homes. Important preventive measures like vaccination, mosquito control and control of diptheria,whooping cough and titanus are also lacking.

The financial resources of municipalities are insufficient, in majority of cases, to maintain adequate services; and the Government grant is generally inadequate. These explain the low state of health facilities provided by the municipalities.

We now discuss the important items of public health and medical relief, for which grants-in-aid are paid by Government.

4. *Maintenance grants.*—The position obtained prior to 1st April, 1964 with regard to hospitals, dispensaries, maternity hospitals and homes was as under :—

Grant-in-aid to such hospitals and dispensaries maintained by the municipalities situated in Gujarat region of old Bombay State, were regulated according to terms and conditions laid down in the Government of Bombay, General Department Resolution No. 2894/33, dated the 21st August, 1939. They are as under :—

(a) No grant to be given to a municipal dispensaries situated at a place where Government maintained a civil hospital at Government cost;

(b) grants to be according as the funds permitted;

(c) annual expenditure on medical relief of the muncipalities exceeded 4% of its annual income;

(d) the grant in no case should exceed the expenditure on account of pay and allowance of the Medical Officer in charge of each dispensary, subject to the following rates :—

B.M.S. Class II	5172
B.M.S. Class III	2352
B.M.S. Class IV	1826

Some of the municipalities appoint their own medical officers, in such cases grant equal to Rs. 1164 per annum was payable to the municipality.

In Saurashtra area there was no such specific grant paid to the municipalities except the Mahuva municipality which is paid an *ad-hoc* grant of Rs. 65,000 a year for running a hospital, and the Limbdi municipality which is paid Rs. 15,733 per year for running a dispensary.

Grant was also paid towards the maintenance of maternity hospitals and homes conducted independently by the municipalities in Gujarat region at an amount not exceeding 1/4th of the approved expenditure or actual deficit, whichever was less, provided the annual expenditure on Medical Relief exceeded 4% and if funds permitted provided further that no grant was ordinarily given to a municipality at a place the population of which exceeded 60,000 or at any place where there was Government maternity hospital or home.

In Saurashtra area grant-in-aid to municipalities was paid at the rate of 50% of the total deficit.

5. *Recurring grants.*—Recurring grant-in-aid for maternity and Child Welfare Centres is being paid to the institutions in Saurashtra area as per orders issued under Government Resolution No. SM/5/1/Part-I.B.56/57/232, dated 30th August, 1956. Under these orders the municipalities were paid grant-in-aid at the rate of 75% of approved expenditure of Rs. 6,000 whichever was less.

The undermentioned table shows the position as to how many municipalities took advantage of the Government orders referred to above.

	No. of Municipalities
Hospitals	2
Dispensaries	7
Maternity Homes	2
Maternity and Child Welfare Centres	26

6. *Non-Recurring Grants.*—Building grants are paid towards the cost of a construction of Dispensaries, Hospitals, and Maternity Homes equal to one third of the total cost of the actual deficit whichever is less. Grants for equipments and instruments etc. are given on merits of each case.

Government of Gujarat have recently revised the rules for regulation of grants-in-aid to Medical and Public Health Institutions under Government Resolution Health and Industries Department No. GHD/3864/19411-S, dated 7th March 1964, which has come into force with effect from the 1st April 1964. We understand that these orders are applicable to medical and public health institutions and not to activities or to preventive health measures undertaken by municipalities. The following scale of grant-in-aid is laid down under the revised rules :—

Purpose of grant	*Scale of grant-in-aid*
(1) *Non-Recurring*	
(a) towards expenditure on construction of buildings for dispensaries and hospitals etc.	(a)not exceeding 33 1/3 % of the net cost of construction after deducting the amount of private donation of contribution or actual deficit, whichever is less.
(b) for purchase of equipment, instruments etc.	(b) not exceeding 50% of cost of such equipment etc.
(2) *Recurring*	
For maintenance of dispensaries, Hospitals, Maternity Hospitals & Homes etc.	Equal to amount of pay and allowances of the Medical Officer in charge of institution. Those local bodies having medical institutions with indoor accommodation and having more than one medical Officer, may be given a recurring grant equal to the amount of pay and allowances of its medical Officers or equal to 1/3rd of their approved expenditure for the previous year, *or* the actual deficit, whichever is less.

Provided that the grants shall be given subject to the condition that the municipalities spend minimum of 10% of their annual incomes on medical relief and public health activities, and according as the funds permit etc.

7. The Committee has given its anxious consideration to these revised as well as earlier orders in the matter. While agreeing with the principle of unification of grants-in-aid, the Committee feels, that the grants should be made on a somewhat liberal scale with certain changes in the basis of distributions. Accordingly, we have made our specific recommendations in the suceeding paragraphs.

GRANTS NO. 11 AND 12

GRANT-IN-AID FOR MAINTENANCE OF DISPENSARIES AND HOSPITALS.

Recommendations.—We recommend that the grant-in-aid for dispensaries and hospitals to the municipalities should be given on the following scales :—

(*i*) grant equal to pay and allowances of medical officer in charge of dispensary run by the municipality.

(*ii*) those municipalities having medical institutions with indoor accommodation and having more than one medical officer, grant may be given equal to the amount of pay and allowances of its medical officers *or* equal to 33 1/3% to A and B class municipalities and 40% to C class municipalities of their approved expenditure for the previous year whichever is more subject to actual deficit: Provided that the municipality spends minimum of 10% of its income on medical relief and public health activities.

Financial Implications.—At present average annual expenditure comes to Rs. 1,08,500. Due to slight changes in the basis of grant, as also expectation of municipal response, we estimate the total yearly grant upto Rs. 1,58,500.

Average of 3 years upto 1962–63	As per remmendations.	Difference +Increase —Decrease
Rs.	Rs.	Rs.
1	2	3
1,08,500	1,58,500	+50,000

GRANT NO. 13

Grant-in-aid for Maternity Homes and Maternity Hospitals

Recommendation.—We recommend that grant-in-aid for maternity homes and maternity hospitals should be paid to the municipalities on the following basis :—

Those having indoor accommodation and having more than one Medical Officer, grant equal to pay and allowance of its Medical Officers or equal to 33 1/3% to A and B class municipalities and 40% to C class municipalities of their approved expenditure for the previous year, whichever is more, subject to actual deficit:

Provided that the municipality spends minimum of 10% of its income on medical relief and public health activities.

Financial Implications.—We expect that some Municipalities will take up this important obligatory function and estimate an expenditure of Rs. 15,000 per year.

Average of 3 years upto 1962–63	As per recommendations.	Difference. +Increase —Decrease
Rs.	Rs.	Rs.
1	2	3
400	15,000	+14,600

GRANT NO. 14

GRANT-IN-AID FOR MAINTENANCE OF MATERNITY AND CHILD WELFARE CENTRES.

Recommendations.—The Committee recommends that grant-in-aid to the municipalities throughout the State for mainteinance of maternity and child welfare centres should be paid on the following scale :—

Municipalities	*Scale*
A—Class.	33 1/3% of the approved expenditure *or* Rs. 3,000 whichever is less.
B—Class	40% of approved expenditure *or* Rs. 4,000 whichever is less.
C—Class.	50% of approved expenditure *or* Rs. 5,000 whichever is less.

provided that the municipality spends minimum of 10% of its income on medical and public health activities.

Financial Implications.—Three years average annual amount of grant is Rs. 64,000 which is paid to nearly 26 municipalities. There will be reduction in amount of grant due to revision of scales but there will be increase due to extension throughout the State. We estimate a net increase of Rs. 11,000 per year.

Average of 3 years upto 1962–63	As per recommendations.	Difference +Increase —Decrease
Rs.	Rs.	Rs.
1	2	3
64,000	75,000	+11,000

GRANT NO. 15

GRANT-IN-AID (NON RECURRING) FOR BUILDING AND EQUIPMENTS FOR DISPENSARIES, HOSPITALS, MATERNITY HOMES AND HOSPITALS AND MATERNITY AND CHILD WELFARE CENTERS ETC.

Recommendations.— We recommend that non-recurring grant-in-aid to municipalities for buildings and equipments for dispensaries, hospitals, maternity homes and hospitals and maternity and child welfare centres, should be given on the following basis:—

(*i*) *Buildings.*	*Grant.*
(*a*) A & B class municipalities.	Upto 33 1/3% of the net cost of constructions after deducting the amount of donations or contributions or actual deficit whichever is less.
(*b*) C class municipalities.	Upto 40% of the net cost of construction after deducting the amount of donations or contributions or actual deficit whichever is less.
(*ii*) *Equipment.*	
All municipalities.	Not exceeding 50% of the cost of such equipment, instruments etc.

Financial Implications.— These are as under:—

Average of 3 years upto 1962–63.	As per recommendations	Difference + Increase — Decrease
Rs.	Rs.	Rs.
1	2	3
8,100	33,100	+ 25,000

GRANT NO. 16.

GRANT-IN-AID TO MUNICIPALITIES FOR APPOINTMENT OF HEALTH OFFICERS AND SANITARY INSPECTORS.

The grant-in-aid on this account is paid to the municipalities in the Gujarat Region of the Ex-Bombay State. For the purpose of the eligibility of this grant, the Government of Bombay introduced a scheme for appointment of Health Officers and Sanitary Inspectors as early as in March, 1936. The scheme was modified from time to time in the subsequent years and the scheme as it stands to-day is as under:—

(*i*) (*a*) for class-I towns with a population of 50,000 and above a Medical Officer of Health in the pay scale of 250–650.

(*b*) one Sanitary Inspector in the pay scale of 70–120 plus Rs. 4 cycle allowance for every 20,000 population, and

(*c*) one Chief Sanitary Inspector in the pay scale of 90–225 plus Rs. 4 cycle allowance in addition where the population exceeds 1,00,000.

(*ii*) (*a*) for class-II towns with a population of 30,000 and above, one Medical Officer of Health in the pay scale of 200–400.

(*b*) one Sanitary Inspector for every 20,000 of population in the above mentioned pay scale.

(*iii*) (*a*) for class III town with a population of 10,000 and above, a Medical Officer in the pay scale of Rs. 200–400.

(*b*) a Sanitary Inspector, preferably a Chief Sanitary Inspector, in the pay scale mentioned above.

(*iv*) Government subsidy at the following rate :—

(*a*) 50 % of the cost on account of appointment of Medical Officer of Health, by the municipalities under the scheme.

(*b*) 33 1/3% of the cost in case of Sanitary Inspectors and Chief Sanitary Inspectors.

(*c*) Rate of cycle allowance sanctioned by Government to the Chief Sanitary Inspector and the Sanitary Inspector.

2. The Committee is of the strong view that for providing obligatory and essential health services it is absolutely necessary to provide for qualified and trained health staff. This scheme is applicable in Gujarat region of old Bombay State and is availed of by practically all the 28 municipalities of that region. The average annual

expenditure on this grant comes to Rs. 42,300. We recommend that the Scheme should be extended to the entire State.

3. *Recommendations.*— We recommend that the grant-in-aid to municipalities for appointment of Health Officers and Sanitary Inspectors should be given on the following lines:—

(*i*) (*a*) for class A towns (*i. e.*, as classified by the Committee) a Medical Officer of Health in the pay scale of Rs. 250–650.

(*b*) one Sanitary Inspector in the pay scale of Rs. 70–120 for every 20,000 population, and

(*c*) one Chief Sanitary Inspector in the pay scale of 40–225 in addition.

(*ii*) (*a*) for class B towns (*i. e.*, as classified by the Committee) one Medical Officer of Health in the pay scale of 200-400.

(*b*) one Sanitary Inspector for every 20,000 of population in the above mentioned pay scale.

(*iii*) (*a*) for class C town (*i. e.*, as classified by the Committee) a Medical Officer in the pay scale of Rs. 200–400.

(*b*) a Sanitary Inspector, preferably Chief Sanitary Inspector, in the pay scales mentioned above.

(*iv*) Government subsidy at the following rate:—

(*a*) 50 % of the cost on account of appointment of Medical Officer of Health by the municipalities under the scheme.

(*b*) 33 1/3% of the cost in case of Sanitary Inspectors and Chief Sanitary Inspectors.

(*c*) rate of cycle allowance as may be sanctioned by Government to the Chief Sanitary Inspector and the Sanitary Inspector.

4. *Financial Implications.*— The annual cost (28 municipalities) in Gujarat area comes to Rs. 42,300. There are 26 municipalities in Saurashtra and Kutch areas. If the scheme is extended to entire State, the total annual expenditure will be about Rs. 90,000.

Average of 3 years upto 1962–63.	As per recommendations	Difference + Increase. — Decrease.
Rs.	Rs.	Rs.
1	2	3
42,300	90,000	+ 47,700

GRANT NO. 17

GRANT-IN-AID ON ACCOUNT OF ANTI-EPIDEMIC MEASURES

Government grant-in-aid to municipalities on account of anti-epidemic measures is given to the municipalities of the Gujarat area of the ex-Bombay State on the following conditions laid down in Government of Bombay Local Self Government, Public Health Department, Resolution No. PHD-2454-D, dated 17th April, 1956.

(1) This grant-in-aid is paid irrespective of the financial position of the municipality.

(2) Grant-in-aid equal to 50% of the expenditure on anti-epidemic measures during a particulr year is given subject to condition that minimum expenditure incurred on Medical Relief and Public Health purposes exclusive of expenditure on anti-epidemic measures is 10% on medical relief and Public Health measures of their annual income.

(3) While applying for this Grant-in-aid the municipality is required to specify the measures taken to control the epidemic on which the grant is claimed.

The intention underlying the payment of this grant is that the municipalities should take prompt measures to check an epidemic if one breaks out in its area and thus will not allow it to spread to adjoining areas outside their limits, as otherwise the Public Health Department of Government will have to take extensive measures and entail additional expenditure in bringing such an epidemic under control.

2. *Recommendation.*— The committee is, of the opinion that this grant should be continued to be paid uniformly to all the municipalities in the state on conditions 1 to 3 mentioned above.

3. *Financial Implication.*- As this is an occasional grant, no financial estimates can be given. We have, however, taken the average annual expenditure for future amount of grant.

Average of three years up to 1962-63	As per recommendations	Difference
Rs.	Rs.	Rs.
1	2	3
5,800	5,800	..

GRANT NO. 18

GRANT-IN-AID FOR VACCINATION

In Gujarat State at present there exists three different ways with regard to control over vaccination, *viz.*

(1) Surat District excluding the merged territories of the former Baroda and other native States.

(2) Pre-reorganised Bombay State now forming part of Gujarat State, *i.e.*, Districts of Ahmedabad, Kaira, Baroda, Broach, Panchamahals, Sabarkantha, Banaskantha, Mehsana and Amreli and portion of Surat District representing the merged territories of the former Baroda and the other native States.

(3) Saurashtra Region including Kutch but excluding the Amreli District.

As regards category (1) the entire control over vaccination rests with the Local Bodies *i.e.* the Surat District Local Board and the Surat municipality. It is termed as a "selected District". The vaccinator and their attendants are appointed and paid by the Local Bodies and Government gives grant-in-aid representing the difference in the amount of existing pay scales and those that existed when it was declared as "selected." The Public Health Department has only technical control over vaccination.

As regards category (2) the vaccinator and their attendants are being appointed by Government. Government pays their pay and allowances in the first instance. Full recovery of the pay and allowances of attendants to vaccinators are being effected subsequently from the District Local Boards concerned every quarter. So far as vaccinators are concerned, the recovery is made from the local bodies in a form of a fixed contribution based on the average of the pay-scale of vaccinators that existed at the time the posts were created and a certain amount of permanent travelling allowance.

As regards category (3), in Saurashtra Region including Kutch but excluding Amreli District, the vaccinators and their attendants are paid entirely by the Government and the local bodies are not required to pay to Government anything by way of contribution.

2. The Committee considers it necessary that the existing contrasts and disparities should be removed and that common formula for administration and control and for allocation of financial responsibilities between the State and municipalities should be fixed. It should be noted that under the Municipal Act vaccination comes within the obligatory functions of the municipalities, and as such the primary duty for this activity is that of the local body. However, as this being essential preventional health activity, the State should have equal concern as the

municipal administration. We are, therefore, of the opinion that the State and the municipality should bear the expenditure on vaccinators and attendants on 50:50 basis, and that the Government should bear the cost of lymph supply.

3. *Recommendations.* – We recommend two alternatives for the administration of vaccination and sharing of cost, as under :–

(i) in case of Government administering the vaccination organisation, all the municipalities should be required to contribute upto 50% of the cost on vaccinators and their attendants, by reducing the contribution in Gujarat area and by collecting contribution from Saurashtra and Kutch areas at the rate mentioned below:–

	Gujarat Area		*Saurashtra and Kutch Areas*	
	Municipal Contribution	Government Grant	Municipal Contribution	Government Grant
	1	2	3	4
1965–66	80%	20%	20%	80%
1966–67	60%	40%	40%	60%
1967–68	50%	50%	50%	50%

(*ii*) in case of municipalities taking over the administration, the proportion of expenditure to be borne by the municipality and Government should be on the following lines :–

	Gujarat Area		*Saurashtra and Kutch Areas*	
	Municipal Contribution	Government Grant	Municipal Contribution	Government Grant
	1	2	3	4
1965–66	80%	20%	20%	80%
1966–67	60%	40%	40%	60%
1967–68	50%	50%	50%	50%

The municipalities should be given an option to choose any of the two alternatives.

4. *Financial Implications.*–At present the average annual grant-in aid on the basis of difference in pay-scales amounts to Rs. 1000 in the selected district of Surat. Adoption of any of the formula recommended by us will not increase the financial liability of the State, except for marginal adjustments, which we estimate at Rs. 5000 per year.

Average of 3 years upto 1962-63	As per Recommendations	Difference + increase —Decrease
Rs.	Rs.	Rs.
1	2	3
1,000	6,000	+ 5,000

GRANT NO. 19

Grant-in-aid for Anti--Leprosy Work

Ex-Government of Bombay in Local Self Government and Public Health Department Resolution No. LEP-1057-S., dated the 5th February 1959 approved the rules for payment of grant-in-aid to institutions run by municipalities, doing anti-leprosy work. This grant-in-aid is payable subject to availability of fund to municipalities doing anti-leprosy work for out--patients on the following principles:—

(1) Government contributes 50 p. c. towards the total emoluments of leprosy assistant at the rate of one assistant upto 50,000 population subject to a maximum of Rs. 50 per month per assistant, besides the cost of training of such assistants.

(2) D. D. S. tablets are given free-of-charge to the municipalities, but no grant is given for other drugs or for the expenditure on the post of Medical Officer.

Recommendation.—The committee recommends that this grant should be continued on the same terms and conditions as at present.

Financial Implication.—Nil.

GRANT NO. 20

Grant-in-aid for Mosquito Control

Mosquito nuisance is a problem of considerable importance in most of the urban areas in the state, and is mainly due to *culexfatigans*, a species of mosquito which breeds profusely in such places as drains, gutters, cess pools, soakagepits, nullahs carrying town effluents, sewage, manure pits, barrow pits, contaminated organic manure, septic tanks, aquaprivies etc. In many towns increased provision of water supply without a simultaneous provision for adequate drainage scheme, has been responsible for much aggravation of mosquito nuisance.

Control of *culex* mosquitoes is of extreme importance not only because they create nuisance but also because they are responsible for the spread of several diseases, particularly fillariasis. Experience has shown that this disease which in many respects is more formidable and difficult to control than malaria, is slowly spreading to more and more areas. Even if there was no disease transmitted by *culex fatigans* in any locality the nuisance caused by them is so intense that sound sleep is not possible resulting in poor health and inefficiency. It is highly essential that steps are taken to prevent mosquito nuisance in all the urban areas in the state.

The final solution to the problem of mosquito nuisance in urban areas is the execution of complete drainage schemes. Such drainage schemes are undoubtedly expensive to commence with but will be economical in the long run. But the initial outley on such schemes will require crores of rupees and it is not practicable to ensure that all towns will have drainage scheme in the immediate future. However, relief measure such as a systematic programme of larviciding of weekly intervals taken up by the municipalities undertaking of the programme envisaged in the preceding paragraph by the municipalities will involve an additional cost to them which will be of two kinds *viz.* (i) cost of insecticides (ii) operation cost *i.e.*, cost of the staff to be employed to carry out the programme. As regards (i) we are given to understand that the Government of India supplies the required quantity of larvicides free of cost. So the municipalities will not be burdened with cost on this account. As regards operation cost the municipalities will have to incur some expenditure on operation cost *i. e.*, on employment of staff. We are of the opinion that operational expenditure should be borne by the municipalities in the first instance and the State Government should give grant-in-aid to those municipalities which undertake this programme.

2. *Recommendation.*—The Committee is of the view that grant-in-aid for the above purpose should be given on the following basis :—

A Class Municipality	..	30% of operational cost
B Class Municipality	..	40% of operational cost
C Class Municipality	..	50% of operational cost

The Committee is also of the view that the State Government should request the Government of India to continue the practice of supply of larvicides free of cost to those municipalities which have undertaken the programme.

3. *Financial Implications.*—According to the formula and estimates given by the department, the yearly financial implications of the scheme come to a big amount. We suggest the Government to work out rational scheme, and recommend an *ad-hoc* provision of Rs. 50,000 a year for taking up the scheme, more funds may be given, if available.

Three years average grant.	As per recommendations of the Committee	Difference +Increase —Decrease.
Rs.	Rs.	Rs.
1	2	3
	50,000	+50,000

GRANT NO. 21

Grant-in-aid on Triple Vaccine

1. With a view to combat Diptheria, Whooping cough and titanus diseases which are prevalent amongst children in urban areas Government decided under Health and Industries Department Resolution No. DWT. 1061/19138-B. 2, dated the 30th August 1961 to assist the municipalities (other than Borough Municipalities and the Ahmedabad Municipal Corporation) which undertake immunisation programme and for that purpose prescribed rules as under :—

(*i*) Municipalities should undertake the immunisation programme from their own funds in the first instance;

(*ii*) The municipalities participating in the programme would be eligible for grant-in-aid subject to a maximum of 20% of the expenditure incurred by them on purchase of triple vaccine. The expenditure on employment of staff etc., should be borne by the municipalities concerned and for that no grant is payable to the municipalities.

2. The grant-in-aid for this purpose is sanctioned by the Director of Health and Medical Services who is required to scrutinize the applications received from the municipalities and then sanction the grant to each such municipality each year from the amount available for that purpose.

3. During 1961-62 an amount of Rs. 15,000 was provided for this purpose in the Budget Estimates for that year. However no expenditure has been incurred on it. During the years 1962-63 and 1963-64 however no provision was made in State Budget. An amount of Rs. 25,000 has been admitted in the Budget Estimates for the year 1964-65.

4. The Committee has discussed this question with the Departmental Heads and is of the opinion that of late preservation and improvement of child health has become a vital problem due to a very fast development of urban areas. The bigger the areas the more is the degree of probability for such diseases. It is, therefore, necessary that Government should help the municipalities in this respect, though in general terms it is the duty of a municipality to take any measure not specifically prescribed by the legislature but which is likely to promote the public safety, health, convenience or education.

5. According to the present orders only the city and district municipalities are eligible for this grant. As mentioned above the bigger municipalities have to remain more conscious on this account due to thick population. The Committee is of the view that the rate of grant should be liberalised and all the municipalities should be eligible for this grant.

6. *Recommendations.*—We recommend that grant-in-aid on Triple Vaccine should be made to all the municipalities at the following rate :—

30% to A—Class Municipalities.
40% to B—Class Municipalities.
50% to C—Class Municipalities.

Expenditure on account of this grant should be restricted to 25000 Rs. a year.

7. *Financial Implication*

Average of three years	As per the recommendations	Difference + Increase — Decrease
Rs.	Rs.	Rs.
1	2	3
Nil	25,000	+ 25,000

GRANT NO. 22

Grant-in-aid to Municipalities for purchase of Wheel Barrows/carts-Replacement of Carrying Night-soil as head Load.

The problem of carrying night-soil as head-load has persistently been engaging the attention of Government who is very anxious to see that the inhuman practice is abolished completely and immediately. The State Government has taken an opportunity for a number of times to impress upon the State municipalities and local bodies that it is of utmost urgency that practice of carrying night-soil as head loads be eliminated within the shortest possible time. The success, however, in abolishing this practice depends mostly on the efforts of the scavenging community itself.

2. The best system for the disposal of night soil through mechanised means is the flush-out laterines, but unfortunately introduction of this requires lot of funds and seems outside the scope of practicability in the forseeable future. The question, therefore, arises of providing alternative methods of disposal of night-soil which as an interim measure, comparatively involve not much outlay taking into consideration the magnitude of the problem. Such alternative methods could at the same time ensure the expeditious elimination of the practice of carrying head loads. Most of the municipalities do

not have sufficient protected water supply even for drinking purpose. The question, therefore, of providing larger quantities of water for flushing out night-soil does not seem to arise. Lot of funds are required for laying underground sewers and purchase of accessories for installing sewage disposal plants etc.

3. Consequent on the recommendation of Scavengers' Living Conditions Inquiry Committee, which was appointed by the Government of Bombay in 1949, the Government of India as a first step to make the work of scavenging consistent with human dignity, suggested supplying of wheel barrows/hand carts to sweepers employed by municipalities etc. for scavenging work so that the practice of carrying night-soil as head-loads could be eliminated altogether. As it was felt that this requirement if left alone to the municipalities etc. might not be fulfilled in the absence of adequate financial resources, the Government of India offered to subscribe 50 % of the cost towards the purchase of wheel barrows/hand carts through the State Government to such of the needy municipalities and other local bodies as might undertake to provide immediately to scavengers employed on this type of work, wheel barrows or hand carts and were prepared to contribute the remaining 50 % cost with or without the State assistance. The Government of India *vide* their Circular No. 20/2/60/SCT. III, dated 13th April 1960 decided to enlarge the scope of the scheme further by giving financial assistance towards the purchase of wheel barrows hand carts to private scavengers also subject to the condition that the Government of India's grant would be 50 % of the expenditure on this scheme.

4. The Government of India further liberalised this grant raising it to 75 % to those municipalities with less than 1 lakh of population. The grant at the rate of 50 % was continued to those municipalities with the population of 1 lakh and more. At present the entire grant is paid by the Government of India.

5. The Committee has considered this question in all its aspects. The Committee is of the view that the Government of India and the State Government should draw up a phased programme for replacing of carrying night soil as head load in a systematic manner by the end of the fourth five year plan and the Government of India should be requested to contribute cent per cent of the cost.

6. *Recommendations.*— In order to achieve the results envisaged in the scheme, the committee recommends that, if 100% grant is not possible by the Government of India then the cost of the Scheme should be distributed as under :-

Municipality	Government of India's contribution Grant	State Government's contribution Grant	Municipalities Share
A Class	50 %	—	50 %
B Class	75 %	12 1/2%	12 1/2%
C Class	75 %	25 %	—

7. *Financial Implication.*— At present the grant or subsidy is given by the Central Government which is about Rs. 30,500. On account of our recommendations the State Government is expected to contribute a very moderate share with regard to schemes taken by A, B and C class municipalities as shown above. We estimate the amount of grant for this purpose at Rs. 15,000 a year.

Three years average (Central grant)	As per Committee's recommendations	Difference + Increase - Decrease
Rs.	Rs.	Rs.
1	2	3
30,500	45,500	+ 15,000

GRANT NO. 23

GRANT-IN-AID FOR CONSTRUCTION OF QUARTERS FOR CONSERVANCY STAFF

1. The Government of Saurashtra realising the necessity of providing good housing accommodation to the Harijan employees volunteered to offer to such municipalities, whose financial resources were slender, a grant-in-aid not exceeding 33 1/3% of the total cost inclusive of the cost of site in the case of a Borough Municipality, and 50% of the total cost inclusive of site in case of a District Municipality, after looking to the availability of funds provided in the municipal budget (*vide* Local Self-Government Circular No. 6937, dated 29th December 1950).

2. To facilitate early construction of houses for sweepers, the Government of Bombay, Labour and Social Welfare Department in its Resolution No. HHE-5659-F, dated the 26th October 1959 sanctioned a uniform scheme making it applicable to the whole of the re-organised Bombay State.

3. The financial assistance available to the municipalities is as under :—

(*a*) Loan--2/3rd of the ceiling cost or the actual cost whichever is less.

(*b*) Subsidy-1/3rd of the ceiling cost or the actual cost whichever is less.

This scheme was discontinued from 1961-62 and the new pattern was finalised in 1963-64. During the year 1962-63 no scheme was in operation. This scheme sanctioned under Government Resolution, Education and Labour Department No. CSP-1162/15458-G, dated the 14th June, 1963, in the central section of the Third Five Year Plan is to be implemented as per details given below:—

(*i*) Scheme sponsored by Local bodies for housing of sweepers and scavengers employed under them will be considered by Government in the Public Works Department under the slum clearance scheme. Under slum clearance scheme all municipalities are eligible to obtain assistance at the rate of 37-1/2 % subsidy from the central funds plus 12 1/2% additional subsidy under the scheme for amelioration of living conditions of scheduled castes plus 15% State share of subsidy and 10% to be provided as subsidy by the municipality. The balance of 25% will be given as loan from the funds provided by the Central Government.

4. *Recommendation.*— A separate scheme for grant-in-aid to municipalities for providing houses to sweepers and scavengers employed by them has been discontinued from 1962-63 and has been included as part of the slum clearance schemes operated by the Public Works Department. Committee, therefore, does not propose a separate scheme for this purpose. The Committee recommends that the financial assistance as is given now under the slum clearance scheme for providing houses to Harijans and scavengers to municipalities should be continued to be given at the same rate, during the remaining years of the Third Five Year Plan and in the Fourth Five Year Plan.

5. *Financial Implications*

Three years' Average	As a result of Committee's recommendation	Difference +Increase —Decrease
Rs.	Rs.	Rs.
1	2	3
18,600	Nil.	Nil.

GRANT NO. 24.

GRANT-IN-AID FOR SECONDARY EDUCATION

Table No. II annexed in the earlier part of this chapter shows that annual average grant of Rs. 3,97,400 is given for secondary education to those municipalities which have taken over or started

secondary schools. It may be mentioned that the Education Department has recently revised the rules relating to grant-in-aid for Secondary Schools in the State of Gujarat under E. & L. D. Notification No. GAC-1064/C, dated the 22nd April 1964. These rules apply to all institutions which are running Secondary Schools.

2. *Recommendations.*— We, therefore, see no reason to provide separate type of grant in the regular pattern of grants-in-aid to the municipalities. However, municipalities will be entitled to these grants under the said rules.

3. *Financial Implications*

Three years' average upto 1962-63.	As per recommendations	Difference + Increase — Decrease
Rs.	Rs.	Rs.
1	2	3
3,97,400	3,97,400	NIL

GRANT NO. 25

GRANT-IN-AID UNDER THE BOMBAY MOTOR VEHICLES TAX ACT, 1958.

The following 15 municipalities are paid a fixed amount as shown against them as compensation under sub-section (2) of section 11 of the B. M. V. T. Act, 1958, on account of loss of income on abolition of tolls:—

Municipalities 1	*Amount of Grant.* 2
	Rs.
1. Viramgam	234
2. Dholka	267
3. Kapadvanj	440
4. Broach	24
5. Ankleshwar	358
6. Godhra	1,815
7. Dohad	2,735
8. Mehsana	145
9. Unjha	275
10. Baroda	4,363

1	2
11. Dabhoi	121
12. Bulsar	584
13. Surat	3,455
14. Bilimora	690
15. Navsari	5,575
	21,077

Recommendations.—As this is a compensatory grant to be paid under the B. M. V. T. Act, 1958, it may be continued.

Financial Implications.

Three years' average upto 1962–63.	As per recommendations.	Difference + Increase —Decrease
Rs.	Rs.	Rs.
1	2	3
21,077	21,077	Nil.

GRANT NO. 26.

Grant-in-aid For Administration of Cattle Pounds

1. At present the administration of cattle pounds in the municipal areas is carried out under the provisions of the Cattle Trespass Act, 1871. The powers under sections 4, 5, 6 and 14 of the said Act have been transferred to the municipalities and they are paid grant-in-aid equal to the total receipt realised by them under sections 12 and 17 of the said Act. The municipalities in Gujarat area receive this grant at the above rate.

As regards the municipalities in Saurashtra areas the income realised under the Cattle Trespass Act, 1871 is retained by them.

Thus in one part of the State the municipalities are given grant-in-aid equal to income realised under the Act while in the other part the income realised is retained by the municipalities.

2. As per provisions made in the proposed Gujarat Municipalities Act, the provisions of the Cattle Trespass Act, 1871 shall cease to apply to the municipal areas with effect and from the date of the commencement of the Gujarat Municipalities Act, and the cattle pounds within the municipal limits shall vest in the municipalities and shall be maintained by them in accordance with the provisions in the new Municipal *Act.*

3. *Recommendation.*– Since under the provisions made in the proposed Municipalities Act the cattle pounds within the municipal limits are to be administered by the municipalities concerned and any income realised out of it is to be retained by the respective municipalities, the Committee does not, propose to make any recommendation in respect of this grant-in-aid which will automatically cease on the commencement of the proposed Gujarat Municipalities Act.

4. *Financial Implication.*– The receipts will be directly received by the municipality as stated above.

Three years average up to 1962-63.	Recommendations	Difference + Increase —Decrease
Rs.	Rs.	Rs.
1	2	3
24,100	24,100	Nil.

GRANT NO. 27

GRANT-IN-AID UNDER THE BOMBAYPUBLIC CONVEYANCE ACT.

It appears from the Government of Bombay, Home Department Resolution, No. 8773/3/III-dated 8th February 1939 that this grant-in-aid was paid under clause (*5*) of section 36 of the Bombay Public Conveyance Act, 1920. Consequent upon the deletion of the said clause this grant to the local bodies outside Bombay City on account of the Bombay Conveyance Act, 1920 was paid equal to the average of the last 3 years' actual grants and were to be revised every 3 years subject to the condition that grants thus sanctioned periodically should not exceed the balance remaining out of the fees after meeting the charges incurred, both direct and indirect, in administering the Act.

2. At present the grant is paid under the Government of Bombay, Home Department Resolution No. 8773/3-III, dated 21st April 1943. According to these orders the payment of this grant to individual bodies is based on the average, for preceding 3 years, of the surplus of receipts over expenditure (including proforma expenditure), subject to a minimum of 25% of the average receipts.

Normal expenditure on this grant comes to Rs. 3,600 per year.

3. *Recommendation.*– The Committee has no special recommendation to be made as regards the quantum of grant-in-aid. The Committee, however, recommends that this grant-in-aid should also be paid to the other part of the State *viz.* Saurashtra area and Kutch area.

Financial Implication

Three years average upto 1962–63	As per Recommendations.	Difference +Increase –Decrease
Rs.	Rs.	Rs.
1	2	3
3,600	5,000	+1,400

GRANT NO. 28

Bombay Shops and Establishment Act, 1948-Grant-in-aid to municipalities

Before the year 1949 Government of Bombay used to sanction annually a grant-in-aid to the local authorities to meet a part of the expenditure incurred by them in administering the Bombay Shops and Establishments Act, 1948. The amount of the grant-in-aid sanctioned was equal to the amount of fines under the Act in the respective local area, but limited to the total expenditure incurred in administering the Act. The Committee appointed by the Government of Bombay to inquire into the working of Bombay Shops and Establishment Act, 1939 recommended that larger grants may be made to smaller municipalities irrespective of the fines realised in their respective areas. Government of Bombay accepted the recommendation of the Committee and decided that in respect of local area having a population of less than 25,000 a grant-in-aid equal to 50% of the expenditure incurred on the administration of the Act or equal to the amounts of fines realised whichever is higher should be given. In respect of local areas having a population of 25,000 or more, the present practice of sanctioning grant-in-aid equal to the amount of fine realised but limited to the actual expenditure incurred in administering the Act was, however, continued (*vide* Government of Bombay Labour Department Circular No. P-III, dated 9th May 1949).

2. The Government of Saurashtra also under orders contained in its Resolution, Local Self-Government No. 293, dated 28th March 1951 used to transfer the amount of fines realised under this Act to the municipalities concerned after deducting 20 p. c. of the fine towards the cost of Magistrates Establishment exclusive of the Travelling Allowance of the Magistrate and "Bhatha to witness and travelling allowance to the Magistrate concerned for offences in connection with this Act.

It will be seen from the above that the orders governing payment of this grant are different for Bombay area and Saurashtra area of the State. The Government, therefore, in order to have one unified system in the whole state decided in Government Resolution, Education and Labour Department NO. P-64-4228-I dated 8th February 1962 that the grants to the Local authorities for the administration of Shops and Establishment Act should be paid on the following uniform basis throughout the state :—

(*i*) In respect of local areas having a population of less than 25,000 the grant should be paid at the rate of 50 % of the expenditure incurred on the administration of the Act or equal to the amount of fines realised whichever is higher.

(*ii*) In respect of local area having a population of 25,000 or more, this grant should be equal to the amount of fines realised under the Act but limited to the actual expenditure incurred on the administration of the Act.

4. *Recommendation.*— The Committee is of the opinion that the grant should be continued to be paid on the same basis as in Government Resolution, Education and Labour Department NO. P-64-4228-I dated 8th February 1962.

5. *Financial Implications*

Three years average upto 1962–63.	As per the recommendations.	Difference. +Injrease —Decease
Rs.	Rs.	Rs.
1	2	3
21,700	21,700	Nil.

GRANT NO. 29

FINES REALISED IN CASES UNDER THE MUNICIPAL AND OTHER ACTS TRIED BY MAGISTRATES—PAYMENTS OF GRANT-IN-AID TO MUNICIPALITIES

1. Under the Government of Bombay Resolution Home Department No. 792/4 dated 1st March 1943, the municipalities and other local bodies are paid grant-in-aid equal to the fines realised in cases in which the offences were committed in their jurisdiction and tried by Magisterial courts under the municipal and certian other Acts mentioned in Statement 'A' attached after deducting (*i*) 20% of the total amounts of fines realised in respect of each municipality and local body, and (*ii*) expenses on account of 'Bhatha' to witnesses and travelling allowance to Magistrates. The above grant-in-aid is not paid in cases where special Magistrates have been appointed exclusively for municipal cases since the actual cost is recovered in such cases. The whole amount of fine recovered in such cases is paid to the local body concerned as grant-in-aid before the end of every financial year.

2. This procedure of giving grant-in-aid annually in one lump-sum was changed in Government of Bombay Home Department Resolution No. 726-7 dated 14th July 1955 and it was decided that in future this grant-in-aid to the local bodies should be paid in four instalments in the months of July, October, January and March of the year. This grantin-aid is continued to be paid in the old Bombay state area of the State of Gujarat even after formation of a separate State of Gujarat. The Government of Saurashtra also under orders contained in its Resolution, Local Self Government No. 293 dated 28th March 1951 used to transfer the amount of fine on convictions under the Acts mentioned in Statement 'B' attached herewith, to the municipalities concerned, at the end of a financial year, after deducting 20% towards the cost of Magistrates court including its establishment. The above orders of Saurashtra Government were slightly changed under Government of Saurashtra Revenue Department Resolution No. RD/LSG/160-53-54 dated 29th September 1954 whereby it was ordered that—

(*i*) 20% of the fine towrds the cost of Magistrates Establishment exclusive of the travelling allowance of the Magistrate concerned, and

(*ii*) 'Bhatha' to witnesses and travelling allowance to the Magistrate concerned for offences in connection with the Acts mentioned in Statement 'B' attached should be deducted from the realisation of the fines and the balance should be refunded to the municipality concerned.

3. *Recommendation.*— Since this is a compensatory grant paid to the municipalities on account of loss of revenue, we recommend that this grant-in-aid should be paid uniformly to all parts of the state on the basis laid down in Government of Bombay Resolution No. 792/4 dated 1st March 1943 as modified by Resolution No. 726/7 date 14th July 1955.

4. *Financial Implications*

Three years average upto 1962-63 Rs.	As per recommendation of the Committee. Rs.	Differance. +Increase —Decrease Rs.
1	2	3
98,800	98,800	Nil.

STATEMENT 'A'

(1) The Bombay District Municipal Act, 1901.
(2) The Bombay Police Act, 1951.
(3) The Prevention of Cruelty to Animals Act, 1890.
(4) The Cantonments Act, 1924.
(5) The Indian Petroleum Act, 1898.
(6) The Cattle Tresspass Act, 1871.
(7) The Indian Explosives Act, 1884.
(8) The Bombay Municipal Boroughs Act, 1925.
(9) The City of Bombay Municipal Act, 1882
(10) The Bombay Village Panchayats Act, 1925.
(11) The Bombay Local Boards Act, 1923.
(12) The City of Bombay Primary Education Act, 1920.
(13) The Bombay Primary Education Act, 1923.
(14) The Bombay District Vaccination Act, 1892.
(15) The Wild Birds and Animals Protection Act, 1912.
(16) The Bombay Public Conveyances, Act, 1920.
(17) The Poisons Act, 1919.

STATEMENT 'B'

(1) Section 51 of the Bombay District Municipal Act, 1901.
(2) Section 2 (2)of the Bombay Prevention of Adulteration Act, 1925.
(3) The Bombay Shops and Establishment Act, 1939.
(4) The Section 65 of the Bombay Municipal Boroughs Act, 1925.

GRANT NO. 30

GRANT—IN—AID UNDER THE POISONS ACT, 1919

According to the orders contained in Home Department, Resolution, No. 792/4, dated the 7th February, 1940, a grant-in-aid at 90% of the fees realised under the Poisons Act, 1919, is to be paid to the municipalities in the Gujarat areas.

2. On inquiry, it is learnt that the amount of fines realised under his Act, is very meagre. For example, in the case of Nadiad Borough municipality, the grant-in-aid during the last 3 years was Rs. 1.80Ps 0.90 Ps., and 0.90 Ps., for the years 1960-61, 1961-62 and 1962-63 trespectively. These petty amounts are of no use to themunicipalities nd the labour involved in making such payments is not worth the trouble.

3. *Recommendations.*—It is therefore, recommended that this grant should be discontinued or commutted, and if necessary the Act may be amended.

Financial Implication

Present grant	As per recommend-ations	Difference +Increase —Decrease
100	Nil	—100

GRANTS NOS. 31 TO 49

Grant for Miscellaneous or Isolated Works or Purposes

From the perusal of the details supplied by the municipalities as well as by the office of the Examiner, Local Fund Audit, we find that certain grants for College, Library, Census, Cattle Census, Balashram, Vyayamshala, Gymnesium, Gardens, Road from Anand station to Anand Town, Eye-camps, Lighting, Open Air Theatres, Audio Visual Instruments, etc., were paid, annual average expenditure on which amounted to Rs. 1,68,800. We find that these are occasional grants and probably in certain cases, payments for past commitments. As many of these activities are either on agency basis or falling under the voluntary functions of the municipality or isolated in nature, we do not consider for their inclusion in the regular system of grants-in-aid, and the same may be discontinued.

Recommendations.—We therefore, do not include these grants in our recommendations.—

Financial Implications

Average of three years upto 1962–63	As per recommend-ations	Difference +Increase —Decrease
1	2	3
Rs.	Rs.	Rs.
1,68,800	—	—1,68,800

A Statement of Various Grants to Municipalities to be appended to Budget Memorandum—Expenditure to be debited to Revenue Section

It was brought to the notice of the Committee that the information available regarding financial assistance by way of grants-in-aid to

the municipalities is not easily available. It is scatterred over various heads of accounts of the State Budget. We notice that certain expenditure, like grant-in-aid for water supply and drainage schemes, roads etc. are debited to the capital section of the State Budget. Really speaking assets created from such grants vest in the municipalities, and not in the State. We are of the view that all expenditure on grants-in-aid to municipalities should be considered as revenue expenditure and debited to the revenue section instead of to the capital section of the budget. We request that Government may examine this suggestion.

It is also suggested that the State Government while preparing Budget Estimates, include in the Finance Department Explanatory Memoranda, a statement showing the assistance by way of grant-in-aid from the Government to the municipalities, and indicate the revenue head of account, as also the department controlling the grant.

Abstract of the final recommendations of the committee showing the purpose of grant The basis of distribution and the amount of grant payable annually.

Sr. No.	Purpose of grant	Basis of distribution	Amount of grant payable annually
1	2	3	4
	GENERAL PURPOSE GRANTS		Rs.
1	Basic Per Capita General Purpose Grant.	(i) 25 Paisa per capita to A class Municipality. (ii) 35 Paisa per capita to B class Municipality. (iii) 50 Paisa per capita to C class Municipality. Provided that the total per capita municipal taxation is not less than Rs. 10 per annum.	10,68,000
2	Grant-in-aid from Non-Agricultural Assessment.	75% of the non-agricultural assessment, realised from the revenue limits of the town. Provided that the total per capita municipal taxation is not less than Rs. 10 per annum:	2,19,100
3	Grant-in-aid from Land Revenue.	75% of the land revenue realised from the revenue limits of the town: Provided that the total per capita municipal taxation is not less than Rs. 10 per annum.	3,01,000
4	Grant-in-aid from Education Cess.	Equal to 1/3 of the tax on land and buildings under the Gujarat Education Cess Act, 1962 collected within the municipal limit of the town: Provided that the total per capita municipal taxation is not less than Rs. 10 per annum.	10,00,000

SPECIFIC PURPOSE GRANTS

5	Grant-in-aid for Water Supply & Drainage Schemes.	A. class municipality 25% of the cost of the scheme. B. class municipality 33% of the cost of the scheme. C. class municipality 40% of the cost of the scheme.	34,16,000
6	Grant-in-aid for Primary Education.	(i) Equal to 55% of the expenditure on pay and allowances of the teaching staff, to A and B class municipalities. (ii) Equal to 66% of the expenditure on pay and allowances of the teaching staff, to C class municipalities. (iii) Equal to 80% of the per student expenditure on other items of expenditure to all municipalities subject to actual expenditure.	24,64,900
7	Grant-in-aid for Roads.	(i) Rs. 250 per mile for maintenance and repairs of roads to all municipalities, and (ii) For construction and upgrading of roads— 30% of the expenditure to A class municipalities. 40% of the expenditure to B class municipalities. 50% of the expenditure to C class municipalities.	10,00,000
8	Grant-in-aid for Dearness Allowance to Municipal Employees.	(i) 33% of the expenditure on dearness allowance to Surat & Baroda Municipalities. (ii) 50% of the expenditure on dearness allowance to other municipalities. related to percentage of property tax by the respective municipalities.	24,91,000
9	Grant-in-aid for maintenance of Dispensaries.	Equal to pay and allowances of Medical Officers.	1,58,500
10	Grant-in-aid for maintenance of Hospitals.	As above, But where the institution has indoor accommodation and having more than one Medical Officer, equal to the amount of pay and allowances of Medical Officers or equal to 33 1/3% to A & B Class municipalities and to 40% to 'C' class Municipalities of approved expenditure whichever is more, subject to actual deficit.	
11	Grant-in-aid for Maternity Homes and Maternity Hospitals.	Equal to pay and allowances of its Medical Officers or 33 1/3% to A & B class municipalities and 40% to 'C' class municipalities of approved expenditure whichever is more subject to actual deficit.	15,000

1	2	3	4
12	Grant-in-aid for Maternity and Child Welfare Centres.	(i) 33.1/3% of approved expenditure to A class municipalities or Rs. 3,000 whichever is less. (ii) 40% of approved expenditure to B class municipalities or Rs. 4,000 whichever is less. (iii) 50% of approved expenditure to C class municipalities or Rs. 5,000 whichever is less.	Rs. 75,000
13	Grant-in-aid for Building and Equipment for Medical and Health Institutions.	*Buildings*—(*a*) Upto 331/3% of the net cost of construction or actual deficit whichever is less to A & B class municipalities (*b*) Upto 40% of the net cost of construction or actual deficit whichever is less to C class municipalities. *Equipments*.—Not exceeding 50% of the cost of equipment, instrumentse to. to all municipalities.	33100
14	Grant-in-aid for appointment of Health Officer and Sanitary Inspectors.	(i) 50% of the cost on account of appointment of Medical Officers of health to all municipalities. (ii) 331/3% of the cost on account of Sanitary Inspectors and Chief Sanitary Inspectors to all municipalities.	90,000
15	Grant-in-aid on account of Anti Epidemic measures.	Equal to 50% of the expenditure incurred by municipalities on anti-epidemic measures during the particular year.	5,800
16	Grant-in-aid for Vaccination.	Equal to 50% of the cost of Vaccinators and their attendants to municipalities.	6,000
17	Grant-in-aid for Antileprosy Work.	Equal to 50% of the emoluments of the leprosy assistants subject to a maximum of Rs. 50 per month per assistant and lymph being supplied free by Government to municipalities.	
18	Grant-in-aid for Mosquito Control	30% of the operational cost to A class municipalities. 40% of the operational cost to B class municipalities. 50% of the operational cost to C class municipalities.	50,000
19	Grant-in-aid for Triple Vaccine.	30% of the expenditure on vaccine to A class municipalities. 40% of the expenditure on vaccine to B class municipalities. 50% of the expenditure on vaccine to C class municipalities.	25,000

20	Grant-in-aid for Wheel Barrows.	Municipality	Grant from Government of India	Grant from State Government	Municipal share	
		A class	50%	...	50%	45,500
		B class	75%	12 1/2%	12 1/2%	
		C class	75%	25%	...	
21	Grant-in-aid for Secondary Education.	Equal to 50% of the approved expenditure				3,97,400
22	Grant-in-aid under Bombay Motor Vehicles Tax Act, 1958.	Compensation as determined under the act.				21,000
23	Grant-in-aid under Cattle Trespass Act, 1871.	Total receipts.				24,100
24	Grant-in-aid under the Public Conveyance Act, 1930.	Average for three years of net surpluses subject to minimum of 25% of average receipts.				5,000
25	Grant-in-aid under Bombay Shops and Establishment Act, 1948.	Equal to the amount of fines realised under the Act, but limited to the actual expenditure incurred on the administration of the Act.				21,700
26	Grant-in-aid from Fines under Municipal and other Acts.	Equal to the fines realised after deducting 20% of the fines towards cost of Magistrates establishment and 'Bhatta' to witnesses and travelling allowance of Magistrates.				98,800

CHAPTER XI

Procedure for Payment of Grant-in-aid

11.1. Appendix XXII of the Bombay Financial Rules, 1959, lays down the procedure for sanctioning the payment of grant-in-aid. While examining this procedure, the Committee issued a questionnaire to the municipalities in order to have full data regarding the procedural difficulties experienced by the Local Bodies. This was also discussed with the representatives of the municipalities and the Heads of Departments and Secretariat Officers connected with grants-in-aid. The main points are as follows:—

(*i*) Late sanctions.

(*ii*) Requirements of authorisation from Accountant General, before payment, where grant is sanctioned by Government.

(*iii*) Period of utilisation of grants with reference to sanctions.

(*iv*) Requirement of audited statement of accounts before 31st of May each year.

(*v*) Presentation and counter-signature of bills.

(*vi*) Payment of grants in instalments.

11.2. The municipalities made a general complaint that sanctions regarding grant-in-aid are received very late. It, therefore, becomes difficult for them to draw the money in time and utilise during the financial year. After examination, the Committee found that the delays are due to late action by the officials concerned and that there is nothing basically wrong with the procedure as such. Even with the best of procedure, if the authorities do not take action in time, it is bound to result in late sanctions. The only action required to be taken in this regards, therefore, is to request all concerned officials to take immediate actions in such cases.

11.3. Regarding the second point, the municipalities are experiencing great difficulty in getting the authorisation from the Accountant General in order to draw the money. After grant-in-aid, is sanctioned by Government, actual payment cannot be made without the authorisation from the Accountant General. Government have recently decided that the authorisation from the Accountant General is not necessary. No further action, is therefore, called for.

11.4. According to Rule 149 of the Bombay Financial Rules, 1959 and Appendix 22, Section I, paragraph 5, grant-in-aid is subject to two conditions (*i*) that it should be utilised for the purpose for which it is sanctioned within a reasonable time and (*ii*) that it should be utilised in the financial year in which it has been sanctioned, unless there is specific provision to the contrary. As has been mentioned

above the sanctions are being received fairly late by the municipalities and therefore the latter are experieneing difficulty in abiding by the two conditions mentioned above. The expression "reasonable time" in condition No. 1 has been interpreted to mean one year from the date of issue of the letter sanctioning the grant as clarified in one of the F. D. Circulars. However, in the same Circlular, it has been further clarified that grant-in-aid should be utilised within the same financial year. It, therefore, implies that if grant-in-aid cannot be utilised within the financial year by the municipalities, the same is liable to lapse. The representatives of the municipalities urged to the Committee that grants sanctioned during one financial year should be allowed to be utilised in the following year and should not lapse at the end of the financial year. The Committee, however, feels that this concession should not be given to the municipalities on all types of grants. The non-recurring grant may not lapse at the close of the financial year. It relates to a specific work and cannot be diverted to other works or services. As regards grants of recurring nature, the Committee considers that unspent balances at the end of the financial year may be adjusted against the grant payable to the municipality on similar activities in the next financial year or in other words the unspent portion of the grant may lapse at the close of the financial year.

11.5. Rule XXXI of the Rules framed by the Health and Industries Department in Government Resolution, No. GHD-3264/19411-S dated 7th March 1964, requires that all medical and public health Institutions receiving grants-in-aid shall render audited statements of accounts of the institutions during the financial year ending 31st March, before 31st May, each year. As the accounts of the municipalities are audited by the Examiner, Local Funds Accounts, it is beyond the control of the municipalities to produce a statement of audited accounts by a fixed date. Experience has shown that the Examiner, Local Funds Accounts is not in a position to complete the audit reports of all the municipalities within such a short time. The Committee is, therefore, of the view that in order to remove unnecessary hardships to the municipalities, the recurring grants should be released to the municipalities provisionally subject to adjustment after accounts are audited.

11.6 The municipalities also complained that bills preferred by them and submitted for countersignature are sent to them through the Treasury Officers and Taluka Officers which results in delay. The Committee found that according to the prescribed procedure (Section II of Appendix XXII of the Bombay Financial Rules, 1959), the countersigned bills are to be handed over to the grantees who have to present them at the Treasuries. It seems that the prescribed procedure is not being followed. Moreover, the Treasuries are bound to give tokens for the bills received by them. It is, therefore, found that there is no difficulty in the procedure and, therefore, no change is required. Only observance of the prescribed procedure needs to be stressed.

11.7 The municipalities also suggested that some of the grants were being paid in three or four instalments. Instead, the same may be paid in one instalment. The Committee, however, considers that grants-on Primary Education, Dearness Allowance, and Basic General Purpose grants should be paid in four equal instalments. The other grants may be paid in two instalments. This will, of course, be subject to availability of funds. However, where the conditions for payment of grant-in-aid requires payment otherwise, the same should be regulated according to those rules and principles.

CONCLUSIONS

The Committee has tried to collect all the data available on the subject in order to make a proper study of the problem. It is possible that certain minor aspects of municipal problems might not have been discussed in detail. Although, all the members of the Committee have been extremely busy with their normal work, yet they have tried to put in their best and have attempted to suggest a reasonable code for grants-in-aid to the municipalities. We hope that our recommendations will be found useful both by the Government and the municipalities.

We are deeply grateful to the various State Governments and other authorities for the material supplied to us in response to our enquiry. We would also like to thank Shri N. M. Kazi, Under Secretary to Government, Rural Development Department and Shri V. T. Shukla, Assistant Examiner, Local Fund Accounts, Shri K. B. Trivedi, Senior Assistant, Rural Development Department and Shri P. R. Joshi, Personal Assistant to the Chairman who have assisted the Committee in the preparation of the report.

Since the formation of the Committee, the work relating to municipalities has been shifted to other departments more than once. It was first transferred to the Health and Industries Department and later to the Rural Development Department. Member Secretaries have, therefore, been changing. First we had Shri M. G. Shah, Deputy Secretary to Government, General Administration Department, then Shri. G. N. Dike, Deputy Secretary to Government, Health and Industries Department followed by Shri R. A. Dave and Shri B. S. Mehta, Deputy Secretaries in Rural Development Department. We now have Shri P. S. Mankad, Deputy Secretary to Government, Rural Development Department. Shri K. R. Gupta, Deputy Accountant General, who has also been recently transferred and Shri M. G. Shah, however, have been retained on the Committee in their personal capacities.

(1)	Maldevaji M. Odedra	Chairman.
(2)	M. G. Shah	Member.
(3)	Mrs. S. L. Singla	Member.
(4)	K. R. Gupta	Member.
(5)	P. S. Mankad	Member-Secretary.

31st July, 1964.

PART–II

APPENDIX 1

F. J. HEREDIA,
I. A. S.
Member- Secretary,
Municipality Grant-in-aid
Code Committee.

No. GIC-4063-3157-L,
Health and Industries Department.
Sachivalaya, Ahmedabad-15,
Dated 30th April, 1963.

To

The President,
.....Municipality,

....

Subject:– Grant-in-aid to municipalities—
Modifications in the system of the—

Sir,

In our State municipalities receive grants from the Government for different types of works. There is scope for some changes in the systems of sanctioning grants. There also exist different standard and systems in the different parts of the State. There is a demand for a uniform standard of grant-in-aid for the whole State and a simpler system for giving grants. Government have, for better efficiency in municipal administration, appointed a committee under the Chairmanship of Shri Maldeoji Odedara, Deputy Finance Minister to prepare a grant-in-aid code for the whole of Gujarat State, after studying the grants received by the municipalities at present and the system underlying them, and taking into consideration the necessity for the municipalities to raise their financial sources and the present financial condition of the State Government, by making appropriate changes in the standard and the system of grant-in-aid

2. The first meeting of this committee held on 19th inst. resolved to call for certain information from every municipalities. Accordingly you are requested to furnish information in the form attached hereto.

3. As the views of those directly concerned with municipal activities are found to be very useful, the committee would also like to have the views of your minicipality on the following five points. They may please be forwarded to this Committee very briefly, preferably in about two pages.

1. Are you satisfied with the present system of grant-in-aid ? If not why ? What amendments would you like to suggest ?

2. What are the difficulties you undergo in getting grants from the Government ?

3. Give in brief the details of particular case in which you have had to undergo such hardship.

4. What are your suggestions for revising the grant-in-aid system to remove these difficulties.

5. What are the steps taken or proposed to be taken for augmenting the revenue of the municipality and as a result of this how will the developmental activities of the municipality get impetus ?

4. Kindly furnish the information and your views so as to reach committee on or before 15th May, 1963. As the committee has to submit its report to Government before 30th June, 1963, it is likely that the information and views received after 15th May, may not be useful. Hence the request to send them before the due date. I am sure, the committee will get full-co-operation from your municipality and will find your suggestions useful.

With warm regards,

Yours sincerely,

F. J. HEREDIA

ACCOMPANIMENT TO APPENDIX I

GUJARAT STATE GRANT-IN-AID CODE COMMITTEE (1963)

Questionnaire

1. The Name of the municipality :
2. Population
   (According to 1961 Census) :
3. The Revenue of Municipality :

	1960–61		1961–62		1962–63	
	Revenue	Recovery	Revenue	Recovery	Revenue	Recovery
(1) Taxation :						
A. Direct :						
B. Indirect :						
(2) Receipt under Special Acts :						
(3) Receipts from the assets of the municipality :						
(4) Grants from Government (as detailed below) :						
A. Dearness :						
B. Land Revenue (Agriculture) :						
C. Land Revenue (non-agriculture) :						
D. Entertainment tax :						

E.
F.
G.
H.
I.
J.
K.
L.
M.
N.
O.
P.

(5) Grants from other sources and/or donations :
(6) Miscellaneous :
(7) Total of (1) to (6) :

4. Expenditure of Municipality :

	1960–61	1961–62	1962-63
(1) Expenditure on administration :			
(2) Annual recurring expenditure on essential services :			
(3) Capital expenditure on development works :			
(4) Miscellaneous expenditure :			
(5) Total of (1) to (4) :			

.....City/town.

Dated.....May, 1963.

President,
.....Municipality.

APPENDIX 2

Bombay Financial Rules, 1959

Communication of Sanction

149 Rules and procedure for sanctioning and payments of grant-in-aid or contribution to educational and other institutions. Local bodies co-operative societies, etc. and educational scholarships have been inserted as Appendix 22 to these Rules.

APPENDIX XXII

Rules for the guidance of sanctioning authorities in the matter of according sanctions for grant-in-aid or contributions to educational and other institutions, local bodies, co-operative societies, etc., and educational scholarships.

SECTION—I

1. Unless in any case Government directs otherwise every order sanctioning a grant should specify clearly the object for which it is given and the conditions, if any, attached to the grant. In the case of non-recurring grants for specified objects, the order should also specify the time-limit within which the grant or each instalment of it is to be spent.

2. Only so much of the grant should be paid during any finacial year as is likely to be expended during that year. In the case of grants for specific works of services such as buildings, water-supply schemes and the like, the sanctioning authority should use its discretion in authorising payments according to the needs of the work. The authority signing or countersigning a bill for grant-in-aid should see that money is not drawn in advance of requirements. There should be no occasion for a rush for payment of these grants in the month of March.

3. Before a grant is paid to any public body or institution, the sanctioning authority should, as far a possible, insist on obtaining an audited statement of the accounts of the body or institution concerned in order to see that grant-in-aid is justified by the financial position of the grantee and to ensure that any previous grant was spent for the purpose for which it was intended. It is not essential for this purpose, that the accounts should be audited in every case by the Accountant General, Bombay. It will be sufficient in most cases, if the accounts are certified as correct by a department auditor, registered accountant or other recognised body of auditors. In the case of small institutions which cannot afford to obtain the service of a registered accountant or other registered body of auditors,the sanctioning authority may exempt any such institutions from the submission of accounts audited in this matter with the concurrence of the Finance Department. However, in respect of grants which are of a capital nature or in excess of Rs. 10,000 (recurring or non-recurring) and which are sanctioned for specific purposes to institutions etc., the order sanctioning the grant-in-aid should contain a clause to the effect that, if so required by the Accountant General Bombay, the accounts together with all relevent papers of the institution shall have to produced for inspection by the Accountant General Bombay. Even in respect of unconditional grants-in-aid Government reserve the right to have the accounts of the recipient body audited by the Accountant General Bombay, at their own initative, if and when occassion demands, to satisfy themselves generally regarding the manner in which the affairs of the recipient body are being managed.

The authority sanctioning a grant, while communicating the sanction to the Accountant General Bombay, should state whether the audited statement of accounts has been received where required or whether the grantee has been exempted from submitting the statement.

Note.—This rule applie both to non-official institutions as well as semi-official ones, such as public clubs, etc. The monetary limits of Rs. 10,000 should not be treated as, in any way, fettering the discretion of the Accountant General, Bombay, in approaching Government, if in any official case he considers that an audit of the recipeint's books even when the amount is less, is called for.

4. In case in which conditions are attached to the utilisation of a grant in the form of specification of particular objects of expenditure or the time within which the money must be spent, or otherwise, the departmental officer on whose signature or contersignature the grant-in-aid bill was drawn should be primarilly responsible for certifying to the Accountant General, Bombay, were necessary, the fulfilment of th conditions attaching to the grant, unless there is any special rule or ord e to the contrary. The certificate should be furnished in such form a er at such intervals as may be agreed upon between the Accountant Genend Bombay, and the head of the department concerned. Before recording the certificate, the certifying officer should take steps to satisfy himself that the conditions on which the grant was sanctioned have been or are being fulfilled. For this purpose, he may require the submission to him at suitable intervals of such reports, statements etc., in respect of the expenditure from the grantee as may be considered necessary. Where the accounts of expenditure from the grants are inspected or audited locally the inspection or audit report, as the case may be, will either include a certificate that the conditions attaching to the grant have been or being fulfilled or will give details of the breaches of those conditions. With regard to the recording of certificate by the competent authority to the effect that money sanctioned for specific purpose has actually been spent for the purpose for which the grant was made, a mere certificate to that effect will not suffice unless the checks to be exercised before recording such a certificate are fully laid down and there is evidence of the checks having been exercised. Therefore, officers granting the certificate should make the certificates comprehensive, stating therein the kinds of checks they have exercised to see that the money was actually spent for the purpose for which the grant was made.

5. Unless it is otherwise ordered by Government every grant made for a specifio object is subject to the implied conditions :—

(*i*) that the grant will be spent upon the object within a reasonable time, if no time-limit has been fixed by the sanctioning authority, and

(*ii*) that any portion of the amount which is not ultimately required for expenditure upon that object should be duly surrendered to Government before the expiry of the financial year in which it is sanctioned unless there is any specific provision to the contrary.

SECTION—II

Procedure regarding payment of grant-in-aid

The amounts of the grants-in-aid are drawn by presenting bills in the CTR Form 42 either by the Grantees or by the Departmental Officers. When such bills are presented both by the grantees as well as by Departmental Officers there is a possibility of double payment taking place. With a view to avoiding such double payments and irregularities in payment of grants-in-aid, it is decided that the following instructions should be strictly observed by sanctioning authorities in connection with sanction and payments of grants-in-aid to public bodies or institutions including statutory bodies :—

(*a*) Once a grant-in-aid has been sanctioned, it is the responsibility of the grantee to prepare and submit the bill in CTR Form 42 to the countersigning authority for signature and the Treasury Officer for payment. In case, therefore, should the office of the sanctioning authority do this work on behalf of the grantee, there is, however, no objection to the grantee being guided in the preparation of the bill, such guidance taking the form of supply of blank CTR Form 42 and indication of the particulars to be filled in.

(*b*) Before a bill is accepted, it should be particularly seen that the conditions, if any, attached to the grant have been accepted by the grantee without any reservation.

(*c*) In order to avoid overlapping of grants, by different authorities or sources for the same purpose, the grantee should attach a certificate as shown in the annexure to each grant-in-aid bill.

(*d*) A register of grants containing the following columns should be maintained—

(i) Serial No.
(ii) Number and date of orders sanctioning the grant.
(iii) Purpose of the grant.
(iv) Conditions, if any, attached to the grant.
(v) Amount sanctioned.
(vi) Date of receipt of the bill from the grantee and its amount.
(vii) Whether the conditions attached to the grant have been accepted by the grantee without reservation.
(viii) Dated initials of the countersigning authority.
(ix) Date of encashment of the bill.

(*e*) Columns (*i*) to (v) of the register should be filled in as soon as the order sanctioning grant-in-aid is received. These entries should be attested by the section officer concerned. A remark 'Noted at Serial No..... in the Register of Grants' should be recorded on the order sanctioning the grant-in-aid. Columns (vi) and (vii) should be filled in and attested by the section officer after the bill is

presented by the grantee. The bill should then be submitted to the countersigning authority along with the register for counter signing the bill and for giving his dated initials in column (viii) of the register. Column (xx) should be filled in within a week from the date of returning the countersigned bill to the grantee after ascertaining from the grantee the date of its encashment.

(*f*) It should be the duty of the countersigning authority to verify that the conditions, if any, attached to the grant have been duly accepted by the grantee without any reservation and that no other bill in respect of the amount has already been countersigned before. No bill received from a grantee should be countersinged unless it has been noted in the Register of Grants against relevant sanction. This would also facilitate watching of payments in instalments if any, in case of lump sum sanctions.

(*g*) In order to safeguard the interests of the countersigning officer against the possible risk involved in making payments to the parties presenting the bills for encashment,the countersigning authority should send an advice note to the Treasury Officer with a request to pass the bill and the Treasury Office in turn should intimate to the countersigning officer the voucher number and the date of encashment of the bill.

ANNEXURE

CERTIFICATE

Certified that.....
(Name of the Institution, etc.)

is in receipt of grant-in-aid from—

(1)

(2)

(3)

the details of which are given in the proforma* below is not in receipt of grant-in-aid from any other source.

Dated

Head of the Institution.

PROFORMA *

Name of the Department or other bodies from whom grant-in-aid is received	Amount of grant-in-aid received	Period for which grant is sanctioned	The purpose for which grant-in-aid was sanctioned	The date on which the grant for the period in column (3) was sanctioned	Details of grant-in-aid applied for to other source and not received
1	2	3	5	4	6
(1)					
(2)					

Signature

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