



**Report
of
6th H.P. State Finance
Commission**

October, 2022

CONTENTS

Sr. No.	Chapter	Page
1.	Himachal Pradesh: An Introduction	1-17
2	Constitutional Provisions, Terms of Reference, Need for Interim Report for 2022-23 and Methodology Adopted	18-28
3	Devolutions Recommended by the Previous Himachal Pradesh State Finance Commissions (SFCs)	29-32
4	Recommendations and Award of Central Finance Commissions to Local Bodies	33-41
5	Action Taken Report on the Recommendations of previous Himachal Pradesh State Finance Commissions	42-86
6	An Overview of State Finances	87-97
7	Panchayati Raj Institutions: Evolution and Constitutional Provisions	98-115
8	Devolution Recommended for the Panchayati Raj Institutions	116-126
9	Urban Local Bodies: Evolution and Constitutional Provisions	127-140
10	Devolution Recommended for the Urban Local Bodies	141-167
11	Commission's Recommendations on some important issues	168-176
Annexures		
1	Notification of Creation of 6th H.P. State Finance Commission	
2	Proceedings of First Meeting of 6th H.P. State Finance Commission	
3	Proceedings of Second Meeting of 6th H.P. State Finance Commission	
4	Proceedings of Third Meeting of 6th H.P. State Finance Commission	
5	Proceedings of Fourth Meeting of 6th H.P. State Finance Commission	
6	Suggestions of Public Representatives of PRIs and ULBs, Officers, Officials and Others for Strengthening of Local Self Governments	

CHAPTER-1

HIMACHAL PRADESH: AN INTRODUCTION

State Profile

1.1 After India became free in 1947, there was a demand in some quarters for the merger of Hill States with East Punjab, but it met with vehement opposition from the rulers and people. After a brief spell of hectic negotiations, the rulers and the Praja Mandal workers decided to inform Government of India to form a union of these small hill States with the name of Himachal Pradesh. In view of these events, the Central Government decided to integrate all these principalities into a single unit to be administered by the Government of India through a Chief Commissioner. As a result, Himachal Pradesh came into being as a part 'C' State of the Indian Union on 15th April, 1948 by integration/merger of 31 big and small hill States. All these areas at that time constituted four districts viz. Chamba, Mahasu, Mandi and Sirmour with an area of 27,169 sq. kms. In 1954, the neighbouring State of Bilaspur was integrated with Himachal Pradesh, thereby adding one more district with an area of 1,167 sq. kms. Himachal Pradesh continued as a part 'C' State of the Indian Union till 1956 when the States' Reorganisation Commission submitted its recommendations to abolish the categorisation of States as part A, B, C, etc. and recommended the merger of all Part 'C' States either with the adjoining States of higher status or to maintain these independently as Union Territories till a further decision was taken. Himachal Pradesh continued to exist as a Union Territory till the conferment of statehood on 25th January 1971. In 1960, the border Chini tehsil of Mahasu district was carved out as a separate administrative unit and district Kinnaur was formed by raising the total number of districts to six. On 1st November, 1966, the then Punjab State was reorganised with the formation of Haryana as a separate State and merger of the then Kullu, Kangra, Shimla and some areas of Hoshiarpur district and Dalhousie of Gurdaspur district into Himachal Pradesh constituting four new districts viz; Kullu, Lahaul & Spiti, Kangra and Shimla in

Himachal Pradesh and merging Dalhousie into Chamba district. With this addition, Himachal Pradesh comprised of ten districts, an area of 55,673 sq. kms. and a population of 28.12 lakh according to 1961 census. On 1st September 1972, two more districts viz; Hamirpur and Una were created by trifurcation of Kangra district and Mahasu and Solan districts were reorganised as Shimla and Solan districts. In this re-organisation, Shimla town was re-organised with the erstwhile Mahasu district to form Shimla district. On 25th January, 1971, Himachal Pradesh became the 18th State of the Union of India.

Demographic Profile

1.2 Himachal Pradesh comprises of 12 districts with an area of 55,673 sq. kms. and out of this total area, 45,318 sq. kms. is the measured area according to revenue papers. Around 90% of the total population lives in 17,882 inhabited villages in the rural areas of the State. These villages are sparsely dispersed across the State as can be easily inferred from the fact that the density of population in the remote and tribal district of Lahaul & Spiti is 2 persons per sq. kms. Urban population is around 10% of the total population. State Government has also got conducted a study for measuring 3D area of all the districts. The results of study brought out that the 3D surface area of the State is 86,385 sq. kms., which is 55.16% more than the 2D area of 55,673 sq. kms. In view of this study, expenditure needs are required to be evaluated on 3D surface area. As per 3D and 2D area, the population density of the State works out to be 79 and 123 persons per sq. kms., respectively, against the national average of 382 persons per sq. kms. (Using conventional 2D area).

Geographic Profile

1.3 Himachal Pradesh is situated between 30° 22' 40" to 33° 12' 20" north latitudes and 75° 45' 55" to 79° 04' 20" east longitudes. The altitude in the Pradesh, a largely mountainous region in the lap of Himalayas, ranges from 350 metres to 6,975 metres above mean sea level. It is surrounded by Jammu and Kashmir in the North,

Tibet on North-east, Uttarakhand in the East/Southeast; Haryana in South and Punjab in Southwest/West. It shares an international border with China. Such diverse geo-climatic profile of the State has its own constraints in resource allocation and planning, and in carrying out developmental activities.

- 1.4 Out of the total 2-dimensional geographical area of 55,673 sq. kms., 14,679 sq. kms. (26.37%) has actual forest cover, whereas area classified as 'forest area' including alpine meadows and above tree line area constitutes 37,033 sq. kms. (66.52%) of the total geographical area. Himachal Pradesh has the privilege of snow-fed perennial rivers and rivulets flowing in almost all parts of the Pradesh and it has five major perennial rivers; Satluj, Yamuna, Ravi, Beas and Chenab.

Economic Profile of the State

- 1.5 Government of Himachal Pradesh has initiated several measures for speedy progress in the quality of life for people of the State through efficient policies and cooperation with Central Government. Himachal has achieved vibrance in its economy due to steady efforts of the hardworking people of the State and through implementation of progressive policies and programmes of the Central and State Governments. Himachal Pradesh has become a fast-growing economy. During 2020-21 the State economy contracted by 5.2 percent due to COVID-19 pandemic but as per current estimates, is expected to grow by 8.3 percent during 2021-22. As per the Revised Estimates, Gross State Domestic Product (GSDP) at current prices, was estimated at Rs.1,56,675 crore in 2020-21 {First Revised Estimate (FRE)} as against 1,59,162 crore in 2019-20 {Second Revised Estimate (SRE)} and showed a decrease of 1.6 percent during the year. GSDP at constant (2011-12) prices in 2020-21 (FRE) is estimated at Rs.1,14,814 crore against Rs.1,21,168 crore in 2019-20 (SRE) registering a negative growth of 5.2 percent during the year as against the growth rate of 4.1 percent for the previous year. The decrease in Gross State Domestic Product at constant prices was mainly attributed to 12.0 percent

decline in primary sector, 6.6 percent decline in secondary sector and 10.6 percent decline in transport, communication, trade hotel and restaurants sector. Only two sectors i.e. electricity, gas and water supply and community and personal services, registered a positive growth of 4.5 and 5.1 percent, respectively. Finance and real estate sector decreased by 1.9 percent, transport and trade increased by 4.6 percent, manufacturing sector by 0.3 percent, construction by 3.1 percent, electricity, gas and water supply decreased by 4.6 percent. The food grain production, which was 15.94 lakh metric tonnes (MT) during 2019-20 decreased to 15.28 lakh MT in 2020-21 and is anticipated to achieve 16.75 lakh MT in 2021-22. Fruit production decreased to 6.24 lakh MT in 2020-21 as against 8.45 lakh MT in 2019-20, showing a decline of 26.15 percent in 2020-21. The fruit production during 2021-22 (up to December, 2022) was estimated as 6.98 lakh MT.

Table 1.1
Key Indicators

Indicator(s)	2019-20	2020-21	2019-20	2020-21
	Absolute Value		Percentage Change over Previous Year	
GSDP in Rs. Cr at Current Prices	1,59,162	1,56,675	7.3	-1.6
GSDP in Rs. Cr at Constant Prices	1,21,168	1,14,814	4.1	-5.2
Foodgrains Production (lakh Tonnes)	15.94	15.28	(-)5.8	(-)4.1
Fruit Production (Lakh Tonnes)	8.45	6.24	70.7	(-026.2
GVA from Industrial Sector (At Current Price) (Rs. In Crore)	43,322	42,283	(-)0.82	(-02.40
Electricity Generated (Million Units)	2246	1961	154.86	(-012.69

Source: Economic and Statistics Department, Himachal Pradesh (Economic Survey, 2021-22)

- 1.6 The Per Capita Income (PCI) at Current Prices as per first revised estimates for the year 2020-21 was Rs.1,83,333 as compared to Rs.1,85,728 in the year 2019-20 which showed a decrease of 1.3%.

- 1.7 As per current estimates on the basis of economic conditions up to December, 2021, in spite of the impact of COVID-19, the economy of the State for 2021-22 is expected to grow by 8.3%. This is a remarkable achievement for Himachal Pradesh.
- 1.8 In Himachal Pradesh, there has been structural transition in the State's economy since 1980s. The contribution of the Primary Sector in the State Domestic Product has declined; and Secondary and Tertiary sectors are now competing with each other for dominant share in the economy. The trend in changes in the shares of three sectors in GSDP since 1980-81 has been given in the Table-1.2.

Table 1.2
Percentage Contribution of Sectors in Gross State Domestic Product (GSDP) at Current Prices

Year	Primary Sector	Secondary Sector	Tertiary Sector
1980-81	50.35	18.69	30.96
1990-91	35.10	26.50	38.40
2010-11	19.15	42.19	38.66
2011-12	17.16	43.81	39.03
2012-13	17.04	43.01	39.95
2013-14	17.08	43.02	39.90
2014-15	15.68	42.76	41.56
2015-16	16.22	42.56	41.22
2016-17	15.97	42.76	41.27
2017-18	13.01	44.78	42.21
2018-19	12.74	45.27	41.99
2019-20	14.58	41.94	43.48
2020-21	13.87	39.66	46.47

Source: Economic and Statistics Department, Himachal Pradesh

- 1.9 In Himachal Pradesh, around 62.85% of the total workers are engaged in primary sector meaning thereby that they are either cultivators or agriculture labourers or are engaged in some other related activities in agriculture, which shows low productivity per worker in agriculture sector. The shares of total workers in three sectors are given in Table-1.3. There are different possible reasons for low productivity in agriculture sector, which are given as under:-

- (a) Geographical features of the State do not support agricultural operations on large size holdings.
- (b) Steep slopes and rugged terrain render only a part of the holdings fit for cultivation. Such slopes characterising a large proportion of land holdings are not conducive for providing low cost gravity based irrigation facilities.
- (c) Weak market linkages in farming sector due to very long distances to the markets both for buying necessary inputs and also for selling the surplus.

Table 1.3 indicates that the employment has gradually shifted from primary and secondary sectors to tertiary sector.

Table 1.3

Percentage of Total Workers Employed in Three Sectors

Year	Primary Sector	Secondary Sector	Tertiary Sector
1980-81	73.59	10.71	15.70
1990-91	69.28	9.99	20.73
2000-01	68.47	1.76	29.77
2010-11	62.85	1.65	35.50

Source: (i) Economic and Statistics Department, Himachal Pradesh.

(ii) Census, 1981, 1991, 2001 & 2011.

1.10 The area under operational holdings is about 9.44 lakh hectares and is operated by 9.97 lakh farmers with an average holding size of 0.95 hectare. Distribution of land holdings according to 2015-16 Agricultural Census shows that 88.86 percent of the total holdings belong to small and marginal farmers. About 10.84 percent of holdings are owned by semi medium and medium farmers and only 0.30 percent by large farmers. The distribution pattern of land holdings in Himachal Pradesh has been depicted in Table-1.4.

Table 1.4
Distribution of Land Holdings

Size of Holdings (Hectare)	Category (Farmers)	No. of Holdings	Area (Lakh Hectare)	Average Size of Holdings (Hectare)
Below 1.0	Marginal	7.12(71.41%)	2.86(30.30%)	0.40
1.0-2.0	Small	1.74 (17.45%)	2.42(25.63%)	1.39
2.0-4.0	Semi Medium	0.82 (8.23%)	2.23(23.62%)	2.72
4.0-10.0	Medium	0.26 (2.61%)	1.46(15.47%)	5.62
10.0-Above	Large	0.03 (0.30%)	0.47 (4.98%)	15.67
	Total	9.97	9.44	0.95

Source: Economic and Statistics Department, Himachal Pradesh (Economic Survey, 2021-22)

- 1.11 About 80 percent of the total cultivated area in the State is rainfed and Rice, Wheat and Maize are important cereal crops of the State. Groundnut, Soyabean Sunflower, Rapeseed / Mustard, Urd, Bean, Moong and Rajmash are Kharif and Toria, Gram and Lentil are the Rabi season's important crops.
- 1.12 Agro-climatically, the State can be divided into four zones viz.; (i) Sub-Tropical, sub-mountainous and low hills, (ii) Sub- Temperate, Sub humid mid hills, (iii) Wet -Temperate high hills and (iv) Dry Temperate high hills and cold deserts.
- 1.13 The Agro-climatic conditions in the State are congenial to produce cash crops like seed potato, off-season vegetables and ginger. The State Government is laying emphasis on production of off-season vegetables, potato, ginger, pulses and oilseeds besides increasing production of cereal crops, through timely and adequate supply of inputs, demonstration and effective dissemination of improved farm technologies, replacement of old variety seeds, promoting integrated pest management, bringing more area under efficient use of water resources and implementation of wasteland development projects.
- 1.14 There are four distinct seasons with respect to rainfall in Himachal Pradesh. Almost half of the precipitation is received during the Monsoon season and rest is distributed during other seasons. The State receives an average rainfall of 1,251mm. Kangra district gets the highest rainfall followed by Chamba, Sirmaur and Mandi.

1.15 The target of foodgrain production for 2021-22 has been set as 16.35 lakh MT which includes 9.21 lakh MT for Kharif, 2021 season and 7.14 lakh MT during Rabi, 2021-22 seasons. Kharif production mainly depends upon the behaviour of southwest monsoon as a large proportion of the total cultivated area is rainfed. During this season, Maize and Paddy are the principal crops and other minor crops include Ragi, Millets and Pulses. Due to normal rains in most parts of the State, the sowing was done on time and the overall crop condition was normal. However, during the month of August, 2021, there was heavy rainfall in some pockets of the State and standing Kharif crops, particularly, Maize and Vegetables, were affected and therefore production is anticipated to be below target. During sowing of Rabi season, normal rainfall occurred in the State. The production of foodgrains and commercial crops in Himachal Pradesh during last few years is shown in Table 1.5.

Table 1.5
Foodgrains Production (MT)

Crop	2018-19	2019-20	2020-21 (Estimated)	2021-22 (Tentative)
I. Foodgrains				
Rice	146.68	143.66	145.68	135.20
Maize	771.11	729.73	714.67	762.00
Ragi	1.82	2.06	2.65	2.40
Millets	4.12	4.77	5.46	4.50
Wheat	682.63	627.96	569.86	672.00
Barley	32.08	30.83	22.69	35.50
Gram	0.40	0.42	0.45	0.45
Pulses	53.60	54.80	66.96	63.00
Total	1692.44	1594.23	1528.42	1675.05
II. Commercial Crops				
Potato	186.80	196.71	196.30	196.50
Vegetables	1722.14	1860.67	1867.41	1850.00
Ginger (Green)	33.74	33.99	33.89	34.50

Source: Economic and Statistics Department (Economic Survey, 2021-22)

1.16 There is limited scope of increasing production through expansion of cultivable land. Like rest of the country, Himachal too has almost reached a plateau in so far as availability of additional cultivable

land is concerned. Hence, emphasis has to be on increasing productivity levels besides diversification into high value crops. Due to increasing shift towards commercial crops, the area under foodgrains production is gradually declining. In 1997-98, this area was 853.88 thousand hectares which has decreased to 727.69 thousand hectares in 2020-21. The area under foodgrains production and their production for six years are given in Table 1.6.

Table 1.6

Foodgrains: Area and Production

Year	Area ('000 Hectare)	Production ('000 MT)	Productivity per Hectare (MT)
2016-17	752.88	1562.73	2.07
2017-18	748.72	1581.42	2.11
2018-19	732.62	1692.44	2.31
2019-20	735.04	1594.23	2.17
2020-21(Estimated)	727.69	1528.40	2.10
2021-22(Target)	763.25	1675.35	2.19

Source: Economic and Statistics Department (Economic Survey, 2021-22)

1.17 Fruit production decreased to 6.24 lakh MT in 2020-21 as against 8.45 lakh MT in 2019-20, showing a decrease of 26.15 percent in 2020-21. The fruit production during 2021-22 (up to December, 2022) was 6.98 lakh MT (not shown in table).

Administrative Units

1.18 Since 1st September, 1972, there have been no changes in the administrative structure of Himachal Pradesh except carving out of new sub-divisions, sub- tehsils, upgradation of sub-tehsils to the level of tehsils. Presently, there are 3 Divisions; Kangra, Mandi and Shimla, 12 Districts, 74 Sub-Divisions, 184 tehsils and sub-tehsils in Himachal Pradesh for the purpose of revenue and development administration, 81 Development Blocks (the number increased to 96

when this report was written) serve as the basic unit of development, planning and implementation. The State has introduced legislative and administrative measures to empower the local bodies in both urban and the rural areas. There are 12 Zila Parishads, 81 Panchayat Samitis, 3,615 Gram Panchayats at the time of writing this report, 5 Municipal Corporations namely, Shimla, Solan, Mandi, Palampur and Dharamshala, 29 Municipal Councils, 27 Nagar Panchayats, besides 7 Cantonment Boards and three Census Towns represent urban local bodies in the State. Table 1.7 given below shows the geographical, administrative units and demographic profile of State.

Table 1.7
Geographical, Administrative and Demographic Profile of H.P.

Sr. No.	Item	Unit	Values
1.	Area	Sq. kms.	86,385(3D) (55,673 (2D))
2.	Population	2011 Census	68,64,602
3.	Scheduled Caste Population	% 2011 Census	25.19
4.	Scheduled Tribe Population	% 2011 Census	5.71
5.	Decennial Growth Rate	% 2011 Census	12.94
6.	Density	Persons per Sq. kms/ 2011 Census	79(3D)123 (2D)
7.	Urban Population	% 2011 Census	10
8.	Rural Population	% 2011 Census	90
9.	Literacy	% 2011 Census	82.8
10.	Districts	Nos.	12
11.	Sub-Divisions	Nos.	74
12.	Tehsils/Sub – Tehsils	Nos.	184
13.	Community Development Blocks	Nos.	81
14.	Gram Panchayats	Nos.	3,615
15.	Inhabited Villages	Nos.	17,882
16.	Un-Inhabited Villages	Nos.	2,808
17.	Towns/Urban Local Bodies	Nos.	61

Source : 2011 Census

Figures at Sr. No. 11 to 17 are as on 31.3.2022

Human Development

1.19 Human development and empowerment can appropriately be defined as a process of enlarging people's choice and access to good education, health care, safe drinking water, social and gender equality. Some of the dimensions of human development are constant up-gradation of human capabilities through improved health, and most importantly, imparting appropriate education to improve knowledge, skills, attitudes, broaden horizons and enable an individual to be confident and a productive asset to the society. The achievements of Himachal Pradesh, in the areas of Health and Education in particular, have caught attention of the social researchers and the planners at national and global levels. A snapshot of Education and Health Infrastructure in the State has been given in Table 1.8.

Table: 1.8

Government Health and Education in the State

A. Health Institutions (as on 31st March, 2022)

Sr. No.	Type of Health Institutions	Nos.
1.	Hospitals	99
2.	PHCs/CHCs/RHs	667
3.	Allopathic Dispensaries	32
4.	Ayurvedic Hospitals	34
5.	Ayurvedic Dispensaries	1206
6.	Health Sub-Centers	2109
7.	Dental College	1
8.	Medical Colleges (Allopathic)	6
9.	Medical College (Ayurvedic)	1

B. Educational Institutions

Sr. No.	Name	Nos.
1.	Primary Schools	10574
2.	Middle Schools	1948
3.	High Schools	936
4.	Senior Secondary Schools	1873
5.	Colleges including Sanskrit College	137
6.	Universities	5
7.	B .Ed College	1
8.	Polytechnic	16
9.	ITIs	136

Source: Economic & Statistics Department, H.P.

- 1.20 Himachal Pradesh has emerged as the best performing State in the country in the field of education. The success story of revolution in education in Himachal Pradesh has been acknowledged within India and finds mention in numerous global reports. Literacy has nearly doubled from 42.5% to 82.80% in a period of three decades since 1981. The progress made in female literacy is more impressive as it has more than doubled from 31.46% in 1981 to 75.93% in 2011. The private investment in the field of education is negligible in comparison to public investment in the State and the above achievements have been possible only due to large public investment.
- 1.21 Himachal Pradesh has outperformed most big States almost on every health indicator. The State has an extensive network of health care institutions though some gaps remain to be filled. Achievements of the State in terms of critical health indicators are higher than the national averages. In 2019, the birth rate was 15.4, death rate was 6.9 and IMR was 19 as compared to the national average which were 19.70, 6 and 30, respectively. Life expectancy at birth (2014-18) was 72.90 years compared to the national average of 69.4 years.

1.22 Himachal Pradesh is one of the few States in the country where gender equality is an integral part of the social ethos. Female literacy is well above the national average and women employment is much higher than most States of the country. Though, there was sudden drop in sex ratio in the age group of 0-6 years between 1991 and 2001, due to the efforts made by the Government, it has increased to 909 from 896 as per Census-2011. In Table 1.9, there is a comparison of some health indicators between Himachal Pradesh and All India averages.

Table 1.9

Comparison of Vital Statistics

Item	H.P.	All India
Birth rate (2019)	15.4	19.7
Death rate (2019)	6.9	6
Infant Mortality Rate(2019)	19	30
Life Expectancy at birth (2014-2018) in Years	72.9	69.4
	<u>M</u> <u>F</u> 69.6 76.8	<u>M</u> <u>F</u> 68.2 70.7
Females per thousand of Males (2011)	972	943

Source: i) Census-2011. ii) SRS Bulletin-2019

Sustainable Development Goals (SDGs)

1.23 NITI Aayog has formulated indices for measuring the progress of SDGs. Performance of Himachal Pradesh in terms of SDGs for the last three years based on these indices, the achievements of the State is given in the paras to follow.

1.24 The first edition of the SDG India Index (Index-1.0) was launched in December 2018, using 62 indicators from 39 targets across 13 SDGs. Goals 12, 13, 14, and 17 had to be left out owing to the lack of indicators for which State-wise data was available. In Index-1.0, Himachal Pradesh and Kerala had 69 composite score. With this score, both States secured 1st rank. In SDG-4 (Quality of Education), SDG-6 (Clean Water and Sanitation), SDG-8 (Decent Work and Economic Growth), SDG-10 (Reduce Inequalities), SDG-15 (Life on Land) and SDG-16 (Peace, Justice and Strong Institutions), Himachal Pradesh was in the category of Front Runner.

In SDG-1 (No Poverty), SDG-2 (Zero Hunger) and SDG-7 (Affordable and Clean Energy), Himachal Pradesh was in the category of Performer. In SDG-5 (Gender Equality), SDG-9 (Industry, Innovation and Infrastructure) and SDG-11 (Sustainable Cities and Communities), Himachal Pradesh was placed in category of Aspirant.

1.25 The second edition of the SDG Index (Index-2.0) covering all the 17 Goals and 54 targets, launched in December 2019, was broader in coverage with 100 indicators: 68 completely aligned with the National Indicator Framework (NIF), 20 refined, and 12 from other official government sources. In Index-2.0, Himachal Pradesh had also composite score of 69, but secured 2nd rank after Kerala. In SDG-3 (Good Health and Well-being), SDG-4 (Quality Education), SDG-6 (Clean Water and Sanitation), SDG-8 (Decent Work and Economic Growth), SDG-9 (Industry, Innovation and Infrastructure), SDG-10 (Reduce Inequalities), SDG-11 (Sustainable Cities and Communities), SDG-15 (Life on Land), SDG-16 (Peace, Justice and Strong Institutions), Himachal Pradesh was in the category of Front Runner. In SDG-1 (No Poverty), SDG-5 (Gender Equality), SDG-7 (Affordable and Clean Energy), SDG-12 (Responsible Consumption and Production), SDG-13 (Climate Action), Himachal Pradesh was in the category of Performer. In SDG-2 (Zero Hunger) Himachal Pradesh was in category of Aspirant.

1.26 The third and current edition (Index 3.0) marks an improvement over the 2019-20 edition with a wider coverage of targets. The Index offers insights into social, economic, and environmental status of the country and the States/UTs in their march towards achieving the SDGs. The Index has been designed in such a way that it is accessible to everyone - policymakers, civil society, businesses, and the public. Index 3.0 is based on the framework of 17 SDGs and 169 targets. The Index estimation is based on data on indicators for the first 16 goals while a qualitative assessment has been made for Goal 17. It is constructed using 115 indicators which cover 70 targets from 16 Goals. In Index-3.0, Himachal Pradesh alongwith Tamil Nadu has 74 composite score, but again secured 2nd rank

after Kerala. In SDG-7 (Affordable and Clean Energy), Himachal Pradesh was in the category of Achiever. In SDG-1 (No Poverty), SDG-3 (Good Health and Well-being), SDG-4 (Quality Education), SDG-6 (Clean Water and Sanitation), SDG-8 (Decent Work and Economic Growth), SDG-10 (Reduce Inequalities), SDG-11 (Sustainable Cities and Communities), SDG-12 (Responsible Consumption and Production), SDG-15 (Life on Land), SDG-16 (Peace, Justice and Strong Institutions), Himachal Pradesh was in the category of Front Runner. In SDG-2 (Zero Hunger), SDG-5 (Gender Equality), SDG-9 (Industry, Innovation and Infrastructure) and SDG-13 (Climate Action), Himachal Pradesh was in the category of Performer.

Industries

1.27 Himachal Pradesh has made significant achievements in the field of industrialization in the past few years if the growth rate is the only indicator of industrial development but the industrial activity in Himachal Pradesh is largely concentrated along the area bordering adjoining States of Punjab, Haryana and Uttarakhand for obvious reason of better market accessibility. Industrial sector performance in terms of its contribution in Gross State Value Added (GSVA) has increased in 2021-22 over 2020-21 registering a growth rate of 1.54%. The Annual Growth Rate of manufacturing, construction, electricity, gas & water supply was 5.1% in 1981-82 which increased to 10.1% in 1995-96, 10.3% in 2016-17. However, it registered decline of (-)6.6% in 2020-21 due to the circumstances prevailing after the outbreak of COVID-19. State Government is taking many initiatives such as Incentives to Investors and enabling EoDB etc. to increase its contribution in GSDP. Performance in Ease of Doing Business is as under: -

- (a) Himachal Pradesh has been ranked as the 1st State among Hill States in Ease of Doing Business (EoDB)- 2020 and has been acknowledged as an 'Achiever State'.
- (b) Himachal Pradesh has jumped 9 places from 17th Rank in 2015 to 7th place in 2019 in terms of the Ease of Doing

Business Index as per the annual ranking done by the Department of Industrial Policy and Promotion (DIPP).

Infrastructure

- 1.28 With the rapid growth of State's economy in the recent years, the urgency of removing infrastructure bottlenecks has increased. Traditionally, Roads, Power and telecommunications had been evaluated as the available stock of infrastructure in the State. However, with the reorientation of the development strategy with the tilt towards 'inclusive growth', infrastructure in education, basic health care services and irrigation facilities is also being enumerated while taking stock of the existing infrastructure in the State.
- 1.29 The construction of roads in difficult terrain of Himachal Pradesh involves high cost. Overcoming such challenges, Himachal Pradesh, as on 31.10.2020, has constructed 38,035 kms roads, and achieved road density of 68.32 kms per 100 Sq. kms of area and 5.5 kms per 1000 of population up to 31.3.2017. Out of this road length, 28,908 kms roads are metalled. Maintenance of these roads poses a great challenge and involves huge expenditure. Construction of ropeways as an alternative mode of transportation is also being tried, however, their economic viability conflicts with the financial resources available with the State.
- 1.30 Power is one of the most important inputs for economic development. In addition to its widely recognized role as a catalyst to economic activity in different sectors of economy, the power sector makes a direct and significant contribution to economy in terms of revenue generation, provision of additional employment opportunities and enhancing the quality of life. Himachal Pradesh has been blessed with the vast identified hydroelectric potential of about 24,000 MW in its five river basins namely Yamuna, Satluj, Beas, Ravi and Chenab, out of which 22,531 MW has been allotted to various agencies of State and Central Government jointly and private investors. The State has adopted multi-pronged strategy for hydel power exploitation through State Sector, Central, Joint Venture and Independent Power Producers, all the villages of the

State had been electrified in eighties. Most importantly, all the energy supplied is metered and T&C losses are minimal. As on 30th November, 2021, installed power generation capacity of Himachal Pradesh was 4,334.72 MW against 3,92,017.24 MW at national level. In 2019-20, Per Capita consumption of electricity in the State was 1,527 kWh/year due to higher heating requirements as against the national average of 1,208 kWh/year.

- 1.31 Access to safe drinking water has been another priority of the State and all the Census villages in the State have been provided with drinking water facilities. The Government of Himachal Pradesh has decided to complete the implementation of Jal Jivan Mission (JJM) by July, 2022 by providing Functional Household Tap Connections (FHTCs) to all the 17,27,518 households. As of now, 03 Districts, 21 Development Blocks, 2,154 Gram Panchayats and 14,105 Villages have fully been covered under it. 2,85,332 FHTCs have been provided against the target of 2,26,945 FHTCs during the year 2021-22.
- 1.32 The expansion of railways in Himachal Pradesh could not pick up mainly due to higher cost and low traffic volumes of both passengers and freight. The cost recovery in the provision of public goods and services from the people living in these areas is a distant possibility as the Government is not even able to recover the operational cost of these services.
- 1.33 The challenge lies in consolidating the gains achieved and to build on them to achieve the goal of more inclusive growth. This will involve huge investments.

CHAPTER-2

CONSTITUTIONAL PROVISIONS, TERMS OF REFERENCE, NEED FOR INTERIM REPORT FOR 2022-23 AND METHODOLOGY ADOPTED

CONSTITUTIONAL PROVISIONS

- 2.1 To empower the grass root level of democratic governance for its active participation in nation's development, the 73rd and 74th Constitutional Amendments were brought in 1992. These Amendments had given space to Panchayati Raj Institutions and Urban Local Bodies as the third tier after Central and State Governments. These amendments also contained that the State Governments shall, within one year from these amendments, constitute State Finance Commission and thereafter at the expiry of every fifth year to determine the principles based on which adequate financial resources would be ensured for panchayats and municipalities.
- 2.2 In alignment with 73rd and 74th Constitutional Amendments, the Government of Himachal Pradesh enacted/amended the extant Himachal Pradesh Panchayati Raj Act and Acts pertaining to the three levels of Urban Local Bodies to realize the spirit of these Constitutional Amendments. The First State Finance Commission was constituted on 23rd April, 1994 in Himachal Pradesh.
- 2.3 The Sixth State Finance Commission was constituted by the Himachal Pradesh Government, vide Notification No. Fin.-IF-A (1)-2/2020 dated 22nd August, 2020. The text of the notification constituting this Commission is reproduced in the paras to follow.

“In exercise of the powers conferred by Articles 243-I & 243-Y of the Constitution of India read with Section 98(1) of the Himachal Pradesh Panchayati Raj Act 1994, (Act No. 4 of 1994), Section 79 of the Himachal Pradesh Municipal Corporation Act, 1994 and Section 64 of Himachal Pradesh Municipal Act, 1994, the Governor, Himachal Pradesh, is pleased to constitute the 6th H.P. State Finance Commission to review the financial position of the Panchayats, and

Municipalities and devolution of resources to these institutions and, to appoint the following as its Chairman and Members with immediate effect.

(i)	Sh. Satpal Singh Satti (He will enjoy the status of a Cabinet Minister)	Chairman
(ii)	ACS/Principal Secretary/ Secretary Rural Development & Panchayati Raj Department	<u>Member(Ex-Officio)</u> (He/ She will look after this work in addition to his/her own work)
(iii)	ACS/ Principal Secretary/ Secretary Urban Development Department	<u>Member(Ex-Officio)</u> (He/ She will look after this work in addition to his/her own work)
(iv)	The Advisor Planning will function as Ex-Officio Member Secretary of the Sixth Himachal Pradesh State Finance Commission. He/ She will look after this work in addition to his/her own work)	

The Commission shall make recommendations to the Government as to:-

- a) The principles, which should govern: -
 - i) The distribution between the State, Panchayats and ULBs of the net proceeds of the taxes, duties, tolls and fees leviable by the Government which may be divided between them and allocation between all levels of Panchayats/ Municipalities of their respective shares of such proceeds.
 - ii) The grant-in-aid to Panchayats/ Municipalities from the Consolidated Fund of the State.
- b) To suggest measures needed to improve the financial position of the Panchayats/Municipalities.
- c) The Commission should make an assessment of needs based on the actual devolution of functions to each tier of the PRIs and an assessment of potential fiscal capacity based on the tax and

non-tax resources available to PRIs in making any recommendations on devolving untied grants or share of State taxes to these bodies.

- d) The Commission should make an assessment of recurring grants for specific schemes of the State Government relating to support for honorarium and expenses of elected body representatives and employees of PRIs and suggest improvements in these schemes in order to promote the exercise of fiscal autonomy and responsibility by the PRIs.
- e) The Commission should suggest appropriate ways to take forward the process of devolution of functions, funds and functionaries to the financial capacity of the State Government. It may make specific suggestions with regard to:-
- ❖ Support for pilots to hand over responsibilities for delivery of primary education, primary health, water and sanitation and rural roads to appropriate levels of PRIs.
 - ❖ Changes in legislation and procedures necessary to enhance the tax and non-tax capacity of the PRIs consistent with accepted principles of taxation at the local level,
 - ❖ Strengthening of administrative capacity of PRIs by placing under their control relevant categories of employees either by way of recruitment at the level of relevant tiers of the PRIs or by seconding of existing State Government staff to them.
- f) Any other matter referred to the Sixth Himachal Pradesh State Finance Commission by the Government in the interest of sound finances of the Panchayats/ Municipalities.

Suggest measures to reduce revenue deficit of the local bodies by drawing a monitorable Fiscal Reforms Programme. The Reforms Programme should clearly suggest a mechanism for incentives to local bodies within the devolution framework linked to achievement

of well-defined milestones to exploit the available and the potential sources of the revenue in addition to the State Finance Commission and Central Finance Commission grants.

Suggest measures to ensure accountability in utilizing resources raised or received from the State and Central Governments and other agencies and also the maintenance of local body accounts and database based on the recommendations of Central Finance Commission, for effective operation of these recommendations and linking a part of the grants with the performance.

The Commission shall devise its own procedure and appoint such Advisers, Institutional Consultants, as it may consider necessary. It may call for such information and take such evidence, as it may consider necessary.

The period of the Commission shall commence from the date of issuance of this notification and the Commission shall make its report available by 31st December, 2021 covering a period of 5 years commencing from 1st April, 2022 to 31st March, 2027.”

- 2.4 The term of the Commission was extended upto 31st October, 2022, vide Notification No. Fin-IF-A(1)-2/2020 dated 13th December, 2021. The ToRs and composition of the Commission remained unchanged for the extended period. Copies of the constitution of this Commission and its extension are annexed at Annexure-1.

NEED FOR AN INTERIM REPORT COVERING THE PERIOD (2022-23)

- 2.5 Fifteenth Finance Commission (2021-26) in Volume-I of its report at Paras- 7.27 and 7.28 (Status and Effectiveness of State Finance Commissions) of Chapter-7 (Empowering Local Bodies), mentions that according to the Constitution (Articles 243-I(1) to 243-I (4)), SFCs are, at the State level, what the Finance Commission is at the level of the Union. As originally envisaged, Finance Commissions are to make recommendations on measures to augment the Consolidated Fund of a State to supplement the resources of local

governments on the basis of recommendations made by SFCs. Article 243-I of the Constitution requires SFCs to be appointed at the 'expiration of every fifth year'. The intention of this clause appears to be that all State Government transfers to local Governments should be governed by the mandate of a current SFC. The mandate given to an SFC should thus be applicable only for a period of five years and should not be extended. In practice, this has not happened. Finance Commissions have not got the benefit of recommendations of SFCs, as most State Governments did not constitute them in time and did not give due importance to strengthening this critical Constitutional mechanism. Even then, only fifteen States had set up the fifth or the sixth SFCs. Several States had still not moved beyond the second or third SFC. The Fifteenth Finance Commission too faced a similar challenge in suggesting measures based on the recommendations of SFCs. The State Finance Commissions have been constituted regularly since the First State Finance Commission was constituted on 23rd April, 1994 in Himachal Pradesh and the Sixth Himachal Pradesh State Finance Commission was constituted on 22nd August, 2020.

- 2.6 The first meeting of the Commission was held on 30th October, 2020. The conditions prevailing from the spread of COVID-19 did not allow the Commission to convene meetings earlier. The Commission was apprised in the meeting that the information regarding receipt and expenditure and other related issues was to be collected from the Local Bodies (Panchayati Raj Institution and Urban Local Bodies), for which questionnaires for each of the three tiers of PRIs and ULBs were to be designed. In this regard, it was decided that the work of the Commission may be started after elections to the Local Bodies. Besides designing questionnaires, it was also decided to do other activities before holding meetings of Commission with the representatives of local bodies to solicit their views/ suggestions for strengthening these institutions after the election process. The Proceedings of this meeting are at **Annexure-2**.

- 2.7 Second meeting of the Commission was held on 26th March, 2021 and it was decided in the meeting that the suggestions/ comments on questionnaires may be shared by Panchayati Raj and Urban Development Departments, so that these questionnaires could be sent to Local Bodies for obtaining information. After incorporating suggestions of these Departments, questionnaires were finalized by the end of April, 2021 for mailing them to Local Bodies. The Proceedings of this meeting are at **Annexure- 3**.
- 2.8 Sixth Himachal Pradesh State Finance Commission has also held meetings with the elected representatives of Local Bodies in Una, Chamba, Solan, Kinnaur and Shimla districts.
- 2.9 Simultaneously, Sixth State Finance Commission has got developed software for feeding the information to be collected from Local Bodies. The online interface of this application software with the data base could not be established due to time limitations. Also, the Commission observed that even the district level data related to income and expenditure of PRIs was being entered manually by the Directorate of Panchayati Raj.
- 2.10 The second wave of COVID-19 pandemic had deeply affected Indian States & UTs and Himachal Pradesh had been no exception. In the first week of May, 2021, lockdown was imposed in the State and all offices were closed.
- 2.11 The work in the offices resumed with full capacity of staff in June, 2021. Thereafter, the work of mailing the questionnaires to Local Bodies was started and all questionnaires were mailed by the end of June, 2021. Apart from it, questionnaires had also been uploaded on the official website of Planning Department for the access of the Local Bodies. Moreover, the posts of Deputy Director and Research Officer were filled up in first week of December, 2020 by deputing them from Planning Department on secondment basis and they have been performing the mandated work of the State Finance Commission in addition to their current assignments in Planning Department. One Junior Assistant was also deputed from the Planning Department, who is attending to the work of the Sixth State

Finance Commission in addition to his existing work allocations. The services of one JOA (IT) and one Statistical Assistant were taken on outsource basis on 21st September, 2020 and 31st July, 2021, respectively. These arrangements were made as the Government had initially approved filling up of these posts on secondment basis from other departments. However, no response was received by the Commission in this regard after having publicized the requirement widely.

- 2.12 The efforts were made to obtain information from Local Bodies by sending reminders and contacting concerned officials telephonically, but Commission has been able to collect information from about 75% selected Local Bodies. The supply of filled in questionnaires from Local Bodies was also affected by the By-elections in the month of October-November, 2021 as most of the staff of field offices was engaged in performing various election duties.
- 2.13 The period of implementation of the award of Fifth H.P. State Finance Commission was upto 31st March, 2022. The period of implementation of Sixth State Finance Commission started from 1st April, 2022, but it was unable to make recommendations in the absence of information from the local bodies.
- 2.14 The Sixth State Finance Commission, in its third meeting, decided to extend its term till 31st October, 2022 besides taking a decision to present an interim award/ report for the financial year 2022-23. The Proceedings of this meeting are at **Annexure- 4**.
- 2.15 In view of this, interim report for 2022-23, to meet Constitutional obligations and to ensure smooth functioning of the Local Bodies was submitted to the Government for the year 2022-23.

METHODOLOGY FOR INTERIM REPORT

- 2.16 As has already been mentioned in this Chapter, the Sixth State Finance Commission had to submit an interim report for the year 2022-23 in view of the circumstances narrated in the preceding text.

- 2.17 The Sixth State Finance Commission has given the circumstances and its compulsions, in the proceedings of its third meeting, **Annexure-4**, to submit the interim report of the Commission for the year 2022-23.
- 2.18 The Commission considered the grants recommended by the Fifth State Finance Commission for terminal year of its award period i.e. 2021-22 alongwith the change in number of local bodies after constitution of new local bodies- both rural and urban. Merely giving some percentage hike over the grants recommended for 2021-22 may not have been a practicable option because of an increase in the number of local bodies due to their reorganization. It was important to take into account the increase in number of local bodies while recommending an interim award for 2022-23. The supplementary allocations made for meeting committed liabilities by local bodies during 2021-22 were also taken into account.
- 2.19 The grants recommended for the local bodies for the financial year 2021-22 by the Fifth State Finance Commission were divided by the number of local bodies to determine grants available per body. This was given a hike after taking into account the supplementary grants provided per local body during 2021-22 and the figure arrived at hence was multiplied by the total number of local bodies including newly created bodies to arrive at a figure that was recommended by the Commission in its Interim Report for 2022-23. Same methodology was adopted both for Urban Local Bodies and Panchayati Raj Institutions.

DEVOLUTION TO PRIs AND ULBs FOR INTERIM REPORT PERIOD 2022-23

- 2.20 Through its Interim Report, Sixth State Finance Commission recommended the devolutions for the financial year 2022-23, based on the methodology outlined in detail in Chapter-3, for both PRIs and ULBs, which are as under in Table- 2.1 & 2.2:-

Table-2.1

(Rs. in Lakh)

Sr. No.	PRIs	Devolution
1.	Zila Parishad/ Panchayat Samiti/ Gram Panchayat	35,200.00
Total		35,200.00

Table-2.2

(Rs. in Lakh)

Sr. No.	ULBs	Devolution
1.	Municipal Corporations/ Municipal Councils/ Nagar Panchayats	18,375.50
Total		18,375.50

MEETINGS HELD BY THE COMMISSION

2.21 The details of all the meetings held by the Commission are as under:-

Sr. No.	Date	Meeting	Discussion Details
1.	30 th October, 2020	First Internal Meeting	Finalization of Action Plan for designing of questionnaires, collection of data/ information, meetings with local bodies, writing of report etc.
2.	26 th Mach, 2021	Second Internal Meeting	Comments of the Panchayati Raj and Urban Development Departments on questionnaires designed for data collection from PRIs and ULBs were solicited. An interaction with elected representatives of PRIs and ULBs in Una district was also planned in the month of April, 2021.

3.	8 th & 9 th April, 2021	First District level meeting with elected representatives of PRIs & ULBs at Una and Gagret, District Una (H.P.)	Interaction, stock taking of expectations and status of functioning of these local bodies. Also, representatives and officials were guided to fill up the questionnaires.
4.	28 th & 29 th June, 2022	Second District level meeting with elected representatives of PRIs & ULBs at Chamba, District Chamba (H.P.)	Interaction, stock taking of expectations and status of functioning of these local bodies. Also, representatives and officials were guided to fill up the questionnaires.
5.	15 th July, 2021	Third District level meeting with elected representatives of PRIs at Reckongpeo, District Kinnaur (H.P.)	Interaction, stock taking of expectations and status of functioning of these local bodies. Also, representatives and officials were guided to fill up the questionnaires.
6.	26 th August, 2021	Fourth District level meeting with elected representatives of PRIs & ULBs at Baddi, District Solan (H.P.)	Interaction, stock taking of expectations and status of functioning of these local bodies. Also, representatives and officials were guided to fill up the questionnaires.
7.	31 st August, 2021	Fifth District level meeting with elected representatives of PRIs at Shimla, District Shimla (H.P.)	Interaction, stock taking of expectations and status of functioning of these local bodies. Also, representatives and officials were guided to fill up the questionnaires.
8.	17 th November, 2021	Third Internal Meeting	Decision was taken to extend the term of the Commission upto 31 st October, 2022 in view of many reasons.
9.	11 th October, 2022	Fourth Internal Meeting	The Commission approved its Draft Report and extended the term of the Secretariat of Sixth State Finance Commission upto 31 st March, 2023.

METHODOLOGY FOR DATA COLLECTION

2.22 The finalization of the report of the Commission required data from different sources including data on questionnaires from selected PRIs and ULBs. Following methodology had been adopted for collection of data: -

1. Panchayati Raj Institutions

- (a) There are 12 Zila Parishads, 81 Panchayat Samitis and 3615 Gram Panchayats in Himachal Pradesh. The data on devised questionnaires were solicited from all the Zila Parishads and Panchayat Samitis. However, for getting data on devised questionnaires from Gram Panchayats, around 10% sample (360 Gram Panchayats) had been drawn and 360 Gram Panchayats were selected by following systematic sampling method.
- (b) The data on expenditure and committed liabilities of PRIs for existing and projected award period of the Commission was also collected from Panchayati Raj Department to compare the data collected on questionnaires and to assess accuracy of collected information.

2. Urban Local Bodies

- (a) There are 5 Municipal Corporations, 27 Nagar Panchayats and 29 Municipal Councils in Himachal Pradesh. The data on devised questionnaires were sought from all the ULBs.
- (b) The data on expenditure and committed liabilities of ULBs for existing and projected award period of the Commission were also collected from Urban Development Department to authenticate the data collected on questionnaires and to assess accuracy of collected information.

CHAPTER-3

Devolutions Recommended by the Previous Himachal Pradesh State Finance Commissions (SFCs)

- 3.1 Ever since the 73rd and 74th Constitutional Amendments came into effect in 1992, Articles 243(I) and 243(Y) of the Constitution of India mandate to constitute State Finance Commissions in every State. The Government of Himachal Pradesh has been constituting State Finance Commissions regularly. The First State Finance Commission was constituted in April, 1994 and subsequent SFCs i.e. Second in May, 1999, Third in May, 2005, Fourth in May, 2011 and Fifth in November, 2014 were constituted. The financial devolutions recommended by all the previous five Finance Commissions were by and large, accepted in toto by the State Government.
- 3.2 The reports of the first two State Finance Commissions were preliminary in nature as both the Urban and more particularly Rural Local Bodies were in formative and evolving stages. The devolutions recommended by the Commissions were also for meeting the committed expenditure, in general. In fact, the recommendations made by all the previous five Commissions largely relate to meeting committed liabilities of the local bodies. It has been over three decades since the historic and landmark 73rd and 74th Constitutional Amendments provided dignified status, role and scope to these local bodies.
- 3.3 The present State Finance Commission has analysed the financial recommendations made by the previous State Finance Commissions and the amounts released against the awards by the State Government. A comparative picture of the award wise recommendations made by the first five State Finance Commissions for devolution of financial resources to local bodies and the funds released by the State Government is given in the following Table 3.1.

Table 3.1
Recommended Resource Transfer by State Finance Commissions and Actual Releases made by the State Government to the Local Bodies

(Rs. in Crore)

Sr. No.	Institutions/Tenure of Commission	Amount Recommended by the Commission	Amount Released by the State Government
Panchayati Raj Institutions			
1.	First State Finance Commission (1996-2001)	13.87	30.85
2.	Second State Finance Commission (2002-2007)	70.05	119.45
3.	Third State Finance Commission (2007-2012)	228.28	260.25
4.	Fourth State Finance Commission (2012-17)	476.78	441.45
5.	Fifth State Finance Commission (2017-22)	1025.08	1151.48
Urban Local Bodies			
1.	First State Finance Commission (1996-2001)	74.55	83.97
2.	Second State Finance Commission (2002-2007)	159.46	133.66
3.	Third State Finance Commission (2007-2012)	223.02	212.05
4.	Fourth State Finance Commission (2012-17)	382.44	382.51
5.	Fifth State Finance Commission (2017-22)	680.76	674.56

Source: Reports of the State Finance Commission and Budget Documents of Finance Department.

3.4 The above consolidated tables of the recommendations made from First to Fifth H.P. State Finance Commissions and releases made

by the Government bring out two very significant conclusions. The first is a considerable enhancement in the amounts recommended by the successive SFCs to be devolved to the local bodies and the second is that the releases by the Government show the commitment of the State Government in strengthening the local governance. The amount released by the State Government to PRIs has generally remained higher than the recommendations of State Finance Commissions, whereas the State Government has slightly curtailed the grants recommended to the Urban Local Bodies against the recommended resource transfers. The releases by the government are more realistic and have captured the actual requirement.

- 3.5 A closer look at year-wise recommendations of the Fifth State Finance Commission for Local Bodies and releases would bring out the pattern of recommended devolutions and actual releases more clearly.
- 3.6 The recommendations of Fifth State Finance Commission and the actual releases by the Government are given in Table 3.2.

Table 3.2
Year-wise Devolutions and Releases in the
Award Period of 5th H.P. SFC

(Rs. in Crore)

Year	5th SFC PRIs	Actual Releases	5th SFC ULBs	Actual Releases
2017-18	143.35	143.35	111.55	109.36
2018-19	194.38	194.05	122.65	120.74
2019-20	210.41	218.85	134.90	132.90
2020-21	228.39	286.68	148.41	148.31
2021-22	248.55	308.55	163.25	163.25
Total	1025.08	1151.48	680.76	674.56

- 3.7 From the analysis of above numbers, it is evident that the recommendations of the Fifth State Finance Commission and releases made by the State Government to PRIs and ULBs are

close to each other. In fact, the releases by the Government are more realistic as they capture the unfolding realities. For example, the actual expenditure on honorarium to members of the elected bodies is a function of their attendance and the rates of honorarium. More importantly, any enhancement in committed revenue expenditure because of upward revision, be it honorarium or pay or wages, can be best captured and fine-tuned by the Government on the devolutions suggested by the Commission.

CHAPTER-4

Recommendations and Award of Central Finance Commissions to Local Bodies

This Chapter attempts to outline the recommendations made by the Central Finance Commissions and the resources made available by the Central Government to Himachal Pradesh against the recommended devolutions. The devolutions recommended by the Tenth and subsequent Finance Commissions have been analysed.

Devolutions Recommended for Local Bodies

Vertical Sharing

4.1 Finance Commissions, historically, have been recommending a proportion of the taxes collected by the Union Government for devolution to the States. Until the Tenth Finance Commission (FC-X), separate percentages were recommended for devolution of income tax and Union excise duties. However, after the Eightieth Amendment to the Constitution, net proceeds of all taxes (after deducting cess, surcharge, and cost of collection) collected by the Union are shareable with the States. These constitute the divisible pool of taxes. The States' shares in the divisible pool recommended by the last four Finance Commissions are given in Table 4.1.

Table 4.1

State's Share in Divisible Pool

FC-XI (2000-05)	FC-XII (2005-10)	FC-XIII (2010-15)	FC-XIV (2015-20)	FC-XV (2021-26)
29.5%	30.5%	32.0%	42.0%	41.0%

Tenth Finance Commission

4.2 Although the Tenth Finance Commission did not have any specific ToR for Local Bodies, but this Commission felt it appropriate to

address the issues of local bodies. The Tenth Finance Commission felt that Panchayats and Municipalities were mandated to discharge role assigned to them under 73rd and 74th Constitutional Amendments during the Commission's Award period. Therefore, it recommended a grant of Rs.4,380.93 Cr for Panchayats, at the rate of Rs.100/-per capita of rural population as per 1971 Census. A grant of Rs.1,000 Cr was recommended so that the State Governments should prepare schemes and detailed guidelines for utilization of these grants. The Local Bodies were required to raise matching contribution for this purpose. The clear-cut mandate was that no portion of grant amount was to be used for expenditure on salaries and wages.

Eleventh Finance Commission

4.3 Eleventh Finance Commission had a specific Term of Reference (ToR) to recommend **“the measures needed to augment the Consolidated Fund of a State to supplement resources of the Panchayats and Municipalities in the State, on the basis of the recommendations made by the Finance Commission of the State.** Besides this, this Commission was categorically given the freedom to make its own assessment in the matter where reports of State Finance Commissions were not available. This Finance Commission recommended a grant of Rs.8,000 Cr for Panchayats and Rs.2,000 Cr for Municipalities. This Commission assigned weight of 40% to population (1991 census), 10% to area and 20% to the distance from highest per capita income to main components devolution formula. This Commission stipulated that the first charge on the grants should be the maintenance of the accounts and also the audit. The second charge was on development of a financial data base. The balance amount was to be utilized for maintenance of core services like primary education, primary health care, safe drinking water, street lighting and sanitation including drainage and scavenging facilities, maintenance of crematoriums, burial grounds, public conveniences and other common property resources. These grants had a stipulation that these could not be used for payment of wages and salaries.

Twelfth Finance Commission

4.4 The Twelfth Finance Commission had identical ToRs as those of Eleventh Finance Commission for Panchayats and Municipalities. This Commission allocated a grant of Rs.20,000 Cr for Panchayats and Rs.5,000 Cr for Municipalities. This Commission retained the weights used by Eleventh Finance Commission i.e. 40% to population, 10% to area, 20% to distance from highest per capita income. However, instead of 1991 Census, it used a population data of 2000-2001 Census for distribution. This Commission specified that Panchayats should use the grants to improve service delivery relating to water supply and sanitation. In towns with population of over 1,00,000, 50% of the grant was to be earmarked for solid waste management schemes in public-private-partnership (PPP mode). Both urban and rural local bodies were expected to give a very high priority for creation of data base and maintenance of accounts by using modern technology and management techniques.

Thirteenth Finance Commission

4.5 This Commission too had identical ToRs for Panchayats and Municipalities like the earlier two Finance Commissions. However, unlike the earlier Commissions, this Commission recommended a percentage of the divisible pool of taxes for local bodies, which was estimated at Rs.87,519 Cr for the entire award period after converting into grant-in-aid under Article 275 of the Constitution. Further, for each year of the award period, the grant was to be determined based on the divisible pool of the previous year. Out of this, the grant for Panchayats stood at Rs. 63,051 Cr and the grant to municipalities was Rs. 23,111 Cr, while special grant of Rs.1,357 Cr was given to Schedule-V and Schedule-VI areas and other similarly situated areas. This Commission increased the weight attached to population to 50% and retained the weight assigned to the area. It retained weight assigned to distance from the highest per capita income at 20% for urban local bodies, for rural local bodies this was reduced to 10% and the new criteria of proportion of Scheduled Caste and Scheduled Tribe population with a weight of 10% was introduced. Besides this, it

mandated index of decentralization, revenue effort, index of deprivation, index of devolution etc. Apart from it, this Commission provided grants to local bodies in two parts, a general basic grant and a general performance grant. While there were no conditions for accessing the basic grants, however a set of six conditions for Panchayats and of nine conditions for urban local bodies were imposed to qualify for this performance grant.

Fourteenth Finance Commission

4.6 Fourteenth Finance Commission determined the total size of the grant at Rs.2,87,436 crore for the period 2015-20, constituting an assistance of Rs.488 per capita per annum at an aggregate level. Out of this amount, the grant recommended for Panchayats was Rs.2,00,292.2 crore; and for Municipalities the grant was Rs.87,143.8 crore. The grant assessed by the Commission for each year was fixed. Himachal Pradesh, however, got per capita of over Rs.580 due to the formula used by the Commission. The Commission categorically mandated that the local bodies must necessarily spend the grants only on the basic services within the functions assigned to them under relevant legislations. This is the paramount and cardinal stipulation on utilization of the grants by both Urban and Rural Local Bodies. This Commission recommended grants in two parts i.e. basic grant and performance grant for duly constituted Gram Panchayats and Municipalities. For Gram Panchayats, 90% of the grant was basic grant and 10% was performance grant. While for municipalities 80% was basic grant and 20% was performance grant. The Commission also recommended that in case of rural local bodies the grant should go to Gram Panchayats which are directly responsible for the delivery of basic services, without any share for the other levels. The basic grant for Gram Panchayats was to be distributed, using the formula, if any, prescribed by the SFC for the distribution of the resources. Otherwise, if the SFC has not prescribed any formula, then the share of each Gram Panchayat was to be distributed using 2011 population with the weight of 90% and area with the weight of 10%. For Urban Local Bodies, the Commission prescribed that the share of each of the three tiers would be determined on the basis of population of

2011 census with the weight of 90% and area with the weight of 10%, and then distributed among the entities in each tier in proportion to the population of 2011 census and area in the ratio of 90:10. For Himachal Pradesh, the Commission had recommended a total grant of Rs.1,802.8 Cr for Panchayati Raj Institutions. Out of which, an amount Rs.1,628.82 Cr (90%) was the basic grant while the remaining Rs.180.98 Cr (10%) was performance grant. For Urban Local Bodies, the Commission had recommended a total grant of Rs.201.77 Cr. Out of this amount, Rs.161.42 Cr (80%) was the basic grant while the remaining Rs.40.35 Cr (20%) was performance grant.

Fifteenth Finance Commission

4.7 In this Commission's recommendations, the horizontal devolution formula is designed to focus on specific objectives to be achieved through such devolution, such as: (i) to help bridge the vertical fiscal gap of the States; (ii) to provide horizontal equity (by providing higher share to poorer regions); (iii) to equalise fiscal capacities of States (revenue equalisation); (iv) to provide for cost differentials among States for providing basic public service (expenditure equalisation). The three principles of need, equity and efficiency have been balanced carefully in assigning weightages within the formula. The criteria and weights assigned for horizontal devolution are given in the Table 4.2.

Table 4.2
Criteria and Weights assigned for Horizontal Devolution

Criteria	Weight (%)
Population	15.0
Area	15.0
Forest and Ecology	10.0
Income Distance	45.0
Tax and Fiscal Efforts	2.5
Demographic Performance	12.5
	100

4.8 For the period 2021-22 to 2025-26, the share of Himachal Pradesh in the inter se shares of States in the net proceeds of the taxes (divisible pool) as recommended by this Commission, based on the

methodology described above, is 0.83%. The Commission recommended retaining the vertical share of 41% of the divisible pool of taxes for the States during its award period. On horizontal devolution, while the Commission agrees that the Census 2011 population data better represents the present needs of States, to be fair to, as well as reward, the States which have done better on the demographic front, Commission assigned a 12.5% weight to the demographic performance criterion.

- 4.9 In view of the fact that fast pace of urbanisation and future needs of the cities to act as engines of growth, and in continuation with the principles followed in the report for the year 2020-21, the ratio of inter se distribution of the grants recommended for rural and urban local bodies gradually moves from 67.5:32.5 in 2020-21 to 65:35 in 2025-26, which is the final year of the award period. For the inter se distribution of grants amongst the States, the weightage is 90 percent to population and 10 percent to area as had been done by the Fourteenth Finance Commission.
- 4.10 Out of the total grants earmarked for Panchayati Raj Institutions, 60 percent of the grants to rural local bodies are tied to supporting and strengthening the delivery of two categories of basic services: (a) sanitation and maintenance of ODF status; and (b) drinking water, rainwater harvesting and water recycling, while 40 percent are untied and are to be utilised at the discretion of the Panchayati Raj Institutions for improving basic services except for incurring expenditure on salaries and wages.
- 4.11 60% of the basic grants for ULBs in One-Million-Plus cities are tied to supporting and strengthening the delivery of (a) sanitation and solid waste management and attainment of star ratings as developed by the MoHUA; and (b) drinking water, rainwater harvesting and water recycling.
- 4.12 For all local governments, both urban and rural, web-based availability of annual accounts for the previous year and audited accounts for the year before previous is an entry level qualification for grants. For urban local bodies, an additional entry level condition for

receiving grants is the notification of minimum floor rates of property taxes by the relevant State followed by consistent improvement in the collection of property taxes in tandem with the growth rate of State's own Gross State Domestic Product. The Commission recommended that the upgraded PRIASOFT software needs to be integrated with the Integrated Financial Management Information System (IFMIS) of the State Governments (wherever it exists) and the Public Financial Management System (PFMS) of the CGA in the Union Government to generate online accounts by each rural local body, enable online auditing of such accounts and their consolidation at the State and all-India levels.

- 4.13 The Commission has recommended that all States which have not done so, must constitute SFCs, act upon their recommendations and lay the explanatory memorandum as to the action taken thereon before the State legislature on or before March 2024. After March, 2024, no grants should be released to a State that has not complied with the Constitutional provisions in respect of the State Finance Commission and these conditions. The MoPR will certify the compliance of all Constitutional provisions by a State in this respect before the release of their share of grants for 2024-25 and 2025-26.
- 4.14 The Commission has recommended that for the five-year award period (2021-22 to 2025-26) grants should go to all the three tiers of Panchayati Raj Institutions. The inter se distribution among all the tiers should be done by the State Governments on the basis of the accepted recommendations of the latest State Finance Commission and in conformity with the following bands of (a) not less than 70 percent and not more than 85 percent for Gram Panchayats, (b) not less than 10 percent and not more than 25 percent for Block Panchayats and (c) not less than 5 percent and not more than 15 percent for Zilla Panchayats, subject to the shares adding up to 100 percent.
- 4.15 The Commission has recommended an allocation of Rs.750 crore from the proposed NDMF for seismic and landslide risk reduction in the Himalayan region during the next five years. It would include an

allocation of Rs.250 crore for Himachal Pradesh for 2021-26 (Rs.50 crore in each year).

4.16 The Commission has recommended Revenue Deficit Grants of Rs.2,94,514 crore over award period for Seventeen States. Out of these Grants, share of Himachal Pradesh for 2021-22, 2022-23, 2023-24, 2024-25 and 2025-26 is Rs.10,249 crore, Rs.9,377 crore, Rs.8,058 crore, Rs.6,258 crore and Rs.3,257 crore, respectively with a total of Rs.37,199 crore.

4.17 The Commission has recommended that States may appropriately amend their land-related laws on the lines of NITI Aayog's model law to allow short-term and long-term lease of agricultural land both for agricultural purpose as well as for agro-industry, logistics for agricultural trade and supply chains.

4.18 The Commission has also recommended Performance-based Incentives and Grants to Himachal Pradesh for 2022-23, 2023-24, 2024-25 and 2025-26 as Rs.284 crore, Rs.284 crore, Rs.426 crore and Rs.426 Cr, respectively with a total of Rs.1,420 crore.

4.19 The Commission has recommended that every State should constitute a high-level committee for reviewing and monitoring the proper utilisation of State-specific and sector-specific grants. This committee may be headed by the Chief Secretary with the Finance Secretary and the Secretaries/Heads of relevant Departments as Members.

4.20 The FC-XV has recommended Total Transfers to Himachal Pradesh for the period 2021-2026 as under: -

(Rs. in Crore)

Sr. No.	Item	Amount
1.	Share in Central Taxes & Duties	35,064
2.	Post Devolution Revenue Deficit	37,199
3.	Local Governments	3,049
4.	Disaster Management	2,258
5.	Health	377
6.	PMGSY Roads	2,222
7.	Statistics	21
8.	Judiciary	50
9.	Higher Education	70
10.	Agriculture	247
11.	State Specific	1,420
	Total Transfers	81,977

CHAPTER-5

Action Taken Report on the Recommendations of Previous Himachal Pradesh State Finance Commissions

5.1 The action taken by Panchayati Raj and Urban Development Departments on the recommendations of the previous all Himachal Pradesh State Finance Commissions in respect of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) has been summarized below.

5.2 RECOMMENDATIONS OF FIRST STATE FINANCE COMMISSION.

5.2.1 Recommendation: Decentralization brings greater responsibility upon the lower levels of hierarchy. This implies that the local governments at all levels will have to be extremely careful about the efficient use of available scarce resources. Not only this, they will also have to assume responsibility for raising resources, an area which may have remained at a very low priority so far. Panchayati Raj Institutions and Urban Local Bodies must raise resources which are exclusively their responsibility.

Action by: Panchayati Raj Department

Action Taken: In the rural areas there is remote possibility for the Panchayati Raj Institutions to raise their resources. Being political bodies, these institutions generally refrain from imposing extra taxes or increasing the existing taxes. The only possibility for these institutions is to create income generating assets wherever possible or adjudged financially viable. To create such type of assets, Panchayats have to generate funds by way of borrowing etc. To facilitate the Panchayats to raise loan for creation of income generating assets, the conditions imposed under earlier sections by the State Government for taking loans were relaxed by amending Section 110 of Himachal Pradesh Panchayati Raj Act, 1994. Under the amended provisions, Panchayats have been

empowered to take loans from any financial institution at its own level by obtaining the prior approval of Gram Sabha.

Status : Accepted and Implemented.

Action by : Urban Development Department

Action Taken: The summary of the recommendations of First State Finance Commission was circulated to all the Urban Local Bodies of the State for taking further necessary action as suggested by the First State Finance Commission. All Urban Local Bodies of the State have been impressed upon to raise their resources as are statutorily expected from them, so that they may not remain wholly dependent on government grants and should meet their expenditure from their own resources. It is seen that the Urban Local Bodies of the State are earnestly moving in this direction but on a slow pace, due to political compulsions at the local level.

Status: Accepted and Implemented.

5.2.2 Recommendation: The existing provisions in the Acts do not really allow a fair degree of freedom to the PRIs or the Urban Local Bodies to raise resources through the taxes and levies mentioned in the Statutes. In the opinion of the Commission, the State Government could consider setting the minimum and maximum of the rates for each of such taxes and let the local government institutions take a view on the current rates which certainly merit to be revised. For this purpose, the State Government could consider amending the statutes to provide for such a flexible arrangement.

Action by: Panchayati Raj Department

Action Taken: Gram Panchayats have been empowered to levy the following taxes and fees subject to the maximum rates fixed by the State Government as per the provisions under various Sections of the Himachal Pradesh Panchayati Raj Act,

1994 vide notification No. PCH-HA (2)2/95-20381-680 dated 2nd November 1999:

(i) House Tax: Section100(1)

Sr. No.	Particulars	Maximum rate of house tax
1.	Where the person is liable to house tax owns house having the total built up area up to 40 Sq. Mtrs.	Rs.10/- per annum
2.	Where the person is liable to house tax owns house having the total built up area up to 100 Sq. Mtrs.	Rs.25/- per annum
3.	Where the person is liable to house tax owns house having the total built up area up to 100 Sq. Mtrs.	Rs.50/- per annum

(ii) Tax on extractions and export of sand, stone, bajri and slates:

- a) Tax on extraction and export of sand, stone, bajri not exceeding Rs.10/- per Truck and Rs. 5/- per trolley.
- b) Tax, on slates not exceeding Rs. 50/- per truck.

iii) Fees.

- a) Tehbazari form the Shopkeepers in the fairs at the rates as it may deem proper, but not exceeding Rs. 30/- per Sq. mtrs. per day.
- b) Service fee including fee on cleaning streets and lighting of streets and sanitation at the rates as the Gram Panchayats may deem proper, but not exceeding Rs. 20/- per month from those individuals/ households/ shopkeepers/business establishments, who are being provided such services by the Gram Panchayats, keeping in view their paying capacity.

- c) Fee for registration of animals sold in the Sabha area at such rates as may be fixed by the Gram Panchayats, subject to maximum of 2% of the sale price.

Action by: Urban Development Department

Action Taken: The House tax varying from 7.5% to 12.5% is being imposed by almost all the Municipal Bodies of the State. In order to allow free hand to the Municipalities to levy taxes fees, user charges etc. at their own level, the Government vide Notification No. LSG-D (1)-9/94 dated 08.11.1999 has prescribed the maximum limits of the rates of taxes/fees leviable by the municipalities. To further the process of decentralization, the powers to levy taxes have been delegated to the ULBs by making an amendment in the H.P. Municipal Act, 1994 and Municipal Corporation, Act, 1994.

Status: Accepted and implemented.

5.2.3 Recommendation: Some of the local government bodies are not levying the rates, and taxes which should be statutorily levied by them. It should be mandatory for all to raise resources within their purview. The Commission feels that if some local government bodies do not collect the statutory levies, the resource transfers recommended through this report of the Commission, should not be released. Compliance to collect taxes at the local level should only qualify these bodies for availing the resource transfers from the Consolidated Fund of the State. The Department of Panchayati Raj and Local Self Government should ensure implementation of this suggestion. It is also clarified that this suggestion should not be construed to imply any staff proliferation in these Departments.

Action by: Panchayati Raj Department

Action Taken: At present, Gram Panchayats are collecting house tax based on flat rates and not on the built area. The

average rate of house tax ranges from Rs.10 to Rs.15 per annum. In addition to this, few Gram Panchayats are also levying tax on sand, stone, bajri and slates as this resource is not available with all Gram Panchayats. Tehbazari is being also collected by Gram Panchayats in whose area of jurisdiction, fairs are being organized. Proposal to levy user charges could not be carried through.

No decision has been taken by the State Government to implement the suggestion made by the Commission as it was felt that the resource transfer made by the State Government on the recommendations of State Finance Commissions are mainly utilized to meet out the committed liabilities such as honorarium to the Elected Representatives of Panchayati Raj Institutions and Office Expenses etc. Withholding of such grants will adversely affect the functioning of the Panchayats.

Status: Partially implemented.

Action by: Urban Development Department

Action Taken: With the imposition of House Tax in all the Municipal Bodies of the State, all the municipalities have been directed to get this tax compulsorily imposed but it has been found that some of the local bodies are still resisting the imposition of this tax. All measures are being adopted to impress upon all the Urban Local Bodies to realize this Statutory Tax in a time bound manner and the process of realization is going on. Since, State Finance Commission has recommended the resource transfer by clubbing Octroi grant, which in the past was compensation from the State Government to the Municipalities of the State in lieu of abolition of Octroi, therefore, withholding the said compensation in the garb of First State Finance Commission Award (resources transfer) is not a desirable step. Moreover, in order to show adequate sincerity in the efforts of ULBs for mobilizing revenue resources, the Housing Improvement Area (HIA) recommended by State Finance Commission has been

linked with the collection of House Tax. With regard to the staff position, it is submitted that most of the municipalities have not employed even bare minimum staff and in the absence of which the pace of recovery of taxes and other activities of the ULBs cannot be maintained.

In order to rationalize the staff position, no permission to fill up the vacant posts and even employment to dependents in harness cases are not being accorded without prior approval of the Government. Releases of grants are being delayed to pressurize the municipalities to raise resources through house tax.

Status: Partially implemented

- 5.2.4 Recommendation:** The Commission realized that proper inventories of the assets either owned by these bodies or delegated to be maintained by these bodies did not exist. This is extremely necessary to be created so that exact availability of infrastructure-civic as well as development is known and the needs of resources for its effective upkeep are possible to be quantified. In the context of quantification of resources needed for upkeep and maintenance, it would be necessary to have the inventories prepared and continuously updated.

Action by: Panchayati Raj Department

Action Taken: A proper framework for inventory of assets, to be maintained by the Local Bodies, is yet to be developed by the Department.

Status: Not implemented

Action by: Urban Development Department

Action Taken: All the Municipalities in the State have been directed to prepare proper inventories of the assets either owned by them or delegated to be maintained by them. Most of the ULBs are maintaining inventories of their assets with

skeleton staff. Steps are also being taken to update the inventories.

Status: Partially Implemented

5.2.5 Recommendation: In developing and expanding the civic infrastructure, the Urban Local Bodies should increasingly resort to negotiated loans from the national funding agencies since the competing priorities within the State plan will leave less and less resources available for such infrastructure as could be amenable to levy of user charges. This mode of financing will also ensure levy of user charges which could at least make up for the operation and maintenance expenditure for such infrastructure.

Action by: Urban Development Department

Action Taken: The Urban Local Bodies are at liberty to negotiate for loans from the national funding agencies like HUDCO, Banks and LIC etc. for developing and expanding the civic infrastructure. Municipal Corporation Act allows Corporation to raise loan but there is no such provision in Municipal Council Act. Steps are being taken to amend the H.P. Municipal Act, 1994 on the lines of H.P. Municipal Corporation Act, by adding one Chapter of “Borrowings” so that they are also able to raise resources through financial institutions. However, some of the ULBs are creating infrastructure like shopping complex etc. through self-financing. Now some projects are being posed on PPP basis.

Status: Partially Implemented

5.3 RECOMMENDATIONS OF THE SECOND STATE FINANCE COMMISSION

5.3.1 Recommendation: Decentralization brings greater responsibility upon the lower levels of hierarchy. This implies that the local governments at all levels will have to be extremely careful about the efficient use of available scarce

resources. Not only this, but they will also have to assume responsibility for raising resources, an area which may have remained at a very low priority so far. Panchayati Raj Institutions must raise resources which are exclusively their responsibility which need to be supplemented through institutional funding for economically viable income generating projects/assets creations activities.

The existing provisions in the Act do not really allow a fair degree of freedom to the Panchayati Raj Institutions to raise resources through the taxes and levies mentioned in the Statutes. In the opinion of the Commission, the State government could consider amending the Statues so as to empower the local bodies to levy new taxes the levies/cess as well as the revision of the existing rates.

Action by: Panchayati Raj Department

Action Taken: It was recommended by the Second State Finance Commission that the existing provision should allow a fair degree of freedom to the Panchayati Raj Institutions to raise resources through the taxes and levies. Presently, Zila Parishad and Panchayat Samiti are not levying any tax, fee, cess etc. However, Gram Panchayats have been empowered to levy the following taxes and fees subject to the maximum rates fixed by the government as per the provision under various Sections of the Himachal Pradesh Panchayati Raj Act, 1994 vide notification dated 2nd Novemeber, 1999:-

i) House Tax: Section100(1)

Sr. No.	Particulars	Maximum rate of house tax
1.	Where the person is liable to house tax owns house having the total built up area up to 40 Sq. Mtrs.	Rs.10/- per annum
2.	Where the person is liable to house tax owns house having the total built up area up to 100 Sq. Mtrs.	Rs.25/- per annum
3.	Where the person is liable to house tax owns house having the total built up area up to 100 Sq. Mtrs.	Rs.50/- per annum

Tax on extractions and export of sand, stone, bajri and slates:

- a) Tax on extraction and export of sand, stone, bajri not exceeding Rs.10/- per Truck and Rs. 5/- per trolley.
- b) Tax, on slates not exceeding Rs. 50/- per truck.

iii) Fees

- a) Tehbazari form the Shopkeepers in the fairs at the rates as it may deem proper, but not exceeding Rs. 30/- per Sq. mtrs. per day.
- b) Service fee including fee on cleaning streets and lighting of streets and sanitation at the rates as the Gram Panchayats may deem proper, but not exceeding Rs.20/- per month from those individuals' households/ shopkeepers/business establishments, who are being provided such services by the Gram Panchayats, keeping in view their paying capacity.

- c) Fee for registration of animals sold in the Sabha area at such rates as may be fixed by the Gram Panchayats, subject to maximum of 2% of the sale price.

5.3.2 Recommendation: Some of the Local Government Bodies are not levying the rates, and taxes which should be statutorily levied by them. It should be mandatory for all to raise resources within their purview. The Commission feels that if some Local Government Bodies do not collect the statutory levies, the resource transfers recommended through this report of the Commission, should not be released. Compliance to collect taxes at the local level should only qualify these bodies for availing the resource transfers from the Consolidated Fund of the State. The Department of Panchayati Raj and Local Self Government should ensure implementation of this suggestion. It is also clarified that this suggestion should not be construed to imply any staff proliferation in the Panchayati Raj Institutions.

Action by: Panchayati Raj Department

Action Taken: At present, Gram Panchayats are collecting house tax based on flat rates and not on the built area. The average rate of house tax ranges from Rs.10 to Rs.15 per annum. In addition to this, few Gram Panchayats are also levying tax on sand, stone, bajri and slates as this resource is not available with all Gram Panchayats. Tehbazari is being also collected by Gram Panchayats in whose area of jurisdiction, fairs are being organized. Proposal to levy user charges could not be carried through.

No decision has been taken by the State Government to implement the suggestion made by the Commission as it was felt that the resource transfer made by the State Government on the recommendations of State Finance Commissions are mainly utilized to meet out the committed liabilities such as honorarium to the Elected Representatives of Panchayati Raj

Institutions and Office Expenses etc. Withholding of such grants will adversely affect the functioning of the Panchayati Raj Institutions.

Status: Partially implemented

- 5.3.3 Recommendation:** In the course of its work, the Commission realized that proper inventories of the assets either owned by these bodies or delegated to be maintained by these bodies did not exist. This is extremely necessary to be created so that exact availability of infrastructure, civic as well as development is known and the needs of resources for its effective upkeep are possible to be quantified. In the context of quantification of resources needed for upkeep and maintenance, it would be necessary to have the inventories prepared and continuously updated.

Department: Panchayati Raj

Action Taken: Proper inventory of assets is not being maintained by the PRIs. But this data is significant to work out the maintenance requirements of these bodies. Now, the department has devised a format for maintenance of basic data which will further generate information on inventory of assets.

Status: Accepted but not implemented.

- 5.3.4 Recommendation:** As recommended by the Eleventh Finance Commission, all government properties, which belong to the Central or the State Government should be subject to the levy of user charges. The Commission, also suggest that it should be regulated by a suitable legislation.

The commission would like to quote from the Report of the Tenth Finance Commission about decentralization, which is still relevant to entire scheme of things, emerging from this Report. The text is as under: -

“Because of the 73rd and 74th amendments to the Constitution, Finance Commission will be required in future to suggest measures in the light of the recommendations of the State Finance Commission. We believe it is important that the Panchayati Raj Institutions are firmly established and strengthened. Equally, we think it is necessary to guard against generation of dependency for resources at each sub-national level. The three-tier structure, with two layers of Finance Commission, may generate expectations that in the end it will be responsibility of the Centre to channel resources through the State Government to the Panchayats and Urban Local Bodies. The fiscal system can scarcely meet such expectations. Panchayats and Urban Local Bodies need to have well defined sources of income and taxing powers. They must be encouraged to exploit them to the full, relying on the transfers from the above only at the margin and preferably on a matching basis. Decentralization of the development process is a desirable objective. But it can prove effective only if local resources are mobilized for local development, thus ensuring minimum leakage and cost-effective deployment”.

Action by: Finance Department (IF).

Action Taken: No action was taken by the State Government.

Status: Not implemented.

5.3.5 The Commission has expressed the above concern in the report at several places. It is felt that in order to achieve the back up for such a system, there should be Permanent Institutional Arrangements in the State Planning Department to perform the following functions on a sustaining basis: -

- i. To observe the implementation of the recommendations of the State Finance Commissions and continuously monitor the methodology for implementation of various recommendations so that the local level institutions develop a system which

could be useful in the context of these bodies becoming effective in the overall design of decentralization.

- ii. To collect data and analyse the trends in actual receipts and expenditure of the Panchayati Raj Institutions and identify their reasons for variations vis-à-vis the recommendations of the State Finance Commission.
- iii. To conduct studies and publish data on the finances of the Panchayati Raj Institutions and Urban Local Bodies and
- iv. To study and analyse the disparities in the levels of development at various level, as also the capabilities of raising resources.

Action by: Finance (IF) and Planning Departments

Action Taken: 8.3, 8.4 & 8.5: The issue of setting up of a permanent State Finance Commission Cell was placed before the Council of Ministers and it was decided that the work relating to State Finance Commission will be carried out through restructuring/redeployment of existing staff in the Planning Department without creation of additional posts for permanent State Finance Commission Cell, as this will lead a heavy financial burden on the State Government exchequer.

Status: - Not accepted.

- 5.3.6 Recommendation:** In this context of institutionalizing a permanent arrangement for sustained performance of the above tasks, the Commission recommends that such an arrangement would be best institutionalized in the State Planning Department on account of the State Finance Commission devolution being channelized to the PRIs as plan outlays. It has also been the experience of the Commission that the monitoring of the implementation of the recommendations of the First State Finance Commission leaves much to be desired and grants have been released to the PRIs without adequate tie up on the issue of raising

resources by the PRIs. The existing system of administering devolution of funds leads to the following problems: -

- i) Grants released to PRIs in violation of the guidelines result in audit objections.
- ii) Future grants receivable from the Government of India under Special purpose grants of Finance Commission (Eleventh) would be adjusted against such releases and result in reduced resource transfers to PRIs.
- iii) CAG has indicated its intent to audit the accounts of PRIs on a sustained and universal basis.

Action by: Finance (IF) and Planning Department.

Status: Not implemented

5.3.7 Recommendation: Although Planning Department has a regional and Decentralized Planning Division which could perform the functions relating to sub-State level planning and decentralization of the development, yet the past experience has shown that the said division is burdened with other multifarious duties and cannot take on the additional burden of monitoring the implementation of the recommendations of the State Finance Commission from time to time. Also in the coming years, the transfer levels are going to rise substantially as more and more duties and functions get enjoined upon the PRIs with the march of decentralization. Important studies, if required in the above context, could also be considered to be sourced out to appropriate institutions and individuals having the right kind of experience. Keeping all these considerations in view, the Commission should be converted into a permanent arrangement and added as a division in the Planning Department.

Action by: Finance (IF) and Planning Department.

Status: Not implemented

5.3.8 Recommendation: The Commission recommended that the State Government could consider the release of recommended funds to PRIs from out of the Consolidated Fund of the State on a quarterly basis and the PRIs would qualify for getting funds for the subsequent quarter on the basis of mobilization of revenue resources by these bodies and tendering of the utilization certificates. The transfer of the grants should be administered through the institutional mechanism suggested above.

Action by: Panchayati Raj Department

Action taken: Since, the funds were mostly being released to meet out the committed liabilities of PRIs, suggested mechanism was not applicable.

Status: Not accepted

5.3.9 Recommendation: The Commission observed that the Urban Local Bodies have not shown adequate sincerity in their efforts in mobilising revenue resources and look towards Government to fund their deficit. To avoid this situation Commission recommends that

- 1) 75% of the grants be released provided the local body imposes and collects house tax on a minimum of 7.5 %
- 2) 25% of grants be released provided the local body commits to raise the rate of house tax by a percentage point each year, so that it reaches 12.5% by the end of award period.

Action By: Urban Development Department

Action Taken: All ULBs have been directed to get this component compulsorily imposed, but it has been found that some of the local bodies are still resisting the collection of House tax. All measures are being adopted to impress upon the ULBs to start the collection of House tax.

The ULBs are moving in this direction though with a slow pace due to limited will of the public representatives at the local level, as is

evident from the reports of some ULBs. All ULBs except Chopal, Kotkhai, Baddi and Bilaspur are collecting House Tax.

As per the recommendation of the Second State Finance Commission, the releases to the ULBs were restrained which is evident from the status given below: -

(Rs. in Lakh)

Sr. No.	Year	Amount Recommended	Amount Released	Shortfall
1	2002-03	5,275.79	5,275.79	--
2	2003-04	2,570.42	1,300.86	1,269.56
3	2004-05	2,602.67	2,115.04	487.63
4	2005-06	2,617.53	2,337.70	279.83
5	2006-07	2,879.29	2,336.70	542.59
	Total:	15,945.70	13,366.09	2,579.61

To further the process of decentralization, the power to levy taxes has been delegated to the ULBS by making an amendment in the HP Municipal Act, 1994 and Municipal Corporation, Act, 1994.

Status: Accepted and partially implemented.

5.3.10 Recommendation: The Commission has recommended that zonation of urban areas based on the development principle of equity and justice and rates of taxes be rationalized.

The zonation can be classified in the following three zones:

- (a) Commercial
- (b) Residential
- (c) Peripheral slum areas.

Tax structure can be considered by these Urban Local Bodies in an appropriate manner which, if accepted, would be easy to implement and administer and also be more equitable.

Action by: Urban Development Department

Action Taken: In order to consider the possibility of imposition of house tax on zonation basis, the issue was discussed with municipalities. It was observed that this recommendation can be applicable where towns have been developed strictly on zonation basis. In hilly towns, commercial establishments have not been banned in residential areas. However, in the current situation the present system of assessment based on rental value of the property should continue.

Status: Not Implemented

5.3.11 Recommendation: The Commission feels that present system of cadre of employee's merits to be reviewed and status-quo-ante restored as it will lead to reduction in expenditure and better local control. Commission, however, considers it appropriate to have central cadre for only one category of the functionaries i.e., of Secretary/Executive Officers who serve as a link between local body and Government and is also statutorily required.

Action by: Urban Development Department

Action taken: The Government has excluded the employees of Municipal Corporation, Shimla partially from schedule-1 (State Cadre). The matter regarding services of the employees of MCs/NPs is under consideration at Government level.

Status: Partially Implemented.

5.3.12 Recommendation: The Commission is of the view that smaller Urban Local Bodies should not have any permanent staff except Secretary as they do not have full time work and their resource capacity is severely limited. System of engaging staff on part time or contractual basis would lead to reduction in expenditure.

Action by: Urban Development Department

Action Taken: The recommendation of the Commission could not be fully implemented, as some regular staff is essentially required to run these institutions of Local Self Government, keeping in view their increasing responsibilities after the Constitutional

Amendment and enactment of new 74th H.P. Municipal Acts. Moreover, the regular staff was already there when the recommendations of the Second State Finance Commission were accepted by the State Government. However, charge of Secretaries of several Nagar Panchayats has either been given to officers of other Departments or to the Executive Officers of adjoining Municipal Councils to save the Nagar Panchayats from the burden of salary. There are 24 Nagar Panchayats out of which 15 Nagar Panchayats are without Secretaries.

Status: Partially implemented

5.3.13 Recommendation: It has also been noticed by the Commission that some Urban Local Bodies owe huge Development amounts to HPSEB and IPH Departments on account of streetlights/water. Main reason for this situation is poor fiscal health of ULBs which on the other hand severely affects the efficiency and capability of service providers. The Commission recommends a onetime liquidation of the arrears of the defaulting ULBS by directly paying to HPSEB or IPH Departments during the first year of the award period in the following manner: -

The arrears for energy bills for street lighting shall be adjusted against the future grants in 4 equal instalments.

- i) In case the local bodies fail to raise the local tax on consumption of electricity in a manner that no arrears accrue in future.
- ii) For water supply, the local bodies, as a first step, will raise the water rates to cover full cost of bulk supply at existing rates of supply and subsequently raise the rates towards ensuring full cost recovery of O & M charges over a five-year period. In case of a failure to comply, the grants due to the local bodies will be adjusted at the rate of 25% of the arrears paid during the first year.

Action by: Urban Development Department

Action Taken: Necessary instructions have been issued to all the ULBS to make regular payments of streetlight bills and water supply bills to the HPSEBL and IPH Departments (Jal Shakti Vibhag) respectively, failing which the same will be deducted from their grants. Due to their lean financial position, they are not able to pay the water and electricity charges. However, keeping in view the pending liabilities payable to the Himachal Pradesh State Electricity Board Limited and Irrigation and Public Health Department (now known as Jal Shakti Vibhag) on account of streetlights/water supply bills, the State Government has decided to recover the outstanding dues out of the grants of the defaulter ULBs and accordingly recovery is being effected in instalments.

Status: Implemented

5.3.14 Recommendation: The Commission has also recommended to regard the local bodies which pay for such services on a regular basis. In the event of any hike in the rates of local tax on consumption of electricity or water rates, for every additional rupee raised the local bodies shall be entitled to incentive grant of Rs.2. This incentive will apply only to those bodies which have no arrears. For this purpose, the Commission recommended an "Incentive Fund" amounting to Rs.1.50 crore per annum for the year 2003-2004, implying a total Corpus of Rs.6.00 crore over the forecast period.

Action by: Urban Development Department

Action taken: Necessary instructions have been issued to all the Urban Local Bodies to take advantage of "Incentive Fund" as per the recommendations of the Second State Finance Commission. However, no such proposal has been received from any of the ULBs.

Status: Accepted and partially implemented.

5.4 RECOMMENDATIONS OF THIRD STATE FINANCE COMMISSION

5.4.1 Recommendation: The Commission had submitted to the State Government an Interim Report for the year 2007-08 in June, 2006 to

ensure the continuity in fiscal transfers as also in fulfilment of Constitutional requirements. The State Government had accepted the Interim Report and implemented the same for the year 2007-08. For the year 2007-08, the Panchayati Raj Institutions are expected to receive a total gap filling grant of the order of Rs. 1,759.39 lakh to meet the obligations of committed expenditure as also infrastructure support grants amounting to Rs. 201.70 lakh for augmentation of accommodation of Panchayat Ghars and office infrastructure. For the Urban Local Bodies, an amount of Rs. 3,052.05 lakh was recommended to be devolved by way of development grants for 2007-08. The Commission while making full Report for the period 2007-08 to 2011-12 will take into cognizance these amounts and separately offset them from the overall recommendations.

Action by: Panchayati Raj Department

Action Taken: As per the recommendations of the Third State Finance Commission the status of the release of gap filling grants against recommended devolutions is as under:

(Rs. in lakh)

Financial Year	Recommendations by SFC	Amount Released
2007-08	2,463.52	2,619.45
2008-09	5,364.16	5,598.76
2009-10	5,293.45	5,614.12
2010-11	4,802.60	6,073.47
2011-12	4,904.58	6,118.80
Total	22,828.31	26,024.60

It is evident from the above table that gap filling grants released to PRIs are Rs. 26,024.60 lakh which are over and above the recommended grant of Rs. 22,828.31 lakh. The Commission has recommended Rs. 2,937.98 lakh for the maintenance of physical assets of various departments. The Commission recommended that maintenance provision of other departments may continue to be with the departments but its devolution to Gram Panchayats be made for carrying out maintenance to gradually enhance the stake of Gram Panchayats in the basic infrastructure meant for local level service

delivery. The Commission also recommended for budgetary provisions for the assets, in the Demand for Grants of Panchayati Raj Department by declaring the Director, Panchayat Raj as Head of the Department for the proper utilization of the same by the Panchayati Raj Institutions.

The Department took up the matter with the Government and the Finance Department, but no such delegation has been made by the respective Departments.

Status: Partially implemented.

Action by: Urban Development Department

Action Taken: As per the interim report of the Third State Finance Commission, a sum of Rs.3,052.05 lakh has been released to the Urban Local Bodies of the State. Due to the lean financial position of the Local Bodies, most part of this grant has been utilized by them to meet out committed revenue liabilities.

Status: Accepted and implemented.

5.4.2

Recommendation: The Interim Report had provided for a gap filling grant amounting to Rs.1,759.39 lakh for the Panchayati Raj Institutions. Against this recommendation in the Interim Report, the revised gap as worked out above after taking into account the revision in the rates of honorarium to the elected representatives and also the revision in the levels of remuneration of the functionaries of the Panchayati Raj Institutions works out to Rs.2,463.52 lakh. Accordingly, the State Government may make a further provision of Rs.704.13 lakh in the current year through the supplementary demands for grants to meet such committed expenditure.

Action by: Panchayati Raj Department.

Action taken: Keeping in view the additional requirement of funds on account the revision in the rates of honorarium to the elected representatives and the revision in the levels of remuneration of the functionaries of the Panchayati Raj

Institutions, the demand for additional funds was sent to the State Government by the Department of Panchayati Raj and accordingly funds were released to the PRIs to meet out this expenditure.

Status: Accepted and implemented.

- 5.4.3 Recommendation:** For the year 2007-08, the Interim Report of the Commission had recommended a total transfer of Rs. 3,052.05 lakh for the Urban Local Bodies. As against this, the above data indicates that the State Government may be required to provide a further grant of Rs. 910.00 lakh for 2007-08 towards meeting the expenditure commitments as detailed above. Such a provision for 2007-08 may be made through a supplementary demand for grants during the current year. For the remaining four years of the forecast period, the total transfers to the Urban Local Bodies by way of development grants (grants in lieu of Octroi) and gap filling grants will be required as under: -

Table V
Total Transfers to Urban Local Bodies

(Rs. in Lakh)

Year	Developmental Grants	Gap-filling Grants	Total Resources Transfers
2008-09	3,644.00	532.00	4,176.00
2009-10	4,100.00	77.00	4,177.00
2010-11	4,612.00	Nil	4,612.00
2011-12	5,188.00	Nil	5,188.00

Action by: Urban Development Department

Action Taken: The funds released to the Urban Local Bodies are as under: -

(Rs. in Lakh)

Sr. No	Year	Dev. Grant	Gap-filling grant	Total	Amount Released
1	2007-08*	3,239.00	910.00	4,149.00	3,052.05
2	2008-09	3,644.00	532.00	4,176.00	4,176.00
3	2009-10	4,100.00	77.00	4,177.00	4,177.00
4	2010-11	4,612.00	--	4,612.00	4,612.00
5	2011-12	5,188.00	--	5,188.00	5,188.00
	Total	20,783.00	1,519.00	22,302.00	21,205.05

* Commission in its Interim Report had recommended a total transfer of Rs. 3,052.05 lakh.

Status: Accepted and implemented.

5.4.4 Recommendation: The surplus in the overall finances of the Urban Local Bodies as brought out in Table IV (Chapter 16) for the year 2010-11 and 2011-12 has not been taken into account to be offset against the development grants. The Urban Local Bodies ending up with a nominal surplus can be due to their efforts in raising resources at their own level. Such surplus may be left to be best utilized by the local bodies for improvement and up gradation of civic infrastructure.

Action by: Urban Development Department

Action Taken: The actual receipts and projected receipts of the ULBs are as under: -

Year	Actual Receipts	Projected Receipts by 3 rd S.F.C.	Deficit
2007-08	44.26	42.57	(+) 1.69
2008-09	44.98	47.88	(-) 0.90
2009-10	50.87	53.86	(-) 2.99
2010-11*	53.68	60.58	(-) 6.90
2011-12*	56.36	68.15	(-) 11.45

*Projected

There is a gap between receipts projected by the Commission and actual receipt of the ULBs. In the current situation, the

ULBs are not even in a position to pay the water and electricity bills.

Status: Accepted but could not be implemented in view of emerged situation.

5.4.5 Recommendation: It may be seen from the above data that even though the transfers to the local government institutions show a marginal increase during the forecast period in nominal terms, yet the percentage of the total devolution to the State's total own revenues keeps declining over time due to the fact that the State's projected total own revenues show a growth rate higher than the increase in the recommended level of devolutions.

Action by: Finance Department (IF)

Action Taken: The Third State Finance Commission has considered the growth trend of Sale Tax / VAT while recommending Development Grants to the Urban Local Bodies. The State Government has accepted the recommendations made by the Third State Finance Commission and released the grants to the ULBs, accordingly.

Status: Accepted and implemented.

5.4.6 Recommendation: The Commission is of the opinion that the recommended resource transfer to the local government institutions may not be passed on as grants-in-aid as has happened during the award periods of the First and the Second State Finance Commissions. Instead, it may be more appropriate if the State Government fixes the resource transfers to the local government institutions as a percentage of the State's own tax and non-tax revenue. Given the fact the transfers during 2008-09 are recommended at 3.02 percent of the total State's own tax and non-tax revenues and also the fact that the local government institutions should be encouraged to play a larger role in democratic governance at the decentralized level, the Commission is of the opinion that

the State Government may, instead of transferring the recommended devolution as gap filling grants, consider to devolve an amount equivalent to 2.75 percent of the aggregate State's own tax and non-tax revenues to the local government institutions starting with the year 2008-09. This percentage may be kept fixed for the forecast period upto 2011-12 and could be reviewed by the next State Finance Commission. As to the distribution of this aggregate transfer between the Panchayati Raj Bodies and the Urban Local Bodies, the Commission recommended devolution to these respective bodies may be used for apportioning the corpus. It would work out as under: -

(Rs. in Crore)

Year	Transfers to PRIs	Transfers to ULBs	Total Transfers	% age of Col. 2 to Col. 4	% age of Col. 3 to Col. 4
1	2	3	4	5	6
2008-09	53.64	41.76	95.40	56.22	43.78
2009-10	52.93	41.77	94.70	54.34	45.66
2010-11	48.03	46.12	94.15	51.00	49.00

Action by: Finance Department (IF).

Action Taken: No decision has been taken by the State Government.

Status: Not Implemented.

5.4.7 Recommendation: Based on the above percentages, the aggregate transfers equivalent to 2.75 percent of the State's own tax and non-tax revenue between Panchayati Raj Bodies and the Urban Local Bodies would be as under: -

(In percent)

Year	Percentage of Total Own Revenue to be allocated to PRIs	Percent of Total Own Revenues to be allocated to ULBs	Total
2008-09	1.5460	1.2040	2.7500
2009-10	1.4944	1.2556	2.7500
2010-11	1.4025	1.3475	2.7500
2011-12	1.3365	1.4135	2.7500

Action by: Finance Department (IF).

Action Taken: No decision has been taken by the State Government.

Status: Not Implemented.

5.4.8 Recommendation: For the purpose of operationalization of this system, the State Government may make budget transfers equivalent to the above percentages against the budget estimates of the State's own tax and non-tax revenue put together as a single entry in the respective budget of the Panchayati Raj Department and the Urban Development Department. After the budget is passed by the State Legislature, these departments could administer the resource transfers to the concerned subordinate levels of local governance at their own level in accordance with the principles enunciated by the State Finance Commission for such allocation. Such an arrangement will be very simple to implement and administer and will also afford a greater degree of freedom for resource transfer mechanism to pave the way for strengthening the democratic decentralization.

Action by: Finance Department (IF).

Action Taken: No decision has been taken by the State Government.

Status: Not Implemented.

5.4.9 Recommendation: The Commission was specifically asked to suggest ways and means to improve the financial position of the Panchayati Raj and Municipal Institutions. The Commission, after having comprehensive interaction with the local government institutions at different levels and inviting their suggestions in this behalf, has made detailed recommendations for strengthening of the fiscal base of the local government institutions. Chapter-14 of the report contains these recommendations. Paragraph-14.24 of this Chapter comprehensively deals with the existing provisions on the taxes and fees of the Panchayati Raj Institutions and Municipal Bodies and the suggestions for recommendations of the Commission for amendment in the existing provisions towards achieving the underlying objectives. The Commission recommends to the Government that the suggested amendments may be carried through in the existing statutes so that the financial position of these bodies is strengthened. These amendments will also lead to making these bodies more effectively answerable at the local level besides moving them in the direction of financial self-sustainability. In addition to this, the Commission has also recommended that the Panchayati Raj Bodies may also be allowed access to the duty on transfer of property in the form of surcharge on the duty imposed by the Indian Stamp Act, 1899 on the same lines as Urban Local Bodies (Paragraph 14.12). Other specific recommendations of the Commission which have a bearing on the financial well-being of the Local Government Institutions are elaborated in Chapter 14 of its report.

Action by: Panchayati Raj Department.

Action Taken: In compliance to the recommendation made by the Commission, the Department of Panchayati Raj has

made requisite amendments under Section 100 and 101 of the Himachal Pradesh Panchayati Raj Act, 1994.

Status: Partially implemented.

Action by: Urban Development Department.

Action Taken: In compliance to the recommendation made by the Commission, the Urban Development Department has made amendment under Section 84, 85, 86, 87, 88 and 89, of HP. Municipal Corporation Act, 1994 and Section 65, 66, and 71 of H.P. Municipal Act, 1994.

Status: Partially implemented.

5.4.10 Recommendation: The proceeds of the cess on liquor should be equitably distributed among all the Panchayats irrespective of the fact whether liquor vend exists within the geographical territory of a Panchayat or not. Also, the total proceeds of the cess on liquor should be divided into rural and urban pools in the ratio of population according to 2001 census and then further distributed among the individual local government bodies in the ratio of population according to 2001 census (Paragraph 14.8).

Action by: Panchayati Raj Department.

Action Taken: The matter is under the consideration of the State Government proposing therein that the proceeds of the cess on the liquor should be provided to the Zila Parishad and the Zila Parishad by way of dovetailing this amount with the grants received from the Central Finance Commission as well as Backward Regions Grant Fund (BRGF) will further spend the same on the basis of the approved Zila Parishad Plan.

Status: Not implemented.

5.4.11 Recommendation: The Commission has recommended that the entire collection of the cess on liquor at the rate of Rs.2 per

bottle should be transferred to the local bodies instead of retaining half of the proceeds by the State Government. In the alternative, in case the State Government wishes to retain Re.1 out of the Rs.2 per bottle collection, the cess may be raised to Rs.3 per bottle and Rs.2 per bottle out of this be transferred to the local bodies (Paragraph 14.9).

Action by: Panchayati Raj Department.

Action Taken: The matter has been taken up with the Excise and Taxation Department but response is awaited.

Status: Not implemented.

Action by: Urban Development Department.

Action Taken: As per the announcement made by the Hon'ble Chief Minister, HP, in the Budget Speech, the proposal for enhancement of cess on sale of liquor in municipal areas from Re.1 to Rs. 2 per bottle of liquor sold in the jurisdiction of ULBs was taken up with the Department of Excise & Taxation and department has approved the proposed enhancement from the year 2012-13.

Status: Implemented.

5.4.12 Recommendation: The Commission has recommended that collection of water charges on drinking water supply for private domestic connections be entrusted to Panchayats and 50% of the charges thus collected be retained by the Gram Panchayats on the same pattern as was done earlier. However, the Gram Panchayats should be made responsible for preventive maintenance and upkeep of the water supply schemes with the proceeds of this resource (Paragraph 14.13).

Action by: Panchayati Raj Department

Action Taken: The collection of water charges on drinking water supply for private domestic connections is with the Department of Irrigation & Public Health (now Jal Shakti

Vibhag). However, 3,843 Jal Rakshaks have been engaged through PRIs for operation and maintenance of water supply schemes. A provision for engaging additional 500 Jal Rakshaks has been made in the budget for the year 2013-14.

Status: Partially implemented.

5.4.13 Recommendation: The Commission has recommended that the Gram Panchayats may be entrusted the collection of Abhiana charges for irrigation and 50% of the proceeds be allowed to be retained at their level for minor repairs in the distribution system. This would lead to better capacity utilization and enhanced participation by the Panchayati Raj Bodies (Paragraph 14.14).

Action by: Panchayati Raj Department.

Action taken: The Collection of Abhiana charges is being done as per Minor Canal Act and process for its revision / amendment is under consideration of the State Government.

Status: Not Implemented.

5.4.14 Recommendation: The Commission has recommended that the marriage registration fee and the fee for birth and death may be fixed at Rs. 200 and Rs.100, respectively with a provision for concessional registration for the IRDP families at the rate of Rs. 25 in both cases. The late fee for delayed registration of such events may be double the basic rate (Paragraph 14.16).

Action by: Panchayati Raj Department.

Action Taken: The matter for enhancement of marriage registration fee and birth-death fee was taken up with the Department of Social Justice & Empowerment for making appropriate amendment in Acts.

Status: Not Implemented.

Action by: Urban Development Department.

Action Taken: The matter has been taken up with the Department of Social Justice and Empowerment to make necessary amendments in “HP Registration of Marriage Rules, 2004 and HP Birth and Death Registration Rules, 2003 vide letter dated 5.11.2011, 4.9.2012 and 5.1.2013. The necessary amendment is yet to be made by the concerned Department.

Status: Not Implemented.

5.4.15 Recommendation: The Commission has recommended differential taxation for urban properties according to their geographical location within a town on the same lines as was recommended by the Second State Finance Commission. The details of this design are contained in paragraph 14.20 to 14.22 and the State Government may consider setting up a study group to go into the suggestions made and amend the statutes on these lines subsequently as such a suggestion has also been made under the National Urban Renewal Mission (Paragraph 14.20 to 14.22).

Action by: Urban Development Department.

Action Taken: The Property Tax Board has been constituted vide Notification No UD.C (9)-1/2007 dated 28.03.2011 to review the present property tax system in the municipalities. In view of the resource situation with the municipalities, the Board will assist all the ULBs to improve property tax recovery system and assessment including unit area method and flexibility on rates. The amendment under Section 65 of the H.P. Municipal Act, 1994 and Section 86 of the H.P. Municipal Corporation Act, 1994 has also been made.

Status: Partially implemented.

5.4.16 Recommendation: The Commission was also entrusted the responsibility of making recommendations with regard to taking forward the process of devolution of functions to the local

government institutions. Based on the existing level of the Panchayati Raj Bodies and their capacity to take on certain developmental responsibilities, the Commission has recommended entrusting the activities related to Primary Education, Mid-Day Meal Programme, Rural Health functions and infrastructure upto the level of Health Sub-Centre, ICDS programme upto the level of Anganwadis and Animal Husbandry programme upto the level of veterinary dispensaries and artificial insemination centres. The details in this behalf are contained in Chapter- 15 of the report.

Action by: Panchayati Raj Department.

Action Taken: As per the requirement of Article 243 (G) of the Constitution of India read with the Sections 11, 83 and 94 of the Himachal Pradesh Panchayati Raj Act, 1994, the powers, functions and responsibilities relating to 15 various departments of the State Government in respect of subjects mentioned in Schedule 11 of the Constitutions were devolved upon the Panchayati Raj Institutions vide notification dated 31st July, 1996. Powers and functions devolved to the PRIs mainly pertain to supervision, monitoring, reporting, planning and issuing of contractual appointments and these functions have not been devolved completely because the same are also being performed by other agencies of the State Government. Funds and functionaries have not been transferred to the PRIs. The powers and functions devolved so far to the PRIs either by way of legislation or notification or executive orders are being exercised and performed by the Panchayats. But in the absence of the effective devolution, the Panchayats are reluctant to do the same because the existing powers/functions devolved to the PRIs mainly pertain to supervising, monitoring and reporting.

The 29 subjects mentioned in Scheduled - 11 of Constitution relate to the various departments of the State Government. As a follow up to the recommendations of seven roundtables, a

statement of conclusion has been signed between the Hon'ble Union Minister of Panchayati Raj on behalf of the Government of India and Hon'ble Chief Minister, Himachal Pradesh on behalf of the State Government. It was agreed that the activity mapping will be finalized by August, 2006. In view of this, the Government of India has stressed upon the need to have a clear cut demarcation of functions to be transferred to PRIs alongwith transfer of related funds and functionaries. Therefore, the concerned departments were requested to identify the activities relating to 29 subjects mentioned in 11th Schedule of Constitution that can be devolved to the PRIs and to prepare activity map for devolution of functions and transfer of related funds and functionaries and to take policy decision at the Government level for preparation of activity map for opening of a separate budget window for transfer of funds to the PRIs. The department of Panchayati Raj of State Government started the exercise of the activities mapping with the collaboration of GTZ (German Aided Project). Meeting with the Administrative Secretaries and Head of Departments regarding activity Mapping was held and the same was followed by the training of the officers/officials of the concerned departments with regard to concept, methodology etc. of Activity Mapping on 12-14 May, 2008 at HIPA (SIRD). As a follow up of the same, Activity Maps of all the 29 subjects mentioned in the 11th Schedule of the Constitution have been notified vide Notification No. PCH-HA (3)P/2006-18580-22180 dated 19th October, 2009. But the transfer of functions, funds and functionaries is yet to be done by the concerned line departments and no separate panchayat budget window has been opened.

The department is vigorously perusing the matter with the different line departments for earlier transfer of funds, functions and functionaries to PRIs. Under the Rajiv Gandhi Panchayat Sashkatikaran Abhiyan (RGPSA) [now renamed as Rashtriya Gram Swaraj Abhiyan (RGSA)], the State Government is committed to strengthen the financial base of Panchayats by

assigning appropriate taxes, fees etc., providing tied funds to panchayats and ensuring devolution of funds, functions and functionaries. In order to speed up, monitor and review the process of devolution, a State Level Steering Committee headed by Minister-in-Charge and an Executive Committee headed by Pr. Secretary (Panchayati Raj) has been constituted on 31.7.2013 under RGPSA.

However, of the 29 subjects to be devolved to PRIs sanitation is one of the functions which is presently being performed by the Gram Panchayats.

Status: Partially implemented.

5.4.17 Recommendation: The need for continuity of an institutional mechanism to track the implementation of the recommendations made by the State Finance Commission and to collect and compile the financial data relating to the local government institutions on regular basis needs no over-emphasis. The previous Commissions have also made similar recommendations. The Third State Finance Commission reiterates the need for a permanent mechanism for this purpose and the specific recommendation in this behalf has been detailed out in Chapter-2 of this report while analysing the implementation of the recommendations of the previous Commissions.

Action by: Finance Department (IF).

Action Taken: This issue was placed before the Council of Ministers and it was decided that the work relating to State Finance Commissions will be carried out through restructuring /redeployment of existing staff in the Planning Department without any additional creation of posts, as permanent State Finance Commission cell will lead a heavy financial burden on the State Government exchequer.

Status: Not implemented.

5.5 Recommendations of the Fourth H.P State Finance Commission.

5.5.1 Recommendation: The Commission gave its recommendation on transfer of grants to Panchayati Raj Bodies and Urban Local Bodies for performance of statutory functions, maintenance of assets and to incur capital and committed revenue expenditure. The Commission recommended transfer of Rs. 476.48 crore to Panchayati Raj Bodies and Rs. 382.47 crore to the Urban Local Bodies i.e. total cumulative transfer of resources to the tune of Rs. 858.95 crore for the period from 2012 to 2017 as per details given in the following Table: -

(Rs.in Crore)

Year	Panchayati Raj Institutions	Urban Local Bodies	Total
2012-13	64.33	61.70	126.03
2013-14	65.82	65.55	131.37
2014-15	106.39	72.38	178.77
2015-16	109.62	81.43	191.05
2016-17	130.32	101.41	231.73
Total	476.48	382.47	858.95

Action by: Panchayati Raj and Urban Development Departments.

Action Taken: The recommendations of the Fourth State Finance Commission have been accepted by the State Government with respect to its recommendations of transfer of grants/resources to the tune of Rs. 858.95 crore to Local Bodies for the five-year award period from 2012 to 2017.

Status: Implemented.

5.6 RECOMMENDATIONS OF FIFTH H.P. STATE FINANCE COMMISSION

5.6.1 Recommendation: If and when, rates of honorarium of any category are revised upwards, the Government will provide for additional enhanced liability over the recommended devolution.

Action by: Panchayati Raj Department.

Action Taken: The additional enhanced liability has been provided by the Government.

Status: Implemented.

5.6.2 Recommendation: Likewise, in the event of pay/ wages revision of any category of employees, the Government will provide additionality to the department for enhanced future liabilities and for arrears over recommended devolutions.

Action by: Panchayati Raj Department.

Action Taken: The additional liability on account of enhanced pay / wages had been provided by the Government.

5.6.3. Recommendation: The Commission has recommended a fixed grant of Rs. 15 crore from 2018-19 to 2021-22 for repair, maintenance, addition and alteration of the building of all three layers of PRIs.

Action by: Finance (IF) and Planning Department.

Action Taken: The fixed grant of Rs. 15 crore has been provided for repair/ maintenance, additions and alterations of office buildings of all the tiers of PRIs.

Status: Implemented.

5.6.4 Recommendation: In the eventuality of employees of PRIs being redeployed within different categories of PRIs, the

department shall be competent to re-appropriate within the overall limit of devolution amount mentioned above.

Action by: Panchayati Raj Department.

Action Taken: Re-appropriation has been done after the approval of Finance Department.

Status: Implemented

5.6.5 Recommendation: Under the provisions of Himachal Pradesh Panchayati Raj Act, 1994, the Panchayati Raj Institutions have been assigned powers and functions of 15 departments viz. Agriculture, Animal Husbandry, Ayurveda, Education, Health and Family Welfare, Irrigation and Public Health (now Jal Shakti Vibhag), etc. to strengthen democracy at the grass root level and to make the PRIs viable Institutions of self-governance.

Action by: Panchayati Raj Department.

Action taken: The following functions have been devolved to PRIs by Education Department: -

Zila Parishads:

- 1) To assess the requirement of High Schools teachers, equipment etc. in the district and plan for them.
- 2) Supervision and Monitoring of the quality of education service.
- 3) Campaign for full enrolment and reduction of dropouts.
- 4) Assessment of requirement for hostels of target group students and plan for them.
- 5) Supervision of distribution of high school uniforms, books etc. for target group students.

- 6) Vigilance on regular attendance of staff and students and reporting to the concerned authorities.

Panchayat Samiti:

- ii) To supervise the functioning of the middle schools.
- iii) Supply and distribution of material and equipments to the middle schools.
- iv) To assess the dropout position and initiate appropriate action to reduce it.
- v) Distribution of middle school uniform, books and other materials to the target group students.
- vi) Assist in the maintenance of hostels of middle schools.
- vii) Maintenance of high school building and related infrastructure.
- viii) Vigilance on regular attendance of middle/high school teachers and non-teaching staff and students and reporting to the concerned authorities.

Gram Panchayats:

- 1) Ensure full enrolment of school-age children in primary schools.
- 2) Maintenance of primary school buildings, playgrounds etc.
- 3) Vigilance on regular attendance of primary school teachers and non-teaching staff and students and reporting to the concerned authorities.
- 4) Assist primary schools in the distribution of study material to the target group students.

5) Supervision of Mid-Day Meal scheme.

Status: Implemented.

5.6.6 Recommendation: Maintenance and operation of Drinking Water Supply Schemes and Minor Irrigation Schemes should be handed over to the local Government Institutions. The maintenance budget should be passed on to the Panchayati Raj Institutions and they should be made responsible for collecting user charges. Hence collected charges should be transferred to the local governments for day-to-day maintenance and minor repairs of the Drinking Water Supply Schemes and Minor Irrigation Schemes operated and maintained by them. The Government may also encourage the local government to form Water User Associations (WUAs) so as to instil the sense of ownership among the users and also the local government bodies.

Action by: Panchayati Raj Department.

Action Taken: The maintenance and operation of Drinking Water Supply Schemes and Minor Irrigation Schemes has not been handed over to the Local Government Institutions by the concerned Department. However, the funds under 15th Finance Commission have been provided to PRIs and Panchayats may construct/ repair and maintain water and sanitation related works in schools, anganwadis and other Government buildings alongwith the water connections, washbasin, soak pits etc. in coordination with Jal Shakti Vibhag.

Status: Partially implemented.

5.6.7 Recommendation: The Budgeted funds lying with the concerned departments in respect of above recommended three activities can be passed on to the local governments with adequate financial powers

delegated to these bodies. To begin with all the staff engaged on contract basis/ daily wagers involved in implementation of above-mentioned functions/ activities should be made to report to the local government bodies and gradually, the administrative control of the regular staff working within the jurisdiction of the local bodies should be transferred to them. While discharging their responsibilities in the implementation of above-mentioned schemes/ activities of three departments, the local government institutions should take on board the local communities to ensure transparency and efficiency in the discharge of these responsibilities. This arrangement should be started from 1st March, 2018 and tried for minimum two years before evaluating the arrangement and getting feedback to plug possible loopholes. The revamped arrangement after incorporating necessary changes may be tried for another year and re-evaluated before replicating it in the implementation of other programmes and schemes/ functions of the government starting from 1st March, 2021.

Action by: Panchayati Raj Department.

Action Taken: No Budgeted funds were provided to the Panchayati Raj Institutions by the concerned Departments.

Status: Not implemented.

5.6.8 Recommendation: The Commission was also aware of the fact that the delegation has to be balanced with appropriate accountability to enhance effectiveness of execution. Hence, the Commission has also recommended that Social Audit may be conducted by the Gram Sabhas in respect of at least 1 percent of the total works executed by the Panchayats in a year.

Recognizing limitations of the Gram Panchayats and Gram Sabhas in terms of availability of necessary knowledge in conducting Social Audit, the Commission has recommended empanelment of professionals with commended educational qualifications and appropriate experience for conducting Social Audit. The empanelled experts should be given the responsibility of conducting Social Audit on assignment basis.

Action by: Panchayati Raj Department.

Action Taken: The Gram Sabha conducts Social Audit of works executed by Panchayats through specialized agency i.e. State Social Audit Unit constituted under MGNREGA. It is an independent society.

Status: Implemented.

5.6.9 Recommendation: Out of the total devolutions recommended to the Panchayati Raj Institutions, at least 10 percent of the devolutions should be made conditional to devolutions of functions to the Panchayati Raj Institutions starting from 1st March, 2019. The Commission was of the strong opinion that making grants available to the local Government conditionally, can be one of the possible ways for the Government to take action on the recommendations with regard to devolution of functions, funds and functionaries made by the Third and Fourth State Finance Commissions and reiterated them with slight modifications.

Action by: Panchayati Raj Department.

Action Taken: The funds under State Finance Commission have been provided to fulfil the committed liability of Government like salary and honorarium of staff and elected representations of PRIs respectively. Hence, Devolution cannot be made conditional.

Status: Implemented.

5.6.10 Recommendations: If and when, rates of honorarium of any categories are revised upwards, the Government will provide for additional enhanced liability over the recommended devolution.

Action by: Urban Development Department.

Action taken: The Government vide letter No. LSG-C(1)-3/96-I-Loose dated 12.06.2019 has revised / enhanced the rates of honorarium of Mayor, Deputy Mayor and Councillors in Municipal Corporation(s) from Rs. 11,000/-, 8000/- & 5000/- to Rs. 12000/-, 8500/- & 5500/- respectively.

The rates of honorarium of President, Vice-President and Members of Municipal Councils have also been revised from Rs. 6000/-, 5000/- & 2200/- to Rs. 6500/-, 5500/- & 2500/- respectively. Similarly, the rates of honorarium of President, Vice-President and Members of Nagar Panchayats have also been revised from Rs. 5000/-, 3500/- & 2000/- to Rs. 5500/-, 4000/- & 2500/- respectively vide Govt. Notification No. LSG-C (1)-3/96-I-loose dated 12.06.2019.

During F.Y. 2020-21, the Government has provided additional grant amounting to Rs 3.80 crore (i.e. Rs. 1.00 crore to each newly created Municipal Corporations- Solan, Mandi & Palampur and Rs. 10.00 lakh to each newly created/upgraded Municipal Council/Nagar Panchayats namely, MC Sarkaghat, Nerwa, Chirgaon, Anni, Nirmand, Shahpur, Kandaghat and Amb) as functional grant under SFC Award.

Status: Implemented.

5.6.11 Recommendation: Likewise, in the event of pay/wages revision of any category of employees, the Government

will provide additionality to the department for enhanced future liabilities and also for arrears over recommended devolution.

Action by: Urban Development Department.

Action Taken: No such additional funds have been provided by the Government.

Status: Not Implemented.

5.6.12 Recommendation: It was brought to the notice of the Commission that there is a strong tendency of the employees to manage posting around the time of their superannuation in well-run and cash rich Municipalities to get superannuation benefits and pension. Consequently, these well managed Municipalities feel they are being punished for performing well.

Therefore, in view of above, the Commission has made one time provision of 2 crore each for 4 years from 2018-19 to 2021-22 to compensate mainly those Urban Local Bodies which had to bear much higher burden of pensions and retirement benefits. The amount will be distributed for the coming 4 years from 2018-19 to 2021-22 in the ratio of the expenditure incurred on retirement benefits and pensions by the various Municipal Councils and Nagar Panchayats from 2013-14 to 2016-17 (3 years). It is categorically clarified that this is only one time obligation of the government either for superannuation benefits or pension liabilities of the employees of Urban Local Bodies.

In view of above, the Commission recommends to the Government that perhaps it needs to evolve a foolproof mechanism whereby retirement benefits and pensionary liabilities of an employees are shared by those ULBs where the employees have served and exactly in the

ratio of the services rendered by the employees in these ULBs.

Action by: Urban Development Department.

Action Taken: There are following six Municipal Services which exist in State Level Municipal Services and Officers /Officials of these categories are transferrable from one MC/NP to another: -

1. Executive Officer.
2. Secretary.
3. Superintendent Gr-II.
4. Municipal Engineer.
5. Junior Engineer.
6. Sanitary Inspector.

The Officers/Officials of these Municipal Services were transferred from one MC/NP to another on administrative grounds with prior approval of competent authority. A mechanism has been put in place whereby the employee's and employer's contribution corpus is shifted to the municipality where an employee is transferred ensuring that the burden of benefits is shared by the municipalities in proportion to the tenure of service rendered by the retiring employee in each municipality.

Status: Partially Implemented.

5.6.13 Recommendation: The Commission has also recommended creation of a Centralized Pension Fund to meet the pension benefits of the Urban Local Bodies who are eligible for pensions by taking contribution from such Municipal Bodies where such Officers have worked. This is essential because, otherwise, the burden of pensionary benefits falls on the Urban Local Body from where the person retires.

Action by: Urban Development Department.

Action Taken: The matter is under active consideration at Government level.

Status: Not Implemented.

5.6.14 Recommendation: The Commission has recommended to put in place a mechanism whereby, better performing Urban Local Bodies are incentivized by providing proportionately greater share in the grants recommended to be devolved by the Commission. This will be a motivation for the Local Self Government to increase their resource base and improve collections. Urban Development Department may keep aside at least 5 percent of the grant recommended by the Commission and frame an Incentive Scheme.

Action by: Urban Development Department.

Action Taken: Department has initiated action on it.

Status: Partially Implemented.

CHAPTER-6

An Overview of State Finances

- 6.1 The Sixth State Finance Commission had to work under unprecedented circumstances which resulted from the global outbreak of COVID-19. Frequent lockdowns not only disrupted functioning of the Commission but also had serious implications on the macroeconomic indicators across the nations. Indian economy, initially, showed strong resilience to the shocks caused by the COVID-19 but they also resulted in slowing down the growth process which would otherwise have progressed at a different pace. Repeated waves of infection disrupted supply chains frequently and had given challenging times to the governments at national and sub-national levels alike. The inflationary pressures resulting from these shocks made the Government of India to respond with the provision of safety-nets to the vulnerable sections of society and support to the commercial sector which suffered due to frequent lockdowns. These efforts of the Central Government were supplemented by the Government of Himachal Pradesh by providing similar safety-nets to the affected sections out of its own resources. The Central Government took measures to prepare economy for long term expansion by infusing Capital Investment aggressively to avoid weakening of medium-term demand and to maintain supply chains at the required level. The macroeconomic indicators reflect post-pandemic recovery of Indian economy and they indicate to its strong recovery.
- 6.2 However, the Geo-political environment with specific reference to Russia-Ukraine conflict remains tense and fraught and the risk remains. Stubbornly high inflation rates in most of the countries combined with supply concerns related to crude oil and natural gas will have their effects on the growth process. Even though India seems to be placed in a better situation in comparison to other developing and developed nations as per the reports of the global

multilateral and independent financial organizations, the uncertainty at the global level still prevails.

- 6.3 These events at global and national levels have a direct bearing on the growth of the State economies and the financial resources available with them for pursuing a development policy with an emphasis on increasing public expenditure to give impetus to economic growth. Himachal Pradesh has also not remained untouched from the effects of sequence of events that took place at global and national level during last three years. The post-COVID efforts to give pace to public expenditure keeping in view the need of maintaining demands-supply balance have yielded results in seeing that the economic growth has recovered to pre-COVID level. Although, a large proportion of funds meant for capital expenditure was received from the Government of India, the State Government has supplemented these funds out of its own resources also. Since, funds provided by the Government of India were received in the form of long-term loan, the fiscal indicators especially, those related to debt and the resulting fiscal deficit have progressed north, making the State Government more vulnerable to fiscal hardship if changes in actual and projected revenue receipts and revenue expenditure over the last few years are both considered in conjunction.

State Finances

- 6.4 The Commission thought it appropriate to consider three important sources of revenue receipts to State Government for analyzing fiscal position of the State Government during last few years. These sources of revenue will also have implications for the award period of this Commission. These are GST compensation after the introduction of GST, State GST collection and share in Central taxes as recommended by the Fifteenth Finance Commission. Their availability in the past years and likelihood of availability of the same in future have been discussed briefly in the following paragraphs. These important sources of revenue receipts have also been considered by the Commission while recommending devolutions to the local bodies for the award period.

- 6.5 After introduction of GST, the perpetually revenue deficit States like that of Himachal Pradesh, which are primarily consumer States, were highly dependent on the GST compensation for augmenting their revenue receipts but it was available upto July, 2022 from the Government of India. The GST collection of Himachal Pradesh increased to Rs.8,015 crore in 2021-22 from Rs.3,556 crore in 2017-18. This was possible because of better administration and compliances as is evident from the fact that the total number of GST payers registered in Himachal Pradesh increased from 61,276 in July, 2017 to 1,17,908 in April, 2022. The Commission also took note of the fact that out of Rs.8,015 crore of GST collected in Himachal Pradesh during 2021-22, an amount of Rs.3,533 crore was received as GST compensation from the Government of India which will not be available to it any longer as per the stance taken by the Central Government at the time of writing these recommendations by the Commission. Hence, effectively, State GST collected was only Rs.4,482 crore during 2021-22 which registered an increase of about 34% from the year 2018-19 during which the State GST collection was at Rs.3,343 crore.
- 6.6 The share in central taxes has been recommended by the Fifteenth Finance Commission based on certain assumptions at the time of making its recommendations. However, this source of revenue receipts is a direct function of level of economic activity and the growth rates of various sectors. The tax collections are also dependent on the global economic performance and sentiments. Due to recovery from the COVID episode, the share in central taxes to Himachal Pradesh has gradually increased after 2020-21. The rate of increase of share in central taxes will largely depend on how national economy behaves in the years to come especially, in view of global uncertainties. This uncertainty is likely to prevail for a few years in view of the tough stance taken by the political leaderships of Russia and other nations. Thus, it was difficult for Commission to make any projections in terms of receipts on account of share in central taxes to Himachal Pradesh during its award period. However, the Commission has taken a note of encouraging economic forecast

made by various national and international expert agencies for economic performance of India in a few years to come. To conclude, GST compensation is unlikely to be available to Himachal Pradesh in future and State GST collection and share in central taxes to Himachal Pradesh will depend on the performance on the economic front which appears to have good prospects at least in the medium term. It is in this background that the Commission has made assumptions with regard to resources available with the State Government.

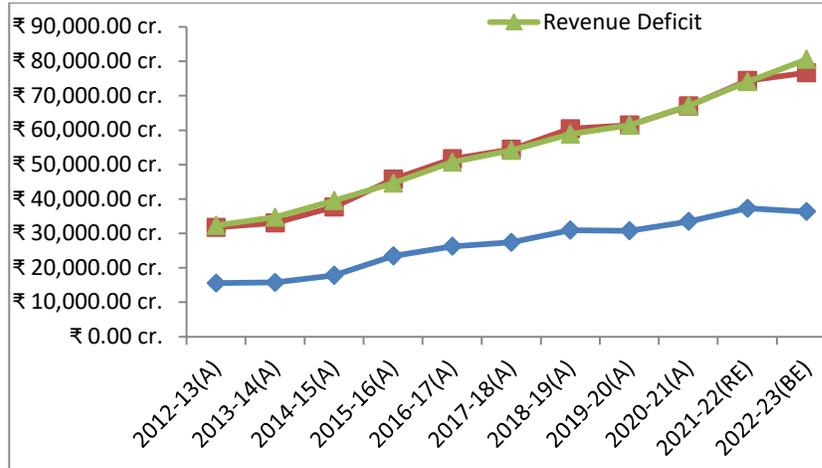
6.7 The trends in revenue receipts and expenditure have been exhibited in the following Table 6.1.

Table 6.1
Trends in Revenue Receipts and Expenditure

(Rs. in crore)

Year	Total Revenue Receipts	Total Revenue Expenditure	Revenue Surplus(-) / Deficit (+)
2012-13(A)	15,598.12	16,174.25	576.13
2013-14(A)	15,711.07	17,352.49	1,641.41
2014-15(A)	17,843.45	19,787.05	1,943.60
2015-16(A)	23,440.48	22,302.81	-1,137.66
2016-17(A)	26,264.34	25,344.22	- 920.12
2017-18(A)	27,367.06	27,053.16	- 313.90
2018-19(A)	30,950.31	29,428.62	-1,521.69
2019-20(A)	30,742.41	30,730.43	- 11.98
2020-21(A)	33,438.27	33,534.93	96.66
2021-22(RE)	37,312.35	37,034.24	-278.10
2022-23(BE)	36,375.31	40,278.80	3,903.49

A-Actual, RE-Revised Estimate, BE-Budget Estimate



6.8 There had been a revenue surplus budget starting from the year 2015-16. This was a year prior to when the revision in pay scales of Himachal employees was due. The budget remained revenue surplus till 2021-22 with an exception of 2020-21 when the revenue deficit was to the tune of Rs.96.66 crore. The actual figures for the year 2021-22 were not available at the time when this report was written and the revenue surplus figure was based on the revised estimates only. The BEs for the year 2022-23 show a huge revenue deficit of Rs.3,903.49 crore and these estimates were based on the fact that the revised pay scales were granted to the employees of the State Government with effect from 1st January, 2022. The payment of the arrears on account of pay revision starting from 1st January, 2016 has not been accounted for while making BEs for 2022-23. The deferred expenditure on account of revision in pay scales had its incidence starting from the last quarter of 2021-22 and the expenditure deferred on account of payment of arrears of revised salaries has yet to be incurred by the State Government. The Commission has also considered these two impacts on the State resources while making its recommendations. Huge increment in revenue expenditure of the State Government on these two accounts will surely result in hardships on fiscal front if equivalent additional revenue resources are not mobilized by the State Government.

6.9 The expenditure taken as percentage of Gross State Domestic Product (GSDP) during the last five years will give an idea about the changing profile of expenditure in Himachal Pradesh. Table 6.2 reveals that the revenue expenditure has increased from 19.53%(A) in 2017-18 to 21.14% (RE) in 2021-22 as percentage of GSDP. The fact which has emerged since 2017-18 is that the capital expenditure as percentage of GSDP has increased from 3.07% (A) to 4.23(RE) during 2021-22 and the encouraging thing is that it is net of repayment of loans thereby meaning that repayment of loans have not been included while calculating these ratios. The increase in capital expenditure will provide much needed resilience to the economy of Himachal Pradesh in the coming years. Total expenditure as percentage of GSDP has also tended to increase especially during 2020-21 and 2021-22. These two years were marred by the unfortunate effects of COVID-19. However, increase in public spending during these two years and the obvious need to maintain the expenditure levels during 2022-23 and subsequent years will have multiplier effect which will be visible with its own lag across all the sectors of State's economy. This increase in expenditure can be seen across all the sectors with its distribution slightly more in favour of economic and social services sectors. Health and Education sectors are two sectors in which considerable increase in public spending can be seen during the last two years.

Table 6.2
Trends in Expenditures

Indicator	(% of GSDP)					
	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 RE	2022-23 BE
Revenue Expenditure	19.53	19.83	19.31	21.40	21.14	20.90
Capital Expenditure*	3.07	3.40	3.54	3.59	4.23	2.98
Total Expenditure of which	22.60	23.24	22.85	25.00	25.37	23.88
1. Economic Services	6.22	6.83	6.60	6.99	7.15	6.36
2. Social Services of <i>which</i>	8.29	8.54	8.36	9.31	9.76	9.00
2a Education**	4.29	4.06	3.97	4.20	4.41	4.43
2b Medical & Public Health***	1.20	1.26	1.19	1.30	1.43	1.29
3. Interest Payment	2.73	2.71	2.66	2.85	2.74	2.65

* Does not include repayment of loans

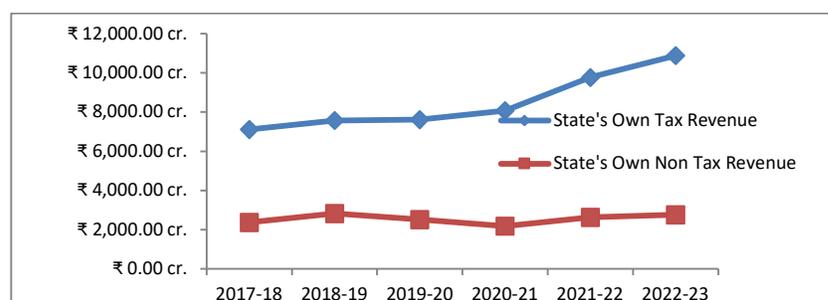
** Only expenditure of MH 2202,4202 and 6202 has been taken

*** Only expenditure of MH 2210,4210 has been taken

Source: Finance Department, HP

6.10 After having considered the revenue receipts and revenue expenditure of the State Government, the Commission also analyzed the State's Own Tax and Non-Tax Revenue to ascertain if devolution to local bodies can be recommended as a fixed proportion of State's own revenue receipts. State's Own Tax revenue has been estimated at Rs.10,881.39 crore in the budget estimates for the year 2022-23 in comparison to Rs.7,107.67 crore in 2017-18 (Actual). There has certainly been an encouraging trend in the State's Own Tax Revenue efforts. Even the State's own Non-Tax Revenue has increased from Rs.2,364 crore(Actual) in 2017-18 to Rs.2,769 crore as projected in the budget estimates of 2022-23. Assuming that the State and national economies have strong fundamentals and are likely to show resilience to the global pressures for a few years, the Commission felt that the State Government will be in a position to pay the committed liabilities of the local bodies as recommended by the Sixth State Finance Commission. Chart 6.1 reflects the increase in State's Own Tax and Non Tax Revenue during last few years.

Chart 6.1



6.11 After considering the trends in the revenue expenditure and the revenue receipts of the State Government, the committed liabilities in the form of revised salaries and pensions and also giving due consideration to the fact that the GST compensation is unlikely to be available post July, 2022, the Commission is of the opinion that the devolutions are recommended by it just to meet the committed liabilities of the local bodies and the capital expenditure to be incurred by the local bodies on infrastructure development within their jurisdiction be left to be taken care of by the devolution recommended by the Fifteenth and subsequent Finance Commissions.

Table 6.3

Debt and Deficits

(% of GSDP)

Indicator	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 RE	2022-23 BE
Revenue Deficit	-0.23	-1.03	-0.01	0.06	-0.16	2.03
Fiscal Deficit	2.79	2.36	3.52	3.64	4.05	4.98
Outstanding Liabilities	36.83	36.59	39.09	42.87	39.46	40.49

Note: Deficit (-) / Surplus (+)

Source: Finance Department, HP

Table 6.4
Important Financial Indicators of Himachal Pradesh

(Rs. in Crore)

	Indicator	2017-18 Actual	2018-19 Actual	2019-20 Actual	2020-21 Actual	2021-22 RE	2022-23 BE
1	2	3	4	5	6	7	8
1	Tax Revenue	11908.98	13002.58	12301.38	12837.23	15932.79	17659.58
1a	State's Own Tax Revenue	7107.67	7572.81	7623.82	8083.31	9769.53	10881.39
1b	Share in Central Taxes	4801.31	5429.77	4677.56	4753.92	6163.26	6778.19
2	Non-Tax Revenue	15458.08	17947.73	18441.03	20601.04	21379.55	18715.73
2a	State's Own Non Tax Revenue	2363.85	2830.07	2500.25	2182.95	2623.45	2769.21
2b	Grants	13094.23	15117.66	15940.78	18418.08	18756.11	15946.52
3	Total Revenue Receipts	27367.06	30950.31	30742.41	33438.27	37312.35	36375.31
4	Non-Debt Capital Receipts (Including Recovery of Loans)	74.43	30.65	23.08	25.90	43.72	45.09
5	Total Non-Debt Receipts (3+4)	27441.49	30980.96	30765.49	33464.17	37356.07	36420.39
6	Revenue Expenditure	27053.16	29428.62	30730.43	33534.93	37034.24	40278.80
	of which						
	i) Subsidies	906.83	1282.60	1067.78	1240.63	1226.96	1256.84
6a	Plan Revenue Expenditure	3772.22	4261.00	4028.16	4983.32	Plan Non Plan merged	Plan Non Plan merged
	of which						
	i) Salaries	258.14	283.18	317.22	309.89		
6b	Non-Plan Revenue Expenditure	23280.94	25167.62	26702.27	28551.61		
	of which						
	i) Interest Payments	3788.22	4021.52	4234.02	4472.45	4804.61	5104.64
	ii) Pensions	4708.85	4974.77	5489.75	6088.39	6500.20	7790.20
	iii) Salaries	8964.34	9283.24	9769.19	10080.67	11258.10	13297.03
7	Capital Expenditure (8+9)	4258.20	5052.31	5632.12	5629.32	7412.31	5743.94
7a	Plan Capital Expenditure (8a+9a)	3790.40	4541.99	5267.93	5346.52	Plan Non Plan merged	Plan Non Plan merged
7b	Non-Plan Capital Expenditure (8b+9b)	467.79	510.31	364.19	282.81		
8	Capital Outlay	3755.67	4584.33	5173.91	5309.21	7098.66	5646.57
8a	Plan Capital Outlay	3415.74	4102.90	4820.04	5033.16	Plan Non Plan merged	Plan Non Plan merged
8b	Non-Plan Capital Outlay	339.93	481.43	353.87	276.06		
9	Loans & Advances	502.53	467.98	458.21	320.11	313.65	97.38

9a	Plan Loans & Advances	374.67	439.09	447.89	313.36	Plan Non Plan merged	Plan Non Plan merged
9b	Non-Plan Loans & Advances	127.86	28.89	10.32	6.75		
10	Total Expenditure (6+7)	31311.36	34480.93	36362.55	39164.25	44446.55	46022.74
10a	Plan Total Expenditure (6a+7a)	7562.62	8802.99	9296.08	10329.84	Plan Non Plan merged	Plan Non Plan merged
10b	Non-Plan Total Expenditure (6b+7b)	23748.73	25677.94	27066.46	28834.41		
11	Revenue Deficit (6-3)	-313.90	-1521.69	-11.98	96.66	-278.10	3903.49
12	Fiscal Deficit (10-5)	3869.87	3499.96	5597.06	5700.08	7090.48	9602.35
13	Primary Deficit [12-6(b)(i)]	81.64	-521.56	1363.04	1227.63	2285.87	4497.71
14	Total Outstanding liabilities (as at the end of the year)	51030.50	54299.21	62211.83	67164.75	69122.59	78020.00
15	GSDP (at current prices) 2011-12 series	138551	148383	159162	156675	175173	192690
16	Revenue Deficit as % to GSDP	-0.23	-1.03	-0.01	0.06	-0.16	2.03
17	Fiscal Deficit as % to GSDP	2.79	2.36	3.52	3.64	4.05	4.98
18	Debt as % to GSDP	36.83	36.59	39.09	42.87	39.46	40.49
	Negative(-) Deficit means surplus						

Note - (i) Plan & Non - Plan classification has been done away from Financial Year 2021-22 onward

(ii) Total outstanding liability in 2020-21 excludes B2B loan in lieu of GST Compensation.

Source: Finance Department, HP

6.12 The fiscal performance of Himachal Pradesh at macro level during last few years has been exhibited in tables 6.3 and 6.4. Increasing trends in outstanding liabilities taken as percentage of the GSDP have been a cause of concern. The resulting increase in fiscal deficit is a reflection of requirement of the State Government to borrow more. However, sudden increase in fiscal deficit during 2020-21(A), 2021-22 (RE) and 2022-23 (BE) needs to be interpreted in the background of Government of India's help to the State Government in the form of long-term loan under its Special Central Assistance for Capital Investment Scheme and allowing matching increase in borrowing limits of the State Governments. Need for giving pace to the Capital Investment was felt after the general economic slowdown that resulted from COVID-19. This increase in borrowing limit of the State Governments appears to be a temporary measure and its continuation in future is not certain. A great prudence in the

management of fiscal affairs of the State is required to avoid any fallout anywhere near to similar to Sri Lankan crisis.

CHAPTER-7

Panchayati Raj Institutions: Evolution and Constitutional Provisions

- 7.1 The Gram Panchayats first came into existence in Himachal Pradesh consequent upon enactment of Himachal Pradesh Panchayati Raj Act, 1952. The number of Gram Panchayats was 280 at that time which increased to 466 in 1954 and further to 638 in 1962. After reorganization of some areas of Punjab on 1st November, 1966, when hilly areas of Punjab were merged in Himachal Pradesh, the number of Gram Panchayats increased to 1,695. At this point of time, a three-tier structure of the Panchayati Raj Institutions existed in the merged areas as per the provisions of the Punjab Panchayat Samiti and Zila Parishad Act, whereas the existing areas of Himachal Pradesh at the time of merger of new areas still continued with the two tier structure with only Gram Panchayats and Panchayat Samitis in place. Himachal Pradesh Panchayati Raj Act, 1968 was enacted in Himachal Pradesh with a view to bring uniformity in the Panchayati Raj System throughout the State with the provisions of having only Gram Panchayats and Panchayat Samitis. The Panchayati Raj System continued to be governed by the Panchayati Raj Act, 1968 even after 25th January, 1971 when Himachal Pradesh became a full-fledged State of Union of India.
- 7.2 These institutions varied in structure across different States and there was no uniformity in the functions being performed by them and the powers devolved to them. With an objective to give constitutional status to Panchayati Raj Institutions and to provide uniformity to the structure of Local Self Governments at the grass root level, 73rd Amendment was made to the Constitution of India. The Himachal Pradesh Panchayati Raj Act, 1994 was enacted by the State Legislature in 1994 by repealing old Act of 1968. The new Act brought out changes in the structure and functions of Panchayati Raj Institutions in Himachal Pradesh in confirmation with the 73rd Amendment Act to the Constitution of India. With the enactment of this Act, all the provisions with regard to establishment of three tier

structure in the State, periodic elections to these bodies, adequate representation of Scheduled Castes, Scheduled Tribes and Women, constitution of State Election Commission and State Finance Commission were made.

- 7.3 The Article, 243(g) of the Constitution of India also provides the Panchayati Raj Institutions with such powers and authority as may be necessary to function them as Self Government at the local level. The State Government has also framed Himachal Pradesh Panchayati Raj (General) Rules, 1997; the Himachal Pradesh Panchayati Raj (Finance, Budget, Accounts, Audit, Works, Taxation and Allowances) Rules, 2002 which were further amended in March, 2017 to enable these institutions to work as the 3rd tier of Government. The total numbers of Gram Panchayats have increased from 3,226 to 3,615 and Panchayat Samitis from 77 to 81 after the reorganization of Panchayats in 2020-21. The number of Zila Parishads has not changed from 12 ever since 12 districts were created in Himachal Pradesh in 1971.
- 7.4 The Constitutional 73rd Amendment Act enacted on 24th April, 1993 essentially lays down certain ground rules which constitute the basic structure or core features of the local authorities. These consist of a well defined duration, safeguards against external interference in the form of prolonged supersession, provision for regular elections, proper and meaningful representation of weaker sections and women and devolution of powers, authority and adequate finances. The rest of the fields have been left to the State.
- 7.5 The salient features of 73rd Constitutional Amendment Act, 1992 are as under:

243(A)	Constitution of Gram Sabha
243(B)	Constitution of three tier Panchayati Raj System
243(C)	Mandatory for the States to enact laws
243(D)	Reservation policy (SCs, STs, OBCs and Women)
243(E)	Term of PRIs (5 years)
243(F)	Disqualification of Members
243(G)	Assignment of functions – Eleventh Schedule
243(H)	Assignment of taxing powers, grants-in-aid
243(I)	State Finance Commission and its terms of reference
243(J)	Maintenance of accounts
(243(K)	Elections and constitution of Election Commission
243(L)	Application of provision to the Union Territories
243(M)	Exclusion of Scheduled Areas
243(N)	Status of previous laws relating to Panchayats
243(O)	Validity of law relating to delimitation and allotment of seats

7.6 After the passage of the 73rd Constitutional Amendment Act, 1992 the Himachal Pradesh Panchayati Raj Act, 1994, also came into force on 23rd April 1994, in place of the Himachal Pradesh Panchayati Raj Act, 1968, i.e. within one year from the date of the Constitutional Amendment. New rules were framed under the new Act. Simultaneously, the State Election Commission was also established and the two-tier Panchayati Raj System, namely Gram Panchayat and Panchayat Samiti, which was already in existence in the State, gave way to the establishment of a three-tier Panchayati Raj System. The salient features of the Himachal Pradesh Raj Act, 1994 are as under:

- 1) Gram Sabha will be a body consisting of persons registered or qualified to be registered in the electoral roll of Legislative Assembly relating to a village.

- 2) Every Gram Sabha shall hold four general meetings in a year on the predetermined dates i.e. 1st Sunday of January, April, July and 2nd October, Family will be the unit for determining the quorum of the Gram Sabha meeting.
- 3) For every ward, Up-Gram Sabha shall be constituted which will meet twice a year. Up-Gram Sabha besides discussing the local issues shall also nominate its members to represent it in general meetings of the Gram Sabha.
- 4) The Act provides for the establishment of a three-tier system of Panchayati Raj i.e. Gram Panchayat at a village level, Panchayat Samiti at intermediate level and Zila Parishad at district level.
- 5) It provides for direct elections for Pradhans, Up-Pradhans and the Member of Panchayats. Whereas, the Chairperson and Vice-Chairperson of Panchayat Samiti and Zila Parishad are to be elected indirectly from amongst their elected members.
- 6) The Act provides 50 percent reservation for women in PRIs.
- 7) In all the Panchayats, seats of members and offices of Chairpersons are to be reserved for Scheduled Castes and Scheduled Tribes in proportion to their population. One half of the total number of seats and offices would be reserved for women. Enabling provision has also been made for reserving the seats to the persons belonging to Other Backward Classes.
- 8) The number of members in a Gram Panchayat shall be determined on the basis of population which may range from 5 to 13 excluding Pradhan and Up-Pradhan. The Member of Panchayat Samiti representing a part or whole of the Gram Sabha area shall also be the member of concerned Gram Panchayat(s) and shall have the right to vote. The number of the elected members of the Panchayat

Samiti shall consist of persons elected from the territorial constituencies in the Samiti area as may be notified from time to time by the Government at the rate of one member for every 3,500 population or part thereof subject to minimum of 15 members. The number of elected members of the Zila Parishad shall consist of persons elected from the territorial constituencies in the district as may be notified from time to time by the Government at the rate of one member for every 25,000 population or part thereof subject to minimum of 10 members.

- 9) Every Panchayat, unless sooner dissolved, shall have a uniform term of five years and elections to constitute new Panchayats shall be completed before the expiry of the term of the existing Panchayats and before the expiration of a period of six months from the date of dissolution.
- 10) Enabling provisions have been made under the Act for delegation of powers, functions and responsibilities to the PRIs.
- 11) The Sections 11(1), 81 and 92 of the Act provide certain mandatory functions to be performed by the Gram Panchayats, Panchayat Samitis and Zila Parishads, respectively.
- 12) The Sections 11(2), 82 and 93 of the Act empower the State Government to provide more functions to the PRIs.
- 13) Gram Panchayats have also been empowered to perform judicial functions.
- 14) Gram Panchayats have been empowered to levy taxes, duty, cess and fees in their areas of jurisdiction.
- 15) A Finance Commission shall be constituted at expiration of every fifth year to review the financial position of Panchayats and to recommend the resource transfers to PRIs from the Consolidated Fund of the State.

- 16) The Act provides for establishing an independent State Election Commission for superintendence, direction and control of the electoral process and preparation of electoral rolls.
- 17) Every district shall have a District Planning Committee. A Minister or Speaker/Deputy Speaker of Vidhan Sabha, to be chosen by the State Government, shall be the Chairperson of District Planning Committee.
- 18) PRIs at all the level shall prepare development plan for their area of jurisdiction which will be submitted to the District Planning Committee which is required to consolidate the plans prepared by the urban and rural bodies and prepare a draft development plan for a district as a whole and forward the same to the State Government.
- 19) For efficient functioning of the PRIs, provisions have been made for the constitution of the standing committees.

7.7 The Himachal Pradesh Panchayati Raj Act, 1994 was also brought in conformity with the provisions of the Central Act No. 40 of the Panchayats (Extension to Scheduled Areas) Act, 1996. Special provisions relating to Gram Panchayats, Panchayat Samitis and Zila Parishads located in the Scheduled Areas were incorporated by inserting Chapter-VI-A vide Act No. 1 of 1998.

Structure of the Panchayati Raj in Himachal Pradesh

A. Gram Sabha/Up-Gram Sabha :

- ❖ Gram Sabha which forms the core of the democratic decentralization have been given utmost attention. There is a provision to constitute a Up-Gram Sabha for each ward of the Gram Sabha under the Act. It may deliberate on issues relating to its area and make recommendations to the Gram Panchayat or Gram Sabha. Efforts have been made by the State Government to strengthen these institutions by making following provisions:

- Gram Sabha has been empowered to form vigilance Committee(s) from amongst its members to supervise Gram Panchayats works, schemes and other activities.
- To select beneficiaries under various poverty alleviation programmes.
- Gram Sabha will authorize Gram Panchayat to issue utilization certificate of funds spent on the implementation of the plans, projects and programmes undertaken in the Gram Panchayat areas.

Gram Panchayat

- ❖ Gram Panchayats in the State are constituted for a village or a group of villages having population ranging from 1,000 to 5,000. In the Scheduled and far-flung areas, Gram Panchayats are also constituted for the population of less than 1,000. The Himachal Pradesh Panchayati Raj Act, 1994 empowers the Gram Panchayats for removal of encroachments and nuisance, control of erection of buildings, to enquire and make report about misconduct of officials, to contract for the collection of taxes and other duties, to introduce prohibition, manage fairs and markets etc.

B. Panchayat Samiti

- ❖ Panchayat Samiti is the intermediate body of the three tier Panchayati Raj System in the State. This institution is co-terminus with the development blocks. The members of the Panchayat Samiti are elected directly whereas the Chairperson and Vice-Chairperson are elected indirectly by the elected Members.

C. Zila Parishad

- ❖ This is uppermost body of the Panchayati Raj System. Consequent upon 73rd Constitutional Amendment Act, the Zila Parishads were constituted for the first time in the State after the enactment of new law relating to Panchayati Raj system. The

members of Zila Parishad are elected directly by the people however the Chairperson and Vice-Chairperson are elected members indirectly.

- ❖ The present structure and the status of Panchayati Raj System/Institutions in the State are given in the Table 7.1.

Table 7.1

Level of Panchayat	Name use	Numbers
District Panchayat	Zila Parishad	12
Intermediate Panchayat	Panchayat Samiti	81
Village Panchayat	Gram Panchayat	3,615
Ward Panchayat	Ward of Gram Panchayat	21,403

Establishment of and Elections to the Three Tier Panchayati Raj System

- ❖ The three tier Panchayati Raj system was established in Himachal Pradesh in 1995-96 as per the provisions of the 73rd Amendment Act to the Constitution of India and also as per the provisions of the Himachal Pradesh Panchayati Raj Act, 1994. The elections to the Panchayati Raj Institutions have been held regularly in the State ever since. The Sixth General Elections to the Panchayati Raj Institutions were held in 2021. Table 7.2 gives a snapshot of the representation of different sections of society in the elected members to the PRIs. It can easily be inferred that the PRI system in Himachal Pradesh is inclusive in as far as the representation of various sections of the society to these institutions is concerned. The representation of women exceeds 50 percent seats reserved for them by the State Government. There has been a considerable representation of women also who returned from the wards which were not reserved for them indicating to women of Himachal Pradesh being empowered to exercise the choices available to them and participate in the government decision making at the local level where it matters the most.

Table 7.2

Particulars	Total Seats	General		SCs		STs		OBCs		Women elected in wards not reserved for them	Elected unopposed
		Male	Female	Male	Female	Male	Female	Male	Female		
Chairman ZP	12	4	2	1	2	1	1	0	1	1	0
Member ZP	249	76	68	29	34	10	13	8	11	4	0
Chairman PS	81	27	21	6	13	3	5	1	5	1	0
Member PS	1696	511	501	197	237	64	68	51	67	30	0
Pradhan GP	3615	1106	1173	439	479	131	143	111	133	86	113
Member GP	21403	6623	7811	1855	3682	504	928	0	0	559	1015

- ❖ Table 7.3 will give an idea about the representation of various socially stratified sections of the society as the elected representatives returned to the PRIs after the 6th General Elections to them.

Table 7.3

(In Percent)

Particulars	SCs	STs	OBCs	Women
Member GP	25.87	6.69	-	58.04
Pradhan GP	25.39	7.58	6.75	50.57
Member PS	25.59	7.78	6.96	51.47
Chairman PS	23.46	9.88	7.41	54.32
Member ZP	25.30	9.24	7.63	50.60
Chairman ZP	25.00	16.67	8.33	50.00

Powers, Duties and Responsibilities of PRIs

- (a) Powers and Functions specified under the Himachal Pradesh Panchayati Raj Act, 1994 and the rules thereunder :**

With a view to strengthen democracy at the grass root level and as per the requirement of Article 243 of the Constitution of India to

make the PRIs viable institutions of self-governance, the State Government has devolved powers and functions related to 15 departments namely Agriculture, Animal Husbandry, Ayurveda, Education, Food & Supplies, Forest, Health & Family Welfare, Horticulture, Industries, Jal Shakti Vibhag, Public Works, Revenue, Rural Development and Social & Women Welfare to the Panchayati Raj Institutions on 31st July, 1996 covering 26 subjects (except three subjects i.e. (a) rural Electrification including Distribution of Electricity (b) Non-Conventional Energy Sources and (c) Adult and Non- Formal Education) as mentioned in the 11th Schedule of the Constitution. Besides this, the State Government has also delegated following powers, functions and responsibilities to the PRIs by way of executive orders :

- i. Powers and functions devolved to the PRIs mainly pertain to supervision, monitoring, reporting, planning and issuing contractual appointments.
- ii. Gram Sabhas have been vested with the powers to select beneficiaries under the Pradhan Mantri Awas Yojana/Mukhya Mantri Awas Yojana as per the guidelines of Government of India.
- iii. Zila Parishads have been empowered to evaluate all the poverty alleviation programmes and coverage of women, SCs, STs and other BPL families in these programmes as per the guidelines issued by the Government of India.
- iv. Chairpersons of Zila Parishads have been designated as the Chairpersons of the Governing Body of the respective District rural Development Agencies.
- v. Gram Panchayats prepare micro-plans proposing development interventions that reflect the felt needs in their areas for improving rural connectivity, schooling, health and veterinary care facilities, drinking water, sanitation etc. indicating the order of priority. The micro plans are being approved by the Gram Sabha.

- vi. The Gram Panchayats have been empowered to decide the location of institutions/facilities of public welfare such as :-
 - a. Schools.
 - b. Anganwari Centres
 - c. Health Institutions
 - (i) Allopathic
 - (ii) Ayurvedic
 - d. Veterinary Institution
 - e. Fair Price Shops
 - f. Hand Pumps
 - g. Public Water Taps etc.
- vii. Checking of physical attendance of grass root level functionaries such as Pump Operators, Helpers, Fitters, Linemen, Water Guards, Beldars of JSV Department, Veterinary Assistants, employees attached with the Ayurvedic Health Centres, School teachers, Male/Female health Workers, Grass root level functionaries of Education Department, Anganwari Workers, Tailoring Teachers, Panchayat Sahayaks, Takniki Sahayaks and those functionaries which are appointed by the Panchayat. Apart from this, Panchayat Veterinary Assistants and Water Guards are appointed by the Gram Panchayat.
- viii. Pradhans and Up-Pradhans of Gram Panchayats have been empowered to issue fishing license to the anglers for sport fishing and Chairpersons and Vice-Chairpersons of Panchayat Samitis for issuing license to the professional fishermen for general and trout fishing and the money realized as license fee is being retained by the concerned Panchayat as its revenue.
- ix. Primary School Buildings have been transferred to the Gram Panchayats and the maintenance/repair and control of Primary School buildings is the responsibility of the Gram Panchayats.

- x. Zila Parishads and Panchayat Samitis have been empowered to supervise the duties and functions regarding revenue matters, to assist the revenue officials in identification of landless/houseless persons and formulation of policies for utilization of Government land and giving no objection certificates for such land on lease at district and block level.
- xi. Pradhans have been empowered to issue Below Poverty Line certificates and non-employment certificates.
- xii. 50% reservation has been provided to women against the seats of Members and Chairpersons in the PRIs.
- xiii. Total devolution to Panchayats under the Nirmal/ Swachh Bharat Abhiyan has been done.
- xiv. Before grant of any lease for mining of minerals, a resolution from the concerned Panchayat has been made mandatory.
- xv. Gram Panchayats are the appointing and disciplinary authorities in respect of the employees of the PRIs such as Panchayat Sahayak, re-designated as Panchayat Secretary, Takniki Sahayak, Junior Engineer, Assistant Engineer, Kanishtha Lekhapal, Junior Scale Stenographer, Tailoring Teachers, Panchayat Chowkidar, Panchayat Veterinary Assistant etc.
- xvi. Judicial functions have been assigned to Gram Panchayats as per the provisions of the Himachal Pradesh Panchayati Raj Act, 1994.
- xvii. Funds in respect of the various schemes and programmes such as Mahatma Gandhi National Rural Employment Guarantee Act, Mukhya Mantri Awas Yojana, National Rural Livelihood Mission, Total Sanitation Campaign, Rashtriya Gram Swaraj Abhiyan etc. are being provided through the Panchayats. The Panchayats are empowered to execute the developmental works at Panchayat level.

(b) Power to levy taxes and Fees

Presently, Gram Panchayats have been empowered to levy and collect taxes/fees whereas no such powers have been given to Zila Parishads & Panchayat Samitis. These can be categorized as under:

1. Taxes/Fee that can be levied & collected by gram Panchayats at their level.

(i) **Property Tax** : A Gram Panchayat may, through a resolution and after previous publication, levy property tax at such rates and in such manner as it may deem fit on residential and commercial buildings in the Sabha area.

(ii) **Fee**: A Gram Panchayat may, through a resolution and after previous publication, can levy following fees at such rates and in such manner as it may deem fit in the Sabha area, namely:

- a) Teh-Bazari from the shopkeepers in the fairs.
- b) Service fee for cleaning of streets, lighting of streets, sanitation, solid and liquid waste management, parking of vehicles, as the case may be.
- c) Fee for registration of animals sold in the Sabha area, and
- d) Water rate where water is supplied by the Gram Panchayat.

2. Taxes that can be levied with the prior approval of State Government.

(i) **Profession Tax** : With the prior approval of State Government, a tax on persons carrying on any profession, trade, calling and employment other than agriculture in the Sabha area; provided such tax has not been levied in the

Sabha area by other local authority under any law for the time being in force.

- (ii) **Duty on transfer of property:** If so authorized by the Government, a duty on transfer of property in the form of a surcharge on the duty levied under the Indian Stamp Act, 1899, in its application to Himachal Pradesh, on instruments on sale, gift and mortgage with possession of immovable property situated in the Sabha area at such rate as may be fixed by the Government not exceeding two percent on, as the case may be, the amount of the consideration, the value of the property or the amount secured by the mortgage, as set forth in the instrument.

3. Assigned Taxes/Fee.

- (i) **Land revenue:** Gram Panchayats have been empowered to collect the land revenue from the land owners/right holders and Gram Panchayats will use the collected land revenue at their own level.
 - (ii) **Liquor Cess:** Cess of Re.1/- per bottle of liquor sold in the rural area will be collected and transferred to the Gram Panchayats for utilization in developmental activities.
 - (iii) Tax on extraction & export of sand, stone, bajri & slates.
 - (iv) License for the fishing.
 - (v) Permit fee for minor forest produce
 - (vi) Duty on mobile towers communications.
- (c) **Powers of PRIs to recruit employees and their powers as disciplinary authority.**

Consequent to 73rd Constitutional Amendment Act and enactment of Himachal Pradesh Panchayati Raj Act, 1994 under its obligations, the Gram Panchayats have been assigned the administrative and financial powers to discharge their functions

more effectively and smoothly to function as institutions of Self Governance. With a view to discharge the assigned functions, the Gram Panchayats have been empowered to engage the administrative as well as technical staff. The status of devolution of staff to PRIs by various line departments as well as staff recruited by PRIs is as under:

- (i) The Department of Education, Animal Husbandry & Jal Shakti Vibhag have devolved powers to the Gram Panchayats for the appointment of Part Time Water Carriers, Panchayat Secretaries will be filled up through the PRIs but the recruitment of Panchayat Sahayaks will be done through the Himachal Pradesh Subordinate Staff Selection Board (now known as Himachal Pradesh Subordinate Staff Selection Commission), to make it more competitive and transparent.

Status of devolution to Panchayati Raj Institutions

Sections 11(2), 83(1) and 94(1) of the Himachal Pradesh Panchayati Raj Act, 1994 provide that the State Government may entrust functions to the Panchayati Raj Institutions. In exercise of the powers conferred under these Sections, the State Government vide Notification No. PCH-HA (1) 12/87-10206-406 dated 31st July, 1996 entrusted the powers, functions and responsibilities to the PRIs. The First State Finance Commission Himachal Pradesh in Chapter XI of its report submitted to the State Government culled out the functions which involved financial implications. The whole exercise was done way back in the year 1996 and over a period of time, the status of majority of the schemes had undergone a change.

The Third State Finance Commission also studied the level of financial and administrative powers devolved to these institutions alongwith executive orders delegating powers to Panchayati Raj Institutions. The department-wise status of devolution of powers and functions and proposed initiatives to be taken by the departments concerned revealed that delegation made/proposed to be made to the

Panchayati Raj Institutions was to monitor, supervise and coordinate for the activities of the different line departments.

To streamline and strengthen this process, the Department of Panchayati Raj vide notification No. PCH-HA(3)9/2006-18580-22180 dated 19th October, 2009 has notified the Activity Map proposing entrustment of 29 subjects to Gram Panchayat or Panchayat Samiti or Zila Parishad, enabling them to discharge delegated/assigned functions effectively and efficiently, to ensure effective delivery of services at the grass root level. But as per the feedback received from the Department of Panchayati Raj, the line departments are reluctant to transfer the funds and functionaries to the PRIs. In the compliance to the devolution made under the Activity Mapping, no concrete efforts have been made by the line departments to empower the Panchayati Raj Institutions.

The Commission also made efforts to review the status of the functions assigned to the PRIs by the State Government and initiatives taken by the concerned departments to make this delegation, a success. The Commission interacted with the officers and officials of various departments to inquire into the following:

- (i) Status of activities devolved to PRIs in compliance to the activity mapping notified by the Department of Panchayati Raj.
- (ii) Whether fiscal devolution has taken place to match the functional devolution?
- (iii) The status regarding delegation made for the other areas such as writing of confidential reports; leave sanction, disciplinary action etc.
- (iv) Difficulties being faced by the departments to make the system functional.
- (v) Suggestions, if any to streamline and strengthen the existing system.

Despite all efforts, the Commission could get feedback only from the Departments of Animal Husbandry, Women and Child Development and Elementary Education, which shows the lackluster approach of the line

departments to empower and strengthen these institutions of self-governance. The status of delegation made by these departments is as under:

A. Animal Husbandry Department

- (i) Under Mukhya Mantri Arogya Pashudhan Yojana, 945 Veterinary Dispensaries have been notified in Gram Panchayats (out of 1,762 Veterinary Dispensaries in the State) which were not having any Veterinary Institution earlier. Panchayat Veterinary Assistants being posted in these dispensaries are employees of Gram Panchayats. All activities of the department like animal treatment, vaccination, fodder development, poultry birds' distribution and in some places breeding work is being done by the Panchayat Veterinary Assistants. The remuneration @ Rs.7,000/- per month per Panchayat Veterinary Assistant is being transferred by the department to Gram Panchayats.
- (ii) The cattle registration scheme is being implemented with the help of Gram Panchayats.
- (iii) Gram Panchayats have been authorized to sanction leave and take disciplinary action against the Panchayat Veterinary Assistants.

B. Women and Child Development Department

- (i) The approval of Gram Sabha is mandatory for the selection of beneficiaries for the scheme 'Mother Terrasa Ashay Matri Sambal Yojana'.
- (ii) Ward Member of Gram Panchayat functions as one of the members of the Anganwadi Level Monitoring Committee (ALMC).
- (iii) Construction of Anganwadi Centres has been assigned to the Gram Panchayats under MGNREGA Scheme.

C. Elementary Education Department

- (i) The PRIs have been assigned the role of checking the primary/upper primary schools and report on attendance of teachers and other staff in these schools. However, the powers in respect of granting of leave to the teacher and other staff of primary schools have not yet been given to the PRIs.
- (ii) To check and monitor the scholarship and other incentive schemes being implemented by the State Government at elementary level.
- (iii) Construction, repair and maintenance of elementary school building/rooms has been assigned to the Gram Panchayats in their area of jurisdiction.

While reviewing of the status of delegation made to the PRIs, it has been observed by the Commission that most of the departments have not implemented the notified Activity Map of proposed entrustment of 29 subjects to PRIs and those who have taken the initiative, most of them have not transferred funds and functionaries to these institutions. Hence, the Commission is of the view that there is need to implement the Activity Mapping notified by the Panchayati Raj Department with full spirit. For this the State Government should constitute a High-Powered Committee of Secretaries of the concerned line departments under the chairmanship of the Chief Secretary, Government of Himachal Pradesh, to oversee the entire process of delegation/devolution of funds, functions and functionaries to the Panchayati Raj Institution and Urban Local Bodies and to suggest remedial and corrective measures to strengthen the local governance system.

CHAPTER-8

Devolution Recommended for the Panchayati Raj Institutions

8.1 In the absence of any accurate estimation of resources available other than the grants recommended by the Fifth State Finance Commission and Fourteenth and Fifteenth Finance Commissions with the PRIs, the Commission was not in a position to make an assessment of total resources available with PRIs. Commission also took note of uncertainty with regard to State's own revenue receipts and it was of the opinion that the devolution to the PRIs for its award period may be recommended as the gap filling grants rather than specifying any share in the State's own revenues to be devolved. The Commission has followed the gap filling grant approach because of the following reasons:-

8.1.1 The existing boundaries of the PRIs except for Zila Parishads were reorganized and 379 Gram Panchayats, 13 Panchayat Samitis were added to the existing number of PRIs in the year, 2021. Since, these are new PRIs, it was not possible for the Commission to assess their income, as a good proportion of them may not have even started levying local taxes at the time when these recommendations were submitted to the Government by the Commission.

8.1.2 The information with regard to total receipts and income of all PRIs taken together is a very small fraction of total requirement of funds by the PRIs to defray their committed liabilities in terms of honorarium, salaries and other establishment related expenditure.

8.1.3 The newly created PRIs will take their own time to deploy manpower in their newly created office.

8.1.4 The sample Gram Panchayats from which the information related to their income was sought constituted only 10% of the total number of Gram Panchayats out of which, 73% PRIs responded by providing information. The information gathered

from the sample Gram Panchayats may not be representative of all the PRIs and hence, does not give the accurate picture of income of 3,516 Gram Panchayats in the State. The Commission was of the opinion that the gap filling approach may be followed rather than making the projections which may not be accurate in view of the limitations mentioned in the preceding paras which were duly considered by it.

- 8.1.5 State's Own resources, though registered an increasing trend during the past few years, they have a strong bearing on the economic performance at the national level. The sense of uncertainty is also prevailing at the global level in the wake of Russia-Ukraine conflict and the stance taken by China with regard to Taiwan which does not indicate to good prospects. It was not possible for the Commission to make projections on State's Own Resources during its award period in view of these factors and to recommend devolution to PRIs as percentage of State's Own Resources.
- 8.1.6 The committed liabilities of Zila Parishads, Panchayat Samitis and Gram Panchayats are in the form of honorarium to the elected representatives and the remuneration and salaries to be paid to their staff. It was convenient to make projections and recommend devolution on the basis of the committed expenditure of PRIs. In fact, the only information that could be accessed by the Commission with fair amount of accuracy related to the liabilities on account of honorarium, salaries and remuneration of staff at the rates prevailing at the time of writing this report.
- 8.1.7 The rate of increase in honorarium of the elected representatives of PRIs and remuneration/salaries of their staff cannot be predicted with accuracy in view of the limitations mentioned above. Any projections attempted on this account would have resulted in forecast with great ambiguity. It is because of this reason that the Commission thought it

appropriate to adopt incremental methodology along with the gap filling approach to recommend devolution to the PRIs.

8.2 Assumptions made in calculation of devolutions to PRIs.

8.2.1 There has been an increase in the total number of PRIs after 2020-21 when 379 more Gram Panchayats and 13 more Panchayat Samitis were added to the number that existed at the time of the Fifth State Finance Commission making its recommendations. The Commission took a note of creation of 379 new Gram Panchayats and 13 new Panchayat Samitis and appreciated the requirement of new offices for newly created PRIs. Out of 3,243 Gram Panchayats which existed before creation of Municipal Corporation in Dharamshala, 17 Gram Panchayats were shifted into the newly created Municipal Corporation, Dharamshala reducing the total number of Panchayats to 3,226. 22 more Gram Panchayats were merged with the newly created Municipal Corporations Mandi, Solan and Palampur. With this, total number of Gram Panchayats was reduced to 3,204. 411 new Gram Panchayats were created during 2020-21 and hence, there was a net addition of 379 Gram Panchayats to 3,226 Gram Panchayats which existed when the Fifth State Finance Commission made its recommendations.

8.2.2 Taking into account the resource availability with the State Government, the Commission recommends 5% annual hike in the committed liabilities of the PRIs during its award period. Any liability arising over and above the recommended devolution will be made good by the State Government by making additional allocations.

8.2.3 The Commission has not considered any hike in the rate of honorarium being given to the elected representatives/members of the PRIs.

8.2.4 The Expenditure of PRIs during 2022-23 as exhibited in tables in this chapter is inclusive of the expenditure incurred due to

revision in honorarium of various functionaries of PRIs. Considering that the Fifth State Finance Commission made its recommendations assuming that there would be no enhancement in the rate of honorarium during its award period and any liability on account of its revision was to be paid by the Government by making additional allocations, this Commission also subscribed to the same assumptions and the amount, which was recommended to the PRIs in its Interim Report, has been taken as the basis for making its recommendations with regard to devolutions to PRIs during its award period. The expenditure figures of committed liabilities of PRIs for 2022-23 as received by the Commission have not been considered by it as these expenditure figures reflect only the projected expenditure during 2022-23 and the Commission considered these figures unrealistic.

Table-8.1

Committed Financial Liabilities of PRIs

Sr. No.	Category	No. of Sanctioned Posts	Scale of pay	Pay in pay band	Grade Pay	Total (B. Pay+ G. Pay)	DA	IR
1	2	3	4	5	6	7	8	9
1	Executive Engineer (Regular)	4	15600-39100+7600	24880	7600	32480	52618	6896
2	Assistant Engineer (Regular)	30	15600-39100+5400	23810	5400	29210	47320	6134
3	Assistant Engineer (Regular)	7	15600-39100+5400	20180	5400	25580	41440	5372
4	Junior Engineer (Regular)	132	10300-34800+4800	15460	4800	20260	32821	4255
5	Junior Engineer (Regular)	55	10300-34800+3800	12090	3800	15890	25742	3337
6	Junior Engineer (Contract)	52	10300-34800+3800	0	0	23100	0	0
7	Block Engineer (Contract)	12	10300-34800+4200	0	0	25800	0	0
8	Superintendent-Grade-II (Regular)	1	43000-136000	0	0	65000	20150	0
9	Head Draftsman (Regular)	1	10300-34800+4200	0	0	43000	13330	0
10	Senior Assistant (Regular)	1	43000-136000	0	0	48800	15128	0
11	JOA (IT)-Contract	1	20600-65500	0	0	12360	0	0
12	Design Engineer (Regular)	5	10300-34800+4800	11610	4800	16410	26584	3446
13	Design Engineer (Contract)	12	10300-34800+3800	0	0	23100	0	0
14	Technical Assistant (Regular)	1041	10300-34800+3000	11120	3000	14120	22874	2965

15	Technical Assistant (Contract)	164	10300-34800+3000	0	0	17820	0	0
16	Draftsman (Contract)	36	10300-34800+3800	0	0	23100	0	0
17	Panchayat Secretary (Regular)	1132	10300-34800+3200	12010	3200	15210	24640	3194
18	Panchayat Secretary (Regular)	532	10300-34800+3200	11560	3200	14760	23911	3100
19	Panchayat Secretary (Regular)	639	10300-34800+3200	11130	3200	14330	23215	3009
20	Panchayat Secretary (Regular)	136	10300-34800+3200	10300	3200	13500	21870	2835
21	Panchayat Secretary (Regular)	97	5910-20200+1900	6400	1900	8300	13446	1743
22	Panchayat Secretary (Regular)	150	5910-20200+1900	6200	1900	8100	13122	1701
23	Panchayat Secretary (Regular)	133	5910-20200+1900	5910	1900	7810	12652	1640
24	Panchayat Secretary (Contract)	796	5910-20200+1900	0	0	12120	0	0
25	Junior Scale Stenographer	6	10300-34800+3600	14040	3600	17640	28577	3704
26	Junior Scale Stenographer	7	10300-34800+3600	12530	3600	16130	26131	3387
27	Data Entry Operator	15	5910-20200+1900	7180	1900	9080	14710	1907
28	Junior Accountant	12	10300-34800+3200	12470	3200	15670	25385	3291
29	Driver (on daily wage basis)	1	411 Per Day	0	0	12330	0	0
30	Peon/ Chowkidar	13	4900-6200+1650	5970	1650	7620	12344	1600
31	Peon (on daily wages basis)	2	350 Per Day	0	0	10500		

Table 8.2

Committed Financial Liabilities of - PRIs

Sr. No.	Category	No. of Sanctioned Posts	Honorarium Per Month (Rs.)	Current liability	Projected Expenditure (Rs. in Lakh)				
					2022-23	2023-24	2024-2025	2025-26	2026-27
1.	Chairperson Zila Parishad	12	15000	21.60	21.60	21.60	21.60	21.60	
2.	Vice Chairperson, Z.P.	12	10000	14.40	14.40	14.40	14.40	14.40	
3.	Members, Zila Parishad	225	6000	162.00	162.00	162.00	162.00	162.00	
4.	Chairperson, Panchayat Samiti	81	9000	87.48	87.48	87.48	87.48	87.48	
5.	Vice Chairperson, P.S.	81	6500	63.18	63.18	63.18	63.18	63.18	
6.	Members Panchayat Samiti	1534	5500	1012.44	1012.44	1012.44	1012.44	1012.44	
7.	Pradhan, Gram Panchayat	3615	5500	2385.90	2385.90	2385.90	2385.90	2385.90	
8.	Up-Pradhan, Gram Panchayat	3615	3500	1518.30	1518.30	1518.30	1518.30	1518.30	
9.	Members, Gram Panchayat	21403	600	1541.02	1541.02	1541.02	1541.02	1541.02	
10.	Tailoring Teacher	1740	8000	1670.40	1670.40	1670.40	1670.40	1670.40	
11.	Panchayat Chowkidar	3615	6200	2689.56	2689.56	2689.56	2689.56	2689.56	
12.	Water Guard	6220	3600	2687.04	2687.04	2687.04	2687.04	2687.04	

Table 8.3

Establishment Expenditure of Panchayati Raj Institutions (Existing and Projected in Pre-revised Pay Scales)

(Rs. in Lakh)

1. Zila Parishad-Establishment

		Existing			Projected				
		2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Hon.	Chairman	13.20	14.40	14.40	21.60	21.60	21.60	21.60	21.60
	Vice Chairman	9.60	9.60	9.60	14.40	14.40	14.40	14.40	14.40
	Members	100.50	116.00	125.40	162.00	162.00	162.00	162.00	162.00
TA/DA	Chairman/ Vice Chairman/ Members	3.67	3.67	3.67	5.26	5.26	5.26	5.26	5.26
Salary	Executive Engineer (Regular)	2.77	10.60	63.71	52.11	56.80	61.91	67.48	73.56
	Assistant Engineer (Regular)	4.68	266.61	420.17	420.17	457.99	499.20	544.13	593.10
	Junior Engineer (Regular)	1039.26	1100.55	1174.54	1439.71	1569.28	1710.52	1864.47	2032.27
	Junior Engineer (Contract)	10.50	17.74	121.18	159.12	173.44	189.05	206.07	224.61
	Block Engineer (Contract)	0	0	0	40.61	44.26	48.25	52.59	57.32
	Superintendent-Grade-II (Regular)	0	0	0	10.70	11.66	12.71	13.86	15.10
	Head Draftsman (Regular)	0	0	0	71.08	77.48	84.45	92.05	100.34
	Senior Assistant (Regular)	0	0	0	8.06	8.79	9.58	10.44	11.38
	JOA (IT)- Contract	0	0	0	1.60	1.74	1.90	2.07	2.26
	Design Engineer (Regular)	8.27	17.64	29.04	33.52	36.54	39.83	43.41	47.32
	Design Engineer (Contract)	0	0	0	36.72	40.02	43.63	47.55	51.83
	Technical Assistant (Regular)	2213.46	3015.32	3125.32	5988.52	6527.49	7114.96	7755.31	8453.28
	Technical (Contract)	0	0	0	386.12	420.87	458.75	500.04	545.04
	Draughtsman (Contract)	0	0	0	110.16	120.07	130.88	142.66	155.50
	Panchayat Secretary (Regular)	7016.69	11091.24	12708.40	15829.58	17254.24	18807.12	20499.77	22344.74
	Panchayat Secretary (Contract)	222.86	65.36	65.36	1334.41	1454.51	1585.41	1728.10	1883.63
	Junior Scale Stenographer	41.20	58.99	74.13	86.41	94.19	102.66	111.90	121.97
	Data Entry Operator	27.33	31.31	39.36	54.59	59.50	64.86	70.70	77.06
	Junior Accountant	47.19	51.97	56.55	74.37	81.06	88.36	96.31	104.98
	Driver (On Daily wage Basis)	0	0	0	1.70	1.85	2.02	2.20	2.40
Peon/ Chowkidar	23.04	25.35	27.60	40.02	43.62	47.55	51.83	56.49	
Peon (On Daily Wage Basis)	0	0	0	2.52	2.75	2.99	3.26	3.56	
Office Exp.	Zila Parishad	358.31	388.91	433.00	476.9	510.28	546.00	584.22	625.12
Hiring of Taxi	Executive Engineer/ Assistant Engineer	0	0	0	196.80	210.58	225.32	241.09	257.96
Total		11142.53	16285.26	18491.43	27058.76	29462.27	32081.17	34934.77	38044.08

Table 8.4

**Establishment Expenditure of Panchayati Raj Institutions
(Existing and Projected in Pre-revised Pay Scales)**

(Rs. in Lakh)

2. Panchayat Samiti-Establishment

		Existing			Projected				
		2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Hon.	Chairperson	50.05	51.59	63.84	63.84	63.84	63.84	63.84	63.84
	Vice Chairperson	35.75	36.85	45.60	45.60	45.60	45.60	45.60	45.60
	Member	671.87	689.92	787.86	787.86	787.86	787.86	787.86	787.86
TA/DA	Chairman/Vice-Chairman/Members	8.35	8.35	8.35	8.35	8.56	8.78	9.03	9.46
Office Exp.	Panchayat Samiti	73.54	79.82	89.00	89.00	95.23	101.89	109.02	112.34
Total		839.56	866.53	994.65	994.65	1001.09	1007.97	1015.35	1019.1

Table 8.5

**Establishment Expenditure of Panchayati Raj Institutions
(Existing and Projected in Pre-revised Pay Scales)**

(Rs. in Lakh)

3. Gram Panchayat-Establishment

		Existing			Projected				
		2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Hon.	Pradhan	1660.50	1660.5	1742.04	2385.90	2385.90	2385.90	2385.90	2385.90
	Up-Pradhan	1107.00	1107.00	1161.36	1518.30	1518.30	1518.30	1518.3	1518.30
	Members	1150.34	1172.34	1349.19	1541.016	1541.02	1541.02	1541.02	1541.02
TA/DA	Pradhan/ Up-Pradhan/ Members	214.04	214.04	214.04	235.44	235.44	235.44	235.44	235.44
Staff Hon.	Tailoring Teacher	1505.82	1412.84	1482.48	1670.40	1670.40	1670.40	1670.4	1670.40
	Panchayat Chowkidar	1596.70	1728.97	2213.04	2689.56	2689.56	2689.56	2689.56	2689.56
	Water Guard	1144.80	1607.04	1612.22	2687.04	2687.04	2687.04	2687.04	2687.04
	Livery Allowance to Chowkidar	27.10	27.10	27.10	30.37	30.37	30.37	30.37	30.37
Office Exp.	Gram Panchayat	887.15	962.91	1073.00	1148.11	1228.48	1314.48	1406.48	1504.94
Total		9293.45	9892.74	10874.47	13906.14	13986.51	14072.51	14164.51	14262.97
Grand Total (1 +2 +3)		21275.54	27044.53	30360.55	41959.55	44449.87	47161.65	50114.63	53326.15

8.3 Recommendations for PRIs:

- 8.3.1 The Commission has not made any recommendation for providing grants to the PRIs on account of revision in the pay scales of their staff. The Government will have to take a decision with regard to the revision in remuneration/salary being paid to the staff of the PRIs and hence, the Commission recommends that the Government may provide funds to PRIs through supplementary allocations as and when there is any revision in remuneration/salary being paid to the staff of the PRIs. Any future liability on this account and that has not been covered by the recommendations of this Commission shall be met by the Government through additional allocations. Any liabilities on account of salaries arising during 2022-23 and subsequent award years over and above the devolution recommended will also be met by the State Government.
- 8.3.2 The Government may make additional budgetary provisions through supplementary demands for grants whenever there is a revision in the rate of honorarium to be paid to the elected representatives/members of the PRIs.
- 8.3.3 The Department of Panchayati Raj shall make necessary diversion of funds in the eventuality of re-deployment of staff from one PRI to another. The department shall also determine actual requirement of funds to meet the expenditure needs of a PRI based on actual deployment of manpower.
- 8.3.4 Appropriate provisions will be made by the State Government for meeting building requirements of the newly created 411 Gram Panchayats and 13 Panchayat Samitis to house their offices. These grants shall be released to the PRIs conditional to availability of land free from all encumbrances and all required clearances for construction of new building being in place. These grants shall be dovetailed with the grants already available under all Centrally Sponsored Schemes and State Schemes.

8.3.5 The fund transfer to the Panchayati Raj Institutions by the Sixth Finance Commission is recommended as follows:

(Rs. in Lakh)

Year	2022-23*	2023-24	2024-25	2025-26	2026-27	Total
Recommended Devolutions	35,200.00	36,960.00	38,808.00	40,748.40	42,785.82	1,94,502.22

* The amount already recommended in the Commission's Interim Report

8.3.6 Above devolutions also include a fixed grant of Rs. 24 crore to be disbursed from 2023-24 to 2025-26 for repair/ maintenance/ additions/ alteration of office buildings of all the three layers of PRIs.

8.3.7 The Panchayati Raj Department may pass on the recommended funds to Gram Panchayats, Panchayat Samitis and Zila Parishad based on manpower deployment in them.

8.4 The information related to income and other receipts of the PRIs was not available on real time basis and the Commission is of the opinion that the department should make efforts to ensure that the accounts of each PRI are maintained using the software PRIYASOFT/e-SWARAJ. The accounts maintained by each PRI should be updated on daily basis and be integrated through a single portal enabling a user to retrieve data based on menu driven queries on real time basis. The department should also have periodic dialogue with the elected representatives and other officials of the PRIs emphasizing the importance of raising their own resources and planning local development within the available resources with the participation of local community. This dialogue will enable review and monitoring of the status of maintenance of accounts by the PRIs. The funds already made available through the Fourteenth and Fifteenth Finance Commissions may be utilized for it and the Commission does not recommend any grants for maintenance of accounts. These accounts may be linked with the Central Integrated Finance Management System (IFMS) and the State Public Financial Management System (PFMS) as recommended by the Fifteenth Finance Commission.

8.5 These grants may be devolved to the PRIs by giving a weight of 90% to population and 10% to the area or as per the actual requirement of a local body based on the manpower deployed in it as may be considered fit by the Panchayati Raj Department.

8.6 The entire amount recommended for the PRIs by the Commission may be divided into 90% as Basic Grants and 10% as Performance Grants.

8.6.1 The Performance Grants may be released to the PRIs as follows during 2023-24 and 2024-25:-

- a) 20% of the Performance Grants may be passed on to those PRIs which have all the houses with a toilet and the segregated solid waste /garbage is collected from 100% households within its jurisdiction with monthly fee collected.
- b) 20% of the Performance Grants may be passed on to those PRIs which are maintaining their accounts electronically, updating them on daily basis, sharing the audited annual accounts on the portal and have linkage with the Central IFMS and State PFMS.
- c) 20% of the Performance Grants may be passed on to those PRIs which have started collecting all the statutorily assigned taxes and levies.
- d) 40% of the Performance Grants may be passed on to those PRIs which have utilized not less than 75% of the funds available with them through Fourteenth and Fifteenth Finance Commission Grants, State Finance Commission Grants and all the Central and State schemes cumulatively at the end of March, 2023.

However, no Performance Grants should be made available to such PRIs which do not fulfill any of the above criteria after 31st March, 2025. While making this recommendation, the Commission is fully aware that a very large proportion of the devolutions recommended by it will

be used for meeting the expenditure of committed nature. The Commission has made this recommendation considering the fact that the recommendations made by earlier five State Finance Commissions in this regard have not been implemented in full. The Commission is of the firm belief that a good proportion of such PRIs which are not collecting statutorily mandated taxes and levies presently will start doing so to get incentive grants.

- 8.7 The Commission observed that a considerably fair proportion of PRIs have a large number of assets which are either underutilized or are not in use at all. There are some other assets which are giving returns much less than their market potential. The Commission recommends monetization/re-monetization of all such assets owned by the PRIs and the income generated hence may be retained by the PRIs. The Commission also recommends that all the PRIs should put a list of all the assets owned by it, monetized or non-monetized in the public domain by the end of March, 2024. Making an inventory of all the assets owned by a local body will also help in assessing the maintenance requirements well in advance and making a perspective maintenance plan.

CHAPTER-9

Urban Local Bodies: Evolution and Constitutional Provisions

9.1 Evolution

1. In the pre-independence era, there were mainly four categories of Municipalities in India. These were Municipal Corporations, City Municipalities, District Municipalities and town Municipalities. The Municipal Corporation was distinguished by its large area and population. The Municipal Corporation had more powers and greater autonomy. The characteristic features of a City Municipality were the large population as well as the greater amenities of city life.
2. After independence, with prevailing ethos of democratization, many Governments decided that the civic bodies should be run by elected representatives and not by nominated councilors. The Punjab Municipal Act, 1911 was applicable to the Punjab Hill States; and therefore, to Shimla Hill States as well. As a result of the reorganization of Punjab with effect from 1st November, 1966, the Municipal Committees were governed by the Punjab Municipal Act, 1911 and Town Committees by Punjab Small Town Act, 1921. The governance of Small Town Committees was repealed by the Punjab Municipal (Second Amendment) Act, 1954, whereas the Cantonments were governed by the Cantonment Act, 1924.
3. Under the above Act, the State Government had supervisory power over the municipalities. To give independence to these bodies, the State Government passed the Himachal Pradesh Municipal Act, 1968. The State Government also enacted a separate legislation by passing the Capital of Himachal Pradesh (Development and regulation) Act, 1968 (22 of 1969), for the development of Shimla town and its suburbs.
4. The Government of Himachal Pradesh provided separate Municipal Acts for Municipal Corporation and Municipal Committees. These were: Himachal Pradesh Municipal Act, 1968

and the Himachal Pradesh Municipal (Amendment and Validation Act, 1980 and Himachal Pradesh Municipal Corporation Act, 1979.

5. The 74th Constitutional Amendment envisaged greater decentralization of administrative, legislative and financial functions to the Urban Local Bodies with enhanced functional autonomy to municipalities. The salient features of 74th Constitutional Amendment are as under:-

243(Q)	Constitution of Municipalities
243(R)	Composition of Municipalities
243(S)	Constitution and composition of Wards Committees
243(T)	Reservation of Seats (SCs, STs, OBCs and Women)
243(U)	Term of Municipalities
243(V)	Disqualifications for Membership
243(W)	Powers, Authority and Responsibilities of Municipalities
243(X)	Power to Impose Taxes by, and Funds of the Municipalities
243(Y)	State Finance Commission and its Terms of Reference
243(Z)	Audit of Accounts of Municipalities
243(ZA)	Elections to the Municipalities
243(ZB)	Application of Provisions to the Union Territories
243(ZC)	Exclusion of Scheduled Areas
243(ZD)	Constitution of District Planning Committees
243(ZE)	Committee for Metropolitan Planning
243(ZF)	Continuance of Existing Laws and Municipalities
243(ZG)	Bar to interfere by Courts in Electoral Matters

6. In compliance of and in consonance with the provisions of the 74th Constitutional Amendment Act, the State Government enacted the following Acts:
- a. Himachal Pradesh Municipal Act, 1994.
 - b. Himachal Pradesh Municipal Corporation Act, 1994.

c. Himachal Pradesh Municipal Services Act, 1994.

7. These new Acts have bestowed upon the Municipalities numerous additional functions which are in conformity with the 12th Schedule of the Constitution. The 12th Schedule in Article 243W enumerated 18 functions out of which three functions are as under:-
 - a. Urban Planning including town Planning.
 - b. Regulation of land use and construction of buildings.
 - c. Planning for economic and social development.
8. The above three functions in the past were not part of the previous Municipal Acts of 1968. Probably, as these obligatory responsibilities of the municipal bodies were being derived from the State Town Planning Act of 1977 under which the implementation of plans/schemes are being done by them in their respective areas. Now the above functions are being performed as part of the obligatory functions of the municipalities. It is now being realized that Urban Local Bodies should not only provide civic services for the welfare of local people but also carry out the task of the urban planning and development.

9.2 **Structure of the Urban Governance in Himachal Pradesh**

1. Section 3 of the Himachal Pradesh Municipal Act, 1994 provides the classification of the Municipalities. There are three classes of Urban Local Bodies in the State (a) Nagar Panchayats (b) Municipal Councils and (c) Municipal Corporations. These 3 classes of Urban Local Bodies are generally formed on the basis of population, area, the revenue generated/generation capacity and employment in non-agricultural activities and the economic importance of the area. The criteria for the classification of Urban Local Bodies are given as under:-
 - a. "Nagar Panchayat" for a transitional area is constituted for a population exceeding two thousand and generating

annual revenue exceeding Rs. five lakh for the local administration;

- b. "Municipal Council" for a smaller urban area is constituted for a population exceeding five thousand and generating the annual revenue exceeding Rs. Ten lakh for the local administration;
- c. "Municipal Corporation" is for a large urban area, and is constituted for a population exceeding fifty thousand and generating annual revenue exceeding Rs. two crore for the local administration and which has been declared to be a municipal area under Section 3 of the Himachal Pradesh Municipal Corporation Act.

- 2. Presently, there are 61 Urban Local Bodies in the State, comprising 5 Municipal Corporations 29 Municipal Councils and 27 Nagar Panchayats.
- 3. However, the above mentioned, population and revenue raising capacity norms, more often than have not been considered while upgrading or creating an Urban Local Body.

9.3 Powers, Duties and Responsibilities of ULBs

(A) Powers and Duties specified under the Municipal Acts and the Rules are:-

- 1. Section 48 of the Himachal Pradesh Municipal Act, 1994 empowers the State Government to issue Notification to determine various functions of the Municipalities. In the repealed Municipal Act, 1968 the following normal functions were performed by the Municipalities under Section 51(2):-
 - (a) Construction, maintenance, improvement, cleaning and repair of all public streets, bridges, town-halls, town-gates, embankments, drains, privies, latrines, urinals, tanks and water courses and setting up of solid waste management projects, productions and marketing of compost;

- (b) Watering and lighting of such streets or any of them;
 - (c) Construction establishment and maintenance of schools, hospitals, and dispensaries and other institutions for the promotion of education for the benefit of the public health and Rest Houses, sarais, poor-houses, markets, stalls, encamping grounds, ponds and other works of public utility and the control and administration of public institutions of any of these descriptions;
 - (d) Grant-in Aid to schools, hospitals, dispensaries, poor-houses, lepers asylums and other educational or charitable institutions;
 - (e) Training of teachers and the establishment of scholarships;
 - (f) Giving of relief and the establishment and maintenance of relief works in time of famines or scarcity;
 - (g) Supply, storage and prevention from pollution of water for the use of human beings and animals.
 - (h) Planting and preservations of trees; and the establishment and maintenance of public parks and gardens;
 - (i) Taking of a Census, the registration of births, marriage and deaths, public vaccination and any sanitary measures;
 - (j) Holding of fairs and industrial exhibitions;
 - (k) Preparation and maintenance of a record of rights of immovable property.
 - (l) All acts and things which are likely to promote the safety, health or convenience of the inhabitants or expenditure whereon may be declared by the committee with the sanction of the State Government to be an appropriate charge on the Municipal Fund;
 - (m) Construction of buildings and sale thereof with the prior approval of the State Government.
2. Similarly, Section 43 and 44 of the HP Municipal Corporation Act, 1994 provides the obligatory and discretionary functions to be performed by the Municipal Corporation. These functions are

identical reproduction of Section 43 and 44 of the repealed Act, the Himachal Pradesh Municipal Corporation, Act, 1979.

3. But Section 42 of the Himachal Pradesh Municipal Corporation Act, 1994 empowers the State Government to issue Notification to determine various additional functions of the Corporation on the subject itself indicated under Section 42(i)(a) & (b) and further heads (i) to (xviii) and the Twelfth Schedule of the Constitution corresponding to Article 243-W.
4. Since, the provisions under Section 42(1) (a) & (b) of the Himachal Pradesh Municipal Corporation Act, 1994 and Section 48(1) (i) & (ii) of the Himachal Pradesh Municipal Act, 1994 are identical, therefore, the State Government, vide two separate Notifications No. LSG-A(2)-2/94 of 30th August 1994, devolved the following additional functions to the Urban Local Bodies in the State:

(i) Urban Planning including Town Planning:

Implementation of land use map notified by the State Government.

Provided that where no such map is notified, the concerned local body will prepare and implement the local land use map;

(ii) Planning for Economic and Social Development

- (a) Formulation of schemes for the upliftment of poor,
- (b) Generation of employment.
- (c) Implementation of Poverty Alleviation programmes.

(iii) Roads and Bridges:

Construction and maintenance of roads and bridges, except the roads and bridges on National Highways and State Highways within municipal areas.

(iv) Water Supply:

Planning, construction, and maintenance of water supply schemes for domestic, commercial and industrial purposes

within the municipal areas. Provided the execution of new schemes will be in accordance with the decision of Government in each case.

(v) Public Health:

- (a) Provision of drains and Sewerage and sewerage disposal and nallahas.
- (b) Provision for public latrines and urinals and their upkeep.

(vi) Urban Forestry, Protection of the Environment and Promotion of Ecological aspects:

- (a) Creation, maintenance and regulating the use of urban forest blocks.
- (b) Plantation, maintenance and preservation of trees both ornamental and economic within the municipal areas.
- (c) Regulating the plantation, preservation and felling of trees.
- (d) To establish and maintain refuse disposal sites and apparatus.
- (e) To regulate the pollution, establishment and maintenance of electric crematoriums.

(vii) Safeguarding the interests of Weaker Sections of society, including the Handicapped and Mentally Retarded:

Establishment of orphanage, mental hospitals, administration and care of mentally retarded children and women homes.

(viii) Slum Improvement and Up-gradation:

Identification of slum areas; and formulation of schemes for the rehabilitation of the people living in slums.

(ix) Urban Poverty Alleviation:

- (a) Identification of urban poor and localities pre-dominantly occupied by them.

(b) Formulation and execution of schemes for their upliftment.

(x) Provision of Urban Amenities and Facilities such as Parks, Gardens and Playgrounds etc.

(xi) Promotion of Cultural, Educational and Aesthetics aspects.

(xii) Burials and Burial Ground, Cremations, Cremation Grounds and Electric Crematoriums.

(xiii) Cattle Ponds and Prevention of Cruelty to Animals:

(a) To provide for care and upkeep of old and injured cattle,

(b) To establish and maintain veterinary hospitals.

(c) To take action against persons causing cruelty to animals.

(xiv) Vital Statistics including registration of Births and Deaths:

To keep population record of the municipal areas and annual publication of population statistics including male, female, SCs, STs and handicapped persons living below poverty line.

(xv) Public Amenities including Street Lighting, Parking lots, Bus Stops and Public Conveniences:

Bus stands, bus stops rain shelters, loading and unloading points.

(xvi) Regulation of Slaughter Houses and Tanneries:

Establishment, maintenance, regulation and control of slaughter houses and tanneries.

5. The above given functional status depicts that the Urban Local Bodies are not only providing civic services for the welfare of local people but also carry out the task of the Urban Planning and Development. The Commission feels that if the Urban Local Bodies have to serve as agencies of plan preparation,

enforcement and implementation as envisaged in the constitutional amendment, it is absolutely necessary that effective infrastructure is built in the urban areas. For this, investment friendly enabling environment needs to be created in ULBs so that investment from private investors could be attracted.

(B) Devolution of Powers to Urban Local Bodies to Levy Taxes, Fees and Cess.

6. The Urban Local Bodies have been given adequate powers to levy tax, tolls, fees under Section 66 of H.P. Municipal Act, 1994 and various sections of Chapter-VIII of the Municipal Corporation Act, 1994. To further the process of empowerment, the H.P. Municipal Corporation (Amendment) Act, 2011 and H.P. Municipal (Amendment) Act, 2011 provided more teeth to the ULBs. The following provisions have been incorporated vide Sections 85 and 66 respectively, regarding collection of fee, tolls and user charges:

Section 85 & 66

“Fee, tolls and users charges- the municipality may impose fee, tolls and user charges for the services provided by it at such rate and in such manner as may be determined by the municipality from time to time.”

7. The Urban Local Bodies at all the three levels have been empowered to levy taxes/ fees in their area of jurisdiction. In order to boost the resource mobilisation efforts by tax collection and to bring efficiency in coverage, the Government of Himachal Pradesh has made necessary amendments in Section 86 of Himachal Pradesh Municipal Corporation Act, 1994 and in Section 65 of Himachal Pradesh Municipal Act, 1994, which were notified in February, 2012 to give free hand for imposing House Tax by the Urban Local Bodies and realize the Property Tax.

1. Taxes/Fees that can be levied and collected by the Urban Local Bodies.

As per the provisions made under the Himachal Pradesh Municipal Act, 1994, the municipalities may impose the following taxes and fees.

- (I) Property Tax:** The imposition of House Tax is statutory binding upon the municipalities under the provision of Section 65 of H.P. Municipal Act, 1994 and Section 86 of H.P. Municipal Corporation Act, 1994. House Tax is being imposed by almost all the Municipalities in the State. Municipal Corporations Shimla and Dharamshala are charging House tax on unit area method, rates of which are different for different categories of properties/houses.
- (II) Other Taxes, Tolls and Fees: Subject to any general or special orders of the State Government in this behalf and to the rules, a municipality may, from time to time, impose in the whole or any part of the municipality any of the following taxes, tolls and fees:**
- (i) A tax on profession, trades, callings and employments;
 - (ii) A tax on vehicles, other than motor vehicles, plying for hire or kept within the municipal area;
 - (iii) A tax on animals used for riding, draught or burden kept for use within the municipal area, whether they are actually kept within or outside the municipal area;
 - (iv) A tax on dogs, kept within the municipal area;
 - (v) A show tax;
 - (vi) A toll on vehicles other than motor vehicles, and other conveyances entering the municipal area;
 - (vii) A tax on boats moored within the municipal area;
 - (viii) A tax on the consumption of electricity at the rate of one paise for every unit of electricity consumed by any person within the limits of the municipal area;

- (ix) A tax on advertisements other than advertisements published in the newspapers;
- (x) A tax on buildings payable alongwith the application for sanction of the building plans;
- (xi) A fee with regard to pilgrimages;
- (xii) A fee with regard to drainage;
- (xiii) A fee with regard to lighting;
- (xiv) A fee with regard to scavenging;
- (xv) A fee for cleaning of latrines and privies;
- (xvi) A fee in the nature of costs for providing internal services under the scheme framed under Section 205.
- (xvii) An education cess;
- (xviii) A local rate on land revenue;
- (xix) With the previous sanction of the State Government, any other tax, toll or fee which the State Legislature has power to impose in the State under the Constitution of India.

The rates of any tax, toll or fee under above taxes except that mentioned under item no. (viii) shall be determined by the municipality; provided that such rates shall not exceed the maximum limits notified by the State Government from time to time.

Similarly, Section 84 of Himachal Pradesh Municipal Corporation Act, 1994 empowers the Municipal Corporation to levy the following taxes:

- (i) Taxes on buildings and land; and
- (ii) Such other taxes, at such rates as the State Government may, by notification, in each case direct.

In addition to above, Section 84(2) empowers the Municipal Corporation to levy the following taxes subject to the prior approval of the State Government:

- (i) A tax on profession, trades, callings and employment;

- (ii) A tax on vehicles other than motor vehicles and animals;
- (iii) A tax on the increase in urban land values caused by the execution of any development or improvement work;
- (iv) Show tax;
- (v) Tax on consumption of energy at a rate not exceeding 2 paise for every unit for electricity consumed by any person within the municipal area;
- (vi) Sewerage tax on commercial buildings;
- (vii) Any other tax that may be imposed under the provisions of the Himachal Pradesh Municipal Act, 1994 (13 of 1994).

Provided that no tax shall be imposed under this sub-section unless an opportunity has been given in the prescribed manner to the residents of the municipal area to file objections and the objections, if any, thus received have been considered.

2. Assigned Taxes/Fees

- (i) **Electricity Tax:** The Municipalities are imposing electricity tax @ 1 paisa per unit on consumption of electricity from the consumers whereas the Municipal Corporation, Shimla and Dharamshala is imposing this tax @ 9 paisa per unit w.e.f. 1st April, 2012.
- (ii) **Cess on Liquor:** The cess @ Rs. 2.00 per bottle of liquor sold in municipal areas will be collected and transferred to the Urban Local Bodies by the Excise and Taxation Department.
- (iii) **Grants in Lieu of Octroi:** The State Government is providing development grants in lieu of abolition of Octroi to the Urban Local Bodies.

However, the devolution of financial powers to the Urban Local Bodies is a continuous process. As per the status reported by the Department of Urban Development, the Urban Local Bodies are also facing problems in imposition of certain taxes and levies. The Commission also observed that exemptions granted by the State

Government on levy of certain urban taxes, duties and fees led to a considerable dip in the actual realization vis-à-vis the potential.

(C) Powers of Urban Local Bodies to Recruit Employees and their Power as Disciplinary Authority.

9.4 As per the provisions contained in Section 306 of the Himachal Pradesh Municipal Act, 1994, the municipality may with the prior approval of the State Government or any other officer authorized in this behalf, appoint such officers and servants as it considers necessary for the efficient discharge of its duties. The qualifications, method of recruitment, salaries, leave, allowances and other conditions of service including disciplinary matters of such officers and servants shall be such as may be prescribed by the State Government.

9.5 The Himachal Pradesh Ministerial /Non-Ministerial, Municipal Level Services, Recruitment & Promotion and Other Conditions of Services Rules, 2005 notified by the Government vide Notification dated 29th July, 2005, empowers the Municipal Councils or Nagar Panchayats as Appointing Authority of the staff and the Executive Officer or Secretary is the Disciplinary Authority in respect of posts existing in Municipal level categories.

Status of Devolution to Urban Local Bodies.

9.6 Section 48 of the Himachal Pradesh Municipal Act, 1994 and Section 42 of the Himachal Pradesh Municipal Corporation Act, 1994 provide that the State Government shall by notification endow the Municipalities/Municipal Corporation with such powers and authorities as may be necessary from time to time to enable them to function as institutions of Local Self Government. In exercise of the powers conferred under these sections, the State Government vide Notification No. LSG-A (2)3/94 dated 30th August, 1994 notified detailed functions to be performed by these Local Bodies which are already mentioned in earlier paras.

9.7 A study of the functions listed in the above referred notification reveals that majority of the functions pertain to the Department of Urban Development. However, only functions listed as Item No.(iv),

(v), (vi) and (xi) are the functions, where the transfer is to be made to the Urban Local Bodies by the Public Works, Jal Shakti Vibhag, Forest, Language & Culture and Education departments, respectively.

- 9.8 It is sufficient to mention, in brief, that the Departments are unwilling and very reluctant to part with their domains; and therefore, the status of functions to be progressively assigned to Urban Local Bodies has not made any significant progress. The Departments of the Government are unwilling to transfer functionaries and funds for a meaningful delegation of many remaining functions.

CHAPTER-10

Devolution Recommended for the Urban Local Bodies

- 10.1 Since, three Municipal Corporations viz. Solan, Mandi and Palampur came into existence only in 2020-21, it is too early for them to provide complete and accurate information with regard to their income and also projected income for the next few years. The revenue potential in these newly created Municipal Corporations may take some time to realize and it was not possible for the Commission to assess their income with accuracy. In the absence of any functional protocol for keeping updated record with regard to income of all the Urban Local Bodies at a single platform, the Commission was unable to make any estimation of income of Urban Local Bodies in Himachal Pradesh with accuracy.
- 10.2 Information provided by five Municipal Corporations reflected that income of Municipal Corporation, Shimla was the highest of all the five Municipal Corporations. The committed liabilities of all the Corporations were much higher than their income leaving a huge gap between their income and expenditure. In fact, the Commission has observed the same in case of all municipalities. Detailed information with regard to all the Urban Local Bodies is exhibited in Appendix to this Chapter. It is precisely because of this reason combined with the following reasons, that the Commission has followed the gap filling grant approach for recommending devolution to the Urban Local Bodies also:-
- 10.2.1 Three newly created Municipal Corporations viz. Solan, Mandi and Palampur were not created based on the criteria specified for creation of new Municipal Corporations. Since, the population within the limits of newly created Corporations is much less than the minimum population required for creating a new Corporation, the resources of these newly created Corporations will not be sufficient to make them run on their own due to fact that their tax potential is much less than the levels required to upgrade them.

- 10.2.2 6 new Nagar Panchayats have also been created in 2020-21 and their income was also not possible to be ascertained with accuracy. As a result of reorganization of ULBs the total number of Municipal Councils has been reduced to 29 from 31 which existed when the Fifth State Finance Commission submitted its report to the Government.
- 10.2.3 Based on the information made available to the Commission with regard to total income of Urban Local Bodies, it was not possible for the Commission to assess exact gap between income and expenditure of these bodies due to huge information gap as not all ULBs responded to provide required information.
- 10.2.4 After analyzing the available information, it was observed by the Commission that not all Urban Local Bodies were maintaining their accounts electronically and a large proportion of these bodies could not provide complete and accurate information to the Commission.
- 10.2.5 Newly created Urban Local Bodies will take some time to recruit all the staff against the sanctioned strength.
- 10.2.6 State's Own Resources could not be taken as the basis for recommending the devolutions to Urban Local Bodies due to the reasons already mentioned in the earlier chapters of this report.
- 10.2.7 A very large proportion of committed liabilities of Urban Local Bodies is in the form of salaries to the staff and honorarium to the members. It was convenient for the Commission to take these liabilities as the basis for making recommendation rather than making projections based on incomplete information with regard to income of Urban Local Bodies.
- 10.2.8 The revision in honorarium to the members of Urban Local Bodies cannot be predicted as the rates of revision are decided by the Government periodically.

Assumptions made in calculation of devolutions to PRIs:

- 10.2.9 There has been an increase in the total number of ULBs after 2020-21 when 3 more Municipal Corporations and 6 more Municipal Councils were added to the number that existed at the time of the Fifth State Finance Commission making its recommendations. The Commission has given due consideration to the committed liabilities which will be required to be paid by newly created ULBs while making its recommendations.
- 10.2.10 Commission recommends an annual increase of 5% over the amount recommended in its Interim Report for 2022-23 during its award period for devolution to the Urban Local Bodies. Any liabilities that arise over and above the amount recommended by this Commission on account of committed liabilities of these bodies shall be made available to the Urban Local Bodies by the State Government.
- 10.2.11 The Commission has not considered any hike in the rate of honorarium being given to the elected representatives/members of the ULBs.
- 10.2.12 Considering that the Fifth State Finance Commission made its recommendations assuming that there would be no enhancement in the rate of honorarium during its award period and any liability on account of its revision or revision in salaries of staff was to be paid by the Government by making additional allocations, this Commission also subscribed to the same assumption and the amount, which was recommended by it to the ULBs in its Interim Report, has been taken as the basis for making its recommendations with regard to devolutions to ULBs during its award period.

10.3 Recommendations for ULBs:

- 10.3.1 Any expenditure arising out of revision in the pay scales of the staff of ULBs has not been considered by this

Commission. The payment of salaries as a result of their revision will depend upon the decision taken by the Government in this regard. Hence, the Commission recommends that the liabilities arising because of revision of pay or the arrears shall be provided by the Government by making additional allocations as and when a decision in this regard is taken by it.

- 10.3.2 Similarly, additional allocations through supplementary demands for grants shall be made by the Government if there is any revision in the honorarium to be paid to the elected representatives/members of the ULBs.
- 10.3.3 The Department of Urban Development shall re-appropriate the allocations in the eventuality of re-deployment of staff from one ULB to another purely based on actual requirement.
- 10.3.4 Necessary provisions for meeting the demand of newly created Urban Local Bodies to house their offices will be considered by the State Government on merit.
- 10.3.5 The Commission strongly recommends full automation of accounts and their daily updation by all the ULBs. The existing software as made available to the ULBs through various grants shall be used by the ULBs. The department of Urban Development shall monitor and review the accounts of all the ULBs with a periodicity as decided by it. The Commission does not recommend any grants for this purpose.
- 10.3.6 The entire amount recommended for the ULBs by the Commission may be divided into 80% as Basic Grants and 20% as Performance Grants.
- 10.3.7 The Performance Grants may be released to the ULBs as follows during 2023-24 and 2024-25:-
 - a) 20% of the Performance Grants may be passed on to those ULBs which have been levying property tax at the rates based on unit area method.

- b) 20% of the Performance Grants may be passed on to those ULBs which are maintaining their accounts electronically, updating them on daily basis, sharing the audited annual accounts on the portal and have linkage with the Central IFMS and State PFMS.
- c) 20% of the Performance Grants may be passed on to those ULBs which have started collecting sewerage fee and have ensured at least 70% capacity utilization of sewerage scheme within their jurisdiction.
- d) 40% of the Performance Grants may be passed on to those ULBs which have utilized not less than 75% of the funds available with them through Fourteenth and Fifteenth Finance Commission Grants, State Finance Commission Grants and all the Central and State schemes cumulatively at the end of March, 2023.

However, no Performance Grants should be made available to such ULBs which do not fulfill any of the above criteria after 31st March, 2025. While making this recommendation, the Commission is fully aware that a very large proportion of the devolutions recommended by it will be used for meeting the expenditure of committed nature. The Commission has made this recommendation considering the fact that the recommendations made by earlier five State Finance Commissions in this regard have not been implemented in full. The Commission is of the firm belief that provision of incentive based grants will motivate a good proportion of such ULBs which are not collecting statutorily mandated taxes and levies presently to start doing so.

10.3.8 The funds devolution for the Urban Local Bodies during the award period of the Sixth Finance Commission is recommended as under:

(Rs. in Lakh)

Year	2022-23*	2023-24	2024-25	2025-26	2026-27	Total
Recommended Devolutions	18,375.00	19,262.25	20,225.36	21,236.63	22,298.46	1,01,397.70

* Amount already recommended in the Commission's Interim Report

10.3.9 The Urban Development Department may determine the basis for disbursing these recommended grants to Municipal Corporations, Municipal Councils and Nagar Panchayats depending on the manpower deployed or as is deemed fit by it.

10.3.10 The Commission observed that a considerably fair proportion of ULBs have a large number of assets which are either underutilized or are not in use at all. There are some other assets which are giving returns much less than their market potential. The Commission recommends monetization/re-monetization of all such assets owned by the ULBs and the income generated hence may be retained by the ULBs. The Commission also recommends that all the ULBs should put a list of all the assets owned by it, monetized or non-monetized in the public domain by the end of March, 2024. Making an inventory of all the assets owned by a local body will also help in assessing the maintenance requirements well in advance and making a perspective maintenance plan.

Table-10.1

Revenue Receipts of Municipal Corporation Dharamshala

(Rs. in Lakh)

Sr. No.	Detail/Years	2021-22	2022-23	2023-24
1	Total Tax Revenue	295.30	324.83	357.32
2	Income from Rent	113.42	124.76	137.23
3	Fees & User Charge	106.28	116.91	128.60
4	Sale & Hire Charge	0.00	0.00	0.00
5	Other Income	14417.84	15859.62	17445.59
Total (1+5)		14932.84	16426.12	18068.74

Table-10.2

Expenditure of Municipal Corporation, Dharamshala

(Rs. in Lakh)

Sr. No.	Detail/Years	2021-22	2022-23	2023-24
1	Establishment Expenses	633.90	760.68	912.82
2	Administrative Expenses	805.83	886.41	1063.70
3	O & M (Expenses and Repair & Maintenances)	7457.55	8949.06	9843.97
Total (1+3)		8897.28	10596.15	11820.49

Table-10.3A

Category Wise Expenditure of Municipal Corporation, Dharamshala

CATEGORY WISE ESTIMATED EXPENDITURE ON STAFF FOR THE YEAR 2021-22								Estimated (Rs. in Lakh)				
Sr. No.	Name of Post	Pay Level	Total Posts	Filled Up posts on regular basis	Filled Up posts on Contract/Daily Wages basis	Vacant Post	Total Estimated Annual Expenditure on Salary of Staff (Rs. in Lakh)	2022-23	2023-24	2024-25	2025-26	2026-27
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Commissioner	28	1	1	0	0	24.36	26.79	29.47	32.42	35.66	39.23
2	Assistant Commissioner	21	1	1	0	0	1.24	1.36	1.50	1.65	1.81	1.99
3	Dy. Controller(F&A)	16	1	1	0	0	0.92	1.02	1.12	1.23	1.35	1.49
4	Executive Engineer	23	1	1	0	0	1.28	1.41	1.55	1.71	1.88	2.06
5	Corporation Health Officer	21	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
6	Health Officer	21	1	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
7	Tree Officer	15	1	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00
8	Planning Officer	15	1	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00
9	Assistant Engineer	15	2	1	0	1	0.00	0.00	0.00	0.00	0.00	0.00
10	Junior Engineer	11	2	1	3	1	0.00	0.00	0.00	0.00	0.00	0.00
11	Draughtsman	11	2	2	0	0	0.00	0.00	0.00	0.00	0.00	0.00
12	Naib Tehsildar	12	1	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
13	Patwari	3	1	0	0	0	0.54	0.59	0.65	0.71	0.79	0.86
14	Kanungo	5	1	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00
15	Accountant	11	1	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
16	Superintendent Grade-II	12	1	1	0	0	0.61	0.68	0.74	0.82	0.90	0.99
17	Junior Accountant	11	2	0	0	2	0.00	0.00	0.00	0.00	0.00	0.00
18	Senior Assistant	11	1	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
19	Personal Officer	14	1	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
20	Junior Assistant/Clerk	3	5	4	0	0	2.49	2.74	3.02	3.32	3.65	4.02
21	Sanitary Supervisor	3	3	0	0	3	0.00	0.00	0.00	0.00	0.00	0.00
22	Personal Assistant	12	1	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
23	Community Organiser	3	1	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
24	Town Planer	15	1	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
25	Sanitary Inspector	11	1	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
26	Junior Officer Assistant	3	4	2	0	2	0.00	0.00	0.00	0.00	0.00	0.00
27	Aaya	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
28	Daftri/Jamadar	3	3	3	0	0	0.00	0.00	0.00	0.00	0.00	0.00
29	Mali	3	1	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00
30	Notice Server	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
31	Roneo Operator	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
32	Driver	5	4	3	0	1	1.45	1.59	1.75	1.93	2.12	2.33
33	Laboratory Assistant	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
34	Peon/Chowkidar	3	1	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00
35	Ferro Printer	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
36	Veterinary Pharmacist	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
37	Mate	3	2	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
38	Coolie	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00

Table-10.3B

Category Wise Expenditure of Municipal Corporation, Dharamshala

CATEGORY WISE ESTIMATED EXPENDITURE ON STAFF FOR THE YEAR 2021-22								Estimated (Rs. in Lakh)				
Sr. No.	Name of Post	Pay Level	Total Posts	Filled Up posts on regular basis	Filled Up posts on Contract / Daily Wages basis	Vacant Post	Total Estimated Annual Expenditure on Salary of Staff (Rs. in Lakh)	2022-23	2023-24	2024-25	2025-26	2026-27
39	Rat Beldar	3	64	59	0	3	22.34	24.57	27.03	29.73	32.70	35.97
40	Boiler Man	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
41	Saffai Jamadar	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
42	Saffai Karamchari	3	9	8	0	1	4.30	4.73	5.21	5.73	6.30	6.93
43	Orderly	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
44	Foreman (Electric)	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
45	Foreman (Water Supply)	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
46	Assistant Foreman	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
47	Fitter Grade-I	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
48	Fitter Grade-II	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
49	Mason	3	4	4	0	0	1.68	1.85	2.03	2.24	2.46	2.71
50	Blacksmith	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
51	Mazdoor	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
52	Assistant Pump Driver	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
53	Carpenter	3	4	4	0	0	0.00	0.00	0.00	0.00	0.00	0.00
54	Tailoring Teacher	3	3	3	0	0	0.00	0.00	0.00	0.00	0.00	0.00
55	Work Supervisor	3	5	2	0	3	1.03	1.13	1.25	1.37	1.51	1.66
56	Project Co-ordinator	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00
57	Mortar Mate	3	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00

Table-10.4

Proposed Expenditure on Salary and Terminal Benefits of Municipal Corporation, Dharamshala

CATEGORY WISE ESTIMATED EXPENDITURE ON STAFF FOR THE YEAR 2021-22							Estimated (Rs. in Lakh)				
Sr No	Category	No. of Sanctioned Posts	No. of filled up posts	Pay Level	Monthly Emoluments per posts (Rs. in Lakh)	Yearly Emoluments total posts (Rs. in Lakh)	2022-23	2023-24	2024-25	2025-26	2026-27
2.	Assistant Commissioner	1	1	21	1.24	14.86	16.35	17.98	18.15	18.16	18.16
3.	Deputy Controller (F&A)	1	1	16	0.92	11.08	12.18	13.40	13.52	13.54	13.54
4.	Executive Engineer	1	1	23	1.28	15.38	16.92	18.61	18.78	18.80	18.80
5.	Law officer	1	1	12	0.39	4.69	5.16	5.67	5.73	5.73	5.73
6.	Planning officer	1	1	15	0.84	10.08	11.09	12.20	12.31	12.32	12.32
7.	Superintendent Gr-II	1	1	12	0.61	7.38	8.12	8.93	9.01	9.02	9.02
8.	Personal assistant	1	0	12	0.38	4.54	4.99	5.49	5.54	5.54	5.54
9.	Asstt. Engineer (M.E)	2	1	15	0.97	11.58	12.74	14.02	14.14	14.16	14.16
10.	Senior.Asstt.	1	0	11	0.38	4.54	4.99	5.49	5.54	5.54	5.54
11.	Junior engineer	2	1	11	0.89	10.68	11.75	12.92	13.04	13.05	13.05
12.	Statistical Asstt.	1	0	11	0.38	4.54	4.99	5.49	5.54	5.54	5.54
13.	Sanitary inspector	1	0	11	0.38	4.54	4.99	5.49	5.54	5.54	5.54
14.	Astt. Draughtsman	2	2	6	1.22	14.59	16.05	17.65	17.81	17.83	17.83
15.	Clerk/Jr. Asstt.	5	4	3	1.87	22.44	24.68	27.15	27.40	27.42	27.43
16.	Junior Office Assistant (IT)	4	2	3	0.62	7.50	8.25	9.07	9.16	9.16	9.16
17.	Community Orgainor /sweing Teacher	0	3	3	0.37	4.42	4.86	5.35	5.40	5.40	5.40
18.	Work supervisor	5	2	3	1.01	12.16	13.38	14.71	14.85	14.86	14.86
19.	Sanitary Supervisor	3	0	3	0.38	4.54	4.99	5.49	5.54	5.54	5.54
20.	Kanungo	1	1	5	0.54	6.43	7.08	7.79	7.86	7.86	7.86
21.	Drivers	4	3	5	1.45	17.36	19.09	21.00	21.19	21.21	21.22
22.	Mason	4	4	3	1.68	20.17	22.19	24.41	24.63	24.65	24.65
23.	Patwari	1	0	3	0.38	4.54	4.99	5.49	5.54	5.54	5.54
24.	Peons	2	1	3	0.43	5.17	5.69	6.26	6.32	6.32	6.32
25.	Mali	1	1	3	0.22	2.59	2.85	3.14	3.17	3.17	3.17
26.	Chowkidars	1	1	3	0.74	8.94	9.83	10.82	10.92	10.92	10.93
27.	Beldars	64	59	3	22.34	268.05	294.85	324.33	327.28	327.58	327.61
28.	Head Jamdar	3	3	3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
29.	Technician	1	1	4	0.30	3.58	3.94	4.34	4.38	4.38	4.38
30.	Helper	1	1	3	0.22	2.67	2.93	3.23	3.26	3.26	3.26
31.	Safai Karamcharis	9	8	3	4.30	51.63	56.79	62.47	63.04	63.10	63.10
32.	Plumber	1	1	3	0.47	5.59	6.15	6.76	6.82	6.83	6.83
33.	Mate	2	0	3	0.46	5.52	6.07	6.68	6.74	6.75	6.75
34.	Health Officer	1	0	21	0.55	6.65	7.32	8.05	8.12	8.13	8.13
35.	Tree Officer	1	0	15	0.55	6.65	7.32	8.05	8.12	8.13	8.13
36.	Naib Tehsildar	1	0	13	0.38	4.54	4.99	5.49	5.54	5.54	5.54
37.	Accountant	1	0	11	0.38	4.54	4.99	5.49	5.54	5.54	5.54
38.	Junior Accountant	1	0	9	0.38	4.54	4.99	5.49	5.54	5.54	5.54
39.	Community Organisor	2	0	3	0.15	1.80	1.98	2.18	2.20	2.20	2.20
40.	Town Planner	1	0	16	0.38	4.54	4.99	5.49	5.54	5.54	5.54
41.	Personal Officer	1	0	12	0.38	4.54	4.99	5.49	5.54	5.54	5.54
Total		138	106			52.83	633.90	697.29	767.02	774.00	774.69

Table-10.5**Revenue Receipts of Municipal Corporation, Shimla****(Rs. in Lakh)**

Sr. No.	Detail/Years	2021-22	2022-23	2023-24
1	Total Tax Revenue (Includes Property Tax, Tax on consumption of Electricity/Fees, Tax on sale of liquor/Fees)	1734.74	1908.21	2099.03
2	Income from Rent	332.32	365.55	402.10
3	Fees & User Charges	416.84	458.52	504.38
4	Sale & Other Charges	21.40	23.53	25.89
5	Other Income (Includes Contribution towards schemes, Income from Investments, Interest Earned & other Income)	216.89	238.58	262.44
Total (1+5)		2722.18	2994.40	3293.84

Table-10.6**Expenditure of Municipal Corporation, Shimla****(Rs. in Lakh)**

Sr. No.	Detail/Years	2021-22	2022-23	2023-24
1	Establishment Expenses	5374.45	5911.90	6503.08
2	Administrative Expenses	122.22	134.44	147.89
3	O & M (Expenses and Repair & Maintenance)	3624.43	3986.87	4385.56
Total (1+3)		9121.1	10033.21	11036.53

Table-10.7A

Category Wise Estimated Expenditure on Staff of Municipal Corporation, Shimla

CATEGORY WISE ESTIMATED EXPENDITURE ON STAFF FOR THE YEAR 2021-22																
Sr. No.	Name of Post	Pay Level	Total Posts	Filled Up posts on regular basis	General Estt. Post Details	Filled Up posts on Contract/Daily Wages/ Outsourced basis			Vacant Post	Total Estimated Annual Expenditure on Salary of Staff (Rs. in lakh)	Estimated (Rs. in Lakh)					
						Daily wages	Contract	Outsource			2022-23	2023-24	2024-25	2025-26	2026-27	
																7
1	Commissioner	28	1	1	1	0	0	0	0	20.61	24.94	24.94	27.43	30.18	33.19	
2	Assistant/ Joint Commissioner	21	1	1	1	0	0	0	0							
3	Addl. Commissioner (Legal)	26	1	1	1	0	0	0	0	22.09	26.73	26.73	29.40	32.34	35.58	
4	Administrative Officer	0	1	0	0	0	0	0	1							
5	Executive Engineer	23	3	2	0	0	0	0	1	14.05	17.00	17.00	18.69	20.56	22.62	
6	Corporation Health Officer	21	1	1	0	0	0	0	0							
7	Veterinary Public Health Officer	27	1	1	0	0	0	0	0	34.11	41.27	41.27	45.40	49.94	54.93	
8	Architect Planner	16	1	1	0	0	0	0	0							
9	Assistant Town Planner	0	1	0	0	0	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00	
10	Dy. Controller/ Accounts Officer	16	1	1	1	0	0	0	0							
11	Assistant Engineer	15	5	2	0	0	0	0	3	12.83	15.53	15.53	17.08	18.79	20.66	
12	Senior Private Secretary	21	1	1	1	0	0	0	0							
13	Secretary	16	1	1	1	0	0	0	0	11.33	13.71	13.71	15.08	16.59	18.25	
14	Assistant Secretary Tax	12	1	1	1	0	0	0	0							
15	Superintendent General	16	1	1	1	0	0	0	0	11.36	13.75	13.75	15.12	16.63	18.30	
16	Superintendent GR-II	12	6	6	4	0	0	0	0							
17	Chief Accountant	0	1	0	0	0	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00	
18	Junior Engineer	11	29	18	0	0	6	3	2							
19	Senior Assistant	11	35	33	25	0	0	0	2	259.31	313.76	313.76	345.14	379.65	417.62	
20	Clerk/Junior Assistant	3	66	18	11	0	2	0	46							
21	Junior Office Assistant	4	20	0	2	0	2	0	18	2.97	3.59	3.59	3.95	4.34	4.78	

Table-10.7B

Category Wise Estimated Expenditure on Staff of Municipal Corporation, Shimla

CATEGORY WISE ESTIMATED EXPENDITURE ON STAFF FOR THE YEAR 2021-22															
Sr. No.	Name of Post	Pay Level	Total Posts	Filled Up posts on regular basis	General Estt. Post Details	Filled Up posts on Contract/ Daily Wages/ Outsource basis			Vacant Post	Total Estimated Annual Expenditure on Salary of Staff (Rs. in lakh)	Estimated (Rs. in Lakh)				
						Daily wage	Contract	Outsource basis			2022-23	2023-24	2024-25	2025-26	2026-27
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
22	Data Entry Operators	0	10	0	10	0	0	1	0						
23	Outsourced Manpower (DEO)	0	14	0	14	0	0	1	0	29.57	35.78	35.78	39.36	43.29	47.62
24	Personal Assistant	12	1	1	1	0	0	0	0						
25	Stenographer	0	1	0	0	0	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
26	Steno Typist	0	1	0	0	0	0	0	1						
27	Computer Assistant	10	3	3	3	0	0	0	0	21.46	25.97	25.97	28.57	31.42	34.57
28	Draughtsman	8	3	2	0	0	0	0	1						
29	Junior Draughtsman	8	2	2	0	0	0	0	0	18.53	22.42	22.42	24.66	27.12	29.84
30	Surveyor	0	2	0	0	0	0	0	2						
31	Patwari	0	1	0	0	0	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
32	Electrician	0	1	1	0	0	0	0	0						
33	Chief sanitary Inspector	11	2	2	0	0	0	0	0	16.99	20.56	20.56	22.61	24.87	27.36
34	Male/Female Health Worker	10	1	1	0	0	0	0	0						
35	Sanitary Inspector	11	7	1	0	0	0	0	6	8.21	9.93	9.93	10.92	12.01	13.22
36	Aaya	0	1	0	0	0	0	0	1						
37	Daftri	3	3	3	3	0	0	0	0	20.68	25.02	25.02	27.52	30.27	33.30
38	Jamadar	3	4	4	2	0	0	0	0						
39	Mali		5	0	0	0	0	0	5	0.00	0.00	0.00	0.00	0.00	0.00
40	Notice Server	3	3	3	1	0	0	0	0						
41	Roneo Operator	3	1	1	1	0	0	0	0	7.37	8.92	8.92	9.81	10.79	11.87
42	Driver(16+8pp)=5	3	24	24	5	0	0	0	0						
43	Laboratory Technician	12	2	1	0	0	0	0	1	13.03	15.77	15.77	17.34	19.08	20.99
44	Peon	3	35	31	21	1	0	0	3						
45	Chowkidar	3	12	10	11	1	0	0	1	55.52	67.19	67.19	73.99	81.29	89.42
46	Ferro Printer	0	1	0	0	0	0	0	1						

Table-10.7C

Category Wise Estimated Expenditure on Staff of Municipal Corporation, Shimla

CATEGORY WISE ESTIMATED EXPENDITURE ON STAFF FOR THE YEAR 2021-22															
Sr. No	Name of Post	Pay Level	Total Posts	Filled Up posts on regular basis	General Estt. Post Details	Filled Up posts on Contract/Daily Wages/Outsource basis			Vacant Post	Total Estimated Annual Expenditure on Salary of Staff (Rs. in lakh)	Estimated (Rs. in Lakh)				
						Daily wage	Contract	Outsource basis			2022-23	2023-24	2024-25	2025-26	2026-27
47	Veterinary Pharmacist	7	1	1	0	0	0	0	0	6.91	8.36	8.36	9.20	10.12	11.13
48	De-rating Mate/other Mate(8+7pp)	3	15	15	0	0	0	0	0						
49	Coolie	0	1	0	0	0	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
50	Rat Beldar(4+3pp)	3	7	3	0	0	0	0	4						
51	Boiler Man	0	1	0	0	0	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
52	Sanitary Jamadar	3	40	37	0	0	0	0	3						
53	Safai Karamchhari	3	459	182	1	11	0	0	266	853.24	1032.42	1032.42	1135.66	1249.23	1374.15
54	Orderly	0	1	0	0	0	0	0	1						
55	Foreman(Electric)	0	1	0	0	0	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
56	Foreman	0	6	2	0	0	0	0	4						
57	Assistant Foreman	0	1	0	0	0	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
58	Fitter Grade-I	0	13	4	0	0	0	0	9						
59	Fitter Grade-II	0	23	6	0	0	0	0	17	0.00	0.00	0.00	0.00	0.00	0.00
60	Mason(7+2pp)	4	9	9	0	0	0	0	0						
61	Blacksmith	0	1	0	0	0	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
62	Mazdoor(119+186)	1	305	305	0	0	0	0	0						
63	Assistant Pump Operator	0	9	1	0		0	0	8	0.00	0.00	0.00	0.00	0.00	0.00
64	Carpenter	7	7	1	0	0	0	0	6						
65	Tailoring Teacher	0	1	0	0	0	0	0	1	0.00	0.00	0.00	0.00	0.00	0.00
66	Supervisor(14pp)	8	14	14	0	0	0	0	0						
67	Project Co-ordinator(pp)	16	1	1	0	0	0	0	0	10.69	12.93	12.93	14.23	15.65	17.21
TOTAL:-			1234	761	123	13	10	27	423		3889.10	4705.81	4705.81	5176.39	5694.03

Table-10.8A

Proposed Expenditure on Salary and Terminal Benefits of Municipal Corporation, Shimla

Proposed expenditure on salary and terminal benefits of Municipal Corporation, Shimla											
Sr. No	Name of Post	No. of Sanctioned Posts	No. of Filled up posts	Pay Level	Monthly Emoluments per posts (Rs. in Lakh)	Yearly Emoluments total posts (Rs. in Lakh)	Estimated (Rs. in Lakh)				
							2022-23	2023-24	2024-25	2025-26	2026-27
1	2	3	4	5	6	7	8	9	10	11	12
1	Commissioner	1	1	28	1.72	20.61	22.67	24.94	27.43	30.18	33.19
2	Assistant/Joint Commissioner	1	1	21	1.21	14.48	15.93	17.53	19.28	21.21	23.33
3	Addl. Commissioner (Legal)	1	1	26	1.84	22.09	28.96	31.86	35.05	38.55	42.41
4	Administrative Officer	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	Executive Engineer	3	2	23	1.17	14.05	20.01	22.01	24.21	26.63	29.29
6	Corporation Health Officer	1	1	21	1.31	15.70	19.67	21.64	23.80	26.18	28.80
7	Veterinary Public Health Officer	1	1	27	2.84	34.11	37.52	41.27	45.40	49.94	54.93
8	Architect Planner	1	1	16	1.02	12.29	15.40	16.94	18.64	20.50	22.55
9	Assistant Town Planner	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
10	Dy. Controller/ Accounts Officer	1	1	16	0.97	11.65	12.82	14.10	15.51	17.06	18.77
11	Assistant Engineer	5	2	15	1.07	1.07	4.60	5.06	5.56	6.12	6.73
12	Senior Private Secretary	1	1	21	1.43	17.18	22.35	24.58	27.04	29.74	32.72
13	Secretary	1	1	16	0.94	11.33	15.93	17.52	19.27	21.20	23.32
14	Assistant Secretary Tax	1	1	12	0.89	10.70	14.82	16.30	17.93	19.72	21.70
15	Superintendent General	1	1	16	0.95	11.36	15.96	17.55	19.31	21.24	23.37
16	Superintendent Gr-II	6	6	12	0.79	56.60	79.67	87.64	96.41	106.05	116.65
17	Chief Accountant	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
18	Junior Engineer	29	18	11	0.79	208.56	260.52	286.57	315.23	346.75	381.43
19	Senior Assistant	35	33	11	0.65	259.31	364.30	400.73	440.80	484.88	533.37
20	Clerk/Junior Assistant	66	18	3	0.52	113.03	207.26	227.99	250.79	275.86	303.45
21	Junior Office Assistant	20	0	4	0.12	2.97	6.85	7.54	8.29	9.12	10.03
22	Data Entry Operators	10	0	0	0.18	21.12	23.23	25.56	28.11	30.92	34.02
23	Outsourced Manpower (DEO)	14	0	0	0.18	29.57	32.52	35.78	39.36	43.29	47.62
24	Personal Assistant	1	1	12	0.68	8.16	10.22	11.24	12.36	13.60	14.96
25	Stenographer	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
26	Steno Typist	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Table-10.8B

Proposed Expenditure on Salary and Terminal Benefits of Municipal Corporation, Shimla

Proposed expenditure on salary and terminal benefits of Municipal Corporation, Shimla											
Sr No	Name of Post	No. of Sanctioned Posts	No. of Filled up posts	Pay Level	Monthly Emoluments per posts (Rs. in Lakh)	Yearly Emoluments total posts (Rs. in Lakh)	Estimated (Rs. in Lakh)				
							2022-23	2023-24	2024-25	2025-26	2026-27
1	2	3	4	5	6	7	8	9	10	11	12
27	Computer Assistant	3	3	10	0.60	21.46	28.80	31.68	34.84	38.33	42.16
28	Draughtsman	3	2	8	0.77	18.53	24.34	26.77	29.45	32.39	35.63
29	Junior Draughtsman	2	2	8	0.77	18.53	24.34	26.77	29.45	32.39	35.63
30	Surveyor	2	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
31	Patwari	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
32	Electrician	1	1	0	0.41	4.87	6.08	6.68	7.35	8.09	8.89
33	Chief Sanitary Inspector	2	2	11	0.71	16.99	21.40	23.54	25.90	28.49	31.34
34	Male/Female Health Worker	1	1	10	0.96	11.52	12.67	13.94	15.33	16.87	18.55
35	Sanitary Inspector	7	1	11	0.68	8.21	10.24	11.27	12.40	13.64	15.00
36	Aaya	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
37	Daftri	3	3	3	0.57	20.68	27.05	29.76	32.73	36.01	39.61
38	Jamadar	4	4	3	0.56	27.02	32.60	35.86	39.44	43.39	47.73
39	Mali	5	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
40	Notice Server	3	3	3	0.63	22.71	29.29	32.22	35.45	38.99	42.89
41	Roneo Operator	1	1	3	0.61	7.37	9.55	10.50	11.55	12.71	13.98
42	Driver(16+8pp)=5	24	24	3	0.44	126.06	161.84	178.03	195.83	215.42	236.96
43	Laboratory Technician	2	1	12	1.09	13.03	17.39	19.12	21.04	23.14	25.46
44	Peon	35	31	3	0.43	159.17	205.92	226.52	249.17	274.09	301.49
45	Chowkidar	12	10	3	0.42	55.52	72.78	80.06	88.06	96.87	106.56
46	Ferro Printer	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
47	Veterinary Pharmacist	1	1	7	0.58	6.91	8.63	9.49	10.44	11.48	12.63
48	De-rating Mate/ other Mate (8+7pp)	15	15	3	0.48	86.40	107.91	118.70	130.57	143.63	157.99
49	Coolie	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
50	Rat Beldar(4+3pp)	7	3	0	0.38	13.83	17.24	18.96	20.86	22.95	25.24
51	Boiler Man	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
52	Sanitary Jamadar	40	37	0	0.68	303.62	387.12	425.83	468.42	515.26	566.78
53	Safai Karamchari	459	182	3	0.39	853.24	1112.44	1223.68	1346.05	1480.65	1628.72
54	Orderly	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
55	Foreman(Electric)	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
56	Foreman	6	2	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
57	Assistant Foreman	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
58	Fitter Grade-I	13	4	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
59	Fitter Grade-II	23	6	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
60	Mason(7+2pp)	9	9	4	0.54	58.32	77.40	85.14	93.65	103.02	113.32
61	Blacksmith	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
62	Mazdoor(119+186)	305	305	1	0.44	1014.37	1388.68	1527.55	1680.30	1848.33	2033.17
63	Assistant Pump Operator	9	1	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
64	Carpenter	7	1	7	0.69	8.27	10.92	12.01	13.21	14.53	15.98
65	Tailoring Teacher	1	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
66	Supervisor(14pp)	14	14	8	0.56	94.08	133.05	146.36	160.99	177.09	194.80
67	Project Co-ordinator(pp)	1	1	16	0.89	10.69	13.39	14.73	16.20	17.82	19.61
TOTAL:-		1234	761	0		0.43	3877.33	5172.28	5689.51	6258.46	6884.31

Note: Approximate expenditure on leave encashment of the retired employees under Municipal Corporation, Shimla is Rs.16500000/- for the year 2022-23 and will be increase in next financial years due to retirements.

Table 10.9
Revenue Receipts of Municipal Corporation, Solan

(Rs. in Lakh)

Sr. No.	Detail/Years	2021-22	2022-23	2023-24
1	Total Tax Revenue	556.13	611.75	672.92
2	Income from Rent	38.45	42.30	46.53
3	Fees & User charges	561.55	617.70	679.47
4	Sale & Hire Charge	0.00	0.00	0.00
5	Other Income	1796.63	1976.29	2173.92
Total (1+5)		2952.76	3248.04	3572.84

Table 10.10
Expenditure of Municipal Corporation, Solan

(Rs. in Lakh)

Sr. No.	Detail/Years	2021-22	2022-23	2023-24
1	Establishment Expenses	958.46	1054.31	1159.74
2	Administrative Expenses	47.23	51.95	57.15
3	O&M (Expenses and Repair & Maintenance)	1475.34	1622.88	1785.17
Total (1+3)		2481.03	2729.14	3002.06

Table 10.11

Category Wise Estimated Expenditure of the Municipal Corporation, Solan

CATEGORY WISE ESTIMATED EXPENDITURE ON STAFF FOR THE YEAR 2021-22									Estimated (Rs. in Lakh)				
Sr. No.	Name of Post	Pay Level	Total Posts	Filled up posts on regular basis	Filled up on Contract/ Daily wage basis	Vacant post	Total Estimated Annual Expenditure on Salary of Staff (Rs. in Lakh)	2022-23	2023-24	2024-25	2025-26	2026-27	
1	2	3	4	5	6	7	8	9	10	11	12	13	
1.	Commissioner	28	1	0	0	1	22.65	22.65	26.05	29.96	34.45	39.70	
2.	Asstt. Commissioner	21	1	1	0	0	9.40	9.40	10.81	12.43	14.30	16.45	
3.	Executive engineer	23	1	0	0	1	18.73	18.73	21.54	24.80	28.52	32.80	
4.	Section officer (F&A)	16	1	0	0	1	8.70	8.70	10.00	11.50	13.24	15.25	
5.	Health officer	27	1	1	0	0	29.50	34.00	39.00	44.90	51.64	60.00	
6.	Superintendent Gr-II	12	3	1	0	2	33.00	33.00	37.95	43.64	50.20	57.70	
7.	Asstt. Engineer (ME)	15	2	2	0	0	23.30	23.30	26.80	30.80	35.45	407.50	
8.	Planning officer	15	1	0	0	1	7.56	7.56	8.70	9.80	11.50	13.25	
9.	Personal assistant/JSS	12	3	0	0	3	8.64	8.64	9.93	11.45	13.20	15.10	
10.	Law officer	12	1	1	0	0	8.40	8.40	9.70	11.11	12.80	14.70	
11.	Junior engineer	11	5	1	1	3	37.80	37.80	43.50	50.00	57.48	66.20	
12.	Senior assistant	11	1	1	0	0	9.72	9.72	11.20	12.85	14.80	17.00	
13.	Statistical assistant	11	1	0	0	1	6.23	6.23	7.20	8.25	9.50	10.90	
14.	Draughtsman	11	2	0	0	2	4.70	4.70	5.40	6.25	7.15	8.25	
15.	Sanitary inspector	11	1	0	0	1	4.65	4.65	5.35	6.15	7.10	8.20	
16.	Clerk/junior assistant/ JOA (IT)	3	17	14	0	3	136.68	136.68	157.20	180.75	207.88	239.10	
17.	Community organizer	3	1	0	0	1	5.34	5.34	6.15	7.07	8.12	9.35	
18.	Sanitary supervisor	3	3	1	0	2	14.00	14.00	16.56	19.05	21.90	25.19	
19.	Record keeper	3	1	0	0	1	2.67	2.67	3.53	4.06	4.67	5.37	
20.	Patwari	3	2	0	0	2	5.34	5.34	6.15	7.07	8.15	9.35	
21.	Electrician	3	1	0	0	1	2.67	2.67	3.53	4.06	4.67	5.37	
22.	Work supervisor	3	2	2	0	0	14.73	14.73	16.95	19.50	22.40	25.77	
23.	Driver	5	7	1	0	6	41.55	41.55	48.30	55.55	63.90	73.45	
24.	Mali	3	3	1	0	2	15.90	15.90	18.30	21.05	24.20	27.85	
25.	Fitter	3	2	0	0	2	6.84	6.84	7.87	9.05	10.40	11.97	
26.	Meter reader	3	3	3	0	0	25.70	25.70	29.57	34.05	39.10	44.97	
27.	Meter mechanic	5	1	0	0	1	2.67	2.67	3.53	4.06	4.67	5.37	
28.	Mate	3	1	1	0	0	6.38	6.38	7.33	8.45	9.70	11.15	
29.	Keymen	3	12	3	0	9	59.05	59.05	67.90	78.10	90.10	10.35	
30.	Bill distributors	3	2	2	0	0	8.90	8.90	10.35	11.95	13.70	15.75	
31.	Peon	3	5	4	1	0	30.90	30.90	35.55	40.90	47.10	54.05	
32.	Chowkidar	3	3	2	0	1	14.30	14.30	16.45	18.95	21.80	25.07	
33.	Cook	3	1	1	0	0	5.30	5.30	6.10	7.05	80.10	9.35	
34.	Cook-cum-Chowkidar	3	1	0	0	1	2.67	2.67	3.07	3.55	4.07	4.70	
35.	Cleaner	3	1	1	0	0	5.10	5.10	5.90	6.75	7.80	9.10	
36.	Beldar	3	40	26	1	13	204.00	204.00	234.65	270.80	310.35	360.90	
37.	Safai Jamadar	3	3	3	0	0	22.50	22.50	25.90	29.80	34.25	39.37	
38.	Safai Karamchari	3	92	66	1	25	568.60	568.60	653.95	7520.10	865.90	995.50	
39.	Mason	4	1	1	0	0	5.82	5.82	6.80	7.70	8.86	10.20	

Updated Staff Position of MC, Solan as on 25.08.2022

Table 10.12

Proposed Expenditure on Salary and Terminal Benefits of Municipal Corporation, Solan

Sr. No	Category	No. of Sanct ioned Posts	No. of filled up posts	Pay Level	Monthly Emoluments per posts	Yearly Emoluments total posts (Rs. in Lakh)	Estimated Rs. in Lakh)					
							2022-23	2023-24	2024-25	2025-26	2026-27	
1	2	3	4	5	6	7	8	9	10	11	12	
40.	Commissioner	1	0	28	1.89	22.65	22.65	26.05	29.96	34.45	39.70	
41.	Asstt. Commissioner	1	1	21	0.78	9.40	9.40	10.81	12.43	14.30	16.45	
42.	Executive engineer	1	0	23	1.56	18.73	18.73	21.54	24.80	28.52	32.80	
43.	Section officer (f&a)	1	0	16	0.73	8.70	8.70	10.00	11.50	13.24	15.25	
44.	Health officer	1	1	27	2.83	34.00	34.00	39.00	44.90	51.64	60.00	
45.	Superintendent Gr-II	3	1	12	2.75	33.00	33.00	37.95	43.64	50.20	57.70	
46.	Asstt. Engineer (ME)	2	2	15	1.94	23.30	23.30	26.80	30.80	35.45	407.50	
47.	Planning officer	1	0	15	0.63	7.56	7.56	8.70	9.80	11.50	13.25	
48.	Personal assistant/jss	3	0	12	0.72	8.64	8.64	9.93	11.45	13.20	15.10	
49.	Law officer	1	1	12	0.70	8.40	8.40	9.70	11.11	12.80	14.70	
50.	Junior engineer	5	2	11	3.15	37.80	37.80	43.50	50.00	57.48	66.20	
51.	Senior assistant	1	1	11	0.81	9.72	9.72	11.20	12.85	14.80	17.00	
52.	Statistical assistant	1	0	11	0.52	6.23	6.23	7.20	8.25	9.50	10.90	
53.	Draughtsman	2	0	11	0.39	4.70	4.70	5.40	6.25	7.15	8.25	
54.	Sanitary inspector	1	0	11	0.39	4.65	4.65	5.35	6.15	7.10	8.20	
55.	Clerk/junior assistant/ JOA(IT)	17	14	3	11.39	136.68	136.68	157.20	180.75	207.88	239.10	
56.	Community organizer	1	0	3	0.45	5.34	5.34	6.15	7.07	8.12	9.35	
57.	Sanitary supervisor	3	1	3	1.17	14.00	14.00	16.56	19.05	21.90	25.19	
58.	Record keeper	1	0	3	0.22	2.67	2.67	3.53	4.06	4.67	5.37	
59.	Patwari	2	0	3	0.45	5.34	5.34	6.15	7.07	8.15	9.35	
60.	Electrician	1	0	3	0.22	2.67	2.67	3.53	4.06	4.67	5.37	
61.	Work supervisor	2	2	3	1.23	14.73	14.73	16.95	19.50	22.40	25.77	
62.	Driver	7	1	5	3.46	41.55	41.55	48.30	55.55	63.90	73.45	
63.	Mali	3	1	3	1.33	15.90	15.90	18.30	21.05	24.20	27.85	
64.	Fitter	2	0	3	0.57	6.84	6.84	7.87	9.05	10.40	11.97	
65.	Meter reader	3	3	3	2.14	25.70	25.70	29.57	34.05	39.10	44.97	
66.	Meter mechanic	1	0	5	0.22	2.67	2.67	3.53	4.06	4.67	5.37	
67.	Mate	1	1	3	0.53	6.38	6.38	7.33	8.45	9.70	11.15	
68.	Keymen	12	3	3	4.92	59.05	59.05	67.90	78.10	90.10	10.35	
69.	Bill distributors	2	2	3	0.74	8.90	8.90	10.35	11.95	13.70	15.75	
70.	2	3	4	5	6	7	8	9	10	11	12	
71.	Peon	5	4	3	2.58	30.90	30.90	35.55	40.90	47.10	54.05	
72.	Chowkidar	3	2	3	1.19	14.30	14.30	16.45	18.95	21.80	25.07	
73.	Cook	1	1	3	0.44	5.30	5.30	6.10	7.05	80.10	9.35	
74.	Cook-cum-Chowkidar	1	0	3	0.22	2.67	2.67	3.07	3.55	4.07	4.70	
75.	Cleaner	1	1	3	0.43	5.10	5.10	5.90	6.75	7.80	9.10	
76.	Beldar	40	26	3	17.00	204.00	204.00	234.65	270.80	310.35	360.90	
77.	Safai Jamadar	3	3	3	1.88	22.50	22.50	25.90	29.80	34.25	39.37	
78.	Safai Karamchari	92	66	3	47.38	568.60	568.60	653.95	7520.10	865.90	995.50	
79.	Mason	1	1	4	0.49	5.82	5.82	6.80	7.70	8.86	10.20	
Total		230	141			120.42	1445.09	1445.09	1664.72	8683.31	2275.12	2811.60

Table 10.13**Revenue Receipts of Municipal Corporation, Mandi****(Rs. in Lakh)**

Sr. No.	Detail/Years	2021-22	2022-23	2023-24
1	Total Tax Revenue	186.10	208.43	233.44
2	Income from Rent	95.95	107.47	120.36
3	Fees & User Charge	117.33	131.41	147.18
4	Sale & Hire Charge	0.00	0.00	0.00
5	Other Income	96.12	107.66	120.58
Total (1+5)		495.51	554.97	621.57

Table 10.14**Expenditure of Municipal Corporation, Mandi****(Rs. in Lakh)**

Sr. No.	Detail/Years	2021-22	2022-23	2023-24
1	Establishment Expenses	551.19	617.33	691.41
2	Administrative Expenses	68.50	76.72	85.92
3	O & M (Expenses and Repair & Maintenances)	567.39	635.47	711.73
Total (1+3)		1187.08	1329.52	1489.06

Table 10.15

Category Wise Estimated Expenditure on Staff of Municipal Corporation, Mandi

CATEGORY WISE ESTIMATED EXPENDITURE ON STAFF FOR THE YEAR 2021-22								Estimated (Rs. in Lakh)				
Sr. No.	Name of Post	Pay Level	Total Posts	Filled Up posts on regular basis	Filled Up posts on Contract/ Daily Wages basis	Vacant Post	Total Estimated Annual Expenditure on Salary of Staff (only filled posts) (Rs. in Lakh)	2022-23	2023-24	2024-25	2025-26	2026-27
1	Commissioner	28	1	1	-	-	17.41	19.15	21.45	24.02	26.90	30.13
2	Assistant Commissioner	21	1	1	-	-	14.09	15.50	17.36	19.45	21.78	24.39
3	Dy. Controller(F&A)	16	1	1	-	-	8.03	8.83	9.89	11.08	12.41	13.89
4	Executive Engineer	23	1	(Deputation)	-	-	12.71	13.99	15.66	17.54	19.65	22.01
5	Corporation Health Officer	21	1	(Dual charge)	-	1	0.00	0.00	0.00	0.00	0.00	0.00
6	Architect Planner	16	1	0	-	1	0.00	0.00	0.00	0.00	0.00	0.00
7	Assistant Engineer	15	2	(Deputation)	-	1	12.20	13.42	15.03	16.83	18.85	21.11
8	Junior Engineer	11	4	1	2 (Outsource)	3	24.00	26.40	29.57	33.12	37.09	41.54
9	Draughtsman	11	1	-	-	1	0.00	0.00	0.00	0.00	0.00	0.00
10	Patwari	3	1	-	-	1	0.00	0.00	0.00	0.00	0.00	0.00
11	Superintendent Grade-II	12	2	(Deputation)	-	1	10.74	11.81	13.23	14.82	16.60	18.59
12	Senior Assistant	11	1	-	-	1	0.00	0.00	0.00	0.00	0.00	0.00
13	Junior Assistant/Clerk	3	13	6	-	7	37.00	40.70	45.58	51.05	57.18	64.04
14	Personal Assistant	12	3	-	-	3	0.00	0.00	0.00	0.00	0.00	0.00
15	Sanitary Inspector	11	4	-	-	4	0.00	0.00	0.00	0.00	0.00	0.00
16	Mali	3	3	1	-	2	7.20	7.92	8.87	9.93	11.13	12.46
17	Driver	5	6	1	-	5	6.00	6.60	7.39	8.28	9.27	10.39
18	Peon/Chowkidar	3	5	2	-	3	14.40	15.84	17.74	19.87	22.25	24.92
19	Mate	3	2	2	-	0	14.80	16.28	18.23	20.42	22.87	25.62
20	Rat Beldar (Beldar)	3	39	16	1	22	96.00	105.60	118.27	132.46	148.36	166.16
21	Saffai Jamadar	3	4	2	-	2	15.00	16.50	18.48	20.70	23.18	25.96
22	Saffai Karamchari	3	72	22	3	47	180.00	198.00	221.76	248.37	278.18	311.56
23	Mason	3	2	-	-	2	0.00	0.00	0.00	0.00	0.00	0.00
24	Work Supervisor	3	2	2	-	0	14.40	15.84	17.74	19.87	22.25	24.92
Total		246	176				483.98	532.38	596.26	667.82	747.95	837.71

Table 10.16
Proposed Expenditure on Salary and Terminal Benefits of Municipal Corporation, Mandi

Sr. No.	Category	No. of Sanctioned Posts	No. of filled up posts	Pay Level	Monthly Emoluments per posts (Rs. in Lakh)	Yearly Emoluments total posts (Rs. in Lakh)	Estimated (Rs. in Lakh)				
							2022-23	2023-24	2024-25	2025-26	2026-27
1	Commissioner	1	1	28	145075	17.41	19.15	21.45	24.02	26.90	30.13
2	Assistant commissioner	1	1	21	117444	14.09	15.50	17.36	19.45	21.78	24.39
3	Health officer	1	0	21	0	0.00	0.00	0.00	0.00	0.00	0.00
4	Executive engineer	1	1	23	105948	12.71	13.99	15.66	17.54	19.65	22.01
5	Law officer	1	0	12	0	0.00	0.00	0.00	0.00	0.00	0.00
6	Town planner	1	0	16	0	0.00	0.00	0.00	0.00	0.00	0.00
7	Superintendent Gr-II	2	1	12	89500	10.74	11.81	13.23	14.82	16.60	18.59
8	Personal assistant	3	0		0	0.00	0.00	0.00	0.00	0.00	0.00
9	Asstt. Engineer (ME)	2	1	15	101642	12.20	13.42	15.03	16.83	18.85	21.11
10	Senior.Asstt.	1	0	11	0	0.00	0.00	0.00	0.00	0.00	0.00
11	Junior engineer	4	1	11	66000	7.92	8.71	9.76	10.93	12.24	13.71
12	Statistical Asstt.	1	1	11	58000	6.96	7.66	8.57	9.60	10.76	12.05
13	Sanitary inspector	4	0	11	0	0.00	0.00	0.00	0.00	0.00	0.00
14	Asstt. Draughtsman	1	0	11	0	0.00	0.00	0.00	0.00	0.00	0.00
15	Clerk/Jr. Astt.	13	6	3	50000	36.00	39.60	44.35	49.67	55.64	62.31
16	Community Organiser	1	1	3	50000	6.00	6.60	7.39	8.28	9.27	10.39
17	Work supervisor	2	2	3	50000	12.00	13.20	14.78	16.56	18.55	20.77
18	Sanitary supervisor	2	2	3	50000	12.00	13.20	14.78	16.56	18.55	20.77
19	Drivers	6	1	5	50000	6.00	6.60	7.39	8.28	9.27	10.39
20	Mason	2	0	4	0	0.00	0.00	0.00	0.00	0.00	0.00
21	Mate	2	2	4	50000	12.00	13.20	14.78	16.56	18.55	20.77
22	Peons	4	1	3	45000	5.40	5.94	6.65	7.45	8.35	9.35
23	Mali	3	1	3	45000	5.40	5.94	6.65	7.45	8.35	9.35
24	Chowkidars	1	1	3	45000	5.40	5.94	6.65	7.45	8.35	9.35
25	Beldars	39	17	3	50000	102.00	112.20	125.66	140.74	157.63	176.55
26	Head Jamadar	4	2	3	55000	13.20	14.52	16.26	18.21	20.40	22.85
27	Safai karamcharis	72	25	3	50000	150.00	165.00	184.80	206.98	231.81	259.63
28	Plumber	1	0	3	0	0.00	0.00	0.00	0.00	0.00	0.00
29	Cattle pound attendant	1	0	3	0	0.00	0.00	0.00	0.00	0.00	0.00
30	Bhisti	5	3	3	50000	18.00	19.80	22.18	24.84	27.82	31.16
31	Watchman	1	0	3	0	0.00	0.00	0.00	0.00	0.00	0.00
32	Cartman	5	0	3	0	0.00	0.00	0.00	0.00	0.00	0.00
Total		188	71		1323609	465.43	511.98	573.41	642.22	719.29	805.60

Table 10.17
Revenue Receipts of Municipal Corporation, Palampur

(Rs. in Lakh)

Sr. No.	Detail/Years	2021-22	2022-23	2023-24
1	Total Tax Revenue	55.23	57.99	60.89
2	Income from Rent	35.98	37.78	39.67
3	Fees & User Charge	18.87	19.81	20.80
4	Sale & Hire Charge	0.00	0.00	0.00
5	Other Income	31.50	33.08	34.73
Total (1+5)		141.58	148.66	156.09

Table 10.18
Expenditure of Municipal Corporation, Palampur

(Rs. in Lakh)

Sr. No.	Detail/Years	2021-22	2022-23	2023-24
1	Establishment Expenses	131.19	144.31	158.74
2	Administrative Expenses	20.40	22.44	24.68
3	O & M (Expenses and Repair & Maintenances)	567.79	624.57	687.02
Total (1+3)		719.38	791.32	870.44

Table 10.19

**Category Wise Estimated Expenditure on Staff of Municipal Corporation,
Palampur**

CATEGORY WISE ESTIMATED EXPENDITURE ON STAFF FOR THE YEAR 2021-22								Estimated (Rs. in Lakh)				
Sr. No	Name of Post	Pay Level	Total Posts	Filled Up posts on regular basis	Filled Up posts on Contract/ Daily Wages basis	Vacant Post	Total Estimated Annual Expenditure on Salary of Staff (Rs. in Lakh)	2022-23	2023-24	2024-25	2025-26	2026-27
1	2	3	4	5	6	7	8	9	10	11	12	13
1	Commissioner	28	1	1	0	0	8.86	15.15	15.50	16.50	17.50	18.50
2	Assistant Commissioner	21	1	1	0	0	3.26	13.00	13.50	14.00	14.50	15.00
3	Executive Engineer	23	1	0		1	0.00	13.00	13.50	14.00	14.50	15.00
4	Corporation Health Officer	21	1	0	0	1	0.00	12.00	12.50	13.00	13.50	14.00
5	Assistant Engineer	15	1	1	0	0	11.00	12.00	12.50	13.00	13.50	14.00
6	Junior Engineer	11	4	1	03 Nos. J.E. Filled on Outsource	0	14.47	15.00	16.00	17.00	18.00	19.00
7	Draughtsman	11	1	0	01 No. Draughtsman Filled on outsource	0	0.25	2.40	2.80	3.60	4.30	5.25
8	Patwari	3	1	1	0	0	0.00	6.00	6.50	7.00	7.50	8.00
9	Superintendent Grade-II	12	1	0	0	1	0.00	10.00	10.50	11.00	11.50	12.00
10	Senior Assistant	11	1	1	0	0	8.50	9.00	9.50	10.00	10.50	11.00
11	Junior Assistant/ Clerk	3	8	4	04 Nos of JOA filled on Outsources basis	0	26.74	27.50	28.00	28.50	29.00	29.50
12	Personal Assistant	12	3	0	0	3	0.00	10.80	11.00	11.50	12.00	12.50
13	Sanitary Inspector	11	1	0	0	1	5.29	6.00	6.50	7.00	7.50	8.00
14	Driver	5	5	0	0	5	9.00	9.50	10.00	11.00	12.00	13.50
15	Peon/ Chowkidar	3	3	2	01 No. Peon on Daily Wages		8.82	9.00	9.50	10.00	10.50	11.00
16	Saffai Karamchari	3	15	5	0	10	13.46	20.00	20.50	21.00	21.50	20.00
17	Tailoring Teacher	Fix Salary	5	0	05 Nos. Teachers Merged (Honorary)	0	4.26	4.35	4.50	5.00	5.50	6.00

Table 10.20

Proposed Expenditure on Salary and Terminal Benefits of Municipal Corporation, Palampur

Sr. No	Category	No. of Sanctioned Posts	No. of filled up posts	Pay Level	Monthly Emoluments per posts (Rs. in Lakh)	Yearly Emoluments total posts (Rs. in Lakh)	Estimated (Rs. in Lakh)					
							2022-23	2023-24	2024-25	2025-26	2026-27	
1	Commissioner	1	1	28	1.25	14.97	15.15	15.50	16.00	16.50	17.00	
2	Assistant commissioner	1	1	21	0.82	9.78	13.00	13.50	14.00	14.50	15.00	
3	Health officer	1	0	21	0.80	0.96	12.50	13.00	13.50	14.00	14.50	
4	Executive engineer	1	0	23	0.80	0.96	12.50	13.00	13.50	14.00	14.50	
5	Law officer	1	0	12	0.80	0.96	12.50	13.00	13.50	14.00	14.50	
6	Town planner	1	0	21	0.80	0.96	12.00	12.50	13.00	13.50	14.00	
7	Superintendent Gr-II	1	0	12	0.75	9.00	11.50	12.00	12.50	13.00	13.50	
8	Personal assistant	3	0	12	0.25	9.00	10.08	11.09	12.08	13.00	13.50	
9	Asstt. Engineer (ME)	1	1	15	1.09	13.10	13.76	14.45	15.17	15.93	16.72	
10	Senior Asstt.	1	1	11	0.00	0.00	9.00	9.50	10.00	10.50	11.00	
11	Junior engineer	3	01 J.E. in regular and 3 on outsource	11	0.00	0.00	20.94	21.50	22.00	22.50	23.00	
12	Statistical Asstt.	1	0	11	0.00	0.00	4.80	5.20	5.60	6.00	6.40	
13	Sanitary Inspector	1	0	11	0.00	5.29	6.00	6.50	7.00	7.50	8.00	
14	Asstt. Draughtsman	1	1	3	0.00	0.00	2.40	2.80	3.60	4.30	5.25	
15	Clerk/Jr Asstt.	4	4	3	2.15	25.74	26.50	27.00	27.50	28.00	28.50	
16	JOA (IT)	4	4 JOA filled on Outsource	3	0.13	6.39	7.00	7.50	8.25	9.00	9.80	
17	Community organiser	1	1	3	0.15	1.80	2.00	2.25	2.50	2.80	3.25	
18	Work supervisor	0	0	3	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
19	Sanitary supervisor	1	1	3	0.44	5.29	6.00	6.40	6.80	7.25	7.60	
20	Patwari	1	1	3	0.00	0.00	6.00	6.40	6.80	7.25	7.60	
21	Drivers	5	0	5	0.15	9.00	9.50	10.00	11.00	12.00	13.50	
24	Peons	2	2	3	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
26	Chowkidars	1	1	3	0.31	3.71	3.89	4.09	4.29	4.51	4.73	
27	Beldars	10	6	3	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
30	Helper/ Fitter Helper	1	1	3	0.52	6.21	6.52	6.85	7.19	7.55	7.93	
31	Safai Karamcharis	15	5	3	0.22	13.46	20.00	20.50	21.00	21.50	22.00	
Total							11.43	136.60	243.55	254.52	266.78	279.08

Table 10.21A

Proposed Expenditure on Salary and Terminal Benefits of Municipal Councils in HP

Sr. No.	Category	No of Posts	No. of posts filled-in	Pay level	Monthly Emoluments per posts (Rs. in Lakh)	Yearly Emoluments total posts (Rs. in Lakh)	Estimated (Rs. in Lakh)				
							2022-23	2023-24	2024-25	2025-26	2026-27
1	2	3	4	5	6	7	8	9	10	11	12
1	Executive officer	29	20	15	0.76	182.92	182.92	201.21	221.33	243.46	267.81
2	Asstt. Engineer (m.e.)	3	3	16	1.43	51.32	51.32	56.45	62.09	68.30	75.13
3	Junior engineer	30	30	11	0.51	184.09	184.09	202.49	222.74	245.02	269.52
4	Draughtsman	2	1	11	0.51	6.14	6.14	6.75	7.42	8.17	8.98
5	Statistical assistant	14	5	11	0.51	30.68	30.68	33.75	37.12	40.84	44.92
6	Sanitary inspector	29	5	10	0.50	29.95	29.95	32.94	36.24	39.86	43.84
7	Sanitary supervisor	23	14	3	0.35	58.72	58.72	64.59	71.05	78.16	85.97
8	Senior assistant	17	8	11	0.51	49.09	49.09	54.00	59.40	65.34	71.87
9	Computer operator	1	1	3	0.77	9.23	9.23	10.15	11.16	12.28	13.51
10	Clerk/Jr assistant/JOA(it)	35	20	3	0.29	70.21	70.21	77.24	84.96	93.46	102.80
11	Clerk/junior assistant/JOA (it)	101	59	3	0.63	445.16	445.16	489.67	538.64	592.50	651.75
12	Community organizer	26	5	3	0.29	17.55	17.55	19.31	21.24	23.36	25.70
13	Asstt. Draughtsman	4	2	6	0.29	7.02	7.02	7.72	8.50	9.35	10.28
14	Driver	50	29	5	0.41	141.10	141.10	155.21	170.73	187.80	206.58
15	Beldar	339	272	1	0.37	1211.92	1211.92	1333.12	1466.43	1613.07	1774.38
16	Bhisti	5	3	1	0.29	10.53	10.53	11.59	12.74	14.02	15.42
17	Chowkidar	30	21	1	0.29	73.73	73.73	81.10	89.21	98.13	107.94
18	Chowkidar rest house	1	1	1	0.29	3.51	3.51	3.86	4.25	4.67	5.14
19	Cleaner	1	1	1	0.29	3.51	3.51	3.86	4.25	4.67	5.14
20	Daftri	2	2	1	0.29	7.02	7.02	7.72	8.50	9.35	10.28
21	Library attendant	5	1	1	0.29	3.51	3.51	3.86	4.25	4.67	5.14
22	Fee collector	5	4	1	0.29	14.04	14.04	15.45	16.99	18.69	20.56
23	Fitter	4	1	3	0.44	5.29	5.29	5.82	6.40	7.04	7.74
24	Forest guard	7	4	3	0.44	21.15	21.15	23.26	25.59	28.15	30.96
25	Helper	4	1	1	0.25	2.94	2.94	3.24	3.56	3.92	4.31
26	Mali	34	14	1	0.29	49.15	49.15	54.07	59.47	65.42	71.96
27	Mali-cum-Chowkidar	2	1	1	0.29	3.51	3.51	3.86	4.25	4.67	5.14
28	Mason	37	14	3	0.44	74.02	74.02	81.42	89.57	98.52	108.38
29	Mason(Jr. Technician)	2	1	6	0.39	4.64	4.64	5.10	5.61	6.17	6.79
30	Mate	10	6	1	0.39	27.84	27.84	30.62	33.68	37.05	40.75
31	Peon	66	38	1	0.39	176.29	176.29	193.92	213.31	234.64	258.11
32	Peons/Chowkidar	4	1	1	0.39	4.64	4.64	5.10	5.61	6.17	6.79
33	Record keeper	1	1	1	0.25	2.94	2.94	3.24	3.56	3.92	4.31
34	Safai Jamadar	8	5	2	0.36	21.76	21.76	23.93	26.33	28.96	31.85
35	Safai Karamchari	557	276	1	0.39	1280.42	1280.42	1408.46	1549.31	1704.24	1874.66
36	Sanitary Jamadar	6	2	2	0.36	8.70	8.70	9.57	10.53	11.58	12.74
37	Tax guard/toll guard	17	5	1	0.39	23.20	23.20	25.52	28.07	30.87	33.96
38	Toll guard	19	4	1	0.39	18.56	18.56	20.41	22.45	24.70	27.17
39	Work supervisor	16	14	3	0.44	74.02	74.02	81.42	89.57	98.52	108.38
40	Work attendant	1	1	1	0.39	4.64	4.64	5.10	5.61	6.17	6.79
41	Superintendent Gr-II	2	0	13	0.60	0.00	0.00	0.00	0.00	0.00	0.00
42	Dy. Forest Ranger	2	0	11	0.51	0.00	0.00	0.00	0.00	0.00	0.00
43	Sanitary Fitter	1	0	3	0.44	0.00	0.00	0.00	0.00	0.00	0.00
44	Plumber	1	0	3	0.44	0.00	0.00	0.00	0.00	0.00	0.00
45	Head Mali	1	0	1	0.29	0.00	0.00	0.00	0.00	0.00	0.00

Table 10.21B

Proposed Expenditure on Salary and Terminal Benefits of Municipal Councils in HP

Sr. No.	Category	No of Posts	No. of posts filled-in	Pay level	Monthly Emoluments per posts (Rs. in Lakh)	Yearly Emoluments total posts (Rs. in Lakh)	Estimated (Rs. in Lakh)				
							2022-23	2023-24	2024-25	2025-26	2026-27
1	2	3	4	5	6	7	8	9	10	11	12
46	Tax Attendant	3	0	1	0.29	0.00	0.00	0.00	0.00	0.00	0.00
47	Electrician	1	0	3	0.44	0.00	0.00	0.00	0.00	0.00	0.00
48	Carpenter	2	0	3	0.44	0.00	0.00	0.00	0.00	0.00	0.00
49	Cattle Pound Attendant	3	0	1	0.29	0.00	0.00	0.00	0.00	0.00	0.00
50	Patwari	1	0	3	0.29	0.00	0.00	0.00	0.00	0.00	0.00
51	Cook-cum-Chowkidar	3	0	1	0.29	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL		1547	896		21.18	4414.64	4414.64	4856.11	5341.72	5875.89	6463.48

Table 10.22

Proposed Expenditure on Salary and Terminal Benefits of Nagar Panchayats in HP

Sr. No.	Category	No. of Posts	No. of posts filled in	Pay Scale	Monthly Emoluments per posts (Rs. in Lakh)	Yearly Emoluments Total Posts (Rs. in Lakh)	Estimated (Rs. in Lakh)				
							2022-23	2023-24	2024-25	2025-26	2026-27
1	Secretary	27	13	14	0.71	111.32	111.32	122.45	134.69	148.16	162.98
2	Junior Engineer	27	25	11	0.51	12.78	12.78	14.06	15.47	17.02	18.72
3	Senior Assistant	1	1	11	0.51	0.51	0.51	0.56	0.62	0.68	0.75
4	Clerk/ Assistant/ JOA(IT) Jr.	60	39	3	0.29	11.41	11.41	12.55	13.81	15.19	16.71
5	Community Organizer	16	3	3	0.29	0.88	0.88	0.97	1.06	1.17	1.29
6	Work supervisor	5	4	3	0.44	1.76	1.76	1.94	2.13	2.35	2.58
7	Beldar	20	22	1	0.37	8.17	8.17	8.99	9.88	10.87	11.96
8	Chowkidar	17	4	1	0.29	1.17	1.17	1.29	1.42	1.56	1.71
9	Driver	6	3	5	0.41	1.22	1.22	1.34	1.47	1.62	1.78
10	Mason	2	3	3	0.44	1.32	1.32	1.45	1.60	1.76	1.94
11	Peon	43	17	1	0.39	6.57	6.57	7.23	7.95	8.75	9.62
12	Safai Karamchari	130	44	1	0.39	17.01	17.01	18.71	20.58	22.64	24.90
13	Sanitary Supervisor	26	11	3	0.35	3.84	3.84	4.23	4.65	5.12	5.63
14	Asstt. Draughtsman	1	0	6	0.29	0.00	0.00	0.00	0.00	0.00	0.00
15	Clerk	1	0	3	0.63	0.00	0.00	0.00	0.00	0.00	0.00
16	Peon-cum-Chowkidar	1	0	1	0.39	0.00	0.00	0.00	0.00	0.00	0.00
17	Toll Guard	1	0	1	0.35	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL		380	189		7.05	177.96	177.96	195.76	215.34	236.87	260.56

CHAPTER-11

Commission's Recommendations on some important issues

11.1 The Commission was also given the task to look into some other issues related to local bodies and make recommendations for taking the process of decentralization ahead. The Commission interacted with various elected representatives and officials of the ULBs and PRIs; officers and officials of the Government departments which are actually required to transfer funds, functions and functionaries to the local bodies; academicians; CSOs/NGOs; general public and various other domain experts during its tenure with specific reference to the ToRs of the Commission. The suggestions received during these interactions are listed at Annexure-5 Based on the feedback from above mentioned stakeholders, information received through questionnaires and general observations made by the Commission, the Commission makes the following recommendations in addition to the recommendations with regard to the devolution of funds to PRIs and ULBs: -

11.1.1 With specific reference to the Terms of Reference 2(e) which requires the Commission to recommend appropriate ways to take forward the process of devolution of functions, funds and functionaries to PRIs/ULBs, the Commission had detailed deliberations on this ToR and considered the status of delegation, actual exercise of powers and the perception of employees of the Government who are actually recruited under the local bodies and those who are supposed to be reporting to the local bodies as per the recommendations made by various Commissions.

11.1.2 The Commission also considered the recommendations made in this regard by the earlier State Finance Commissions. The Commission observed that much more needs to be done in this direction as the progress made in this direction was very little. While going through the action taken as reported by the concerned departments, on the recommendations made by the earlier State Finance

Commissions, the following three observations were made by this Commission: -

- a. Although, the PRIs and ULBs have been authorized to levy certain taxes statutorily, not all of them are collecting these taxes. Even those local Governments which are collecting taxes are doing so at the rates much below the actual potential within their jurisdiction. The political representatives are averse to the idea of taxing the population within the jurisdiction of the local body represented by them for the fear of opposition from the public.
- b. Despite, having empowered the local bodies of having control over funds, functions and functionaries related to a few assignments of the five departments viz. Elementary Education Department, Animal Husbandry Department, Health Department, Jal Shakti Vibhag and Women and Child Development Department, as recommended by earlier State Finance Commissions, actual transfer of funds and functionaries is yet to take place. The departments have been resisting the transfer of these resources to local bodies.
- c. In the absence of any permanent mechanism for ensuring continuity in an institutional framework, instant retrieval of institutional knowledge and an interface with the local bodies to track implementation of the recommendations made by the State Finance Commission and to compile data related to finances and other aspects of the local bodies, the successive State Finance Commissions had to make much efforts to fill this information gap while making their recommendations. The reports of all the previous State Finance Commissions have made an explicit mention of the bottlenecks they had to face in filling the information gaps.

11.2 Considering that the local bodies will have to stop looking to the State and Central Governments for funds because of the competing demand from other quarters, these Self Governments need to start making concerted efforts soon to mobilize resources equivalent or nearest possible to their existing potential. The Government departments also need to be convinced and motivated for actual transfer of funds, functions and functionaries to the local bodies. A continuous monitoring and reviewing mechanism is also required at the State level to push these local Governments in expediting the efforts in this regard.

11.2.1 The Fifth State Finance Commission, in its report, reiterated the recommendations made by the Third State Finance Commission which are reproduced as under:-

11.2.2 “-----The 3rd Finance Commission had recommended that following functions should be entrusted to the local Government Institutions as they could best be delivered to the target groups by them:-

- i. Primary Education implying primary schools, pre-primary schools or alternative learning centres at the same level and the Mid-Day Meals Programme;
- ii. Rural health implying the institutions at the level of Health Sub Centres;
- iii. ICDS Programme implying institutions at the level of Anganwadis; and
- iv. Animal Husbandry implying up to the level of Veterinary Dispensaries and artificial insemination centres.”

11.2.3 The 3rd State Finance Commission in Para 15.3 of its report had observed “The Commission felt that the above four services are central to the basic role envisaged for the local government institutions in term of universalisation of primary education (which has been achieved in Himachal Pradesh and the focus now onwards is on the continued enrolment of fresh children getting into the eligible age group and delivery

of quality primary education, besides the maintenance of the primary school infrastructure), universalisation of the maternity and child health care service including immunization, ensuring appropriate provision and guidance for nutritional support and continued monitoring of the pregnancies which could be ensured through appropriate coordination between the Health Sub Centres as also the nutritional support for pregnant and lactating mothers and pre-school children and Anganwadis and provision of basic animal health care keeping in view the key role being played by animal husbandry activities in the rural economy. The Commission would also like to add that the national flagship programmes of universalisation of elementary education (with special emphasis on primary education), National Rural Health Mission, universalized ICDS programme and the Mid-Day Meals Programme all envisage key responsibility to be entrusted to Panchayati Raj Institutions.”

- 11.2.4 The 4th State Finance Commission also in its report while reiterating the recommendations made by the 3rd State Finance Commission stressed upon the need to devolve functions, funds and functionaries to the local Government Institutions at the earliest so as to make these bodies work as per the Constitutional provisions.
- 11.2.5 The Commission observed the resistance on part of the Government Departments in transferring the funds and functionaries to the Local Government Bodies. Even the Government officials are averse to the idea of reporting to the elected representatives of the Local Bodies. The 5th State Finance Commission has also felt very strongly that the funds, functionaries and functions should be transferred to the Local Government Bodies keeping in the spirit of the Constitutional provisions so as to make public delivery system more effective and efficient.
- 11.2.6 The Panchayati Raj Department had issued amendments in the Himachal Pradesh Panchayati Raj (Finance, Budget,

Audit, Works, Taxation and Allowances) Rules, 2002 in 2017 giving more teeth to the local bodies. This Commission, after interaction with various stakeholders, also observed stiff resistance from the Government departments in transferring the funds and functionaries to the local bodies. Though, not expressed explicitly, even the officers appeared to be having the fear of loosing authority and control if the funds and functionaries are transferred to the local bodies. Reiterating the recommendations made by the Fifth State Finance Commission and earlier State Finance Commissions, this Commission also recommends establishment of a permanent mechanism which can periodically review the progress made in actual transfer of funds, functions and functionaries to the local bodies.

11.3 One of the ToRs of this Commission required suggestions from this Commission for improving financial position of Panchayati Raj and Urban Local Bodies. The Commission suggests amendments to the existing statutes for improving financial position of these bodies. This includes assigning the task of collecting cesses and taxes to the local bodies which are presently being collected by the Government departments. This Commission recommends collection of following taxes and cesses by the local bodies.

11.3.1 The Panchayati Raj Institutions may collect the following taxes, fees and levies:

- a) All the local bodies may start collecting all the assigned taxes and levies statutorily to them with periodic revisions while keeping in view the interest of the economically weaker sections.
- b) The drinking water supply schemes and the irrigation schemes may be handed over to the local Panchayats conditional to formation of Water User Associations (WUAs). The tariff on drinking water and the water used for irrigation may be collected by the local bodies and may be retained by them. These proceeds may be used to meet

maintenance and operations cost of the water supply and irrigation schemes managed by WUAs.

- c) The marriage registration fee and fee for birth and death registration may be increased periodically with the provision of concessional fees to the BPL/EWS. The delay in registration may be penalized appropriately.
- d) The welfare and building funds of all the educational institutions under the control of a local body should be used for development of such institutions in joint consultation with the school management, Parents Teachers Association and members of the local body. The funds may be transferred to the local bodies after finalization of the works to be undertaken and the execution of the works finalized may be entrusted to the local bodies. Such works may also include maintenance and upgradation of existing assets.
- e) The segregated household solid waste/garbage collection may be done within the limits of all PRIs with the mandatory collection of fees from all the households irrespective of the fact whether waste is collected from a household or not. The monthly fees may be fixed by the local body in such a manner that the entire operation is self-sustained in the long run.

11.3.2 The Commission's recommendations for strengthening financial position of Urban Local Bodies are as under:-

- a.)The Commission recommends having differential taxation of urban properties by different Urban Local Bodies based on geographical location. The defaulter house owners may be penalized by charging penal interest on the tax due combined with making them ineligible for availing civic amenities within the jurisdiction of the local body.
- b.)The tariff on drinking water may be indexed with the inflation rate in such a manner that the tariff is revised every

year in urban municipalities. The sewerage schemes wherever are available may be brought near to full utilization by giving connections to the residents and charging monthly fee along with the water tariff on the pattern of Municipal Corporations Shimla and Dharamshala. Any municipality desirous of having a new or an additional sewerage scheme may put in place a mechanism to ensure recovery of at least O&M costs before starting its execution.

- 11.4 The Fifth State Finance Commission emphasized the need of social audit of works executed by the local bodies and audit of the accounts of local bodies on regular basis. This State Finance Commission also recommends that social audit be a regular feature of the day to day discharge of function by the local bodies. The existing State level Social Audit Unit may be strengthened by providing the support of empanelled consultants without addition of any staff on the payrolls of the Government. With regard to audit of accounts and other books of account, the office of the Comptroller and Auditor General may not be able to audit accounts of all the local bodies in a single go. The local bodies may hire auditors locally after completing all the codal formalities or alternatively, auditors may be empanelled by the line department at least at district level whose services may be taken by all the local bodies mandatorily on annual basis. The local bodies should be required to submit an audited statement of accounts generated electronically of the preceding financial year before being eligible for release of grants for the coming financial year.
- 11.5 The Commission had faced information gaps during its tenure while gathering data related to annual income and expenditure statements of the local bodies. The information related to other aspects of functioning of local bodies was also not available in the absence of any permanent arrangement for maintaining such information. It is only after the Commission was notified that it started gathering information from the line departments and local bodies. At the time of starting its functioning, the Commission had no records in respect

of action taken by the concerned departments/agencies on the recommendations made by the Fifth State Finance Commission. It was only after the notification of the Sixth State Finance Commission on 22nd August, 2020 that the Commission started looking for necessary staff support for performing its functions. It took some time to assign additional work to the staff of Planning Department to be performed in the pursuit of the objectives of this Commission through internalization. The permission of the Government to hire other support staff on outsource basis took some more time. The delay in starting its functioning is evident from the very fact that there was no support staff at the time of the notification of the Commission. Considering the bottlenecks it faced in the discharge of its functions during its tenure and also taking into consideration the recommendation made by the first four State Finance Commissions to establish a permanent secretariat to the State Finance Commission in Planning Department, this Commission strongly recommends to establish a permanent institutional mechanism within Planning Department to support the State Finance Commission on the pattern of a permanent secretariat to the Union Finance Commission which may be entrusted with the following tasks:-

- 11.5.1 To monitor and review the action taken by various departments on the recommendations made by the State Finance Commissions and the Union Finance Commissions.
- 11.5.2 To act as a link between the local bodies and the State and Union Finance Commissions.
- 11.5.3 To ensure real time access to information related to actual receipts and expenditure of the local bodies, its analysis and ascertain reasons for variations *vis-a-vis* the recommendations made by the Finance Commissions.
- 11.5.4 To conduct various studies to determine the existence of regional disparities in terms of development and to assess the extent of disparities and assisting the State Commission by providing it required information for making recommendations.

11.5.5 To ensure continuous flow of information required by the State and Union Finance Commissions.

Establishment of such unit may not be possible through internalization of resources as the regular staff of the Planning Department is already performing routine assignments given to them and also keeping in fact that the new unit will have a full time job to perform if above mentioned responsibilities are assigned to it. This new unit can at best be supported by hiring consultants as and when the need arises after providing minimum support staff required to maintain and manage its administrative and establishment related affairs.

11.6 After considering the recommendations made by the Fifteenth Finance Commission for providing resources to enable all the local bodies to generate income and expenditure statements electronically using PRIYASOFT/e-SWRAJ, this Commission also feels the requirement of having such platform at the State level. This platform can be used to gather real time information with regard to income and expenditure, asset management, fund utilization and scheme/asset mapping of all the local bodies in the State. The Commission recommends that this platform may be established within the permanent secretariat to the State Finance Commission in Planning Department and this platform should have an interface with all the portals capturing, managing and maintaining such information of the local bodies in State. An initial grant of Rs.3.00 crore is recommended for the establishment of such platform and also for establishing the secretariat.

			
(Satpal Singh Satti)	(Dr. Rajneesh)	(Devesh Kumar)	(Dr. Basu Sood)
Chairman	Member	Member	Member Secretary

Government of Himachal Pradesh
Finance(IF) Department

No.Fin-IF-A(1)-2/2020

Dated:Shimla-171002

22nd August, 2020NOTIFICATION

In exercise of the powers conferred by Articles 243-1 & 243-Y of the Constitution of India read with Section 98(1) of the Himachal Pradesh Panchayati Raj Act 1994 (Act No. 4 of 1994), Section 79 of the Himachal Pradesh Municipal Corporation Act, 1994 and Section 64 of Himachal Pradesh Municipal Act, 1994, the Governor, Himachal Pradesh, is pleased to constitute the 6th H.P. State Finance Commission to review the financial position of the Panchayats, and, Municipalities and devolution of resources to these institutions and, to appoint the following as its Chairman and Members with immediate effect.

(i)	Sh. Satpal Singh Satti, (He will enjoy the status of a Cabinet Minister)	Chairman
(ii)	ACS/ Principal Secretary/ Secretary Rural Development & Panchayati Raj Department	Member(ex-officio) (He/She will look after this work in addition to his/her own work)
(iii)	ACS/ Principal Secretary/ Secretary Urban Development Department	Member(ex-officio) (He/She will look after this work in addition to his/her own work)
(iv)	The Advisor Planning will function as Ex officio Member Secretary of the 6 th Finance Commission. He/She will look after this work in addition to his/her own work)	

2. The Commission shall make recommendations to the Government as to:-



- a) The principles which should govern:-
- i) The distribution between the State, Panchayats and ULBs of the net proceeds of the taxes, duties, tolls and fees leviable by the Government which may be divided between them and allocation between all levels of Panchayats/ Municipalities of their respective shares of such proceeds;
 - ii) The determination of taxes, duties, tolls and fees which may be assigned to or appropriated by the Panchayats and Municipalities;
 - iii) The grant-in-aid to Panchayats/ Municipalities from the consolidated fund of the State;
- b) To suggest measures needed to improve the financial position of the Panchayats/ Municipalities;
- c) The Commission should make a normative assessment of needs based on the actual devolution of functions to each tier of the PRIs and an assessment of potential fiscal capacity based on the tax and non tax resources available to PRIs in making any recommendations on devolving untied grants or share of State taxes to these bodies;
- d) The Commission should make an assessment of recurring grants for specific schemes of the State Government relating to support for honorarium and expenses of elected local body representatives and employees of PRIs and suggest improvements in these schemes in order to promote the exercise of fiscal autonomy and responsibility by the PRIs.
- e) The Commission should suggest appropriate ways to take forward the process of devolution of functions, funds and functionaries to the PRIs keeping in view the existing delivery system and the financial capacity of the State Government. It may make specific suggestions with regard to:-



- Support for pilots to hand over responsibility for delivery of primary education, primary health, water and sanitation and rural roads to appropriate levels of PRIs;
 - Changes in legislation and procedures necessary to enhance the tax and non-tax capacity of the PRIs consistent with accepted principles of taxation at the local level,
 - Strengthening of administrative capacity of PRIs by placing under their control relevant categories of employees either by way of recruitment at the level of relevant tiers of the PRIs or by seconding of existing State Government staff to them.
- f) Any other matter referred to the 6th H.P. State Finance Commission by the Government in the interest of sound finance of the Panchayats/ Municipalities.
3. Suggest measures to reduce revenue deficit of the local bodies by drawing a monitorable Fiscal Reforms Programme. The Reforms Programme should clearly suggest a mechanism for incentives to local bodies within the devolution framework linked to achievement of well-defined milestones to exploit the available and the potential sources of the revenue in addition to the State Finance Commission and Central Finance Commission grants.
4. Suggest measures to ensure accountability in utilising the resources raised or received from the State and Central Governments and other agencies and also the maintenance of local body accounts and database based on the recommendations of Central Finance Commission, for effective operation of these recommendations and linking a part of the grants with the performance.
5. The Commission shall devise its own procedure and appoint such Advisers, institutional Consultants as it may consider necessary. It may call for such information and take such evidence as it may consider necessary.



6. The period of the Commission shall commence from the date of issuance of this notification and the Commission shall make its report available by 31st December, 2021 covering a period of 5 years commencing from 1st April, 2022 to 31.03.2027.

By order

(Prabodh Saxena)
Principal Secretary (Finance) to the
Government of Himachal Pradesh

Endst No. No.Fin-IF-A(1)-2/2020 dated, Shimla-171002 22nd August, 2020

Copy is forwarded for information and necessary action to:-

1. Chairman, HP State 6th Finance Commission.
2. All Administrative Secretaries to the Govt. of H.P.
3. The Pr. Secretary to Governor, Himachal Pradesh, Shimla-2.
4. The Secretary (Rural Development) to the Govt. of H.P.
5. The Secretary (Urban Development) to the Govt. of H.P.
6. The Secretary, H.P. Vidhan Sabha, Shimla-4.
7. The Advisor (Planning), Himachal Pradesh, Shimla-2
8. All the Deputy Commissioners in H.P.
9. The Deputy Controller, Printing & Stationery, H.P. Shimla-5.
10. The Director (PR& RD), Himachal Pradesh, Shimla-9.
11. The Director, Urban local Bodies, H.P.

(Rajesh Sharma, IAS)
Special Secretary (Finance) to the
Government of Himachal Pradesh

Government of Himachal Pradesh
Finance -IF Department

No. Fin-IF-A(1)-2/2020 dated Shimla-2

30th December, 2021

NOTIFICATION

In continuation of this Department's notification of even No. dated 22nd August, 2020 the Governor of Himachal Pradesh is pleased to extend the tenure of the 6th State Finance Commission alongwith its employees till 31st October, 2022.

By Order,

Prabodh Saxena, IAS

Addl. Chief Secretary (Finance) to the
Government of Himachal Pradesh

Endst No. As above, dated Shimla- 171002 30/12/ 2021.

Copy to :

1. Sr. Private Secretary to Chief Secretary to the Government of H.P. for the information of the Chairman of H.P. State Finance Commission H.P. Secretariat, Shimla-2
2. All the Administrative Secretaries to the Government of H.P.
3. The Accountant General (Audit), Himachal Pradesh, Shimla-3
4. The Sr. Deputy Accountant General (A&E) Himachal Pradesh, Shimla.
5. The Secretary to Governor, Himachal Pradesh.
6. The Secretary , H.P. Vidhan Sabha, Shimla-4
7. The Special Secretary (GAD) to the Government of HP., Shimla-2
8. The Treasury Officer, Capital Treasury H.P. Shimla-2.
9. The Secretary 6th State Finance Commission, H.P.
- 10 All the Deputy Commissioner in H.P.
- 11 The Controller, Printing and Stationery, Shimla-5, H.P. for publication in the Rajpatra (Extra-ordinary)
- 12 The Director (PR & RD) , HP Shimla-9
- 13 The Director, Urban Local Bodies, HP.
- 14 Guard File.

(Rakesh Kanwar), IAS
Special Secretary (IF) to the
Government of Himachal Pradesh

ANNEXURE-2

Proceedings of the First Meeting of 6th H.P. State Finance Commission held under the Chairmanship of Hon'ble Chairman, Shri Satpal Singh Satti on 30th October, 2020 at 2.30PM.

List of Participants is Annexed.

At the outset of first meeting of 6th H.P. State Finance Commission, Shri Ravinder Kumar, Deputy Director (SFC) welcomed the Hon'ble Chairman, Secretaries (Urban Development and Panchayati Raj))-cum-Members(SFC) and Director (Urban Development and catalyzed the proceedings of meeting further.

The decisions of the meeting are as under:-

Secretary (Urban Development)

1. Plan the work of Commission i.e. designing of questionnaires, collection of data/information, meetings with local bodies, writing of report, submission of recommendations of the Commission to the Government etc.
2. The newly created local bodies may also be taken in consideration while soliciting information.
3. Like MGNREGA in rural areas, similar scheme has also been launched in Urban Areas with no additional financial burden to create employment and grants of Central Finance Commission are used for this purpose, so such type of provisions in State Finance Commission report are to be taken in view.

Secretary (Panchayati Raj)

1. The work of the Commission may be started after election of Local Bodies and in the meantime designing of questionnaires etc. may be done.
2. The allocation of funds for capital expenditure in view of creation of new Gram Panchayats needs to be enhanced.
3. For conducting Social Audit of one percent of total works of Panchayats by Gram Sabhas as per the recommendations of 5th State Finance Commission, there is already a mechanism in Rural Development Department, which can be expanded for its coverage.

Chairman

Suggested designing of questionnaires and doing of other activities before holding meetings with the representatives of local bodies after the election process.

Meeting ended with vote of thanks to and from the Chair.

ANNEXURE**ATTENDACE SHEET**

Sr. No.	Name(Shri)	Designation
1.	Rajneesh	Secretary(Urban Development)
2.	Sandeep Bhatnagar	Secretary(Panchayati Raj)
3.	Ram Kumar Guatam	Director(Urban Development)
6th H.P. State Finance Commission		
1.	Ravinder Kumar	Deputy Director(SFC)
2.	Desh Raj	Research Officer(SFC)

Minutes of the 2nd Meeting of 6th H.P. State Finance Commission held under the Chairmanship of Hon'ble Chairman, Shri Satpal Singh Satti on 26th March, 2021 at 11.30AM.

List of Participants is Annexed.

At the outset of second meeting of 6th H.P. State Finance Commission, Dr Basu Sood, Member Secretary(SFC)-cum- Adviser(Planning), H.P. welcomed the Hon'ble Chairman, Addl. Chief Secretary(Rural Development & Panchayati Raj)-cum-Member(6th SFC), Pr. Secretary(Urban Development)-cum-Member(6th SFC) and Other Officers present in the meeting. Thereafter took forward the proceedings of the meeting. The Member Secretary(6th SFC) requested Members of 6th SFC for conveying their suggestions/comments on the questionnaires designed for collecting information from PRIs and ULBs, so that these questionnaires may be finalized.

During the discussion, Hon'ble Chairman, 6th State Finance Commission suggested that the Commission may try to find solution of the new challenges being faced in rural and urban areas within the frame work of the Terms of Reference(ToR) of the Commission. The problem of disposal and processing of waste in rural and urban areas is one of them. He suggested formulating a long term plan for its scientific resolution.

He also pointed out that ULBs and PRIs have plenty of land in their possession and some of which has been encroached upon in certain places. He gave direction that the information regarding the land pertaining to ULBs and PRIs need to be collected and relevant questions may be incorporated in the questionnaires seeking detail of efforts made by local bodies in getting the encroachers evicted.

After detailed discussion, following decisions were taken:-

1. Members, PR&UD may send their comments on the questionnaires by 31st of March, 2021 to the office of Member Secretary, 6th State Finance Commission enabling it to circulate these questionnaires to PRIs and ULBs on the basis of sample size after 7th April, 2021.
2. A Sub-Committee under the Chairmanship of Pr. Secretary(Urban Development)-cum-Member(6th SFC) will be constituted with Directors of Panchayati Raj, Urban Development, Information Technology and Member Secretary(6th SFC)-cum-Adviser(Planning) as its members for working out a plan for disposal and processing of waste in both Urban and Rural Areas. The findings of this Sub-Committee would be considered while finalizing recommendations of 6th State Finance Commission.
3. The Commission will visit District Una on 8th and 9th April, 2021 for interaction with elected representatives of ULBs and PRIs as per ToR of 6th State Finance Commission.

Meeting ended with vote of thanks to and from the Chair.

ANNEXURE**ATTENDACE SHEET**

Sr. No.	Name	Designation
1.	Shri Sanjay Gupta	Member(SFC)-cum-Addl. Chief Secretary(RD&PR)
2.	Shri Rajneesh	Member(SFC)-cum-Pr. Secretary(Urban Development)
3.	Shri Kewal Sharma	Additional Director(Panchayati Raj)
4.	Ms Mamta Negi	Information Officer(IPR)
6th H.P. State Finance Commission		
1.	Dr Basu Sood	Member Secretary(6 th SFC)-cum-Adviser(Planning)
1.	Shri Ravinder Kumar	Deputy Director(6 th SFC)
2.	Shri Desh Raj	Research Officer(6 th SFC)

Proceedings of the Third Meeting of 6th H.P. State Finance Commission held under the Chairmanship of Hon'ble Chairman, Shri Satpal Singh Satti on 17th November, 2021 at 4.00 PM.

List of Participants is Annexed.

At the outset of third meeting of 6th H.P. State Finance Commission, Dr Basu Sood, Member Secretary(SFC)-cum- Adviser(Planning), H.P. welcomed the Hon'ble Chairman, representatives of Secretary(Panchayati Raj)-cum-Member(SFC), Pr. Secretary(Urban Development)-cum-Member(SFC) and Other Officers present in the meeting. Thereafter he shared agenda of the meeting and took forward the proceedings.

The decisions of the meeting are as under:-

1. The term of the Sixth State Finance Commission is till 31st December, 2021, it was decided that its term may be extended till 31st October, 2022 in view of following reasons:-
 - a. Second meeting of the Commission was held on 26th March, 2021 and it was decided that the suggestions/ comments on questionnaires may be shared by Panchayati Raj and Urban Development Departments, so that these questionnaires could be sent to Local Bodies for collecting information. After incorporating suggestions of these Departments, questionnaires were made ready by the end of April, 2021 for mailing to Local Bodies.
 - b. The second wave of COVID-19 pandemic had deeply affected India States and UTs, and Himachal Pradesh was no exception. In the first week of May, 2021, lockdown was imposed in the State and all offices had scanty presence.
 - c. The work in the offices resumed with full capacity of staff in June, 2021. Thereafter, the work of mailing the questionnaires to Local Bodies was started and all questionnaires were mailed by the end of June, 2021.
 - d. The efforts are being made to obtain information from Local Bodies by sending reminders and contacting concerned officials telephonically, but till now Commission is able to collect information from about 20% selected Local Bodies. The supply of filled up questionnaires from Local Bodies was also affected by the By-elections in the month of October-November, 2021 as most of the staff of field offices was engaged in election duties.

2. It was decided to drop a decision taken in the 2nd meeting of the Commission for working out plan for waste disposal and processing in both Urban and Rural Areas, as it was not the mandate of Sixth State Finance Commission.
3. Since award period of the Fifth State Finance Commission is completing on 31st March, 2022 and the 6th State Finance Commission will be in a position to submit its report by October, 2022, so it was decided that Commission may announce interim award/ report for the financial year 2022-23.

Meeting ended with vote of thanks to and from the Chair.

ANNEXURE

ATTENDACE SHEET

Sr. No.	Name	Designation
1.	Shri Surender Maltu	Joint Secretary(Panchayati Raj)
2.	Shri Kewal Sharma	Additional Director(Panchayati Raj)
3.	Ms Rakhee Singh	Joint Director(Urban Development)
6th H.P. State Finance Commission		
1.	Dr Basu Sood	Member Secretary(6 th SFC)-cum- Adviser(Planning)
1.	Shri Ravinder Kumar	Deputy Director(6 th SFC)
2.	Shri Desh Raj	Research Officer(6 th SFC)

ANNEXURE-5

Proceedings of the Fourth Meeting of 6th H.P. State Finance Commission held under the Chairmanship of Hon'ble Chairman, Shri Satpal Singh Satti on 11th October, 2022 at 11.00 AM.

List of Participants is Annexed.

At the outset of fourth meeting of 6th H.P. State Finance Commission, Dr Basu Sood, Member Secretary (SFC)-cum- Adviser (Planning), H.P. welcomed the Hon'ble Chairman and Pr. Secretary (Panchayati Raj)-cum-Member (SFC). Thereafter he shared agenda of the meeting and took forward the proceedings. He apprised Hon'ble Chairman and Member about the recommendations listed in the Draft Report of this Commission and bottlenecks faced during its preparation for resource mobilization by Local Bodies and devolutions recommended for meeting committed liabilities of Local Bodies upto Financial Year, 2026-27.

The Member emphasized on incorporation of recommendations for computerization of accounts of local bodies so that real time information in terms of resources and liabilities can be known at any point of time. This availability of data would also facilitate subsequent State Finance Commissions to be constituted in future.

The Member Secretary apprized that these issues have already been considered while making recommendations in the Draft Report.

The decisions taken in the meeting are as under: -

- i. The Commission approved the Draft Report of 6th H.P. State Finance Commission.
- ii. The Member Secretary-cum- Adviser (Planning), Deputy Director (Planning) and Research Officer (Planning) who were part of the Secretariat for the 6th HP State Finance Commission during its tenure, will continue to work till 31st March, 2023 to see that the Report is printed and published, and is laid in the Vidhan Sabha for its approval.

Meeting ended with vote of thanks to and from the Chair.

ANNEXURE

ATTENDANCE SHEET

Sr. No.	Name	Designation
1.	Dr Rajneesh	Pr. Secretary (Panchayati Raj)
6th H.P. State Finance Commission		
1.	Dr Basu Sood	Member Secretary(6 th SFC)-cum- Adviser(Planning)
1.	Shri Ravinder Kumar	Deputy Director(6 th SFC)
2.	Shri Desh Raj	Research Officer(6 th SFC)

ANNEXURE-6

Suggestions of Public Representatives of PRIs & ULBs, Officers/Officials and others for the Strengthening of local Self Government

- 1 The Sixth HP State Finance Commission had visited districts during its tenure and interacted with the representatives of Local Bodies (PRIs and ULBs). During these meetings, detailed discussions were held regarding filing of the questionnaires already shared with the PRIs and ULBs to get the basic information regarding income, expenditure, committed liabilities, maintenance of record, assets of Local Bodies and staff position. A feedback form was also shared with the participants during these meetings to have general view of them with respect to the functioning of Panchayati Raj Institutions and Urban Local Bodies. The public representatives shared their experiences with respect to the functioning of Local Self Government while interacting with them and gave some valuable suggestions to improve the functioning of it. The suggestions received during the interactions are as under:

1.1 The suggestions of the representatives of Panchayati Raj Institutions.

- 1.1.1 **Shortage of Staff:** The shortage of technical staff as well as ministerial staff has started hitting implementation of all the projects/schemes at panchayat level in all the districts of the State. Though some Gram Panchayats are managing the affairs with the staff provided to them, but many Panchayati Raj Institutions are finding it hard to discharge the functions assigned to them. Implementation of various development works is proving to be a biggest challenge as some of the Gram Panchayats are utilizing the services of single Junior Engineer/ Technical Assistant and Panchayat Secretary. In some cases, two Gram Panchayats are sharing the services of single technical person to monitor various construction works. During the discussion, public representatives

had a strong view that the shortage of staff comes as a big obstacle when a number of projects/schemes under various programmes get into implementation phase.

1.1.2 Reduction in the proportion of Tied Funds: In line with 73rd amendment to the Constitution of India, 15th Finance Commission has recommended grants to Panchayati Raj Institutions by identifying drinking water supply and sanitation as national priorities areas. Therefore, 60% of the devolution made under 15th Finance Commission have been provided as Tied Grants for supply of drinking water, rainwater harvesting, water recycling, sanitation & maintenance of ODF status. Most of the public representatives had suggested that the percentage of Tied Grants under 15th Finance Commission need to be reduced so that they can have enough discretion to include more works as per the requirement of Rural Areas/ Gram Panchayats.

1.1.3 Waste Management of Garbage Collection: Poor sanitation and waste management in rural areas are leading to large scale migration of rural population to towns and urban areas. The households in villages are facing difficulty in managing their solid-liquid waste. The collection of unsegregated waste is also a problem. The solid waste and wastewater from kitchens, bathrooms and toilets alongwith unregulated heaps of waste flowed into streams is causing damage to environment and traditional sources of drinking water. The stink due to putrefaction of waste led to various health problems, soil contamination, mosquitos breeding etc.

The public representatives during the discussions flagged this issue with the Commission in most of the districts and made a request to find out permanent solution of this problem of the rural areas. Although, the situation has changed to some extent after effective monitoring and implementation of initiatives under Swachh Bharat Mission (Gramin) and State policies on single use plastic, there is need to have a policy in place to address this

problem of Gram Panchayats. They also emphasised for door to door collection of garbage which will also generate additional resources to the Gram Panchayats.

1.1.4 Awareness Workshops and Trainings: The Panchayati Raj Institutions are playing pivotal role to implement the Centre as well as State Government policies and programmes. The public representatives of PRIs during interaction with the Sixth State Finance Commission stressed upon launching awareness campaigns about the government policies and programmes. They emphasized that various schemes have been launched by State and Central Government for the welfare of people. Camps and training programmes need to be organized to make people aware of these initiatives of government. The empowerment of Panchayats has given new dimension to development profile of the State by ensuring better planning and implementation of welfare and development programmes at grassroot level. The regular training and workshops will surely enhance the capacity buildings of representatives of Panchayati Raj Institutions.

1.1.5 Distribution of Powers: The Panchayati Raj system plays an important role in the development of villages specifically in the areas of health, education, child development, women participation, cleanliness and development of agriculture & horticulture etc. The members of Zila Parishad and Panchayat Samiti brought to the notice of Commission that all the powers for implementation of various programmes/schemes are vested with the Gram Panchayats. They requested to develop a mechanism in such a way so that these powers are equally distributed among the three tiers of Panchayati Raj Institutions.

1.1.6 Participation in the meetings of Gram Panchayat/ Gram Sabha: The Members of Zila Parishad and Panchayati Samiti expressed their concern about participation in the meetings of Gram Sabha/Gram Panchayats. Some of the members attracted attention of the Commission that they feel ignored whenever they are not invited to join the proceedings of Gram Sabha/Gram

Panchayats. They suggested that it should be mandatory for the Gram Panchayats to invite members of Zila Parishad/Panchayat Samiti in the general house of Gram Panchayats so that they can also flag important issues. They also suggested that proper sitting arrangement should be in place for the members of Zila Parishad and Panchayati Samiti during the meetings of Gram Panchayat. Instructions in this regard need to be issued by the competent authority.

1.1.7 During the interaction with the public representatives of the Panchayati Raj Institutions few more issues/ suggestions have come into the notice of the Commission which are as under:

- 1) Increase in the honorarium of all public representatives of PRIs.
- 2) To ensure active participation of public representatives in rural planning and selection of projects/ schemes.
- 3) Handing over the drinking water supply schemes and small irrigation schemes to PRIs for the purpose of operation and minor maintenance.
- 4) Incentive to PRIs for raising plantation in barren and surplus land of villages/ Gram Panchayats.
- 5) Road connectivity to all villages/ Gram Panchayats and handing over the old village roads to Public Works Department for their better maintenance.
- 6) Availability of construction material under MGNERGA.
- 7) Compulsory and proper levy of House Tax and public participation in tax collection.
- 8) Special grants to Gram Panchayats for emergency services and works of urgent nature.
- 9) Provision of funds for the works pertaining to Gram Panchayats as per the estimate under decentralized planning programmes.

2 The suggestions of the representatives of Urban Local Bodies.

2.1 Equal Distribution of Tied and Untied Grants: As per the recommendations of 15th Finance Commission, provision of Tied and Untied grants have been made over and above the funds allocated by the Centre and State Government to Urban Local Bodies. The 15th Finance Commission has recommended grants for ULBs as 50 percent basic grant (Untied) and remaining 50 percent as Tied Grant. Basic grants (Untied) can be utilized for location specific felt needs except for salary or other establishment expenditure. The Tied Grants are to be utilized for drinking water and solid waste management. The representatives of Urban Local Bodies during the discussion with the Commission felt that these grants are not being disbursed among ULBs equally requested for equal distribution of Tied and Untied Grants among all the ULBs.

2.2 Online reporting on the analogy of PRIs: The reporting of Urban Local Bodies to the Directorate of Urban Development with respect to progress of developmental schemes, tax collection, expenditure statements etc. is being done manually. But, in the Panchayati Raj Institutions there are two software namely PriaSoft and e-Swaraj in place for this purpose. The representatives of ULBs stressed upon to develop online system for reporting and accounting.

2.3 Addition and deletion of Ration Cards: Some public representatives of Urban Local Bodies pointed out that in the Gram Panchayats addition and deletion of ration cards is being done by the GPVA (Panchayat Secretary). They made a request to the Commission that the same practice should also be implemented in the Urban Areas.

3 The Suggestions of the Officers, Officials of Local Bodies and others.

While interacting with the Officers, Officials and other dignitaries, the Commission has received the following suggestions:

- 3.1 There is liquor tax @ Re. 1 per bottle but the Excise and Taxation Department is not transferring 100 percent tax collected on liquor to the Local Bodies. It should be transferred fully for better financial position of Local Bodies.
- 3.2 The Sale/Purchase Tax on land within the jurisdiction of Municipal Council/ Nagar Panchayats has been discontinued by the Government. This tax needs to be revived so that income of the Urban Local Bodies could be raised.
- 3.3 Municipal Tax is being levied as per the rental value. The Act should be amended and this tax is required to be levied as per the classification of the building.
- 3.4 All the assets within the limits of Municipal Councils/ Nagar Panchayats should be GIS mapped and GIS mapping software should also made available to all the ULBs.
- 3.5 The pension issue of ULB's employees should be resolved permanently and a Consolidated Fund for this purpose need to be created at the level of Directorate of Urban Development for its timely payment.
- 3.6 The Terms of Reference (ToRs) of State Finance Commission need to be amended on the analogy of 15th Finance Commission.
- 3.7 The assets of Panchayat Samitis mainly shops need to be repaired /reconstructed to make them financially viable. These assets are located at prime locations and can prove helpful to enhance the income of Panchayat Samitis. It was also brought to the notice of Commission that unspent funds of 13th and 14th Finance Commissions which are lying with the executing agencies may be allowed to be spent on the repair and maintenance of the shops of Panchayat Samitis.
- 4 The Sixth H.P. State Finance Commission has considered the suggestions of the representatives of Local Self Government, Officers, Officials, and others. However, not all suggestions were possible for the Commission to be included in its recommendations.
