

REFORMS 2016-17

1. Type of Reform: **Devolution of funds and functions**
2. **Reform Milestone No 6 (1): Appointment of SFC in place.**
3. Status: **ACHIEVED**
4. Documents attached: Copy of the notification No 1/5th PFC-DFREI-FD-2013/2921 dated 18.09.2013 is enclosed.
5. **Reform Milestone No 6 (2): Implementation of SFC recommendations within timeline.**
6. Document attached: Final Action taken report on the SFC recommendation is enclosed.


Joint Deputy Director
Department of Local Govt. Punjab

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ਡੀ.ਪੀ. ਰੈਡੀ., ਆਈ.ਏ. ਐੱਸ.

Principal Secretary
ਪ੍ਰਿੰਸੀਪਲ ਸਕੱਤਰ

Tele. No.: 2742316
ਟੈਲੀਫੋਨ ਨੰ.:



D.O. No. 1/5 ਈ 222-325 ਮਜ
ਐੱਸ.ਪੰ.ਨੰ. 22/2013/3004
Government of Punjab
ਪੰਜਾਬ ਸਰਕਾਰ

Department of
ਵਿੱਤ ਵਿਭਾਗ

Chandigarh, the
ਚੰਡੀਗੜ੍ਹ 26/9/2013

5187
15-10-13

ਹੋਲਡਿੰਗ
ਜਿਲਾ ਸਕੱਤਰ
ਮੁਕਤਸਰ

ਵਿਸ਼ਾ:- ਪੰਚਾਇਤਾਂ ਅਤੇ ਮਿਊਂਸਪੈਲਟੀਆਂ ਲਈ ਪੰਜਵੇਂ ਪੰਜਾਬ ਵਿੱਤ ਕਮਿਸ਼ਨ ਦੀ ਸਥਾਪਨਾ ਸਬੰਧੀ।

ਮੈਨੂੰ ਇਹ ਲਿਖਣ ਵਿੱਚ ਪ੍ਰਸੰਨਤਾ ਮਹਿਸੂਸ ਹੋ ਰਹੀ ਹੈ ਕਿ ਪੰਜਾਬ ਸਰਕਾਰ ਦੇ ਨੋਟੀਫੀਕੇਸ਼ਨ ਨੰ:1/5ਪਵਕ-ਡਵਸਅਜ-ਵਵ/2013/2921, ਮਿਤੀ 18.09.2013 ਰਾਹੀਂ ਪੰਜਵੇਂ ਪੰਜਾਬ ਵਿੱਤ ਕਮਿਸ਼ਨ ਦੀ ਸਥਾਪਨਾ ਕੀਤੀ ਗਈ ਹੈ ਅਤੇ ਆਪ ਨੂੰ ਕਮਿਸ਼ਨ ਦਾ ਐਕਸ-ਆਫੀਸ਼ੀਓ ਮੈਂਬਰ ਨਿਯੁਕਤ ਕੀਤਾ ਗਿਆ ਹੈ ਅਤੇ ਆਪ ਨੂੰ ਕਮਿਸ਼ਨ ਦੀ ਸਥਾਪਨਾ ਦੀ ਨੋਟੀਫੀਕੇਸ਼ਨ ਦੀ ਕਾਪੀ ਸੂਚਨਾ ਹਿੱਤ ਭੇਜੀ ਜਾਂਦੀ ਹੈ।

ਸਕੱਤਰ
ਪੰਜਾਬ ਸਰਕਾਰ

ਸਕੱਤਰ
ਭਾਰਤੀ ਡਿਫੈਂਸ
11/10/13

ਸ੍ਰੀ ਅਸ਼ੋਕ ਕੁਮਾਰ ਗੁਪਤਾ, ਆਈ.ਏ. ਐੱਸ. ਮੈਂਬਰ
ਸਕੱਤਰ, ਪੰਜਾਬ ਸਰਕਾਰ,
ਸਥਾਨਕ ਸਰਕਾਰ ਵਿਭਾਗ,
ਚੰਡੀਗੜ੍ਹ।

ਮੁਕਤਸਰ
੨੬

ਡ. ਸ. ਸ. (ਡਾਕ)
15.10.13
ਮਿਤੀ: 15-10-13

ਆਦਰ ਸੈਂਟਰ

ਹਿੱਤ

ਡੀ. ਪੀ. ਰੈਡੀ
26/9/13

GOVERNMENT OF PUNJAB
DEPARTMENT OF FINANCE

No. 1/5th PFC-DFREI-FD-2013/2921 Chandigarh, the 18th September, 2013

NOTIFICATION

In pursuance of the provisions of the section 3(1) of the Punjab Finance Commission for Panchayats and Municipalities Act, 1994, the Governor of Punjab is pleased to constitute the 5th Punjab Finance Commission for Panchayats and Municipalities consisting of the following as the Chairman and Members:-

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|----|--|-------------------|
| 1. | Sh. R. S. Mann, IAS (Retd.) Former Chief Secretary, Punjab | Chairman |
| 2. | Financial Commissioner Rural Development & Panchayats, Government of Punjab. | Ex-Officio Member |
| 3. | Principal Secretary Local Government, Government of Punjab | Ex-Officio Member |

2. The Chairman and Members of the Commission shall hold office from the date on which they respectively assume office, upto the 31st day of December, 2015.

3. The Commission shall make recommendations relating to the following matters:-

A. IN THE CASE OF 'PANCHAYATS' AS TO--

- (a) the principles which shall govern--
- (i) the distribution between the State and the Panchayats of the net proceeds of the taxes, duties, tolls and fees leviable by the State which may be divided between them and the allocation between the Panchayats at all levels of their respective shares of such proceeds;
 - (ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by the Panchayats; and
 - (iii) the grants-in-aid to the Panchayats from the Consolidated Fund of the State.
- (b) the measures needed to improve the financial position of the Panchayats.
- (c) measures to reduce unproductive revenue expenditure and steps to improve the quality of administration and technical support for efficient and effective use of capital resources; and
- (d) any other matter referred to the Finance Commission by the Governor in the interest of sound finances of the Panchayats.

B. IN RESPECT OF 'MUNICIPALITIES' AS TO--

- (a) the principles which shall govern—
- (i) the distribution between the State and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the State which may be divided between them under this part and the allocation between the Municipalities at all level of their respective shares of such proceeds;
 - (ii) the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by the Municipalities; and
 - (iii) the grants-in-aid to the Municipalities from the Consolidated Fund of the State; and
- (b) the measures needed to improve the financial position of the Municipalities.
- (c) measures to reduce unproductive revenue expenditure and steps to improve the quality of administration and technical support for efficient and effective use of capital resources; and
- (d) any other matter referred to the Finance Commission by the Governor in the interest of sound finances of the Municipalities.

The words 'Panchayats' and 'Municipalities' shall have the same meaning as defined under clause 2(d) of the aforesaid Act.

4. The Commission shall make its report available by 31st December, 2015 on each of the matters aforesaid, covering a period of 5 years commencing on the 1st day of April, 2016. The Commission shall indicate the basis on which it has arrived at its findings.

CHANDIGARH
7th September, 2013

SHIVRAJ V. PATIL
GOVERNOR OF PUNJAB


(D. P. REDDY)
PRINCIPAL SECRETARY FINANCE

Implementation of Fourth SFC recommendation within timeline

1. SFC recommended that Punjab Municipal Fund (11% of tax under PVAT Act, 2005) as compensatory payment for abolition of Octroi should continue. As recommended, the State continued to compensate the ULBs for abolition of Octroi by releasing funds under PMF from 2011-12 to 2015-16.
 2. SFC recommended that Octroi on Electricity should continue as at present for the five years. As recommended, the State did not abolished levy of Octroi on Electricity for ULBs from 2011-12 to 2015-16 and ULBs continued to receive it
 3. SFC recommended that payment being received by the ULBs as share of excise duty & auction money in lieu of abolition of Octroi on liquor should continue as at present. As recommended, State continued to compensate the ULBs for abolition of Octroi on Liquor from 2011-12 to 2015-16.
 4. SFC recommended that 4% of the net proceeds of all the State taxes (minus compensation for abolished octroi) & Rs.25 crore per annum as incentive fund be transferred to ULBs. Though as recommended, requisite funds were not provided by the State to ULBs under this component, but the default made by the State on this side was met by the State by providing sufficient funds to ULBs through its agencies like PIDB, PUDA etc. for different civil works for the period 2011-12 to 2015-16. Further, funds were also provided to ULBs by the State under Punjab Municipal Infrastructure Development Fund (20% of additional tax on tax under PVAT Act, 2005) during the period 2011-12 to 2015-16.
- Apart from the above financial recommendations, State also implemented the other recommendations of the SFC as follows:-
1. It implemented the Property tax in the ULBs by abolishing House tax to maximize their income. Similarly, as recommended Property Tax Board was established.
 2. The Punjab Community Participation in Municipality Act, 2013 was enacted to provide community participation for performing & discharging certain functions and duties of the municipalities.
 3. State provided training to the elected representatives of ULBs with the assistance of MGSIPA and CRRID and further the concept of Mohalla Sudhar Committee continued in the ULBs during the period.
 4. State suitably amended The Punjab Lokpal Act by including the elected representatives under it in order to introduce the concept of Local Body Ombudsman in ULBs.
 5. Funds received as per the recommendation of SFC were transferred to ULBs electronically through RTGS directly in their accounts.
 6. As recommended, Service Level Benchmarks for major civic services like water supply, sewerage, solid waste management were measured and published for each ULB.
 7. As recommended Double Entry Accounting system was implemented in ULBs by empanelling Chartered Accountants for the purpose.
 8. The concept of Technical Guidance & Supervision in the sphere of audit of the accounts of ULBs by Comptroller & Auditor General of India as per the recommendation of 13th Central Finance Commission as well as of State Finance Commission was implemented in ULBs.
 9. A separate committee of the State Legislature was formed namely Local Bodies and Panchayati Raj Committee to inspect the audit para of the ULBs. Now, the audit reports of ULBs are placed before the Committee for inspection and review as recommended by the SFC as well as CFC.

Implementation of Fourth SFC recommendation within timeline- ACTION TAKEN REPORT

| Sr. No | Recommendation & Action Taken | No and date of Circular/ Notification of Govt. |
|--------|---|--|
| | SFC recommended that Punjab Municipal Fund (11% of tax under PVAT Act, 2005) as compensatory payment for abolition of Octroi should continue. As recommended, the State continued to compensate the ULBs for abolition of Octroi by releasing funds under PMF from 2011-12 to 2015-16. | The Punjab Municipal Fund Act 2006, Govt. of Punjab Department of Legal and Legislative Affairs. Notification dated 16.10.2006 |
| | SFC recommended that Octroi on Electricity should continue as at present for the five years. As recommended, the State did not abolished levy of Octroi on Electricity for ULBs from 2011-12 to 2015-16 and ULBs continued to receive it | Govt. of Punjab, Department of Local Govt. (LG-3 branch) Notification no.3/15/07-1LG3/1532 dated 29.02.2008 |
| | SFC recommended that payment received by the ULBs as share of excise duty & auction money in lieu of abolition of Octroi on liquor should continue as at present. As recommended, State continued to compensate the ULBs for abolition of Octroi on Liquor from 2011-12 to 2015-16. | Govt. of Punjab, Finance Department, Punjab Notification no. 2367 Dated 05.09.2011 |
| | SFC recommended that 4% of the net proceeds of all the State taxes (minus compensation for abolished octroi) & Rs.25 crore per annum as incentive fund be transferred to ULBs. Though as recommended, requisite funds were not provided by the State to ULBs under this component, but the default made by the State on this side was met by the State by providing sufficient funds to ULBs through its agencies like PIDB, PUDA etc. for different civil works for the period 2011-12 to 2015-16. Further, funds were also provided to ULBs by the State under Punjab Municipal Infrastructure Development Fund (20% of additional tax on tax under PVAT Act, 2005) during the period 2011-12 to 2015-16. | Govt. of Punjab, Finance Department, Punjab Notification No. 219 Dated 19.05.2016 |

| Sr. No | Recommendation & Action Taken | No and date of Circular/ Notification of Govt. |
|--------|---|--|
| | Other Recommendations: 1. It implemented the Property tax in the ULBs by abolishing House tax to maximize their income. Similarly, as recommended Property Tax Board was established. | Govt. of Punjab, Department of Legal and Legislative Affairs. Notification no 7-Leg/2013 dated 31.01.2013 |
| | The Punjab Community Participation in Municipality Act, 2013 was enacted to provide community participation for performing & discharging certain functions and duties of the municipalities. | Govt. of Punjab, Department of Legal and Legislative Affairs. Notification no.34-Leg/2013 dated 16.04.2013 |
| | State suitably amended The Punjab Lokpal Act by including the elected representatives under it in order to introduce the concept of Local Body Ombudsman in ULBs. | Govt. of Punjab, Department of Legal and Legislative Affairs. Notification no. 22-Leg/2013 dated 26.03.2013 |
| | As recommended, Service Level Benchmarks for major civic services like water supply, sewerage, solid waste management were measured and published for each ULB. | Govt. of Punjab, Department of Local Govt. (LG-4 branch) Notification no. 5/177/2011-1 LG/4/2541 dated 20.12.2012 |
| | As recommended Double Entry Accounting system was implemented in ULBs by empanelling Chartered Accountants for the purpose. | Govt. of Punjab, Department of Local Govt. (Accounts branch) Notification no. DCFA-DLG-08/9147-9310 dated 17.03.2008 |
| | The concept of Technical Guidance & Supervision in the sphere of audit of the accounts of ULBs by Comptroller & Auditor General of India as per the recommendation of 13 th Central Finance Commission as well as of State Finance Commission was implemented in ULBs. | Govt. of Punjab, Department of Finance Notification no.7/87/10-3 FE3/1009-1013 dated 30.08.2011 |
| | A separate committee of the State Legislature was formed namely Local Bodies and Panchayat Raj Committee to inspect the audit paras of the ULBs. Now, the audit reports of ULBs are also placed before the Committee for inspection and review as | Govt. of Punjab, Punjab Vidhan Sabha Secretariat Notification No. 2311/CLB/2016-17/17060 dt.16.09.2016 |

| Sr. No | Recommendation&Action Taken | No and date of Circular/ Notification of Govt. |
|--------|---|--|
| | recommended by the SFC as well as CFC. | |
| | Funds received as per the recommendation of SFC were transferred to ULBs electronically through RTGS directly in their accounts. | Govt. of Punjab , District Treasury Office Doc. No.99906776841 dt.15.06.2016 |
| | As per the recommendations of 13 th Central Finance Commission, Fire Hazard Response and Mitigation Plans were notified for Ludhiana and Amritsar towns. | Govt. of Punjab , Department of Local Govt. (Fire Wing) Notification No.SA2-DLG-TSC-13/4 Dt.23.01.2013 |
| | As per the recommendations of CFC, Property Tax Board was constituted and duly notified. | Govt. of Punjab , Department of Local Govt. (LG-3 Branch) Notification No.2/7/2012-5LLG3/846 dt.28.03.2013 |
| | In order to improve the own resources of ULBs, the Punjab Outdoor Advertisement Policy, 2012 was notified for the ULBs. | Govt. of Punjab , Department of Local Govt. (LG-3 Branch) Notification No.11/2/2012-5lg3/3233 dt.07.12.2012 |
| | Under the provisions of Right to Information Act, 2005, the Punjab Right to Information (Disclosure of information by public authorities providing services in Municipalities) Rules, 2012 were notified. | Govt. of Punjab , Department of Local Govt. Notification No.G.S.R.35/C.A.22/2005/SS4 and 28/2012 dt.18.07.2012 |