

REPORT

OF THE

FINANCIAL RELATIONS COMMITTEE

APPOINTED

G.O. No. 1193 M., dated 30th August 1920.

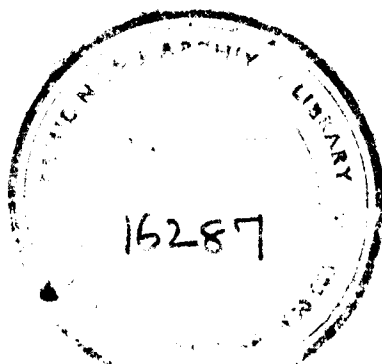
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THE FINANCIAL RELATIONS COMMITTEE

(G.O. No. 1193 M., DATED 30TH AUGUST 1920.)

CONSTITUTION.

1. Khan Bahadur Muhammad Habib-ul-lah Sahib Bahadur, C.I.E.
(Chairman).
2. M.R.Ry. Diwan Bahadur M. Ramachandra Rao Pantulu Garu.
3. The Hon'ble Rao Bahadur V. K. Ramanuja Achariyar Avargal.
4. " " N. Subba Rao Avargal.
5. " Mr. V. Madhava Raja.
6. M.R.Ry. Rao Bahadur S. Kumaraswami Reddiyar Avargal.
7. " Diwan Bahadur K. Suryanarayanamurti Nayudu Garu.
8. " T. A. Ramalingam Chettiyar Avargal.
9. The Surgeon-General.
10. The Sanitary Commissioner.
1. The Director of Public Instruction.
2. The Chief Engineer, Public Works Department.
3. The Examiner of Local Fund and Municipal Accounts.
4. Mr. F. J. Richards, I.C.S.
5. The Hon'ble Mr. E. S. Lloyd, I.C.S.
6. The " P. Siva Rao.
7. M.R.Ry. N. Gopalaswami Ayyangar Avargal (Secretary).

NOTE.—The Hon'ble Mr. E. S. Lloyd, I.C.S., was appointed to the Committee in G.O. No. 28 M., dated 4th September 1920. The Hon'ble Mr. P. Siva Rao was added in G.O. No. 32 M., dated 9th October 1920, but did not attend any of the sittings.

REPORT OF THE FINANCIAL RELATIONS COMMITTEE.

INTRODUCTION.

We, the undersigned members of the Committee appointed in G.O. 193 M., dated 30th August 1920, have the honour to submit the following report.

We were appointed to examine, in the light of the recommendations made by the Local and Municipal Conference held in July last, the administrative and financial relations subsisting between the Government and local bodies, to report thereon and to make specific recommendations as to the further action to be taken.

3. We have exceeded the time—the 15th October—fixed for the submission of our report. And it has not been possible for us to investigate all the problems which the terms of reference raised for solution. They practically embraced the whole field of local self-government in urban and rural areas. We have, however, covered wide ground working against time, and without the help which committees of this nature usually get in the shape of the oral evidence of witnesses engaged actually in the work of local administration.

4. We commenced our work on the 23rd October and sat continuously till the 27th idem. We have met again to-day to adopt our report.

The other members of the committee place on record their appreciation of the invaluable help given to them by Mr. Richards and Mr. N. Gopalaswami Ayyangar, whose lucid notes on each of the subjects discussed by the committee have considerably lightened their work.

5. The report is divided into five parts. In Part I we draw pointed attention to a matter which has been sadly neglected in the past, namely, the need for distinguishing 'capital' from 'ordinary' expenditure and the desirability of financing the former out of loans. We also indicate the steps that might be taken for raising the loans required for meeting such expenditure. Part II discusses the general principles of State aid and in Part III those principles are applied to the different services looked after by local bodies and specific recommendations made as to how the expenditure on a service should be shared between the Government and local bodies. Part IV deals with the development of local resources under the two main heads of taxation and remunerative enterprise. In Part V are gathered a few suggestions as to the reform of the present system of accounts and of their audit. A summary of the more important recommendations contained in the body of the report will be found in Appendix A.

PART I.

CHAPTER I.—CAPITAL EXPENDITURE AND A LOAN POLICY.

Capital Expenditure.

6. For the guidance of financial policy, we consider it of the highest importance that a clear distinction should be drawn between 'capital' and 'ordinary' expenditure. We accept the definition given by the Local

and Municipal Conference of capital expenditure, viz., all which adds to the local body's assets and is incurred for the acquiring something which is of permanent value or can be employed—'works of permanent utility', as the Graham Committee. Ordinary expenditure is 'for municipal subsistence', expenditure increases 'the municipal estate'.

7. While these definitions are easily formulated in their application to concrete items of expenditure is not. Everybody will agree that a new building or bridge, the new road or the purchase of a motor lorry or steam road-roller treated as capital expenditure, but opinions differ as to what culverts and road dams, the renewals of the road surface, sumptuous, or books for a school library should necessarily be the purposes of municipal accounting. We do not, however, undertake the classification of all items of local and municipal under 'capital' and 'ordinary,' a task which the Accountant is more competent to essay.

8. A heavy programme of capital expenditure lies ahead. Water-supply and drainage schemes for important towns, town-planning and housing, school and hospital buildings awaiting early attention. The development of sources of local revenue other than taxation—for example, land development, transport services like railways and motor lorries, markets, tree-planting—requires initial heavy investments in the shape of capital expenditure. The requirements of local bodies for capital expenditure during 1921-22 have been roughly estimated as follows :—

Forecast of capital expenditure of local bodies in 1921-22.

Purpose. (1)	Demands of municipal councils. (2)	Demands of district boards. (3)	Total of columns (2) and (3). (4)
	RS.	RS.	RS.
1. Education	1,46,900	10,000	1,56,900
2. Markets and slaughter-houses	5,76,500	..	5,76,500
3. Medical	58,800	..	58,800
4. Railways	..	64,75,000	64,75,000
5. Roads and bridges ..	84,000	13,50,185	14,34,185
6. Sanitation	2,37,700	..	2,37,700
7. Town extension and relief of congestion ..	21,27,140	3,19,800	24,46,940
8. Water-supply and drainage schemes	15,02,178	2,97,500	17,09,678
9. Municipal and District Board office buildings.	45,000	20,000	65,000
Total ..	47,78,218	83,82,485	1,31,60,703

We have no doubt that the need for capital expenditure will grow in the years to come.

Financing Capital Expenditure.

9. It is hopeless to think of financing such large demands for capital expenditure out of current revenues unless we are prepared to starve necessary services, or to put off progress indefinitely. Loan funds have to be resorted to for the purpose. The Local and Municipal Conference recommended that capital expenditure should be met out of loan funds. We agreed to this general proposition. There are, however, two qualifications to it—

(1) In all systems of governmental finance, when surpluses of ordinary revenue over ordinary expenditure are actually realized, they are legitimately diverted to expenditure of a capital nature.

(2) There are again items of capital expenditure which involve petty amounts, such as the annual additions to a school library, medical instruments, furniture, etc., for financing which it is inconvenient to resort to borrowing. The local body should have freedom to meet such items out of its ordinary receipts.

We are not therefore prepared to lay down a rigid rule that all capital expenditure should be financed out of loan funds. While we would emphasize the rule that it should *ordinarily* be so met, there is no objection to its being charged to current revenues in cases where either an actual surplus has been realized or where the expenditure is limited and can be more conveniently and without detriment to the needs of ordinary expenditure, met out of current revenues.

10. As regards the policy to be pursued in the matter of raising loans we cannot continue to rely on the policy of the past which has been characterized by undue timidity—a failing which, in this country, local finance has shared with imperial and provincial finance. The total amount of the loans outstanding against local bodies is insignificant. The following figures illustrate the fact :—

Amount outstanding on 31st March 1919.

	IN LAKHS.
	RS.
Local Boards	42.98
Municipal Councils	31.37
Total ..	74.35

A forward loan policy.

11. A forward policy is absolutely necessary and we desire, in this connexion, to draw attention to the report of Committee No. VII of the Local and Municipal Conference (Appendix B). We agree with that Committee in the view that the loan requirements of local bodies would best met by a combination of the three following courses :—

- Direct borrowing by local bodies.
- Borrowing by the Local Government.
- Borrowing through the Government of India.

12. We would lay emphasis on the need for encouraging the first of these three courses. The appearance of local bodies in the money market is almost unknown in India, except for the amounts which have been raised

by the great City Corporations and the Improvement Trusts of Calcutta and Bombay. We are, however, of the opinion that education should be afforded to lesser authorities also by inducing them to raise loans of their own. We would suggest two courses for giving this education—

(i) A Government backing should be given to the credit of the local body in the shape of guaranteeing the payment of interest and repayment of principal. The Local Authorities Loans Act and the Town Planning Act allow of this being done.

(ii) Applications to Government for loans below a certain amount from the richer local boards and municipal councils—e.g., the Tanjore, Kistna, Coimbatore and Tinnevely district boards and the Madura and Trichinopoly municipal councils—should be refused by the Government except when attempts to raise them in the open market have failed.

In England the Public Works Loans Board, under directions from the Treasury, have been refusing advances out of the Local Loans Fund to local authorities whose rateable value exceeds £200,000. For loans of small amounts under a lakh—for school and hospital buildings, for remunerative enterprises like motor transit—we consider there is plenty of local capital available in each district which can be attracted to loans issued locally.

13. Borrowing by the Provincial Government, either direct from the open market or through the Government of India, will be necessary for financing two classes of local needs, viz.—

(i) the amount which local bodies need as loan and which they are unable to raise themselves,

(ii) the amount which the Government should contribute as their share of capital local expenditure.

The second will appear merely as a grant in local accounts, but, if the principle is sound that all capital expenditure should be financed ordinarily out of loans, it is applicable to provincial finance as well; and the Government will have to provide in the ordinary provincial budget for payment of interest on, and repayment of, such amounts.

14. The ability of lesser authorities than the Government of India to float loans of their own successfully on the market is already being demonstrated. It may be that the Provincial Government or a local body may have to pay a slightly higher rate of interest, but it is worth paying in view of the education it affords in loan financing, though it is not unlikely that certain forms of developmental loans may find more favour and be raised more cheaply in a local market where the effects of the expenditure of the loan can be appreciated. Local patriotism and vigorous local propaganda may also help. As to rates of interest, Mysore has recently issued a $6\frac{1}{4}$ per cent loan, Bombay a $6\frac{1}{2}$ per cent loan and the Calcutta Improvement Trust has asked for sanction to issue a 7 per cent loan all income-tax free. In raising the Provincial Government's requirements for loans to local bodies, we should prefer provincial borrowing direct from the market to borrowing through the Government of India. The disadvantages of the latter are—

(i) that we should be dependent, along with many others, on the convenience of the Government of India; and

(ii) that we should be subjected to even closer control than that which the Government of India have already secured over the time and

terms of provincial borrowing in the Loans Rules recently issued under the Government of India Act.

We, however, feel that, in the case of loans required for railway development, cheapness of capital is of paramount importance, and we would therefore recommend borrowing through the Government of India—if better terms can thereby be obtained—in spite of the disadvantages mentioned above.

A Local Loans Fund.

15. In agreement with the Local and Municipal Conference we recommend the formation of a Local Loans Fund. The administration of such a fund is best left to a body of special commissioners, corresponding to the Public Works Loans Commissioners in England. The fund must be comprehensive, covering all central loaning to local bodies for capital expenditure, and will probably have to be split up into—

- (a) a land development branch;
- (b) a local railways and other transport branch;
- (c) a water and drainage branch; and so on.

The constitution of a body of special Local Loans Commissioners will probably require legislation which, we recommend, should be undertaken at an early date. Until such legislation is undertaken, the Government might discharge their functions.

16. The investment of sums not required for expenditure immediately by local bodies is now managed mostly by the Accountant-General and is made by him either

- (a) in Government securities, or
- (b) in the loan stock issued by corporations like Calcutta, Bombay, Rangoon and Karachi.

We would strongly advise that such sums should be invested in the Local Loans Fund when it is constituted. This would place funds of no small magnitude in the hands of the Local Loans Commissioners, as the following figures will show :—

	1918-19.
	LAKHS.
Railway cess accumulations	125.98
Provident Fund investments by local boards	13.92
Trust funds managed by local boards	11.71

17. In the limited time at our disposal, it has not been possible for us to deal with the details of a loan policy for local bodies. Nor do we feel ourselves competent to do so. We would recommend the appointment of a separate expert committee—including persons versed in financial matters—to report on the matter. They may, in the light of the general observations we have made above, advise as to the conditions under which loans may be raised by and for local bodies, the terms on which the Provincial Government may advance loans to them, the classes of loans that may be raised and the best way of feeding the Local Loans Fund.

PART II.

CHAPTER II.—PRINCIPLES OF STATE AID.

Present needs.

18. The services entrusted to local bodies concern the health and well-being of every man, woman and child in this Presidency. These services are not as well administered as they might be. Roads generally are in indifferent condition, sections even of trunk roads have fallen into disuse; many rivers are unbridged and some bridges are unsafe; schools are too often housed in dark unventilated buildings and a full cadre of qualified teachers cannot be had at the salaries offered. Hospitals and dispensaries are frequently located in old, unsuitable buildings, some of which are collapsing from want of repairs and others are in more or less urgent need of repair, enlargement, whitewashing, painting, and modernization. Most of them are insufficiently equipped, while none of them have nurses. The staff is in most instances insufficient in number and paid a lowest possible living wage and indeed in some cases they are not paid even a living wage. Sanitation is still in its infancy; in rural areas it hardly exists; disposal of refuse is primitive; only one town is equipped with a drainage system and only 29 out of 73 municipalities have a protected water-supply; almost nothing is done to combat malaria and the existence of such endemic diseases as hookworm and tuberculosis is ignored.

The reason for this state of things is not far to seek. Local bodies have not, even at the maximum levels of taxation allowed by law enough money to discharge their duties properly. In fact we consider they have on the whole done remarkably well with resources so slender.

Historical retrospect.

19. The history of State aid to local bodies in this Province may here be briefly summarized.

Up to 1884.

20. *A. Municipalities.*—In 1850 the Bengal Act X of 1842 was extended to Madras by Act XXVI of 1850—a permissive measure which could be introduced in any area the inhabitants of which desired to make “better provision for making, repairing, cleaning, lighting or watching any public streets, roads, drains or tanks or for the prevention of nuisances, or for improving the town in any other manner.” Each town had to raise its own funds by by-laws. The Act (XXVI of 1850) was a dead letter.

21. The next move was voluntary association and private subscription, the Government giving a grant equal to the amount so raised. This State progress in 1863-64 totalled Rs. 22,729 and was shared by five towns.

22. The Towns Improvement Act, 1865, empowered the Government to fix the amount which a municipality must raise for ‘obligatory’ expenditure, and bound the Government to contribute a sum equal to one-fourth of the amount so levied. The Member in charge of the Bill justified this statutory contribution on the grounds—

(1) that the cost of Town Police should be shared between the local body and the Government—i.e., the Town Police was then recognized as a semi-national service; and

(2) that Government should be interested in economising local expenditure, as extravagance would result in an increase of the Government share.

These principles are pertinent to our discussion.

23. Madras was hard hit by the financial arrangements consequent on Lord Mayo's decentralization and the Towns Improvement Act, 1871, relieved the Government of their 25 per cent contribution. This roused opposition, and the Government compromised by undertaking the whole cost of Town Police. The famine of 1877-78 upset things again and by Act VII of 1878 municipal rates were again saddled with a share—up to 75 per cent—of Town Police charges.

24. In 1881 municipalities were relieved finally of these charges, and required to undertake instead the cost of education, medical relief and roads.

25. *B. Local Boards.*—Road funds were created by executive order in the fifties a fraction of the land revenue being retained or a surcharge levied for the upkeep of roads other than trunk roads and important district roads. The funds—which were spent by the Collector and district engineers—were supplemented by sale proceeds of avenue clippings, grass rents, ferry tolls, fisheries, and cattle-pounds. In 1866, the sums so credited amounted to Rs. 6½ lakhs.

26. The District Road Cess Act of 1866 authorized a six-pie cess on the annual value of all lands on whatever tenure held, and raised local fund receipts by 1867-68 to Rs. 26 lakhs. At this stage (1864-65) the imperial grant for roads in this Presidency was over 17 lakhs of rupees.

27. The Local Funds Act, 1871, raised the maximum rate of cess to one anna and threw on local boards the cost of education and medical relief. Unfortunately at this very moment the financial difficulties brought on by Lord Mayo's decentralization scheme led the Madras Government to rid themselves of irksome charges by thrusting them on local bodies. The cost of construction and maintenance of all trunk roads, the whole expenditure on elementary education and vaccination, and the charges for medicines formerly borne by Government in dispensaries, and for travellers' bungalows and choultries were all transferred to local funds between the years 1872 and 1874, and by 1876 the saving to the State expenditure was calculated to be Rs. 21½ lakhs per annum*, and a tradition established from which local bodies are only now recovering.

After 1884.

28. Acts IV and V of 1884 imposed additional burdens on local bodies, and without State aid they could not carry on. The following table shows roughly the growth of provincial contributions during the past 36 years :—

Year.	Municipalities.		Total expenditure excluding debt heads.	Provincial grant.
			Rs.	Rs.
1889-1890	..	..	18,66,383	84,387
1899-1900	..	..	28,71,064	4,00,598
1909-1910	..	..	51,63,521	4,89,554
1918-1919	..	..	98,59,504	12,48,486

* See paragraph 160 of the report of the Local Self-Government Committee of 1881.

Year.		Total expenditure excluding debt heads.	Provincial grant.
	Local Boards.	RS.	RS.
1889-1890	.. ..	66,96,417	3,02,265
1899-1900	.. ..	81,96,306	5,94,333
1909-1910	.. ..	1,24,61,279	21,58,123
1918-1919	.. ..	2,06,13,036	87,14,804

Present principles.

29. The remarkable growth of State subsidies during the past ten years is due partly to an increasing recognition of State responsibility for communications, education and sanitation, and partly to the fact that the Government of India had large surpluses to dispose of.

30. The allocation of these grants to the several services in 1918-19 was as follows :—

Services.	Local Boards.	Municipalities.
	RS.	RS.
	IN LAKHS.	IN LAKHS.
Communications	32·84	0·67
Education	28·99	6·50
Public health	5·77	5·95
In aid of general resources	18·60	0·36
Choultries	0·95	..
Total ..	87·15	13·48

31. We are unable to trace any uniform principles governing the distribution of these grants among the several services or among different local bodies. We have gathered the impression that State policy has not kept pace with the growth of surplus revenues and their adjustment to public needs. In some cases the terms on which the grants are made are in our opinion too stringent, in other cases too lax. Grants are given for parochial purposes, while matters of imperial importance are neglected. The demand for grants has “degenerated into something like a scramble” and their distribution has been made with very little attention to reason. For instance—

(1) Under communications grants are given for culverts and bridges, ordinary maintenance of roads, and special repairs to roads affected by restrictions of railway traffic.

(2) Under education grants are given for new schools, for raising the salaries of masters, for loss of fee income, for capitation allowances, for furniture and equipment.

(3) Under public health—specially minor sanitation—grants are given for building or repairing latrines, improving cess-pools, levelling pits and pools, clearing prickly-pear and similar petty items.

(4) Grants in aid of general resources are distributed without examining the financial position of each local body assisted, and richer bodies obtain more than poorer ones.

(5) Grants from current revenues are given for financing capital expenditure both of a productive and non-productive character.

(6) Separate accounts have in recent years been insisted on in respect of some of these grants, but not in respect of others.

(7) Usually grants are paid *before expenditure is incurred*, with the result that some local bodies accumulate large balances which they cannot spend, while others, who could spend, cannot get money for their schemes.

Principles proposed.

32. Such anomalies call for reform and the introduction of the new District Municipalities and Local Boards Acts is opportune for a review of the whole position. We shall endeavour to formulate a few definite, easily understood, principles for regulating provincial subsidies, with the double object of enabling (a) each local body to forecast with certainty what help it may expect from the Government, and (b) the Government to know what their commitments are.

33. The first point for decision is whether grants should be made in aid of general resources or for specific services or both.

34. General grants-in-aid are open to the following objections :—

(1) It is difficult to find a just basis for their distribution, or one that will not fluctuate from year to year.

(2) It is unfair on the general tax-payer that he should contribute to the cost of all local services, in some of which he has no interest.

(3) No assurance can be given to the general tax-payer that his money will be usefully and economically spent.

35. We consider there is force in these objections, and that the general tax-payer is entitled to insist on a *quid pro quo*. We are therefore in favour of grants for specific services based on expenditure, and in only three cases would we depart from this principle. The three exceptions are—

- (1) specially poor bodies,
- (2) pilgrim centres and
- (3) sanatoria.

These we discuss in paragraph 43 below.

Grants for semi-national services.

36. The next point for decision is ‘To what services should the State contribute?’

37. The Departmental Committee on Local Taxation in England (1914) laid down the proposition—and this has been referred to with approval by the Graham Committee—that Government grants should be restricted to *semi-national services*. We accept the formula, but it does not carry us far, for there is hardly a service administered by local bodies in this country in which directly or indirectly the Central Government is not concerned. In short, between semi-national services and those of a parochial character, it is difficult to draw any but an arbitrary line.

38. Under the reformed constitution the financial and administrative position of the Madras Government will be more independent than hitherto, but we are aware that the tax resources allocated to this province under the Scheduled Taxes Rules are limited, and that for the next seven

years a heavy contribution has to be paid by this province to the Government of India. We realize also that any discrimination we may now make between local and semi-national interests may require revision as ideas and policy change. We shall endeavour therefore to suggest a distribution which will be within the range of practical administration.

39. Semi-national services may be either *centrally or locally administered*. If the proposition that the cost of semi-national services should be shared is correct, it would logically follow that a local body should contribute to those centrally administered. We would, however, lay down a general rule—subject to such exceptions as we may indicate in the sequel—that where a service requires to be *centrally administered*, the entire financial liability should rest with the State, and there should be no contribution from the local body. It is a well-recognized principle that all expenditure should be either administered or controlled by the authority which pays for it. The Central Government has large statutory powers of control over local administration and expenditure, and it is open to them to insist on economy and efficiency in the local administration of services for which they assume entire or partial financial responsibility. On the other hand, a local body, by the fact of its subordination to the central authority, cannot exercise control over centrally-administered services. It is these considerations that have influenced us, for instance, in suggesting that contributions from local bodies for the maintenance of headquarter hospitals should be abolished, and that the administration of trunk roads may be left in the hands of local bodies.

Purposes of State grants.

40. We need consider then only such semi-national services as are locally administered and the question arises : 'On what principles should the financial burden of each service be shared ?'

41. It is impossible to measure with exactitude the degree to which the Central Government or a local body is interested in a particular service, but a Government grant is more than a gift of money ; it is—or should be—a means of control, and it is helpful to examine the purposes which State subvention may be made to serve.

(1) A grant may represent the money value of the interest which the Central Government—on behalf of the general tax-payer—has in the efficient performance of the service or of the benefit derived therefrom. This value varies with time and place.

(2) A grant may enable the Government to ensure a minimum standard of efficiency in a particular service.

(3) A grant may be a means of stimulating a local body to adopt improved methods or undertake an experimental measure which it would otherwise be unable or unwilling to do.

(4) A grant may be used to improve the efficiency of the staff employed on a particular service, if it is conditional to the appointment of men specially qualified and to the offer of prospects, pecuniary and otherwise, which will attract men of the stamp required. The grants given in England towards the pay of district medical officers of health, inspectors of nuisances and road engineers are of this kind, as also those proposed by us for the provincialized service of health officers and engineers.

(5) A grant may also serve to correct the inequalities which, from economic or other causes, exist between the resources of one local body and another.

Each service, each branch of service, requires separate examination in the light of the foregoing considerations, and must be dealt with on its merits ; and it may be that different local bodies must be treated differently in respect of the same service. These principles will be kept in view when we deal with the services in detail.

Types of grants.

42. Grants based on expenditure may be of various types. In our detailed recommendations we have confined ourselves to the following :—

(i) A percentage of the total expenditure on a service or part of it, e.g., hospitals, dispensaries and veterinary institutions.

(ii) A percentage of some specific item of expenditure on a service, e.g., salaries of health officers and engineers.

(iii) The whole of some specific item of expenditure, e.g., salaries of medical subordinates employed in anti-malarial work.

(iv) The whole or a percentage of expenditure subject to a maximum lump amount per unit of service, e.g., a grant per mile for trunk and district roads.

Exceptional grants.

43. In three cases only would we permit a departure from the principle of grants for services rendered, and, in these cases, only if necessity is proved.

(a) *Compassionate grants*.—It may happen that a local body, after taking credit for such grants as are ordinarily allowable, may be unable to meet its own share of liabilities without injury to the efficiency of its administration, or without raising taxation to an impossible height. Such cases require special treatment. Logically, in such cases, relief, if given, should be in the form of an extra percentage or extra amount per unit of the cost of services for which ordinary grants are allowable. We would, however, prefer, for the sake of simplicity, to meet such cases by a compassionate grant in aid of general resources. Such grants should be made only after a thorough examination of the financial position of the local body concerned, and care should be taken that the grant is not misused as a means of avoiding a reasonable increase in taxation or as an excuse for lassitude in developing other resources.

(b) *Pilgrim centres* require a specially high standard of sanitary service as, for obvious reasons, they are specially susceptible to infection and, if once infected, they become centres for the dissemination of disease through a very large area indeed. It is true that taxation is leviable from pilgrims resorting to such places and that a contribution may, under section 128 of the Local Boards Act, 1920, and section 156 of the District Municipalities Act, 1920, be levied from persons having control over places of pilgrimage—privileges which ordinary towns do not possess—but this does not absolve the Government from the duty of ensuring that all possible precautions are taken, cost what they may, and if local resources are inadequate the State must intervene.

(c) *Sanitaria*.—The efficiency of sanitation and medical relief in sanitaria is also a matter of State interest though not in such high degree as in places of pilgrimage. Sanitaria are resorted to by people from all over this Presidency and from other provinces too. It should be, we consider, a point of honour for the Government to ensure that they are efficiently administered, and it would be unfair to compel the residents

of such towns to defray from their own resources the whole cost of administering their services at the topmost level of efficiency.

In this connexion we would urge the necessity of developing under State auspices other exceptionally healthy localities as sanatoria for the benefit of those who, for reasons of health or poverty, cannot resort to a hill station for cure or convalescence. The names of Waltair, Madanapalle and Courtallam have been suggested to us, and the list might well be amplified.

Grants for capital expenditure.

44. The principle that capital expenditure should ordinarily be met out of loan funds and not out of current revenues, applies equally to provincial finance. Ordinarily, therefore, grants towards the capital expenditure of local bodies should be made out of borrowed funds; for building and equipment, grants should ordinarily be made at the same percentage as that allowable in subsidizing the ordinary expenditure of the same service. The case of water-supply and drainage in towns is special, and is dealt with in Chapter V below.

Payment of grants.

45. The unspent balances of provincial grants for various purposes at the end of 1918-19 with local boards was Rs. 53.92 lakhs, and with municipalities Rs. 21.55 lakhs. Some of these grants had been unutilized for years. The grants were all paid in full in advance, with no such incentive for spending them as there would be if payment were made only for work done. This system of pre-payment is unsound and an offence against the general tax-payer, whose money gets locked up with bodies who cannot spend it promptly, to the detriment of bodies who can. We are in favour of a system of post-payment, because—

- (a) it would ensure control by the Central Government, and
- (b) it would prevent the accumulation of unspent balances.

46. Post-payment, however, need not imply that no payments can be made till a work is completed. If no portion of the grant for a service or work is paid until all the expenditure on it has been incurred, few local bodies will be able to find funds to carry on with. A considerable share of the expenditure on locally administered services has to be met from provincial grants, and in the case of local boards, their principal revenues begin to come in only in the last quarter of the official year. It is important, therefore, that grants towards ordinary expenditure should be paid in instalments, the final instalment being payable only after the actual expenditure for the year is ascertained and after such inspection or approval as the central authority may prescribe. In the case of large grants for specific works a system of instalment credits may be devised, a central authority being constituted for issuing letters of credit, and a central fund created for such authority to operate upon. For the sake of simplicity of account-keeping, it is necessary that the instalment advances in a year are as few as possible.

Control.

47. It is the duty of the Government to insist that all grants from provincial funds are spent to good purpose. Failure in this would be a grave disservice to the general tax-payer, but meticulous interference

with a local body's freedom is likely to defeat its own end. The theory that increased subventions should be accompanied by increased control was discountenanced by the Decentralization Commission, and rightly so. Control over the details of administration is contrary to the spirit of recent legislation. Control is necessary, but we would confine it generally to the scrutiny of broad results, and it should be made effective by financial pressure, rather than by executive order. No grants should in our opinion be sanctioned, except on the clear understanding that the Government are at liberty to reduce or withhold them, if the services for which they are intended are not efficiently administered.

48. For the exercise of such control it is necessary that the Government should be supplied with information. The usual forms in which such information is furnished are—

- (a) Inspection reports.
- (b) Audit reports.
- (c) Plans and estimates.
- (d) Reports and returns.

49. Inspection tests the efficiency of the expenditure on a work. The district collector has the right to enter on and inspect any work of any local body, or depute somebody else to do so. The Government have also powers to appoint other officers to inspect and superintend the work of all or any local bodies. In this connexion the question of creating an *ad hoc* inspectorate of works was discussed by us, and we came to the conclusion that such an inspectorate is unnecessary and would lead to friction because it would be tempted to justify its existence by unnecessary interference in the details of local administration. The inspection of local fund and municipal works by Government public works officers is at present unsystematic. More frequent inspection and of a better quality is desirable. We would, however, provide for this by adding, if necessary, more superintending engineers to the staff of the Government Public Works Department, curtailing the territorial jurisdiction of each and thus leaving them more time for inspection of local and municipal works.

50. Audit is useful in discovering diversions of provincial grants for purposes other than those for which they were made. The powers of audit officers have been greatly strengthened under the new Municipal Act and we have recommendations to make as to the more efficient organization of audit work.

51. The Graham Committee recommended that careful scrutiny of plans and estimates for works executed with the aid of Government grants should be insisted on. We think this is essential in the case of large works. The District Municipalities and Local Boards Acts provide for the making of rules by Government for this purpose.

52. Rule making powers also exist enabling the Local Government to call for returns and reports which are useful for the purpose of watching the progress of expenditure.

53. Though ample statutory facilities exist already for the exercise of control, we would draw prominent attention to the desirability of avoiding the danger which might be considered to be inherent in our proposals for increased Government subventions to the various services, namely, frequent applications to Government for consent to petty increases of establishment charges. We consider that, in the case of establishments the cost of which is partly financed by Government, local bodies should

be authorized to vary within certain limits and in consultation with the heads of Government departments or their representatives in the districts, the scales of pay, etc., of these establishments, and that the previous consent of Government to share increased expenditure in consequence of such variations should be dispensed with. The following limits are suggested :—

(i) Local bodies should have full authority to sanction increases up to 10 per cent of the expenditure or Rs. 600 per annum—whichever is higher.

(ii) Above 10 per cent and up to 25 per cent or Rs. 1,200 per annum—whichever is higher—they should have authority to give effect to increases, subject to the submission of an annual consolidated statement to Government.

(iii) Increases above 25 per cent or Rs. 1,200 per annum—whichever is higher—should require the previous concurrence of Government.

PART III.

THE SERVICES.

CHAPTER III.—COMMUNICATIONS.

Previous history of grants.

54. The construction and repair of the great highways of commerce, of the military and pilgrim routes have always been the concern of the State. As early as 1856 the Madras Government decided 'that trunk roads and certain district roads should be made and kept up at the cost of the State'. Later when, in the course of the discussion of the Local Funds Bill of 1871, complaint was made that it was unjust to throw the maintenance of trunk roads on local funds, the member in charge (Mr. A. J. Arbutnot) assured the Legislative Council that the immediate object of the Bill was 'merely to provide additional funds for the construction of cheap roads which should connect villages with district roads.' On the introduction of the Local Funds Act, 1871, the Government made a contribution of 11½ lakhs for 'imperial roads transferred to the care of local funds.' The exigencies of provincial finance, however, soon compelled them to begin withdrawing the grants for roads, and the development of the railway system furnished them an excuse for doing so. The following figures illustrate the rapid extinction of the grant for roads :—

Provincial grants for roads.

	LAKHS.						
	RS.						
1874-75	..	..	..	..	..	..	11.57
1875-76	..	..	..	..	..	..	11.45
1876-77	..	..	..	..	..	..	2.48
1877-78	..	..	..	..	..	..	1.18
1878-79	..	..	..	..	..	..	.70
1879-80	..	..	..	..	..	..	.65
1880-81	..	..	..	..	..	..	.33
1881-82	..	..	..	..	..	..	.67

55. The Local Boards Act of 1884 brought no relief in this respect to district boards. So late as 1909, the Decentralization Commission noticed the fact and recommended that 'routes of general trade or through traffic should be maintained by Government'. But up to the end of the year 1919-20, the provincial Government had not definitely assumed any recurring liability for the maintenance of trunk or other roads, though grants of a more or less sporadic character have been made from time to time during recent years mainly for special repairs or renewals of important roads and for the construction of bridges and culverts. The amounts of these grants are shown in the following table :—

Provincial grants to local boards.

Year.	Grant for special repairs and renewals.			Bridges and causeways.	
(1)	(2)			(3)	
1909-10	..	..	..	..	..
1910-11	..	..	..	..	..
1911-12	..	..	..	3.98	..
1912-13	..	..	..	4.0	3.0
1913-14	..	..	..	8.0	8.0
1914-15	..	..	..	8.0	5.98
1915-16	..	..	..	5.26	..
1916-17	..	..	..	..	2.53
1917-18	..	..	..	5.00	4.79
1918-19	..	..	..	25.00 (a)	7.84
1919-20	..	..	..	11.00 (b)	2.91

(a) Includes 20 lakhs from provincial balances

(b) Includes 6 lakhs from provincial balances.

* Includes the amount paid for bridges and causeways also, details not being available.

† Includes 5 lakhs for poor district boards.

Recent grants.

56. The amounts in column (2) up to 1914-15 were distributed on considerations partly of the 'poverty' of certain boards and partly of the condition and needs of trunk roads. The 5 lakhs grant, started in 1917-18, and repeated annually since, was an attempt to correct the inequalities caused by the distribution of the 14 lakhs grant among boards rateably according to their land cess receipts. The 26 lakhs grant distributed in 1918-19 and 1919-20 was for special renewals of roads damaged owing to restrictions of railway traffic, and we have reason to think that the choice of such roads and the allotments made for them proceeded upon no intelligible principle. The grants for bridges entered in column (3) have been distributed on the principle of "first come, first served," and were moreover current funds used for capital expenditure.

The fourteen lakhs grant.

57. The 14 lakhs grant-in-aid of general resources was originally made from imperial funds, and was intended to represent an addition to local board resources equivalent to one-fourth of their receipts from land cess. With the growth of the income from land cess, the amount of this

grant had also to grow, but as the imperial assignment was a fixed one, the Local Government had to make up from provincial funds the difference. Later, when certain taluk boards in Malabar and South Kanara undertook to levy an additional land cess in excess of one anna, the Government made a grant of an equivalent amount to those boards. That amount was also added to this grant. In 1917 it amounted to Rs. 17.28 lakhs, at which figure it was stereotyped.

58. How large a part a definitely recurring grant of this type—though not ear-marked for any particular service—has played in the financing of the total expenditure on communications will appear from a comparison of column (3) of the following table with the totals of columns (2) and (3) of the table in paragraph 55 above :—

Year.	Local Boards.	
	Total expenditure on communications.	Expenditure from Provincial grants.*
(1)	(2)	(3)
1909-10	53.51	..
1910-11	53.75	11.99
1911-12	56.66	13.64
1912-13	64.66	16.00
1913-14	65.58	15.39
1914-15	72.86	19.48
1915-16	71.77	19.21
1916-17	58.75	13.25
1917-18	63.98	13.45
1918-19	75.92	19.79
1919-20	..	..

* Includes expenditure from the 14 lakhs grant in aid of general resources.

59. The district boards were definitely promised, in G.O. No. 1856 L., dated 8th December 1917, a continuance of this grant, and have got accustomed to spending the larger portion of it on communications. We propose, later on, a method of perpetuating this grant, though, in view of the principles we have enunciated in Chapter II, it is necessary to adopt a new basis of distribution.

Classification of roads.

60. During recent years, the use of roads has greatly developed. The steady rise in the toll income of local boards and municipal councils attests this fact. Even for ordinary vehicular traffic, people have been slowly educated to demand a higher standard of maintenance than they would have been satisfied with ten years ago. The increase in the number of motors plying on roads accentuates the need for better quality, while the prospect of a great development in motor lorry services warns us to be prepared for quicker wear and tear of roads. On the top of all this is the increased cost of material and labour. It is unreasonable to expect the local rate-payers to shoulder all this increased burden without very substantial help from the State.

61. England, France and other countries have realized this fact and, for the purpose of deciding the title to, and the amount of, State assistance, have carried out a classification of roads. Their example deserves to be followed. We recommend that roads in local board areas should be classified into :—

- (a) First-class district roads or trunk roads.
- (b) Second-class district roads.
- (c) Third-class district roads.
- (d) Roads other than district roads.

We would restrict Government subsidies to the first two classes. The description of the four classes has been advisedly made in these terms in view of the provisions of the new Local Boards Act, which classifies roads into main or district roads and other roads. The maintenance of all main or district roads is a charge on district board funds, while other roads are a charge on union or taluk board funds, according as they are within or without the limits of a union board's jurisdiction. Trunk roads have therefore to fall within the category of 'district roads' under the Act as we agree in the view that their administration should be in the hands of the district board. When the new Act is put into operation, we expect the district board to relieve taluk boards of the charges of maintaining most of the existing 'taluk' roads and these would also get classed under the Act as district roads. But it would be unreasonable to expect the State to subsidize all of them also. Hence the necessity for dividing roads other than trunk roads into second-class and third-class district roads.

62. In municipal areas we would classify roads into—

- (a) Trunk roads, i.e., such roads as are portions of the first-class district roads referred to in paragraph 61.
- (b) District roads, i.e., such roads as are portions of the second-class district roads referred to in paragraph 61.
- (c) Streets, i.e., all roads which do not fall under (a) or (b).

We would recommend subsidies equivalent to the whole cost of maintenance for class (a) and half the cost for class (b) subject to a maximum per mile of double the rates fixed for such roads in local board areas.

63. The inclusion of a road in the category of trunk roads or second-class district roads should be made only under the orders of Government. They should, however, give their award only after circulating a preliminary list to the local bodies concerned and giving them an opportunity to make such representations as they may wish to make.

Trunk or first-class roads.

64. We recognize that no useful purpose will be served by attempting to define in precise terms what a trunk road is. But it should ordinarily possess one or more of the following characteristics :—

- (a) That it was originally an imperial road and maintained out of imperial funds.
- (b) That it is a trade route or line of through traffic between one district and another.
- (c) That a substantial portion of the traffic on it comes from outside the district.
- (d) That it is required for military purposes.

65. A grant equivalent to the whole cost of maintenance of such roads should be made to the local body concerned. The Government have already issued orders accepting such a liability for trunk roads in both local board and municipal areas (G.Os. No. 347 L., dated 9th April 1920, and No. 988 M., dated 23rd July 1920). The principles underlying these orders are :—

(a) that local bodies should be relieved of the cost of maintaining trunk roads ;

(b) that local bodies should continue to be in administrative charge of them ;

(c) that the Government should make good to the local body the actual expenditure incurred in a year subject to a maximum of Rs. 500 or Rs. 1,000 a mile on the average for each district or municipality as the case may be ;

(d) that the grant should be based on the expenditure in the previous financial year ; and

(e) that the Government are at liberty to withhold the whole or any portion of the grant in case the road is not maintained in an efficient condition.

We consider that these principles are sound. The grant has been rightly placed on an expenditure basis, and the maximum limit of Rs. 500 or Rs. 1,000 is, under present conditions, necessary for enforcing economy as well as efficiency in maintenance. The maximum of Rs. 500 or Rs. 1,000 may, however, be enhanced in the case of localities where the maintenance of roads is specially costly.

66. Exception has been taken to the list of trunk roads issued with G.O. No. 347 L., dated 9th April 1920. Tanjore does not find a place at all in it. Some district boards complain that certain roads have been excluded which ought to have been included. Others have suggested the substitution of some roads which have been excluded for others which have been included. Local bodies were not consulted before the list was finally made up. We think that it should be re-examined in detail and revised, if necessary. The revision is likely to result in some additions to the list. We consider it desirable that such revision of the list as may be necessary should be made *at once*.

67. The trunk road grant now amounts to Rs. 14.94 lakhs, being composed of Rs. 14.35 lakhs for district boards and Rs. 0.59 lakh for municipalities, but Government are committed to a total of 16 lakhs. The only additional financial liability that may be said to be involved in our recommendations in regard to this grant is such as may result from a revision of the list of roads. We are unable to give any reliable forecast of it, but it will probably not exceed another Rs. 2 lakhs for the present.

68. Receipts from tolls and avenues on trunk roads should, we think continue to be credited to the funds of the local body concerned.

69. Dak bungalows on trunk roads are now in charge of district boards, and should continue to be so. Their condition, however, leaves much to be desired and, for the good name of this province, it is necessary that an effort should be made to raise the quantity and quality of accommodation in these bungalows and their furniture and equipment to the level of the bungalows in other provinces.

Second-class district roads.

70. Second-class district roads should include, in our opinion, all roads which—

(i) though not of the same importance as trunk roads, serve more than local needs, e.g., roads which connect important towns,
(ii) are feeders to important railway stations, markets or shrines,
(iii) have to carry specially heavy traffic in goods or passengers, or
(iv) require specially heavy allotments for maintenance owing to their situation.

The preparation of a list of such roads is a matter of difficulty. The final voice should, of course, rest with Government, but district boards should be freely consulted.

71. We recommend (i) that the grant for this class of roads should be equivalent to one-half of the expenditure on maintenance actually incurred, provided that where half the average expenditure in a district exceeds Rs. 200 a mile the grant should be limited to that amount, and (ii) that the present 14 lakhs grant in aid of general resources—which now amounts to 17.28 lakhs—should be distributed as a grant for second-class district roads in local board areas.

72. The second of our recommendations will remove the objections that have long been recognized against the distribution of the grant on the basis of land-cess receipts. It converts the grant into one for a particular service, and its distribution on the basis of a proportion of the actual expenditure, subject to a maximum limit for the purpose of ensuring economy, is sound in principle. We have, however, to reckon with the fact that district boards have been educated to regulate their scales of expenditure during the last fifteen years on the assurance that a definite share of this grant will be annually made available to them. Any substantial diminution in the amount which they have been accustomed to receive is likely to upset materially their levels of expenditure, especially on roads. We think therefore that the list of second-class district roads should be so adjusted that each district may earn, on the new basis of distribution, at least the amount allotted to it in G.O. No. 1856 L., dated 8th December 1917.

73. The grant should be subject to the same conditions as to post-payment and inspection as in the case of trunk roads, and the maximum limit of Rs. 200 or Rs. 400 per mile may be enhanced in the case of localities where maintenance is specially costly.

74. The total amount of this grant will depend entirely on how the list of these roads is drawn up. The total mileage of district roads in local board areas—roughly speaking, a category which will include first and second class roads in our classification—was 13,941 in the year 1918-19. The mileage of trunk roads according to G.O. No. 347 L., dated 9th April 1920, is 2,865, which leaves a balance of 11,076 for second-class district roads. After the new Local Boards Act comes into force, a large proportion of the 8,144 miles of existing ' taluk ' roads will have to be taken over by the district boards and some portion thereof classed as second-class district roads. The length of second-class district roads within municipal limits has also to be taken into account. We shall not therefore be wide of the mark if we estimate the total mileage of second-class district roads at 12,000. The grant for 12,000 miles at Rs. 200 a mile

will amount to Rs. 24 lakhs, which is Rs. 6.72 lakhs more than the amount of the 14 lakhs grant.

The five lakhs compassionate grant.

75. We would abolish the five lakhs compassionate grant for communications distributed since 1917-18 among the following poor district boards :—

	Rs.
(1) Anantapur	1,00,000
(2) Bellary	80,000
(3) Chingleput	40,000
(4) Chittoor	40,000
(5) Cuddapah	80,000
(6) Kurnool	80,000
(7) Nellore	40,000
(8) Salem	40,000

We notice that, excepting Bellary and Cuddapah, all these districts will, under the trunk roads grant already sanctioned, get considerably more than they have been getting under the five lakhs grant. No special assistance to them is therefore necessary. In the case of Bellary and Cuddapah we would recommend an addition to the mileage of trunk roads or second-class roads.

Compassionate grants to the Nilgiris and Koraput boards.

76. The Nilgiris and Koraput district boards have, ever since they were constituted, received special recurring grants on the ground that their receipts are inadequate for their needs. In 1919-20 the grants amounted to Rs. 1,07,600 and Rs. 23,700 respectively ; but the former was reduced to Rs. 91,000 in the current year in consequence of the trunk roads grant. The Nilgiris district board is now levying land-cess at 2 annas in the rupee but, when the new Act is introduced, cannot levy more than $1\frac{1}{2}$ annas. Its income will therefore suffer material diminution. We understand that, in connexion with the formation of a separate Agency division, the question of developing communications in the jurisdiction of the Koraput district board is separately under consideration. The tract is poor and sparsely peopled, and we shall not be surprised if this area should on investigation be found to require a greatly increased grant. We would therefore not disturb the amounts of the special compassionate grants now allowed to these two areas.

Engineering establishments.

77. For the reasons explained at length in the report of Committee No. IV of the Local and Municipal Conference, we consider that a substantial improvement is urgently called for in the salaries paid to all grades of the engineering establishments. The Conference recommended the following standardized scales of salaries for adoption by local bodies :—

	Rs.
(a) Sub-Overseers	50—3—80
(b) Overseers	80—5—150
(c) Supervisors	150—10—250
(d) Assistant Engineers	200—20—400
(e) Engineers (with a selection grade of three appointments on Rs. 1,200)	500—50—1,000

We consider that sub-overseers should have a better scale than that proposed, in view of the high cost of living, and that the minimum pay of assistant engineers should not be less than the maximum of the inferior grade of supervisors. We accordingly recommend the acceptance of the scales proposed by the Conference subject to the following modifications :—

(i) that the scale for assistant engineers should be Rs. 250—20—450 instead of Rs. 200—20—400 ; and

(ii) that the sub-overseers should have a scale of Rs. 60—3—90 instead of Rs. 50—3—80.

78. We also agree with the resolution of the Local and Municipal Conference that district board engineers and assistant engineers and municipal engineers should be formed into a provincial cadre for the service of local bodies apart from the Government public works service. The engineers under both the District Municipalities and Local Boards Acts are on a footing of statutory security. The assistant engineers, who will constitute the bulk of this service, will, however, not possess this security and it is this branch of the service which particularly requires to be made more attractive. We are of opinion that the provincialization of the service will have this effect.

79. We recognize that in the interests of efficient local administration, local bodies should have adequate control over the establishments working under them. But the final voice in the administration of a provincial service which seeks to find men for a number of independent local employers has of necessity to rest with some central authority. We recommend that this authority should be the Minister in charge of the Local and Municipal portfolio, and that, while chairmen and presidents should be consulted and their wishes respected in regard to postings and transfers, the Minister's opinion should prevail in cases where agreement is found impossible. Partly as a price for obtaining this ultimate control, and partly as a consideration for the work that these officers will have to do on subsidized roads the Government should, in our opinion, make a grant equivalent to one-half of the salaries, leave allowances, etc., of the men in the provincialized service. An all-presidency provident fund for this service should be constituted—one anna in the rupee of salary being contributed by the subscriber, half-anna by the local body under whom he is employed and the remaining half-anna by the Government.

80. After careful consideration, we have come to the conclusion that each local body should pay one-half of the salaries, leave allowances, etc., of the men of the provincialized service actually doing duty under them. We could trust to the discretion of the Central authority so to adjust postings and transfers as not to throw too heavy a burden on the poorer localities. The salaries, etc., should, we think, be debited in the first instance to local or municipal funds, and the Government's contribution recovered in monthly instalments on the basis of the previous month's expenditure. No contribution should in future be levied from a local board or municipal council on account of travelling allowances or transit pay of provincialized or Government officers transferred from one district board to another or from a district board to a municipal council or vice versa.

81. The total average annual cost of a provincial service composed of existing district board engineers, assistant engineers and municipal

engineers on the scales proposed will amount to Rs. 5.95 lakhs and Government's share will be 2.97 lakhs. The total immediate cost we estimate at Rs. 4.30 lakhs and the share of Government therein at 2.15 lakhs.

Centage charges.

82. We consider that the centage charges (24 per cent of the outlay) now levied from local bodies in respect of works carried out by the Government Public Works Department are excessive. The fact has been recognized by the Government, who have offered to make substantial grants-in-aid for the payment of such charges above a certain limit. This procedure seems to us an unnecessary complication, and we recommend that in future the amount of such charges should be limited to the actual cost of extra establishment and extra tools and plant needed for the work or 10 per cent of the outlay, whichever is less.

Bridges and Causeways.

83. The annual repairs to bridges and causeways should be included in the charges for maintenance of roads, and their incidence regulated by the principles already indicated. The construction and reconstruction of bridges and causeways, however, constitute capital expenditure, and should ordinarily be financed out of loan funds. In the case of trunk roads, such expenditure, and the annual liability for interest and sinking fund should fall entirely on the Government; and in the case of second-class roads it should be shared equally between the Government and the local body. The average annual allotment for bridges and causeways during the last seven years has been about 5 lakhs. This amount is totally insufficient. We consider that a much larger amount—nearer twenty lakhs than five—should be spent annually on the construction of bridges and causeways and this can easily be—and should be—financed out of loan funds. A five lakhs recurring allotment for interest and sinking fund will finance an immediate outlay of 65.3 lakhs on the basis of a loan for 30 years at 6½ per cent.

Financial effect.

84. We compare below the approximate financial effect of our proposals as regards provincial grants for ordinary expenditure on roads with the system now prevailing :—

Existing system.		Proposed.	
	LAHRS.		LAHRS.
1. Trunk roads	16.00	1. First-class roads ..	18
2. The 14 lakhs grant ..	17.28	2. Second-class roads ..	24
3. Grants to poor boards (including the Nilgiris and Koraput)	6.15	3. Half the pay, etc., of the provincial cadre of Local and Municipal Engineers	2.15
4. Average for the last 9 years of the special grants for special repairs and renewals ..	7.00	4. Grant to the Nilgiris and Koraput District Boards ..	1.15
Total ..	46.43	Total ..	45.30

CHAPTER IV—EDUCATION.

85. The semi-national character of all education is now recognized everywhere, and the only question for our consideration is in what proportions the cost of the various grades of education—collegiate, secondary and elementary—should be distributed between the State and local bodies.

(i) Collegiate Education.

86. We consider that colleges are not a legitimate object of local or municipal expenditure. The Salem Municipal Council is the only local body which now maintains a college, and during the year 1919-20 it incurred a total expenditure of Rs. 32,962 on the institution, of which Rs. 9,110 was contributed by Government. We recommend that the administrative and financial responsibility for all collegiate institutions under public management should be entirely provincial, and that the Salem College should also be taken over by Government.

(ii) Secondary Education.

87. Secondary education is now provided by three different agencies, namely—

- (1) Government,
- (2) Private bodies,
- (3) Local bodies.

88. We think that the Government should continue to maintain a certain number of secondary schools as model schools in the Presidency.

89. Local bodies have to depend on substantial Government aid for running their own institutions. They can ill-afford to spare funds for aiding private institutions, and we recommend that they should not do so.

Existing Grants.

90. In 1919-20, local boards spent Rs. 7,54,687 on the maintenance of secondary schools, and received a grant-in-aid of such expenditure from Government of Rupees 2,16,923. The corresponding figures for municipalities were Rs. 3,40,953 and Rs. 81,314 respectively. The general principle on which the grant is supposed to be based is that it represents the whole or a fraction of the total or net cost. The application of this principle has, however, produced inequalities of a grave nature. Where the initiative for the opening of a new school or the improvement of an existing one comes from the local body, the question whether the additional cost cannot be met by the local body is examined with reference to the financial position of the local body and the percentage of its receipts spent on education. If the claim is admitted, the grant is limited to one-half of the cost, the percentage being increased in the case of educationally backward areas or economically poor localities. But where the initiative comes from the Department of Education—as it so largely has in the past few years—no such examination is made and the full additional cost is paid by Government without demur.

91. Grants are made in respect of each institution and are either recurring subsidies or based upon *net cost*. The former are definite amounts fixed once for all, the latter vary from year to year according to the actuals of net cost. The principles we have enunciated in Part II

undoubtedly incline us in favour of the net cost basis. The principle of net cost is, however, applied in a manner calculated to produce the maximum of complications. Taking as a sample the orders passed in G.O. No. 902, Home (Education), dated 10th August 1920, we find that the Government sanctioned the raising of 19 incomplete secondary schools to the grade of complete high schools and the opening of one new high school. For 13 of these, they sanctioned a grant equivalent to the full net cost; for six the grant was to be equivalent to the net cost due to the opening of the additional forms; and in respect of the one remaining school, the full net cost of which as a middle school was already being borne from provincial funds, they directed that when it was raised to a high school one-half of the additional cost due to the raising of the status of the school should be met from provincial funds. They sanctioned at the same time the opening of 39 new middle schools. For 37 of these the grant was to be equivalent to the full net cost and for the remaining two three-fourths of it.

Our proposals.

92. We consider that these discriminations deserve to be done away with. A simpler system should be evolved, if only for the purpose of reducing the large volume of unnecessary work that is now being done in the office of the Director of Public Instruction, in connexion with the distribution and adjustment of the great variety of subsidies and not cost grants.

93. The net cost is also, in our opinion, arrived at on a faulty basis. The exclusion of the rent of buildings from the calculations is, for instance, without justification. The 'subsidies' are moreover paid in advance of the expenditure—a course which, coupled with the absence of separate accounts, has facilitated the diversion in some cases of profits on the working of secondary schools to objects other than education.

94. Our first recommendation is that, in local board areas, the grant should not have reference to individual schools. With the coming into force of the new Local Boards Act secondary schools in such areas will all come to be administered by the district board, which should maintain a pooled account for them. The net cost of secondary education as a whole under the district board should be ascertained, and the Government subsidy should be based on it, the district board being left to distribute it among the different schools.

95. In municipalities, however, subsidies to individual schools have, for obvious reasons, to continue.

96. The grant should further be based upon *actual* net cost, instalments being paid in advance and the final adjustment made at the end of the year. The grant should be conditional on efficiency as disclosed by inspection.

97. We would earnestly press for the calculation of the net cost on proper principles. The practice now is to arrive at the net cost by deducting the cost of staff and contingencies from the receipt from school fees. We would define it as the difference between the *ordinary* expenditure on the service and the *ordinary* receipts. If this principle were applied, rent of hired buildings, and repairs to buildings, will have to be added to the items of expenditure to be deducted from school fees.

The net cost so arrived at will be larger than under the existing system and Government subsidies will naturally increase in amount.

98. In considering the proportions in which the net cost should be divided between Provincial and Local revenues, we are clear that the expansion of secondary education should be *predominantly* a national charge. If schools are to be administered by local bodies, it is not reasonable that the whole of the net cost should be borne by Provincial funds. While improvements in efficiency which involve large expenditure on buildings, equipment and salaries, demand that the State should shoulder the greater portion of the net cost, it seems necessary that some portion of it, however small, should fall on local resources, if only for the purpose of making the local body interested in economy of expenditure. We would therefore recommend that the net cost be shared between Provincial and Local normally in the proportion of 3 to 1. For the year 1919-20, the Provincial share on this basis would have amounted to Rs. 2.5 lakhs in the case of local boards and Rs. 0.6 lakh in the case of municipal councils (see Appendix C). The amounts will be larger if the net cost is calculated on proper lines. The actual subsidies that were given were Rs. 2.17 lakhs and Rs. 0.81 lakh respectively, but there is no knowing whether the whole of these amounts was spent on the secondary schools.

The proportion of Government contribution may be increased in the case of specially poor local bodies such as those in the Ceded districts.

We are aware that State aid in recent years has done much, but there is a great deal which yet remains to be done for the expansion of secondary education. A large increase in the number of secondary schools is necessary if there is to be substantial progress in elementary education. Our immediate ideal should be a secondary school in each municipality and one at least in each taluk in local board areas. We recommend, therefore, that the Government should be prepared to consider favourably every proposal from a local body for the establishment of new secondary schools, until this ideal is realized.

A District Secondary Education Committee

99. We think that, for the more efficient organization of secondary education in each district, a co-ordination of the activities of the different local bodies therein is urgently called for. So far as local board areas are concerned, this will be automatically brought about under the district board when the new Act comes into operation. Co-ordination will, however, still be necessary in districts where there are both municipal and district board secondary schools. In such cases, we suggest that full and early advantage should be taken of the provisions of the new Local Boards and District Municipalities Acts which permit the constitution of joint committees with delegated powers for attending to particular branches of administration. A District Secondary Education Committee may be created under whose control a district service of secondary school teachers may be recruited and administered. The question of providing adequate hostel accommodation for boys is badly neglected now, and a committee of this kind will be eminently fitted to examine this and similar matters and to devise and carry out such measures as may be necessary.

100. After discussing the recommendation of the Local and Municipal Conference regarding the formation of a provincial cadre of secondary school headmasters, we have arrived at the conclusion that the question of giving effect to it should be deferred until

(a) the district service scheme has had a trial ;

(b) the Committee of the Senate of the Madras University has reported on the suggestion of the Calcutta University Commission to constitute a Presidency Board of Intermediate and Secondary education and to disassociate Intermediate from University education ; and

(c) the orders of Government have been received on the report of the Committee referred to in (b).

Secondary School buildings.

101. The construction and improvement of secondary school buildings should be financed ordinarily out of loan funds like all other capital expenditure. Interest and sinking fund charges must be shared between Provincial and Local in the proportions already indicated.

(iii) Elementary Education.

102. The State has during the last decade taken upon itself a rapidly increasing share of the cost of elementary schools in charge of local bodies. The inelasticity of local resources and an adequate recognition of the responsibility of the nation as a whole for this service explain the figures in the following table :—

Statement showing expenditure incurred by local bodies on elementary schools from 1909-10 to 1918-19.

Year.	Local boards.			Municipal councils.		
	Total expenditure (excluding expenditure on buildings).	Ordinary Provincial grants given.	Percentage of (3) to (2).	Total expenditure.	Ordinary Provincial grants given.	Percentage of (6) to (5).
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	RS.	RS.		RS.	RS.	
1909-10	10,87,816	2,07,755	19.1	2,51,173	4,500	1.8
1910-11	10,80,257	1,56,778	14.5	2,63,837	3,030	1.1
1911-12	11,29,804	3,18,659	28.2	2,64,172	8,132	3.1
1912-13	15,50,827	6,78,172	43.7	2,93,249	41,783	13.9
1913-14	20,18,388	11,54,615	57.2	3,37,751	84,855	25.2
1914-15	22,51,895	13,00,501	57.8	3,61,944	90,951	25.1
1915-16	23,59,459	13,98,912	59.3	3,97,324	1,01,786	25.6
1916-17	24,75,116	15,06,636	60.9	4,16,889	1,14,573	27.6
1917-18	25,80,338	14,94,880	57.9	4,35,768	1,38,940	31.9
1918-19	29,99,150	20,32,304	67.8	4,91,556	2,04,817	41.7

103. The system, however, on which the elementary education grants have been distributed is unnecessarily complicated. Their miscellaneous character is attested by the following list of the objects for which they have been given :—

(a) the full cost of opening new schools,

(b) the strengthening of the staffs of existing schools,

(c) the opening of additional classes in existing schools,

(d) the raising of the minimum pay of trained teachers,

(e) capitation allowances to teachers,

(f) compensation for loss of fee income,

(g) night and continuation classes.

104. This fact has been responsible for much complexity of account keeping without any corresponding advantage. Further, the grants are credited to local bodies in advance of expenditure, which has to be watched by means of progress reports, the accuracy of the figures in which it is not possible easily to test in the present method of keeping accounts. Grants for succeeding years have not been regulated after making allowance for unspent balances of previous year's grants, with the result that the latter run on from year to year and get spent partly or wholly on objects for which they were not made. The whole system appears therefore to stand in need of simplification on the lines of the principles we have enunciated in chapter II. We, however, refrain from making any recommendations in this regard in view of the provisions of the Elementary Education Act which has recently been passed. Chapter III of that Act directs the constitution of a separate Elementary Education Fund for each taluk board and municipal area. There is to be a separate budget for the fund ; and the expenditure will be separately accounted for. Section 37 of the Act imposes an obligation on the Government to contribute to the Fund a sum "not less than" the proceeds of the education tax levied under section 34 ; and this has to be in addition to, and not in lieu of the amount of recurring grants made to the local authority in the year preceding the introduction of the Act.

Special Education.

105. As regards technical and industrial education and public libraries, we have no suggestions to offer. We understand that these matters are already under separate consideration. We would, however, draw prominent attention to the fact that, in the framing of the new Local Boards Act, technical and industrial education has been deliberately omitted from the list of purposes to which local funds may be applied, the reason being that it ought to be an entirely Provincial function in the present state of the country.

CHAPTER V.—PUBLIC HEALTH.

(i) Medical Relief.

106. In regard to medical relief, local bodies in the Madras Presidency do not seem to have been so generously treated by their Local Government as in other provinces.

107. We contrast in a statement compiled from the *Imperial Gazetteer*, the State contribution to medical institutions with that spent

by local bodies in the four major provinces for the years 1881, 1891 and 1901. The figures are in lakhs of rupees :—

	1881.		1891.		1901.	
	Government.	Local.	Government.	Local.	Government.	Local.
Bombay	6.82	1.52	7.91	2.45	6.70	2.75
Percentage	82	18	76	24	71	29
Bengal	3.75	1.33	3.47	3.65	8.75	7.10
Percentage	66	34	49	51	55	45
United Provinces	1.97	.78	2.81	1.38	3.29	1.97
Percentage	72	28	65	35	63	37
Madras	2.80	4.62	3.66	7.12	4.31	9.40
Percentage	38	62	34	66	31	69

It will be observed that, whereas only once in the other provinces (Bengal, 1891) does the local contribution exceed that of the State, and in most cases it is much less, in Madras the local contribution is nearly double that of the State.

108. We need not elaborate on this theme, for the Madras Government have during the past five years recognized the claims of medical relief as a State responsibility by agreeing to bear half the initial and recurring cost of hospitals and dispensaries opened since 1915 and by arranging to take over the control of all headquarter hospitals, subject, however, to an annual contribution from the local bodies interested.

109. Headquarter hospitals are to be run as model institutions in order that each district may have a standard to live up to. For reasons adduced in paragraph 39 of chapter II above we consider that the contributions of local bodies to these hospitals should cease, and that the financing of these centrally administered institutions should be borne entirely by the State. The advisory committees should continue.

110. As regards other institutions, we consider that centralization need not go further. We propose that these other institutions should be classified into five categories—

- (1) Hospitals in charge of civil surgeons.
- (2) Hospitals in charge of assistant surgeons.
- (3) Dispensaries with emergency wards.
- (4) Dispensaries without emergency wards.
- (5) Itinerating dispensaries.

111. For classes (1) to (4), a standard of staff, equipment and building should be drawn up, and conditional to the maintenance of such standard, local bodies should be given half the recurring cost, inclusive of the pay of medical officers.

112. The number of institutions in each class in 1918-19 was as follows :—

	Board.	Municipal
Class (1)	1	7
„ (2)	67	43
„ (3)	73	9
„ (4)	268	33
Total	409	92

113. We would leave it to local bodies, in consultation with the District Medical and Sanitary Officer and the Surgeon-General, to decide in what class a particular institution should be placed. This arrangement would be, we think, elastic and salutary, for, if the classification, and with it the Government subsidies, are to be raised, the local body must also contribute.

Nurses.

114. We consider it a slur on our administration that so many of our hospitals have no trained nursing staff. We recommend that steps be taken immediately for increasing the number of trained nurses as rapidly as possible, and we would suggest that special training centres be provided for them; ultimately if possible there should be training facilities in every district. No local body can undertake this task, and unless the Government take it in hand, nothing will be done. We consider that half the stipends for nurses under training for local and municipal service should be borne by local bodies, and half by the State. The pay of nurses should be standardized, and a minimum complement of nurses included in the standard staff of all hospitals.

Midwives.

115. Much has been said and written of late regarding maternity and infant welfare, but the public interest on this subject is not reflected in municipal reports. Appendix D shows the percentage of recorded births attended by municipal midwives in the 73 municipalities of the Presidency. It is true the figures do not take into account the work done by qualified private practitioners and missionaries, and in some cases the percentages are unduly inflated by defective birth registration. The figures abstracted stand thus :—

Percentage.	Number of towns.
Nil	10
Under 10	11
10—19.9	21
20—29.9	16
30—39.9	6
40 and over	9

It will be noted that nine of the towns with nil returns and six of those under 10 and four of those between 19.9 and 10 are district headquarters. The reason is obvious. With the transfer of headquarter hospitals to the Government, interest in maternity relief flagged. This is not as it should be. It is not the business of the staff of headquarter hospitals to attend to maternity cases outside the hospital. We conceive it the duty of municipalities to ascertain whether there are enough qualified midwives in their town to attend to all who need their help, and if the number is found inadequate, to make good the deficiency either by employing additional midwives or by arranging with health associations and other agencies to provide such staff as may be necessary. The expense would be trifling, and there is no apparent reason why some towns can provide for over 40 per cent of their births, while others cannot reach 20 per cent. Provincial money is not needed for the pay of such staff, but more midwives are wanted, and the help of Government is necessary for training them. We recommend that, as with nurses, so with midwives,

- (1) a training centre should be established in each district,
- (2) pay should be standardized,

(3) half the cost of training stipends should be borne by the Government and half by the local body which sends the pupils for training.

Itinerating dispensaries.

116. Itinerating dispensaries are at present experimental and we are advised that these experiments have failed. Bellary, Kurnool, Malabar, Nellore and Vizagapatam are the five districts in which they were tried.

117. We discussed this matter at length with the Surgeon-General, who has drawn up a note (Appendix E), with which we concur. Further experiment is required, and we recommend

(1) that itinerating dispensaries should be organized.

(a) in some districts as part of the existing system of medical relief and attached to existing medical institutions, and

(b) in other districts as part of the district health staff ;

(2) that in both types each dispensary should keep to a regular itinerary, each round to be completed in a week, so that the villagers may know on what day of the week it will come.

118. We are anxious that better provision should be made to bring medical relief within the reach of the rural population, but local bodies cannot conduct experiments so well as the Government, as they are not in a position to correlate results. Of the cost of experimenting we think Government should be required to contribute three-fourths. After a satisfactory system is evolved, a regular establishment should be appointed, and the expense shared equally between the local bodies and the Government.

School Inspection.

119. The importance of providing for the medical inspection of school children cannot be overrated.

120. One of the greatest obstacles to the betterment of public hygiene is the dead weight of ignorance and prejudice. The medical inspection of school children is a necessary corollary to public health propaganda, and the most effective way of bringing the masses face to face with acts. Nor need we enlarge on the advantage of detecting maladies in their incipient stage.

121. The state of things revealed by the Surgeon-General's personal investigations require immediate remedy, and we would urge that the experimental scheme proposed by him should be brought into operation without delay.

122. So long as the scheme is experimental, the expense should be borne by the State. Medical officers entrusted with such duties must be specially trained, and the salary offered should attract competent men. It is impossible at present to forecast what the expense will be when a satisfactory system is established, and there is abundant scope for the co-operation of local bodies, one with another, and of voluntary health associations. Provisionally we would suggest that the Government should guarantee half the cost, and that district health committees should provide the rest.

Financial Effect.

123. The Government have already gone a long way to retrieve the evil legacy of the early seventies, and the apportionment of the burden of medical relief between the Government and local bodies is approaching equality. The subjoined figures are in encouraging contrast to those of the first three decades of local self-government in this Presidency—

Income of medical institutions.	1911. Rupees in lakhs.	Percentage.	1919. Rupees in lakhs.	Percentage.
Government share	9.90	41	18.20	46
Local and Municipal share	14.11	59	20.76	54

The Government share includes (1) the cost of State hospitals and (2) contributions given by the Government to institutions maintained (a) by local bodies and (b) by private agencies.

124. Excluding from our calculations the cost of itinerating dispensaries and of training midwives, the medical institutions other than headquarter hospitals cost—

	RS. IN LAKHS.
Boards	12.18
Municipalities	6.04
Total	18.22

125. Our proposal is that half this (Rs. 9.11 lakhs) should be borne by the State, against the Rs. 1.16 lakhs actually contributed by the Government. The net increase in the provincial contribution would thus be Rs. 7.95 lakhs—a sum very little larger than the minor sanitary grants which we propose to abolish.

126. The amount spent by local bodies on headquarter hospitals not taken over by the Government before 1920, together with the contributions paid by them to the Government on account of those already taken over, totalled Rs. 1.79 lakhs. Deducting these amounts (Rs. 7.95 lakhs plus Rs. 1.79) from the total cost (Rs. 20.76) of medical relief to local funds in 1919, the proportions would work out as follows :—

	RS. IN LAKHS.
Government share	27.94
Local and Municipal share	11.02

We do not consider these figures unreasonable.

127. The popularity of medical institutions, and with it the cost of maintaining them, have outgrown income—

					Daily average of	
					Out-patients	In-patients
1881 ..	..	..	..	..	10,619	1,927
1891 ..	..	..	..	..	18,447	2,470
1901 ..	..	..	..	..	28,313	2,923
1911 ..	..	..	..	..	36,137	3,725
1919 ..	..	..	..	..	46,541	5,178

128. The prejudice of India against the medical methods of Europe is a subject of frequent lamentation, but the above statistics leave no room for pessimism. There is only one danger, and that is the failure of finance.

129. Unfortunately the provincial medical service is, in view of the high degree of training required, one of the worst paid, and, when the long deferred revision is carried through, the increased cost will be more than local bodies can bear. We fear that, if the Government do not come liberally to the rescue, further progress in medical relief will be arrested and a large number of institutions must be shut down.

130. If the grants proposed are given, we consider that Government servants should be treated in local and municipal institutions on the same terms as in a Government institution.

131. The construction and improvement of medical buildings should be financed on the lines suggested in paragraph 101 above for secondary school buildings, interest and sinking fund charges being shared equally by provincial and local funds.

132. There is another point which we would touch on before quitting the subject of medical relief. It has been suggested to us that local bodies, in consideration of receiving larger subsidies from provincial funds, should refrain from contributing the maintenance of private medical institutions. We cannot accept this, as we do not think local bodies should be debarred from exercising the privileges conferred on them by law. We would also suggest in this connexion that the Government, in distributing subsidies to private institutions, should, in the first instance, consult the local bodies within whose jurisdiction such institutions lie.

(ii) Preventive Medicine.

(a) Staff.

133. We support the recommendation of the Local and Municipal Conference that the service of health officers should be provincialized. It is admitted on all hands that the career of a health officer under present conditions has failed to attract suitable men. Similar difficulties in recruitment are experienced in England. Every district board and every municipality should appoint a qualified health officer, if sanitation is to make headway. A health officer has to undergo an extra course of training, to forego private practice, and to work under conditions which, to a professional man, are distasteful. Picked

men are required, and a scale of salary substantially higher than what would suffice for hospital duties must be offered. We are unable to suggest what the scale should be, until a decision has been come to as to the salaries to be paid to the provincial medical service. We consider that the existing system of sharing the cost, under which the municipality pays one-fourth and the State three-fourths, should continue in municipalities and be extended to district boards also.

134. We would classify health officers into three classes to suit the class of town in which they will serve.

The health officer of a first-class town should possess at least the Madras Degree of B.Sc.

For a second-class town it would suffice to appoint an assistant surgeon who has undergone a special course.

A third-class town should be content with a sub-assistant surgeon specially selected and trained for the work.

135. District boards require first-class health officers, and in this connexion we would suggest the desirability of inviting all local bodies within each district to unite in co-ordinating, not only sanitation, but also medical relief, by constituting, under the provisions of the Acts, a joint committee to discharge the duties of a district health board. We consider that such committees are necessary in the interest both of efficiency and economy. Hitherto preventive work in a town has often been stultified for want of a protective staff in the villages surrounding it, particularly when cholera is prevalent. Again, a large percentage of the patients treated in municipal hospitals reside outside municipal limits, although, on the outbreak of an epidemic in the villages around, the medical officer has to close his hospital in order to attend to it. A District Health Committee would be able to direct intensive effort to the points where it is most required, to head off the seasonal migrations of cholera and other epidemic diseases, to provide for the co-operation of the municipal staff with that of the district board without prejudice to either, and, by apportioning the pecuniary burden more equitably, to strengthen the financing of public health work in the district as a whole.

136. Some such co-ordination is especially necessary in the case of public fairs and festivals, which, unless properly controlled, are a menace to the health of the rural and the urban populations alike. We would reiterate here what we have already said regarding the preferential treatment of pilgrim centres, with special emphasis on the sanitary problems to which they give rise. Details of their requirements will doubtless be worked out by the deputy sanitary commissioner now on special duty in this connexion.

137. Incidentally a District Health Committee would be able to systematize the work of voluntary health associations from which so much is expected, and would, we believe, solve the question of medical libraries, by establishing a central institution which should be accessible to all who need it. We consider it a matter of provincial importance that every district should be equipped with a library of up-to-date medical works, and we would suggest that the cost of books should be a provincial charge.

(b) *Conservancy.*

138. Conservancy in the narrow sense is a matter of strictly local importance and requires no provincial aid. The private scavenging system is doing useful work, though some towns are much in advance of others and many have failed to adjust their rates to cover the rise in wages. If municipal funds are impoverished by the mismanagement of private conservancy, the remedy lies with the electorate. We see no justification for the continuance of minor sanitary grants, except in so far as they relate to water-supply and town improvements, which would be treated separately hereafter. The profitable utilization of the by-products of conservancy is dealt with in Chapter VII below.

(c) *Epidemic and endemic disease.*

139. (1) *Cholera*.—The only effective antidote to cholera is a protected water-supply. When an epidemic breaks out, special measures have to be taken, and the provincial cholera parties now working in the Presidency serve their purpose well. For the present we consider that the cost of these cholera parties should continue to be a provincial charge. We hope that, when district health services are organized, each district will provide itself with a staff efficient enough to render extraneous help unnecessary.

140. (2) *Smallpox*.—While admitting the usefulness of the existing staff of low-paid vaccinators, we consider the quality of their work defective, and we hope that in future the performance of vaccination would be gradually transferred to qualified medical men. We would suggest that the Surgeon-General be asked to prepare a scheme for carrying out this proposal. While the scheme is in an experimental stage its cost should be borne by the State.

141. Vaccination is not a heavy charge, and we agree that it should continue to be borne wholly by local bodies, with the exception of the pay of deputy inspectors of vaccination, who should be a provincialized service. With regard to lymph, we consider that local bodies should be asked to pay only the actual cost of its manufacture and that establishment charges should not be included in calculating the cost.

142. (3) *Plague*.—The existing distribution of plague charges between the Government and local bodies needs no modification. We would suggest that much of the sanctioning power now centralized in Government might with advantage be delegated to the Sanitary Commissioner or to such district health committees as may be constituted. Towns which have been devastated by a plague epidemic have special claims for compassionate grants.

143. (4) *Malaria*.—A note drawn up by the Surgeon-General on the subject is printed as Appendix F. We concur in the view that anti-malarial operations are of little value unless concentrated in a definite local area and that seaport towns have the first claim to attention. Malaria prevention in this Presidency is still under experiment and the cost of deputy sanitary commissioners assistant surgeons, sub-assistant surgeons and sanitary inspectors engaged on it should be borne by the State. We recommend that the menial staff employed, and contingencies, be paid for by local bodies.

144. (5) *Other diseases*.—Leprosy and tuberculosis should continue as a provincial charge. Local bodies have neither the means nor the staff to deal with them effectively. We see no reason, however, why influenza and hookworm should not be dealt with by local bodies and a moiety of the expenditure borne by them. Active propaganda work should be undertaken or subsidized by local bodies, and we hope that members of such bodies will accept responsibility for enlisting and organizing public co-operation where these and other diseases are prevalent.

• (d) *Food Adulteration.*

145. The Prevention of Adulteration Act became law in October 1918, but nowhere has it yet been brought into force. It is not worth the while of mufassal municipalities to take action until experience is gained in the working of the scheme undertaken by the Corporation of Madras City. We would strongly recommend that immediate steps should be taken by the Government to secure the services of a qualified public analyst, who with the permission of the Madras Corporation, should be attached to the laboratory which the Corporation proposes to construct. We would suggest that the Madras Corporation should be asked to permit its institution to be utilized for training men for up-country work. Local bodies should bear the whole cost of training their own men at the institution.

(e) *Water-supply and drainage.*

146. A protected water-supply is, in our opinion, the most pressing public need which local bodies have to face, and sanitary drainage is almost equally important. Out of 73 municipalities, only 29 have protected supplies. Four schemes are in progress, and 22 are under discussion. More clamant still is the need of pure water in rural areas, but no definite policy has yet been laid down beyond the distribution of lump sum grants to district boards, which are spent with difficulty, and often in vain. Only one town has a completed drainage system, and two are under construction.

147. Under the formula at present approved of, half the capital cost of such schemes should be paid for by local bodies and the other half from provincial funds. We notice that in no less than eleven cases this formula has been departed from, and there are at present ten investigated schemes held up for want of funds.

148. Apart from the wastefulness of investigating schemes which cannot be carried out, we consider that the provision of unpolluted drinking water is a matter of national importance, as being the only practical method of eliminating cholera and other water-borne diseases with which this country is afflicted. It is not in the public interest that a municipality should defer its drainage scheme until it has paid off the loan raised for its water-supply or to starve its other services for three or four decades.

149. We have discussed this question at length and submit the following recommendations:—

(i) *Towns*.—The first point for decision is the amount of property tax which municipalities can levy for water-supply and drainage without prejudice to their other services. By a majority of six to four, we

are in favour of fixing the maximum at $12\frac{1}{2}$ per cent. The minority would fix it at 10 per cent.

The first charge on the proceeds of such a tax should be the annual cost of maintenance and depreciation.

The balance remaining after allowing for maintenance and depreciation is the amount available for meeting the interest and sinking fund charges on a loan. From this can be calculated the amount of loan which the municipality can raise without injury to its general administration.

The difference between the amount so calculated, and the total cost of the scheme should, we consider, be borne by the State.

The $12\frac{1}{2}$ per cent should cover both water-supply and drainage.

Union boards should be dealt with on similar lines.

We are aware that the rate of progress must be governed by the amount of money which the Government can afford to set aside annually for this purpose, but the importance of accelerating the provision of pure drinking water in every town cannot, we think, be over-rated, and we can suggest no alternative by which the inequalities in local conditions can be justly gauged.

The average annual allotment out of provincial funds for water-supply and drainage works has, during the last ten years, amounted to Rs. 6.3 lakhs. We consider this allotment is quite inadequate and recommend that at least Rs. 15 lakhs be allotted annually out of loan funds for this purpose.

(ii) *Rural areas*.—We consider that the provision of pure drinking water in rural areas should be regulated by more definite principles than have hitherto been observed. We recommend that each local body should be required to prepare a three years' programme of schemes for rural water-supply. These schemes should be classified in order of their urgency, and this order should be based on the prevalence of water-borne diseases and on the population of the villages which the schemes will serve. The programme should be revised annually, and the Government should set aside an annual allotment for financing such schemes. In selecting schemes preference should of course be given to those which will benefit the largest number of persons in areas which are most susceptible to infection. Power schemes and schemes for the installation of kite motion pumps should be given preference over mere well-depening, and in all such cases the local boards should bind themselves to provide for such staff as may be necessary for working the machinery and keeping it in repair. Schemes for petty improvements to water-supply, which are dependent for protection on watchmen or are liable to the pollution of cattle or human feet, do not deserve provincial subsidies.

Pumps and filters.

150. Defective filtration or the breakdown of pumping machinery is a serious menace to public health, and such failures are frequently due to want of expert knowledge on the spot. More frequent and more systematic inspection is in our opinion necessary. We recommend that a special establishment including bacteriologists should be organized by the Public Works Department for the periodical inspection

of pumping plant and filter-beds under the orders of the Sanitary Engineer.

151. For this periodical inspection fixed fees should be charged, graduated according to the character of each installation.

152. If repairs are required, the municipality should be allowed the option of entrusting them either to the Public Works Department or to a private firm approved of by the Government.

If the Public Works Department carry out the repairs, fees should be charged commensurate with the work involved.

A list of approved engineering firms should be prepared by the Government and circulated to all councils and other bodies which possess installations.

153. It should be open to any municipality, if it so desires, to contract with the Public Works Department on such terms as may be agreed upon for the maintenance either of its pumping plant or its filter-beds or both.

154. We recommend also that managers of water-works should be required to qualify themselves for their duties by passing a Government examination in subjects relative thereto, and that special arrangements should be made by Government for training them.

155. *Wastage*.—Waste of water is a more serious offence than is commonly supposed. Unchecked waste is certain, sooner or later, to involve local bodies (and the Government too) in serious financial liabilities and endangers public health by necessitating a curtailment of the hours of service during the dry season. Indiscretion in the grant of house-connexions is a fruitful source of wastage, and we recommend that, as a condition precedent to the grant of provincial aid, no house-connexion should be sanctioned without the installation of a meter, and that all existing unmetered house-connexions should be provided with meters within such time as the Government may consider reasonable. We observe that, under the District Municipalities Act, the cost or hire of meters should be borne by house-owners, and cannot be made a charge on the rate-payers. We consider that any owner who is unwilling to meet this cost should forfeit his right to a private supply.

(iii) *Veterinary.*

156. Veterinary relief is a new burden for local bodies, dating only from 1903. It is mainly a branch of agriculture, but we do not accept the suggestion that local bodies should be relieved entirely of responsibility for veterinary work.

157. Neither the finance nor the administration of veterinary institutions is governed by settled principles. It was hoped at the outset that local bodies would bear the whole cost. As only a few bodies responded to the invitation, the Government offered to bear the whole initial cost of building and equipment and half the recurring charges. The result of this change of policy is anomalous. Local bodies that answered the first call get no relief, and only those who held back at the start get the benefit of Government subsidies.

158. Thus some institutions are financed and administered wholly by the Government, some wholly by local bodies, while some local bodies

contribute to institutions managed wholly by the Government, and the Government contribute to institutions managed wholly by local bodies. Even the half-and-half principle is not uniformly applied; some local bodies contribute more than half and some less. The joint interest of boards and municipalities engenders further complexities.

159. We do not consider such haphazard arrangements sound. We have no objection to the Government establishing and maintaining at their own cost a few model institutions in selected localities, on the analogy of headquarter hospitals, but if local bodies are to co-operate, they should do so on a definite basis. The resources of local bodies are not, however, able to advance this branch of administration very far, and we do not think much progress can be made under the existing formula. The majority of us recommend that in future the Government should bear three-fourths of the ordinary charges, and that local bodies should exercise administrative control over all institutions to which they contribute. The cost of constructing and improving buildings should be, as now, a provincial charge.

160. As regards touring veterinary assistants, we do not think that local bodies can afford to contribute to their cost, but we consider it would be of advantage to enlist their co-operation, and would suggest that touring veterinary assistants on general duty should, where practicable, be placed under the orders of the president, district board, who should be authorized, when necessary, to delegate control to heads of local bodies within whose jurisdiction the veterinary assistant has work.

161. Municipal councils are entrusted with large powers under the law for regulating the stabling of animals, and we consider that they should accept full responsibility for the registration of cattle mortality, and for such measures as may be necessary to prevent or eradicate disease. The cost of such measures should be trifling, and most of it should be recoverable from owners. Provincial subsidies for this are not needed.

162. As regards hydrophobia, we consider that the systematic destruction of stray dogs and the provision of lethal chambers are duties which municipal councils must not neglect, and that they should undertake an active propaganda regarding the dangers of rabies, and provide every facility for sending those who are bitten for treatment to the Pasteur Institute, Coonoor. The existing arrangements for financing these measures may continue. In this work veterinary officers should be freely associated, and it would be well if they were required to investigate and report on all rabic outbreaks.

163. The total cost of veterinary institutions maintained by local bodies in 1919-20 was some Rs. 90,000, of which Rs. 45,000 was borne by local boards, a little under Rs. 10,000 by municipalities, and a little over Rs. 35,000 by Government. Our proposals would entail an extra cost of about Rs. 32,000. Possibly there would be some saving in this by the transfer to local bodies of institutions financed now solely by the State. We believe that the adoption of the formula proposed will lead to a more rapid expansion of veterinary relief than has hitherto been possible.

PART IV.

DEVELOPMENT OF LOCAL RESOURCES.

CHAPTER VI.—LOCAL TAX RESOURCES.

164. We have proposed that current revenues should not be utilized for capital expenditure which should ordinarily be met by loans; we have made recommendations for more State aid, better distributed. If our suggestions are accepted, a considerable amount of the receipts of local bodies at their present levels of taxation will be set free for developing the expenditure on the ordinary local services—communications, public health and education. Even so, we apprehend that the demands for the services, in order to bring them up to modern levels of efficiency, will quickly outrun local tax resources as they exist to-day, or as they will be even under the new District Municipalities and Local Boards Acts. We have therefore examined a few suggestions that have been made for developing local revenue resources. These may be divided into—

- (a) taxes or receipts akin to taxes, and
- (b) remunerative investments.

We deal in this chapter with the first of these.

(i) *The Excise Revenue.*

165. We have discussed at some length two alternative proposals having reference to the excise revenue, viz.,

- (i) that a share of the excise revenue raised by Government within the limits of a local body's jurisdiction should be made over to it;
- (ii) that local bodies should be empowered to levy a surcharge on the excise revenue raised within their jurisdiction.

Previous History.

166. The demand for a share of the excise revenue is an old one. It was made at a time when the amounts doled out by Government in aid of local bodies were small and uncertain. The Bombay Committee on Local Self Government (1915) recommended that a two annas share of the excise revenue should be made over to a Local Taxation Account and distributed to local bodies. The conversion of uncertain doles into a share of some item of growing revenue has been a familiar theme in the discussions on the relations between Imperial and Provincial finance in this country. And, from the standpoint of local finance, the proposal derived some support from the Assigned Revenues System inaugurated by Mr. Goschen in 1888 with the object of placing the revenues of local authorities in England on a permanent basis. Not unexpectedly, therefore, did the Committee which sat in 1917 to examine the draft of the Madras District Municipalities Bill make the recommendation that there should be a statutory obligation on Government to assign a definite proportion of the excise revenue, preferably a surcharge on the still-head duty on arrack and on tree tax, to local bodies, the surcharge going to municipal councils in municipal areas and to local boards in rural areas. In connexion with the Madras City Municipal Bill, the Madras Corporation demanded that one-fourth of the excise revenue raised in Madras should be made over to it. The City Act and Madras District Municipalities Act

were passed without giving effect to either of these requests. The Madras Local Boards Bill was also framed on a similar basis; it did not require or suggest the allotment of any share of the excise revenue to local boards. But its taxation provisions had to be altered, in Select Committee, to the material detriment of the expansion of local resources. These changes were due to two causes—

(i) the reluctance of public opinion to permit any substantial increase of the burden on land. This explains the limitation placed by the Select Committee on the freedom of a district board to raise the land-cess to any limit—which the original Bill provided for—to a maximum of $1\frac{1}{2}$ annas in the rupee of annual value;

(ii) the orders of the Government of India to drop out the surcharge on income-tax provided in the original Bill.

167. The Select Committee substituted a companies and profession tax for the surcharge on income-tax but, under instructions from the Government of India again, the Council had to exempt the salaries of all persons in public or private employ and all income from investments from liability to profession tax. It is doubtful how far a profession tax can be successfully assessed and collected by local board agency in rural areas which are not included in unions. Its revenue yield is largely a matter of conjecture; and in regional areas, so large as our normal taluk board jurisdictions, the facilities for escaping taxation of this kind are great. The Select Committee therefore thought that provision should be made for the transfer of a proportion of some item of provincial revenue to local boards in case their receipts from the sources provided for in the Bill should prove inadequate. It was for this reason that they had a rule inserted in Schedule V of the Bill—which has since been passed into law—to the effect that the Local Government might transfer annually to a district board a share of the excise revenue collected in the district. We have considered the question whether we should advise Government to give effect to this provision and to extend a similar concession to municipal councils, and, if so, what share it should be. A two-anna share would, on the basis of the estimated excise revenue for 1920-21, yield over Rs. 72 lakhs.

Changed conditions.

168. The conditions under which the original demand for the share was made will vanish if our proposals for State-aid are accepted in full. Subsidies will no longer be uncertain. There will be an immediate increase in their total amount and, being based mostly upon expenditure at some definite proportion thereof, they will grow with the growth of the expenditure on the services for which they are made. In the long run the expenditure basis will be found to be more advantageous to a local body than getting a slice of revenue—albeit a growing one—for it may happen that the growth in the item of revenue may lag behind that in the volume of local expenditure. It is also unsafe to reckon on excise as a growing item. Excise is a transferred subject and the classes that are likely to come into power in the new Provincial Ministry are likely to be against developing the revenue from excise and in favour of decreasing consumption and working towards total prohibition. We need not stop to enquire if such a policy is practical politics; we have, however, to

reckon with it. Mr. Goschen's Assigned Revenues System was condemned in 1914 by the English Parliamentary Committee on Local Taxation which was emphatically in favour of direct grants from the exchequer for specific locally administered services. Provincial finance in India has also almost given up the traditional craving for a share—it was originally some share, later on it was a battle for a higher fraction—of growing revenue. Under the reformed constitution, 'divided heads' will cease to exist and give place to a system under which items of revenue are allocated under statutory rules supplemented by 'matrikular' contributions from provincial to imperial.

Objections to a share of excise revenue.

169. As a form of subsidy, a share of the excise revenue amounts, in effect, to a grant in aid of general resources—a system which we have condemned except in three specific cases (Chapter II). It will produce greater inequalities than what it ostensibly seeks to obviate. Such has been the experience under the English Assigned Revenues system; and, in a small way, as we have already had occasion to point out, we have had the same trouble with the '14 lakhs grant' which has till now been distributed on the basis of one-fourth of the land-cess raised in each district. By way of anticipating criticism, it has been suggested that one-eighth of the excise revenue of the province should be credited to a Local Taxation Account, from which it should be distributed to local bodies according to their needs on well-defined principles. But if grants are to be based on an equitable sharing of the burden of the semi-national services, it is difficult to appreciate the necessity for ear-marking any particular item of revenue for bearing the central share of the burden. That burden should be borne even if total prohibition becomes a practicable proposition and excise revenue gets altogether extinguished.

170. We are therefore decidedly against the substitution of a share of the excise revenue for all or any of the direct grants for services which we have proposed.

A surcharge on Abkari revenue.

171. There is more to be said, however, in favour of transferring a share of the excise revenue, if it is to be an addition to local revenues, over and above the grants from the exchequer, in other words, a local source of receipts on the same footing as taxes, fees, etc. From this standpoint, the surcharge is, in our opinion, the better idea. The revenues of this province are not likely to be overflowing during the next seven years and it is doubtful if the Government can both make the grants which we have proposed on the basis of the cost of the semi-national services, and also make a free gift of any substantial share of the excise revenue to local bodies. The surcharge will not trench upon the receipts of the Provincial Government; a share of the excise revenue will. A local body can further be empowered to impose the surcharge and regulate its rate according to the needs of its expenditure.

Our recommendation.

172. The problem is a difficult one. On the one hand are the needs of the Provincial Government; on the other is the apprehension that the

theory and workable without difficulty in practice. We cannot attain absolute accuracy in valuations or absolute equity as between individuals. We must be content with approximate justice.

A scheme.

182. The following points and proposals have been placed before us:—

(1) All land revenue—taram assessment and ground-rent—in municipalities should be abolished.

(2) The municipal property tax should be remodelled by separating the taxation of sites from the taxation of the buildings or other improvements on it.

(3) There is essential difference between the value of sites and the value of buildings and improvements. The value of sites is largely one to which the community has contributed; the value of buildings is mainly that of the capital and labour spent on them.

(4) Unearned increment in values has reference really to sites, and not to the improvements or buildings on it.

(5) Our policy in urban areas should endeavour to keep down speculative prices, make more land available and encourage building. These considerations suggest a discrimination in favour of buildings and against land in the distribution of the property tax between its two elements.

(6) The attempt to tax unearned increment, after its accrual on the evidence of a registered sale-deed, leaves untouched a host of properties which daily appreciate in value without such evidence forthcoming.

(7) Unearned increment should get taxed in an automatic manner and the best way to do this is to levy a low percentage tax on the capital value of sites, apart from buildings or other improvements on it. The tax should in this country be placed on the owner. The valuations may be made annually, triennially or quinquennially.

(8) It will be necessary to correlate such a tax to the present property tax based on annual value. The tax on building rentals may be regulated on income-tax lines with an exemption minimum at the bottom and progressive graduation of rates at the top. Or, in the alternative, a local authority may first determine what amount it should raise in the shape of property tax and then recover definite proportions of it from the tax on site values and the tax on rentals.

(9) The main difficulty is that sites should be valued at frequent intervals. But something of this kind is being done even now in connexion with the preparation of municipal assessment lists.

(10) In some cases it may be necessary, in taxing site values, to discriminate in favour of built on land as against vacant land or land put to agricultural uses. This will encourage building operations, increase the supply of land for building and help to solve the problem of housing in congested towns.

183. It is claimed for this scheme that it will discourage the speculative jobbing in site values which now takes place in large towns. The would be purchaser of a site would, it is said, hesitate to offer fancy price when he has the prospect before him of having to pay a percentage rat on the price he actually pays.

184. As site values rise, the receipts from this tax will automatically grow.

185. We have discussed these proposals at length but are unable to come to a decision with the limited information at our disposal. We hesitate to recommend a change from annual to capital value as the basis of assessment; we apprehend that it may react prejudicially on present owners of property who have purchased at fancy prices in recent years. But our attention has been drawn to the fact that in several American cities, and in the Colonies of Australia, New Zealand and Canada, the change has been tried with success and that a minority of the English Departmental Committee on Local Taxation recommended a similar reform even in England. We confess that, if the scheme is found to be practicable, it will be a satisfactory method of taxing unearned increment. We should prefer, however, to have the proposals worked out in the concrete for a few municipalities before a final decision is reached on them. We are equally divided on the question of committing ourselves definitely to their acceptance, but are unanimous in recommending that they deserve to be investigated in further detail.

Ground-rents.

186. We have a few minor recommendations to make on the present system of levying and appropriating ground-rents and on the manner in which municipalities and unions should deal with land.

187. Ground-rent as such is the result mainly of municipal enterprise and we consider that the Government should make over to the local bodies concerned all the revenue it derives from ground-rent in urban areas. So long as ground-rent is not based upon statute and has to be levied by virtue of the prerogative of the Crown, it can be assessed and levied only by the Government. We have been advised that under Act II of 1864 the chairman of a municipality cannot be empowered to collect land revenue on behalf of Government in municipal areas, nor do we see any great advantage under present conditions in his doing so.

188. As a corollary to our recommendation that all ground-rents should be credited to municipal funds, we would make a clean sweep of the rules in Board's Standing Orders Nos. 21-A and 24 which oblige local bodies to pay ground-rent or taram assessment to Government on lands vesting in them or acquired by them. Land held by municipal councils and union boards direct from Government, even though a profit is realized by them on such land, should be exempt from such liability. In any case we can see no point in first collecting the amount from the local body and then crediting it back to its funds. The local body should also have freedom to deal with such lands by way of lease without thereby reviving its liability to pay ground-rent, and this freedom we would extend to the disposal of temporary encroachments of an unobjectionable character on road margins—a matter for which provision has been made in section 160 of the new Local Boards Act.

189. Ground-rent if systematically exploited might help to solve the financial problems of town development. In cases where land is acquired for town extension schemes or is otherwise vested in municipal councils for such purpose, we recommend that it should not be leased for long terms or sold outright but assigned on ground-rent tenure with or without an initial payment by way of premium. The

ground-rent should be assessed and collected by the Revenue Department and credited to municipal funds.

190. Unearned increments of large amounts accrue at a much quicker pace on sites in towns than on agricultural land. We would therefore suggest that all ground-rents should be made revisable once in ten or fifteen years.

Taram assessment.

191. We desire to make it clear that, in the observations and recommendations that we have made above, we do not imply that the taram assessment levied on land put to agricultural uses in municipal or union limits should also be immediately made over to local bodies.

(iii) Minor taxes.

192. The other taxes that have been suggested as possible additions to local revenues are—

- (1) A terminal tax.
- (2) An advertisements tax.
- (3) An amusements tax.

193. Under Schedule II of the Scheduled Taxes Rules issued under the Government of India Act, a terminal tax on goods imported into a local area may be imposed by a local legislature only in places in which an octroi was levied on or before the 6th July 1917. This precludes a terminal tax on goods. With regard to passengers coming in by railway both the District Municipalities and Local Boards Acts have provided for its levy at pilgrim centres in the disguise of a pilgrim tax.

194. Under the same Scheduled Taxes Rules, the advertisements and amusements taxes can be imposed by the legislature only for the purposes of the Local Government. The revenue yield of these taxes is problematical but we are of opinion that the best results can be obtained only by localising their administration.

195. These taxes have in Western Europe proved a valuable source of revenue. In this Presidency it would hardly pay the Government to levy them as provincial taxes as it would be difficult for a central authority to prevent evasion. This difficulty would largely disappear if these taxes were placed under municipal control and as the condition of local finance demands that no potential source of revenue should be neglected, we would strongly urge that local bodies be authorized to levy them.

CHAPTER VII.—REMUNERATIVE ENTERPRISES.

196. State aid and local taxation do not exhaust the financial resources of local bodies, and there is a group of receipts to which too little attention has yet been paid. We refer to certain receipts classed in municipal accounts as "7. Receipts derived from municipal property and powers apart from taxation," and in local fund accounts as 'I. Land Revenue,' 'XXV. Miscellaneous' and 'XXXI. Civil Works'. School fees and medical fees we need not here discuss. They are purely 'service credits,' and it is unlikely that they will grow much larger. Tolls and ferry rents are also 'service credits.' As regards fisheries we are advised

that it is not worth the while of local boards to undertake piscicultural operations on their own account. The other items we will discuss under the following heads:—

- (i) Land Exploitation.
- (ii) Transport and Lighting.
- (iii) Markets, Slaughter-houses and Cart-stands.
- (iv) Tree-planting.
- (v) Waste Products.

(i) Land Exploitation.

197. In conformity with the resolution of the Local and Municipal Conference we recommend that local bodies should be encouraged to extend their holdings in land whether such land is immediately required for building or not.

198. In England the powers of local bodies in relation to land ownership are severely restricted by law; in Germany municipal proprietorship is actively encouraged. In England the prejudice against public ownership has rendered the problem of housing extremely difficult of solution. In Germany municipal ownership enables the public authorities—

- (1) to promote and regulate house construction, to stimulate industrial development and to provide generally for public needs,
- (2) to alleviate the burden of taxation by securing for the public revenues a share of the unearned increment, and
- (3) to counteract the mischief done by the land gambler.

We consider that in this respect the English method is the one to avoid. Had the exploitation of land by local bodies been steadily encouraged since local self-government was first introduced in this province, the solvency of local bodies would by this time have been assured, and, incidentally, the State would have saved the Rs. 40 lakhs which since 1908 it has doled out for town extension and the relief of congestion.

199. It is too late to make good the opportunities that have been lost. Economic progress and the land speculator have forced up land values to a high figure. It may be that values will hereafter fall, but we would deprecate postponement of a forward policy on the off-chance that a slump will come. The law, by empowering local bodies to make by-laws and to determine the conditions on which licences are granted, gives them the advantage over private persons in putting land to profitable use, and it is to the public interest that these powers should be made the most of. We consider that, if the principles advocated by us in the preceding chapter are accepted by the Government, urban land development by municipal enterprise may be made at least self-supporting, and probably a source of substantial revenue, instead of, as hitherto, a recurring drain on provincial funds.

200. There are several ways in which land may be used for profit—

- (1) Town-planning and town improvement schemes;
- (2) Survey, and the judicious exploitation of encroachments on public roads and of plots made available for building or other purposes by regular line operations.

(3) Utilization of road margins, tank beds, tank and channel bunds and waste land for profitable purposes, e.g., for the construction of shops, godowns, plinths for petty traders, cart-stands, or for tree-planting.

(4) Reclamation of swamps, sand-dunes and other useless land.

(5) Acquisition of such vacant house-sites and ruined buildings, as are ownerless, or the owners of which are unable or unwilling to maintain them in a sanitary state.

(6) Control and exploitation of quarrying, gravel pits, etc.

201. With the exception of cart-stands and tree-planting all these items should subserve the exigencies of town-planning and town improvement, a category which hitherto has been merged in "minor sanitation," but which, with the advent of the Town-Planning Act, should be treated as a self-contained branch of local administration. We consider it necessary that all receipts and charges connected with immovable property owned by, or vested in, a local body should be brought into one view. Whether this "Land Development Fund" should be merged wholly or in part in the statutory Town-Planning Fund is immaterial, provided that all such transactions can be viewed as a whole.

202. To this fund should be credited—

(1) *Unspent balances of provincial grants* made for purposes connected with town-planning and town improvement. On 31st March 1920, these balances aggregated Rs. 5,53524 for municipalities and Rs. 1,00,640 for local boards (see Appendix G).

(2) *Rentals (including ground-rent) derived from immovable property.*—In 1918-19 these totalled Rs. 97,983 for municipalities and Rs. 23,404 for boards.

(3) *Sale-proceeds of immovable property.*—In 1918-19 these yielded Rs. 3,05,603 for municipalities and Rs. 44,867 for boards.

(4) *Licence-fees* levied (a) for the use of land owned by or vested in local bodies, and (b) for the general well-being of the local area concerned.

Under the last head would be included nearly all the licence-fees leviable under the Local and Municipal Acts, amounting in 1918-19, to Rs. 1,58,259 for municipalities and Rs. 58,868 for boards.

203. The sum total of the credits is Rs. 13.43 lakhs inclusive of unspent balances, and Rs. 6.79 lakhs without them. With the disposal of encroachments by lease and the transfer of ground-rents to municipal funds, the recurring revenue would be considerably larger, especially if local bodies would abjure the sale of capital assets and assume instead the role of landlord.

In cases where, in the past, lands have been acquired for town extension schemes with the help of Government grants, we recommend that, when such lands come to be sold or assigned on ground-rent with an initial payment by way of premium, the Government should not claim to recover the amount of the original grant from the sale-proceeds or premia realized by the local body.

204. We consider that the exploitation of land, whether under the Town-Planning Act or otherwise, should be financed from loans and not from current revenues. Provincial grants for such purposes should in future be unnecessary, except perhaps in

cases where the poorer classes cannot be housed at economic rents. It is desirable, however, to earmark a specific portion of the revenue as security for the interest and capital of loans. A local body cannot mortgage the whole of its revenues, for provision must first be made for the cost of its obligatory services. We believe that the Land Development Fund now suggested would enable most local bodies to finance loans for town extensions and improvements without detriment to the discharge of other services.

(ii) Transport Development.

205. The financial success of district board railways in Tanjore and Kistna has centred the interest of district boards generally on railway projects, to the neglect of other methods of transport which in most countries are generally recognized as municipal obligations. We doubt whether many of the railway projects now contemplated by district boards would, at the present cost of materials, pay so well as an organized system of motor bus and motor lorry services under district board management. Only five boards possess open railway lines (see Appendix H). Of these, the Kistna, Tanjore and Coimbatore lines pay well (from 7.8 to 11.7 per cent in 1919-20), but the Salem and Guntur ventures are not profitable concerns (net income in 1919-20 only 6.6 and 3.7 per cent respectively.) There are few districts so densely populated as the deltaic areas of Kistna and Tanjore. Several projects for which railway-cess has been levied are unlikely to pay their way. We have no wish to deter any board from constructing a railway which is certain to pay well and which can be completed in the near future, but we would point out that a motor service can be brought into being years in advance of any railway line, and at less cost can cover a larger area. Moreover, a motor service can be readily modified and adapted to meet local needs, and would serve as a guide for future railway development.

206. In motor transport, this Presidency is signally backward. There are no public services. Large profits are made by private owners to the detriment of board and municipal roads. No taxation that local bodies can levy on transit companies would cover the cost of the extra wear and tear of roads, and any taxation so levied must be borne ultimately by the travelling public. We do not think it just that the private capitalist should profit at the expense of public funds and we consider that profits made by utilizing roads for transport should as far as practicable be devoted to the maintenance of such roads.

207. We are aware that most of the main roads of the Presidency are unsuited for lorries, their foundation and surface are flimsy, they are intersected by unbridged rivers, and many of such bridges as exist are too weak for heavy traffic. The task of putting the through communications in a state fit for modern traffic cannot, however, be indefinitely postponed, and the sooner these defects are set right, the better.

208. Municipalities cannot embark on railway enterprise, but facile transit is a condition precedent to the success of town extension, and towns of 'magnificent distances' and those situated some miles from a railway station would do well to accept the organization of a tram or motor bus service as a municipal obligation.

209. Transport development requires capital. We have discussed in Chapter I the formation of a Local Loans Fund. We recommend that a portion of this fund be set apart to finance railway and transport enterprises undertaken by local bodies. We would suggest that a nucleus for this fund might be formed by inviting such boards as hold accumulated railway-cess to invest their accumulations in this Railways and Transport Fund. This fund should be supplemented by provincial barrowing and would be drawn on by local bodies as required. Preference should be given to schemes which are likely to pay best and to come into being soonest. Railway-cess funds to the amount of Rs. 126 lakhs are lying idle and it is not fair on the rate-payers that they should be hoarded.

(iii) *Lighting.*

210. Lighting is another suitable and profitable field of municipal enterprise. In electric and power, this Presidency is amazingly backward. No State or municipal installations exist, and such councils as have schemes in contemplation are entrusting them to private companies. We hold that this policy is shortsighted and out of date. Private companies are not philanthropic institutions and, if local bodies evade their duty, the next generation will with justice complain that the rate-payer is exploited by the profiteer. We consider it of the utmost importance that councils should run their own installations, and we appeal to the Government to take up the question before it is too late and lay down a policy which will enable local bodies to retain such installation in their own hands.

(iv) *Markets, slaughter-houses and cart-stands.*

211. The provision and control of markets and slaughter-houses are matters which concern public health. Cart-stands are a traffic convenience, and should logically be dealt with under communications. The remunerative character of such institutions however requires that they should be treated apart. The revenue derived by local bodies from markets, slaughter-houses and cart-stands during 1918-19 was some Rs. 9½ lakhs made up as follows:—

	Municipal.	Board.
	RS.	RS.
Markets	4,60,645	4,00,232
Slaughter-houses	49,783	21,769
Cart-stands		21,015
Total	5,10,428	4,43,016

212. Clear account is not kept of the expenditure on these institutions. Municipalities show a debit of Rs. 27,810 against markets and slaughter-houses (6.0 per cent of the receipts), and local boards show an expenditure of Rs. 43,228 (or 10.8 per cent of the receipts) on markets, Rs. 3,57,004 being diverted to other purposes, the bulk of it to so-called 'market feeder roads'. On cart-stands the expenditure is nil, and, of 73 municipalities, 24 get from cart-stands no income at all.

213. That local bodies have neglected their opportunities cannot be denied. The experience of some of us shows that investments in enterprises of this kind may yield a return of anything from 10 to 30 per cent. Taking 15 per cent as a conservative average, and allowing Rs. 1 lakh for running charges, if local bodies would spend the whole of the profits derived from these sources on their development for the next ten years, the net income would rise from Rs. 8½ to Rs. 11.6 lakhs. In the alternative Rs. 8½ lakhs would suffice to defray 30 annual equated payments of a loan of Rs. 111 lakhs, a sum which, if judiciously spent, should raise the revenue to Rs. 16.6 lakhs without entrenching on local or provincial funds.

214. The above forecast is not in our opinion over sanguine. It errs, if anything, on the side of caution. We consider that the development of markets, slaughter-houses and cart-stands is a public obligation which should not be left to private capitalists to exploit. We recommend:—

- (1) that separate accounts should be kept for each institution;
- (2) that the profits realized should be strictly accounted for and utilized for further development, for which each local body should at once draw up a programme;
- (3) that funds allotted for market improvements should not be diverted to the upkeep of feeder roads;
- (4) that private markets and cart-stands should where practicable be taken over by local bodies;
- (5) that the sale of market sites to private speculators should discontinue and that local bodies should construct all stalls, shops, godowns, plinths and other buildings themselves;
- (6) that in the programme of development daily markets should take precedence of weekly markets and large markets of small ones;
- (7) that inquiries should be instituted as to whether the principles of the Tiruppur cotton market scheme can be applied to the establishment in other centres of markets regulating trade for products of special local importance;
- (8) that with the help of the Registrar of Co-operative Societies weekly shandies should be utilized as media for co-operative purchase and sale.

215. As regards fees, we observe from Appendix I that rates vary remarkably in different centres. We are unable to judge whether the top rates are too high or the bottom rates too low. While deprecating any large or sudden increase in the rates we would suggest that, with reference to those schedules, local bodies should investigate whether rates levied within their jurisdiction would not bear enhancement proportionate to the general rise in prices. We also endorse the recommendation of the Local and Municipal Conference that in markets the levy of fees on plinth area is desirable where plinths exist and that more plinths should be provided.

(v) *Tree-planting.*

216. The average annual receipts from avenues for the past five years was a little under Rs. 3 lakhs for district boards and nearly Rs. 25,000 for municipalities, a revenue which, capitalized at 6½ per cent, would represent an asset of nearly Rs. 50 lakhs.

X7.2' N20 E N22

Out of 27,739 miles of road in charge of local boards, 9,461 have no avenues at all.

The average yield per mile of avenue in 1918-19 (an exceptionally unfavourable year, varied in the several districts from Rs. 1-3-0 in Cuddapah to Rs. 41-9-5 in Salem (see Appendix J), the average per mile for the Presidency being Rs. 14 and per road mile, Rs. 9-3-7.

217. We are aware that differences in soil and climate are in part responsible for the variations, but they do not explain why Godavari gets Rs. 20-5-4 per mile while Kistna gets only Rs. 4-6-9, why Tanjore gets only Rs. 12-11-9 per mile while Trichinopoly gets Rs. 23-1-1, why Chingleput gets Rs. 11-3-4 per mile while North Arcot gets Rs. 25-11-1. The fact is that in some districts avenue planting has been neglected.

218. We would point out that avenue maintenance is usually entrusted to the local fund engineering staff, in addition to their ordinary duties. We have little faith in amateur agencies and endorse the recommendation of the Local and Municipal Conference that local boards should organize a separate and properly trained staff and draw up programme for intensive cultural operations on the lines adopted in North Arcot. We consider that the Government should give lead by constituting a provincial arboricultural service for research and experiment and above all to train men for local fund service. We would reassert the principle (which we regret to note has been violated in some districts) that avenue receipts should be earmarked for avenue development, and that district boards who desire to get their men trained should be asked to contribute to the cost of the service a percentage of their annual avenue receipts.

219. The operations of such a staff should not be confined to roadside avenues. The price of fuel and fodder is rising everywhere, and we have it on the authority of the hon. Mr. S. Cox that forests cannot meet the growing demand. There are thousands of acres of tank beds, tank bunds, channel bunds and waste lands that might be profitably exploited to the relief of economic distress as well as of local and municipal penury. We consider that such lands should be handed over to the control of local bodies on the condition that they are included in a definite programme of cultural development. The co-operation of village panchayats should be enlisted, and an effort made to re-establish village topes under communal management. If local conditions favour such a course, we see no objection to local bodies inducing, by the offer of attractive terms, the owners of houses and lands to plant trees on road margins adjoining their property.

220. We consider that by organized effort the revenue from avenues alone could be doubled or trebled and an equal recurring revenue raised by planting up other public lands which are now lying idle.

(vi) Waste Products.

221. The only by-products worth considering at present are those defined in the District Municipalities Act under words 'filth' and 'rubbish' including house sullage, the effluent of certain factories and the waste products of the slaughter-house.

222. We would point out (Appendix K) that conservancy receipts yield from 1 pie or less per head of the population in such places as Cocanada and Mayavaram to as much as 3½ annas in Madura, and 3½ annas in Karur. We are aware that local prejudice against the use of this form of manure is greater in some centres than others and that for geographical and climatic reasons the demand varies from place to place. We believe, however, that such products could be made more marketable, and that, failing a local demand, a market could be found for them in areas where their value is appreciated.

If Madura can realize locally 3½ annas per head for the crude stuff, there should be no serious difficulty by scientific methods in realizing an average of four annas a head for all municipalities in the Presidency, a figure which on the population of 1911 would raise municipal income from this source from Rs. 1.15 lakhs to 5.70 lakhs. We hope that the Committee recently appointed by the Government to examine this question will devise a means of securing this result.

223. The by-products of the slaughter-house may prove still more valuable, if suitably treated.

224. As for sewage and sullage, there is at present only one town in the Presidency equipped with a complete drainage system and scientific sewage farming has not yet had a chance. Such towns as have incomplete systems allow their sullage to stagnate or run to waste, and do not generally realize the value of sullage in agriculture.

We would point out that the possibility of profitable disposal is likely in future to be an important factor in the financing of drainage schemes and we would look to the Government to show the way by appointing a whole-time expert to study the problems involved.

(vii) Licence fees.

225. The licence system is something more than a means of raising revenue; it is (or should be) a controlling lever in the machinery of administration. Licences cannot (or should not) be considered apart from the policy and by-laws governing these services to which they relate. Appendix L shows the sections of the Acts under which licences may be issued.

226. It will be noted that most of these sections relate either to public health, safety and convenience, or to town development, or to both. The transfer of a big soap factory, for instance, from the centre to the outskirts of a town has a two-fold effect; it removes from the residential area an offensive industry, and it helps to relieve congestion by attracting workmen employed in it to migrate to less densely populated areas.

227. Licence fees for plumbers should logically be credited to the water and drainage fund, and licence fees for slaughtering to the slaughter-house fund. Food control licence fees should go towards the cost of working the Food Adulteration Act. But the amounts so derived will be trivial, and it is not worth keeping separate accounts for them. The bulk of the licence fees are intimately related to town development, and we recommend that the whole of the licence fees should be credited to the Land Development Fund. As regards the rates of fees levied we

agree with the Local and Municipal Conference that the unit of assessment and of the period of currency for each class of licence should be uniform throughout the Presidency. Till this is done it is hardly practicable to judge whether a particular local body is shirking its duty in regard to this source of revenue. Local bodies in our opinion should be encouraged to make larger use of their powers to make by-laws and levy fees. There is a mine of wealth in licence fees if they are judiciously imposed and watchfully developed, and we would suggest that when a local body refuses to bring up its rate of licence fees to a reasonable standard, all applications for compassionate grants should be refused.

(viii) *General.*

228. We dwell at length on this question of remunerative enterprise because we realize that provincial revenues are not inexhaustible and that local bodies could, if they would bestir themselves, build up a large and increasing revenue from sources other than taxation.

229. We invite attention to the statement printed as Appendix M, which shows for each municipality for 1919-20 the percentage of (1) receipts from taxation (excluding tolls), and (2) receipts from sources other than taxation to the total of these two heads.

It will be observed that the portion of the burden borne by the rate-payers varies from 87.1 per cent in Ongole to 56.2 per cent in Palamcottah.

Similar figures for 1919-20 for local boards are not to hand. Those for 1918-19 as abstracted in Appendix N show a percentage of 22 from sources other than taxation, against a percentage of 78 derived from taxation.

230. We are aware that the figures are in some cases vitiated by the fact that they include capital assets, such as the sale-proceeds of land. Even allowing for this, however, we see no reason why every council and board should not succeed in substantially raising its revenue from sources other than taxation.

231. We consider that all enterprises of the kind discussed in this chapter should be financed from loans and not from current revenues or provincial grants.

That separate accounts should be maintained for each enterprise goes without saying.

We recommend that every effort should be made to induce local bodies to take stock of the possibility open to them of remunerative enterprise and that, for some years to come, in allotting loans (after providing for water and drainage) preference should be given to schemes calculated to increase local financial resources.

We would explode once and for all the dangerous fallacy that a local body can pledge its whole revenues as security for loans. Local bodies have obligatory duties to discharge, and their borrowing capacity is limited to the margin of income left over after defraying their cost.

We are anxious that remunerative enterprises should be financed without encroaching on other services or general revenues, and we would suggest that ordinarily a percentage of the income derived from these sources should be devoted to raising loans for their development.

We see no objection to diverting the profits of one of those funds to the promotion of another, or to pooling the whole revenue derived from them to finance a combined programme of development, but until the revenue got from these sources bears a reasonable proportion to that derived from taxation, we would discourage the diversion of any of these funds to general current expenditure.

PART V.

CHAPTER VIII.—ACCOUNTS AND AUDIT.

(i) *Accounts.*

Defects of existing system.

232. The defects of the present account system of local boards and municipal councils are many. It has grown up gradually. The numerous heads and sub-heads owe their grouping rather to historical causes than to any logical or scientific attempt to make them easily intelligible to those whom they concern. They do not help us to arrive at the whole cost of any particular service. Taking for instance the cost of a school, the cost of schoolmasters and contingencies, charges for laboratory, apparatus, and furniture appear under the head 'Schools.' The cost of provident fund contributions or pensionary contributions on account of school employees appears under the head 'Superannuation and pensions.' The cost of repairs to school buildings appears under 'Civil Works.' The cost of stationery is taken to a separate head 'Stationery and Printing', while the cost of administrative establishment is taken to still another head.* The accounts—and the estimates which are and have to be in the same form—prepared in this manner obscure the issues on which a policy or a programme might be based. They render extremely difficult the task of intelligent control of the activities of a local body either by the State or by the local tax-payer.

Suggestions for reform.

233. A separate committee is now engaged on the work of recasting the forms of local and municipal accounts with a view to remove these defects. We do not wish to anticipate their recommendations or to tie their hands as to details. We would, however, lay stress on the following points which should be kept steadily in view in reforming our present system of accounts :—

(1) The accounts should be so divided or grouped as to show the *objects* rather than the *subjects* of expenditure.

(2) All the expenditure on a service should as far as possible, appear in one place; and in order to ensure this, separate accounts or separate sections of a main account should be maintained for each of the following main services—Management, Communications (including lighting), Education and Public Health. The cost of constructing or repairing buildings should be debited to the service for which these buildings exist or are used and not, as now, to the 'omnibus' head 'Civil Works.'

(3) The service accounts should be followed by a revenue account showing the gross receipts and cost of collection of the main heads of

* Report of Committee No. VI of the Local and Municipal Conference.

taxation and, if possible, the amounts appropriated to the various services from such receipts.

(4) There should similarly be separate accounts or separate parts of an account for each item of remunerative enterprise which a local body engages in.

(5) A clear distinction should be drawn between capital and ordinary expenditure under each service.

(6) In principle all capital assets require protection from depreciation, either in the shape of periodic expenditure on repairs and renewals or in the shape of an annual payment into a depreciation fund, from the accumulations of which a capital asset may be renewed at the end of its allotted life. We realize the difficulties in the way of public bodies building up a depreciation fund in cash or invested in securities. We, however, think there is use in maintaining even a *pro forma* account of depreciation. If it contrasts, in its different columns, the amounts which, in an ideal system of administration, ought to have been placed in a depreciation reserve with the amounts actually spent on repairs and renewals, the figures should be of the greatest assistance to local bodies in ascertaining, from time to time, how much they have neglected their assets and in making budgetary provision for expenditure on repairs and renewals. We trust the Accounts Committee will be able to devise such an account. In order that a *pro forma* account of the kind is taken full advantage of, we would recommend

(a) that audit officers should, at every inspection, examine the account and satisfy themselves that it has been correctly maintained and properly utilized, and

(b) that, in the administration report of each local body, a paragraph should be devoted to the question of depreciation of capital assets.

(7) Separate explanatory statements will be necessary for

(a) endowments,

(b) loans,

(c) contributions (including grants from Government).

(8) The forms of local board and municipal accounts should, as far as possible, be cast in the same mould.

234. We commend the general lines on which the draft forms of accounts—which have been placed before us—have been prepared. We also approve generally of the plan of the 'type-design' administration report. The Accounts Committee will, no doubt, subject them to detailed scrutiny.

Costing statements.

235. We agree with the resolution of the Local and Municipal Conference that costing statements would be useful and suggest that an effort should be made to determine

(a) suitable units of cost for each service or branch of a service,

(b) the items of expenditure that should be taken into account in arriving at the cost of each unit, and

(c) the forms in which costing statements should be prepared.

236. The regrouping of the heads under the various services in the accounts—the principles of which we have touched on above—should facilitate the preparation of the costing statements. The underlying

principle of such statements should be "that the expenditure incurred in connexion with each administrative and economic unit should be shown in such a way as to enable" the executive of the local body, the local tax-payer and the Government "to see clearly the cost of the unit, and to institute such comparisons either with the expenditure of previous years or with the results obtained elsewhere, as will facilitate the work of control".*

Training of Accountants.

237. The clerical staff which is now entrusted with the maintenance of the accounts of local bodies is unsatisfactory. The men are amateurs who have had no systematic training in accounts. The clerks posted to the Local Fund Account and Audit section of a Treasury Deputy Collector's office are often men who have not succeeded in other branches of the Revenue administration. An improvement in the personnel of these appointments is necessary. We consider that the accounts work in a district or taluk board office, in a district board engineer's office and in a municipal office should be in charge of a man who has undergone a course of training for six months in the office of the Examiner of Local Fund Accounts, and possesses a certificate of competency and we suggest that the Accountant-General should be requested to make arrangements for training such men in local and municipal accounts.

238. We discussed a suggestion to amalgamate the accounts sections of the district board and district board engineer's offices but are not prepared to make a definite recommendation in favour of it. We think, however, that any district board which desires to try such an amalgamation should be at liberty to do so. We also suggest that it would make for convenience and expedition if correspondence between the president of a district board and his engineer were ordinarily in the form of unofficial references.

(ii) Audit.

Present System.

239. *Local Fund Audit.*—The Government appear to have first obtained control of the audit of local fund accounts in the early eighties. In the year 1904, the initial audit of the accounts was entrusted to a special staff (the Local Audit Staff) attached to the office of the Treasury Deputy Collector in each district. This was supplemented by a test audit by an independent staff of men under the immediate supervision of the Examiner of Local and Municipal Accounts, an officer of the Indian Finance Department. The initial audit by the Treasury Deputy Collector consists in a detailed check of the receipts and charges of the district boards, taluk boards and union panchayats, and of the accounts of these bodies, received from the sub-treasuries. A consolidated Local Fund Treasury Account is prepared on the basis of this audit and an agreement effected between the balances as shown in that account and those in the General Treasury Account. A member of the Treasury Deputy Collector's staff is also deputed to inspect locally the union accounts in the district once every half-year.

* Paragraph 38 of the seventh report of the Select Committee on National Expenditure, 1918.

240. The test audit by the staff of the Examiner of Local and Municipal Accounts is confined to the accounts of the district board and of selected taluk boards and union panchayats and to the vouchers of any two selected months in the year. A cursory check is also made of the receipts by an examination of the original registers maintained in the local boards offices.

241. *Municipal Audit.*—The audit of the accounts of municipalities by Government agency appears to date back to the year 1885, prior to which it was conducted by non-official auditors. It was made a half-yearly audit in the year 1903 consisting in a detailed check of the receipts and expenditure of each half-year of the municipalities. At the end of the second half-year's audit, a report is submitted to the Government by the Examiner.

Defects.

242. *Local Audit.*—While recognizing that good work has been done in the past by the Local Audit branch of the Treasury Deputy Collector's office, we feel that there is room for improvement in the manner in which the audit is conducted. The defects are mainly the result of inefficient staff and inadequate supervision. Collectors of districts evince only a step-motherly interest in the proper manning of the Local Audit section of the Treasury Deputy Collector's office; and the men chosen are often unequal to their work for want of proper training and experience. The Treasury Deputy Collector is also in charge of the General Treasury work, a heavy responsibility in itself, to which he has to devote the major portion of his time. He is therefore unable to give his undivided attention to the work of his men in the Local Audit Branch. This lack of adequate supervision has led sometimes to the raising of frivolous objections; in other cases, grave irregularities have passed unnoticed.

243. *Municipal Audit.*—The main defect of municipal audit is that it is not concurrent. It takes place only once in every half-year, the entire receipts and charges for the previous half-year being audited at each visit of the auditor. The result of this deferred audit is that an overpayment or fraud does not come to light until long after it has occurred, and it becomes difficult to fix responsibility. The visit of the auditor once only in every half year gives a person, dishonestly inclined, considerable time to make up false vouchers.

244. We consider that the present system of audit as regards both local board and municipal accounts should be so altered as to remove these defects and thereby minimise the opportunities for frauds and embezzlements.

A suggestion for reform.

245. We accept the principle already laid down by the Government of India, namely, that the audit of local and municipal expenditure should not be any less strict than that now applied to central and provincial expenditure. And it seems hardly necessary to state that such strictness and the resulting efficiency can only be attained by a more careful supervision of the work of audit on the part of responsible officers of status.

246. The Examiner of Local and Municipal Accounts, who is also a member of this committee, has placed before us a proposal for the modification of the existing system of audit which if found practicable on

detailed investigation would, in our opinion, considerably enhance the value of audit as a means of safeguarding the interests of local bodies. The scheme contemplates the concentration of audit under the immediate supervision of the Examiner of Local and Municipal Accounts. The audit of the receipts of local bodies will be carried out locally by the peripatetic staff of the Examiner's office. The audit of their expenditure will be centralized in the office of the Examiner at Madras. All the vouchers will be periodically forwarded to the Central office, preferably twice a month as in the case of provincial expenditure, and the audit will be conducted by experienced men under the supervision of the Examiner, who will, if necessary, be given the assistance of a few gazetted officers with accounts experience. The Treasury Deputy Collector and his local audit staff will thus be relieved of nearly all their work in connexion with the audit of district and taluk board accounts. The staff can be greatly reduced, only a man or two being retained for work in connexion with the audit of union boards accounts. The men thrown out can, if found efficient, be drafted to the proposed Central Audit office or otherwise absorbed in the District offices. The whole of the expenditure on audit is now provincial and should continue to be so. A note by the Examiner of Local and Municipal Accounts working out the extra cost involved is appended to this report (Appendix O) from which it is observed that the extra cost to the Government will be only about Rs. 45,000 per annum. The proposal seems to us to be well worth trying. Central audit may begin with a few selected district boards, taluk boards and municipal councils. If found successful, the audit of the accounts of all municipal councils and local boards including union boards may be centralized.

17th November 1920.

MUHAMMAD HABIB-UL-LAH.
M. RAMACHANDRA RAO.
V. K. RAMANUJA ACHARI.
N. SUBBA RAO.
K. R. S. RAO.
K. SURYANARAYANAMURTY.
R. G. GRIEVE.
W. HUTTON.
S. KUMARASWAMI REDDIYAR.
F. J. RICHARDS.
N. GOPALASWAMI.
E. S. LLOYD.
G. G. GIFFARD.
T. A. RAMALINGAM.
V. MADHAVA RAJAH.

I have not signed the report. I am in agreement with all the findings of the Committee except the proposals under smallpox.

I strongly oppose the recommendation that the performance of vaccination be transferred to qualified medical men.

23rd November 1920.

E. L. PERRY.

APPENDIX A.

SUMMARY OF RECOMMENDATIONS

1. The more important of our conclusions and recommendations are briefly summarised here :—

I. Capital expenditure and loan policy.

2. Capital expenditure should be financed *ordinarily* out of loan funds. Current revenues may be diverted to capital expenditure only in cases where a surplus has been realized or where such expenditure is limited (paragraph 9).

3. (i) In attempting to meet the loan requirements of local bodies, the best results will be attained by a combination of—

- (a) direct borrowing from the market by local bodies,
- (b) borrowing by the Local Government, and
- (c) borrowing through the Government of India (paragraph 11).

(ii) Direct borrowing by local bodies should be encouraged by a Government backing of the local body's credit and by declining to grant Government loans to local bodies below a minimum (paragraph 12).

(iii) Provincial borrowing direct from the market is preferable to borrowing through the Government of India except for railway development (paragraph 14).

(iv) A Local Loans Fund should be constituted and placed under the administration of special Commissioners. Local bodies should be advised to invest their investable assets in the fund. A separate committee including financial experts should be appointed for working out the details regarding the creation of the fund (paragraphs 15 to 17).

II. Principles of State aid.

4. Grants-in-aid of general resources are objectionable in principle. State aid should be based on expenditure and restricted to semi-national services, except in three cases, viz.—

- (i) specially poor bodies,
- (ii) pilgrim centres, and
- (iii) sanatoria (paragraphs 34 and 35).

5. Grants towards the capital expenditure of local bodies should be made *ordinarily* out of borrowed funds, and, except in the case of water-supply and drainage in towns, should bear the same proportion to the total capital expenditure as grants towards the ordinary expenditure on the same service bear to the total ordinary expenditure (paragraph 44).

6. Grants should be disbursed on the principle of post-payment, but post-payment should have reference only to the final adjustment for a year, instalments being advanced in the course of the year for enabling local bodies to find the ways and means for meeting the expenditure as it is incurred (paragraph 46).

7. Control over the expenditure of grants is necessary but should be confined generally to a scrutiny of the broad results. All grants should be

made conditional on efficient administration, the Government being at liberty to reduce or stop them if this condition is not fulfilled (paragraph 47).

8. The creation of an *ad hoc* inspectorate of works is unnecessary (paragraph 48).

9. In the case of establishments the cost of which is partly financed by Government, local bodies should be authorized to vary, within certain limits and in consultation with the departmental officers the scales of pay, etc., of those establishments (paragraph 53).

• *III. Communications.*

10. Roads in local board areas should be classified into first-class district roads (otherwise called trunk roads), second-class district roads, third-class district roads and roads other than district roads. Portions of first and second class district roads within municipal limits should be classified as trunk and district roads respectively, all other roads in municipal areas being classed as streets (paragraphs 61 and 62).

11. A grant equivalent to the whole cost of maintenance of trunk or first-class roads should be made subject to a maximum of Rs. 500 per mile on the average for each district and of Rs. 1,000 a mile on the average for each municipality, the maximum being increased in the case of specially costly localities (paragraph 65).

12. A grant equivalent to half the cost of maintenance of second-class district roads should be made subject to a maximum of Rs. 200 per mile on the average for each district and of Rs. 400 a mile on the average for each municipality, the maximum being increased in the case of specially costly localities (paragraph 71).

13. The list of second-class district roads should be so drawn up that each district is given the opportunity to earn at least the amount that has hitherto been allotted to it out of the 14 lakhs grant in aid of general resources (paragraph 72).

14. The five lakhs compassionate grant distributed since 1917-18 to the districts of Anantapur, Bellary, Chingleput, Chittoor, Cuddapah, Kurnool, Nellore and Salem should be abolished (paragraph 75).

15. The special recurring grant now made to The Nilgiris and Koraput District Boards may continue (paragraph 76).

16. District board engineers and assistant engineers and municipal engineers should be formed into a provincial cadre and Government should make a grant equivalent to one-half of the salaries, leave allowances, etc., of these officers (paragraphs 78 and 79).

17. Centage charges for works carried out by the Government Public Works Department on behalf of local bodies should be limited to the actual cost of extra staff and extra tools and plant needed for the work, or 10 per cent of the outlay, whichever is less (paragraph 82).

18. Capital expenditure on the construction or reconstruction of bridges and causeways should be borne wholly by Government in the case of trunk roads, and shared equally between them and local bodies in the case of second-class roads. The annual allotment out of provincial loan funds should be nearer twenty lakhs than five (paragraph 83).

IV. Education.

19. Local bodies should have nothing to do with collegiate education (paragraph 86).

20. Government should continue to run a certain number of model secondary schools (paragraph 88).

21. In local board areas, grants should not be made to individual secondary schools but towards secondary education as a whole in a district (paragraph 94).

22. In municipalities, grants to individual schools may continue (paragraph 95).

23. The actual net cost of secondary education under each local body should be calculated on correct principles and shared between the Government and the local body in the proportion of 3 to 1, the Government share being increased, if necessary, in the case of poor local bodies like those in the ceded districts (paragraphs 97 and 98).

24. A District Secondary Education Committee should be constituted for co-ordinating the activities of district boards and municipal councils in regard to secondary education (paragraph 99).

25. The question of forming a provincial cadre of secondary school headmasters should be deferred. A district service should be tried first (paragraph 100).

26. Capital expenditure on secondary school buildings should be shared between Government and local bodies in the same proportions as ordinary expenditure (paragraph 101).

V. Public Health.

(i) Medical relief.

27. Headquarter hospitals should be entirely financed by Government and local bodies should be relieved of all contributions towards their maintenance (paragraph 109).

28. Other medical institutions should be classified into

- (1) hospitals in charge of civil surgeons,
- (2) hospitals in charge of assistant surgeons,
- (3) dispensaries with emergency wards,
- (4) dispensaries without emergency wards,
- (5) itinerating dispensaries;

and a standard of staff, equipment and building prescribed for classes (1) to (4). Subject to the maintenance of that standard, Government should make a grant of half the recurring cost of such institutions, inclusive of the pay of medical officers (paragraphs 110 and 111).

29. As regards nurses and midwives

- (1) a training centre should, if possible, be provided at the cost of Government in each district,
- (2) their pay should be standardized, and
- (3) half the cost of stipends for their training should be borne by the Government and half by the local body which sends the pupils for training (paragraphs 114 and 115).

30. Itinerating dispensaries should be given a further trial, the important consideration being that each dispensary should keep to a regular itinerary. So long as they are in an experimental stage their cost should be shared between the Government and the local body in the proportion of 3 to 1; when they have proved a success, it should be shared equally (paragraphs 117 and 118).

31. The experimental scheme for the medical inspection of school children proposed by the Surgeon-General should be put into operation at once, the whole cost being borne by the State. When its success has been demonstrated, the cost may be shared half by the Government and the rest by the local bodies co-operating in the appointment of a district health committee (paragraphs 121 and 122).

32. Capital expenditure on medical buildings should be shared in the same proportion as the ordinary expenditure on the institutions concerned (paragraph 131).

33. Local bodies may continue to contribute to the maintenance of private medical institutions and should be consulted before Government aid to such institutions in their jurisdiction is given (paragraph 132).

(ii) Preventive Medicine.

34. (i) The health officers required for local boards and municipal councils should be formed into a provincial cadre, the cost being shared between Government and local bodies in the proportion of 3 to 1 (paragraph 133).

(ii) Municipal health officers should be divided into three classes to suit the class of town in which they will serve. District boards should employ only first-class health officers (paragraphs 134 and 135).

35. Local boards and municipal councils in each district should be advised to appoint a District Public Health Committee for conducting their public health activities (paragraph 135).

36. Minor sanitary grants, as such, should be abolished (paragraph 138).

37. The cost of cholera parties should, for the present, continue to fall entirely on provincial funds (paragraph 139).

38. The performance of vaccinations should be gradually transferred to qualified medical men and the Surgeon-General should be asked to draw up a scheme for carrying out the proposal (paragraph 140).

39. Excepting the pay of deputy inspectors of vaccination, the cost of vaccination should be met by local bodies. The price charged to them for lymph should exclude the cost of the establishment of the King Institute, Guindy (paragraph 141).

40. Anti-malarial work should be confined to a limited local area if it is to achieve successful results. The work being still in an experimental stage, the cost of deputy sanitary commissioners, assistant surgeons, sub-assistant surgeons and sanitary inspectors engaged on it should be met entirely by the Government, the cost of menial staff and contingencies alone being met by local bodies (paragraph 143).

41. As regards prevention of food adulteration, the Madras Corporation experiment should be watched. Local bodies in the mufassal should get men

trained at the Corporation laboratory under a Public Analyst who should be appointed early by the Government (paragraph 145).

(iii) *Water-supply and drainage.*

42. The maximum property tax which a municipality may levy for financing water-supply and drainage should be taken as $12\frac{1}{2}$ per cent. From the proceeds of this tax the cost of maintenance should be deducted and the amount of the loan which the balance can finance should then be ascertained. The difference between that amount and the cost of the scheme—whatever it may amount to—should be found by the Government. A sum of about 15 lakhs should be annually allotted out of provincial loan funds for carrying out schemes (paragraph 149).

43. For rural areas, each local body should always have ready a three years' programme of works for improving water supply and this should be revised and brought up to date annually. The works should be classified in order of urgency based upon the prevalence of water-borne diseases and upon population. Government should set aside an annual allotment for making grants for such schemes (paragraph 149).

(iv) *Pumps and filters.*

44. (i) A special establishment including bacteriologists should be created for inspection of pumping plant and filter-beds (paragraph 150) and fees charged for such inspection (paragraph 151).

(ii) Repairs to plant should be entrusted either to the Public Works Department or to approved private firms (paragraph 152).

(iii) A municipal council may contract with the Public Works Department to maintain its pumping plant and filter beds on terms to be agreed upon (paragraph 153).

45. No house-connexion should be sanctioned without the installation of a meter and all existing unmetered connexions should be metered within a time to be fixed by the Government (paragraph 155).

(v) *Veterinary*

46. (i) The Government may run a few model veterinary institutions.

(ii) In regard to institutions in charge of local bodies, the cost should be shared three-fourths by Government and one-fourth by the local body. The local body should have full administrative control over such institutions.

(iii) Buildings should be constructed and improved at Government expense.

(iv) Touring veterinary assistants on general duty—though paid entirely from provincial funds—should be placed under the orders of the president of the district board (paragraphs 159 and 160).

VI. *Local tax resources.*

47. Local bodies should be empowered to levy a surcharge on abkari revenue not exceeding one anna in the rupee of such revenue. Until the necessary legislation for this purpose is passed, the Government should make over to such local bodies, as may need such help, a sum not exceeding one anna in the rupee of the abkari revenue raised within their jurisdiction (paragraph 172).

48. Land taxation in urban areas requires to be consolidated on uniform principles. The reform of the existing system—full of glaring inequalities—should proceed in the direction of exempting urban land from liability to land revenue and of vesting in local bodies full power to tax it in the most equitable manner (paragraphs 174 and 178).

49. The proposal to abolish the levy of land revenue in urban areas, to split up the present municipal property tax into two parts, viz., (i) a tax on land values and (ii) a tax on rentals, and to levy the land values tax at a uniform, but low, percentage of the capital value of land should be further investigated (paragraphs 182–185).

50. Pending legislation, ground-rent in urban areas should continue to be levied and collected by the Government but should be credited to the local body concerned (paragraph 187).

51. Local bodies should not be liable to pay ground-rent on any land vested in them even though a profit is derived therefrom; and should have liberty to deal with such lands by way of lease (paragraph 188).

52. Land acquired for town extensions or otherwise vested in local bodies for such a purpose should not be sold outright or leased for long terms but assigned on ground-rent tenure with or without an initial payment by way of premium (paragraph 189).

53. Ground-rents should be revisable once in ten or fifteen years (paragraph 190).

54. Local bodies should be authorized to levy taxes on amusements and advertisements, as the best revenue results can be obtained only by localizing their administration (paragraph 195).

VII. *Remunerative Enterprises.*

Land exploitation.

55. Local bodies should undertake systematic exploitation of land for profit by means of

- (a) town-planning and town-improvement schemes;
- (b) making the most out of unobjectionable encroachments or plots made available by regular line operations;
- (c) using road margins, etc., for constructing shops, godowns, plinths, tree-planting, etc.;
- (d) reclaiming swamps, etc.;
- (e) acquisition of land whether needed immediately for building or not;
- (f) control of quarrying, etc. (paragraph 200).

56. Every local body should have a Land Development Fund. All receipts or expenditure connected with immovable property should be credited or debited to this fund including—

- (a) Unspent balances of provincial grants for town-planning and town improvement.
- (b) Rentals including ground-rents of immovable property.
- (c) Sale-proceeds of immovable property.
- (d) Licence fees (paragraphs 201 and 202).

57. Land exploitation should be financed out of loan funds (paragraph 204).

Transport development.

58. Local bodies should, besides railways, organize tram, motor bus and motor lorry services on a remunerative basis. A Railways and Transport branch of the Local Loans Fund should be constituted for providing the capital required for such enterprises; and the present railway-cess accumulations (126 lakhs) which are lying idle should be invested in it (paragraph 209).

Lighting.

59. Municipal councils should run their own electric installations wherever possible instead of allowing them to be entrusted to private companies (paragraph 210).

Markets, slaughter-houses and cart-stands.

60. The development of markets, slaughter-houses and cart-stands should not be allowed to be exploited by private individuals but should be recognized as a public obligation. Capital should be borrowed and invested in such development; profits on such enterprises should be largely utilized for their further development; and separate accounts kept for them (paragraph 214).

Tree-planting.

61. Avenue-planting and maintenance should be in the hands of a properly trained staff. The Government should lead the way by constituting a provincial arboricultural service for research and experiment and for training men sent by local bodies (paragraph 218).

62. Avenue receipts should be ear-marked for avenue development (paragraph 218).

Waste products.

63. Local bodies should be assisted in the profitable disposal of filth rubbish, sewage and sullage, etc., and the Government should appoint a whole-time expert to study the best methods of doing so (paragraph 224).

Licence fees.

64. Local bodies should be encouraged to make larger use of their powers to make by-laws and levy fees. The unit of assessment and of period for licence fees should be uniform throughout the presidency. If a local body neglects to make the most of licence fees, it should be coerced into doing so by refusing applications for compassionate grants (paragraph 227).

*VIII. Accounts and Audit.**Accounts.*

65. The present forms of accounts should be recast so as to show the objects rather than the subjects of expenditure. Separate accounts or sections of an account should be maintained for each of the main services, for the revenues, and for remunerative enterprises (paragraph 233).

66. A clear distinction should be drawn between capital and ordinary expenditure; and there must be an account showing depreciation (paragraph 233).

67. An effort should be made to prepare costing statements (paragraph 235).

68. The accounts work of a district board, taluk board or municipal office should be in charge of a man who has undergone a special course of training in the office of the Examiner of Local and Municipal Accounts for at least six months (paragraph 237).

Audit.

69. The audit of local and municipal expenditure should not be any less strict than that of central and provincial expenditure. The suggestion of the Examiner to improve the present system by centralising the audit of expenditure in Madras, while having the receipts audited *in situ* by his peripatetic staff may be tried as an experiment in the case of selected local boards and municipal councils. If it is found on experience to be more satisfactory than the existing system, it may be extended (paragraphs 245 and 246).

APPENDIX B.

REPORT OF COMMITTEE NO. VII OF THE LOCAL AND MUNICIPAL
CONFERENCE—THE DEVELOPMENT OF A LOAN POLICY TO DEFRAY
CAPITAL EXPENDITURE.

The Committee met at 12 noon on the 19th instant. The following gentlemen were present:—

1. M.R.Ry. Diwan Bahadur M. Ramachandra Rao Pantulu Garu (Chairman).
2. The Hon'ble Mr. R. A. Graham.
3. M.R.Ry. Rao Bahadur A. Vedachala Ayyar.
4. The Hon'ble Mr. C. V. S. Narasimha Raju.
5. M.R.Ry. M. Narayanaswami Reddi Garu.
6. The Hon'ble Rai Bahadur T. N. Sivangnanam Pillai Avargal.
7. M.R.Ry. B. S. Nataraja Sastriyar Avargal.
8. The Hon'ble Rao Bahadur V. K. Ramanuja Achariyar Avargal.
9. M.R.Ry. Rao Bahadur C. Venkatarreddi Garu.
10. " T. V. Ranga Achariyar Avargal.
11. " N. Gopalaswami Ayyangar Avargal (Secretary).

The Committee is unanimously of opinion that it is unsound finance to meet capital expenditure from current revenues, and that local bodies all over the Presidency should endeavour to drop this habit which now exists on a large scale. By capital expenditure we mean all expenditure which adds to municipal assets and is incurred for acquiring something which is of permanent value or can be continuously employed. It includes not merely expenditure on railways, water-works and drainage systems and bridges, but also that on office buildings, school buildings (elementary and other), culverts, articles of equipment and plant of various descriptions likely to last over a series of years, etc.; and we would draw the attention of all local bodies to the importance of examining their objects of expenditure annually with a view to ensuring that all new works and renewals or replacements of old ones are brought within the category of capital expenditure and financed out of loans.

2. As regards the best method of financing loans, we have, in view of the past history of local bodies in this respect, come to the conclusion that they cannot satisfy all their needs for capital expenditure by direct resort to

the open market. We think that the best results will be attained by a combination of the following three courses :—

- (a) Direct borrowing by local bodies in the open market.
- (b) Provincial borrowing direct in the open market for local bodies.
- (c) Borrowing by the Government of India for feeding the provincial loan requirements on behalf of local bodies.

3. We are convinced that the first of these three alternatives will yield only very poor results for some years to come; but we think at the same time that substantial encouragement should be given by the State to this form of borrowing—in the shape of guaranteeing payment of interest on, and repayment of, sums so borrowed—in order to bring it rapidly into favour in the Indian money market. We desire, however, to emphasise the fact that it is on the second and third of the alternatives that local bodies should now, and for several years to come, rely in the main for meeting their capital needs. It seems to us essential that assistance of this kind should be placed on a regularised footing in order that local bodies may not look in vain to the Government when they are urgently in need of funds for such schemes as railways, water-supply and drainage, and so on. We therefore would advocate the constitution by the Local Government of a Local Loans Fund to be financed initially, and from time to time when necessary, out of provincial borrowings either direct from the market or through the Government of India. The Local Government should annually ascertain the needs of all local bodies in the coming year in the shape of loan requirements and decide how much of them should be met at all and in what proportions that amount should be borrowed by them direct and by the Government of India for them.

4. The Committee has not gone into the question of the existing policy regarding Government assistance towards the capital expenditure of local bodies, but trust that there will be no decrease in the amount of such assistance, though what form such assistance should take is a matter for consideration by the Financial Relations Committee which, they understand, will investigate the whole question of the relation of local to provincial finance.

5. The Committee is of opinion that arrangements should be made for maintaining accounts which will exhibit clearly and separately the capital expenditure of local bodies under each service head, as, apart from other advantages, this will be of great assistance in framing their budgets as regards their capital needs.

6. The following draft resolutions will accordingly be placed before the full Conference for approval :—

(a) That it be a recommendation to all local bodies that all capital expenditure—i.e., expenditure incurred in acquiring something which is of permanent value or can be continuously employed—be financed ordinarily out of loans.

(b) That in order that the loan requirements of local bodies may be adequately met, the Local Government be requested to take steps to constitute a Local Loans Fund and provide for its administration in such manner as they may think fit, the Fund being financed in the first instance, and from time to time when necessary, out of provincial borrowings either direct from the market or through the Government of India.

N. GOPALASWAMI AYYANGAR,
Secretary.

M. RAMACHANDRA RAO,
Chairman.

APPENDIX C.

STATEMENT SHOWING THE NET COST OF SECONDARY SCHOOLS IN 1919-20.

(Local.)

Name of district board.	Total ordinary receipts (i.e., school fee).	Total ordinary expenditure (except that on buildings).*	Net cost.	Provincial grants given for main-tenance.†	Grant now proposed.
(1)	(2)	(3)	(4)	(5)	(6)
	RS.	RS.	RS.	RS.	RS.
1. Anantapur	13,231	28,121	14,890	14,066	11,168
2. Arcot, North	11,810	17,337	5,527	2,343	4,145
3. Arcot, South	29,388	47,382	17,994	18,167	13,496
4. Bellary	7,788	23,044	15,256	10,169	11,442
5. Chingleput	3,001	8,502	5,501	3,765	4,126
6. Chittoor	5,588	31,908	26,320	8,568	19,740
7. Coimbatore	14,962	23,426	8,464	6,254	6,348
8. Cuddapah	6,003	12,958	13,955	10,616	10,466
9. Gunjam	15,105	43,569	28,464	18,819	21,348
10. Godavari	59,798	80,341	20,543	16,238	15,407
11. Guntur	31,681	49,246	17,565	10,375	13,174
12. Kanara, South	21,956	33,795	11,839	10,950	8,879
13. Kistna	37,500	49,832	12,332	(a) 16,096	9,249
14. Koraput	2,640	10,402	7,762	318	5,822
15. Kurnool	3,788	15,588	11,800	5,386	8,850
16. Madras	4,382	13,000	8,618	5,497	6,464
17. Malabar	46,055	57,556	11,501	124	8,626
18. Nellore	14,136	30,839	16,703	11,188	12,527
19. Nilgiris, The .. ..	.. ..	.. ..	.. ..	.. ..	.. ..
20. Ramnad	25,824	41,147	15,323	15,176	11,492
21. Salem	13,302	42,263	28,961	9,977	21,721
22. Tanjore	3,838	12,291	8,453	6,816	6,340
23. Tinnevely	25,853	35,333	9,580	9,824	7,148
24. Trichinopoly	23,779	39,757	15,978	6,251	11,984
25. Vizagapatam .. ..	.. ..	.. ..	.. ..	.. ..	.. ..
Total	4,21,408	7,54,687	3,33,279	2,16,923	2,49,962

(a) Excluding grant on account of previous year. Actual expenditure was only Rs. 13,376, or 108 per cent of net cost.

(Municipal.)

Districts.	Name of municipality.	Total ordinary receipts (i.e., school fees).	Total ordinary expenditure (i.e., total expenditure less that on new buildings).*	Net cost column (4) — column (3).	Provincial grants.†	Grant now proposed.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
		rs.	rs.	rs.	rs.	rs.
Anantapur ..	1. Anantapur ..	11,412	18,263	+ 6,851	9,572	5,138
	2. Gudiyattam ..	2,577	4,963	+ 1,786	1,425	1,340
Arcot, North ..	3. Tirupattur ..	5,627	10,177	+ 1,550	3,891	1,133
	4. Tiruvannamalai ..	2,449	3,751	+ 1,302	..	977
Arcot, South ..	5. Walajapet ..	8,874	10,781	+ 1,907	2,998	1,430
	6. Cuddalore ..	3,305	1,623	+ 1,677	..	..
				(profit)		
	7. Adoni ..	5,166	10,693	+ 5,527	5,178	4,145
Bellary ..	8. Bellary ..	13,275	18,028	+ 4,753	6,043	3,565
	9. Hospet ..	2,867	2,961	+ 94	570	71
Coimbatore ..	10. Dharpuram ..	9,404	10,887	+ 1,483	2,133	1,112
	11. Tiruppur ..	3,265	5,965	+ 2,700	1,000	2,025
Cuddapah ..	12. Udamalpet ..	9,366	11,214	+ 1,848	1,476	1,386
Ganjam ..	13. Cuddapah ..	12,611	23,194	+ 10,583	8,190	7,937
Godavari ..	14. Chioacole ..	16,593	18,220	+ 1,627	2,018	1,220
Guntur ..	15. Rajahmundry ..	14,004	16,594	+ 2,590	420	1,943
Kurnool ..	16. Narasopet ..	9,167	11,059	+ 1,892	3,022	1,419
	17. Kurnool ..	11,716	13,715	+ 1,999	2,712	1,499
Madura ..	18. Dindigul ..	5,123	13,481	+ 5,358	2,428	4,019
	19. Palni ..	2,252	4,299	+ 2,047	..	1,535
Malabar ..	20. Calicut ..	2,325	3,035	+ 710	..	533
	21. Cannanore ..	11,471	11,132	— 339	1,920	..
				(profit)		
Nilgiris, The ..	22. Ootacamund ..	4,294	13,178	+ 8,884	13,219	6,663
Salem ..	23. Salem ..	22,137	21,529	— 608	1,041	..
				(profit)		
Tanjore ..	24. Mayavaram ..	32,545	40,052	+ 7,507	3,084	5,630
Trichinopoly ..	25. Kurur ..	15,071	18,310	+ 3,239	3,564	2,429
Vizagapatam ..	26. Anakapalle ..	8,821	9,818	+ 997	486	748
	27. Vizianagram ..	10,883	14,626	+ 3,743	..	2,807
Net Total (excluding municipalities which got no grants) ..				73,175	78,345	60,734
Total for all municipalities (including those which made profit and got grants).				80,353	81,314	60,734

* The figures in this column cannot be taken to be complete as they do not include the expenditure on repairs to buildings, purchase of books, stationery, pensions and provident fund subscriptions, etc., etc.

† The figure in this column are partly based on the expenditure incurred in the previous year and in several cases include money received from Government but not spent during the year.

APPENDIX D.

STATEMENT SHOWING THE BIRTH-RATE AND THE WORK OF MIDWIVES IN MUNICIPALITIES IN 1919-20.

[Over 40 per cent printed in clarendon—Under 10 per cent printed in italics.]

Name of district.	Name of municipality.	Birth-rate per mille.	Percentage of labour cases to births.	Number of mid-wives employed.	Average number of cases attended per midwife.
Anantapur	1. Anantapur ..	31.7	..	1	121
	2. Gudiyattam ..	28.2	20.0	1	122
	3. Tirupattur ..	23.1	26.4	1	114
	4. Tiruvannamalai ..	41.3	13.0	1	149
North Arcot ..	5. Vaniyambadi ..	32.9	22.2	1	..
	6. Vellore ..	35.5	..	..	99
	7. Walajapet ..	38.4	26.0	1	246
	8. Chidambaram ..	29.0	40.0	1	34
South Arcot ..	9. Cuddalore ..	34.4	3.5	2	..
	10. Villupuram ..	24.7	..	..	112
	11. Adoni ..	19.1	18.6	1	80
Bellary ..	12. Bellary ..	41.4	6.4	1	109
	13. Hospet ..	25.7	25.0	1	..
Chingleput ..	14. Chingleput ..	37.2	Nil.	..	134
	15. Conjeevaram ..	38.7	33.7	5	..
Chittoor ..	16. Chittoor ..	43.2	16.6	..	77
	17. Tirupati ..	23.2	19.9	1	..
	18. Coimbatore ..	26.5	Nil.	..	48
	19. Dharpuram ..	15.9	15.4	1	96
Coimbatore ..	20. Erode ..	29.6	19.4	1	69
	21. Tiruppur ..	15.6	40.6	2	37
	22. Udamalpet ..	18.7	30.0	..	128
Cuddapah ..	23. Cuddapah ..	33.9	Nil.	..	..
	24. Proddatur ..	30.6	26.0	1	93
	25. Berhampur ..	20.6	..	..	45
Ganjam ..	26. Chioacole ..	20.3	26.0	1	65
	27. Parlakimedi ..	24.8	10.0	1	113
	28. Coanada ..	25.2	4.8	1	202
Godavari ..	29. Peddapuram ..	16.8	43.5	1	73
	30. Rajahmundry ..	25.9	32.2	2	110
	31. Guntur ..	41.3	4.1	1	140
	32. Narasaraopet ..	31.2	40.3	1	162
Guntur ..	33. Ongole ..	28.2	37.3	1	147
	34. Tenali ..	26.8	33.2	1	186
South Kanara ..	35. Mangalore ..	30.2	40.0	4	..
	36. Beawada ..	40.1	10.7	1	..
	37. Ellore ..	38.7	11.3	1	..
Kistna ..	38. Masulipatam ..	32.4	..	..	..
	39. Kurnool ..	32.9	Nil.	..	..
Kurnool ..	40. Nandyal ..	25.8	23.0	2	48
	41. Bodinayakkanur ..	22.1	0.2	1	159
	42. Dindigul ..	41.7	29.4	2	108
Madura ..	43. Kodaikanal ..	52.6	70.6	1	163
	44. Madura ..	35.1	10.4	3	96
	45. Palni ..	39.2	19.0	1	65
	46. Periyakulam ..	42.8	8.1	1	83
	47. Calicut ..	32.1	9.8	8	80
	48. Cannanore ..	30.0	9.1	1	139
Malabar ..	49. Cochin ..	32.3	21.5	1	73
	50. Palghat ..	36.9	8.8	2	140
	51. Tellicherry ..	29.3	16.3	1	101
Nellore ..	52. Nellore ..	29.2	20.8	2	..

Statement showing the birth-rate and the work of midwives in
Municipalities in 1919-20—*cont.*

[Over 40 per cent printed in clarendon—Under 10 per cent printed
in italics.]

Name of district.	Name of municipality.	Birth-rate per mille.	Percentage of labour cases to births.	Number of mid- wives employed.	Average number of cases attended per midwife.
Nilgiris, The.	53. Coonoor	32.5	48.5	3	54
	54. Ootacamund	38.5	46.5	2	168
Ramnad ..	55. Srivilliputtur	34.8	5.7	1	58
	56. Virudupatti	37.9	10.0	1	81
Salem ..	57. Salem	36.2	7.4	1	159
	58. Kumbakonam	26.0	11.1	3	132
Tanjore ..	59. Mannargudi	32.4	15.6	1	108
	60. Mayavaram	31.1	13.1	1	117
	61. Negapatam	26.0	31.2	4	204
	62. Tanjore	31.5	12.0	2	114
	63. Tiruvalur	25.8	10.5	1	57
Tinnevely ..	64. Palamcottah	31.1	27.0	2	208
	65. Tinnevely	37.0	28.0	4	116
	66. Uthicorin	31.4	18.4	3	77
Trichinopoly ..	67. Karūr	32.1	23.8	2	67
	68. Srirangam	20.5	22.2	1	112
	69. Trichinopoly	28.2	14.9	3	174
	70. Anakapalle	28.8	25.1	1	149
Vizagapatam.	71. Bimlipatam	28.8	71.5	1	192
	72. Vizagapatam	20.2	Nil.	..	..
	73. Vizianagram	35.4	10.7	1	142

APPENDIX E.

NOTE BY THE HON'BLE MAJOR-GENERAL G. G. GIFFARD, I.M.S.,
REGARDING ITINERATING DISPENSARIES.

Itinerating dispensaries in the Madras Presidency have so far failed, principally because the conditions and the satisfactory management of itinerating dispensaries were not understood and we had no previous experience. The Government of the Punjab have, to a very large extent, perfected itinerating dispensaries and have introduced them on a large scale. In the Punjab they started by being anti-plague parties, but it was soon found that there was so much else to be done in the way of combating epidemics, advising about minor sanitary affairs, and spreading general knowledge on all subjects connected with hygiene that the parties which started as anti-plague parties eventually developed into itinerating dispensaries, well equipped, well staffed, well paid, and thoroughly acceptable to the people.

The failure of the itinerating dispensaries in the Madras Presidency is due to the fact that they were ill-equipped, they were under no particular supervision, the staff was insufficient, the medical officers in charge disliked the work and were insufficiently paid, the equipment was not sufficient to permit of operations being performed and, above all, the itinerary was too

irregular. It has been found by experience that an itinerating dispensary must travel with a fixed date of return at no long interval to each stopping place and this date of return must never vary so that patients may always know where and on what date to find the dispensary. It is also important that the itinerating dispensary should be properly equipped because an ill-equipped itinerating dispensary which can only deal with minor ailments of a medical character and which is not equipped to do those operations which can be done without the patients being housed in a hospital is not likely to succeed.

Before local bodies establish itinerating dispensaries I would strongly press upon their notice these facts:—

(1) That it is unpleasant work and that intelligent assistant surgeons and sub-assistant surgeons dislike it.

(2) It is advisable and necessary that the language of the people should be thoroughly understood by the whole of the staff of the dispensary.

(3) The assistant surgeon and sub-assistant surgeon should be made comfortable and attracted to this service by good allowances.

(4) To equip the dispensary well not only with drugs but also with surgical appliances.

(5) That the itinerating dispensary be provided with its own transport so that it has not to beg, borrow and hire bullock carts as it goes along.

(6) Most important is it to have a short fixed itinerary with definite stopping places at which the dispensary can be found either on definite dates in each month or on definite dates in each week.

These dispensaries should be under some form of special inspection. In the Punjab they are grouped so that they may be inspected and assisted by a commissioned medical officer.

An itinerating dispensary should also be equipped for health propaganda. The medical staff should be prepared to lecture and to advise on all matters of hygiene and should be provided with charts, books, photographs, pictures, lantern slides and all the paraphernalia of a Health and Welfare Association.

It is also advisable that, when sanitary parties with a medical officer of health have been established in a district, some means may be found to correlate the activities of these sanitary parties with the staff of itinerating dispensaries.

APPENDIX F.

NOTE BY THE SURGEON-GENERAL AND SANITARY COMMISSIONER
REGARDING ANTI-MALARIAL OPERATIONS.

For special intensive action against malaria, a specially trained Deputy Sanitary Commissioner or an assistant surgeon is essential. There is no difficulty in obtaining such specially trained men.

At Ennore, skilled observation and advice is necessary to ensure that the measures recommended by Colonel Ross and already put in hand there,

should be completed and the malaria conditions continuously kept under control. If this is not done, malaria will increase again very considerably from neglect.

At Vizagapatam it is most important that a wide survey be made as to the malaria conditions in relation to the harbour works which are now getting under way. Although Vizagapatam is a town, in most parts remarkably free from malaria, nevertheless in those parts which are free from malaria at present there are a considerable number of anopheles capable of carrying malaria. On the margin of the backwater, there is a considerable amount of malaria on the town side. On the far side of the backwater, the villages which lie below the large hill known as the 'Dolphin's Nose' are intensely infected with malaria. Unless very active precautions are taken, very grave conditions may arise when labour begins to arrive and work commences on the harbour. If the labour working on the harbour becomes badly infected with malaria, there is great danger that large parts of the town of Vizagapatam itself may become heavily infected with malaria and a disastrous condition of things arise from which the town might not recover for many years. A survey of all conditions relating to malaria in this neighbourhood is therefore necessary to enable advice to be given as to the location of labour in suitable camps and the measures to be taken to reduce both anopheles and malaria throughout the whole area.

Similarly, the new ports of Cochin and of Tuticorin should be safeguarded against malaria.

Malaria cannot exist in a place from which mosquitoes have been exterminated. It is easy to exterminate all mosquitoes by the same methods. When mosquitoes have been exterminated with a view to prevention of malaria, the varieties of mosquitoes which produce yellow fever, elephantiasis and other diseases are also exterminated. It is most important that measures for the destruction of malaria should be taken at all the ports in the Madras Presidency at which ships coming from the Far East are likely, in the future, to call. The sanitary authorities of the British Empire already feel very anxious about the possibility of the spread of yellow fever to India from America via the Panama Canal. There are a large number of places in the Madras Presidency where intensive action against malaria is urgently called for and would repay the outlay. Such places are Mount Stuart forest camp, many places in the Wynad, Hospet, and many places in the Bellary district; Jeypore, Koraput and many places in the Agency.

There is work in sight for intensive action against malaria in many parts of the Madras Presidency. This work can be accomplished best by trained medical officers working with malaria gangs who are recruited locally for each place. It is not possible or advisable to attempt malaria extermination over large tracts of country. It is much better to attack a definite problem at individual places.

The eradication of malaria depends very largely upon the co-operation of the population and therefore, as in most sanitary matters in Southern India, education of the people and propaganda are required almost as much as active or intensive sanitary measures. A Deputy Sanitary Commissioner for malaria with a couple of medical graduates and half a dozen sub-assistant surgeons trained in malaria prevention could easily find work immediately. I believe that the results would very soon become visible.

APPENDIX G.

STATEMENT SHOWING THE UNSPENT BALANCES OF PROVINCIAL GRANTS FOR TOWN-IMPROVEMENT SCHEMES WITH LOCAL BODIES ON 31st MARCH 1920

Municipal Councils.

Name of municipalities.	Relief of congestion.	Town extension.	Scavengers' huts.	Total.
(1)	(2)	(3)	(4)	(5)
	RS.	RS.	RS.	RS.
1. Adoni ..	....	....	1,423 [1913-14]	1,423
2. Anakapalle ..	....	5,392	....	5,392
3. Anantapur ..	....	....	1,740 [1913-14]	1,740
4. Bellary ..	....	70	....	70
5. Bimlipatam ..	5,084	....	8,408	13,487
6. Cannanore ..	4,408 [1912-13]	....	....	4,408
7. Conjeeveram ..	....	....	4,078 [1913-14 1919-20]	4,078
8. Coonoor ..	....	....	2,938	2,938
9. Dindigul ..	16,568 [1919-20]	....	2,445 [1917-18]	19,013
10. Gudiyattam ..	1,160 [1916-17]	....	3,082 [1912-13 1916-17]	4,232
11. Kodaikanal ..	....	....	6,000 [1919-20]	6,000
12. Kumbakonam ..	49 [1918-19]	....	....	49
13. Madura ..	....	90,893 [1911-13]	75,240 [1913-14]	1,66,133
14. Mangalore ..	....	14,767 [1917-18 1918-19]	....	14,767
15. Mayavaram ..	....	18,269	....	18,269
16. Nandyal ..	....	....	661 [1914-15]	661
17. Parlakimedi ..	....	....	453 [1914-15]	453
18. Proddatur ..	....	5,270	....	5,270
19. Salem ..	24,900 [1913-14 1914-15 1915-16]	34,313 [1912-13]	3,466 [1912-13 1913-14 1917-18]	62,679
20. Tinnevely ..	....	14,645	....	14,645
21. Vellore ..	....	46,783 [1914-15 1915-16]	819 [1914-15]	47,602
22. Vizagapatam ..	26,830	....	4,000	30,830
23. Vizianagram ..	2,922 [1911-12 1913-14]	....	....	2,922
24. Walajpet ..	....	....	121	121
25. Trichinopoly ..	....	47,242	....	47,242
26. Tanjore ..	....	6,137	....	6,137
27. Rajahmundry ..	....	10,905	....	10,905
28. Nellore ..	....	....	4,777 [1912-13]	4,777
29. Tiruvalur ..	....	....	29,450	29,450
30. Cochin ..	....	93	....	93
31. Palni ..	24,196 [1912-13]	....	....	24,196
32. Tirupattur ..	....	....	502	502
Total ..	1,06,107	2,97,769	1,49,648	5,53,524

District Boards.

Name of the district boards.	Town extension (including acquisition of house-sites for depressed classes).	Scavengers' huts.	Total.
(1)	(2)	(3)	(4)
	Rs.	Rs.	Rs.
1. Chittoor .. ..	.....	2,596	2,596
2. Coimbatore	18,941 [1917-18]	.....	18,941
3. Cuddapah	267	.....	267
4. Guntur	32,996	.....	32,996
5. Kistna	32,994	.....	32,994
6. Nilgiris, The	4,861 [1918-14]	.....	4,861
7. Salem	7,986	.....	7,986
	98,044	2,596	1,00,640

Total unspent balance with municipalities and district boards Rs. 6,54,164.

APPENDIX H.

STATEMENT SHOWING DISTRICT BOARD RAILWAY PROJECTS.

Board.	Miles opened.	Miles projected.	Capital cost in lakhs.	Net income in lakhs, 1919-20.	Percentage.	Accumulated cess in lakhs at the end of 1918-19.
Coimbatore	25.04	40.90	E. 11.39 D. 18.44	1.33	11.7	7.07
Guntur	21.50	86.75	E. 14.88 D. 41.47	0.54	3.7	4.90
Kistna	51.80	87.91	E. 22.53 D. 54.27	2.63	11.7	25.68
Salem	3.86	45.16	E. 4.74 D. 20.33	0.31	6.6	7.70
Tanjore	135.06	42.73	E. 54.43 D. 24.52	4.23	7.8	32.12
North Arcot and Chingleput.	..	60.00	20.40	Not known.		..
South Arcot	..	39.33	14.12	..	..	11.22
Ganjam	..	76.30	41.95	..	..	1.90
Godavari	..	27.36	25.16	..	..	3.95
Kanara, South	..	14.28	10.70	..	..	..
			10.50	..	..	
			13.28	..	..	
Kurnool	..	21.13	10.00	..	..	6.33
Cuddapah	..	8.82	8.82	..	..	1.59
Madura	..	55.19	22.91	..	..	8.20
Nellore	..	46.85	28.42	..	..	4.27
Ramnad	..	12.43	7.68	..	..	8.26
Tinnevely	..	71.18	Not known.		..	..
Trichinopoly	..	52.16	24.71	..	..	4.27
Vizagapatam	..	35.00	28.18 21.81	..	..	3.70

E. = Existing.

D. = Under discussion

APPENDIX I.

STATEMENT SHOWING FEES LEVIED IN DAILY AND WEEKLY MARKETS BY TALUK BOARDS.

		Rates.		Number of taluk boards which levy at each rate.	
				Daily markets.	Weekly markets.
		RS.	A. P.		
Cart-load	..	0 8 0	1	..	
		0 4 0	1	..	
		0 3 0	1	..	
		0 2 0	14	..	
		0 1 6	2	..	
		0 1 0	42	13	
		0 0 8	1	..	
		0 0 6	17	2	
		0 0 3	1	..	
		0 0 6	3	..	
Head-load	..	0 0 4	1	..	
		0 0 3	26	..	
		0 0 2	9	8	
		0 0 1	38	4	
		0 0 9	1	..	
		0 0 6	5	5	
		0 0 3	12	2	
		0 0 2	9	1	
		0 0 1	2	..	
		0 1 0	5	..	
Laden animal	..	0 0 9	3	..	
		0 0 6	13	5	
		0 0 3	13	..	
		0 0 2	9	1	
		0 0 6	6	6	
		0 0 3	5	1	
		0 1 0	2	..	
		0 0 9	3	..	
		0 0 6	15	7	
		0 0 4	2	..	
Bullock-load	..	0 0 3	9	..	
		0 0 2	6	1	
		0 0 9	1	..	
		0 0 6	8	3	
		0 0 4	2	..	
		0 0 3	6	1	
		0 0 2	2	..	
		0 0 9	1	..	
		0 0 6	8	3	
		0 0 4	2	..	
Kavadi-load	..	0 0 3	6	1	
		0 0 2	2	..	
		0 0 1	1	..	

Statement showing fees levied in daily and weekly markets
by taluk boards—cont.

		Rates.		Number of taluk boards which levy at each rate.	
		RS.	A. P.	Daily markets.	Weekly markets.
Basket-load	{	0 0 3		6	4
		0 0 2		5	..
		0 0 1		6	1
		0 1 0		4	..
Unladen cart	{	0 0 6		3	..
		0 0 3		4	2
		0 0 2		1	..
		0 0 1		7	1
Stall	{	0 2 0		3	..
		0 1 0		22	..
		0 0 9		2	..
		0 0 6		27	4
Live-stock per head.	{	0 0 3		19	..
		0 0 2		2	..
		0 0 1		4	..
Cattle	{	0 8 0		2	..
		0 6 0		1	..
		0 4 0		2	..
		0 3 0		1	..
Sheep or goat	{	0 2 0		2	..
		0 1 0		11	2
		0 0 9		3	..
		0 0 6		11	..
Fowl, etc... ..	{	0 0 4		1	1
		0 0 3		24	7
		0 0 1		6	..
		0 1 0		2	..
Fowl, etc... ..	{	0 0 8		1	..
		0 0 6		6	..
		0 0 3		14	..
		0 0 2		12	..
Fowl, etc... ..	{	0 0 1		16	10
		0 0 3		2	..
		0 0 2		1	..
		0 0 1		12	1

APPENDIX J.

Statement showing the mileage of roads and avenues in charge of
local boards in 1918-19.

Serial number of district board.	Total mileage of roads in charge of local boards.	Length in miles of road avenues.	Avenue receipts.	Average per avenue mile.	Average per road mile.
			RS.	RS. A. P.	RS. A. P.
1. Anantapur	895	434	3,161	7 4 6	3 8 6
2. Aroot, North	1,268	1,210	31,090	25 11 1	24 8 3
3. Aroot, South	1,194	936	30,625	32 11 6	25 10 5
4. Bellary	965	116	550	4 11 10	0 9 1
5. Chingleput	1,019	612	6,859	11 3 4	6 11 8
6. Chittoor	1,014	753	10,338	13 11 8	10 3 1
7. Coimbatore	1,467	1,467	7,981	5 7 0	5 7 0
8. Cuddapah	940	493	583	1 3 0	0 9 11
9. Ganjam	846	766	1,297	1 11 1	1 8 6
10. Godavari	1,027	652	13,260	20 5 4	12 14 7
11. Guntur	994	734	3,181	4 4 9	3 3 2
12. Kanara, South	1,339	638	3,054	4 12 7	2 4 6
13. Kistna	1,203	684	3,027	4 6 9	2 8 3
14. Koraput	605	57			
15. Kurnool	790	755	1,525	2 0 3	1 14 11
16. Madura	976	811	18,785	23 2 7	19 3 11
17. Malabar	1,488	1,269	9,425	7 6 10	6 5 4
18. Nellore	1,133	448	1,492	3 4 11	1 5 1
19. Nilgiris, the	648	18	48	2 13 5	0 1 2
20. Ramnad	598	587	5,907	10 1 0	9 14 1
21. Salem	1,724	1,251	52,022	41 9 5	30 2 9
22. Tanjore	2,030	1,439	15,525	12 11 9	7 10 4
23. Tinnevely	1,361	719	10,044	13 15 6	7 6 1
24. Trichinopoly	997	886	20,439	23 1 1	20 8 0
25. Vizagapatam	1,438	763	5,681	7 7 2	3 15 3
Total ..	27,739	18,278	2,55,899	14 0 0	9 3 7

APPENDIX K.

Statement showing conservancy receipts realized by municipal councils in 1918-19.

Name of municipality.	Population within municipal limits.	Conservancy receipts (1918-19).	Average receipts per head of population (1918-19.)
(1)	(2)	(3)	(4)
		RS.	RS. A. P.
Anantapur ..	8,457	648	0 1 3
Gudiyattam ..	23,390	471	0 0 4
Tiruppattūr ..	10,470	299	0 0 5
Tiruvannamalai ..	21,244	465	0 0 2
Vaniyambadi ..	20,408	109	0 0 1
Vellore ..	49,748	4,816	0 1 7
Walajapet ..	9,982	709	0 1 2
Chidambaram ..	21,327	342	0 0 3
Cuddalore ..	56,574	4,862	0 1 4
Adoni ..	31,645	3,341	0 1 8
Bellary ..	29,238	442	0 0 3
Hospet ..	18,937	352	0 0 4
Mangalore ..	48,412	10	..
Chingleput ..	11,626	452	0 0 7
Conjeevaram ..	53,864	1,951	0 0 7
Chittoor ..	15,147	63	0 0 1
Tirupati ..	16,701	932	0 0 11
Coimbatore ..	60,195	4,186	0 1 1
Dhara puram ..	20,000	63	0 0 1
Erode ..	16,701	1,721	0 1 7
Tiruppur ..	10,897	608	0 0 11
Udamalpet ..	15,000	26	..
Cuddapah ..	17,807	2,804	0 2 6
Proddatur ..	15,756	484	0 0 6
Berhampur ..	31,456	106	0 0 1
Chittoor ..	17,852	98	0 0 1
Parlakimedi ..	18,370	4	..
Cocanada ..	54,110	391	0 0 1
Peddapuram ..	15,436	54	0 0 1
Rajahmundry ..	48,417	871	0 0 3
Guntūr ..	42,625	2,716	0 1 0
Narasaraopet ..	8,743	34	0 0 1
Ongole ..	13,288	125	0 0 2
Tenali ..	18,195	43	..
Bezawada ..	32,867	35	..
Ellore ..	42,581	306	0 0 1
Masulipatam ..	42,123	1,353	0 0 6
Kurnool ..	26,040	529	0 0 4
Nandyal ..	16,230	762	0 0 9
Bodinayakkanur ..	20,205	635	0 0 6
Dindigul ..	25,052	940	0 0 7
Kodaikanal ..	2,906	..	..
Madura ..	184,130	29,025	0 3 6
Palni ..	13,211	890	0 1 1
Periyakulam ..	18,715	1,166	0 1 0
Calicut ..	78,417	116	..
Total ..			

Statement showing conservancy receipts realized by municipal councils in 1918-19—cont.

Name of municipality.	Population within municipal limits.	Conservancy receipts (1918-19).	Average receipts per head of population (1918-19).
(1)	(2)	(3)	(4)
		RS.	RS. A. P.
Cannanore ..	28,957	26	..
Cochin ..	20,028	71	0 0 1
Palghat ..	44,319	409	0 0 2
Tellicherry ..	29,258	61	..
Nellore ..	33,246	3,008	0 1 5
Coonoor ..	9,933	1,150	0 1 10
Ootacamund ..	18,829	1,455	0 1 3
Srivilliputtur ..	29,066	550	0 0 4
Virudupatti ..	21,355	1,937	0 1 5
Salem ..	59,153	1,380	0 0 4
Kumbakonam ..	64,647	866	0 0 3
Mannargudi ..	21,398	36	..
Mayavaram ..	28,621	83	0 0 1
Negapatam ..	57,657	655	0 0 2
Tanjore ..	60,341	3,770	0 1 0
Tiruvallūr ..	21,000	51	..
Palamcottah ..	44,909	2,576	0 0 11
Tinnevely ..	44,805	1,344	0 1 6
Tuticorin ..	40,185	100	..
Karūr ..	17,674	3,722	0 3 4
Srirangam ..	24,799	2,893	0 1 10
Trichinopoly ..	123,512	17,294	0 2 3
Anakapalle ..	20,625	325	0 0 3
Bimlipatam ..	9,314	275	0 0 6
Vizayapatam ..	43,413	4	..
Vizianagram ..	37,550	711	0 0 4
Total ..	2,277,006	1,15,083	0 0 10

APPENDIX L.

STATEMENT SHOWING THE SECTIONS OF THE DISTRICT MUNICIPALITIES
AND LOCAL BOARDS ACTS UNDER WHICH LICENCES MAY BE ISSUED.

Subject.	Section.	Unit.	Period.
III.—PUBLIC HEALTH.			
1. Disposal of the dead—			
(a) New burial or burning ground.	279 (1) [141 (1)].	Per square yard.	Per annum.
(b) Grave-digger or attendant.	285	Per person ..	Do.
2. Water-supply—			
(a) Building over mains ..	128 (1) [142 (1)].	Per square yard.	Once for all if on private land; per annum in other cases.
(b) Plumbers and fitters ..	306 (7) (b) ..	Per person ..	Per annum.
(c) Construction of well, tanks, etc.	207 and 223 (1) ..	Per square yard.	Once for all.
3. Food—			
(a) (i) Sale of milk ..	258 (1)	Per person ..	Per annum.
(ii) Place for sale of milk, etc.	Do.	Per square yard.	Per half-year.
(b) Preparation of flour or articles made of flour or sweetmeats.	Schedule V (l) ..	Do.	Do.
(c) Ice or aerated waters factory.	Schedule V (m) and [schedule VII (1)].	Do.	Do.
(d) Jaggery or sugarcandy factory.	Schedule V (p) ..	Do.	Do.
(e) Hotels	Schedule V (j) [schedule VII (k)].	Per building ..	Do.
(f) Butcher, fishmonger or poulterer.	269 (1)	Per person ..	Per annum.
(g) Sale of meat	Do.	Per square yard.	Per half-year.
4. Animals—			
(a) Stable, veterinary infirmary stand, shed, yard, etc.	245	Per animal (different rates being charged for different animals).	Do.
(b) Place for keeping sheep, goats, pigs or cattle.	Schedule V (k) ..	Per square yard (the number of animals in a square yard being also restricted).	Do.
(c) Public slaughter-houses..	254 (1)	Per head slaughtered.	Per occasion.
(d) Private slaughter-houses.	255 (2) [190] ..	Per square yard.	Per annum.
(e) Slaughter of animals during festivals.	256 [191]	Per head slaughtered.	Per occasion.
(f) Slaughter of animals outside slaughter-houses.	257	Do.	Do.

Statement showing the sections of the District Municipalities and Local
Boards Acts under which licences may be issued—cont.

Subject.	Section.	Unit.	Period.
IV.—TOWN DEVELOPMENT.			
1. Streets—			
(a) Erection of or addition to any building between street alignment and building line.	167 (2)	Per square foot ..	Per annum.
(b) Setting buildings forward.	169	Do. ..	Do.
(c) Alteration of fences, etc.	173 .. ..	.....	Per occasion.
(d) Verandah, balcony, etc..	183 (1) [160 (1)].	Per square yard.	Per mensem.
(e) Obstruction in streets ..	186 (1), 187 [163 (1) and 164 (1)].	Per square yard of obstruction.	Per diem.
(f) Temporary pandals ..	183 (2)	Per square yard.	Do.
(g) Opening private streets.	176 (3)	For every 100 yards.	Once for all.
2. Building control—			
(a) Door, gate, etc., to open outwards.	181 [158]	Per case ..	Do.
(b) Construction or reconstruction of buildings or huts.	198 and 209 ..	Per square yard to be built upon.	Do.
(c) Temporary huts for stabling, etc.	217	Per square yard.	Per diem.
(d) Construction, etc., of a well.	207	Do.	Once for all.
(e) Construction of a well, tank, etc.	223 (1)	Do.	Do.
(f) Builder or surveyor ..	306 (10) (e) ..	Per person ..	Per annum.
3. Land—			
Removing or depositing earth, sand, etc.	362 [151]	Per cart load ..	Per trip.
4. Trade—			
(a) Private markets ..	262 (1) [171 (1)].	Per square yard.	Per annum.
(b) Sale in public streets ..	270 [183].	Per square foot occupied.	Per diem.
(c) Storage of manure, etc., timber, etc., grain or jaggery and combustibles.	Schedule V (d) [schedule VII (m)], (n), (o) and (g).]	Per square yard.	Per half-year.
(d) Cart-stands	[187 (1)]	Do.	Do.
5. Industries—			
(a) Washing cloths, boiling.	Schedule V (a) ..	Do.	Do.
(b) Paddy or camphor ..	Schedule V (b) [schedule VII (a)].	Do.	Do.
(c) Melting tallow or sulphur.	Schedule V (c) [schedule VII (b)].	Do.	Do.
(d) Storing, etc., offal, etc.	Schedule V (d) [schedule VII (c)].	Do.	Do.
(e) Washing or drying wool or hair.	Schedule V (e) [schedule VII (d)].	Do.	Do.
(f) Making fish oil	Schedule V (f) [schedule VII (f)].	Do.	Do.
(g) Making soap, etc. ..	Schedule V (g) [schedule VII (g)].	Per square yard or per mill or kiln.	Do.

Statement showing the sections of the District Municipalities and Local Boards Acts under which licences may be issued—*cont.*

Subject.	Section.	Unit.	Period.
IV.—TOWN DEVELOPMENT—<i>cont.</i>			
5. Industries—<i>cont.</i>			
(h) Manufacturing or distilling sago; manufacturing manure.	Schedule V (h) [schedule VII]	Per square yard.	Per half year.
(i) Installation of machinery, etc.	Schedule V (g) [schedule VII]	Do.	Do.
(j) Constructing factory with power installations.	250 (3) (a) [194 (1) (a)].	For building ..	Once for all.
6. Fire prevention			
(a) Manufacturing gun-powder, etc.	Schedule V (i) [schedule VII]	Per square yard.	Per half-year.
(b) Storing timber, firewood, etc.	Schedule V (n) [schedule VII]	Do.	Do.
(c) Storing explosives or combustibles.	Schedule V (g) [schedule VII]	Do.	Do.
7. Property—			
Encroaching on any municipal land, river, etc.	362 [151]	Do.	Per diem.

NOTE.—Sections enclosed in brackets relate to the new Local Boards Act.

APPENDIX M.

STATEMENT SHOWING THE RECEIPTS OF MUNICIPAL COUNCILS FROM TAXATION IN 1919-20 AS COMPARED WITH OTHER REVENUE.

Districts.	Name of municipality.	Receipts from		Total.	Percentage of column (2) to (4).	Percentage of column (3) to (4).
		Taxation excluding tolls.	Other sources excluding school fees.			
	(1)	(2)	(3)	(4)	(5)	(6)
		RS.	RS.	RS.		
Anantapur ..	1. Anantapur ..	11,493	4,705	16,198	71.0	29.0
	2. Hindupur ..	..	..	..	..	..
	3. Tadpatri ..	..	..	..	..	..
	4. Gudiyattam ..	21,998	8,726	30,724	71.6	28.4
	5. Tiruppattar ..	12,793	4,780	17,573	72.8	27.2
	6. Tiruvannamalai ..	17,469	12,012	29,471	59.2	40.8
	7. Vaniyambadi ..	19,432	9,101	28,533	68.1	31.9
	8. Vellore ..	76,710	32,309	1,09,019	70.4	29.6
	9. Walajapet ..	6,198	2,769	8,967	69.1	30.9
	10. Chidambaram ..	34,037	8,188	42,225	80.6	19.4
	11. Cuddalore ..	51,133	17,228	68,361	74.8	25.2
	12. Villupuram ..	5,095	198	5,293	96.3	3.7
	13. Adoni ..	48,040	20,871	68,911	69.7	30.3
	14. Bellary ..	50,354	17,360	67,714	74.4	25.6
	15. Hospet ..	13,121	5,203	18,324	71.6	28.4
	16. Chingleput ..	14,328	2,264	16,592	86.4	13.6
	17. Conjeeveram ..	76,651	25,837	1,01,488	74.5	25.5
	18. Chittoor ..	16,664	5,743	22,407	74.4	25.6
	19. Tirupati ..	23,073	5,132	28,206	81.8	18.2
	20. Coimbatore ..	85,740	35,972	1,21,712	70.4	29.6
	21. Dharsapuram ..	19,083	4,325	23,408	73.6	26.4
	22. Erode ..	54,541	19,236	73,777	73.9	26.1
	23. Tiruppur ..	16,584	8,394	24,978	66.4	33.6
	24. Udumalpet ..	10,746	6,413	17,159	62.6	37.4
	25. Cuddapah ..	33,528	18,118	51,646	64.9	35.1
	26. Proddatur ..	14,215	6,128	20,343	69.9	30.1
	27. Berhampur ..	49,826	12,949	62,775	79.9	20.1
	28. Chittoor ..	11,343	5,876	17,219	77.5	22.5
	29. Parlakimedi ..	14,973	7,361	22,334	67.0	33.0
	30. Cocanada ..	84,639	32,630	1,17,269	71.5	28.5
	31. Peddapuram ..	10,438	3,188	13,626	76.6	23.4
	32. Rajahmundry ..	51,548	26,920	78,468	66.7	33.3
	33. Chirala ..	..	..	..	..	..
	34. Guntur ..	86,363	55,256	1,41,619	61.0	39.0
	35. Narasaraopet ..	16,602	4,365	20,967	79.2	20.8
	36. Ongole ..	20,645	3,066	23,701	87.1	12.9
	37. Repalle ..	..	..	..	..	..
	38. Tenali ..	22,695	6,429	29,124	77.9	22.1
	39. Mangalore ..	69,937	16,777	86,714	80.7	19.3
	40. Bezvada ..	1,02,684	19,542	1,22,226	84.0	16.0
	41. Ellore ..	60,628	20,643	81,271	74.4	25.6
	42. Masulipatam ..	68,297	24,069	92,366	73.9	26.1
	43. Palacole ..	..	..	..	..	..
	44. Kurnool ..	37,046	17,709	54,755	67.7	32.3
	45. Nandyal ..	19,984	6,881	26,865	74.4	25.6
	46. Bodinayakanur ..	23,187	3,935	27,122	85.6	14.4
	47. Dindigul ..	46,489	19,373	65,862	70.7	29.3
	48. Kodaikanal ..	28,634	6,880	35,514	81.8	18.2
	49. Madura ..	3,38,270	1,19,493	4,57,763	73.9	26.1
	50. Palni ..	12,316	4,768	17,074	72.1	27.9
	51. Periyakulam ..	28,487	7,563	36,050	79.0	21.0

Statement showing the receipts of municipal councils from taxation
in 1919-20 as compared with other revenue—*cont.*

Districts.	Name of municipality.	Receipts from		Total.	Percentage column (2) to column (4).	Percentage column (3) to column (4).
		Taxation, excluding tolls.	Other sources excluding school fees.			
	(1)	(2)	(3)	(4)	(5)	(6)
		Rs.	Rs.	Rs.		
Malabar	52. Calicut ..	91,765	20,734	1,12,499	81.6	18.4
	53. Cannanore ..	26,181	4,610	30,791	85.0	15.0
	54. Cochin ..	33,230	8,716	41,946	79.2	20.8
	55. Palghat ..	38,096	11,894	49,990	76.2	23.8
Nellore ..	56. Tellicherry ..	32,611	8,108	40,719	80.1	19.9
	57. Nellore ..	63,058	10,495	73,553	85.7	14.3
Nilgiris, The..	58. Coonoor ..	57,061	36,518	93,579	61.0	39.0
	59. Ootacamund ..	1,47,382	52,864	2,00,246	73.6	26.4
Ramanad ..	60. Srivilliputtur ..	21,265	3,996	25,261	84.2	15.8
	61. Virudupatti ..	35,782	9,996	45,758	78.2	21.8
Salem ..	62. Salem ..	97,818	22,440	1,20,258	81.3	18.7
	63. Kumbakonam ..	1,27,416	26,245	1,53,661	82.9	17.1
Tanjore ..	64. Mannargudi ..	23,160	8,309	31,469	73.6	26.4
	65. Mayavaram ..	34,470	11,461	45,931	75.0	25.0
	66. Negapatam ..	1,15,583	46,969	1,62,552	71.1	28.9
	67. Tanjore ..	1,02,198	33,451	1,35,649	75.3	24.7
Tinnevely ..	68. Tiruvalur ..	20,628	7,685	28,313	72.9	27.1
	69. Palamcottah ..	33,925	26,421	60,346	56.2	43.8
	70. Tinnevely ..	68,983	28,499	97,482	74.6	25.4
	71. Tuticorin ..	1,31,205	21,198	1,52,403	86.1	13.9
Trichinopoly ..	72. Srirangam ..	37,035	17,034	54,069	68.5	31.5
	73. Karur ..	18,312	13,286	31,548	58.0	42.0
	74. Trichinopoly ..	2,08,329	1,12,988	3,21,317	64.8	35.2
	75. Anakapalle ..	16,289	8,691	24,980	65.2	34.8
Vizagapatam ..	76. Bimlipatam ..	5,034	3,625	8,659	58.2	41.8
	77. Vizagapatam ..	80,925	13,757	94,682	85.5	14.5
	78. Visianagaram ..	54,618	8,423	63,041	86.7	13.3

APPENDIX N.

STATEMENT SHOWING THE RECEIPTS OF DISTRICT BOARDS FROM TAXATION
IN 1918-19 AS COMPARED WITH OTHER REVENUE.

Local Boards, 1918-19—				Rs.
Rent and sale of lands	..	..	..	68,271
Avenues	..	..	..	2,75,389
Markets, slaughter-houses and cart-stands	..	..	..	4,43,016
Choultries	..	..	..	3,69,895
Other miscellaneous items	..	..	..	1,81,674
Fisheries	..	..	..	2,15,141
Railways—net income	..	..	..	7,95,635
A. Total other than taxation				23,49,021
B. Taxation other than tools				83,28,449
C. Total of A and B ..				1,06,77,470
Percentage of A to C ..				21.99
" B to C ..				78.01

APPENDIX O.

NOTE BY THE EXAMINER OF LOCAL AND MUNICIPAL ACCOUNTS ON THE COST
OF THE CENTRALIZED SYSTEM OF AUDIT.

Present cost.—The cost of the staff of the Examiner required at present for audit of local boards' and municipal accounts, i.e., 7 groups or 14 men is Rs. 30,408 per annum, on the basis of the time scale of pay which has already been sanctioned by Government, but the actual introduction of which has been temporarily held in abeyance under the orders of the Comptroller and Auditor-General pending reference to the Government of India.

To this has to be added that portion of the cost of the staff of the Local Audit Branch of the Treasury Deputy Collector's office which is solely employed on the audit work, as distinct from the work of compilation of accounts—the latter will continue to be done in the districts even under the proposed scheme. This works out to about Rs. 53,775 per annum.

Total present cost therefore is Rs. 30,408 plus Rs. 53,775 = Rs. 84,183 per annum.

Proposed staff and cost.—Staff required for the local audit of receipts of 25 local boards and about 77 municipalities—

Three groups or six men, i.e., three assistant inspectors (i.e., Superintendents) and three clerks.

Staff required for the centralized audit of the expenditure—

Superintendents	..	..	..	..	..	9
Clerks	..	..	..	..	..	90
Total						99

Total subordinate establishment is therefore 6 plus 99 .. 105
Add leave reserve at 8 per cent 8

Grand total .. 113

There will also be required a gazetted staff of three with accounts experience to assist the Examiner. This does not seem to be much for the following reasons. At present there are 25 Treasury Deputy Collectors who have to devote at least one and a half hours a day on an average for the work of the Local Audit Branch, i.e., one-fourth of their time may therefore reasonably be held to be spent on it by each of them. (It should be remembered that the Treasury Deputy Collectors are supposed to review monthly the vouchers of the local boards and attest the entries in the registers). This comes to a total of one-fourth of 25 or six officers in round figures for the whole Presidency. Therefore against the six gazetted officers (i.e., the Treasury Deputy Collectors) now required, only three will be required for the central audit with the advantage of greater supervision that will be exercised.

Cost.—As regards the men who are already in the office of the Examiner, they will be given the time scale of pay referred to above. But as regards the rest of the men, it is for decision whether they should be given the same pay or any less pay inasmuch as they draw much less now in the

districts than the men in the Examiner's staff. Personally I am opposed to making any invidious distinctions as regards pay between those who are already under the Examiner and those who will be required in future in connexion with the centralized audit. Further, unless we offer as good prospects to the new men as those enjoyed by the already existing men in the Examiner's office, I anticipate difficulty in recruiting the right class of men, and consequently I fear the present inefficient audit will continue but in a central office.

Therefore presuming that all the men will be treated alike as regards pay by the giving of time-scale of pay as already sanctioned for the Local Audit Department of the Accountant-General's office the total cost of the new scheme will be as follows :—

Superintendents 9 plus 3 = 12 at the average rate of Rs. 267 per mensem = Rs. 38,448 per annum.

Clerks 101 at the average rate of Rs. 95 per mensem = Rs. 1,15,140 per annum.

Total Rs. 1,53,588 per annum. (A).

Add three gazetted officers on an average pay (actual pay proposed Rs. 500—700) of 633½ per mensem = Rs. 22,800 per annum (B).

Grand total = (A) plus (B) = Rs. 1,76,388.

Deduct cost of six Treasury Deputy Collectors on an average pay of Rs. 662 per mensem (according to the recently sanctioned time-scale of pay) = Rs. 47,664 per annum (approximately).

Net cost therefore is Rs. 1,76,388 minus 47,664 = Rs. 1,28,724.

Net excess = Rs. 1,28,724 minus Rs. 84,183 = Rs. 44,541.

The extra cost, if any, on account of peons and the menial staff has been omitted in the above calculation as it is a comparatively negligible item. Further the effect of the centralized audit will be merely to transfer the corresponding number of appointments from the district offices to the central audit office. My own view is that a reduction in the number of appointments of peons can be effected thus :—

Peons required under the new scheme—

Three for the Local Auditors	3
Two for each Superintendent's section (9 × 2) ..	18
One for each Gazetted Officer (excluding the examiner)	3
	<u>24</u>

Against this, taking an average of one peon at present in each of the Local Audit Branch of the Treasury Deputy Collectors' offices (the average is really more I believe), the total strength (for 25 districts) 25 |

Peons attached to the Local Auditors (one to each) at present	7
	<u>32</u>

Saving—about eight peons.

(In making the above calculations, the cost of the three groups for audit of estate accounts and one group for Official Receivers has been omitted as the cost is recovered in these cases from the departments concerned.)

G.O. No. 493, FINANCE, DATED 11TH MAY 1921.

In G.O. No. 1193 M., dated 30th August 1920, a Committee was appointed to consider the financial relations which should subsist between the Provincial Government and the local bodies in the Madras Presidency and the principles on which the former should afford assistance to the latter. The Committee submitted its report on the 17th November 1920 and the Government now proceed to pass orders on certain of its recommendations.

2. In paragraphs 32 to 46 of their report the Committee have attempted to lay down certain general principles. These are accepted in the following modified form :—

(1) that ordinarily grants should be made for specific services and not in aid of the general resources of the local bodies ;

(2) (a) that Government aid to local bodies should be confined to certain services which are semi-national in character ;

(b) that the aid may take the shape of the central administration of a service or part of a service (in which case the whole cost of such administration will be borne from provincial funds) or of a payment to the local body of the cost, or part of the cost, of administering the service ;

(c) that the Government will determine from time to time what services are to be regarded as semi-national and which of them should be centrally administered ;

(3) that exceptions to the general rule in (1) above are admissible in the case of (a) specially poor local bodies, (b) pilgrim centres and (c) sanatoria ;

(4) that grants for capital expenditure should ordinarily be made out of loan funds ;

(5) that grants to local bodies should as a rule be paid after the expenditure is incurred by them, but this should not prevent advance payments being made, to be adjusted subsequently when the actual expenditure is known.

3. *Grants for Trunk roads.*—In G.O. No. 347 L., dated 9th April 1920, the Government undertook to reimburse to local boards the actual expenditure incurred on certain roads which were to be regarded as trunk roads subject to a maximum limit of Rs 500 a mile on the average for each district, the grant being payable after the close of each financial year on the production of an account of the expenditure actually incurred in the year. The undertaking was extended to municipalities in G.O. No. 988 M., dated 23rd July 1920, the maximum grant being fixed at Rs. 1,000 a mile for 1920–21, subject to reconsideration in subsequent years. These grants will be continued on the same lines except that the maximum grant per mile for municipalities may be reduced for 1921–22 and future years.

4. What is known as the 14 lakhs grant is a grant which till 1918–19 was distributed among district boards in such proportion that each should receive one-fourth of the amount it collected in land cess. In 1918–19 it was stereotyped so that each district board should secure annually the sum which it received from this grant in 1917–18, the total amount actually disbursed in 1918–19 being 17·28 lakhs. The Committee recommend that

the basis of this distribution should be altered without any change in the amount and that the sum should in future be allocated specifically to the payment of a proportion of the cost of upkeep of what may be classed as second-class roads. The Government accept the principle of this recommendation—that the grant should take the form of payment for specific services rendered—but they are unable to give an undertaking that the contribution to individual boards will not be reduced below the amount that is now given to them out of the 14 lakhs grant. In view of the fact that the budgets of local bodies have already been framed on the basis of the existing practice, the change will be introduced with effect from 1922-23.

5. The Government agree that the incidence of the charges for the construction and maintenance of bridges and causeways should follow those of the roads on which they are situated, subject to the reservation that they cannot undertake any specific recurring liability for the purpose of constructing bridges on roads maintained at the cost of provincial funds.

6. The Government accept the position that collegiate education is not ordinarily the business of a local body.

7. As regards hospitals, the Government have already, in accordance with a resolution in the Legislative Council, decided to waive the payment from 1921-22 of the contributions hitherto received towards the cost of the district headquarter hospitals of which they have assumed control. With regard to other hospitals and dispensaries they are prepared to accept the principle that a share of the charges incurred in all institutions should be met from provincial funds and consider that the proportion and the basis of calculation should be similar for all. With regard to buildings, the Government will pay half the cost of buildings approved by them, but cannot guarantee to find any particular sum of money in any particular year.

8. In view of the principles adopted with regard to other services and of the large commitments which they entail, the Government do not consider it necessary to bind themselves in future to pay three-fourths of the cost of health officers appointed by municipal councils or other local bodies. They are prepared to continue to pay a share of the cost of these services, but the precise proportion will be determined with reference to the contributions to the cost of other services.

9. As regards water-supply and drainage schemes in urban areas, the Committee suggest that no municipality should be asked to bear more than the amount it can raise by way of loan without injury to its general administration and that the difference between this amount and the total cost of the scheme should be borne by the State. For this purpose the majority of the Committee proposed to fix the maximum property tax which municipalities should levy for water-supply and drainage at 12½ per cent of the annual value, while a minority was in favour of limiting it to 10 per cent. The Government cannot accept this as a reasonable basis of calculation. Local rates are exceptionally low in India and to limit the rate of water and drainage tax to 12½ per cent on the annual value of property would be to postpone all improvement indefinitely. Until some better method of distributing the cost can be devised, the Government prefer to adhere to the existing half-and-half principle, exceptions being made in the case of special localities, such as some pilgrim centres.

10. *Minor sanitary works.*—The Government agree with the Committee that minor sanitary grants as such should cease. They are, however, prepared to contribute towards the cost of rural water-supply schemes where local boards put forward specific schemes which have been examined and certified to by the sanitary and engineering authorities. In such cases the Government expect that the places for which the water-supply is intended should be constituted into unions and rates levied to cover a portion of the cost.

11. With regard to the cost of lymph supplied to vaccinators from the King Institute at Quindy, the Government are prepared to go beyond the recommendation of the Committee and to waive the recovery of the cost altogether as a part of their contribution towards the cost of the vaccination service, the local bodies being held responsible only for the payment of the vaccinating staff.

12. As regards veterinary institutions, the Government have decided to take them entirely under provincial control and to relieve local bodies of the charges for maintaining them. The change will not however take place until 1922-23.

13. The Government fully endorse the Committee's objections to the allocation to local bodies of a share of the excise revenue and they consider that the same objections apply to the recommendation made by the Committee that local bodies may be allowed to levy a surcharge on the abkari revenue.

14. The Government are not prepared to treat as a provincial matter the care of the avenues on local fund and municipal roads or the appointment of an officer to supervise them.

15. The Government see no reason why there should be any exact uniformity as to the share to be borne by the Government of the cost of the various local services. There will naturally be a differentiation between those which are of more, and those which are of less, national importance and between those the carrying out of which can properly be forced on the local bodies and those in the carrying out of which the local bodies may, in equity, expect help. In the immediate future it is not likely that the total amount of financial assistance which can be given to local bodies can exceed largely what has been given in the past few years.

16. Orders will issue separately on the other recommendations of the Committee not dealt with in the foregoing paragraphs.

17. The Government desire to convey to the non-official members of the Committee their sense of appreciation of the valuable services rendered by them and their arduous labour in connexion with the deliberations of the Committee.

(By order of the Governor in Council)

P. L. MOORE,
Acting Secretary to Government.

To the Accountant-General.
" Local Self-Government Department.
Copy to the Revenue Department.
" Law (Education) Department.
" Public Works Department.
To the Publicity Officer.

G.O. No. 1096, L. & M., DATED 21st JUNE 1922.

In their report submitted to the Government in November 1920, the Financial Relations Committee recommended that the grant in aid of general resources, which amounted to 17.28 lakhs, should be allocated specifically to the payment of a proportion of the cost of maintaining what may be classed as second-class roads. The Government in paragraph 4 of their Order No. 493, Finance, dated 11th May 1921, accepted the principle underlying this recommendation—that the grant should take the form of payment for specific services rendered—but declined to give an undertaking that the contribution to individual boards would not be reduced. They also stated that the change would be introduced with effect from 1922–23. Owing to various causes, it has not been possible to give effect to the order in the current year, but the Government consider that the change should be made from 1st April 1923.

2. The grant in aid of general resources was, before it was stereotyped in 1918–19, distributed among district boards in such proportion that each received one-fourth of the land cess collected by it. The Government recognize that it would be difficult to justify on any principle a system of distribution which was not based on a consideration of the requirements of the different local boards and which actually gave the richer boards a larger share of the grant than the poorer ones; but it has been represented to them that district boards have regarded this as an assured recurring grant and any change in the system of distribution which would reduce considerably the grant to any individual board would seriously embarrass it financially. The Government do not, therefore, propose to alter the amounts which individual boards have been getting, except to the very limited extent indicated below, but they will now proceed to specify the services on which the grant should be spent.

3. The inadequate provision made by local bodies for the improvement of sanitation has been, for several years, the subject of comment both by the Government of India and the Local Government. In the resolution on Indian Sanitary Policy communicated to this Government in 1914, the Government of India pointed out that one of the most urgent and hopeful measures for promoting rural sanitation was the appointment of well-qualified and whole-time district health officers to control and organize all sanitary arrangements and experiments in the district. The Conference of Sanitary Commissioners held in Delhi in January 1918 also commented very strongly on the absence of any special organization for rural sanitation in India and recommended that each district should have a complete self-contained public health staff working under the district boards. They considered that for every million inhabitants there should be a health officer, two deputy health officers, four sub-deputy health officers and fifty health inspectors, and indicated in some detail the work that should be assigned to the health staff. The Government of India, while recognizing that these recommendations contemplated an ideal organization, impressed on the Local Government the desirability of initiating some system of public health administration which would be capable of further development as funds permitted. The proposal to organize district health staffs working under district health committees has since been strongly supported by all the four Local and Municipal Conferences held during the course of the last year, in three cases unanimously. The Government were not in a position to carry out any of these recommendations partly owing to the financial circumstances set up by the war, but mainly owing to lack of

qualified health officers. The untrained sanitary assistants whom some district boards had employed had proved a failure; for they had neither the training nor the staff necessary for effectively carrying out preventive measures against epidemic diseases, and most of them contented themselves with visiting villages and making very expensive and often quite impracticable proposals for the improvement of rural sanitation. The Government recognized that, before even a modest beginning could be made, it was essential that the sanitary service should be made sufficiently attractive to induce really competent medical officers to qualify themselves for the post of health officer. With this end in view, they sanctioned, in their Order No. 533, P.H., dated 18th May 1921, a revised scale of pay for health officers and also provincialized the service. During the last year they were able to train at their own expense seventeen health officers, and they hope to train about fifteen more in the current year. They will therefore be in a position in April 1923 to supply every district with a competent health officer, and they consider that every district should employ a whole-time qualified health officer. Under section 68 (1) of the Madras Local Boards Act, 1920, they direct that every district board, except the Nilgiri District Board, shall include in its schedule of establishment with effect from 1st April 1923 a post of district health officer. The salaries and allowances of these officers and the conditions of service will be determined in accordance with G.O. No. 533, P.H., dated 18th May 1921, referred to above. It has been calculated that the average cost of a health officer, excluding the conveyance and travelling allowances, will be Rs. 7,560 per annum. The Government will not demand any contribution from the district boards towards the pay and local allowances of these officers, but the total grant hitherto given in aid of general resources will be reduced by Rs. 1.74 lakhs, which is the average cost of maintaining the service of health officers. The district boards will provide for the travelling allowances of the health officers placed at their service.

4. The Government have already in their Order No. 165, P.H., dated 1st February 1922, directed the constitution of statutory district health committees in five districts as an experimental measure, have appointed health officers to these districts and have also provisionally disbanded three of the provincial cholera parties in order to provide for the necessary subordinate health staffs. Until control by a representative committee has been demonstrated to be a success, the Government do not propose to constitute health committees in the other districts where health staffs will be employed. Until such committees are formed, the health staffs in these districts will be under the control of presidents of the district boards. The Government have in their Order No. 817, P.H., dated 10th June 1922, directed the amalgamation of the service of sanitary inspectors attached to cholera parties and deputy inspectors of vaccination, who will hereafter be designated sanitary inspectors. Orders will issue separately placing deputy inspectors of vaccination under the control of district health officers. The Government also propose to disband the remaining provincial cholera parties as early as possible, and to utilize the money allotted for them for providing a staff of trained sanitary inspectors to work under the district health officers. Deputy inspectors of vaccination and the other trained sanitary inspectors will continue to be paid by the Government, although their services will be fully at the disposal of the district boards in which they work. The Director of Public Health will, however, retain the power of transferring any member of the health staff from one district to another; and in cases of grave emergency, for instance, a local outbreak of infectious disease such as cholera through

spread into adjoining districts, he may direct the whole or a portion of the health staffs of adjoining districts to work temporarily at the seat of infection.

5. The balance left after provision has been made for the maintenance of a staff of health officers will be Rs. 15.30 lakhs. The amount will be distributed among the district boards as shown in the annexure in the proportion in which the stereotyped allotments were made, i.e., each district board (except the Nilgiri Board, which will not be affected by this order) will get $\frac{15.30}{17.04}$ of the sum it has hitherto received. The Government consider that this amount should, as recommended by the Financial Relations Committee, be spent on the upkeep of what may be classed as second-class roads. The Government grant will be half the cost of maintenance of the second-class roads, subject to a maximum for the whole district, which will be the amount which the board will be entitled to under the scheme of redistribution referred to above. Each district board will itself determine what roads should be included in the second class, but it is pointed out that unless the normal expenditure on the selected roads is more than double the maximum Government grant, the board will not be entitled to the full grant. The Government have, however, no intention of fettering the discretion of the boards as regards the selection, and if any individual district board considers that the restriction imposed by this order will compel it to spend more on its second-class roads than what its financial position or local circumstances would justify, the Government will be prepared to relax this condition and direct that a portion of this grant should be spent on some other service. The grant will be subject to the condition that the second-class roads are maintained in a reasonably good condition. The Government will not, of course, require for such roads the standard of maintenance laid down for trunk roads but if the second-class roads in any district are neglected, the Government will reduce the grant allotted to the district.

6. All district boards are requested to submit before 1st October 1922 for the approval of the Government a list of the roads selected by them for inclusion in the second class.

7. The amount which will be allotted to each district board under the redistribution is shown in the annexure to this order. It will be observed that each board will get about 90 per cent of what it has been getting hitherto; but for the loss of the other 10 per cent, it will have at its service a self-contained health staff consisting of a qualified health officer and about eight more trained sanitary inspectors, all paid for by the Government.

By order of the Government, Ministry of Local Self-Government)

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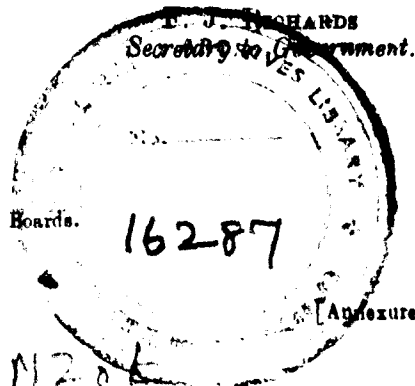
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