M.R.O. 1—77,006—8-6-37.

(1) Number of pages 24

(2) Date of repair 28th Oct-1939

(3) Initials of the Reference

MADRAS RECORD OFFICE.

Government of Madras.

financial DEPARTMENT.

G.O. No. 4	Press / Mis.
6-7	
Dated 6-1- 1871.	

13/14

6-7

Not to be folded or roughly handled

No. 6. Read the following Resolution of the Government of India, Financial Department, dated Fort William, the 14th December 1870, No. 3334 (Accounts):—

The Governor-General in Council is satisfied that it is desirable to enlarge the powers and responsibility of the Governments of Presidencies and Provinces in respect to the public expenditure in some of the Civil Departments.

2. Under the present system these Governments have little liberty and but few motives for economy in their expenditure: it lies with the Government of India to control the growth of charges, to meet which it has to raise the revenue. The local Governments are deeply interested in the welfare of the people confided to their care; and, not knowing the requirements of other parts of the country or of the empire as a whole, they are liable, in their anxiety for administrative progress, to allow too little weight to fiscal considerations. On the other hand, the Supreme Government, as responsible for the general financial safety, is obliged to reject many demands in themselves deserving of all encouragement, and is not always able to distribute satisfactorily the resources actually available.

3. Thus it happens that the Supreme and local Governments regard from different points of view measures involving expenditure; and, the division of responsibility being ill-defined, there occur conflicts of opinion injurious to the public service. In order to avoid these conflicts it is expedient that, as far as possible, the obligation to find the funds necessary for administrative improvements should rest upon the authority whose immediate duty it is to devise such measures.

4. This is the more important because existing imperial resources will not suffice for the growing wants of the country. Writing of roads and communications in October 1869 the Government of India in the Public Works Department stated that it had for some years—

"been satisfied that to attempt to provide and maintain all the roads required for the intercommunications of so vast a territory from the ordinary revenues would be to enter on an altogether impracticable task. The matter," it was added, "has been before this Government on several occasions since 1862, and the view now taken of it has already received, in general terms, the approval of the Secretary of State. It is only by a judicious system of local assessment and control that what is needed can be accomplished."

This is not less true of some other departments of the Administration.

5. The Supreme Government is not in a position to understand fully local requirements, nor has it the knowledge necessary for the successful development of local resources. Each province has special wants of its own, and may have means for supplying them which could not be appropriated for imperial purposes. A tax adapted to the circumstances of one part of the country may be distasteful or inapplicable elsewhere, and everywhere rates may be proper for provincial or local purposes which could not be taken for the imperial revenue.

6. These principles are now generally recognized, and important steps have been already taken to develop provincial resources. The Government of Bombay has, for some years, raised a considerable revenue for local purposes. Important measures to the same intent are under the consideration of the Legislative Council of Madras. The Government of Bengal is maturing a scheme, in

accordance with the decision of the Secretary of State, for the levy of a rate for local objects in the Lower Provinces of Bengal. In all the other provinces of India provincial revenues have long been raised, and measures for increasing them are now being devised.

7. These measures have been promoted chiefly to provide for urgent administrative wants the means for which are not otherwise forthcoming. It is inexpedient that the funds so raised should be intercepted, to any considerable extent, for objects the cost of which has been hitherto defrayed from the general revenues, even though such objects be of an admittedly local character. Moreover, the Governor-General in Council is not desirous that the demands on the people for provincial purposes should be indefinitely, or too rapidly, increased.

8. It would have been satisfactory had His Excellency in Council been able to propose the enlargement of the power and responsibility of the local Governments without charging upon local resources any part of the existing imperial expenditure. This cannot be done; but it has been determined to make as small a demand upon these resources as possible. At the same time it should be remembered that the relief of the imperial finances has been a principal object in the discussion of such measures on former occasions.

9. The income-tax of 6 Pies in the Rupee imposed for the current year was never intended to be permanent, and the Governor-General in Council has already announced a resolution not to renew the tax for next year at this high rate unless some unforeseen contingency compels him to do so.

10. It was thought at first that the income-tax could not be reduced to the desired extent without imposing upon local resources almost as large a sum as might be given up. Anticipations made so long before the beginning of the financial year must be uncertain; but, as far as the Governor-General in Council can now judge, it will be possible next year to give substantial relief from existing taxation without the substitution of any considerable new burden.

11. The Government of India is accordingly pleased to make over to the Governments, under certain conditions to be presently set forth, the following departments of the Administration in which they may be supposed to take special interest, and to grant permanently, from the imperial revenue, for these services, the sum of £4,688,711, being less by £330,801 only than the assignments made for the same services in 1870-71 :—

Jails.	Printing.
Registration.	Roads.
Police.	Miscellaneous Public Improvements.
Education.	Civil Buildings.
Medical Services (except "*Medical Establishments*").*	

A statement (A.) is appended explanatory of the method by which the assignments to be thus made have been calculated. This statement shows the estimated receipts and charges under the first six of these heads during the current year,

* By "*Medical Establishments*" here is meant the first sub-division of the Grant 22, Medical Services, as hitherto made.

the "Police" charges in Bombay and the North-Western Provinces having been slightly reduced by the final adjustments necessary in consequence of the Government becoming liable for the superannuation allowances of the Force.

12. The figures entered for "Roads," "Civil Buildings," and "Miscellaneous Public Improvements" are the grants for this year exclusive of the sum of £135,679 reserved for certain works detailed in Appendix *B.*, which will not in future be a charge upon local Governments but will be separately provided for by the Supreme Government. The portion of this £135,679 reserved in each province bears the same proportion to the grant made to the province for the current year that the expenditure in the province, upon the reserved works, has borne, during the last five years, to the whole expenditure under these three heads.

13. To the £1,168,701 thus assigned for "Works" £327,236 has been added for "Establishments" and "Tools and Plant," being the proportion of the current year's grants for these purposes which appertains to that share of the total grants for "Works" of all kinds which is transferred. This £327,236 has been distributed among the Presidencies and Provinces in the proportions in which the larger sum of £1,168,701 has been distributed. The Governments will henceforth provide themselves with "Tools and Plant" without the intervention of the Government of India. The future arrangements in regard to "Establishments" cannot be settled without detailed correspondence. For the year 1871-72 the Supreme Government will continue to provide "Establishments" as heretofore, and each Presidency or Province must bear a share of the cost in the proportion which the estimated outlay upon "Works" from Provincial Funds* bears to the total estimated outlay upon "Works," Ordinary and Extraordinary, Imperial and Provincial, in all India. It is to be clearly understood that local Governments must maintain in efficient repair existing lines of through communication, such as the trunk roads, unless authorized by the Supreme Government to abandon them.

14. The actual permanent imperial assignments for "Provincial Services" will be, then, as follows, all receipts heretofore credited in connexion with these services being given up to the provinces in which they accrue :—

	£
Oudh	206,948
Central Provinces	261,263
Burmah	275,332
Bengal	1,168,592
North-Western Provinces	640,792
Punjab	516,221
Madras	739,488
Bombay	880,075
Total...	4,688,711†

* Note.—"Provincial Funds" here does not include existing "Local Funds."

† Note.—If it be found, when the accounts of the year 1870-71 are made up, that the actual expenditure during that year for the official postage of the services affected exceeds the amount of the grants for that purpose, then the several assignments will be, once for all, increased by the difference.

15. In calculating these allotments £350,000 has been deducted rateably from the grants made to the several provinces in 1870-71. But it has been thought expedient to remit the deduction (£19,199) which would thus fall upon British Burmah, the circumstances of that province being exceptional. No additional deduction has been made from the other provinces in consequence of this concession to Burmah.

16. These assignments will not be classified in the financial statement and in the imperial estimates and accounts, but will appear under a single new head, "Provincial Services." The imperial revenue will continue to bear such charges for the absentee and superannuation allowances of officers on establishments now transferred as have hitherto appeared in the Home accounts or under other heads in the Indian accounts. But it would be inconvenient and difficult to maintain any distinction between these officers and officers who are paid from other Local Funds, or who may be added hereafter for "Provincial Services." Questions of some importance regarding this and other like details will have to be settled hereafter.

17. Unless some fiscal misfortune, such as a heavy loss in the opium revenue, or national disaster, such as war or severe famine, occurs, the Governor-General in Council will maintain, for the future, the assignments for "Provincial Services" at the amounts now fixed. They will not, in any case, be reduced without previous consultation with the Governments.

18. For the coming year the Provincial Service estimates should be immediately prepared upon the basis of these assignments, which may be distributed, at the discretion of the Governments, among the several departments for which they will now be responsible. Any portion of the assignment made to any province that may be unspent at the end of the year will not lapse to the imperial revenue but will remain at the disposal of the local Government. The estimates and accounts of these Governments should, therefore, open and close with balances brought and carried forward. They should show, not only the receipts and charges of the new "Provincial Services," but also the income and expenditure of all existing Local Funds, it being understood, of course, that the Governments are not relieved by this Resolution from any legal or equitable obligation which may govern the appropriation of any particular Local Fund. It is essential that the estimates and accounts of all the Presidencies and Provinces should be uniform, and the precise forms to be used will be settled by the Supreme Government. The imperial financial year must be the provincial year of account.

19. Each local Government will publish its own yearly estimates and accounts in the local Gazette, together with a financial exposition (which should, where possible, be made before the local Legislative Council) analogous to that annually made in the Legislative Council of the Governor-General. The several estimates and accounts will be compiled and a general statement for all India published as a supplement to the imperial estimates and accounts.

20. In preparing its estimates for the coming year each Government will have to consider without delay how any deficiency in the ways and means for its "Provincial Services" can most conveniently be supplied.

Proceedings of the Madras Government, Financial Department,
6th January 1871.

21. The financial control which is thus entrusted to the local Governments is to be exercised subject to the following conditions:—*

* It must be understood that these conditions are prescribed, for the present, tentatively, and that they are subject to revision as experience may require.

I.—Without the previous sanction of the Government of India—

(1.) No appointment is to be created with a salary of more than Rupees 250 a-month; and no addition is to be made to the pay and allowances of any officer if they exceed, or would, after the addition, exceed, Rupees 250 a-month:

(2.) No *class* or *grade* of officers is to be created or abolished, and the pay of no *class* or *grade* of officers is to be raised:

(3.) No addition is to be made to the pay or allowances of any individual, or class of officers, that would lead to increase in the emoluments of any public servants doing duty in the same province, whose pay and allowances are charged to the imperial revenues. The Government of India reserves to itself the right to forbid alterations in rates of pay or allowances which, in its opinion, would produce inconvenience in other provinces:

(4.) No moneys are to be removed from the public treasuries for investment:

(5.) No services now rendered to other departments at the charge of the departments made over to the control of the local Governments are to be diminished, and no services now rendered to these departments at the charge of other departments are to be increased.

II.—The Rules of the Supreme Government in respect to leave of absence and absentee, deputation, and superannuation allowances are to be observed.

III.—Returns, accounts, and estimates are to be submitted to the Supreme Government in such forms, and at such times, as may be prescribed.

22. The Governor-General in Council is fully aware that this Resolution will effect a wide change in Indian administration. It has been adopted, after long and careful consideration, in the hope that it will be received by the Governments in the spirit in which it is promulgated. The Governor-General in Council believes that it will produce greater care and economy; that it will import an element of certainty into the fiscal system which has hitherto been absent; and that it will lead to more harmony in action and feeling between the Supreme and the Provincial Governments than has heretofore prevailed.

23. But, beyond all this, there is a greater and wider object in view. Local interest, supervision, and care are necessary to success in the management of funds devoted to Education, Sanitation, Medical Charity, and Local Public Works. The operation of this Resolution, in its full meaning and integrity, will afford opportunities for the development of self-government, for strengthening municipal institutions, and for the association of Natives and Europeans, to a greater extent than heretofore, in the administration of affairs.

24. The Governor-General in Council is aware of the difficulties attending the practical adoption of these principles. But they are not insurmountable. Disappointments and partial failures may occur; but, the object in view being the instruction of many peoples and races in a good system of administration, His Excellency in

Council is fully convinced that the local Governments and all their subordinates will enlist the active assistance, or, at all events, the sympathy, of many classes who have hitherto taken little or no part in the work of social and material advancement.

25. The additional powers of financial control which will now be assumed by the Governments must be accompanied by a corresponding increase of administrative responsibility. It is the desire of the Governor-General in Council to confine the interference of the Supreme Government in India in the administration of the "Provincial Services" to what is necessary for the discharge of that responsibility which the Viceroy in Council owes to the Queen and her responsible advisers, and for the purpose of securing adherence to the financial conditions now prescribed and to the general policy of the Government of India.

26. The procedure of the Departments of "Registration," "Jails," and "Police" is to a large extent governed by law. No law exists upon the subject of "Education," but the policy of the Government has been declared and prescribed in despatches* from the Secretary of State, the authority of which, and of the rules sanctioned by the Government of India regarding "grants-in-aid" and other matters of general principle, is not affected by this Resolution.

27. Subject to these general restrictions the Governments will henceforth enjoy full liberty in the expenditure of the funds appropriated to "Provincial Services." It must, however, be understood that, in thus divesting himself of control, the Governor-General in Council divests himself also to a large extent of his former responsibility. If responsibility for expenditure is retained control cannot be renounced.

28. The Governor-General in Council delegates to the local Governments this large additional share of administrative power without hesitation or distrust, believing that it will be exercised with wisdom, liberality, and prudence.

* Such as No. 49, dated 19th July 1854.
" 4, " 7th April 1859.
" 1, " 23rd Jan. 1864.
" 5, " 12th May 1870.

Ordered that copies of this Resolution be forwarded—

1st.—To each local Government with the intimation that, subject to the approval of the Secretary of State, complete effect will be given to the Resolution in the coming year, and that local Governments should at once make all their arrangements in anticipation of this sanction.

2nd.—To the Home and Public Works Departments, for information and for any further orders that may be necessary in those departments. The Public Works Department must adjust its estimates for the coming year in conformity with the orders herein contained.

3rd.—To the Controller-General for information. He is requested, with reference to paragraph 18, to submit a form of estimates and accounts for general use. He will be good enough also to issue to Accountants-General any subsidiary instructions that he may think necessary.

(Signed) R. B. CHAPMAN,
Offg. Secy. to the Govt. of India.

APPENDIX A.

Assignments to be made for "PROVINCIAL SERVICES" in accordance with the Resolution of the Government of India in the Financial Department, No. 3334, dated 14th December 1870.

	Grants.											Estimated Receipts, 1870-71.						Total Net Assignment, 1870-71.	Proportion of £350,000.	Permanent Assignment now made.
	Jails.	Registration.	Police.	Education.	Medical Services (except Medical Establishment).	Printing.	Roads and Miscellaneous Public Improvements.	Civil Buildings.	Proportion of "Public Works Establishments."	Proportion of "Tools and Plant."	Total.	Jails.	Registration.	Police.	Education.	Printing.	Total.			
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Oudh	26,922	...	103,269	26,053	5,499	7,609	32,900	20,090	13,777	1,060	237,182	1,575	...	10,586	1,482	1,080	14,723	222,459	15,511	206,948
Central Provinces	27,881	3,509	130,607	27,864	11,770	3,640	63,403	14,406	20,230	1,556	304,866	6,000	5,500	12,520	...	...	24,020	280,846	19,553	261,293
British Burmah	32,777	...	139,253	10,998	6,460	3,000	63,100	23,959	22,635	1,741	303,923	9,420	...	18,671	500	...	28,591	275,332	19,199	275,332
Bengal	218,210	36,609	555,757	234,385	89,713	41,732	157,800	111,370	69,984	5,383	1,520,943	110,385	40,000	70,363	42,012	2,000	264,760	1,256,183	87,591	1,168,592
North-Western Provinces... ...	88,394	20,129	348,135	103,528	27,607	25,302	82,636	63,341	37,954	2,920	799,946	11,154	35,030	51,730	11,050	2,160	111,124	688,822	48,030	640,792
Punjab	58,204	11,623	289,950	64,909	24,935	14,106	84,200	39,710	32,217	2,478	622,332	...	20,694	41,724	5,000	...	67,418	554,914	38,693	516,221
Madras	91,983	22,970	350,730	90,052	61,696	25,840	123,880	58,506	47,421	3,648	876,726	7,300	34,000	33,350	6,900	1,260	81,810	794,916	55,428	739,488
Bombay...	73,440	25,372	388,708	118,271	74,852	27,050	121,900	107,503	59,644	4,588	1,001,325	664	30,141	14,000	10,480	...	55,285	946,040	65,965	880,075
Total ...	617,811	120,212	2,306,409	676,063	302,532	148,279	729,819	438,882	303,862	23,374	5,667,243	146,498	165,365	251,944	77,424	6,500	647,731	5,019,512	350,000	4,688,711

APPENDIX B.

Schedule of Works for which separate Funds will be hereafter provided from the Imperial Revenue.

Buildings and Offices of the following Departments:—

Opium (not including the Board of Revenue's Office in Calcutta).
Mint and Currency.
Post Office.
Telegraph.

Offices of the Supreme Government—

Viceregal residences,
Imperial Museum,
Stamp and Stationery Office,
Surveyor-General's Office,
Treasury Buildings,
Bishop's Palace,
} Calcutta.

Godavery Works,
Kurrachee Harbour Improvement,
} Reserved as Imperial for the present.

Such military roads as have been, till the current year, provided for from the grant for "Military Works."

Proceedings of the Madras Government, Financial Department,
6th January 1871.

No. 7. ORDER THEREON, 6th January 1871, No. 4.

Communicated to the Public Works Department of the Secretariat and to the Accountant-General, in order that the Public Works Budget and the Civil Budget for this Presidency for the ensuing financial year may be recast by omitting from them the details of the estimates of those heads* of service which are in future to be included in the Provincial Budget, and substituting, for such detailed estimates, the permanent assignment of £739,488, which has been made to this Presidency in the foregoing Resolution under the head of "Provincial Services." The whole of the assignment should be entered in the Civil Budget.

* Jails.
Registration.
Police.
Education.
Medical Services (except Medical Establishment).
Printing.
Roads and Miscellaneous Public Improvements.
Civil Buildings.
Proportion of Public Works Establishments.
Do. of "Tools and Plant."

2. Separate instructions will be furnished, at an early date, regarding the preparation of the Provincial Budget.

(True Extract.)

R. S. ELLIS,
Chief Secretary.

To the Public Works Department.
" Accountant-General.

Exd. A. S. Rodgers.

GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

Accounts.

RESOLUTION.

To

No. 3334.

Dated Fort William, the 14th December 1870.

Received

Govt. of India.

FINANCIAL.

To

THE PUBLIC WORKS DEPARTMENT,
&c., &c.,

Dated January, 6th.

Read.

G.O., 6th January 1871, No. 4.

JANUARY.
Nos. 6-7.

Issuing instructions to the Public Works Department and to the Accountant-General for revising the Public Works and Civil Budgets of this Presidency for the ensuing financial year, with reference to the proposed transfer of certain heads of service to the "Provincial Budget."

O. S. G. P.—No. 5279 C. F.—14-12-70—60.

Financial Depart.

Proceedings of the Madras Govern:
: ment.

Read the following

Resolution from the Government of India.
Financial Department. dated the 14th
December 1870. No. 3334.

Order thereon 6th January 71. No 4.

Communicat:
: ed to the Public Works
Department of the Secr:
: tariat and to the Ac:
: countant General in
order that the Public
Works Budget and
the Civil Budget for this
Presidency for the en:
: suing financial year
may be recast by omitting
from them the details
of the Estimates of those
heads

heads of service which
are in future to be in-
:cluded in the Provin-
:cial Budget, and
substituting; for such
detailed estimates, the
permanent appoint-
:ment of £ 73,485,
which has been made
to this Presidency in
the foregoing Resolu-
:tion under the head
of "Provincial Services".

The whole of the appoint-
:ment should be enter-
:ed in the Civil Bud-
:get.

2. Separate in-
:structions will be fur-
:nished at an early date
regarding the prepara-
:tion of the Provincial Bud-
:get.

* Salt.
Registration
Police.
Education.
Medical Services (except
medical Establishments)
Printing.
Roads and Bridges.
:ncluding Public Improve-
:ments.
Civil Buildings.
Irrigation of Public Works
Establishments.
Irrigation of "Works and
Plant".

60 240

To: The Public Works Department
-"- Accountant General.

15/

No 3334.
14 Dec. 1870.

Memorandum.

I am directed to communicate for the information of the Accountant General and for the information and guidance of the Secretary to Government in the Public Works Department with an order of the following effect.

"Communication of the Public Works Department of the Secretariat and of the Accountant General in connection with the Budget of the Civil Budget for the ensuing financial year may be made from time to time in writing from

It is submitted that this Resolution of the Govt of India should be officially communicated to the Accountant General & to the Secretary to Govt in the Public Works department with a view to the Civil Budget and the D.P.W. Budget being recast in conformity with the altered circumstances.

Both I believe Mr. Lushington proposes to send in his Budget on the 6th and the D.P.W Budget has been despatched but it will take very little time for the amended Budgets being prepared.

I conclude that the preparation

of the Provincial Service estimates should be commenced at once. The Forms may shortly be expected. but the assignments under each head of account can be determined in anticipation of the reception of the Forms.

B.E.

I beg to circulate a letter from the Govt of India dated 20th Dec. just received.

"details of the
"estimates of those
"heads of service which
"are in future to
"be included in the
"Provincial Budget.
"Separate instructions
"will be furnished at
"an early date regarding
"the preparation of the
"Provincial Budget."

If the Civil Secretary will send me the Budgets already prepared under the several heads which are to constitute the Provincial Budget together with copies of the orders issued regarding them I will circulate a memorandum of the instructions which will in my opinion be sufficient for the Accountant General in the preparation of the Provincial Budget. His Budget the Accountant General could hardly prepare in time owing

and
submitting 5th January 71
for orders
detailed
estimates
the permanent assignment
of £ 739488 which
has been made in this
Secretary in the
foregoing Resolution
under the head of
"Provincial Services."

The whole of this
assignment should be
entered in the Civil
Budget.

Upon this despatch instructions
as to the manner in which the
reductions in the amount of the
Imperial grant is to be met

A.P.

Financial 1871 Department

Progs: of the Madras Govt
Dated 6th Jany 1871, No 4.

No. 4.

From H. Stokes Esq. Offg Secy to Govt
To The Secretary to the Board of Revenue
Dated Fort St George 3rd January 1871

Sir,

I am directed to forward for the information of the Board of Revenue a copy of a letter from the Collector of Chingleput, dated 31st ultimo, No 1203, and of the enclosures noted in the margin, on the subject of the Inam Commission.

I am, Sir,
Your obedient Servant
H. Stokes
Offg Secy to Govt

-11-13 R.T.V
21-7-16 R.T.V
8-7-38 R.T.V

original 23

Govt. of {1871} Madras.

FINANCIAL.

To

THE PUBLIC WORKS DEPARTMENT,
&c., &c., &c.

Dated January, 6th.

Recd. *Encl.*

G.O., 6th January 1871, No. 4.

JANUARY.
Nos. 6-7.

Issuing instructions to the Public Works Department and to ~~the~~ Accountant-General for revising the Public Works and Civil Budgets of this Presidency for the ensuing financial year, with reference to the proposed transfer of certain heads of service to the "Provincial Budget."