GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI
DEPARTMENT OF URBAN DEVELOPMENT

Explanatory Memorandum as to the action taken on the recommendations made by the Fifth Delhi Finance Commission

The Fifth Finance Commission for the National Capital Territory (NCT) of Delhi (in short, the "5th DFC" or the "Commission") was constituted vide Order No.13/73/V-DFC/MB/UD/2016/643 dated 26th April 2016 (in short, "the Order"), under the provisions of Section 3 of the Delhi Finance Commission Act, 1994 (Delhi Act 10 of 1994). The terms of reference (TOR) for the Commission are as under:

1. Terms of Reference

1. The Commission shall review the financial position of the Municipalities and make recommendations as to:

(a) the principles which should govern-

(i) the distribution between the Government of National Capital Territory of Delhi and the Municipalities of the net proceeds of the taxes, duties, tolls and fees leviable by the government of National Capital Territory of Delhi which may be divided between them,

(ii) the determination of the taxes, duties, tolls and fees which may be assigned to the Municipalities.

(iii) the grants-in-aid to the Municipalities from the Consolidated Fund of the National Capital Territory of Delhi, and

(b) the measures needed to improve the financial position of the Municipalities.

2. In making its recommendations, the Commission shall have regard, among other considerations, to -

(i) the overall resource position of the Government of National Capital Territory of Delhi;

(ii) the scope for economy in the municipal administration;

(iii) the scope for improvement in resource mobilization by the Municipalities;

(iv) tax effort made by the Municipalities;

(v) adequate maintenance and upkeep of capital assets including those created or likely to be created under the Plan schemes till the end of March, 2016 (the expenditure provided therefore and the norms, if any, on the basis of which such expenditure is provided for maintenance of different categories of capital assets and the manner in which such maintenance expenditure could be monitored may be indicated),

(vi) the requirements of the Municipal bodies for modernization of administration (for example e-governance) and upgrading the standards of services (the details for such expenditure provided for and manner in which this could be monitored may be indicated).

3. The Commission may review the functions assigned to Municipalities keeping in view the availability of resources, and the limitation of capacity especially with regard to the discretionary functions.

4. The Commission may make an assessment of the debt position of Municipalities as on 31st March, 2016 and suggest such corrective measures as deemed necessary, keeping in view the financial requirements of the Government of National Capital Territory of Delhi (GNCTD).

5. The Commission may make recommendations on the financial devolution to the Delhi Cantonment Board out of the Consolidated Fund of the National Capital Territory of Delhi, as a special case.

6. The Commission must also focus on the following aspects which are essential for the long term strengthening of the local bodies:

(i) Securing effective linkages between asset creation and asset management, so that infrastructural services created are not only maintained effectively but also become self-sustaining over time;

(ii) Scaling of delivery of civic amenities;

(iii) Introduction of e-governance applications in core functions of municipal bodies;

(iv) Capacity building programmes for better financial management;

(v) Accounting reforms, adoption of double entry system and up-to-date accounting / audit system; and

(vi) e-procurement and development of a well-organized administrative system.

7. The Commission may in the first instance thoroughly analyze the internal and external revenue position of the local bodies for the last 10 to 15 years and then make realistic projections on the basis of some assumptions and additional resource mobilization based on revision of rates of tax and non-tax revenue.

8. The expenditures and revenues of local bodies to be assessed based on actual and normative expenditure needs. While assessing expenditure needs, the differences among the local bodies in fiscal capacity and expenditure need may also be considered.

9. The GNCTD will also furnish their projections of tax revenue and proposed capital investment under Plan on outgoing works and new works after meeting the expenses of GNCTD under non-Plan.

10. A comprehensive approach to the assessment of expenditure needs by taking both Plan and non-Plan expenditure of GNCTD may be adopted by the Commission before recommending the outgo of tax revenue in the form of BTA to local bodies.

11. The Commission may also study the present activities of local bodies and see whether some of their functions, i.e. major hospitals, etc. can be transferred to GNCTD, which may reduce their expenditure.

12. The Commission may also look into the scope for better fiscal management consistent with efficiency and economy in major components of recurring and non-recurring items of expenditure of local bodies.

13. The Commission shall also indicate in its report the basis on which it has arrived at its findings and indicate, as far as possible, the estimates/forecasts of receipts and disbursements for all the Municipalities together as well as separately for each of such bodies.

14. The Commission shall submit its report within 18 months from the date of issue of notification constituting the Commission on each of the matters aforesaid and covering a period of five financial years starting from April 1, 2016.

2. Summary of the recommendation of the 5th Finance Commission regarding devolution of funds-

The framework proposed by 5th DFC for the fiscal transfer to the municipalities takes three forms: one is the untied Basic Tax Assignment, which has in turn been divided into two parts, Part A and Part B. Part A is only meant for meeting the revenue deficit of MCD-East and MCD-North, whereas, Part B is for all the five municipalities. The third form of transfer is the sector-specific grants. DCB has also been included in this framework, as against an exclusive treatment that it was given by the earlier DFCs.

The framework for the Part-A and Part-B of the BTA, is as below:

The Net Tax Collection (NTC) of the GNCTD in a year shall be equal to 99 per cent of the Gross Tax Collection (GTC) minus the transfer duties and one-time parking charges that the GNCTD Departments collect on behalf of the municipalities. The remaining one per cent of the GTC is the notional component of the collection charges.

BTA shall be six per cent of the NTC and shall be made available to the municipalities in two parts, called Part-A and Part-B.

The ratio of Part-A and Part-B shall be 70:30 for 2016-17, 60:40 for 2017-18, 50:50 for2018-19, 40:60 for 2019-20 and 30:70 for 2020-21.

Part A shall be distributed between MCD- East and MCD-North in the ratio of 65:35. This ratio shall be maintained for all five years.

Part B shall be available to all the five municipalities and distributed among them in each of the five years in the ratio of their respective weighted average of population as per Census 2011 (weight=70 per cent) and Area (weight=30 per cent), which works out as indicated in Table below :

Year	MCD-East	MCD-North	MCD-South	NDMC	DCB	Total
2015-16 (Ac)	18.52	34.28	43.98	3.15	0.07	100
2016-17	51.08	36.18	11.75	0.58	0.40	100
2017-18	46.45	36.57	15.67	0.78	0.53	100
2018-19	41.81	36.97	19.59	0.97	0.66	100
2019-20	37.17	37.36	23.51	1.17	0.80	100
2020-21	32.53	37.76	27.43	1.36	0.93	100

3. The Govt. of NCT of Delhi has taken the following decisions as regards the recommendations of 5th DFC.

S. No.	Summary of Major Recommendations	Decision taken
Governance Reforms for GNCTD		
1	Delhi continues to remain important for the country and keeps attracting people, even though the growth rate of population has declined during recent years (2001-2011). Accordingly, all institutions, including the municipalities, will have to remain prepared to meet the challenges of providing services to the ever-growing population of the NCT. (Para 3.14)	Accepted
2	GNCTD should workout the population data for Census 2001 and 2011, for each of the three MCDs, using the ward-wise data. (Para 3.65)	Accepted
3	GNCTD should standardize the procedure for annual revision of circle rates by the Revenue Department and notify even a downward revision, if the facts call for. (Para 5.22)	Accepted
4	GNCTD should set up a committee to lay down a road map within next six months for *(a)* conversion of the remaining unauthorized colonies into regularized ones *(b)* introducing the basic standards of civic infrastructure and services in all the settlements, *(c)* removal of all such settlements which the committee declares as unfit for regularisation, and *(d)* preventing any future birth and growth of unauthorised settlements. (Para 6.65)	Accepted
5	Director, Local Bodies should convene quarterly meetings of all the municipalities for sharing the details of efforts and experiences in revenue mobilisation, for peer learning. (Para 6.80)	Accepted
6	GNCTD should mandate that registration of the property with the municipality concerned will be a pre-condition for securing any government GNCTD should mandate that registration of the property	Not Accepted

	with the municipality concerned will be a pre-condition for securing any government facility, including licences and approvals (such as of building plans) wherein house address is to be indicated. This should include the tax-exempt properties also. (Para 6.108)	
7	GNCTD may make use of the good offices of the Lt. Governor to convene a standing forum for resolution of disputes between the DDA and the municipalities on various issues, including in relation to property taxes. (Para 6.109)	Accepted
8	The State Education Department should update their web-portal and display information on the critical parameters in respect of schools in different categories, along with the Sarva Shiksha Abhiyan (SSA) standards. (Para 7.40)	Accepted
9	GNCTD should accord to the municipalities the leader status in various missions, especially in the areas that are the obligatory functions of the municipalities. (Para 7.41)	Accepted
10	The output standards for each school, ward, zone and municipality should be defined by the GNCTD and measured at least annually through self-reporting and selective independent evaluation. (Para 7.43)	Accepted
11	GNCTD should arrange for periodic (quarterly) collection of core educational statistics for schools being operated by MCDs, state government and private sector, etc. and make a comparative analysis. (Para 7.46)	Accepted
12	GNCTD should notify the State Municipal Solid Waste Management Policy and also approve the Municipal Solid Waste and Sanitation Byelaws of the respective municipalities, by 31.12.2017. In case of any delay, GNCTD should pay a monthly grant of Rs. 10 Crore to each of the MCDs w.e.f. 1st April 2018. (Para 7.157)	Has been done as per Solid Waste Management Rules already notified.
13	Delhi is lagging behind in most of the health indicators, as also in gender ratio, when compared to five other high urbanised states. GNCTD should examine the causes and the solutions for the same. (Para 3.16, 7.169-7.173)	Accepted
14	The State H&FW Department should undertake mapping of the health related vulnerability details for the state as a whole, broken down into municipalities, zones and wards and develop a health management plan, as per the framework of the National Urban Health Mission. (Para 7.199-7.201 & 7.217)	Accepted
15	We recommend a detailed study to ascertain the relative efficiency in the operations of the hospitals owned by different authorities, namely, the MCDs, the GNCTD and others. (Para 7.216)	Accepted
16	As for now, keeping all aspects in view, we do not recommend for transfer of major hospitals from the municipalities to GNCTD. We recommend suitable grants to be extended to the municipalities for maintaining the hospitals. (Para 7.217)	Major hospitals should be transferred to GNCTD from the municipalities.
17	Any investment in planning, development or maintenance of roads should necessarily take care of the footpaths and drains, as also the avenue plantation, street vending and vehicle parking. (Para 7.230)	Accepted
18	The state PWD, in association with all road-owning agencies, should develop and maintain a GIS based Road Information System (RIS), which is compatible with General Packet Radio Services (GPRS). (Para 7.274)	Accepted
19	Each road agency should prepare a Road Maintenance Calendar (RMC) that should list out the required periodicity of special and annual maintenance with estimates of costs and past investment details for each road. (Para 7.275)	Accepted

20	Each road agency should maintain the Road Assets Management System (RAMS), to indicate the condition of each of the roads, its estimated value, an RMC and the extent and type of usage including traffic. This should lead to preparation of RAM Plans. Road repair activities should be budgeted and executed as per the RAM Plan, rather than as per sporadic demands. (Para 7.276)	Accepted
21	The basis of the contracts for road development, upgradation and maintenance should be changed from input based to performance and output based systems. Also, the lowest (L1) bid based system may be replaced by quality cum cost basis (QCBS). (Para 7.277)	Committee to Examine.
22	The drainage maintenance in respect of the roads belonging to all the departments, including the PWD, should be assigned to the respective municipalities, with cost reimbursement. (Para 7.279)	Not Accepted
23	The state PWD should sponsor a Road Research Institute, giving suitable representation to all the major road agencies, including the municipalities, on the executive and governing committees. (Para 7.280)	In principle, accepted. However, Committee to Examine.
24	The utilisation of the allocations under the Central Road Fund (CRF) by the GNCTD had declined to zero in 2015-16 and 2016-17. GNCTD should inquire into this and take suitable measures to make fullest use of the CRF allocations at least from 2017-18 onwards. (Para 7.290)	Committee to Examine.
25	MCDs should be represented on the Board of Directors of the DISCOMs and the DJB at the level of Commissioner, with an Additional Commissioner as Alternative Director. (Para 6.191 & 7.302)	Not Accepted
26	The DJB may commission a study for identifying the scope of fruitfully associating the municipalities in the water supply and sewage management functions, particularly beyond the trunk lines. (Para 7.303)	The formation of DJB was due to the fact that earlier the MCD cannot manage Water and Sewerage management functions.
27	The GNCTD may help the Municipal Chief Auditor (MCA) of the MCDs in getting the numerous vacancies existing in the MCA establishment filled up soon. The GNCTD may also advise the DSSSB to speed up the selection processes. (Para 10.11)	Accepted
28	The Administrative Reforms Department of GNCTD should conduct studies on the governance structure and processes for the municipalities in line with the principles of 'Outcome-based Budget', in collaboration with the Director of Local Bodies. A study of the best practices of the municipalities and dissemination thereof should also be undertaken. (Para 10.43)	Accepted
29	All surveys and censuses undertaken by various agencies of the GNCTD, including those done at the behest of the GOI, should be designed to enable preparation of datasets at the ward, zone and municipality levels, seamlessly. (Para 11.5a)	Accepted
30	The framework of the decennial population census should be adopted for all surveys that are conducted on house-to-house basis. (Para 11.5b)	Accepted
31	The structure of the information gathered for various surveys/censuses should be aligned with the framework of the Basic Statistics for Local Level Development (BSLLD) recommended by the MOSPI. (Para 11.5c)	Committee to Examine whether feasible/desirable.
32	The datasets for the ward, zone and municipality levels should be made available easily and freely on the website of the organisation conducting the census/survey. (Para 11.5d)	Accepted

33	The BSLLD framework may be formally adopted by the GNCTD, with suitable modifications to suit the needs of the municipalities. (Para 11.5f)	Committee to Examine.
34	The BSLLD framework should be dovetailed with the e-governance system of the municipalities and other relevant agencies, to update the BSLLD datasets on a real-time basis. (Para 11.5g)	Committee to Examine.
35	The remaining gram sabha lands, which have neither been transferred to the Forest Department nor to the DDA, should be protected from encroachment and made proper use of. (Para 11.17)	Accepted
36	The funds of the gaon sabhas should immediately be put to use for development of infrastructure and services in the villages with the vision of developing the villages into model habitats. (Para 11.18)	Accepted
37	The posts of the MCD Commissioners and of the Chairman, NDMC should be encadred in the Delhi segment of the AGMUT cadre of the IAS. (Para 11.21)	Not Accepted
38	Each of the MCDs and the NDMC should have at least two IAS officers as Additional Commissioners. Also, officers from the IAS and DANICS should head each of the 12 MCD zones. (Para 11.22)	Not Accepted
39	The revenue districts should be re-organised to correspond with the 12 MCD zones, with a view to strengthening inter-institutional coordination. (Para 11.23)	In principle yes. Committee to Examine.
40	No officer who has not worked as Commissioner/ Additional Commissioner, MCD or Chairman/ Secretary, NDMC, should be posted as Principal Secretary in the Urban Development, Education, Health, Environment and Public Works Departments. (Para 11.24)	Not Accepted
41	The officers of the Indian Civil Accounts Service should fill in the post of the Controller of Accounts cum Financial Adviser in the MCDs and NDMC. (Para 11.27)	Not Accepted
42	The GNCTD should direct all the line departments to provide sector leadership to the municipalities by way of (a) preparation of integrated sector plans, (b) providing a link on its web portal to its counterpart department in the municipalities, (c) guiding the municipalities for updating their technical manuals and the outcome based budgeting, and (d) providing subject matter training in their respective training facilities, on cost reimbursement basis. (Para 11.32)	Accepted
43	State UD Department should, in collaboration with the Planning Department, handhold the municipalities for preparing the outcome budget. (Para 11.34)	Accepted
44	The GNCTD should have an advertisement policy, which should cut across the boundaries of individual municipalities. The Byelaws of the municipalities should adopt the advertisement policy so notified. (Para 6.224)	Accepted
45	The GNCTD should notify a parking policy for the NCT, which should cover the requirements of all types of vehicles. (Para 6.352)	Accepted
Fiscal Reforms for GNCTD		
46	The revision of circle rates notified by the Revenue Department should be declared as equivalent to the Municipal Valuation Committee (MVC) Report. The circle rate revision should be based on consumer price index (CPI) and undertaken on an annual basis mandatorily, like the revision of the dearness allowances of the employees. (Para 5.23)	CPI has no context to land rates.
47	Similarly, the GNCTD should direct the municipalities and state utilities (DJB, DTC etc.) to notify annual revision of all types of taxes and charges. (Para 5.24)	Accepted

48	The registration fee being levied under the Registration Act 1908 (Act 16 of 1908) should be reduced to a nominal level, which should be enough to cover the administrative cost of transactions and not be treated as buoyant source of revenue for the government. (Para 5.30)	Not Accepted
49	Liquors and other commodities that are currently exempted from GST should be brought in the fold of the GST. Delhi being a major consuming state, should take lead in initiating a dialogue on this issue among the states. (Para 5.34)	Accepted
50	GNCTD should undertake a detailed cost-benefit analysis of each source of non-tax receipts. The sources for non-tax revenues may be classified into 'commercial' and 'services'. Commercial investments should yield a return of at least one per cent, while the receipts from the 'services' component should meet the costs of services. (Para 5.64 & 5.70)	Committee to Examine.
51	GNCTD should undertake a thorough study of all debtor institutions (DJB, DTC, DUSIB, etc.) and restructure the outstanding loans so as to make each such institution financially viable. This will also improve the balance sheet of GNCTD. (Para 5.95)	Committee to Examine.
52	All outstanding loans should be verified for both, the loan amounts and the interest dues, and reflected in the finance accounts of GNCTD. These should also be tallied with the assets-liability statements of the PSUs and other debtor entities concerned. (Para 5.97)	Accepted
53	GNCTD should switch over to accrual-based accounting for its own accounts. This was also recommended by the 12th and the 14th Union Finance Commissions. (Para 5.98 & Paragraph 10.40)	Committee to Examine.
54	The outstanding debt liability of the three MCDs put together to the GNCTD as on 31.3.2016 was ` 3,256 crore, which is just about five per cent of the total loans and advances receivable by the GNCTD from various entities put together. This supports the case for a package of debt relief to the municipalities. (Para 5.99)	Not Accepted
55	The outstanding loan of the DUSIB from the GNCTD amounting to Rs. 90 Crore towards the principal and Rs. 17.73 Crore towards interest, should be converted into grant. We also recommend the GNCTD should assess the financial viability of the DUSIB and provide it adequate annual grants for its smooth functioning. (Para 5.101)	Not Accepted
56	GNCTD should encourage the municipalities to come up with financial models of infrastructure projects and offer viability gap funding (VGF) up to 20 per cent of the capital costs, also drawing equal amount from the GOI under the VGF Scheme of the Ministry of Finance. (Para 5.104)	Committee to Examine.
57	The procedure for enforcing loan repayment by way of deduction from tax devolution appears unfair because it eats away the devolution and its concomitant benefits. (Para 7.355)	Not Accepted
58	The GNCTD may ensure that loans are given only for productive purposes. If, however, any loan is to be given in the nature of 'ways & means advance' then it should be given with a clear understanding that the recipient entity would be able to repay it in next 30 to 45 days. If the government, at the time of granting the loan/ advance, is clear that the recipient entity will not be able to repay it, then it should release it as a grant only, in the first stance. (Para 7.356)	Not Accepted
59	GNCTD should write off the loans outstanding for the three MCDs at the time of their trifurcation, by way of conversion into grants. GNCTD should also extend special incentives grants to the MCDs linked to their	Not Accepted

	collection of professions tax, at the rate of 50 per cent of the collection in 2018-19, which should reduce progressively to 40 per cent in 2019-20 and 30 per cent in 2020-21. MCDs should use this incentive amount to pay off the outstanding loan amounts. (Para 8.28)	
60	The UDD should, in collaboration with the Pay & Accounts Office, review the budgetary classifications of all five municipalities and identify vague classification such as 'Contingencies', 'Other Miscellaneous', etc. and replace the same with specific purposes of expenditure, after analysing the actual situation of the past years. Similar exercise should be undertaken in respect of the GNCTD as well. (Para 10.25)	Accepted
61	The GNCTD should get a special audit conducted under Section 207 of the DMC Act 1957, to identify the large scale prevalence of 'deferred liabilities' in the MCDs and determine a framework for complete stoppage of such practices. (Para 10.32)	Accepted
62	The GNCTD should adopt the accrual-based accounting system (ABAS) and also ensure that the ABAS is adopted by the MCDs w.e.f. 1st April, 2018 and the Municipal Account Code 1958 is amended suitably. The Director General of Defence Estates (DGDE) should take similar action in respect of the DCB. (Para 10.38 & 10.40)	Committee to Examine.
63	The budget classification of GNCTD needs a fresh orientation, wherein the classification such as 'Programmes/Projects Expenditure' and 'Other Expenditure' should be replaced by 'Revenue' and 'Capital' classification. The Financial Budget and the Outcome Budget should also be aligned accordingly. (Para 11.11)	Accepted
64	The GNCTD should prevail upon the GOI to make available the service charges to the DCB in a timely manner by paying the annual current dues (` 800 crore) in monthly instalments, while the outstanding arrears of ` 8,800 crore may be provided to the DCB in 10 equal annual instalments. (Para 6.58)	Accepted
65	GNCTD may verify if they are collecting the transfer duty in respect of the transaction that fall in the jurisdiction of the DCB and if it is so, then the GNCTD should transfer the transfer duty component to the DCB including the arrears. (Para 6.152)	Committee to Examine.
66	GNCTD should reduce the cost of collection of transfer duties from 3.5 per cent to one per cent, with effect from 1st April 2016. (Para 6.153)	Not Accepted
Governance Reforms for the Municipalities		
67	Each municipality should bring out employee census data every year and publish it in their annual reports. (Para 11.5e)	Accepted
68	There is an urgent need to strengthen the training arrangements for the officers and staff of the municipalities. (Para 11.29)	Accepted
69	The municipalities should organise joint inspection by the DISCOM representative, MCD officials and the ward councilors, ward-wise every month, to assess the quality of street lighting. (Para 6.165)	Accepted
70	A coordination committee chaired by the Chief Secretary should be set up to improve the street lighting arrangements. (Para 6.166 & 6.167)	Street lighting bill should be reduced from Electricity Tax component of Local Bodies.
71	License administration should be made more user-friendly by adopting the framework of self-declaration and self-certification, subject to random post facto physical verification. (Para 7.328)	Accepted

72	The GNCTD and the municipalities should implement the NCT of Delhi (Protection of Livelihood and Regulation of Street Vending) Scheme, 2015 in right earnest. (Para 7.331)	Accepted
73	The municipalities should give a boost to the community services activities using innovative approaches such as public-private partnership. (Para 7.337)	Accepted
74	The municipalities should augment the resources for the veterinary services by way of involvement of the private sector. (Para 7.340)	Accepted
75	The municipalities should introduce innovative ways of promoting horticulture in a bigger way but without exceeding the expenditure levels indicated by us. (Para 7.342)	Accepted
Expenditure Management		
76	The head of expenditure 'Exclusive Development Expenses' should be renamed as 'Ward Development Gap Filling Grant' and given a formal recognition in the MCD Account Code. (Para 7.346)	Committee to Examine.
77	The situation of maintenance of accounts by the MCDs has not been satisfactory, in general. The MCD-East and MCD-North have defaulted in submitting their monthly accounts, annual accounts and annual appropriation accounts for the years 2012-13 to 2016-17. This is a serious lapse and requires deliberation within the MCDs at council level. It also calls for review by the state government. (Para 10.2)	Accepted
78	Municipalities shall get consider audit of accounts as a tool for good governance and a valuable source of information for the management practices. Audit can be used as a tool for monitoring and evaluation too. (Para 10.5)	Accepted and audit of accounts as a tool for good governance should be mandatory for Municipalities.
79	The DMC Act 1957 and the NDMC Act 1994 should be amended to provide for an independent audit committee with a chairperson who is not chairperson of either the standing committee or any other committee of the MCD/NDMC having executive functions. Preferably, the Leader of Opposition in the Council should be the ex-officio chairman of the Audit Committee. Similar action would be desirable in respect of the Cantonments Act 2006 also. (Para 10.8)	Accepted
80	Each of the municipalities should operate a sinking fund and make provisions for regular contributions to these sinking fund such sums as would be adequate for timely discharge of various liabilities as mentioned in Section 191 of the DMC Act 1957 and Section 132 of the NDMC Act 1994. The Cantonments Act 2006 may also be amended to make provisions for a Sinking Fund. (Para 10.18)	Committee to Examine.
81	Each municipality should notify its Employees' Pension Fund Regulation and maintain a Pension Fund. (Para 10.19)	Committee to Examine.
82	We advise prudential investments of short-term liquidity by the municipalities. However, we do not recommend continued investments of large sums in bank fixed deposits year after year, by the municipalities. We would like the municipalities to use such surplus funds for making investments in the upgradation of the public infrastructure such as super-specialty hospitals, state-of-the-art sports facilities, libraries, museums, lakes, parks and maidans, etc. (Para 10.23)	Committee to Examine.
83	Municipalities must develop a tradition of realistic budgeting. This should be dovetailed with the arrangements for monitoring the receipts and expenditure on monthly and annual basis, as prescribed under the DMC Act and the NDMC Act. (Para 11.9)	Accepted
Property Tax		

84	Municipalities should avoid recourse to the amnesty schemes for tax defaulters. Instead, regular inspections and other methods for enforcing timely discharge of tax liabilities by the property owners should be applied. (Para 6.44)	Accepted
85	The tradition of offering a rebate of 15 per cent of the property tax liability if full payment of tax is done during the first quarter of the year, should be reduced to eight per cent, because the interest rates have come down. (Para 6.45)	Local Bodies to decide.
86	Municipalities should speed up implementation of the UPIC project for a complete inventory of properties, assigning a geo-referenced unique ID to each property, to capture data regarding ownership, covered area and use, etc. This should be completed by 31.3.2018. (Para 6.77)	Accepted
87	Municipalities should undertake effective and time-bound special drive to improve coverage of taxable properties in all settlements including the rural and urban villages and the unauthorised and unauthorised-regularised colonies, besides a thorough review of the tax-exempt properties. (Para 6.98)	Local Bodies to decide.
88	Municipalities should put in enhanced efforts for early disposal of property tax disputes pending in various courts. Cases pending in the High Court should be transferred to the Municipal Taxation Tribunal, wherever possible. (Para 6.101)	Accepted
89	Municipalities should not discriminate among the disputing taxpayers and take equal recourse for recovery of the tax dues, including coercive measures, wherever required, including against government properties. (Para 6.102)	Accepted
90	Municipalities should conduct a thorough survey of all the tax-exempt properties to reaffirm their eligibility for tax exemption. (Para 6.119)	Accepted
91	We recommend a new framework for municipal property valuation system, with contours as described below. a. The system of periodic revision in property valuation should be linked to the consumer price index (CPI) or many other appropriate index. This system should also provide for downward revision of property valuation, if the index leads to that inference. b. The municipal property valuation committee (MVC) system should be replaced by the circle rate revision undertaken by the Revenue Department of the GNCTD. c. Municipalities should adopt the policy of self-declaration by the property tax payers like the self-assessment scheme of the Income Tax Department.	Committee to Examine.
	d. The MVC may continue to deal with reclassification of colonies and other related matters. e. Adoption of the MVC recommendations within a month of its submission should be made mandatory. f. MVC should collaborate with M/s GSDL or any similar agency, for adoption of geo-spatial data as aid to their work.	
	g. The Fourth and subsequent MVCs should be required to prepare separate reports for each of the MCDs. (Para 6.135)	
Other Taxes and Additional Resource Mobilisation		
92	The DCB should impose the electricity tax and transfer duty forthwith, with the targeted receipt of Rs. 20 crore and Rs. 5 crore, respectively, per year. (Para 6.151 & 6.172)	Local Bodies to decide.
93	Municipalities should enhance the rate of the electricity tax from the current level of five per cent to six per cent. The additional revenue so mobilised should be utilised for making the roads, streets and lanes, safer and pedestrian friendly.	Present arrangement to continue.

	(Para 6.176)	
94	The MCDs should bring down the rate for the collection charge being paid to the DISCOMs from three per cent to one per cent. (Para 6.184)	Not Accepted
95	The DISCOMs should transfer the electricity tax collections to the MCDs within 15 days of the succeeding month and should also pay interest @ 0.25 per cent per week, if such transfer is delayed. (Para 6.186)	Accepted
96	The toll tax being levied by the MCDs is not sustainable in the wake of CAA101 and also on the socio-economic considerations and hence should be abolished. (Para 6.211-6.213)	Not Accepted
97	We have factored in the loss of revenue to the MCDs on account of the abolition of toll, in our scheme of devolution. However, so long as a municipality continues to impose this levy, the amount so collected should be deducted from the devolution amounts to the extent of 50 per cent from the BTA and the remaining 50 per cent from the grants for roads. (Para 6.214)	Not Accepted
98	The municipalities should discontinue the levy of theatre tax, but revise the licence fee suitably, to generate adequate proceeds for conducting regular inspection of the premises in and around the theatres for ensuring proper safety, upkeep and maintenance of the infrastructure, services and the surroundings. (Para 6.228)	Accepted
99	Our devolution package is based on the premise that the levy of theatre tax stands withdrawn. However, if a municipality continues to collect this tax, then the amount received by such municipality from this source of revenue should be deducted from the tax devolution (BTA) amounts that the municipality would receive otherwise. (Para 6.229)	Accepted
100	The annual tax and fee structures for the cycle rickshaws may be revised as part of a policy that would keep the focus on (*a*) promoting cycle rickshaw as an environment friendly mode of public transport, (*b*) promoting switchover to e-rickshaws and (*c*) welfare of the rickshaw pullers. (Para 6.237)	Accepted
101	Municipalities should introduce the levy of professions tax at the rate of 1.5 per cent of salary per month, but limited to ` 2,500 in a year. The DCB should also revise its rates for professions tax on the same pattern. The GNCTD should facilitate and motivate the municipalities to introduce this levy effective from 1st April 2018. (Para 6.256-6.271)	Local Bodies to decide.
102	Municipalities should introduce the levy of education cess at the rate of 10 per cent of property tax, with effect from 1st April 2018. GNCTD should extend matching grant to the municipalities. (Para 6.282)	Local Bodies to decide.
103	In case any approval from the GNCTD is required for imposition of professions tax and education cess, GNCTD should accord such approval by 31st December 2017. We have factored in the receipts from the professions tax and education cess in determining the availability of resources for the municipalities. Therefore, if the GNCTD fails to accord such approval, if required, for any reason whatsoever, then it should extend additional grants to the municipality concerned to compensate for the loss of revenue on this count. (Para 6.271f)	Accepted
104	State government should extend incentive grant to the municipalities in proportion to the collections from the professions tax and education cess, as per the ratios indicated by us, that is, 50 per cent in 2018-19, 40 per cent in 2019-20 and 30 per cent in 2020-21. (Para 6.271f & 6.282)	Not Accepted
105	We are not recommending further imposition of betterment tax, except wherever it is currently in vogue. At the same time, we also hope that the 4th MVC shall be considering the issue of betterment tax or impact fee in one or the other way.	Accepted

	(Para 6.289-6.290)	
106	The collection of water and sewerage charges could be made far more efficient if it were transferred to the municipalities. We would recommend the UD Department to examine further details of this proposition through an expert agency. (Para 6.296-6.298)	Not Accepted
107	Once the new levies of the professions tax and the education cess stabilise over the next 2-3 years, the municipalities should work on introduction of street tax to augment resources for road maintenance. (Para 6.301)	Local Bodies to decide.
108	Municipalities should introduce the levy of Senior Citizens' Cess (by reducing professions tax by 10 per cent), Library Cess (@5 per cent of property tax) and Beggary Cess (@3 per cent of property tax). However, the collections from these levies should be transferred to the GNCTD, after deducting one per cent towards collection charges, as it is already operating schemes/ programmes for the welfare of the respective target groups. (Para 6.302-6.309)	Local Bodies to decide.
109	The municipalities should introduce incremental on-street parking fee, while balancing the same with the fee for off-street parking. (Para 6.347)	Committee to Examine.
110	Additionally, the municipalities should develop more parking lots for all types of vehicles. (Para 6.348)	Accepted
111	The levy of one-time parking charges upon registration of vehicles, being levied by the MCDs through the State Transport Department, should be withdrawn w.e.f. 1st April 2018. Our devolution package is based on the premise that this levy stands withdrawn. However, if a municipality continues to levy this charge, then the amount received by it from this levy should be deducted from the tax devolution (BTA) share. (Para 6.359)	Committee to Examine.
112	We are separately recommending for provision of a share of the collections from the environment compensation charge to the municipalities, which will compensate the MCDs for loss of revenue from the abolition of one-time parking charges. (Para 6.360)	Not Accepted
113	The total revenue generated from the environment compensation charge (ECC) should be utilised for development and maintenance of roads, footpaths, drains and cycleways (Part A); and for augmenting the public transport systems (Part B), in the ratio of 75:25. Further distribution of these parts should be as follows: • Part A should be distributed among the road maintaining agencies in proportion to the lane kilometers of roads maintained by them. • Part B should be divided into two part, namely, Part B1 (80 per cent) and Part B2 (20 per cent). • Part B1 should be administered by the State Transport Department for augmenting mass transport systems including the bus based systems, through DTC, DIMTS, etc. • Part B2 should be assigned entirely to the five municipalities and shared in proportion to their respective population (2011 Census) and used for developing and maintaining parking facilities for intermediate public transport (IPT) including non-motorised systems such as bicycles, cycle-rickshaws and e-rickshaws. (Para 6.371, 6.372 & 6.375)	Not Accepted
114	If the levy of ECC does not become available to the municipalities for any reason, then the GNCTD should provide equivalent amount to the respective municipalities as 'Special (ECC) Grant'. (Para 6.382)	Not Accepted
115	GNCTD should introduce a cess on sales of additional FAR permitted under the TOD Policy approved by MoHUA in July 2015. The proceeds should be utilised for meeting the cost of the additional infrastructure required for supporting the higher FAR. Of such proceeds, 20 per cent should be set apart for the MCDs for maintenance of roads in the TOD influence zone. We expect the TOD Cess to be introduced w.e.f.	Accepted

	1.4.2018 and yield about Rs. 104 Crore in 2018- 19 for the MCDs, and increase by five per cent per year. (Para 6.383-6.389)	
116	If this levy (TOD Cess) does not become available to the municipalities to the extent indicated in our assessment for any reason, then the state government should provide the amount equal to the shortfall to the respective municipalities as 'Special (TOD) Grant'. (Para 6.390)	Not Accepted
Land Monetisation		
117	Municipalities should redevelop their own residential, commercial and other estates on similar footing as has been done by MoHUA in respect of New Moti Bagh, East Kidwai Nagar and Naoroji Nagar residential estates, which would generate one-time capital receipts as well as lasting revenue receipts in the form of property tax and rentals, besides transfer duties, etc. (Para 6.393)	Local Bodies to decide.
Investments and Interest Receipts		
118	a. No municipality should invest public moneys in long-term fixed deposits. Surpluses, after making provision for sinking funds and other statutory requirements, should be invested in improving the public infrastructure and services. b. If a municipality certifies that it needs no further investment in the public infrastructure and services, it should bring down the rates of property or other taxes. c. All municipalities should carefully invest in short-term instruments that are permitted by the government, so that their short-term surpluses, lasting for up to four weeks, give them optimum returns. (Para 6.364)	Local Bodies to decide.
Education		
119	Municipalities should prepare primary education plans for each zone and ward, with a view to achieving the standards of the Sarva Shiksha Abhiyan (SSA). (Para 7.43)	Accepted
120	GNCTD should modify the format of compilation of the educational surveys, including under the U-DISE, to enable projection of data for the municipalities and their zones and wards as well. (Para 7.44)	Accepted
121	Municipalities should involve non-government organisations for improvement of the quality and performance of the schools, on the lines of MCD-South. (Para 7.45)	Accepted
122	Each municipality should undertake scrutiny of the expenditure on education through independent audit and evaluation. (Para 7.50)	Accepted
123	GNCTD's assistance to the municipalities for the education sector should comprise two components, a Basic Grant, which would be equal to 80 per cent of the expenditure on education (90 per cent for 2016-17 & 2017-18) and an Incentive Grant, equal to the revenue raised from education cess. (Para 7.58-7.59)	Existing arrangement to continue.
124	For the NDMC and DCB, we propose no Basic Grant but only Incentive Grants, for education, from 2018-19 onwards. (Para 7.60)	Existing arrangement to continue.
125	A minimum of five per cent of the budget of each municipality on education should be set apart for maintenance of school buildings and another five per cent on upgradation of infrastructure relating to primary education. (Para 7.61)	Local Bodies to decide.

Sanitation and Solid Waste Management		
126	Waste must be recycled within each ward or locality, with zero land-fill concept and minimal transportation. Municipalities should sponsor research studies for identifying the possible ways of converting the non-recyclable waste into safe and useful materials, to achieve the objective of zero-landfill. (Para 7.70, 7.113 & 7.115)	Accepted as per Solid Waste Management Rules already notified.
127	Pune, which ranks much higher than the MCDs in Swachh City Ranking, spends much less than the MCDs and has much fewer staff as well. Municipalities should replace manual street sweeping by mechanised arrangements. This should lead to reduction in manpower also. Municipalities should stop recruiting safai karmacharis (SKs) forthwith, including on compassionate grounds. The existing SKs should be retrained and deployed in the mechanised operations. (Para 7.74, 7.109 & 7.121)	Local Bodies to decide.
128	Municipalities should approach the GOI with more project proposals under the Swachh Bharat Mission, to secure the entire quota allocated for Delhi. (Para 7.79)	Accepted
129	MCDs should make efforts to improve their ranking in the ensuing Swachh Sarvekshan surveys. (Para 7.81)	Accepted
130	Municipalities must introduce economy in management of sanitation including solid waste and also get a reasonable cost recovered through user charges. To begin with, such cost recovery may be 10-15 per cent, but should soon reach 25 per cent. (Para 7.123)	Local Bodies to decide.
131	NDMC, as also other municipalities, should undertake cost audit of its sanitation operations, to optimise the returns on expenditure. (Para 7.124)	Accepted
132	The options of public-private partnership in sanitation management should be further explored, with a view to harnessing the entrepreneurial efficiency of the private sector. (Para 7.127)	Accepted
133	For financing the expenditure on sanitation, we have proposed a three-fold scheme, comprising a basic grant, user charges and an incentive grant. Incentive grant from GNCTD would be equal to the collections made by a municipality from the user charges. (Para 7.133)	Not Accepted
134	Municipalities should aim at recovering around 25 per cent of the expenditure on sanitation through user charges. One option is to impose a 15 per cent sanitation cess on property taxes. However, as 75-80 per cent of properties are yet to come in the tax net, we recommend the alternative of user charges on 'all polluters pay' principle. Municipalities may consider other options too. (Para 7.146, 7.148 & 7.150)	Local Bodies to decide.
135	We recommend a monthly grant of Rs. 10 Crore to each of the MCDs effective from 1st April 2018 from the GNCTD, which should continue till the GNCTD formally notifies the State MSW Policy and accords approval to the Byelaws of the respective municipalities (both conditions to be satisfied) (Para 7.157)	Solid Waste Management Byelaws already notified
136	Municipalities should also explore further options of resource mobilisation for sanitation, including the Viability Gap Funding (VGF) Scheme of the GOI. (Para 7.158-7.162, 11.13)	Accepted

Public Works		
137	Any investment in planning, development or maintenance of roads should necessarily take care of the footpaths and drains, as also the avenue plantation, street vending and vehicle parking. (Para 7.230)	Accepted
138	We endorse the recommendation of the Fourth DFC for establishing a Road Development and Maintenance Fund by each municipality, but with modifications in its corpus for inflows and scope for utilisation. (Para 7.281-7.286)	Committee to Examine.
139	The efforts initiated by MCD-North and MCD-South for switch-over to LED-based intelligent street lighting system, should be pursued by all other municipalities also. (Para 7.301)	Accepted
140	We recommend for closure of the Head 'Resettlement Colonies' from the budgets of the MCDs. The MCDs should maintain the infrastructure and services in these colonies in the same manner as they do for others. We are subsuming the grants coming from the government on this account into our overall framework of estimation of expenditure and transfers under public works and sanitation, as required. (Para 7.313 & 7.314)	Accepted
Debt Relief		
141	GNCTD should write off the loans outstanding for the three MCDs at the time of their trifurcation, by way of conversion into grants. (Para 8.28)	Not Accepted
142	GNCTD should extend special incentives grants to the MCDs linked to their collection of professions tax, at the rate of 50 per cent of the collection in 2018-19, which should reduce progressively to 40 per cent in 2019-20 and 30 per cent in 2020-21. (Para 8.28)	Not Accepted
143	This incentive amount should be used by the MCDs entirely to pay off the outstanding loan amounts. Should there be any surplus, the MCD concerned could utilise the same for discharging its other liabilities such as recouping the irregular withdrawals from PF accounts and pension liabilities, etc. (Para 8.28)	Not Accepted
144	GNCTD should reduce the interest rate on the outstanding and fresh loans of MCDs to the same rate as GNCTD is availing loans from GOI. (Para 8.28)	Not Accepted

The Scheme for Devolution

S. No.	Summary of Major Recommendations	Action proposed to be taken
145	Our scheme of transfers aims at retaining surplus level for the Government of Delhi, while obliterating the revenue deficits of the municipalities. (Para 9.19)	The following action may be taken by the Government:- i. The total devolution of funds shall be 12.5 percent of the NTC. ii. The Net Tax Collection (NTC) of the GNCTD in a year shall be equal to 99 per cent of the Gross Tax Collection (GTC) minus the transfer duties and one-time parking charges that the GNCTD Departments collect on behalf of
146	Our recommendations cover the entire gamut of fiscal transfers from the GNCTD to the municipalities including the erstwhile Plan component. (Para 9.80)	
147	147. We have decided to consider DCB as a municipality at par with the NDMC and applied all the ratios and principles for BTA and grants for the DCB accordingly. (Para 3.39)	
148	We have proposed to amend the overarching framework of BTA by making it an entirely untied global tax share to the municipalities and replacing the municipal reforms fund (MRF) concept by a	

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<td>system of Incentive Grants that will be in addition to, and independent of, the BTA. We also propose to raise the ratio for the BTA to six per cent of the net tax collections of the GNCTD.
(Para 9.57)</td>
<td rowspan="4">the municipalities. The remaining one per cent of the GTC is the notional component of the collection charges.
iii. The framework proposed by 5th DFC for the fiscal transfer to the municipalities takes three forms: one is the untied Basic Tax Assignment (BTA), which has in turn been divided into two parts, Part A and Part B. Part A is only meant for meeting the revenue deficit of MCD-East and MCD-North, whereas, Part B is for all the five municipalities.
iv. BTA shall be six per cent of the NTC and shall be made available to the municipalities in two parts, called Part-A and Part-B.
v. The ratio of Part-A and Part-B shall be 50:50 from the year 2016-17 onwards till the next DFC report is received and accepted by the Government.
vi. Part A shall be distributed between MCD-East and MCD-North in the ratio of 65:35. This ratio shall be maintained from the year 2016-17 onwards till the next DFC report is received and accepted by the Government.
vii. Part B shall be available to all the five municipalities and distributed among them in the ratio of their respective weighted average of population as per Census 2011 (weight=70 per cent) and Area (weight=30 per cent)
viii. As regards, the recommendation of 5th DFC regarding devolution of funds under Sector specific grants, it is proposed that another 6.5 percent of the NTC, apart from</td>
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<td>149</td>
<td>Our scheme for incentivising the municipalities for ARM is as follows:
• Municipalities that levy education cess, shall get incentive grants, equal to 100 per cent of the collections in the case of MCDs and 25 per cent, in case of the NDMC and DCB, in view of the latter's comfortable financial position.
• Municipalities that levy sanitation cess/user charges shall get incentive grants, equal to 100 per cent of the collections in case of the MCDs and 25 per cent, in case of the NDMC and DCB.
• Municipalities that levy professions tax shall get incentive grants, which shall be equal to 50 per cent of the collections in 2018-19, 40 per cent in 2019-20 and 30 per cent in 2020-21, to be utilised for repayment of the outstanding loan dues to the state government.
(Para 9.25)</td>
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<td>150</td>
<td>Our framework for the fiscal transfer to the municipalities takes three forms: one is the untied Basic Tax Assignment, which we, in turn, divide into two parts, Part A and Part B. Part A is only meant for meeting the revenue deficit of MCD-East and MCD-North, whereas, Part B is for all the five municipalities. The third form of transfer is the sector-specific grants. We are including the DCB also in this framework, as against an exclusive treatment that it was given by the earlier DFCs.
(Para 9.68)</td>
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<td>151</td>
<td>The framework for the Part-A and Part-B of the BTA, shall be as below:
a. The Net Tax Collection (NTC) of the GNCTD in a year shall be equal to 99 per cent of the Gross Tax Collection (GTC) minus the transfer duties and one-time parking charges that the GNCTD Departments collect on behalf of the municipalities. The remaining one per cent of the GTC is the notional component of the collection charges.
b. BTA shall be six per cent of the NTC and shall be made available to the municipalities in two parts, called Part-A and Part-B.
c. The ratio of Part-A and Part-B shall be 70:30 for 2016-17, 60:40 for 2017-18, 50:50 for 2018-19, 40:60 for 2019-20 and 30:70 for 2020-21.
d. Part A shall be distributed between MCD-East and MCD-North in the ratio of 65:35. This ratio shall be maintained for all five years.
e. Part B shall be available to all the five municipalities and distributed among them in each of the five years in the ratio of their respective weighted average of population as per Census 2011 (weight=70 per cent) and Area (weight=30 per cent), which works out as indicated in Table-9.5.
(Para 9.69 & Table-9.5)</td>
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152	For estimating the levels of expenditure, we have generally considered the accounts figures for 2015-16 as the base and applied a 12 per cent annual growth. However, we have introduced still higher rates for first one or two years, to provide for 7th CPC arrears and pending bills. For the later years, we have provided for annual growth of 12 per cent. (Chapter 7)	the BTA component of 6 percent, shall be devolved for schemes under Health, Education and UD sector after due consultation with Health, Education, Finance, UD Department as well as Local Bodies and budget provisions shall be made accordingly. The need prioritization, proper and timely utilization of funds by ULBs shall also be taken into consideration while allocating the funds within the ceiling of 6.5% of NTC. However, various new cess/taxes and incentive grants related to them as proposed by 5th DFC will require detailed examination by the Committee as proposed in Para 6 (b). If the Committee recommends any such incentive grant for new Cess/Tax, that will be considered separately. Besides, any other recommendation of the 5th DFC requiring further examination shall also be referred to the said Committee. ix. Date of Effect: The date of effect for the implementation of the recommendations of 5th DFC shall be 01.04.2016 onwards.
153	We have proposed to distribute the grants for public works in the ratio of 20:50:30 among MCD-East, MCD-North and MCD-South, respectively, keeping in view the past trend of distribution. (Para 9.97)	
154	Eighty-five per cent of the grants for public works should be utilised for the improvement and upkeep of the roads, streets, lanes, drains footpaths, cycle-ways, parking facilities for public bicycles and rickshaws, etc.; ten per cent of the grants should be utilised for maintenance of capital assets; and five per cent should be utilised for maintenance and development of horticulture including parks and open spaces including public grounds/ maidans. (Para 9.98)	
155	The grants for sanitation should come through two streams, namely, a basic grant and an incentive grant. The incentive grant would be equal to the collections made by the respective municipalities from user charges. (Para 9.103)	
156	For determining the basic grants for sanitation, we have adopted in the first instance, the allocation for the three MCDs indicated in the GNCTD Budget for 2016-17 (RE) and 2017-18 (BE). For 2018-19, we have proposed a growth over 2017-18 (BE) figures @ 20 per cent for MCD-East, 10 per cent for MCD-North and five per cent for MCD-South, keeping in view their respective financial positions. For 2019-20 and 2020-21, we have proposed a gradual reduction in the growth rate for grants, as we expect the MCDs to take greater recourse to user charges and compression of expenditure and reduce the dependence on GNCTD grants. (Para 9.104)	
157	For projecting the grants for medical relief (hospitals) and public healthcare for the MCDs, we have considered the actual expenditure for 2015-16 reported by the MCDs as base and applied 15 per cent annual growth rate for 2017-18 and 2018-19 to facilitate clearance of arrears of 7th CPC benefits and 12 per cent for other three years, namely, 2016-17, 2019-20 and 2020-21. (Para 9.122 & 9.125)	
158	The state grant for education to the municipalities should comprise a basic grant and an incentive grant. In respect of the MCDs, the basic grant should be equal to 80 per cent of the expenditure on education, while the incentive grant should be equal to the revenue raised from education cess, but limited to 10 per cent of the expenditure on education. (Para 9.115)	

159	In respect of NDMC and DCB, we propose no basic grant but only incentive grant for education, which should be equal to 25 per cent of the revenue raised from education cess. (Para 9.116)	
160	The total transfers from the GNCTD to the municipalities during 2012-13 to 2017-18 (BE), including the Plan and non-Plan grants, have been of the order of 13 to 16 per cent of the net tax collections. Adding the MRF component @1.5 per cent of NTC, the transfers would be of the order of 15 to 17 per cent in each year. (Para 9.79)	
161	The total transfers proposed by us, inclusive of BTA and grants, amount to Rs. 5,278 crore for 2016-17 and rise gradually to reach Rs. 9,607 crore in 2020-21. However, these figures include the incentive grants also, which would depend on the achievements made by the municipalities in ARM. (Para 9.132 & Table-9.19B)	
162	The scheme of devolution recommended by us leads to a rise in the total transfer from the level of 14.8 per cent of NTC (excluding MRF) in 2015-16, 15.1 per cent in 2016-17 (RE) and 15.2 per cent in 2017-18 (BE) to 16.5 per cent in 2016-17, 17.3 per cent in 2017-18 and 18.1 per cent in 2018-19. However, in subsequent years, it declines to 17.9 per cent in 2019-20 and 17.6 per cent in 2020-21. This decline is on account of scaling down the level of grants for sanitation. (Para 9.133)	
163	The level of the incentive grants recommended by us, being 1.7 per cent of the NTC, compares well with the level of MRF (1.5 per cent) recommended by the 3rd DFC. (Para 9.133)	
164	As per our scheme of devolution, each of the five municipalities would be in surplus on revenue account during all the five years of our award period. (Para 9.135 & Table-9.20)	
165	The Balance on Revenue Account (BRA) for the GNCTD as determined by us is adequate to meet its expenditure liabilities on both, revenue as well as capital accounts even after transfers to the municipalities. (Para 9.138 & Table-9.21)	
Strengthening the DFC		
166	The permanent Finance Commission Cell (FCC) in the GNCTD should be restructured, by placing it under a Secretary level officer of the Urban Development Department. (Para 11.39)	Accepted
167	The Secretary level officer heading the FCC the DFC, whenever constituted. (Para 11.40)	Modalities of this shall be worked out.
168	The restructured permanent FCC should have suitable supporting staff. (Para 11.41)	
169	Upon the submission of the report by the DFC and its winding up, the same officer should continue to head the FCC in FD and look after the follow up activities for the DFC Report. (Para 11.46)	

170	Once the FCC is properly set up, the DFC should be assigned one year to submit the report, while state government should take no more than two months to take a decision on the recommendations. (Para 11.44-11.46)	
171	With a view to ensuring timely decisions on acceptance and implementation of the report of the 5th DFC, we suggest the following course of action: a. The Lt. Governor should constitute a Committee of Secretaries (COS) to examine the Report of the 5th DFC and submit its recommendation to the GNCTD by 30th November 2017. The COS should be chaired by the Principal Secretary (Finance), with Principal Secretary (UDD), Principal Secretary (Education) and Principal Secretary (H&FW) as members. The COS may invite any other officers for consultation, as it might deem fit. The COS should be serviced by the Special Secretary (UDD). b. The GNCTD should consider the report of the COS and take a decision before 31st December 2017. c. The GNCTD should convene a special session of the Legislature by the 10th January 2018 to place the explanatory memorandum as to the decision/action taken on each one of the recommendations. d. The UDD and other Departments concerned should issue the necessary orders/ letters etc., by 20th January 2018. e. The Municipalities should factor in those decisions in their respective budgets in February 2018, leading to implementation of the same on or before 1st April 2018. (Para 4.42)	Not Accepted