

## CHAPTER 32

### BUDGETING & MIS REPORTS

#### **INTRODUCTION**

32.1 This Chapter contains the overview of the Budgeting approach, process, budgetary controls (budgeting system) and MIS & other performance review /status reports of an ULB.

32.2 Budget is a financial plan describing proposed expenditure and means of financing the same. It embodies the estimated receipts and expenditure (both capital and revenue) for a financial year. It is a proposal of how much money is to be spent on what and how much of it will be contributed by whom or how it would be raised during a financial year. It plays an important role in planning and controlling operations of the ULBs.

32.3 Budget preparation process, calendar, approval and control process indicated in this chapter is on Cash basis and provides guidelines for States at an overall level. However states and ULBs should develop detailed manual / guidelines for Budget preparations.

#### **APPROACH TO BUDGETING**

32.4 The objective of the budgeting system of an ULB is to arrive at a scientific basis for building linkage between the nature of receipt or payment with the functions / services or other Budget control centres. Budget shall reflect the principles and programmes of the ULB. Budget must also enable ULB in measuring and promoting accountability in respect of service delivery. Public expenditure must be spent in the most productive way. Decentralised planning with citizens' participation facilitates achieving this objective.

32.5 Any receipt and payment shall reflect the above said objectives. To facilitate this, ~~three broad categories of Budgeting Centres are defined. Budgets shall establish a close linkage between the Accounting subjects (nature of receipt and payment) and~~

- the function
- the functionary as identifiable by personnel responsible for any function
- the field as identifiable by the geographical boundaries over which the cost is incurred

## **BUDGETING PROCESS**

32.6 Budgets shall reflect the estimated inflows, outflows, surplus / deficit under the various Receipts and Payment heads, Opening and Closing balances. The receipts and payments shall be classified under four broad heads Revenue Receipts, Revenue Expenditure, Capital Receipts and Capital Expenditure. The receipts and payments shall be estimated for each of the accounting subjects under every Budgeting centre. Hence a budget code is defined as a combination of Budget centres and Account code. The structure for this is detailed in the Chapter 4 on Chart of Accounts.

32.7 Budget shall be prepared for each of the revenue and capital account heads in form BUD – 1 annexed to this Chapter. This form is to be prepared by individual budgeting units for each of the Major and Minor Heads of Account along with the details of the function and functionaries responsible for discharge of the functions and field towards which it relates. Functions, Functionary, Major Head, Minor Heads are mandatory. It is advisable to have the budgets prepared at the detailed head also to ensure budgetary control. However, the ULB can decide whether budgets would be prepared at the field level like zones, circles or wards. In the medium term, ULBs are advised to move towards decentralised budgeting at the field level. In addition, if the Director and ULB maintain separate funds for certain heads like Water or Education etc then the budget has to be prepared fund wise only. The budget heads hence are integrated with the account heads. The accounting system can hence provide details of actual against each budget head.

### **Bottom up budgeting**

32.8 The basis for preparing the budget will be the inputs from various departments/units. Budgets preparation shall be based on a bottom up approach. Estimates shall be made from the lowest unit and then consolidated at the Head Office. A consolidation will be made and can be compiled in the form given as BUD – 2

32.9 The consolidated budgets shall be presented in a summary form (in form BUD – 3-7). Detailed Budget will also form part of the Budget Document of the ULBs.

## **Budgeting Calendar**

32.10 The budget preparatory process follows a budget calendar. The “budget calendar” provides various details of deadlines and dates by which various officials in the ULB need to prepare and place the budget before the concerned authorities.

32.11 The time schedule for preparation, placing and revision of the budget and budget approval by Standing Committee /Council would be governed by the provisions of the Act.

32.12 The budgeting activity for any financial year shall commence by September or any other month (as may be specified in the Act) of the financial year preceding it. The various stages of budget preparation and approval should be within the time limits as stipulated in this regard by the Acts governing the ULBs.

32.13 An illustrative timetable for budgeting and review is given below:

Requisition from the Accounts section for Budget activity plan	By September
Receipt of Budgets plans for all Departments	By mid of October
Compilation of Budget for review by Municipal Commissioner/ Executive Officer/Secretary	By end of October
Budget finalisation by Municipal Commissioner/ Executive Officer/ Secretary for placing before the Standing Committee	At the beginning of November.

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### **Approval of Budget**

The Budget is the key document of any governmental set up. The Acts shall define the approving authority for approval of the budgets of the ULBs.

A budget may not be a valid document unless it is properly approved / authorised by Director.

### **Budget Revision**

32.14 Once a budget has been prepared subsequent revisions to the amount budgeted may arise. The Act may define the circumstances for revision of budgets. Some of the forms in which budget allocations are changed are Re- appropriation, Additional Budget, reduction in Budget and Budget Cut.

32.15 Budget Utilisation should be reviewed at quarterly and such other periodic rests as may be determined by Act to identify and plan for any budgetary revision well in advance. Any budgetary revision would be in accordance with the provisions laid out in this regard by the Act in this regard.

### **BUDGETARY CONTROLS**

32.16 In keeping with the objectives, the following control requirements are to be built into the budgeting system:

- No expenditure can be incurred unless backed by a budget;
- Any expenditure prior to being incurred must be identified to its budget head for allocation of money
- Any expenditure prior to being incurred should be backed by appropriate sanctions (administrative / technical sanctions as the case may be) in accordance with the procedures lay down by the Act in this regard.

### **Budget variance report (BVR)**

32.17 An important budgetary control tool used for monitoring and measurement is Budget variance report (BVR) and shall be prepared at the following levels:

- at an overall ULB level;
- at each of the Budgeting Centres.

32.18 The BVR forms the basis of control as it can provide information on:

- a. Positive variance shall be analysed for reasons. For instance actual tax collection is more than the projected say in ward or a zone. The reasons for the same can be analysed and replicated.
- b. Negative variance, shall be analysed for reasons and cost control measures identified. For instance the increase in maintenance expenses or finance charges could indicate lack of planning or implementation follow-up.

32.19 The BVR should be prepared on a monthly basis or such periods as the Acts governing the ULB may define. Review mechanisms for disposing of the unfavorable variances would add value to the Management of ULB. The format of the BVR is annexed to this Chapter as Form BUD - 8.

### **MANAGEMENT INFORMATION SYSTEM (MIS)**

32.20 Management Information System reports are necessary in ULBs for measuring its activities in a more meaningful and transparent manner. MIS not only provides information on accounting & financial aspects but also covers non-financial aspects / information in an integrated mode. The object of development of MIS reports is to provide the performance details/statistical data of the activities of the ULBs in various forms. MIS reports serve as critical inputs for any decision making on any of the conducts of the ULBs.

### **BASES & COVERAGE**

32.21 MIS reports are prepared from the accounting and other records maintained for the conduct of the ULB activities. These basic data are to be maintained properly in order that the MIS reports prepared based on the records are correct and accurate. Therefore, establishment and ensuring of maintenance of proper accounting & other records is key for effective MIS reports.

32.22 As explained earlier, MIS covers non-financial aspects of the activities also. For example, the data on education: number of schools under ULB, number of teachers, number of students, and the pass percentage form part of such data. If these data are used integrally with financial aspect results in preparation of various analytical reports like cost of service delivery.

32.23 MIS reports prepared in ULBs shall cover the following key areas:

- Financial Performance (Balance Sheet, Income and Expenditure, Cash Flow Statements, etc)
- Departmental Performance (Departmental collection summary, etc)
- Recovery of Cost / Subsidy Report (Water Supply cost sheet, etc)
- Key Performance Indicators (Financial ratio analysis, etc)
- Ward Level MIS (Ward level revenue, expenses etc)

32.24 MIS reports covered earlier in Chapter 30 on Financial Statements of this manual are listed below for easy reference.

- Income & Expenditure (Table 30.3)
- Balance Sheet (Table 30.4)
- Statement of Cash flows (Table 30.5)
- Receipts & Payments Account (Table 30.6)
- Subsidy Report (Table 30.7)
- Financial Ratios (Table 30.8 & 30.9)

32.25 ULBs may also prepare the following reports on a periodical basis and submit them to various governing committees for review, analysis and decision making purposes.

- Statement of Receivables (Form BUD - 9)
- Statement of Payables (Form BUD - 10)
- Ward wise Liability Summary Report (Form BUD - 11)
- Revenue Trend analysis (Form BUD – 12)

32.26 ULBs may also specify additional MIS reports, which are appropriate and necessary for their functioning and monitoring. The recommendations made in this chapter are general and minimal requirements and the ULBs on its own shall add any other reports or forms, as they consider necessary and suitable.





**BUD – 1**

Name of the ULB \_\_\_\_\_

**Budget estimation Sheets format**

Name of the Functionary: \_\_\_\_\_ (For e.g. Public Works Department)

Name of the Function: \_\_\_\_\_ (For e.g. Road repairs/ Land and Buildings)

Budgeting Year: \_\_\_\_\_

Field	Head of Account – Description of Item*	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
	<b>REVENUES</b>				
Ward 1	<b>Tax Revenues</b>				
	Property & Other Taxes				
	Water Taxes				
	” ” ” ”				
	” ” ” ”				
	” ” ” ”				
	Sub-total (Tax Revenues)				
Ward 1	<b>Fees &amp; User Charges</b>				
	License Fees				
	Advertisement Taxes				
	” ” ” ”				
	” ” ” ”				
	Sub-total (Fees & User Charges)				
Ward 1	<b>Interest Income</b>				
	Interest from Bank Deposits				
	Interest from Post Office Deposits				
	” ” ” ”				
	” ” ” ”				
	Sub-total (Interest Income)				

Field	Head of Account – Description of Item*	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
	<b>TOTAL REVENUE RECEIPTS</b>				
	<b>EXPENDITURES</b>				
	<b>Establishment Expenses</b>				
Ward 1	Salaries & Wages				
	Pension expenses				
	” ” ” ”				
	” ” ” ”				
	Sub-total (Establishment Expenses)				
	<b>Operations &amp; Maintenance</b>				
Ward 1	Repairs & Maintenance – Roads				
	Repairs & Maintenance - Buildings				
	” ” ” ”				
	” ” ” ”				
	Sub-total (Operations & Maintenance)				
	<b>TOTAL REVENUE</b>				
	<b>CAPITAL RECEIPTS</b>				
	<b>Loans</b>				
Ward 1	Loans from State Govt				
	” ” ” ”				
	” ” ” ”				
	Sub-total (Loans)				
	<b>Deposit works</b>				
	Deposit works received				
	Sub-total (Deposit Works)				
	<b>Deposits and Advances</b>				
	Security Deposits				
	” ” ” ”				
	” ” ” ”				

Field	Head of Account – Description of Item*	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
	Sub-total (Deposits)				
	<b>TOTAL CAPITAL RECEIPTS</b>				
	<b>CAPITAL EXPENDITURE</b>				
Ward 1	<b>Fixed Assets</b>				
	Purchase of Fixed Assets				
	Capital Work in progress				
	” ” ” ”				
	Sub-total (Fixed Assets)				
Ward 1	<b>Investments</b>				
	Investment in Government Securities				
	Investment in Non- Govt Securities				
	” ” ” ”				
	Sub-total (Investments)				
Ward 1	<b>Loans and Advances</b>				
	Loans to Employees				
	Loans to Others				
	Miscellaneous Advances				
	” ” ” ”				
	” ” ” ”				
	Sub-total (Loans & Advances)				
	<b>TOTAL CAPITAL EXPENDITURE</b>				

\* Similar to the above, the budget estimation shall be obtained for all the Major, Minor and detailed account heads for each of the wards, functions and functionaries

**BUD - 2**

\_\_\_\_\_ name of the ULB

**Budget estimate Consolidation format**

Budgeting Year: \_\_\_\_\_

<b>Function</b>	<b>Functionary</b>	<b>Field</b>	<b>Description of Item</b>	<b>Actual for the previous year</b>	<b>Budget Estimates for the current year</b>	<b>Revised Estimates for the current year</b>	<b>Budget Estimates for the next year</b>

*Consolidation shall be made for every item of detailed heads of account.*

**Form BUD - 3**

\_\_\_\_\_ name of the ULB

**SUMMARY OF BUDGET FOR THE PERIOD \_\_\_\_\_**

Sr. No. \_\_\_\_\_

<b>Particulars</b>	<b>Actual for the previous year Rs.</b>	<b>Budget Estimates for the current year Rs.</b>	<b>Revised Estimates for the current year Rs.</b>	<b>Budget Estimates for the next year Rs.</b>
Opening Balance*				
Add:				
Revenue Receipts				
Capital Receipts				
Less:				
Revenue expenditure				
Capital Expenditure				
Closing Balance *				

\* Balances denote cash and bank balance.

**Form BUD – 4**

\_\_\_\_\_ *Name of the ULB*

**MAJOR ACCOUNT HEAD WISE BUDGET FOR THE PERIOD**

**Sr. No.** \_\_\_\_\_

S No	Major Account Head	Code	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
	<b>REVENUE RECEIPTS</b>					
	Tax Revenue	110				
	Assigned Revenues and Compensation	120				
	Rental Income - Municipal Properties	130				
	Fees and User Charges	140				
	Sale and Hire Charges	150				
	Revenue Grants, Contributions and Subsidies	160				
	Income from Investments	170				
	Interest Earned	171				
	Other Income	180				
	<b>Total</b>					
	<b>REVENUE EXPENDITURE</b>					
	Establishment Expenses	210				
	Administrative Expenses	220				
	Operations and Maintenance	230				
	Interest and Finance Charges	240				
	Program Expenses	250				

S No	Major Account Head	Code	Actual for the previous year Rs.	Budget Estimates for the current year Rs.	Revised Estimates for the current year Rs.	Budget Estimates for the next year Rs.
	Revenue Grants, Contributions and Subsidies	260				
	Miscellaneous Expenses	271				
	Prior Period Item	280				
	<b>Total</b>					
	<b>CAPITAL RECEIPTS</b>					
	Grants, Contributions for Specific purposes	320				
	Secured Loans	330				
	Unsecured Loans	331				
	Deposits Received	340				
	Deposit Works	341				
	Other Liabilities	350				
	<b>Total</b>					
	<b>CAPITAL EXPENDITURE</b>					
	Fixed Assets	410				
	Capital Work in Progress	412				
	Investments – General Fund	420				
	Investments – Other Funds	421				
	Stock in hand	430				
	Prepaid Expenses	440				
	Loans, advances and deposits	460				
	Other Assets	470				
	<b>Total</b>					

Note :These totals shall be tallied with the totals in Forms BUD 5- 7.

**Form BUD - 5**

\_\_\_\_\_ *Name of the ULB*

**SUMMARY OF FUNCTION WISE BUDGET FOR THE PERIOD \_\_\_\_\_**

*Sr. No.* \_\_\_\_\_

<b>S No</b>	<b>Function</b>	<b>Code</b>	<b>Revenue Receipt Rs.</b>	<b>Revenue Expenses Rs.</b>	<b>Capital Receipts Rs</b>	<b>Capital Expenditure Rs</b>	<b>Net Inflow/ (Outflow) Rs.</b>
	General & Administration	00					
	Planning & Regulations	10					
	Public Works	20					
	Health	30					
	Sanitation & Solid Waste Management	40					
	Civic Amenities	50					
	Urban Forestry	60					
	Urban Poverty Alleviation & Social Welfare	80					
	Other Services	90					
	Revenues						
	<b>Total*</b>						

*\*The total of columns 4 to 7 shall be tallied with those in Form BUD - 3*

**Form BUD - 6**

\_\_\_\_\_ *Name of the ULB*

**SUMMARY OF FIELD WISE BUDGET FOR THE PERIOD \_\_\_\_\_**

*Sr. No.* \_\_\_\_\_

<b>S No</b>	<b>Function</b>	<b>Code</b>	<b>Revenue Receipt Rs.</b>	<b>Revenue Expenses Rs.</b>	<b>Capital Receipts Rs.</b>	<b>Capital Expenditure Rs.</b>	<b>Net Inflow/ (Outflow) Rs</b>
	Field 1						
	Field 2						
	Field 3						
	.....						
	.....						
	Ward n						
	<b>Total *</b>						

**Note : Field could be lowest level at which ULB likes to budget. Ideally this should be done at the ward level.**

\*The total of columns 4 to 7 shall be tallied with those in Form BUD - 3.

**Form BUD - 7**

\_\_\_\_\_ *Name of the ULB*  
**SUMMARY OF FUNCTION WISE BUDGET FOR THE PERIOD \_\_\_\_\_**

**Sr. No.** \_\_\_\_\_

<b>S No</b>	<b>Function</b>	<b>Code</b>	<b>Revenue Receipt Rs.</b>	<b>Revenue Expenses Rs</b>	<b>Capital Receipts Rs.</b>	<b>Capital Expenditure Rs.</b>	<b>Net Inflow/ (Outflow) Rs.</b>
1	Municipal Body	1					<b>(4+6)-(5+7)</b>
2	Estate & Central Records	5					
3	Stores	6					
4							
5							
6							
7							
8							
9	„ „ „ „						
10	„ „ „ „						
11	„ „ „ „						
12	Others*	93					
	<b>Total**</b>						

*\*All the functions carried out by the ULBs shall be captured in the format given above.*

**\*\*The total of columns 4 to 7 shall be tallied with those in Form BUD - 3**

**BUD- 8**

\_\_\_\_\_ *Name of the ULB*

**Quarterly Budget Variance Report**

For the period from \_\_\_\_\_ to \_\_\_\_\_

Code No.	Head of Account	Budget Estimate (Rs.)	Progressive Total at the end of each quarter Rs.				Variance Rs	Remark
			Qtr. 1	Qtr. 2	Qtr. 3	Total		
	<b>REVENUE RECEIPTS *</b>							
110	Tax revenue							
120	Assigned Revenues & Compensation							
130	Rental income from Municipal Properties							
140	Fees & User charges							
150	Sale & Hire charges							
160	Revenue Grants, contribution & subsidies							
170	Income from Investments – General Fund							
170	Income from Investments – Other Funds							
171	Interest earned							
180	Other income							
210	Any other revenue receipts [ specify ]							
	<b>Sub-total</b>							
	<b>REVENUE EXPENDITURE *</b>							
220	Establishment Expenses							
230	Administrative Expenses							
240	Operations & Maintenance							
250	Interest & Finance charges							
260	Programme Expenses							
271	Revenue Grants, contribution & subsidies							
	Miscellaneous Expenses							
	Any other revenue payments [ specify ]							
	<b>Sub-total</b>							

*\* Similarly, the variances for Capital receipts and expenditures shall also be computed on a periodic basis*

**BUD-9**

*Name of the ULB*  
\_\_\_\_\_ **Name of the Department**  
**Statement of Receivables for the month of \_\_\_\_\_**  
(To be forming part of Monthly Accounts)

<b>Code No</b>	<b>Head of Account / Item</b>	<b>Receivables at the start of the month</b>		<b>Actual receipts during the month</b>	<b>Receivables at the end of the month</b>
431-10	Property Taxes				
431-10-(a)	Property Taxes				
431-10-(a)	Others*				
	<b>Sub-total</b>				
431-19	Other Taxes				
431-19-(a)	Water Supply				
431-19-(a)	Sewerage Tax				
431-19-(a)	Professional Tax [ wherever on demand ]				
431-19-(a)	Others*				
	<b>Sub-total</b>				
431-20	Cess Income				
431-30	Fees & User Charges				
431-30-(a)	License Fees				
431-30-(a)	Development Charges				
431-30-(a)	Others*				
	<b>Sub-total</b>				
431-40	Other Sources				
431-40-(a)	Rental Income				
431-40-(a)	Interest Accrued and due				
431-40-(a)	Interest Accrued and not due				
431-40-(a)	Others*				

<b>Code No.</b>	<b>Head of Account / Item</b>	<b>Receivables at the start of the month</b>		<b>Actual receipts during the month</b>	<b>Receivables at the end of the month</b>
431-50	Government				
431-50-(a)	Grants				
431-50-(a)	Assigned Revenues				
431-50-(a)	Others*				
	<b>Sub-total</b>				
	<b>Grant Total of Receivables</b>				

(a) Insert Detailed Head Codes of Account as applicable

\* Specify tax or other revenue accounts as applicable

**BUD- 10**

\_\_\_\_\_ *Name of the ULB*  
\_\_\_\_\_ **Name of the Department**  
**Statement of Payables for the month of** \_\_\_\_\_  
(To be forming part of Monthly Accounts)

<b>Code No.</b>	<b>/ Item</b>	<b>Head of Account</b>	<b>Payables at the start of the month</b>	<b>Actual payments during the month</b>	<b>Payables at the end of the month</b>
<b>350-10</b>	Creditors				
350-10-(a)	Suppliers				
350-10-(a)	Contractors				
350-10-(a)	Payable against Grants				
350-10-(a)	Others*				
	<b>Sub-total</b>				
350-11	Employee Liabilities				
350-11-(a)	Gross Salary				
350-11-(a)	Pension				
350-11-(a)	Others*				
	<b>Sub-total</b>				
350-20	Recoveries Payable				
350-20-(a)	TDS				
350-20-(a)	Works Tax				
350-20-(a)	Others*				
	<b>Sub-total</b>				
350-40	Refunds Payable				
350-40-(a)	Taxes				
350-40-(a)	Others*				
	<b>Sub-total</b>				
350-41	Advance Collection Of Revenues				
350-41-(a)	Taxes				
350-41-(a)	Others*				
	<b>Sub-total</b>				
	<b>Grant total of Payables</b>				

(a) Insert Detailed Head Codes of Account as applicable

\* Specify tax or other payable accounts as applicable



**BUD- 11**

\_\_\_\_\_ *Name of the ULB*  
**Ward wise Works Liability Summary Report**  
For the year \_\_\_\_\_

Ward No.	Opening Balance		Current year		Total		Paid during the current year				Remarks
	No. of pending bills	Amount	No. of pending bills	Amount	No. of pending bills	Amount	No. of pending bills	Amount	No. of pending bills	Amount	
1											
2											
3											
4											
<b>Total</b>											

**BUD - 12**

\_\_\_\_\_ *Name of the ULB*

**Revenue Trend Analysis**

For the year ending \_\_\_\_\_

	Revenue	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total of the current year	Total of the previous year	Absolute increase of [decrease]	%age increase [decrease]
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17 [15-16]	18
110	Tax revenue																
120	Assigned Revenues & Compensation																
130	Rental income from Municipal Properties																
140	Fees & User charges																
150	Sale & Hire Charges																
160	Revenue Grants, contributions & subsidies																
170	Income from Investments - General Fund																
170	Income from Investments - Other Funds																
171	Interest earned																
180	Other income																
	<i>Total</i>																