

**GOVERNMENT OF ODISHA
FINANCE DEPARTMENT**

No. 20715/F.,
FIN-BUD1-CAG-0002/2017

Dt. 11.07.2017

From

**Shri Tuhin Kanta Pandey, I.A.S.,
Principal Secretary to Government**

To

**Additional Chief Secretaries/
Principal Secretaries/
Commissioner-cum-Secretaries/
Secretaries/Special Secretaries to Government**

Sub: ***Guidelines on Financial Limits to be observed in determining cases relating to New Service or Scheme and procedure for incurring expenditure for such services or schemes.***

Sir/ Madam,

I am directed to say that vote of Legislature or pending that advance from Contingency Fund is required to be obtained before expenditure can be incurred on a "New Service". The expression 'New Service' is mentioned in Article 205 of the Constitution of India, but the Constitution does not define the expression 'New Service'. Expenditure on 'New Service' not contemplated in the budget of that year, cannot be incurred in any financial year, except after obtaining a supplementary grant or appropriation or an advance from the Contingency Fund of the State. Detailed procedure for making provisions of funds for the New Services/Schemes in Annual Budget and Supplementary Statement of Expenditure is laid down in the Odisha Budget Manual, 1963.

2. The primary test of "newness" of a service is whether or not the Legislative Assembly has voted expenditure of a similar nature in past year, if not, it is a "new form of service". As per the Rule-29 of Odisha Budget Manual, 1963, New Service or Scheme means new form of a service or scheme which is contemplated newly for the first time and is taken up after the sanction of the Legislature is obtained either through a new Demand Schedule or a Supplementary Demand Schedule. It is specifically laid down in Rule 43 that the expenditure for a particular item will constitute a "new service" if it is not contemplated in the sanctioned Budget of the year and it should not be incurred without the specific vote of the Assembly.

3. Rule 148 of Odisha Budget Manual, 1963 provides that when new expenditure is proposed for which money is likely to be found by re-appropriation, but for which, owing to its being a new service not contemplated by the Budget, a supplementary vote is necessary under paragraph-5 of Appendix VIII of Odisha Budget Manual, 1963, the approval of the Legislative Assembly will be taken by means of a token demand, re-appropriation being subsequently sanctioned.

4. Further, Paragraph-6 of Appendix VIII of Odisha Budget Manual, 1963 provides that, if a New Service / Scheme not contemplated by the Budget is required to be introduced during the course of the year, a supplementary or a token demand is to be put before the Legislative Assembly before the expenditure is authorized. However, if the scheme is considered urgent and unforeseen and its execution cannot wait till the vote of the Legislature, advance can be obtained from the Contingency Fund to be recouped later by supplementary demand.

5. It has been brought to the notice of Finance Department by various Audit Reports of the C&AG that these statutory instructions are not adhered to by the Administrative Departments while dealing with the New Schemes. It is also noticed that in certain cases, expenditure on New Service/ Scheme are incurred through re-appropriation irrespective of any Financial Limits. Hence, there is a need to lay down Financial Limits to be observed in determining the cases relating to New Service/ Scheme for re-appropriation of funds, beyond which, approval of Legislature is necessary for incurring expenditure from Consolidated Fund of the State.

6. Definition of the terms New Service/ Scheme and its application:

(i) 'New Service': As appearing in article 205(a) of the Constitution of India, this has been held as referring to expenditure arising out of a new policy decision, not brought to the notice of Legislation earlier, including a new activity or a new form of investment.

(ii) While using these terms and applying the financial limits, it needs to be noted that no expenditure can be incurred from the Consolidated Fund of the State on a New Service/ Scheme without prior approval of Legislature through supplementary demands for grants. Further, the determination of these financial limits will be with reference to Primary Unit of Appropriation at detailed head or object head as the case may be.

(iii) Where in an emergent case of New Service/ Scheme, it is not possible to wait for prior approval of Legislation, advance from the Contingency Fund of the State can be drawn upon for meeting the expenditure pending its authorisation by Legislature. Recourse to this arrangement should normally be taken only when Assembly is not in

session. Such advances are required to be recouped to the Fund by obtaining a Supplementary Grant. Recourse to Contingency Fund of the State should be taken only in cases of extreme urgency.

(iv) Considering the nature of upgradation of various existing services and taking up of a new service, financial limits are fixed for determining cases relating to New Service/ Scheme is placed at Annexure.

7. Checks to be observed by the Departments:

(i) By Budget Units: A specific certificate should be recorded in each case involving augmentation of sanctioned provision on receipt of related proposals, to the effect that the proposed augmentation attracts/does not attract financial limits of New Service/ Scheme.

(ii) By Controlling Officers: Each expenditure sanction to be examined by Controlling Officers from the New Service/ Scheme angle keeping in view the financial limits indicated in the Annexure.

(iii) Where any doubt arises about the application of financial limits of New Service/ Scheme, the Controlling Officer would seek decision of the Administrative Department.

8. Circumstances for obtaining Supplementary grants for expenditure qualifying as New Service/ Scheme and the procedure thereof are as follows:

(i) If sufficient savings are available within the same section of the relevant grants for meeting additional expenditure to the extent mentioned in column 2 of the annexure, re-appropriation can be made,

(ii) In cases where the financial limits of New Service/ Scheme are attracted, approval of Legislative Assembly may be obtained for incurring such expenditure through supplementary demands for grants. Mere depiction of augmented provisions in the Revised Estimates included in the Demands for Grants will not be adequate to meet the requirement to incur expenditure.

(iii) The provisions in the 'Vote on Account' are not intended to be used for expenditure on any New Service/ Scheme. In cases of urgency, expenditure on a New Service during Vote on Account period can, therefore, be incurred only by obtaining an advance from the Contingency Fund. Such advances will be recouped to the Contingency Fund through a Supplementary Appropriation.

9. Exceptions:

(i) Having regard to the volume and nature of Government transactions, it is not possible to list out all such cases which are not attracted by New Service/ Scheme limits. Broadly, however, expenditure on normal activities of Government (such as normal administrative expenditure - including that resulting from re-organization of Departments, holding of conferences, seminars, exhibitions, surveys, feasibility studies, etc., expenditure related to natural calamities, contributions to agencies and fulfillment of Government guarantee on its invocation) are not attracted by the limits of New Service/ Scheme.

(ii) Transfers to Local Bodies are also exempt from these limits provided the scheme is not new.

(iii) Further, these limits are applicable only to expenditure which is subject to Vote of Legislature.

10. Doubtful cases:

In case of disagreement between the DDOs, Controlling Officers and Administrative Departments, the Department may send a self-contained communication to the Budget Branch, Finance Department bringing out the specific point of doubt incorporating their Financial Adviser's views thereon. The decision taken by the Budget Branch of Finance Department in the matter will be final.

All the Administrative Departments are to strictly adhere to the provisions of Odisha Budget Manual, 1963 and observe the financial limits indicated at Annexure while incurring expenditure on New Service/ Scheme. Expenditure for the New Services / Schemes requiring Legislative authorization should be made only against provisions specifically made in Budget either by way of substantive or token provision for subsequent flow of funds by way of Supplementary Demand placing before the Legislative Assembly for authorisation or re-appropriation. In case the New Service/ Scheme is considered urgent and unforeseen and its execution cannot wait till the vote of the Legislature, advance can be obtained from the Contingency Fund to be recouped later by supplementary demand.

Yours faithfully,



Principal Secretary to Government

Memo No. 20716/FDt. 11.07.2017

Copy forwarded to all Controlling Officers/Financial Advisers/Asst. Financial Advisors of Departments of Government and Accounts Officers of Heads of Departments for information and necessary action.


Deputy Secretary to Government

Memo No. 20717/FDt. 11.07.2017

Copy along with enclosures forwarded to Principal Accountant General (A&E)/ Accountant General (G&SSA and E&RSA), Odisha for information.


Deputy Secretary to Government

Memo No. 20718/FDt. 11.07.2017

Copy along with enclosures forwarded to all Officers/ Sections of Finance Department for information and necessary action.


Deputy Secretary to Government

Memo No. 20719/FDt. 11.07.2017

Copy forwarded to the Head, State Portal with request to upload the circular in the website of Finance Department at www.odisha.gov.in/finance.

Memo No. 20720/FDt. 11.07.2017


Deputy Secretary to Government

Copy forwarded to the Facebook / Twitter Cell (fd.odisha@gmail.com) with request to upload the circular in the Facebook / Twitter account of Finance Department.


Deputy Secretary to Government

ANNEXURE**FINANCIAL LIMITS TO BE OBSERVED DETERMINING CASES RELATING TO NEW SERVICE/ SCHEME**

| Nature of Transaction | Limits upto which expenditure can be met by re-appropriation of savings in a Grant | Limits beyond which prior approval of Legislative Assembly is required for expenditure from the Consolidated Fund |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| 1 | 2 | 3 |
| I. CAPITAL EXPENDITURE | | |
| A. Departmental Establishment | | |
| (i) Setting up a new Organisation, or taking up a new activity by an existing Organisation. | --- | All cases |
| (ii) Additional Investment in an existing organisation | Above ₹ 2.50 crore but not exceeding ₹ 5 crore. | Above ₹ 5 crore |
| B. Public Sector Companies/Corporations | | |
| (i) Setting up of a new Company or splitting up of an existing Company, or amalgamation of two or more Companies, or taking up a new activity by an existing Company | --- | All cases |
| (ii) Additional investment in/ loans to an existing company | | |
| a) Where there is no Budget Provision | --- | All cases |
| b) Where Budget Provision exists for investment and/or loans Paid up capital of the Company | | |
| (i) Upto ₹ 50 crore | 20% of appropriation already voted or ₹ 10 crore, whichever is less | Above 20% of appropriation already voted or |

| Nature of Transaction | Limits upto which expenditure can be met by re-appropriation of savings in a Grant | Limits beyond which prior approval of Legislative Assembly is required for expenditure from the Consolidated Fund |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| 1 | 2 | 3 |
| (ii) Above ₹50 crore | 20% of appropriation already voted or ₹20 crore, whichever is less | ₹10 crore, whichever is less. Above 20% of appropriation already voted or ₹20 crore, whichever is less. |
| C. All bodies or authorities within the administrative control/management of State Government or substantially financed by the State Government. | | |
| Loans | Upto 10% of the appropriation already voted or ₹10 crore, whichever is less | More than 10% over the appropriation already voted by Legislative Assembly or ₹10 crore, whichever is less |
| D. Expenditure on new Works | | |
| Land, Buildings and/or Machinery | Above ₹50 lakhs but not exceeding ₹ 2.5 crore or not exceeding 10% of the appropriation already voted, whichever is less. | Above ₹2.5 crore or above 10% of the appropriation already voted. |
| II REVENUE EXPENDITURE | | |
| E. Grants-in-aid | | |
| Grants-in-aid to any Body or Authority | --- | All cases |
| F. Subsidies | | |
| (i) New Cases | --- | All cases |
| (ii) Enhancement or provision in the existing appropriation | Upto 10% of the appropriation already approved by the Legislature or ₹10 crore, whichever is less. | More than 10% of the appropriation already voted by Legislature or ₹10 crore, whichever is less. |
| G. Other Revenue Expenditure | | |
| Payments against cess collections | --- | All cases |
| New Commissions or Committees of Enquiry | --- | All cases |