

1937

38179

CO 533/482
KENYA

38179

KENYA - UGANDA RAILWAYS & HARBOURS

~ INSTRUCTIONS GOVERNING ALLOCATION OF EXPENDITURE

Previous

1936

Mr Parkin

6/11

103

8/11

L. 21

12/11

298

16/11

247

Subsequent

1937

R. 297

22/11

R. 309

26/11

Mr W. J. ...

28/11

L. A.

25/11

Mr 7/11

21

Room 585

27/11

4/8

297

1/8

D. C. A.

1/8

R. 297

1/10

Mr W. J. ...

24/11

Mr Parkin

2/10

16299

1/11

100

3/11

- *Mr. Walker.*

*This seems a reasonable
amendment. Would you be kind
enough to look at it before
the instructions in the 1936 file go
to the S.A.*

*C.T. from with
26/6/37*

*The effect is that ~~total~~ betterment and
loss & capital improvements are charged with
no freight or postage.*

*As regards capital the change is a desirable
one, but I should have liked to see
betterments paid continuing to pay the full
direct cost of work chargeable bit.*

*In view of the saving in clerical labour &
the little financial effect I think we need
not object to the change.*

*R. Walker
20/6/37*

No. 3673/6.

Mr. Flood,

I have no comments from the Audit point of view,
but I should like to have a copy of the despatch
that is sent.

X

A. J. Harding
Director of Colonial Audit.

20-7-37

Then agree to this & approve the new instructions

A. J. Harding
20/7/37

Admin part

2 to Mr. Transport - 70 (for 1936 and) - 3-9-37
(on this record)

Copy of No 2 letter
K. Fisher
D.C.A.
11-8-37

3. To Mr. Transport 48 draft on 1936 file. - 3-9-37

4. TRANSPORT - 89
Attaches list of detained staff and persons charged to works and states that such lists could be included in summaries of any subsequent changes to be derived from such a source requests further observation.

Giving a list of those employed at any given moment is not what was asked for in No 3, has nothing to do with "Estimates", and would presumably find a more logical place in the Accounts of actual working. But in view of statement that it is impossible to give such estimates it may be better to have this list than to have nothing. To Mr. Walker a D.C.A. for observation.

Clodley, W. H.
12/10/37

The purpose of appending to Abstracts Lom a list of staff proposed to be employed is to bring to the notice of the Legislature the ~~particulars~~ particulars of the ^{proposed} formal engagements thereof for ^{approval} to obtain their approval.

I have thought if the Railways knew that the proposed works were not they would have formed an estimate of the staff necessary to carry them out. I believe I have been able to do so. Further

However the ~~estimate~~ (1937) is in the ^{estimate} of ~~the~~ ^{the} ~~works~~ ^{works} does not ~~show~~ ^{show} a ~~list~~ ^{list} of the staff to be employed during 1937 but of the staff on at 31 Aug. 1936. No doubt this is the precedent for the present suggestion. It is better than nothing ^{annual} ~~annual~~ ^{annual} it does afford evidence of the ~~works~~ ^{works} ~~estimates~~ ^{estimates}.

I think it might ask for the ~~estimate~~ ^{estimate} in para 2 of No 4 the ~~shown~~ ^{shown} in future ~~estimates~~ ^{estimates} including ~~but not from~~ ^{but not from} ~~work~~ ^{work} the ~~same~~ ^{same} but only the ~~numbers~~ ^{numbers} & ~~list~~ ^{list}.

R. Ward
10/10/37

W. R. R.
24/11

I think they are in the right of it. If you have large works you may need special staff, but most of the work would involve some of my own staff as the schedule here shows clearly.

W. R. R.
27-10

5 To Mr. Transport 107 - 1st Amendment - 30 OCT 1937

Copies 1/5 to
D.C.A. + O.C.A.

6. High Comm. Transit — 94 — 10.31

no. 4 printed copies of 33 amended instructions.

? Picking

Clorkywhite

4/4

Cap. W.C.A.

M: Wacker been

J.J. Pami

4/21

also

7 To D.C.A. (1/2 5: encl) $\frac{B}{100}$ — 18.11.37

in 6

See 4 hours
2/11

11/11



6.

TRANSPORT

KENYA-UGANDA

NO. 94

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
GOVERNMENT HOUSE,
NAIROBI,
KENYA.

RECEIVED
21 OCT 1937
C. O. RECD

7th October, 1937.

Sir,

I have the honour to acknowledge the receipt of your despatch, Transport No. 70, of the 31st July, and to transmit, for your information, printed copies of the amended Instructions Governing the Allocation of Expenditure in connection with New and Additional Works, Replacements, Withdrawals, etc.

I have the honour to be,

Sir,

Your most obedient, humble servant,

HIGH COMMISSIONER

Copy of encl to D O A

THE RIGHT HONOURABLE
W.G.A. ORMSBY GORE, M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET, S.W.1.

(S) 17050 10000



Kenya and Uganda Railways and Harbours

(INCLUDING MARINE AND MOTOR SERVICES)

**Instructions Governing the Allocation of
Expenditure in connection with New
and Additional Works, Replacements,
Withdrawals, etc.**

(REVISED 1936)

1937

PRINTED BY THE GOVERNMENT PRINTER, NAIROBI, KENYA COLONY.



KENYA AND UGANDA RAILWAYS AND HARBOURS

EXPENDITURE INSTRUCTIONS

GENERAL NOTES

1. The "Prescribed Financial Limits" referred to in these instructions are:

£250, except in the case of certain machinery, plant and other assets specified in the Renewals Classification from time to time where the figure is £100.

2. Normal working expenditure shall not be relieved by charging any portion of the cost of maintenance and repairs to new works or replacements, either directly or indirectly, neither shall any of the instructions contained in this book be interpreted in such manner as to permit the subdividing of expenditure to bring the resulting amount within the maxima laid down.

3. The extracts from the 1935 Renewals Committee Report are reprinted with these instructions for convenience and do not form part of the expenditure instructions contained herein approved by the Secretary of State.

4. Should any doubt arise as to the interpretation of these Instructions the matter must be submitted to the Chief Accountant, Kenya and Uganda Railways and Harbours for decision.

5. No important departure from these Instructions shall be introduced without the prior sanction of the Secretary of State. Minor alterations, not affecting the approved principles which may be found necessary from time to time may be sanctioned by the High Commissioner for Transport and the Auditor advised of such alterations.

Instructions approved by the Secretary of State under Despatch No. 70 of 31st July, 1937. High Commissioner for Transport reference T/Fin/R.I. of 10th August, 1937.

Hon. General Manager's Reference F.F. 1207 of 13th August, 1937.

KENYA AND UGANDA RAILWAYS AND HARBOURS

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EXPENDITURE INSTRUCTIONS

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This Chapter outlines the various Funds to which expenditure is chargeable and is divided into:—

- Section 1.*—Working Account.
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- Section 3.*—Renewals Funds.
- Section 4.*—Betterment Funds.
- Section 5.*—Loan Funds.
- Section 6.*—Capital Account Funds.

CHAPTER II—WORKS

This Chapter deals with the various classifications of work which normally arise and is divided into:—

- Section 1.*—Additional Assets and Additions and Improvements to Assets in service.
- Section 2.*—Replacement of Wasting Assets.
- Section 3.*—Wasting Assets withdrawn from service and not replaced.
- Section 4.*—Removal and re-erection of Wasting Assets.
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CHAPTER III—PROCEDURE

This Chapter outlines the procedure to be followed in connexion with Works Estimates, Annual Estimates, etc., and is divided into:—

- Section 1.*—Additions, Improvements and Renewals (including unforeseen Works).
- Section 2.*—Annual Estimates.
- Section 3.*—Excess expenditure over authorized working estimate provisions.
- Section 4.*—Works Estimates.
- Section 5.*—Withdrawal of Assets from service.
- Section 6.*—Stores, etc., rendered redundant due to the withdrawal of Assets from service.

CHAPTER IV—SUMMARY OF ALLOCATION OF EXPENDITURE

This Chapter summarizes the allocation of expenditure on the various classes of work covered by the Instructions and provides a ready reference to relative instructions.

APPENDIX I—EXTRACTS FROM 1935 RENEWALS COMMITTEE REPORT

This Appendix, which is included for ready reference, contains relevant extracts from the 1935 Renewals Committee Report.

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CHAPTER I—FUNDS

SECTION I—WORKING ACCOUNT

1. Expenditure against working account may be broadly defined as the current cost of producing the current revenue. It includes the full cost of all maintenance and repairs necessary to keep the track, equipment and other assets in good working order and condition.

Definition of working expenditure.

2. Provision for the replacement of wasting assets having a minimum replacement cost not less than the prescribed financial limits, is made by annual contributions to Renewals Funds which are charged to a special division of the Working Account.

Inclusion of Renewals Funds contribution in Working Account.

3. When the cost of replacement is less than that provided in the prescribed financial limits, it is charged direct to the appropriate sub-head of Working Expenditure.

Minor replacements.

4. Working Expenditure is charged with all additions and improvements the cost of which is less than the prescribed financial limits.

Minor additions and improvements.

Note.—When the addition or improvement forms part of a general plan and is applicable to a number of units, although the cost per unit is small the aggregate cost of such work shall be adopted in relation to the limit prescribed.

5. The cost of any urgent and essential work may be charged to Working Expenditure even though it exceeds the prescribed financial limits when no Renewals, Betterment, Capital Account or Loan Funds are available and savings are available on working provisions. Should funds to which the cost of such work is properly chargeable become available during the year of charge to Working Expenditure adjustment thereof shall be permissible under sanctioned estimate.

Urgent and essential works.

SECTION 2—NET REVENUE ACCOUNT

1. Net Revenue Account is charged with the amount, if any, by which the original or improved capital cost of an asset, withdrawn from service and not replaced, exceeds the amount contributed by the Renewals Fund, when the original or improved cost of such asset was not less than the prescribed financial limits.

Charge to Net Revenue Account in respect of withdrawn assets.

2. When assets destroyed by accident or retired through obsolescence not catered for in the Renewals Funds are replaced, Net Revenue Account is charged with the difference between the estimated or actual cost of replacement in kind, depending on whether or not actually replaced in kind, and the amount contributed by the Renewals Fund in respect thereof, provided such difference is not less than the prescribed financial limits, otherwise to Working Account.

Assets destroyed by accident, etc.

3. With the sanction of the Secretary of State an exceptionally heavy charge against Net Revenue Account may be spread over a number of years instead of being met in full in the year in which incurred.

Exceptional charges against Net Revenue Account.

Material recovered from withdrawn assets.

4. Net Revenue Account receives credit in respect of all material recovered from assets which are withdrawn from service, less the cost of retrieving such material. When the cost of retrieving exceeds the value of released material, the excess cost is chargeable to Net Revenue Account, when not less than the prescribed financial limits, otherwise to Working Account.

Scrap, etc., recovered in ordinary maintenance.

5. Net Revenue Account receives credit in respect of all scrap and material recovered in the course of ordinary maintenance, but the cost of retrieving the material in such cases is borne by Working Account.

Sale of wasting assets.

6. The net proceeds of the sale of Open Line Wasting assets is credited to Net Revenue Account.

SECTION 3 - RENEWALS FUNDS

Basis of Renewals Funds.

1. Renewals Funds provide for the replacement of wasting assets having a minimum replacement cost not less than the prescribed financial limits, and are maintained by annual contributions from revenue primarily based on the estimated economic lives and replacement costs of the respective classes of wasting assets admitted to the Fund, as detailed in the Renewals Classification. Obsolescence is catered for only to the extent of basing lives on the period the assets can render useful and economic service.

Definition of replacement cost.

2. Replacement cost is the estimated cost of replacing any asset by an identical asset at prices current at the time the valuation is made, plus or minus a percentage assessed annually by the Standing Renewals Committee appointed by the General Manager.

Interpretation of renewal in kind.

3. As one of the principles upon which the Funds are based is the estimated cost of replacing any asset by an identical asset, i.e. on replacement cost, it follows that withdrawals from the Funds for renewal purposes must also follow this principle. Renewal in kind, may be defined, therefore, as meaning that the new asset substituted for the old shall be of similar capacity and service and have a physical condition and expectation of life in service substantially equal to that of the replaced asset. Whether an asset is actually replaced by an identical asset, i.e. by renewal in kind, when replacement falls due is a matter for decision at the time. Nevertheless the amount chargeable to Renewals Funds in respect of such replacement is limited to the cost of replacement (or Renewal) in kind as defined herein, the balance of the cost being chargeable to such other Funds as are available for the particular purpose.

Scope of Renewals Funds.

4. The Renewals Funds are designed to make financial provision on the basis of "renewal in kind" of any of the following types of assets duly classified in the Renewals Classification, which have become un-serviceable through fair wear and tear at any age.

(a) *Individual Assets.*—Any complete individual item specified in the Renewals Classification, subject to the prescribed financial limits.

(b) *Part Assets*.—The whole of any part asset specified in the Renewals Classification, subject to the prescribed financial limits.

(c) *Group Assets*.—Any number of complete items contained in a group specified in the Renewals Classification on the "group" basis, provided that the total renewal cost of the number of similar items replaced at any one time shall conform to the prescribed financial limits.

(d) *Assets recorded by length or tractive effort*.—Any length or amount of tractive effort of any asset contributing to the Fund on that basis, having a minimum renewal cost conforming to the prescribed financial limits in any one transaction.

5. The actual amounts of contribution to Renewals Funds are as fixed from time to time by the High Commissioner for Transport and approved by the Secretary of State.

Actual contribution.

6. In 1945 and thereafter at ten year intervals the position of the Fund will be re-examined, when, with the approval of the Secretary of State, the rates of contribution may be revised or contributions suspended if such a course is found to be necessary.

Periodical complete review of funds.

7. In addition lives and replacement costs should be reviewed departmentally every five years and at market upheavals, and adjustment thereof effected on the recommendations of the Renewals Fund Standing Committee and approved by the General Manager and the High Commissioner for Transport. Details of the effect on replacement costs and full annual contributions of all changes made shall be advised the Secretary of State for information. Save as the result of this examination, the rates of contribution shall not be varied without the sanction of the Secretary of State.

Intermediate examination of lives, etc.

8. Registers giving a full description of each wasting asset, must be maintained by the department responsible for the maintenance of such assets. The registers shall contain the following information:—

Wasting asset registers.

- (a) Full description of Asset, including Requisition and Maker's number where available.
- (b) Class of Asset and assessed economic life as per Renewals Fund Classification.
- (c) Original cost (where known) and reference to Estimate number under which purchased or installed and funds to which charged (where the original cost is not known an estimate thereof should be included if possible).
- (d) Date placed in service.
- (e) Replacement cost.
- (f) Annual renewals contribution to the nearest £1 arrived at by dividing the "replacement cost" by the relative "life".

This information represents minimum requirements only and may be added to as desired to suit departmental requirements.

9. Similar information to that provided above, should be included in respect of each renewal and/or improvement in order that the registers shall fairly represent the replacement costs and annual contributions.

Renewals Funds not to be applied to other purposes without Secretary of State's sanction.

10. The sanction of the Secretary of State must be obtained before recourse is had to Renewals Funds, directly or indirectly, to meet any emergency for which the funds in reserve are insufficient. With the approval of the Secretary of State, however, established surplus balances may be transferred to Capital Account as contributions from Renewals Funds for investment in additional capital assets or applied to General Reserve, Loan redemption funds or other approved purposes.

Replacement by increased capacity, etc.

11. When additional value results from replacement by increased weight of metal in the case of permanent way, increased tractive effort in the case of locomotives, increased carrying capacity in the case of other rolling stock or generally by assets of different capacity, service or life, such additional cost when not less than the prescribed financial limits, is chargeable to Betterment, Capital Account or Loan Funds, otherwise to Working Account. Cases in which any doubt as to correct allocation exists must be considered on their merits by the Head of Department and Chief Accountant.

Premature withdrawal of assets.

12. In the case of replacement of any type or group of assets classified in the Renewals Classification prematurely withdrawn from service on account of accident or obsolescence not catered for in the Renewals Funds, Renewals Funds will be charged with the cost of replacement in kind up to the extent of the expired life of such asset, without minimum as to amount.

Assets withdrawn and not replaced.

13. When any type or group of asset classified in the Renewals Classification is withdrawn from service and not replaced, Renewals Fund is debited with the value of the expired life of the asset, calculated upon its original or improved capital cost, without any minimum as to amount.

Non-contributing assets.

14. The renewal of any type or group of assets not classified as contributing assets in the Renewals Funds Classification, cannot be a charge against Renewals Funds.

SECTION 4—BETTERMENT FUNDS

Source of Betterment Funds.

1. Betterment Funds are normally maintained by credits from Combined Net Revenue Appropriation Account to provide means for effecting additions and improvements in existing assets and for acquiring additional assets without the necessity for using interest bearing loan funds.

2. Expenditure from Betterment Funds is restricted to additions and improvements the cost of which is not less than the prescribed financial limits. Generally speaking the minimum cost applies to the complete cost of an addition or improvement to an existing asset or of an additional asset, but the same exceptions to this rule are admitted as in the case of charges to Renewals Funds (reference section 3 para. 4 of this Chapter).

Expenditure chargeable to Betterment Funds.

3. Betterments may be roughly grouped into four main classes:— Classification of Betterments.

- (i) Those which definitely result in increased earning capacity or which reduce working expenses to an extent which justifies the outlay of the amount expended upon them, or are necessary to safeguard existing revenue.
- (ii) Those which also definitely increase revenue or reduce working costs but which are in the nature of additions or improvements to existing assets the cost of which would not have been materially increased had they been constructed to the improved standard in the first instance.
- (iii) Investigations, etc., having as their object the extension of services, etc.
- (iv) Conveniences and amenities and other works not covered by other heads.

4. The expenditure chargeable to the Funds shall be accounted for under two heads, viz:—

Subdivision into Capital and Final Betterment.

- (a) **Betterment (Capitalized)**—Representing expenditure on works transferred to Capital Account as non-interest bearing Capital.
- (b) **Betterment (Final)**—Representing Expenditure on works not capitalized and which remains as a final charge to Betterment Funds.

(a) **BETTERMENT—CAPITAL**

Betterment expenditure is capitalized when the additions or improvements result in increased earning capacity and/or reduced working expenses to an extent which justifies the outlay of the amount expended upon them. The capitalized value of any improvement, broadly speaking, is the difference between the total cost of the work and the total cost of renewing a work similar to that displaced.

Capital Betterment.

(b) **BETTERMENT—FINAL**

Expenditure on improvements which do not involve an appreciable increase in the value of the asset or the acquisition of additional assets which do not secure increased earning capacity and/or reduced working expenses, shall normally be treated as non-Capital Betterment, i.e. Final Betterment.

Final Betterment.

5. Expenditure on Surveys or Investigations, having as their object the extension of services, etc., which services are not ultimately proceeded with, shall remain as final betterment. If, however, the final

Surveys and Investigations.

project is proceeded with the expenditure on surveys and investigations shall follow the allocation of the final project.

Allocation of
Betterments.

6. The Chief Accountant, Railways and Harbours, has discretionary power in connexion with the capitalization or otherwise of expenditure met from Betterment Funds.

SECTION 5—LOAN FUNDS

Source of Loan
Funds.

1. Loans for Railway and Harbour purposes are raised by the Government of the territories concerned.

Authority for
raising Loans.

2. All loans are authorized by the Secretary of State for the Colonies and by specific Loan Ordinances passed by the legislatures of the territories raising the loans. Such ordinances provide for the sums to be raised, the purposes for which the loan is required, the amount of the annual contribution to sinking fund and the date it shall commence. The schedules of expenditure attached to such ordinances cannot be varied except under the authorities laid down therein.

Expenditure
from Loan
Funds.

3. All expenditure from loan funds is restricted to items costing not less than the prescribed financial limits, and is ordinarily confined to items which could be classified as Capital Betterment. Grouping of items is admitted as in the case of charges against Renewals or Betterment Funds.

Circumstances
under which
Class II, III and
IV Betterment
chargeable to
Loan Funds.

4. When Betterment or Capital Account Funds are not available, expenditure which would fall under classes (ii), (iii) and (iv) (Chapter I, section 4, para. 3), may be admitted as a legitimate charge against loan funds, provided the loan schedule covers the proposed work.

SECTION 6—CAPITAL ACCOUNT FUNDS

Other Capital
Funds.

Capital Account Funds, as distinct from Loan and Betterment Funds, represent the value of capital assets withdrawn from service and not replaced, and are available for purposes similar to those served by Loan Funds.

CHAPTER II—WORKS

SECTION 1—ADDITIONAL ASSETS AND ADDITIONS AND IMPROVEMENTS TO ASSETS IN SERVICE

Basis of
allocation of
cost of works.

1. When the cost of an additional asset or of an addition or improvement to an existing asset still in service, is less than the prescribed financial limits, it is charged to Working Account. When such cost exceeds these limits, it is charged to Betterment, Capital Account or Loan Funds in accordance with the instructions laid down under Chapter I, sections 4, 5 and 6 of these instructions, or in exceptional circumstances to Working Account as provided for in Chapter I, section 1, para. 5.

2. Generally the instructions given above must be applied to each individual asset. Exceptions to this rule, however, are permitted in accordance with the Renewals Classification. General application of instructions.

SECTION 2—REPLACEMENT OF WASTING ASSETS

1. When the cost of replacing a wasting asset in kind is less than the prescribed financial limits, such cost is charged to Working Account. Charges to Working Account.

2. When the cost of replacement in kind of a worn out wasting asset of a class contributing to Renewals Funds is not less than the prescribed financial limits, Renewals Funds are chargeable with the cost of replacement in kind. This also applies to assets coming within the provisions of para 6 of this section. Charges to Renewals Funds.

3. When an asset of a class contributing to Renewals Funds is not completely worn out but is replaced on account of obsolescence not catered for in the Renewals Funds, or damage caused by accident, the relative Renewals Fund is charged with the cost of replacement in kind when such cost is not less than the prescribed financial limits, up to the value of the expired life of the original asset calculated on its replacement cost, without any minimum as to amount. The difference, if any, between the cost of replacement in kind and the amount charged to the Renewals Fund, is debited to Net Revenue Account when not less than the prescribed financial limits, otherwise to Working Account. Replacements due to accidents, etc.

4. When additional value results from replacements by increased weight of metal in the case of permanent way or by assets of substantially different type, size, quality of material, etc., any increased cost over the cost of replacing the original asset in kind is charged to Betterment, Capital Account or Loan Funds in accordance with the instructions laid down under Chapter I, sections 4, 5 and 6, when not less than the prescribed financial limits, otherwise to Working Account. Replacement by increased capacity, etc.

5. When lesser value results from replacement by a different type, size or quality of material, etc., and the original cost was not less than the prescribed financial limits, the original asset must be withdrawn from Capital Account and the new asset capitalized if costing not less than the prescribed financial limits, otherwise the new asset will be charged to Working Account. Replacement by lesser capacity, etc.

6. Obsolescence is catered for in the Renewals Funds only to the extent of basing lives on the period the assets can render useful and economic service, though quite possibly the asset will not be worn out at the end of the period. Obsolescence.

SECTION 3—WASTING ASSETS WITHDRAWN FROM SERVICE AND NOT REPLACED

1. When an Open Line Wasting asset, the original or improved cost of which was less than the prescribed financial limits, is withdrawn from service and is not replaced, no financial adjustment is necessary. Withdrawal of minor assets.

Withdrawal of major assets.

2. When the *original or improved* capital cost of an Open Line Wasting asset was not less than the prescribed financial limits, Renewals Fund is debited with such cost up to the value of the expired life of the asset, when of a class contributing to Renewals Fund, calculated upon its *original or improved* capital cost without minimum as to amount. The difference between the contribution from Renewals Fund and the original or improved capital cost is charged to Net Revenue Account without minimum as to amount. The sum of the amounts charged to Renewals Fund and Net Revenue (i.e. the original or improved capital cost) is credited to the appropriate head of Capital Account Expenditure, and becomes available for the purchase of additional Capital assets and/or Capital Improvements to existing assets.

Assets required for construction works.

3. A moveable wasting asset acquired purely for the purposes of construction and not disposed of on completion of same, will be brought on to Stores Unallocated at a value to be agreed upon by the Chief Engineer and Stores Superintendent. Should it subsequently be sold or transferred to Open Line, it will be dealt with in accordance with section 6 para. 3 of this Chapter.

SECTION 4—REMOVAL AND RE-ERECTION OF WASTING ASSETS

Allocation of expenditure.

1. The cost of dismantling a wasting asset at one place, transferring it to another place and re-erecting the complete asset there, is charged to Working Account when such cost is less than the prescribed financial limits, and to Net Revenue Account in other cases.

Transfer of part assets.

2. When a wasting asset is dismantled, but only part is transferred and re-erected, the dismantling must be dealt with under section 3 and the transfer and re-erection under section 1 of this Chapter.

Authority for transfer of minor assets.

3. In connexion with the transfer of Assets from one point to another, Heads of Departments will have authority, subject to the cost of such transfer being within their "Powers", to transfer Assets which cost less than the prescribed financial limits, provided such transfer is at the request of the Department using such asset.

Authority for transfer of major assets.

4. The transfer of Assets which cost not less than the prescribed financial limits, shall be referred to the General Manager prior to any action being taken.

SECTION 5—DISMANTLING AND DEMOLITION OF WASTING ASSETS

Allocation of expenditure.

1. The cost of dismantling or demolishing an Open Line Wasting Asset is a charge against the value of the material recovered up to the amount thereof.

2. When the cost of dismantling or demolition exceeds the value of material recovered, the difference, if less than the prescribed financial limits, is charged to Working Account, otherwise to Net Revenue Account.

Allocation when cost exceeds value of material recovered.

3. Any excess in the value of material recovered over the cost of dismantling or demolition is credited to Net Revenue Account.

Credit to Net Revenue Account.

4. When it is impossible to separate the cost of labour employed in dismantling the old asset from the cost of installing the new one, the whole cost of labour so employed shall be borne by the new asset.

Exceptions.

5. The cost of dismantling or demolishing an asset acquired for construction purposes, is a charge against construction funds, and construction funds receive credit for any material recovered.

Demolition of Construction assets.

6. The Estimated value of retrieved material in respect of the dismantling or demolition of wasting assets shall be agreed with the Stores Superintendent before inclusion in the Withdrawal of Asset Form and Demolition estimate.

Inclusion of recovered material values in estimate.

SECTION 6—SALE OF ASSETS

1. The net proceeds of the sale of an open line wasting asset are credited to Net Revenue Account.

Wasting assets.

2. The net proceeds of the sale of non-wasting capital assets will form a credit to the appropriate head of Capital Account expenditure when such amount is not less than the prescribed financial limits, and to Net Revenue Account in other cases.

Non-wasting assets.

3. When an asset which has been acquired for purely construction purposes is sold or transferred to open line, the net proceeds will be credited to the construction estimate if same is still open. If the construction estimate has been closed, credit will be afforded to the appropriate head of Capital Account Expenditure when such an amount is not less than the prescribed financial limits, and to Net Revenue Account in other cases. Should the asset be held on Stores Unallocated, the credits will accrue thereto.

Construction assets.

SECTION 7—MINOR WORKS

1. Minor Works may be defined as new and improved works chargeable to Working Account and include expenditure upon additional and/or improved works, rolling stock, etc., costing less than the prescribed financial limits.

Minor works defined.

2. When the new and/or improved work forms part of a general plan and is applicable to a number of units although the cost per unit is small the aggregate cost of such work should be adopted in relation to the limit prescribed.

Works forming general plan.

CHAPTER III—PROCEDURE

SECTION 1—ADDITIONS, IMPROVEMENTS AND RENEWALS (Including Unforeseen Works)

Submission of proposals.

1. Proposals for all additions, improvements to existing assets and Renewals of existing assets, costing not less than the prescribed financial limits, supported by the full reasons for same, must be submitted to the Management on form K.U.R. 858, in quadruplicate, through the Chief Accountant.

Proposals to be submitted as they arise.

2. As the necessity for New Works ordinarily can be foreseen, proposals must be submitted for consideration as they arise, and not left until the Annual Estimates for an ensuing year are submitted.

Classification of proposals.

3. To enable strict examination of such proposals to be made, Heads of Departments responsible for the proposals will be required to indicate in which of the following categories each proposed item of New Works expenditure for which they seek sanction, falls:—

(a) Those which definitely result in increased earning capacity and/or which reduce working expenses to an extent which justifies the outlay of the amount expended upon them, or are necessary to safeguard existing revenue.

(b) Those which also definitely increase revenue or reduce working costs but which are in the nature of improvements to existing assets the cost of which would not have been materially increased had they been constructed to the improved standard in the first instance.

(c) Investigations, etc. having as their object the extension of services, etc.

(d) Conveniences and necessities and other works not covered by other heads.

Compilation of Proposal Form (K.U.R. 858).

4. Detailed estimates of the savings in expenditure and/or increase in revenue and the general financial effect must be given in respect of each proposal. Such estimates must take into account annual renewal charges as specified in the Renewals Classification and Loan Charges on such Funds as are required.

Cases where detailed estimates savings, etc., not possible.

5. Cases may arise in which detailed estimates of savings, etc., cannot be given in terms of cash. In such instances, the Head of the Department concerned must make out a comprehensive case in justification of the expenditure involved.

Using and constructing Departments to co-operate.

6. It is essential that the Department using the particular asset should co-operate with the Department responsible for the carrying out of the work, in filling in the requisition. If this is done, all assets coming up for renewal, for example, will be fully considered by the Department concerned before the Construction Department proceeds to renew such asset. The same principle applies to additions, alterations, improvements, etc.

7. Such new works as have been approved for inclusion in Abstracts L and M of the printed estimates shall be detailed in Schedules which shall be submitted with the estimates presented to Railway Advisory Council, the Harbour Advisory Board and the High Commissioner for Transport. These abstracts may include a limited provision to cover essential unforeseen works, the necessity for which could not be anticipated.

Compilation of Works Schedule, etc.

8. New Works and Replacements shall only be charged with the cost of any open line establishment salaried staff seconded to such works.

Seconded staff.

9. Additional Technical, Supervising, Accounting, Stores and Clerical salaried Staff, engaged by Department for, or in connexion with, the programme of works authorized under Abstracts L and M shall be charged direct to the work or works on which engaged, and the Chief Accountant advised accordingly. The cost of such staff who cannot be so charged will be distributed over the year's programme.

Additional staff for new works.

10. The cost of all employees, other than salaried staff, who are employed on new works or replacements, will be charged to those works, whether such employees form part of the open line staff or not.

Staff chargeable new works, etc.

11. New works will be charged direct with the cost of all Stores and Materials specially ordered therefore. Stores and Materials drawn from Open Line stocks will be charged at book rates.

Charges for Stores.

12. Spare parts supplied with plant or equipment considered necessary to meet emergencies or for replacing parts in the course of maintenance, although such may be provided for and included in the supplier's price, shall not be charged to the Capital or Renewal cost of the asset, but charged to Stores stock or Working expenses as authorized. This procedure will not apply to new constructions or to items purchased for specific use on Capital extensions and any exception to the general procedure must receive the sanction of the General Manager.

Spares, etc.

13. No freight or hire charges will be raised on works other than the following—

Freight and hire charges.

(a) *Freight Charges.*—New Constructions such as Main or Branch Line extensions and extensions to Deep Water Quays.

(b) *Hire Charges.*—All works chargeable to Betterment, Capital or Loan Funds, when trains, steamers or motor vehicles are specially allocated for use on such works.

Freight and Hire charges as above will be raised at rates based on out of pocket costs and will be fixed by the Management from time to time.

14. When plant or machinery purchased for, and charged to a specific construction work in progress, is loaned for use on another work, agreed hire charges will be raised against the latter and credited to the

Plant hire charges.

former. When plant or machinery on the tools and plant of open line is loaned to new construction, agreed hire charges will be raised and credited to Miscellaneous Earnings.

15. Other than in the cases mentioned above, no departmental hire charges on plant and machinery will be raised.

SECTION 2—ANNUAL ESTIMATES

Procedure re
sanction.

1. All expenditure, whether on Working, Net Revenue, Renewals, Betterment, Capital or Loan Account, must be provided for in the Annual Estimates and where necessary in Supplementary Estimates, for submission to the Railway Advisory Council or Harbour Advisory Board, as the case may be, for consideration and shall, therefore, be transmitted with the recommendations of the Council or of the Board to the High Commissioner for his approval. The Estimates will be submitted to the Legislative Councils of Kenya and Uganda before submission to the Secretary of State for sanction.

New, etc.,
Works Schedules.

2. All Works costing not less than the prescribed financial limits must be detailed in schedules giving a concise description of the work, estimated total cost, estimated expenditure during the year against each Fund separately and estimated expenditure in subsequent years. There may also be included a limited provision to cover essential unforeseen works, the necessity for which could not be anticipated.

Abstracts "L"
and "M".

3. These schedules shall be the basis on which the relative works, expenditure abstracts (Railways L, Harbours M) included in the printed estimates are compiled and shall be submitted to Railway Advisory Council or Harbour Advisory Board, as the case may be, and to the High Commissioner for Transport, in support of such abstracts. Since these schedules are provisional and subject to re-allocation, they need not form part of the printed estimates submitted to the Legislative Councils of Kenya and Uganda and the Secretary of State.

Authority for
variations to
Works Schedules.

4. Variations in the schedules are permissible within the powers of sanctioning authorities and funds made available by reason of savings on the actual cost of works, cancellations and postponements may be utilized for necessary additional works or to cover excesses on individual works with the approval of the proper sanctioning authority.

Annual statement
of variations.

5. An annual statement of variations in the scheduled programme of works and details of works carried out as a charge to Unforeseen provision, shall be submitted to Railway Advisory Council or Harbour Advisory Board as the case may be, and the High Commissioner for Transport, for information, as soon after the close of the relative financial year as possible.

Re-allocation of
works
expenditure

6. The General Manager may approve of re-allocation as between Funds within the limits of the total expenditure sanctioned, provided funds to meet such re-allocations are available.

7. A statement showing the estimated replacement cost and annual renewals contributions under the main classes of the Renewals Classification, shall be included in the annual Estimates.

Statement of
wasting assets.

SECTION 3—EXCESS EXPENDITURE OVER AUTHORIZED WORKING ESTIMATE PROVISIONS

1. Each Head of Department shall report to the General Manager on the approved form immediately it is evident that the annual provision under any main sub-head of their Working abstracts is likely to be exceeded.

Report to
General
Manager.

2. Heads of Departments are entirely responsible for seeing that action on these lines is taken before the excess over annual provision becomes an accomplished fact. They will also be responsible for ensuring that the amount of savings within abstracts necessary to cover authorized excesses is duly earmarked for this purpose and that the amount of excess authorized is not exceeded without further sanction.

Responsibility
of Heads of
Departments.

3. The Chief Accountant will submit to Departments and to the General Manager, monthly statements of expenditure under abstracts and sub-heads, including progressive figures to date. He will direct the attention of Heads of Departments to all cases of excesses (where the excess is cumulative) in a letter covering such statements.

Monthly
reports by
Chief
Accountant.

4. Since adequate financial control can only be exercised departmentally by a reliable system of notation of liabilities against available provisions, Departments must arrange that, in addition to actual expenditure, anticipated liabilities shall be reviewed periodically, to ensure that any tendency towards excess shall be detected before actual over-spending occurs.

Notation of
liabilities.

5. Minor Works will be controlled departmentally under individual items and staff provisions in detail according to the numbers approved in the Annual Estimates.

Control of
minor works,
etc.,
expenditure.

6. The arrangements governing excesses on works are detailed under section 4, paragraphs 2 onwards of this Chapter.

Excesses on
works.

SECTION 4—WORKS ESTIMATES

1. No expenditure may be incurred on any work other than the maintenance of Way and Works, Machinery, Floating Equipment and Rolling Stock, provided for in Working Account, even though approved in the Annual Estimates, until a works estimates has been sanctioned by competent authority.

Sanction
necessary for
expenditure.

2. Estimates for works costing less than the prescribed financial limits, chargeable to Working Account must be submitted on Form K.U.R. 769 through the Chief Accountant, for the sanction of the General Manager. The General Manager, however, may delegate his powers in this respect to Heads of Departments, and in respect of works not exceeding £50 in cost, to Divisional Officers.

Submission of
works estimates.

Refused
Dwh
287-146

Delegation of powers.

3. When such powers are delegated to Heads of Departments, the estimate on Form K.U.R. 769 will be forwarded to the Chief Accountant for certification, after which it will be returned to the Head of Department for sanction.

Petty estimates.

4. Divisional Officers will not submit estimates to Headquarters for certification, but will be given an annual allotment for expenditure on works, and will render a monthly return of petty estimates sanctioned by them, to the Head of their Department and the Chief Accountant.

Sanction for works costing not more than £750.

(b) Estimates for works costing not less than the prescribed financial limits, but not more than £750 must be submitted to the General Manager through the Chief Accountant on Form K.U.R. 265 (b). Such works may be sanctioned by the General Manager within the limits of available provisions, and his powers in this respect cannot be delegated.

Sanction for works costing more than £750.

5. Works exceeding £750 in cost require the recommendations of the Railway Advisory Council or Harbour Advisory Board, as the case may be, and the sanction of the High Commissioner, and must be submitted to the General Manager through the Chief Accountant, on Form K.U.R. 670.

Sanction for urgent works.

7. In cases of great urgency expenditure on individual works, or orders for new rolling stock, plant, etc., costing more than £750, may be incurred on the authority of the High Commissioner for Transport, without prior reference to the Railway Advisory Council or Harbour Advisory Board, but the management will subsequently report the action to the Railway Advisory Council or Harbour Advisory Board, as the case may be. In such cases a complete estimate must be submitted by the Head of Department concerned through the Chief Accountant, accompanied by a Certificate of Emergency (Form K.U.R. 670. A).

Powers of Chief Accountant regarding excesses.

8. The Chief Accountant may pass excesses on estimates up to a limit of 5 per cent subject to a maximum of £25 in any one case, provided that funds are available and that the total expenditure against the estimate does not exceed the powers of the original sanctioning authority.

Supplementary estimates.

9. A supplementary estimate is required when the original estimate is likely to be exceeded by more than 5 per cent or £25, whichever is the lower, and such estimate must receive the sanction of the authority sanctioning the original estimate before any expenditure can be incurred against it.

Reference to original sanctioning authority.

10. When the amount of a supplementary estimate added to the amount of the original estimate would exceed the powers of the authority sanctioning the latter, a revised estimate must be submitted to the authority competent to authorize the combined expenditure, provided that in the case of estimates approved by the Railway Advisory Council or Harbour Advisory Board and sanctioned by the High Commissioner,

the General Manager is authorized to pass Supplementary Estimates for excesses up to 5 per cent or £750, whichever is the lower, without reference to the original sanctioning authority.

11. A revised estimate must be prepared as soon as it becomes evident that there will be savings to the extent of 10 per cent or more on the original estimate, excepting when the work has been completed and a completion report submitted, when a revised estimate is not necessary unless it is desired to appropriate the saving immediately.

Revised estimates.

12. Monthly progress reports on all works costing not less than the prescribed financial limits, must be forwarded to the General Manager on Form K.U.R. 730.

Progress reports.

13. Immediately on completion of a work, a Completion Report on Form K.U.R. 135 must be forwarded to the Chief Accountant for verification as to expenditure, and transmission to the General Manager, or to the Head of the Department concerned, when the estimate has been sanctioned under the authority of the latter.

Completion reports.

14. Credits accruing after verification of the Completion Report will be passed to the general head of the fund or account against which the original estimate was charged.

Credits to expenditure.

SECTION 5—WITHDRAWAL OF WASTING ASSETS FROM SERVICE

1. Except where otherwise authorized by the General Manager, when it is proposed to withdraw from service any wasting asset costing not less than the prescribed financial limits, or rolling stock without minimum as to cost, whether to be replaced or not, application for sanction to the withdrawal of the asset must be made on Form K.U.R. 828 in quadruplicate. When plant, equipment or rolling stock is concerned, a survey report endorsed with the recommendation of a Survey Board, must accompany the application. When an asset is not to be replaced the reason must be given under proposals for replacement. All sanctions to the withdrawal of assets will be serially numbered and these numbers must be quoted on the demolition and replacement estimates.

Sanction for withdrawal of assets.

2. No asset as defined above shall be abandoned or placed out of service for an indefinite period without the sanction of the General Manager. Should it be desired to place a withdrawn asset back into service, the fact should be reported to the General Manager by letter, a copy being sent to the Chief Accountant. The original or improved capital cost of such asset must then be re-capitalized.

Return of withdrawn asset to service.

3. When sanction has been given to the withdrawal of an asset as defined above, an estimate for the cost of demolishing and removing the asset must be sanctioned by competent authority before the work of demolition is put in hand. The demolition estimate deals solely and completely with the old asset, and is provided for under Chapter II, section 5 of these instructions.

Demolition estimates.

Replacement estimates.

4. When the old asset is being replaced at a cost of not less than the prescribed financial limits, an estimate for the cost of the new asset must be submitted on Form K.U.R. 265 or K.U.R. 670 on receipt of the General Manager's sanction to the withdrawal of the old asset. The replacement estimate deals solely and completely with the new asset, and is dealt with under Chapter II, section 2 of these instructions.

Combined demolition and replacement estimates.

5. Replacement and demolition estimates may be combined as one estimate only when the withdrawal of the old asset is an essential preliminary to installing the new asset.

Withdrawal of minor assets not to be replaced.

6. When an Open Line asset the original or improved cost of which did not exceed the prescribed financial limits, is withdrawn from service and not replaced no financial adjustment is necessary.

Withdrawal of major assets not to be replaced.

7. When the *original or improved* capital cost of an Open Line Wasting asset was not less than the prescribed financial limits, Renewals Fund is debited with such cost up to the value of the expired life of the asset, when of a class contributing to Renewals Fund, calculated upon its *original or improved* capital cost without minimum as to amount. The difference between the contribution from Renewals Fund and the original or improved capital cost is charged to Net Revenue Account without minimum as to amount. The sum of the amounts charged to Renewals Fund and Net Revenue (i.e. the original or improved capital cost) is credited to the appropriate head of Capital Account Expenditure, and becomes available for the purchase of additional Capital Assets and/or Capital Improvements to existing assets.

Assets acquired for construction works.

8. A moveable wasting asset acquired purely for the purposes of construction and not disposed of on completion of same, will be brought on to Stores Unallocated at a value to be agreed upon by the Chief Engineer and Stores Superintendent. Should it subsequently be sold or transferred to Open Line, it will be dealt with in accordance with Chapter II, section 6, para. 3.

SECTION 6—STORES, ETC., RENDERED REDUNDANT DUE TO THE WITHDRAWAL OF ASSETS FROM SERVICE

Redundant stores, etc., to be surveyed.

1. When any Stores and/or equipment are rendered redundant on account of the withdrawal of assets from service, they should be surveyed before the withdrawal of assets is approved.

Action in respect of stores, etc., relative to minor assets.

2. If the original or improved cost of Plant, Equipment or Rolling Stock to be withdrawn is less than the prescribed financial limits, survey reports in respect thereof must be submitted to the Stores Superintendent before the assets are surveyed, to enable the Stores Superintendent to report on the existence or otherwise of stores affected by the proposed survey.

3. The withdrawal of assets form and, where necessary, the Survey Report, must be submitted in the first instance to the Stores Superintendent with a statement giving the following information:—

Action in respect of stores, etc., relative to major assets.

- (a) Details of assets of type similar to that to be withdrawn for which spares, etc., should be maintained.
- (b) Whether the withdrawal of the asset effects the use of normal maintenance stores and/or hand tools.

4. On receipt of the information referred to in para. 3 above, estimates of existing stocks of specific spares and general stores affected will be compiled by the Stores Superintendent and forwarded to the Department concerned to advise whether an alternative use can be found for the stocks or whether such spares, etc., will be rendered redundant by the withdrawal of the asset.

5. If no stocks of spares and general stores exist, the Stores Superintendent will endorse accordingly on the withdrawal of asset form or Survey Report as the case may be. If such spares or stores do exist, the Stores Superintendent will arrange for a survey board.

CHAPTER IV—SUMMARY OF ALLOCATIONS OF EXPENDITURE

WORKS	Allocation	Reference to Instructions		
		Chapter	Section	Paragraph
(a) DEBITS				
1. Maintenance and Repairs	Working Expenditure	I	1	1
2. Renewal of Minor Assets (i.e. Assets the replacement cost of which is less than prescribed financial limits).	Working Expenditure	I	1	3
		II	2	1
3. Renewal of any Asset not classified as Renewals Fund Contributing Asset : (a) if cost of replacement is less than prescribed financial limits	Working Expenditure	I	1	3
		II	2	1
(b) if cost of replacement is not less than prescribed financial limits.	Betterment Funds	I	4	2
4. Renewal of Assets classified as Renewals Funds Contributing Assets :— (a) When cost of replacement is less than prescribed financial limits.	Working Expenditure	I	1	3
		II	2	1
(b) when cost of replacement is not less than prescribed financial limits.	Renewals Funds—to extent of renewal in kind ;	I	3	1, 3
		II	2	2
5. Replacement on account of obsolescence not catered for in Renewals Fund or following destruction by accident of assets classified as Renewals Funds contributing assets when replacement cost not less than prescribed financial limits.	Balance to :— Betterment, Loan or Capital.	II	2	4
	Renewals Fund— Replacement in kind without minimum.	I	3	12
6. Replacement of Assets classified as Renewals Funds contributing assets with assets of : (a) Greater Capital Value	Net Revenue Account— Balance subject to prescribed financial limits.	II	2	3
	Working Expenditure— Balance if less than prescribed financial limits.	I	2	2
		II	2	3
(b) Lesser Capital Value	Working Account— Renewals in kind if less than prescribed financial limits.	I	1	3
	Renewals Fund— Replacement in kind	II	2	1
	Betterment, Capital Account or Loan Funds— Balance ; subject to prescribed financial limits.	I	3	3, 11
	Working Account— Balance if less than prescribed financial limits.	II	2	4
	Renewals Fund—Expired Life	I	3	3, 11
	Net Revenue Account—Balance.	II	2	4
	Capital Account—Cost of new asset if not less than prescribed financial limits.	II	3	2
	Working Account—Cost of new asset if less than prescribed financial limits	II	2	5

WORKS	Allocation	Reference to Instructions		
		Chapter	Section	Paragraph
7. Additional Assets :—				
(a) When cost is less than prescribed financial limits	Working Expenditure . . .	I II II	1 1 7	4 1 1
(b) When cost is not less than prescribed financial limits	Betterment, Capital Account or Loan Funds.	I I II	4 5 1	2 3 1
(c) When individually cost less than prescribed financial limits but dealt with on "general plan" basis.	Betterment, Capital Account or Loan Funds	I I I II II	1 4 5 1 7	1 2 3 2 2
8. Additions and Improvements to existing Assets :—				
(a) Costing less than prescribed financial limits	Working Expenditure . . .	I II II	1 1 7	4 1 1
(b) Costing not less than prescribed financial limits.	Betterment, Capital Account or Loan Funds.	I I II	4 5 1	2 3 1
(c) When individual cost less than prescribed financial limits but dealt with on "general plan" basis.	Betterment, Capital Account or Loan Funds.	I I I II II	1 4 5 1 7	4 2 3 2 2
9. Withdrawal of Assets from service when not replaced :—				
(a) When original or improved cost less than prescribed financial limits.	No financial adjustment	II III	3 5	1 6
(b) When original or improved cost not less than prescribed financial limits.	Renewals Fund— Value of expected life without minimum. Net Revenue Account— Balance without minimum	I II III I II III	3 3 5 2 3 5	13 2 7 1 2 7
(c) Miscellaneous assets acquired purely for construction purposes.	Stores Unallocated— Value to be agreed by Chief Engineer and Stores Superintendent.	III	5	8
10. Cost of dismantling or demolition of assets :—				
(a) When cost is less than value of retrieved material.	Net Revenue Account	I II	2 5	4 1
(b) When cost exceeds value of retrieved material but the difference is less than prescribed financial limits.	Working Expenditure . . .	I II	2 5	4 2
(c) When cost exceeds value of retrieved material but the difference is not less than prescribed financial limits.	Net Revenue Account	I II	2 5	4 2
(d) Assets acquired for construction purposes.	Construction Funds	II	5	5

WORKS	Allocation	Reference to Instructions		
		Chapter	Section	Paragraph
11. Cost of retrieving scrap material in course of ordinary maintenance.	Working Expenditure.. . . .	I	2	5
12. Cost of Sale of Open-Line Assets :—				
(a) Wasting Assets	Net Revenue Account	I	2	6
		II	6	1
(b) Non-wasting Assets	Capital Account if net proceeds is not less than prescribed financial limits.	II	6	2
	Net Revenue Account if net proceeds is less than prescribed financial limits.	II	6	2
13. Cost of disposing of Assets acquired for purpose of construction.	Construction Funds, if estimate open.	II	6	3
	Otherwise—	III	5	3
	Capital Account, if proceeds not less than prescribed financial limits.	II	6	3
	Net Revenue Account, if proceeds less than prescribed financial limits.	III	5	3
	Stores—Unallocated	II	6	3
		III	5	3
14. Cost of Removal and Re-erection of Assets :—				
(a) Complete Assets	Working Expenditure if less than prescribed financial limits.	II	4	1
	Net Revenue Account, if not less than prescribed financial limits.	II	4	1
(b) Part Assets	Working Expenditure, if less than prescribed financial limits.	II	1	1
		II	4	3
	Betterment, Capital Account or Loan Funds, when not less than prescribed financial limits.	II	1	1
		II	4	2
15. Contributions required to maintain Renewals Funds.	Working Account	I	1	2
		I	3	2, 4, 5, 6, 7, 8 (f), and 9
16. Spares, etc., supplied with plant or equipment :—				
(a) Open Lines	Stores unallocated or Working Expenses	III	1	12
(b) New Constructions	Construction Funds	III	1	12
17. Urgent and Essential Works when no Renewals, Betterment, Capital Account or Loan Funds available.	Working Expenditure.. . . .	I	1	5

WORKS	Allocation	Reference to Instructions		
		Chap-ter	Sec-tion	Para-graph
18. Plant Hire Charges	Relative Work	III	1	14
(b) CREDITS				
1. Scrap and Material recovered from ordinary Maintenance.	Net Revenue Account	I	2	5
2. Materials recovered from assets with drawn from service.	Net Revenue Account	I II	2 5	4 2
3. Sale of Open Line Wasting Assets.	Net Revenue Account	I II	5 6	8 1
4. Sale of Open Line Non-wasting Assets.	Net Revenue Account, when less than prescribed financial limits. Appropriate head of Capital Account when not less than prescribed financial limits.	II II	6 6	2 2
5. Sale of assets acquired for purely construction purposes. (a) When relative estimate open (b) When relative estimate closed.	Construction Estimates Capital Account if not less than prescribed financial limits. Net Revenue Account—if less than prescribed financial limits. Stores—Unallocated	II III II III II	6 5 6 5 6	3 8 3 8 3
6. Assets contributing to Renewals Funds replaced by Assets of lesser value.	Capital Account	II	2	5
7. Wasting Assets withdrawn from service and not replaced or replaced with a lesser Capital Value.	Capital Account if original or improved Capital cost was not less than prescribed financial limits. No financial adjustment if original or improved cost was less than prescribed financial limit.	II III II	3 5 3	2 7 1
8. Material recovered from dismantled or demolished construction assets.	Construction Funds	II	5	5
9. Hire charges for construction work plant and machinery loaned to other works.	Construction Funds	III	1	14
10. Tools and plant of open lines loaned to new constructions.	Traffic Account—Miscellaneous	III	1	14
11. Credits accruing after verification of completion report.	General head of relative fund or account.	III	4	14

APPENDIX I

EXTRACTS FROM 1935 RENEWALS COMMITTEE REPORT

Determination
of lives to be
adopted.

57. The first matter for consideration after the completion of the registers was the examination of the lives of the assets that were suggested by the different departments, and to determine what lives should be adopted.

Basis of lives.

58. In fixing lives little reference was paid by us to the lives adopted by other Railways, as sufficient data now exists on this Railway to enable a close assessment of lives under the particular conditions which apply here to-day, or are likely to apply during the next five years.

Bridges.

59. The lives of major bridges have been extended over those adopted by the 1929 Committee:—

	1929	1935
Steel	50 years	66.2/3 years
Concrete and Masonry	100 years	200 years

Minor bridges remain at 100 years except for corrugated iron culverts which have been placed at 30 years.

Fencing.

60. Fencing in 1929 was placed at 12½ years. This, on further examination of actual fencing, has been extended to 30 and 20 years according to class of fencing.

Telegraphs.

61. The Government Chief Telegraph Engineer made a detailed survey of all equipment and recommended the various lives shown in the list of classifications. The 1929 assessment took no account of the difference in lives between steel and wooden poles or wires, and was not the result of a detailed investigation.

Permanent way.

62. The lives of the different components of permanent way have not been altered materially, but rail joints are now shown as separate items and branch line lives are now differentiated from main line lives and have been extended; these amendments have followed as a result of actual experience.

Buildings.

63. The lives of temporary buildings have been extended from 25 to 30 years, but permanent buildings have been shortened slightly from 100 to 90 years. Partial renewals of roofs and floors have been allowed for, where necessary.

Station
machinery.

64. Station machinery has been given varying lives according to the nature of the asset. In 1929 all items under this head were given the same life of 22 2/9 years. It is now found that the lives under this head vary from 100 to 15 years.

Water supplies

65. Water supplies, previously classed as station machinery, have been treated as a separate sub-head.

The lives attached to pipe lines, calls for comment. It has been found that pipe lines laid just over 40 years ago are still in good condition; this is contrary to other local experience. We, however, recommend following our own experience and place the lives at 40 years; it is possible that, with larger pipe lines, another classification may have to be added. Most of our pipe lines at present are of G.I. pipes, varying from 4 inches to 2½ inches diameter.

66. Plant and workshop machinery have been divided into many classes of varying lives, instead of one class, in the 1929 valuation.

Plant and workshop machinery.

67. On the advice of the Locomotive Superintendent, who was acting as Chief Mechanical Engineer, we have extended the lives of locomotives from 20 to 25 years. In 1929 the lives of locomotives were placed at 25 years, but this allowed for one intermediate boiler replacement. This was equivalent in contribution to the Fund on a life of 20 years.

Locomotives

The Locomotive Superintendent states that, in actual practice, this intermediate boiler replacement has not been required; generally speaking, throughout the country the quality of the water used in the boilers is such that little or no deterioration in that account takes place, and boilers therefore will last out the engines they serve.

68. We have recommended no change in the lives of carriages and wagons, as practice has borne out the theoretic lives placed on these assets by the 1929 Committee.

Carriages and wagons.

69. Lake piers and jetties have now been classified according to the materials of which they are built and, consequently, have varying lives; previously the lives were based on the weakest material used, namely, timber.

Jetties and ferries.

70. The lives of the major craft have not been changed, but it has been found necessary to shorten the life of light plated shallow draft vessels; previously marine workshop machinery was included with the floating plant and its life was, therefore, placed too long. It is now classified under varying heads with appropriate lives.

Light marine vessels.

71. No important alterations in the lives of major harbours assets is recommended, but the greater detail of the classification of the assets has led to more discrimination in fixing lives of many of the lesser assets.

Harbours.

72. The next problem that arose was in attaching values to items acquired in pre-war times. In many cases no original individual costs were known and, in other cases, the original costs bore no relation to present-day replacement costs. It was therefore decided that though original costs, where known, were to be recorded, that a valuation of present-day replacement costs should be also made and recorded.

Replacement costs.

73. On examination and after careful consideration of the replacement costs, as compared with original costs, we decided to recommend

Basis recommended.

that the former should be adopted for the purpose of assessing the annual contribution necessary to maintain adequate Renewal Funds, and our figures consequently have been based accordingly.

Basis of contribution to follow withdrawals.

74. It may here be noted that withdrawals from the Fund have always been on the basis of present-day replacement costs, so it is only logical to build up a fund on the same basis.

Assessment of replacement costs.

76. Prices in 1934 and 1935 were definitely low, so, to provide a margin of safety, the average values attached to the assets have been put at 10 per cent over present-day prices.

Time-expired machinery.

77. A point that arose from the examination of previous withdrawals from the Fund and statements of overdue renewals, was that little use was being made of the Fund for replacing time expired machinery. Machinery was provided for in the Fund but, owing to the low cost of individual items, under existing regulations, could not be renewed from the Fund except as group assets; and the group classification does not appear to have been suitable. It will be seen from Appendix No. 5 that the minimum value of an asset to be renewed from the Fund is £250. We therefore recommend that for machinery the minimum value be placed at £100, and all our calculations have been made on the assumption that this will be agreed to.

Utility of registers.

78. It is worth noting here that the registers, as now compiled, have a very definite value in themselves, quite apart from their value as a catalogue of wasting assets. For example, many contain detailed descriptions of the items and details of maintenance costs.

Group assets.

82. Points and crossings and turnout sleepers are allowed for as group assets, also many other small items. Ballast, though contributions are based on a 30 years life, is renewed at the rate of 1/5th every sixth year, instead of a full renewal every thirtieth year.

Partial renewals.

83. Partial renewals are allowed for by treating the short lived portion of the asset as a separate asset and assessing the main asset without the inclusion of the short lived portion. Wherever possible the short life has been placed as a definite proportion of the main life.

Assets acquired second-hand.

84. In every case of second-hand assets the contribution has been calculated on a full new replacement cost for a full life, so that at the end of its second-hand life it can be renewed by another second-hand asset from the fund accrued, or a new asset partly subscribed to from new capital.

Normal obsolescence.

85. *Normal obsolescence* has been taken into account in fixing the lives of assets. The estimated life is not, necessarily, the life at which the asset will become completely worn out but is the life during which the asset can be made to render useful and efficient service. The chief items where obsolescence is of considerable importance are locomotives, prime movers and all classes of machinery, and we consider that the lives we have recommended for these classes of assets provide the necessary safeguard against normal obsolescence.

86. *Exceptional obsolescence* is not allowed for, nor do we recommend so doing. If new inventions and discoveries render certain assets uneconomical to retain, a case for new capital expenditure would be justified and the only part of the expenditure for these new assets chargeable to the Renewals Fund should be the accrued depreciation on the time expired portion of the life of the abandoned asset, the unexpired life being dealt with as provided in the Expenditure Instructions, 1934, Part I, section 2, para. 3, which states as under:—

Exceptional
obsolescence.

“3. With the sanction of the Secretary of State an exceptionally heavy charge against Net Revenue Account in respect of assets withdrawn and not replaced may be spread over a number of years instead of being met in full in the year in which the assets are retired.”

RECOMMENDATIONS

1. That the basis of contribution to the Fund be on replacement costs in place of original costs. This is urgent and should be adopted forthwith, to operate from the 1st January, 1936 (see paras. Nos. 72 to 73).

2. That the revised lives and valuations be accepted. This is also urgent and should be adopted forthwith to operate from the 1st January, 1936 (see paras. Nos. 72 to 73, 76).

3. That the minimum value of assets included in the Fund should be £100, in place of £250, in the case of workshop machinery and certain items of plant noted in the schedule of classifications. This is urgent and should be adopted forthwith (see para. 77).

4. That obsolescence be only catered for to the extent of basing lives on the period that the asset can render useful and economic service, though quite possibly the asset will not be worn out at the end of the period (see paras. Nos. 85 and 86).

7. That partial renewals of assets should only be permitted in cases where partial renewal has been allowed for in assessing contributions (see para. No. 83).

8. That premature renewal should be allowed if the asset is definitely worn out (but not on account of obsolescence—Recommendation 6).

9. That very definite instructions be issued to departments to safeguard completely the maintenance of the registers of wasting assets (see paras. Nos. 54, 55, 56, 78 and 79).

10. That consideration be given to the extension of wasting asset registers to include maintenance costs where it is advantageous so to do (see paras. Nos. 54, 55 and 56).

11. That lives and costs should be examined and re-assessed, where necessary, every five years, and should be reviewed at any intermediate time when market upheavals occur.

12. That the whole Fund should be reviewed every ten years, the next review to be completed in 1945, and at these ten-yearly reviews withdrawals of surplus funds should be made, or such other adjustment in contribution as may be most advantageous at the particular time. On the other hand, if a shortage in the Fund is revealed at these reviews, steps would be taken to make good this shortage by, either, the transfer of a lump sum to the Fund or by increasing the contributions of the future.

13. That a Standing Renewals Fund Committee is formed, composed of the Chief Engineer, the Chief Mechanical Engineer and the Chief Accountant, a Chairman being appointed from time to time from that number, by the General Manager, and that this Committee's function *inter alia* would be to satisfy themselves that all departments were maintaining in satisfactory form and condition the registers of the wasting assets (without which the recommendations Nos. 11 and 12 can only be applied with difficulty and expense).

14. That a particular examination be made of workshop machinery to discover if—

(a) Uneconomic and life expired machines are in use.

(b) If time expired and unwanted machines have been side-tracked instead of being written off. This applies to all departments (see para. No. 117).

15. That Heads of Departments should call for reports annually on the condition of time-expired units, in order to eliminate uneconomic repairs and redundant assets, thus ensuring that all assets in service shall be "live" assets and also to enable them to adjust lives on the five yearly examination (see paras. Nos. 109 and 117).

16. That no reduction of contribution to the Fund should be made on account of time-expired but serviceable items, as the accumulation of funds by this will finance premature decay when this occurs, any surplus accruing by this procedure being re-appropriated at the ten yearly review mentioned in Recommendation 12 (see paras. Nos. 109, 120 and 121).

17. That rolling stock permanently utilized for internal Harbour work shall, where possible, be life expired units ex traffic working and that such units shall be written out of Capital Account via the Renewals Fund, thus making them non-contributing assets. This applies to existing vehicles. Non-life expired vehicles, permanently utilized for internal Harbour work, shall continue to contribute to the Renewals Fund on the same basis as other rolling stock as a charge to Harbour Working Account.

G. O.

38179/4/37

Mr. Flegg. 2748

Mr.

Mr.

Sir H. Moore.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Perms. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DOWNING STREET.

30. October, 1937.

G. D.
R 27 OCT
D 50

Sir,

DRAFT.

TRANSPORT
KENYA-UGANDA
NO. 107.
HIGH COMMISSIONER

I have etc. to acknowledge the receipt of your despatch No. 89 of the 30th of September, from which I note that it is not considered practicable to state what salary ~~and~~ staff, if any, is likely to be specially engaged in connexion with the programme of works to be undertaken during any given year.

2. The object of scheduling such staff in the Estimates is to make certain that particulars of all personal emoluments which are to be met from public funds should be brought to the notice of the Legislature, and this principle is generally accepted as part of the system

Copy to D.C.A. 7

FURTHER ACTION.

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system of financial control in this country.
Further, in the case of Colonial ^{can} expenditure,
it is provided in Colonial Regulation No. 282
that a schedule, showing the salaries of any
staff specially engaged for loan works should
be appended to the General Estimates of the
Colony and receive the approval of the Legislature
and the sanction of the Secretary of State,
and there would appear to be no special reason
for excepting from this regulation the administration
of a Railway which is carrying out a programme
of capital works.

3. I can appreciate, however, that in
the case of ordinary capital works which are
being carried out by the Railway and which may
be brought to completion without engaging extra
staff (a matter which must obviously be left for
decision until the work is actually undertaken and
it can be seen whether extra staff is, in fact,
required or not) there may be considerable difficulty
in stating in advance what staff will be required. ♦
Accordingly I do not wish to press the suggestion,

but

C. O.

Mr.

Mr.

Mr.

Sir H. Moore.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Parli. U.S. of S.

Parly. U.S. of S.

Secretary of State.

DRAFT.

but you will realise that if any
large work, which certainly will
involve the engagement of special staff
(such as a force of engineers to carry
out a piece of new construction), is
undertaken in the future, an attempt
should be made to indicate what special
staff will be required for the
undertaking. A very distinct of number
of staff is all quite apparent.
I have, etc.

(Signed) W. ORMSBY GORE.

FURTHER ACTION.

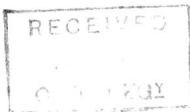
TRANSPORT

KENYA-UGANDA

NO. 89

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
GOVERNMENT HOUSE,
NAIROBI,
KENYA.

30th September, 1937.



Sir,

3. I have the honour to acknowledge the receipt of your despatch of the 3rd September, Transport No. 78, and to inform you that I am advised by the General Manager that it is practically impossible to state, some six to eighteen months before works are commenced, what salaried staff, if any, will be specially engaged in connexion with the programme of works to be undertaken during any given year. It is difficult, moreover, to appreciate the object or advantages of scheduling such staff in the Estimates, except perhaps where large works or new construction, requiring a special organization of their own, are concerned.

2. It would, however, be possible to include in the Estimates a list of the salaried staff actually employed on works at the time when the annual Estimates are prepared, if any advantage is thought to be derived from such a course. A list is attached, by way of example, of the salaried staff at present charged to Works.

3. I shall be grateful for your further observations on this question, in the light of the foregoing remarks.

I have the honour to be,

Sir,

Your most obedient, humble servant,

HIGH COMMISSIONER

THE RIGHT HONOURABLE
W.G.A. ORMSBY GORE, M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET, S.W. 1.

38

ENGINEERING DEPARTMENT.

LIST OF SALARIED STAFF CHARGEABLE TO WORKS.

Name	Designation	Salary p.a.
<u>EUROPEAN:</u>		
Mr. M.L. Brown	Temporary Inspector of Works	£ 420
Mr. D.J. Biljen	Temporary Inspector of Works	360
Mr. J.B. Drummond	Temporary Inspector of Works	360
Mr. C.E. Purcell	Temporary Permanent Way Inspector	432
MR. H.G. Plant	Temporary Permanent Way Inspector	360
Mr. J.P. Kelly	Temporary Permanent Way Inspector	360
Mr. J.D. Killian	Temporary Permanent Way Inspector	360
<u>ASIAN:</u>		
Mr. Mohamed Shariff	Temporary Junier Surveyer	60
Mr. Amar Raj Varma	Temporary Surveyer	162
Mr. Mahbuli Allam	Temporary Sub-Overseer	162
Mr. Mesar Singh	" " "	162
Mr. Khusal Singh	" " "	162
Mr. Purnam Singh	" " "	162
Mr. Amritsaria Ram	" " "	162
Mr. Iqbal Ali Shah	Temporary Sub-Permanent Way Inspector	108
Mr. C.M.J. Mendonca	Temporary Sub-Permanent Way Inspector	117

TRANSPORT

KEA. A-UGANDA

No. 78

Downing Street.

August, 1927.

3 SEP 17

Sir,

In continuation of my despatch No. 70 of the 31st of July, I have the honour to inform you, in connection with the revised instructions governing the allocation of expenditure in connection with new and additional works etc., that my attention has been drawn to the desirability of including in some suitable place in the Estimates a schedule of the salaried staff specially engaged in connection with works which may be included in Abstracts L and M. In Chapter III (1) paragraph 9, it is stated that additional staff engaged in connection with the programme of works under Abstracts L and M shall be charged direct to the works, and this procedure is, of course, correct. It is desired, however, that there shall be a list of such staff, together with their salaries, with a note to the effect that these salaries are included in the cost of the works.

I have the honour to be,

Sir,

Your most obedient

humble servant,

COMMISSIONER FOR TRANSPORT,

KENYA-UGANDA.

C. O.

38173/4/37.

2

Mr. Grossmith. 25/7
Mr. Plakin 23/7
Mr. ~~Ward~~
m: Flood 24/7
Sir H. Moore.

Ans. (6)

DOWNING STREET.

21 July, 1937.



Sir G. Tomlinson.
Sir C. Bottomley.
Sir J. Shuckburgh
Permt. U.S. of S.
Parly. U.S. of S.
Secretary of State.

Sir,

No 1
1936 file

DRAFT.

TRANSPORT
KENYA-UGANDA
NO. 70
HIGH COMMISSIONER

I have etc. to acknowledge
Sir Joseph Byrne's
the receipt of your despatch No.89
of the 18th of November, and to convey
to you my approval of the draft ~~of the~~
revised edition of the Instructions
~~Governing~~
~~Concerning~~ the Allocation of Expenditure
in connexion with New and additional
Works, Replacements, Withdrawals, etc.

omit
amendment

yes

2. I observe that an important
amendment has been introduced into
Section 2 of Chapter III of the
revised edition with regard to the
Schedules of New ~~etc~~ Works. It is
pointed out in the ~~list~~ ^{list} of amend-
ments which accompanied your despatch,
that the old Instructions provided
that the Schedules shall form part of
the printed Estimates, whereas the

FURTHER ACTION.

Revised

~~revised Instructions provide that the Schedule shall not form part of the printed Estimate approved by Legislative Council and the Secretary of State, but shall be approved by the Railway Advisory Council, the Harbour Advisory Board, and the High Commissioner for Transport, and the variations from the Schedule shall be reported annually to those authorities. In view of your explanation for the need for this amendment, I have no desire to withhold my approval.~~

2. ~~X~~ I take this opportunity to

acknowledge the receipt of your despatch No. 44

of the 11th of May, and to ^{inform} convey to you ~~my~~ that I concur in the proposed alterations to the draft Instructions which have ~~been prepared to give effect to the recommendation~~ ~~approval of your proposal~~ that freight charges

be abolished in respect of all ^{New} Works,

other than new constructions, such as main or

branch line extensions and extensions to deep

water quays. ~~I also approve the amendment~~

~~of the draft Instructions designed to effect~~

~~this change.~~

I have, etc.

(Signed) W. CORMSBY GORE.



TRANSPORT

OFFICE OF THE HIGH COMMISSIONER FOR TRANSPORT,
GOVERNMENT HOUSE,
NAIROBI,
KENYA.

KENYA-UGANDA

RECEIVED
19 JUN 1937
C. O. REGY

NO. 44

11th May, 1937.

Sir,

I have the honour to refer to Sir Joseph Byrne's despatch No.89 of the 18th November, 1936, in which was submitted for your approval the draft of a revised edition of the Instructions Governing the Allocation of Expenditure in connexion with New and Additional Works etc.

2. Under the Instructions at present in force, it is provided that freight charges at three cents per ton per mile will be raised on all stores and material for works chargeable to Betterment or Loan Funds; that hire charges will be raised when trains, steamers or motor vehicles are specially allocated for use on new works; and that no freight or hire charges will be raised in the case of works chargeable to Revenue or Net Revenue Account or Renewals Funds. Similar instructions are contained in Chapter III, Section 1, of the revised Draft submitted by my predecessor for your approval.

3. This practice of raising freight charges in certain cases on stores and material required for New Works has recently been under review. The conclusion arrived at is that while in the case of new construction, e.g. main and branch line extensions which open up new sources of revenue, the raising of freight charges is justified, in the case of works to be carried out for the purpose of increasing or improving existing facilities, the practice is not justified. The revenue involved is not considerable, being £2,241 in 1935 and £3,141 in 1936, and does not warrant the clerical work involved; moreover, in practice, it is found very difficult to estimate in advance the freight charge on any particular work, and, in addition, the practice

Amad - (2)

THE RIGHT HONOURABLE
W.G.A. ORMSBY GORE, M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET, S.W.1.

is-complicated when works are chargeable partly to Capital and partly to Renewals or Revenue. These complications are added to under the system of grouping of works which form part of a general plan.

4. It is, therefore, recommended that freight charges be abolished in respect of all New Works other than new constructions, such as main or branch line extensions and extensions to deep water quays, and copies are enclosed of alterations to the draft instructions designed to effect this change.

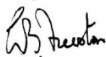
5. In his despatch, Transport No. 20, of the 21st February, 1935, Sir Philip Cunliffe-Lister (now Lord Swinton) agreed that minor alterations in departmental procedure, not affecting approved principles, might be sanctioned by the High Commissioner without reference to the Secretary of State. In the present case, which you will no doubt agree falls within this category, the Auditor has been consulted in regard to the proposed alterations, and has expressed his concurrence.

6. In the circumstances, I have approved of the change in procedure, with effect from the 1st April, 1937. I trust that your sanction for the revised edition of the Instructions will be forthcoming at an early date.

I have the honour to be,

Sir,

Your most obedient, humble servant,



HIGH COMMISSIONER

REVISED EXPENDITURE INSTRUCTIONS.

1. Delete paras. 13, 14 and 15 Chapter III Section 1 and
Insert:-

Freight and
Hire charges.

13. No freight or hire charges will
be raised on works other than the
following:-

(a) Freight Charges. New constructions
such as Main or Branch Line extensions
and extensions to Deep Water Quays.

(b) Hire Charges. All works chargeable
to Betterment, Capital or Loan Funds,
when trains, steamers or motor
vehicles are specially allocated for
use on such works.

Freight and Hire charges as
above will be raised at rates based
on out of pocket costs and will be
fixed by the Management from time
to time.

2. Alter paras. 16 and 17 Chapter III Section 1 to read
14 and 15.

3. Chapter IV. Summary of Allocations of expenditure
Items 18 (Debit) and 9 and 10 (Credit)
Delete Paragraph 16 and Insert 14.