

1930.

Kenya

C.O. 533/402

No. 16285

SUBJECT



Mombasa Town Planning.

Previous

15668/29.

See 16214/30. (Nakuru Water Supply)

Subsequent

3123/33.

1. Gov. Conf. 119. 14th Aug. 30. 2.

Submits obsens. on and encls. a Memo. by the Commr. for Local Govt., Lands and Settlement, setting out fully the grounds on which it is considered that the Govt. shd. assist the Mombasa Municipal Board.

The question of the rate of interest borne by us in connection with the Mombasa Water Works (see 16244/30)

I think Mr Bayles might be able to help us this as I have drafted an Mo, which shd go thro' your hand to Mr Bayles

J.W. Allen

W/ta atance

2. To H. L. Bayles - cons. so. 8 OCT 1930

[Handwritten initials]

6214/30



3. Copies of 5 & 4 regd also on 16214/30. Nakuru Water Supply.

Note of discussion with Mr. Bayles on the 10th. October, 1930.

4. Memorandum by Mr. Allen dated 30th. October, 30.

This must now await the decision on the Local Sat. (L.S.O.) Order to Rural town question

Noted for 1/11/30 J.A. Allen

Noted on file sheet

Note on file sheets

Please see this with 15963/30 as to the Local Government Loans Ordinance, and 16214/30, which raises somewhat similar questions in regard to the Nakuru Water Supply.

Provided that the Treasury approve the necessary provision in the further Loan Programme, and Sir John Campbell takes no exception to the method of repayment, (see in this connection the first two paragraphs on page 3 of No. 9 of 15963/30), ? proposals in this despatch can be approved, subject to the actual interest rate being reviewed, and if necessary revised to base on the cost to the Government of the actual loan or loans to which the moneys are to be charged (see 2, 3 on the file).

W.S.

It is proposed to give effect to the suggestion that the Municipality be endowed with Crown land.

all the same 29.11.30

Subject to phone on 15963/30, as proposed. W.S. 20.12.30

Supplies from water 17/11

5. 1/2. Gen. Insp. - 1. Approved - 12 MAR 1931

Kenya

O.O.

Mr. Allen. 4/7/31

Mr. ~~Robinson~~

Mr.

Mr. Tomlinson.

Sir C. Bottomley.

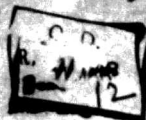
Sir J. Shuckburgh.

Sir G. Grindle.

Permt. U.S. of S.

Partly. U.S. of S.

Secretary of State.



DOWNING STREET,

~~February, 1931~~

12 MAR 1931

Sir,

I have, etc., to refer to Sir Edward Grigg's confidential despatch No. 119 ⁴³⁰ of the 14th August regarding the proposed loan to the Mombasa Municipal Board for Town Planning ^{and} the improvement of Mombasa Old Town.

2. I have also to refer to my *Confidential despatch No. 70 of the 5th March* in which I have conveyed to you approval of the Colony loan programme generally, including for the above mentioned purposes a total sum of £250,000, i.e. for Town Planning £200,000, for Mombasa Old Town £50,000.

3. Also in my despatch No. ¹¹⁶ of the 13th February

regarding

DRAFT.KENYACONFIDENTIAL

O.A.G.

(No.1)


*79
16/10/30*

*(This has been held up
in approval to loan
programme)*

*9
15/6/30*

regarding the Local Government
(Loans) Ordinance I have laid
down certain conditions with
regard to the grant of loans to
Municipal bodies; and subject
to those conditions I have to
convey to you my approval of the
proposals in paragraph 4 of Sir
E. Grigg's despatch ^{to} ~~of~~ regards the
rate of interest, I assume that,
in this case, no definite commit-
ment has been entered into with
the Mombasa Municipal Board, in
which ~~case~~ ^{event} it must be understood
that my approval is given subject to
the rate of 5½ per cent being
reviewed later, ~~and, if necessary,~~
~~revised~~ in the light of the cost
to the Government of the actual loan
or loans to which the moneys are
charged.

4. I also approve the proposal
in paragraph 5 of Sir Edward Grigg's



despatch with regard to the adjustment of the expenditure incurred from time to time from revenue for the purpose of the preparation of the Mombasa valuation roll.

5. As regards paragraph ³/₅ of Sir Edward's Grigg's despatch, I request that reference may be made to the Secretary of State if later it is proposed to give effect to the suggestion that the Municipality should be endowed with Crown lands.

I have, etc.

Memorandum

46

No. 7 of
15668/29.

It has already been agreed in the case of the
Mombasa loans to relieve the Municipal Board of all
interest charges up to 31st December 1928.

It is now proposed:-

(a) that advances should bear interest at the
rate of $5\frac{1}{2}$ per cent from the 1st January 1929 up to
the 30th June 1933, the Government recovering half only
of such interest - no redemption charge being made in
this period.

(b) from the 1st July 1933 the loan to be
redeemed by 80 half yearly instalments on the basis of
an equated system of payment - the half-yearly payment
(interest being reckoned at $5\frac{1}{2}$ per cent) being £7,507
on the full amount of £250,000. The loan to the
Municipal Board would be made under the powers confer-
red by the Municipalities Ordinance, No. 19 of 1928,
and would be regulated by the Local Government (Loans)
Ordinance No. 22 of 1929. The latter Ordinance has
not yet been sanctioned as certain points arising out
of it were referred back to the Governor. These
points included ^{the} suggestions (1) that it would be
desirable to adopt some detailed classification of
loan works with maximum periods for each class, and
(2) the Governor-in-Council should have power to fix
interest under the sinking fund as well as the rate of
interest on the loan.

No. 7 of
15963/30

No. 8 on
15963

In his reply, however, the Governor argues that
it is not necessary to take any action on either of
these suggestions. Assuming these points are
waived, this case and the case of the loan for the
Nakuru water supply (see No. 1 of 16214/30) can be
considered on their merits.

As

As regards the period of the loan (which is 40 years in the case of the Mombasa Town Planning, and Mombasa Old Town Improvement, and 25 years in the case of the Nakuru Water Supply), it may be noted that in the case of the loan to the Eldoret Municipal Board for the purpose of a native location, the period is 30 years - this is the case referred to in paragraph 3 of No. 8 of 15933/30, dealing with the Local Government (Loans) Ordinance and already mentioned above. In both cases interest is taken at 5½ per cent, and an equated system of payment is adopted similar to that in the case of the Eldoret Location where the interest is also calculated at 5½ per cent.

As regards the rate of interest, see my letter to Mr. Bayles of 8th October (No.2), and the note of my discussion with him on the 10th October (No. 3). If these proposals are agreed to it would seem desirable to pay down that ^{the} 5½ per cent rate should later be reviewed and ultimately be based on the cost to the Government of the actual loan to which the moneys are charged.

sub

In the case of the Mombasa loan, there would seem to be no reason to object to the further proposal in para. 5 of No. 1 of 16285/30 as to the adjustment of the expenditure incurred on the preparation of the valuation roll, namely that only a portion of this expenditure, i.e., £4,375 out of £8,107 should be recovered from the Board.

WAKU
30/10/30

As regards the period of the loan (which is 40 years in the case of the Mombasa Town Planning, and Mombasa Old Town Improvement, and 25 years in the case of the Nakuru Water Supply), it may be noted that in the case of the loan to the Eldoret Municipal Board for the purpose of a native location, the period is 30 years - this is the case referred to in paragraph 3 of No. 8 of 15933/30, dealing with the Local Government (Loans) Ordinance and already mentioned above. In both cases interest is taken at $5\frac{1}{2}$ per cent, and an equated system of payment is adopted similar to that in the case of the Eldoret Location where the interest is also calculated at $5\frac{1}{2}$ per cent.

As regards the rate of interest, see my letter to Mr. Bayles of 8th October (No.2), and the note of my discussion with him on the 10th October (No. 3). If these proposals are agreed to it would seem desirable to pay down that ^{the} $5\frac{1}{2}$ per cent rate should later be reviewed and ultimately be based on the cost to the Government of the actual loan to which the moneys are charged.

In the case of the Mombasa loan, there would seem to be no reason to object to the further proposal in para. 5 of No. 1 of 16285/30 as to the adjustment of the expenditure incurred on the preparation of the valuation roll, namely that only a portion of this expenditure, i.e., £4,375 out of £8,107 should be recovered from the Board.

LNK

30/10/30

38
2.

Note of discussion with Mr. Bayles on the 10th of October.

Mr. Bayles explained that at the moment the position is that some of these Mombasa moneys have been found from the 1928 loan, and that the rest are being found from advances pending the issue of a further loan. The 5½ per cent quoted is based on the actual cost to Government of the last issued loan plus a small percentage, say ½ per cent, to cover administrative expenses - the last loan being the only guide they have at present.

The Governor's despatch seems to contemplate a fixed rate of 5½ per cent over the whole period irrespective of the cost to Government of the later loan or loans from which a proportion, and probably the greater proportion, of the moneys will ultimately be found. I therefore suggested that it should be a condition that the 5½ per cent rate should later be reviewed in the light of the final position. Mr. Bayles said he quite agreed from the Treasury point of view, and he instanced the precedent of the Nairobi advances. Interest on those advances was originally charged at the rate of, (speaking from memory Mr. Bayles thought, ^{for the loan San King fund.}) 6 ²/₅ths per cent, based on the 1921 loan. But this rate was reviewed when the later loans were raised, and was reduced to an amount based on the cost to the Government of those loans.

x This is correct -
He means in
339/76 : also
36807/100
2133 1/2 per cent
VHTP

16295/30 Kenya

29

Mr. Allen
Mr.
Mr.
Sir C. Bottomley.
Sir J. Shackburgh.
Sir G. Grindle.
Parlt. U.S. of S.
Parly. U.S. of S.
Secretary of State.

Downing Street,
8 October, 1930.

am 2A
For my signature
S 3 W 3
Mr. Bayles

C. D.
R 6-OCT
D 1

I wonder if I might trouble you in the following matter arising out of the proposed loans to the Nakuru and Mombasa Municipal Boards?

DRAFT.

H. L. BAYLES, Esq.
7, Wood Vale,
Forest Hill, S.E.23.

[Not of 16214/30]

In the case of the advance to the Nakuru Board for the purpose of the acquisition of the water supply it is proposed that the advance should be repayable by half yearly annuity ^{payments} over a period of 25 years as from the 1st January 1929, interest being calculated at the rate of 5 1/2 per cent per annum. In the case of the loan to the Mombasa Board for the town planning scheme and for the old town improvement scheme it is stated that on the basis of a 40 year loan period, and calculating

Extra copy to be made
In attachment to
16214/30

calculating interest at 5 $\frac{1}{2}$ % the annual charges for interest and redemption on the sum of £138,369 (i.e. the amount of the expenditure incurred as at the end of 1929) would amount to £8,310, while charges on the full anticipated expenditure of £250,000 would ultimately become £15,⁰¹⁴~~000~~ per annum.

The terms proposed for the raising of the loan of £250,000 by the Mombasa Board are as follows -

- a) that ~~the~~ advances on account of the loan (including expenditure by Government from Colony loans) shall bear interest at the rate of 5 $\frac{1}{2}$ % from the 1st January, 1929 to the 30th June, 1933 provided that one half only of such interest for such period shall be recoverable by Government from the Board;
- b) that with effect from the 1st July 1933 the loan shall be redeemed by eighty equal half yearly instalments of interest and redemption calculated on the total amount of £250,000 (interest to be reckoned at 5 $\frac{1}{2}$ % per annum), such instalments being payable in arrear on or before the 30th June and 31st December in each year, provided that one half only of the interest charges in respect of the period 1st July - 31st December 1933 shall be recoverable by Government from the Board.



As you are aware, the borrowing powers of Municipalities are conferred by Section 88 (1) of the Local Government (Municipalities) Ordinance 1928, and such ~~laws~~ ^{loans} are regulated by the Local Government (Loans) Ordinance 1929, Section 9 of which provides that interest should be payable at such rates as the Governor in Council may from time to time determine.

[No. ⁴ 15762/39]

The Secretary of State's despatch to the Governor with regard to the Local Government (Loans) Ordinance 1929 included the following remarks regarding Section 9:-

"This section leaves the rate of interest to the discretion of the Governor in Council, but power to fix interest under the sinking fund seems essential also. Under the equated payment system two rates of interest are involved. They need not be identical; indeed in the case of long term repayments they ought not in general to be identical. The "interest" rate is the rate at which the Government can reasonably lend money at the time; the sinking fund

fund rate is the rate which may reasonably be expected over the period of accumulation of the sinking fund payments".



I am afraid I am not at all clear as to the basis on which the interest rate of 5% has been fixed, nor as to the computation of the redemption charge in respect of these loans, and if you can enlighten my ignorance I shall be much obliged. If it would be more convenient to you to come and talk about it, I should of course be very glad to see you.

Yours sincerely

(Signed) H. T. ALLEN



11
GOVERNMENT HOUSE,
NAIROBI,
KENYA.

KENYA.

No. 119

CONFIDENTIAL

H
14 August, 1930.

My Lord,

No 102
15668/29

I have the honour to refer to Your Lordship's despatch No. 682 of the 22nd August, 1929, in which approval was given to the proposal that no claim should be made by this Government against the Mombasa Municipal Board in respect of arrear interest charges up to the 31st December, 1928 on the Mombasa Town Planning Loans, and to Appendix II to Kenya Confidential despatch No. 91 of the 17th June, 1930, in which I undertook to address Your Lordship fully in a separate despatch regarding the proposal that one half of the interest charges on the Town Planning Loans should be borne by Government for a period of five years as from the 1st January, 1929.

12 MAR 1931
Rob on
16/100/30
(over)

2. An indication of the circumstances on which this proposal is based was given in Kenya despatch No. 447 of the 30th July, 1929, and I now enclose a copy of a Memorandum setting out fully the grounds on which it is considered that Government should come to the assistance of the Municipal Board in this matter. It will be observed from the Memorandum that the expenditure incurred as at the end of 1929 amounted, in the case of the Town Planning Scheme, to £89,540 and, in the case of the old Town Improvement Scheme, to £49,029, making a total of

Rob on
15668/29

£138,569 ----

THE RIGHT HONOURABLE LORD PASSFIELD, P.C.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET,
LONDON.....S.E.1.

£138,569. On the basis of a forty year loan period and calculating interest at 5 $\frac{1}{2}$ %, the annual charges for interest and redemption on this sum would amount to £8,510, while the charges on the full anticipated expenditure of £250,000 would ultimately become £15,014 per annum. The financial difficulties, especially in connection with the collection of rates and charges for services, experienced through no fault of its own by the Municipal Board in the first year of its administration rendered it imperative that some relief of this heavy burden should be given, if the taking over of the Town Planning Loans by the board was not to cripple at the outset the development of local municipal services which are of increasing urgency. Apart from this consideration, it may fairly be claimed that Government should accept some share of the cost of replanning and reshaping to modern conditions an ancient town which is the heart of the county.

3. The method by which the local Government Committee recommended that Government should contribute to the solution of these difficulties was the endowment of the Municipal Board with Crown Land. At the present time, however, adequate revenues could not be obtained from lands the subject of endowment and the method is impracticable. In these circumstances a temporary solution has been found in the arrangement by which Government accepts responsibility for one half of the annual interest charges on expenditure from the Town Planning Loans for a period of five years as from the 1st January, 1929, the position to be reviewed at the end of that period. If at any time a policy of endowment of the Municipality with Crown Land becomes practicable, the benefits received by the Municipality under this arrangement will be taken into account.

4. It appears improbable that the full expenditure of £250,000 will be incurred earlier than the 1st June, 1933 and the terms proposed for the raising of the loan of £250,000 by the Municipality under section 88(1) of the Local Government (Municipalities) Ordinance, 1928 are therefore as follows :-

X *Para 4*
The amount
of the loan

- (a) that advances on account of the loan (including expenditure by Government from Colony loans) shall bear interest at the rate of 5% from the 1st January, 1929 to the 30th June, 1933: provided that one half only of such interest for such period shall be recoverable by Government from the Board;
- (b) that with effect from the 1st July, 1933 the loan shall be redeemed by eighty equal half yearly instalments of interest and redemption calculated on the total amount of £250,000 (interest to be reckoned at 5% per annum), such instalments being payable in arrear on or before the 30th June and 31st December in each year; provided that one half only of the interest charges in respect of the period 1st July - 31st December, 1933 shall be recoverable by Government from the Board.

5. Paragraphs 4 and 5 of the accompanying Memorandum relate to the adjustment of the expenditure incurred from time to time from revenue for the purpose of the preparation of the Mombasa Valuation Roll, vide Your Lordship's telegram of the 26th June, 1928. For the reasons explained in the Memorandum, it is proposed that the full sum of £8,107 voted from time to time for this purpose should not be recovered from the Municipal Board. The amount to be recovered from the Board is £4,575, which is therefore an advance to the Board under the terms of the resolution passed in the Legislative Council on the 11th December, 1928 authorising Advances to Local Authorities to the extent of £25,000 from the Colony's Surplus Balances, vide Your Lordship's despatch No. 422 of the 31st May.

9/6/33
or 15668/29

No 7 of
15763/30
(L. Govt. Loan. Comm.)

B. -----

6. I trust that Your Lordship will see no objection to these proposals.

I have the honour to be,
My Lord,
Your Lordship's most obedient, humble servant,

Edward Gigg

GOVERNOR.

VALUATION ROLL AND TOWN PLANNING CHARGES.

The Mombasa Municipal Board on its establishment at the end of 1928 was confronted with many financial problems, the chief of which was concerned with the question of the Board's liability for loan charges on the Town Planning and the Old Town Improvement Loans. The expenditure from these loans as at the 31st December, 1929 stands at the following figures :-

	£	S	cts.
(a) Town Planning Scheme.	89,339	16	87
(b) Old Town Improvement Scheme.	49,028	12	73
	£ 138,368	9	60

X An extra £71000 included in the loan schedule as at 31/12/29

Under (a) the sum of £129,000 has been approved and appears in the Colony's Loan Schedule; a further sum of £51,000 has been approved by the Secretary of State and will come up for approval by Legislative Council with the next Schedule. Under (b) the sum of £50,000 has been approved and appears in the Loan Schedule. While the ultimate capital outlay is still a matter of some uncertainty, it is hoped that the total expenditure to be incurred will not exceed £250,000 for Both schemes. The Old Town Improvement Scheme is now virtually complete. Assuming that the loan will be for a period of 40 years and that the interest payable will be at 5 1/2% the annual charges for interest and redemption on £250,000 will be £15,014. On the basis of expenditure up to the end of 1929 the charges would now amount to £8,310 per annum.

X to 7. Plan 5 200000

2. The principle that the cost of town planning is a local liability is sound, but there are special reasons in the case of Mombasa for assistance from the Central Government. Mombasa is a town whose history reaches back for some centuries, and the cost of town planning and re-shaping it to meet modern conditions is peculiarly high because -----

because of its antiquity. It is also the Port of the Colony and the Colony as a whole is closely interested in its well being. The local authority cannot, of course, be expected to recover from local property owners who benefit by town planning improvements their fair share of the cost of these improvements but, where it can be shown that the full cost will be beyond their capacity to shoulder, the authority may justly look to the Central Government for assistance in recognition of the factors just recorded.

3. The municipal administration of Mombasa was transferred from the Central Government at a time when greatly increased local expenditure had become inevitable. Not only had the Town Planning and Old Town Schemes been initiated, but improved roads; drainage and other services had also become urgently necessary. The Municipal Board has been faced with the task of imposing considerable local taxation upon a community which has in the past made no large contribution to local expenditure and of converting public utility services such as conservancy into self-supporting undertakings, which involve additional charges on the public.

4. Up to 1929, (the Municipality being established on November 24th, 1928), direct Municipal taxation was confined to an assessment rate on the rental value of buildings. The assessment fixed on a rule of thumb basis in 1900 had never been revised, and the total revenue from it in 1928 was £4,613. In 1930, however, the estimated revenue to be collected from private landowners on the basis of a $\frac{1}{4}$ rate on the unimproved values of land is £13,200. Again in 1927 the revenue from conservancy was £1,722 (the 1928 figure was approximately the same) whereas in 1929 the estimate of revenue owing to increased charges and the introduction of a refuse removal fee was £5,000 and in 1930 is estimated at £9,500. The ratepayer and the landowner in Mombasa are therefore making considerably higher contributions ---

contributions to public revenues than heretofore and rightly so in regard to particular services, since in previous years it seems that the cost of these services was not fully recovered. But land has not hitherto been taxed and the effect on land values of the sudden imposition of local land taxation must be carefully considered and land in Mombasa has attained very high values which are largely speculative and the tendency of the Site Value Tax to stabilize land values will cause hardship if the progress of stabilization moves too rapidly.

5. The cost of ordinary municipal services will increase as the town is improved. In regard to public health it may be anticipated that the diminishing grant now paid by the Central Government will in fact diminish and that the nett cost to the community of its public health measures will increase. Further road improvement works, drainage and sewerage schemes are desirable and all will cost money. If, however, the town planning bill rises from £8,310 to £15,014, it is clear that improvements in municipal services will have to stand over unless rates are considerably raised, and Government is satisfied that the raising of rates to this degree in the first few years of Municipal Government would create hardships and that it is necessary, therefore, to render some special assistance to the Municipality in order that its normal development shall not be crippled.

6. The permanent solution of the financial relationships between the Central and Local Governments envisaged by the Local Government Commission was endowment of Crown Land. At the present time, however, adequate revenues could not be obtained by the Municipality of Mombasa from endowed lands and, in recommending the basis of contribution which has since become incorporated in Section 87 of of the Local Government (Municipalities) Ordinance, 1928, the Commission recommended a review of the position in five years time. Government is of opinion that an endowment scheme in Mombasa is not practicable

at ----

at present, and has accepted liability for one-half of the annual interest charges in connection with town planning for a period of five years from January 1st, 1929 on the understanding that this relief will be taken into account when the terms and extent of any endowment scheme which may be practicable in the future are being worked out. This liability will amount in round figures to £3,500 in respect of 1929, approximately £4,500 in 1930, thereafter up to December 31st, 1933 rising as expenditure from loan funds is incurred to a maximum of £6,500. At the end of 1933 the position will again be reviewed.

Two conditions of this arrangement which have been accepted by the Montreal Municipal Board are:

- a. That the Board should now formally take over the Town Planning loans and their administration, expenditure to be subject to the approval of the Governor in Council.
- b. That the balance of money included in the original estimates of the Town Planning loan for road construction, other than for Dupre Road, and any other roads now being proceeded with, should be deleted and the total loan figure should be reduced by £2,000.

It is proposed that redemption payment should commence on from the 1st July, 1933, the first instalment falling due on the 31st December, 1933.

The Government also consider that some financial assistance should be given to the Board in the matter of the preparation of the Valuation roll. The following sums have from time to time been voted for the preparation of the Valuation Roll, as final expenditure from the Council's revenues and as advances recoverable from the Council Board:

1927	Final Expenditure.	£ 1,120.
1928	Final Expenditure.	800.
1928 (2nd Supp.	Estimates Recoverable	
	Advance.	607.
1928 (3rd Supp.	Estimates)	1,000.
1929 (1st Supp.	Estimates)	2,500.
1929 (1st Supp.	Estimates)	4,000.

£ 10,027.

This is an inordinate sum for the preparation of a Municipal Valuation Roll. In Nairobi where values are approximately the same, the cost is one fifth of this figure. The high expenditure in Mombasa has been due to the fact that before land and buildings could be valued they had to be located. Government had never attempted a Location Survey of the Island and has agreed that a part of the total figure shown above is a fair debit to itself. Some part of the total cost is also properly debitable to town planning, as it was essential for title surveys. It has only recently been possible to apportion the amounts chargeable against each of these purposes. Government has agreed to reimburse the sum of £8,107, i.e. the total sum advanced to the Board as follows :

	£
1. Town Planning Loans.	1,652
2. Colony Revenue.	2,000
3. Advances to Municipal Board.	4,455
	8,107

The share accepted by Government of this liability is thus £4,000, i.e. £1,652 plus interest and 10% plus £2,000.

The sum of £4,455 will be repaid from the Municipal Board in three annual instalments of from the 1st January, 1929 and the sum of £1,652 will be incorporated in the Town Planning Loans.

Since these arrangements for the recovery of certain revenue do not involve the voting of any sums of money they will not appear in Estimates, but Government is anxious that the Legislative Council should be made fully aware of the position. The Colony's Estimates for 1930 will not be affected since the reimbursement of £1,000 shown under Head XI, Interest, as due from Mombasa Municipality in respect of 1929 will under these arrangements be payable partly in respect of 1929 and partly in respect of 1930. The Board ---

Board has been informed that it will be required to pay in 1930 its contribution on account of the two years 1929 and 1930,

H.T. MARTIN.

COMMISSIONER FOR LOCAL GOVERNMENT, LANDS
AND SETTLEMENT.

NAIROBI.

18th June, 1930.

21

KENYA

NO. 119

CONFIDENTIAL

14 August, 1930.

My Lord,

I have the honour to refer to Your Lordship's despatch No. 688 of the 22nd August, 1929, in which approval was given to the proposal that no claim should be made by this Government against the Mombasa Municipal Board in respect of arrear interest charges up to the 31st December, 1928 on the Mombasa Town Planning Loans, and to Appendix II to Kenya Confidential despatch No. 91 of the 17th June, 1930, in which I undertook to address Your Lordship fully in a separate despatch regarding the proposal that one half of the interest charges on the Town Planning Loans should be borne by Government for a period of five years as from the 1st January, 1930.

2. An indication of the circumstances on which this proposal is based was given in Kenya despatch No. 447 of the 20th July, 1929, and I now enclose a copy of a Memorandum setting out fully the grounds on which it is considered that Government should come to the assistance of the Municipal Board in this matter. It will be observed from the Memorandum that the expenditure incurred as at the end of 1929 amounted, in the case of the Town Planning Scheme, to £89,840 and, in the case of the Old Town Improvement Scheme, to £49,089, making a total of

£138,929 -----

THE RIGHT HONOURABLE LORD PASSFIELD, P.C.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET,
LONDON, W.C.2.

£120,000. On the basis of a forty year loan period and calculating interest at 5%, the annual charges for interest and redemption on this sum would amount to £8,810, while the charges on the full anticipated expenditure of £200,000 would ultimately become £18,016 per annum. The financial difficulties, especially in connection with the collection of rates and charges for services, experienced through no fault of its own by the Municipal Board in the first year of its administration rendered it imperative that some relief of this heavy burden should be given, if the taking over of the Town Planning Loans by the Board was not to cripple at the outset the development of local municipal services which are of increasing urgency. Apart from this consideration, it may fairly be claimed that Government should accept some share of the cost of replanning and reshaping to modern conditions an ancient town which is the Port of the Colony.

3. The method by which the Local Government Commission recommended that Government should contribute to the solution of these difficulties was the endowment of the Municipal Board with Crown Land. At the present time, however, adequate revenue could not be obtained from lands the subject of endowment and the method is impracticable. In these circumstances a temporary solution has been found in the arrangement by which Government accepts responsibility for one half of the annual interest charges on expenditure from the Town Planning Loans for a period of five years as from the 1st January, 1930, the position to be reviewed at the end of that period. If at any time a policy of endowment of the Municipality with Crown Land becomes practicable, the benefits received by the Municipality under this arrangement will be taken into account.

4. It appears improbable that the full expenditure of £200,000 will be incurred earlier than the 1st June, 1900 and the terms proposed for the raising of the loan of £200,000 by the Municipality under section 60(1) of the Local Government (Municipalities) Ordinance, 1898 are therefore as follows :-

- (a) that advances on account of the loan (including expenditure by Government from January 1899) shall bear interest at the rate of 5% from the 1st January, 1899 to the 1st June, 1900; provided that the half only of such interest for each period shall be recoverable by Government from the Board;
- (b) that with effect from the 1st July, 1900 the loan shall be repaid by equal half yearly instalments of interest and principal calculated on the total amount of £200,000 (interest to be reckoned at 5% per annum), such instalments being payable in advance on or before the 1st day of July in each year; provided that the half only of the interest charges in respect of the period 1st July - 31st December, 1900 shall be recoverable by Government from the Board.

5. Paragraphs 8 and 9 of the accompanying Memorandum relate to the adjustment of the expenditure incurred from time to time from Revenue for the purpose of the preparation of the Madras Valuation Roll, vide Your Lordship's telegram of the 26th June, 1899. For the reasons explained in the Memorandum, it is proposed that the full sum of £8,107 voted from time to time for this purpose should not be recovered from the Municipal Board. The amount to be recovered from the Board is £4,078, which is therefore an Advance to the Board under the terms of the Resolution passed in the Legislative Council on the 11th December, 1899 authorising Advances to Local Authorities to the extent of £25,000 from the Colony's Surplus Balances, vide Your Lordship's despatch No. 428 of the 31st May.

G. I trust that Your Lordship will see no objection to these proposals.

I have the honour to be,
My Lord,
Your Lordship's most obedient, humble servant,

EDWARD GRIGG.

GOVERNOR.

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MOMBASA MUNICIPALITY.

VALUATION ROLL AND TOWN PLANNING CHARGES.

The Mombasa Municipal Board on its establishment at the end of 1928 was confronted with many financial problems, the chief of which was concerned with the question of the Board's liability for loan charges on the Town Planning and the Old Town Improvement Loans. The expenditure from these loans as at the 31st December, 1929 stands at the following figures :-

	<u>£</u>	<u>S</u>	<u>cts.</u>
(a) Town Planning Scheme.	89,339	16	87
(b) Old Town Improvement Scheme.	49,028	12	73
	<u>£ 138,368</u>	<u>9</u>	<u>60</u>

Under (a) the sum of £129,000 has been approved and appears in the Colony's Loan Schedule; a further sum of £51,000 has been approved by the Secretary of State and will come up for approval by Legislative Council with the next Schedule. Under (b) the sum of £50,000 has been approved and appears in the Loan Schedule. While the ultimate capital outlay is still a matter of some uncertainty, it is hoped that the total expenditure to be incurred will not exceed £250,000 for both schemes. The Old Town Improvement Scheme is now virtually complete. Assuming that the loan will be for a period of 40 years and that the interest payable will be at 5½% the annual charges for interest and redemption on £250,000 will be £15,014. On the basis of expenditure up to the end of 1929 the charges would now amount to £8,310 per annum.

2. The principle that the cost of town planning is a local liability is sound, but there are special reasons in the case of Mombasa for assistance from the Central Government. Mombasa is a town whose history reaches back for some centuries, and the cost of town planning and re-shaping it to meet modern conditions is peculiarly high because ———

because of its antiquity. It is also the Port of the Colony and the Colony as a whole is closely interested in its well being. The local authority cannot, of course, be expected to recover from local property owners who benefit by town planning improvements their fair share of the cost of these improvements but, where it can be shown that the full cost will be beyond their capacity to shoulder, the authority may justly look to the Central Government for assistance in recognition of the factors just recorded.

3. The municipal administration of Mombasa was transferred from the Central Government at a time when greatly increased local expenditure had become inevitable. Not only had the Town Planning and Old Town Schemes been initiated, but improved roads; drainage and other services had also become urgently necessary. The Municipal Board has been faced with the task of imposing considerable local taxation upon a community which has in the past made no large contribution to local expenditure and of converting public utility services such as conservancy into self-supporting undertakings, which involve additional charges on the public.

4. Up to 1929, (the Municipality being established on November 24th, 1928), direct Municipal taxation was confined to an assessment rate on the rental value of buildings. The assessment fixed on a rule of thumb basis in 1900 had never been revised, and the total revenue from it in 1928 was £4,613. In 1930, however, the estimated revenue to be collected from private landowners on the basis of a $\frac{1}{10}$ rate on the unimproved values of land is £13,200. Again in 1927 the revenue from conservancy was £1,722 (the 1928 figure was approximately the same) whereas in 1929 the estimate of revenue owing to increased charges and the introduction of a refuse removal fee was £5,000 and in 1930 is estimated at £9,500. The ratepayer and the landowner in Mombasa are therefore making considerably higher contributions -----

contributions to public revenues than heretofore and rightly so in regard to particular services, since in previous years it seems that the cost of these services was not fully recovered. But land has not hitherto been taxed and the effect on land values of the sudden imposition of local land taxation must be carefully considered and land in Mombasa has attained very high values which are largely speculative and the tendency of the Site Value Tax to stabilize land values will cause hardship if the progress of stabilization moves too rapidly.

5. The cost of ordinary municipal services will increase as the town is improved. In regard to public health it may be anticipated that the diminishing grant now paid by the Central Government will in fact diminish and that the nett cost to the community of its public health measures will increase. Further road improvement works, drainage and sewerage schemes are desirable and all will cost money. If, however, the town planning bill rises from £8,510 to £15,014, it is clear that improvements in municipal services will have to stand over unless rates are considerably raised, and Government is satisfied that the raising of rates to this degree in the first few years of Municipal Government would create hardships and that it is necessary, therefore, to render some special assistance to the Municipality in order that its normal development shall not be crippled.

6. The permanent solution of the financial relationships between the Central and Local Governments envisaged by the Local Government Commission was endowment of Crown Land. At the present time, however, adequate revenues could not be obtained by the Municipality of Mombasa from endowed lands and, in recommending the basis of contribution which has since become incorporated in Section 87 of of the Local Government (Municipalities) Ordinance, 1928, the Commission recommended a review of the position in five years time. Government is of opinion that an endowment scheme in Mombasa is not practicable

at present, and has accepted liability for one-half of the annual interest charges in connection with town planning for a period of five years from January 1st, 1929 on the understanding that this relief will be taken into account when the terms and extent of any endowment scheme which may be practicable in the future are being worked out. This liability will amount in round figures to £3,300 in respect of 1929, approximately £4,500 in 1930, thereafter up to December 31st, 1933 rising as expenditure from loan funds is incurred to a maximum of £6,500. At the end of 1933 the position will again be reviewed.

7. Two conditions of this arrangement which have been accepted by the Mombasa Municipal Board are :-

- (a) That the Board should now formally take over the Town Planning loans and their administration, expenditure to be subject to the approval of the Governor in Council.
- (b) That the balance of money included in the original Estimates of the Town Planning loan for road construction, other than for Makupa Road, and any other roads now being proceeded with, should be deleted and the total loan figure should be reduced by £20,000.

It is proposed that redemption payment should commence as from the 1st July, 1933, the first instalment falling due on the 31st December, 1933.

8. Government also considers that some financial assistance should be given to the Board in the matter of the preparation of the Valuation Roll. The following sums have from time to time been voted for the preparation of the Valuation Roll, as final expenditure from the Colony's revenues and as Advances recoverable from the Municipal Board :-

		£
1927	Final Expenditure.	1,120.
1928	Final Expenditure.	800.
1928 (2nd Supp.	Estimates). Recoverable	
	Advance.	607.
1928 (3rd Supp.	Estimates)	1,000.
1929 (1st Supp.	Estimates)	2,500.
1929 (1st Supp.	Estimates).	4,000.
		<hr/>
		£ 10,027.

This is an inordinate sum for the preparation of a Municipal Valuation Roll. In Nairobi where values are approximately the same, the cost is one fifth of this figure. The high expenditure in Mombasa has been due to the fact that before land and buildings could be valued they had to be located. Government had never attempted a Location Survey of the Island and has agreed that a part of the total figure shown above is a fair debit to itself. Some part of the total cost is also properly debitable to town planning, as it was essential for title surveys. It has only recently been possible to apportion the amounts chargeable against each of these purposes. Government has agreed to reallocate the sum of £8,107, i.e. the total sum advanced to the Board as follows :-

	£
1. Town Planning loan.	1,652
2. Colony Revenue.	2,080
3. Advances to Municipal Board.	4,375
	£ 8,107
	8,107

The share accepted by Government of this liability is thus £4,000, i.e. £1,920 paid in 1927 and 1928 plus £2,080.

The sum of £4,375 will be repaid from the Municipal Board in three annual instalments as from the 1st January, 1929 and the sum of £1,652 will be incorporated in the Town Planning Loans.

9. Since these arrangements to waive recovery of certain revenue do not involve the voting of any sums of money they will not appear in Estimates, but Government is anxious that the Legislative Council should be made fully aware of the position. The Colony's Estimates for 1930 will not be affected since the reimbursement of £7,000 shown under Head XI, Interest, as due from Mombasa Municipality in respect of 1929 will under these arrangements be payable partly in respect of 1929 and partly in respect of 1930. The Board

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Board has been informed that it will be required to pay in 1930 its contribution on account of the two years 1929 and 1930.

H.T. MARTIN.

COMMISSIONER FOR LOCAL GOVERNMENT, LANDS
AND SETTLEMENT.

NAIROBI.

18th June, 1930.