1933	KENYA	1933
3331	CO533/439	3331

K.U. Rly. Instructions governing Allocation of Expenditure.

Previous

549 53/23

Subsequent

38179/4/35.

~~38015/33.~~

Ry 27	24/10
Room 309.	8/11
Mr Fraser	8
Mr Hunt	9.11.
D. C. A.	17/7/34
Mr Flood	19.7
Room 309	23/7
R299.	26/7
R297.	

1. H.Cmr. Transport 124 ________________ 29 Sept. 33

States auditor has drawn attention to the desirability of revising instructions covering the allocation of expenditure, & submits revised draft for concurrence.

It is stated that the only important new principle embodied in these Instructions is in the x section that says that, subject to the Secretary of State's approval, surplus balances of the Renewals Fund may be transferred to the Capital Account for investment in additional capital assets. The despatch calls attention in this connection to what Mr. Gibb says in paragraph 115 of his Report. The following is an extract:

x (flagged)

"It has sometimes been objected that if from the opening of a railway full provision is made for depreciation of wasting assets, there will be accumulated in the Renewals Reserve large sums that will never be required for the purpose for which they were provided ...... In times of depression this Reserve [may] be used for the general purposes of the railway, provided borrowings from the fund are clearly shown. This applies both to the balance which will never be required for renewal purposes and the other balances which will not be required for some years to come".

The Railway Advisory Council, discussing this aspect of the Instructions, re-affirmed ~~his~~ the view that 2% is an adequate rate for renewals contributions and a further communication is premised on this point. x Reference may be made to 3129/33 Kenya and to Mr. Priestman's Note No. 1A thereon. In No. 6 on that file we telegraphed to the High Commissioner that the question of renewals must remain open pending further consideration of the Gibb Report, but there would seem to be no

x It is doubtful perhaps whether the S of S. would ever agree

objection

objection to the Instructions providing for the transfer of surplus balances from the Renewals Fund to the Capital Account, especially as it is provided that it shall only be done with the consent of the Secretary of State.

Perhaps the D.C.A. will comment upon the Instructions. It would, I should have thought, have been better to have postponed revising them till decision had been come to on the Gibb Report. I note that Part I, III Renewals Fund, Section 2 is already out of date, since the Secretary of State has agreed in No.6 on 3129/33 that the rate of contribution to renewals shall be 2½% throughout 1934, as in 1933. *

? To D.C.A. for observations.

[? There is no need to let the Tsy. see these Instructions]

T.R. Davies: 8/vi

[signature] 8

* yes but that is a special measure for the one year & there may be difficulty in carrying it on.

D.C.A.

I have kept this to read & hope to understand and it seems all right and has the approval of the auditor in Kenya.

I have got a sneaking notion that the Railway is overdoing Betterment Funds & Renewal Funds. I do not think that either is really necessary, to the extent that they are said to be, in the case of a railway built out of loans with sinking funds. But I am alone in this view and cannot press it.

Kenya wants approval so have you any comments please?

3677/11

Mr. Flood,

I think the instructions may be approved.

Regarding Section 7 Part I Chapter III, it seems reasonable to permit the transfer of any unrequired surplus in the Renewals Fund to Capital Account to provide additional capital assets. If, and when, occasion arises to make such a transfer, the Secretary of State will have to be approached; so there should not be any abuse.

This file was recalled by the Colonial Office in January before it could be dealt with, and only returned to this Office on 26th June. Hence the delay.

A. J. Harding

Director of Colonial Audit.

17-7-34

Then approve

J.E.W. Flood

19.7

2 To Ho. T. 69. —— 26 JUL 1934

C.O. 3331/33

Mr. Greenwood [illegible] 24/7/34

Mr. Clife 25/7

Mr.

Mr. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State.

C
R 24 JUL
D 25 "

26 July 1934

DRAFT.

Transport Kenya-Uganda.

No. 69.

H.C.

Sir,

I have etc. to refer to your despatch No. [illegible] of the 29th of September, 1933, and to inform you that I approve the revised instructions enclosed therewith, relative to the allocation of expenditure in connection with the Kenya and Uganda Railways and Harbours.

I have etc.

(Sgd.) P. CUNLIFFE-LISTER.

FURTHER ACTION.

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

TRANSPORT
KENYA-UGANDA
NO. 124

RECEIVED
23 OCT 1933
C. O. REGY

29 September, 1933.

Sir,

I have the honour to inform you that the Auditor in his Report on the audit of this Administration's accounts for 1931 drew attention in paragraph 29 to the desirability of revising the instructions covering the allocation of expenditure. Paragraph 29 of the Auditor's Report reads as follows:-

> The "Instructions for new Expenditure" booklet issued by the General Manager in 1928, together with further rulings given from time to time subsequently have not, from the point of view of this Department, worked altogether satisfactorily. It has been found that the instructions are not sufficiently definite and that expenditure can be allocated, and the allocation justified by the "Instructions" in accordance with the opinion of the individual concerned.

The "Instructions for new Expenditure" booklet issued by the General Manager in 1928 was a reproduction of the 1923 Instructions with certain explanatory notes.

2. As a result of the Auditor's Report the revision of these instructions was put in hand and revised instructions have now been completed, copies of which are enclosed herewith. These revised instructions have been examined by the Auditor who has expressed the view that they should make for better accounting and easier allocation.

3. The only important new principle embodied in these revised instructions is that contained in Section 7 Part I [illegible] III Renewals Fund, which provides that subject [illegible] of the Secretary of State surplus

[illegible] M.P.,

balances in the Renewals Fund to the extent laid down may be transferred to Capital Account as contributions from Renewals Fund for investment in additional capital assets. This has been done since it is generally recognised that contributions to a Renewals Fund on a life basis as is provided for in Section 1 of this Chapter result in the accumulation of balances which will not be required for the purpose of renewals, and Mr. Roger Gibb in paragraph 115 of his Report on Railway Rates and Finance in Kenya, Uganda and Tanganyika Territory, has also recorded that fact. Such balances could, it is considered, be more advantageously employed in the acquisition of additional assets than remaining invested in securities.

4. This particular question was discussed at the recent Railway Advisory Council meeting in Uganda in connection with Mr. Gibb's remarks on depreciation and reserves, and the following resolution was adopted:-

> "That arising out of Mr. Gibb's comments upon the question of depreciation and reserves this Council re-affirms its previously expressed view that 2% is an adequate rate until 1945 and advises that renewed representations be made on the subject to the Secretary of State. Failing acceptance of this proposal Council recommends that with the approval of the Secretary of State in each specific case the unrequired balance of the Renewals Fund should be invested in the purchase of additional Railway assets (i.e. that it should be used in much the same way as a Betterment Fund).

5. A further communication on this question of Renewals Fund and reserves will be forwarded at a later date after the views of the Governments of Kenya and Uganda have been received to whom the question has been referred for consideration.

6. The original instructions regarding allocation of expenditure were, as mentioned in paragraph 1 above, approved by the Secretary of State in his telegram to
54953/23 the Government of Kenya dated the 13th ~~September~~ December 1923, and I accordingly submit a copy of these revised instructions for consideration.

I have the honour to be,

Sir,

Your most obedient, humble servant,

C. Gy. Collier

for HIGH COMMISSIONER.

KENYA AND UGANDA RAILWAYS AND HARBOURS
(INCLUDING MARINE & MOTOR SERVICES)

Instructions governing the allocation of **expenditure** in connection with new and additional works, réplacements, withdrawals etc.

PART I - FUNDS

1. Working Account.

1. Expenditure against working account may be broadly defined as the current cost of producing the current revenue.

2. 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.

3. It also includes the cost of replacing all assets as they become worn out or obsolete.

4. When the cost of replacement does not exceed £250 it is charged direct to the appropriate sub-head of Working Expenditure.

5. Provision for the replacement of wasting assets which exceed £250 in cost is made by annual contributions to Renewals Funds. Such contributions are assessed by dividing the cost of an asset by its estimated life and are charged to a sub-division of Working Expenditure named "Depreciation".

6. Strictly speaking the depreciation of assets should be charged to the sub-heads of the abstracts which are responsible for their maintenance, but in the case of this Administration, depreciation is charged to a special sub-division of Working Expenditure to facilitate comparison with other Colonial Railways, which either make no contribution to renewals funds, or which contribute on a different basis, and also to afford comparison with the accounts of this Administration for years gone by when either no contribution at all was made to renewals funds, or the rates were different from those in force at the present time.

7. Working Expenditure is also charged with the cost of all additions and improvements which do not

exceed £250 in any one case.

8. Further, any urgent and necessary work may be charged to Working Expenditure even though it exceeds £250 in cost when no provision exists under Renewals and/or Betterment or Loan Funds and funds are available from savings on working votes.

II. 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 cost of such asset exceeded £250.

2. It is also charged with the difference between the cost of replacing in kind, assets destroyed by accident or retired through obsolescence and the amount contributed by the Renewals Fund in respect of same, provided such difference exceeds £250.

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 areretired.

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 debited to Net Revenue Account when exceeding £250, otherwise to Working Account.

5. Net Revenue Account also 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.

6. Net Revenue Account further receives credit in respect of the net proceeds of the sale of open line assets.

III. Renewals Funds.

1. The Renewals Funds are maintained by annual contributions from revenue based on the estimated lives of the respective classes of wasting assets, to provide for their replacement in kind as this becomes necessary, and also to make good the accrued depreciation on all wasting assets in service.

2. The following rates of contribution are in force:-

Railways.	2½% until 31st December, 1933.	
	On a life basis from 1st January, 1934.	
Marine.	Nil until 31st December, 1935.	
	Position to be reviewed in 1935, and when contributions are recommenced, the rate to be 3%.	
Motor Vehicles.	20%.	
Harbours.		%
	Kilindini Old Pier	1½
	Wharf and Jetties	3
	Fenders	10
	Railways and Sidings	3
	Electrical Installation) Cranes & Equipment)	5
	Crane Roads	3
	Macadamised Roadways	10
	Tugs, Launches & Pontoons	5
	Lights, Buoys, and Beacons	7½
	Water Supply	3
	Brick Transit Sheds	1
	Transit Sheds & Goods Sheds etc.	2
	Fencing	3
	Stations & Offices etc.	4
	Godowns	2
	Staff Quarters	1

3. In 1939 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, if such a course is found to be necessary.

4. Save as the result of such decennial examinations the rates of contributions shall not be varied neither must they be suspended in any circumstances.

5. Registers giving a description of each wasting asset, the date placed in service, funds from which provided, cost and estimated rate of depreciation and also giving similar information in respect of each renewal or improvement must be maintained by the departments responsible for the maintenance of such assets.

6. The Secretary of State's sanction 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.

7. With the approval of the Secretary of State, however, surplus balances (up to the minimum of accrued depreciation which must exist at any one time and which so far as can be foreseen will never be required in cash for the purpose of renewals) may be transferred to Capital Account as contributions from Renewals Funds for investment in additional capital assets.

8. In the case of worn out assets which are being replaced expenditure from Renewals Funds is restricted to works and equipment the present day cost of replacing which in kind exceeds £250.

9. Replacement in kind may be defined as meaning that the new asset substituted for the old, shall be substantially similar in capacity, service and accessories, and have a physical condition and expectation of life in service equal to that of the replaced asset when acquired, or, if improved after acquirement, when in its best condition.

10. When additional cost 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 type, size or quality of material, such additional cost when exceeding £250, is charged to Betterment Funds and capitalized or is charged to Loan Funds, otherwise to Working Account.

11. In the case of assets prematurely withdrawn from service on account of accident or obsolescence Renewals Funds will be charged with the cost of replacement in kind up to the value of the expired life of such asset, calculated on the original or improved cost without any minimum as to amount.

12. In the case of assets 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.

13. The renewal of any class of asset in respect of which no contributions are made to Renewals Funds can not be a charge against those funds.

14. Generally speaking charges against Renewals Funds in respect of the replacement of assets are restricted to the complete renewal of individual items of plant or equipment whose cost of replacement in kind exceeds £250.

15. Exceptions however are permitted in cases where parts of an asset which in themselves exceed £250 in replacement cost have shorter lives than the principal part of the asset.

For example, either the complete relaying, resleepering or reballasting of the running track in continuous sections of half a mile or over may be considered as a complete renewal. Similarly the renewal of boilers in steamers or locomotives and the replacement of deck and engine room machinery in steamers may be so treated. The governing factors here are that the replacement in kind of part of a single asset must exceed £250 in cost, that the replacement of that part must be complete and that its normal expectation of life must be substantially shorter than that of the complete asset.

The renewal of the paintwork on an asset or group of assets would in no circumstances be a charge against Renewals Funds.

16. The grouping of items, the total original cost of which exceeded £250, is permitted when such items form a definite series, when complete renewal is involved and when proper contributions have been made to Renewals Funds in respect of such items. For example the renewal at one time of the weighing machines of a number of stations would be a proper charge against these Funds while the renewal of isolated machines would not, even though contributions had been made to the Funds in respect of the originals.

IV. Betterment Funds.

1. Betterment Funds are maintained by credits from net revenue to provide means for effecting improvements in existing assets and for acquiring additional assets without the necessity of using interest bearing loan funds.

2. Expenditure from Betterment Funds is restricted to additions and improvements the cost of which exceeds £250.

3. Generally speaking the minimum cost of £250 applies to the complete cost of an addition of or an improvement to a single item of plant or equipment but the same exceptions to this rule are admitted as in the case of charges against Renewals Funds.

4. Betterments may be roughly grouped into four main classes.

(i) Those which definitely result in increased revenue or which reduce working expenses to an extent which justifies the outlay of the amount expended upon them. In addition to complete new assets this class would include the following:-

(a) Alterations and additions to existing assets,
e.g. Extension of platforms.
Extension of existing sidings.
Additional accommodation in quarters etc.
Additions to station yards.
Extension of cabin accommodation on steamers.
Enlargement of piers, docks, wharves, etc.

(b) Proportion of costs of material in relaying track with heavier rails.

(c) Proportion of cost of replacing vessels with an improved type.

(d) Loading banks at stations.

(e) Replacing earth ballast with stone-additional cost involved.

(f) Cost of triangles, turntables, engine pits etc.

(g) Cost of material utilised in strengthening track, bridges etc.

(h) Extensions of water supplies.

(i) Installation of Tyer's Tablets.

(ii) Those which also definitely increase revenue or reduce working costs but which are in thenature 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. Under this head would be included:-

(a) Deviations of track. (see (6) below).

(b) Regrading, i.e. lowering or raising track and improving curves.

(c) Improvements to engines and rolling stock.already in service.

(d) Improvements to steamers and other craft already in service, e.g. installation of apparatus for burning oil fuel instead of coal or wood.

(e) Protection works at a site where a washaway has occurred.

(f) Sinking of boreholes or wells.

(g) Remodelling station yards.

(h) Additional culverts put in existing track.

(i) Converting engines and rolling stock from one type to another.

(j) Labour charges incurred in strengthening track, bridges etc. (Reference item i (b). Although a heavier rail has a definitely increased earning capacity the cost of the labour employed in making a track for a heavy rail would not greatly exceed the cost of preparing it for a lighter rail).

(iii) Investigations having as their object the extension of services although such extensions are not, in fact, proceeded with.

(a) Surveys of projected lines and diversions not proceeded with.

(b) Marine Surveys; which do not result in the construction of new harbours, piers etc., or the opening of a new service.

(iv) Conveniences and amenities.

(a) Drainage and sewerage connections to existing properties.

(b) Concrete floorings replacing earth floors.

(c) Additional decking on ships.

(d) Widening carriages.

(e) Additional roads in Railway Areas.

(f) Waiting rooms at stations.

5. Expenditure on items falling under class (i) (i.e. assets which definitely reduce working costs and/or increase earning capacity) is capitalized at the end of each financial year.

6. Expenditure on items in the remaining classes is not capitalized but is left as final expenditure against Betterment Funds. In the case of deviation of track, however, any amount by which the cost of the new section exceeds that of the abandoned section would be capitalized.

7. No contribution is made to Renewals Funds in respect of wasting assets which are final betterments as, in the majority of cases, they do not add to capital

value.

8. The schedules given above are not intended to be comprehensive. They are merely representative of the works which may be grouped under the different classes.

V. Loan Funds

1. Loans for Railway and Harbour purposes are raised by the Governments of the territories in which the works etc., for which funds are required will be situate.

2. All loans must be authorised 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 must 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 same shall commence. The schedules of expenditure attached to such ordinances cannot be varied except under the authorities laid down therein.

3. All expenditure from loan funds is on capital account and is restricted to items exceeding £250 in cost. Grouping of items, however, is admitted as in the case of charges against Renewals or Betterment Funds.

4. Expenditure on loan account will ordinarily be confined to items which could be classified as betterments to be capitalized (class (i)). It cannot, however, be strictly confined to such items, as increasing traffic may render other classes of betterment imperative.

When, therefore, Betterment Funds are not available, items which would fall under classes (ii) and (iii) may be admitted as a legitimate charge against loan funds provided the total expenditure on such is kept within reasonable limits.

5. Expenditure on items falling under class (iv) of the Betterment Fund should only be charged against loan in very exceptional circumstances, as, for example, if the Administration were required to instal a more modern drainage system at some

important station and no Betterment monies were available.

PART II - WORKS.

I. Additions and Improvements to Assets in Service.

1. When the cost of an additional asset or of an improvement to an existing asset still in service, does not exceed £250, it is charged to Working Account. When such cost exceeds £250 it is charged to Betterment or Loan Funds in accordance with the instructions laid down under Part I - Sections IV and V of these regulations or in exceptional circumstances to Working Account as provided for in Part I - Section I.

2. Generally the instructions given above must be applied to each individual item of track, buildings, plant or equipment. Exceptions to this rule, however, will be allowed in circumstances similar to those provided for under Part I - Section III (15) and (16) of these regulations (Renewals Fund).

II. Replacement of Wasting Assets

1. When the cost of replacing a wasting asset in kind does not exceed £250, or when such asset is of a class which has not contributed to Renewals Fund, such cost is charged to Working Account.

2. When the cost of replacing in kind a wasting asset of a class contributing to Renewals Fund which is completely worn out, exceeds £250 the whole cost of replacement in kind is charged to Renewals Fund.

3. When an asset of a class contributing to Renewals Fund is not completely worn out but is replaced on account of obsolescence or damage caused by accident, the Renewals Fund is charged with the cost of replacement in kind when such cost exceeds £250 up to the value of the expired life of the original asset calculated on its original or improved 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 exceeding £250, otherwise to Working Account.

4. When additional value results from replacements by increased weight of metal in the case of permanent way or by assets of different type, size or quality of material etc., the increased cost over the cost of replacing the original asset in kind is charged to Betterment or Loan Funds in accordance with the instructions laid down under Part I Section IV and V of these regulations.

5. When lesser value results from replacements by a different type, size or quality of material etc. and the original cost exceeded £250, the original asset must be withdrawn from capital account and the new asset capitalized if costing more than £250, otherwise the new asset will be charged to Working Account.

III. Assets Withdrawn from Service and not Replaced.

1. Open Line Assets.

(a) When an asset, the original cost of which did not exceed £250, is withdrawn from service and is not replaced, no adjustment is necessary.

(b) When the original cost of an asset exceeded £250, 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 mimimum as to amount. The differense 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.

2. Construction Assets.

A movable 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 VI (2) of this part.

IV. Removal and Re-erection of Assets.

1. The cost of dismantling an asset at one place, transferring it to another place and re-erecting the complete asset there, is charged to Working Account when such cost does not exceed £250, and to Net Revenue Account in other cases.

2. When an asset is dismantled, but only part is transferred and re-erected the dismantling must be dealt with under Section V and the transfer and re-erection under Section I of this Part.

V. Dismantling and Demolition of Assets.

1. The cost of dismantling or demolishing an open line asset is a charge against the value of the material recovered up to the amount of same.

2. When the cost of dismantling or demolition exceeds the value of material recovered the difference, if not exceeding £250, is charged to Working Account, and if exceeding £250 to Net Revenue Account.

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

4. In certain cases, particularly when only part of an asset is being renewed it is impossible to separate the cost of labour employed in dismantling the old part from the cost of that installing the new. In such cases the whole cost of thelabour employed will be borne by the new asset.

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

VI. Sale of Assets.

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

2. 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 the amount exceeds £250, and to Net Revenue Account in other cases.

PART III. PROCEDURE.

I. Additions and improvements, Examination of Proposals.

1. Proposals for additions and improvements to existing assets exceeding £250 in cost, supported by the full reasons for same, must be submitted for examination and approval by the Management as they arise.

2. Such proposals must indicate under which class of betterment they would fall (vide Part I, Section IV of these Regulations) irrespective of the funds from which it is proposed they should be financed.

3. In the case of items falling under classes (i) and (ii) detailed estimates of the savings in expenditure and/or increase in revenue anticipated, must be submitted together with the estimate of expenditure on the proposed work. Such estimates of savings etc. must take into account depreciation and loan charges, the latter irrespective of the source from which it is suggested funds to meet the expenditure should be found.

4. Such additions and improvements as are approved by the Management will be included in the Annual Estimates.

II. Annual Estimates.

1. All expenditure, whether on Working, Net Revenue, Renewals, Betterment or Loan account, must be provided for in the Annual Estimates and if necessary in Supplementary Estimates for submission to the Railway Advisory Council or Harbour Advisory Board as the case may be, for consideration and thereafter for transmission to the High Commissioner for his approval. The Estimates will then be submitted by the High Commissioner to the Legislative Councils of Kenya and Uganda before submission for the sanction of the Secretary of State.

2. Works chargeable to Renewals, Betterment and Loan Funds, must be detailed in a schedule showing name of work, estimated total cost, expenditure to date, estimated expenditure during the year against each fund separately, and estimated expenditure during subsequent years.

3. This schedule may allow a limited provision to cover unforeseen works of an urgent nature, the necessity for which cannot be foreseen at the time the estimates are prepared.

4. A second schedule must detail the technical, supervising, clerical and stores Staff, over and above the open line establishment, which will be required during the year to carry out the works shown in the first schedule. This schedule will show separately under each department, designation, scale of pay, number to be employed and amount.

5. The Management may approve of re-allocation as between Renewals and Betterment Funds in respect of individual items within the limits of the total expenditure sanctioned, provided funds to meet such re-allocations are available.

6. A schedule showing the capital cost and the estimates life of all classes of wasting assets must be included in the Annual Estimates.

III. Expenditure on New Works and Replacements costing over £250.

1. Normal working expenditure must not be relieved by charging any portion of the cost to new works or replacements, either directly or indirectly.

2. New works and replacements will not be charged with the cost of any salaried staff borne on the open line establishment.

3. So far as salaried (technical, supervising, clerical and stores) Staff are concerned, such workswill only be charged with the emoluments of those detailed in the second schedule referred to under Part III Section II (Annual Estimates).

4. Even though a person appearing in that schedule be actually employed on open line, relieving an open line servant seconded for duty on new works, the salary of the former must be charged to new works, and that of the latter to open line, although any special allowance paid to the latter in respect of his temporary duties, would be a charge to new works.

5. As far as possible, the staff detailed under the second schedule should be charged direct to the works on which they, or their substitutes are engaged. The cost of the staff who cannot be so charged, will be distributed over the year's programme.

6. The cost of all staff, other than the salaried staff referred to in para. 3 above, who are employed on new works or replacements, will be charged to those works, whether such staff form part of the open line establishment or not.

7. New works will be charged at book rates with the cost of all stores and material used thereon. As far as possible, such stores will be charged direct to works at time of purchase, but when stores are drawn from open line stocks, no charge for overhead expenses over and above those provided for in the second schedule, and no charge for interest will be raised.

8. In the case of works chargeable to Betterment or Loan Funds, freight charges will be raised at the rate of 3 cents per ton per mile on all stores and material transported by Railway, Marine or Motor Services.

9. Hire charges will be raised against these funds when Trains, Steamers or Motor vehicles are specially allocated for use on new works. Such charges will be at the rate of Sh.100/- per day in the case of trains, and Sh.30/- per day in the case of Motor vehicles. Rates for the hire of Steamers will be fixed as occasion arises.

10. No freight or hire charges will be raised in the case of works chargeable to Working or Net Revenue Account or Renewals Funds.

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

12. When plant or machinery on the tools and plant of open line is loaned to new Construction, hire charges will be raised and credited to Miscellaneous earnings.

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

IV. Works Estimates.

1. No expenditure may be incurred on any work, other than the maintenance of permanent way machinery and rolling stock, provided for in Working Account, even though approved in the Annual Estimates, until a Works Estimate has been sanctioned by the competent authority.

2. Estimates for Works not exceeding £250 in cost 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.

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.

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.

5. Estimates for works costing more than £250 but not more than £750 must be submitted to the General Manager through the Chief Accountant on Form K.U.R.265. Such works may be sanctioned by the General Manager, and his powers in this respect cannot be delegated.

6. Works exceeding £750 in cost require the approval 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. & H.670.

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 theHigh Commissioner without prior reference to the Railway Advisory Council or Harbour Advisory Board but the High Commissioner will subsequently inform Railway Advisory Council or Harbour Advisory Board of the action taken. In such cases a complete estimate must be submitted by the Head of Department concerned, accompanied by a Certificate of Emergency (Form K.U.R.670.A.).

8. The Chief Accountant may pass excesses on estimates up to a limit of 5% 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.

9. A supplementary estimate is required when the original estimate is likely to be exceeded by more than 5% 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.

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 authorise the combined expenditure, excepting in the case of estimates approved by the Railway Advisory Council or Harbour Advisory Board

and sanctioned by the High Commissioner. In such cases the General Manager is authorised to pass Supplementary Estimates for excesses up to 5% or £750, whichever is the lower, without reference to the original sanctioning authority.

11. Monthly progress reports on all works exceeding £250 in cost, must be forwarded to the General Manager on Form K.U.R.730.

12. A revised estimate must be prepared as soon as it becomes evident that there will be savings to the extent of 10% or more of 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.

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 estimatehas been sanctioned under the authority of thelatter.

14. After a Completion Report has been verified, no further debits can be accepted against the estimate. Should any further debits arise, they must be met from working expenditure or, if amounting to more than £250, must be dealt with as laid down in paras 9 and 10 hereof.

15. 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.

X. Withdrawal of Assets from Service.

1. When it is proposed to withdraw from service any asset costing more than £250, 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.

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 an abandoned 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 be re-capitalized.

3. When sanction has been given to the withdrawal of an asset as defined above, an estimate for the work of demolishing and removing the asset must be submitted to the General Manager on Form K.U.R.265 or K.U.R.769 and sanctioned before the work of demolition is put in hand. The demolition estimate deals solely and completely with the old asset, and is dealt with under Part II, Section V of these instructions.

4. When the old asset is being replaced at a cost of more than £250, 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 Part II, Section II of these instructions.

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, as in relaying the permanent way or reboilering a locomotive.

6. When sanction has been given to the withdrawal of an asset not to be replaced, the procedure is as laid down in Part II, Section III of these instructions.

END