

1935

38179/4

1935

38179/4

KENYA

C0533/460

KENYA-UGANDA RAILWAYS AND HARBOURS.

INSTRUCTIONS GOVERNING ALLOCATION OF EXPENDITURE.

Previous

3331/33

Subsequent

1936

R.297

63
Rly

U. Gm. Transport 136

14 Dec 34 2

Instructions for Expend

Encls 2 copies of instructions governing R. V. R. & H. expenditures

Financial

States that no important departures from these instructions will be

Expend. instrs No. 6

introduced without reference to S. of S. but assumes that he may sanction minor alterations in departmental procedure

Shawbury to Henry

I see no objection to the suggestion in paragraph 2 of the despatch.

The printed instructions differ from those approved in 3231/33

in one respect only, namely

the rate of contribution to

Renewals Fund. The print

says that the contribution from

the 1st January 1935 will be on

a life basis. The contribution

for 1935 is however unaided, but

I don't think it is incorrect to

say that it will be on a "life

basis"

(See 104-2)

? Reply that the assumption in paragraph 2 is correct.

C. J. F. 26/11/34

On the Renewals point S. of S. has not yet taken his decision, but a life basis (= 3.11%) for 1935 is highly improbable.

Det.

Any down?

26

~~Mr. Preston,~~

There is no objection I think to replying as proposed by Mr. Grossmith but it might be added that the Auditor should be informed of any such minor alterations and that it would of course be open to him to raise the matter if he considered that the Secretary of State's approval should be obtained in any instance.

May I have a copy of the despatch that is sent, and may I also see the papers about the Renewals Fund when a decision is reached about the life basis ?

yes: when
2

Noted on 28/04/35

2/2/35
ms 3079/15/35

A. J. Harding

Director of Colonial Audit.

15-2-35

16
advice

2 To H. G. Dept, 20 (1 answer) 21 Feb 1935

MA
late copy of 1/1/35
copy to note X in memo
1/1/35

Copy detached.

A. J. Harding
Director of Colonial Audit.
4th March, 1935.

DM

2
3

C. O.

Mr. Crossmith.

Mr.

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.

19/1/35
19/1/35

Downing Street,

21 February, 1935.

Sir,

the 17th of December 1934, in
of the 17th of December 1934, submitting
two printed copies of the
instructions relating to the
allocation of expenditure in
connection with the Kenya and Uganda
railways and harbours.

It is of great importance that no important
departure from these instructions
will be introduced without your
reference to me and in the
instructions to be submitted
reference to the instructions
of the 17th of December 1934, which may
be found necessary from time to
time

DRAFT.

R
D

TRANSPORT
KENYA-UGANDA.

No. 20

HIGH COMMISSIONER.

Extra copy
for J.A.

FURTHER ACTION.



14

TRANSPORT

KENYA-UGANDA

NO. 136

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

14th December, 1934.

Sir,

I have the honour to refer to your transport despatch, Kenya-Uganda, No.69 dated the 26th July 1934, in which you approve of revised instructions relative to the allocation of expenditure in connection with this Administration, and to enclose herewith two copies of these instructions in printed form.

No 2

3331

Amended (2)

2. No important departure from these instructions will be introduced without prior reference to you but I assume that minor alterations in departmental procedure, not affecting the approved principles governing the allocation of expenditure, which may be found necessary from time to time, can be sanctioned by me.

I have the honour to be,

Sir,

Your most obedient,

humble servant,

C. G. G. G.
for
HIGH COMMISSIONER.

THE RIGHT HONOURABLE
MAJOR SIR PHILIP CUNLIFFE-LISTER, G.B.E., M.C., M.P.,
SECRETARY OF STATE FOR THE COLONIES,
DOWNING STREET, S.W.1.



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

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

Part I—FUNDS

I.—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 Renewal 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 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 are retired.
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 per cent until 31st December, 1934.

On a life basis from 1st January, 1935.

Marine—Nil until 31st December, 1935.

Position to be reviewed in 1935, and when contributions are recommenced, the rate to be 3 per cent

Motor Vehicles—20 per cent

	per cent
<i>Harbours</i> —Kilindini Old Pier	1½
Wharf and Jetties	3
Fenders	10
Railways and Sidings	3
Electrical Installation, Cranes and Equipment	5
Crane Roads	3
Macadamised Roadways	10
Bugs, Launches and Pontoons	5
Lights, Buoys and Beacons	7½
Water Supply	3
Brick Transit Sheds	1
Transit Sheds and Goods Sheds, etc.	2
Fencing	3
Stations and Offices, etc.	4
Godowns	2
Staff Quarters	1

3. In 1935 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 contribution 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 such other 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 amounts 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 cannot 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 rebalasting 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 for 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.

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 acquisition, 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 cannot be a charge against those funds.

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For example, either the complete relaying, resleepering or rebalancing 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 for 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 utilized 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 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. 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 situated.

2. All loans must be 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 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 replacement 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 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.

3.—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 of installing the new. In such cases the whole cost of the labour 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 estimated 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 works will 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 paragraph 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. 50 per day in the case of motor vehicles. Rates for the hire of steamers will be fixed as occasion arises.

10. No freight or fare 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 or 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. 799 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. 799 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 the High Commissioner without prior reference to the Railway Advisory Council or Harbour Advisory Board, but the High Commissioner will subsequently inform the 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 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.

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.

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, 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 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. 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 per cent 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 133 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.

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

V.—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 reboiling 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.

REVISED EXPENDITURE INSTRUCTIONS.

Details of Amendments etc., and reasons therefor.

<u>Reference</u>	<u>Changes</u>	<u>Reasons</u>
General Notes.	Included as separate page.	Gives prominence and saves repetition in main instructions, also ensures that "prescribed financial limits" can be easily amended.
Contents	Included in revised draft.	Normal practice.
Part - I - <u>Funds.</u>		
Section 1. (old Instructions)	Paragraphs re-arranged and merged where necessary. Note added re Minor Additions and Improvements to cover cases where such work is in the nature of a general plan applicable to a number of units.	To improve general lay-out. Normal practice. Under existing arrangements, for example, track drainage is dealt with on a "unit" basis which charges cost to Working Account, whereas the work is actually Betterment.
Section 2. (old Instructions)	Paragraph 3 amended to cover any exceptionally heavy charge to Net Revenue Account.	Old Instruction covered only cases of Withdrawal of Assets not replaced. In actual practice, the spread of any exceptionally heavy charge to Net Revenue Account over a period of years requires the sanction of the Secretary of State.
Section 3. (old Instructions)	This section has been amended considerably to conform with the principles adopted following the 1935 Renewals Committee Report. No other changes in principle introduced.	Necessary to bring the Instructions up to date. Wording amended in cases where experience has indicated that such is necessary.
Section 4. (old Instructions)	This section has been amplified to make the Instructions more clear and precise. Examples have been excluded and broad definitions included in their place. Paragraph 6 of this section of the revised draft is included to give the Chief Accountant discretionary power regarding capitalization of Betterment expenditure	This section has given rise to much argument and the necessity for more precise instructions was apparent. Paragraph 6 is included to allow the exercise of discretion in respect of "border line" cases.
Section 5. (old Instructions)	Paragraphs amalgamated and wording amended. Revised section 6 - Capital Account Funds, included in revised draft.	Result of experience with old Instructions. To cover Capital funds created by withdrawal of Assets from service where replacement is not effected.

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<u>Reference</u>	<u>Changes</u>	<u>Reasons.</u>
Part II - Section 2. (old Instructions)	Amended as the result of 1935 Renewals Committee Report - Paragraph included to cover Obsolescence.	Necessary following the 1935 Renewals Committee Report.
Section 6. (old Instructions)	Paragraph included to cover Non-wasting Assets. New section 7 included to cover Minor Works.	To cover existing practice. Minor Works have been defined in Departmental correspondence and it is considered desirable to include a section to cover, in the revised instructions.
Part III. Section 1. (old Instructions)	This section has been revised to combine Sections 1 and 3 of Old Instructions and to cover the latest practice regarding New etc., Works proposals.	The revision is necessary to bring the Instructions up-to-date. Opportunity has also been taken to reword the instructions where experience has shown such is necessary.
Section 2. (old Instructions)	The main change introduced is that in connection with the Schedules of New etc., Works. The old instructions provide that the Schedules shall form part of the printed estimates, whereas the 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 Railway Advisory Council, Harbour Advisory Board and the High Commissioner for Transport and that variations from the schedule shall be reported annually to those authorities.	The schedules are the basis of the relative Abstracts in the printed estimates, but flexibility is necessary in order that the programme may be adjusted according to actual requirements during the year of operation. It is also considered unnecessary for the schedules to receive Legislative sanction as the Railway Advisory Council, Harbour Advisory Board and the High Commissioner for Transport approve all works not within the powers of the General Manager, limited by the total provisions under the relative Works Abstracts.
Section 3. (old Instructions)	Merged with Section I and New Section III added to cover existing procedure re: control of working expenditure.	Old Section 3 is properly included with Section I. No instructions were previously included to cover procedure regarding "excess expenditure over authorised working estimate provisions", and these are now included as Section III.

Reference

Changes

Reasons.

Paras.13 and 14 provide for freight and hire charges being based on "out-of-pocket" cost.

Considered undesirable to have fixed rates in the instructions as these are fixed departmentally.

A new section 6 has been included in Chapter III of the revised draft to cover existing procedure in respect of Stores rendered redundant to the withdrawal of Assets.

Instructions found necessary to prevent redundant Stores etc., of the nature covered from being overlooked when the relative Assets are withdrawn.

Chapter IV is added to provide ready reference to relative instructions. A statement of the nature is already in use.

The Chapter is very useful and as a statement of similar kind is already in use, it is considered desirable to include in the revised instructions.

Appendix I - Extracts from 1935 Renewals Committee Report.

The extracts are printed as an appendix as they explain in detail why changes in Renewals Fund procedure etc., have been made.

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 sub-dividing 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

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Hon: General Manager's Reference

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KENYA AND UGANDA RAILWAYS AND HARBOURS.

CONTENTS.

EXPENDITURE INSTRUCTIONS.

CHAPTER I. - FUNDS.

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

- Section 1. Working account.
- Section 2. Net Revenue Account.
- 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.
- Section 5. Dismantling and Demolition of Wasting Assets.
- Section 6. Sale of assets.
- Section 7. Minor Works.

CHAPTER III - PROCEDURE

This Chapter outlines the procedure to be followed in connection 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 authorised 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 summarises 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 - F U N D S.

Section 1. - WORKING ACCOUNT.

DEFINITION OF WORKING EXPENDITURE.

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.

INCLUSION OF RENEWALS FUNDS CONTRIBUTION IN WORKING ACCOUNT.

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.

MINOR REPLACEMENTS.

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 ADDITIONS & IMPROVEMENTS.

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

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.

URGENT AND ESSENTIAL WORKS.

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.

Section 2. - NET REVENUE ACCOUNT.

CHARGE TO NET REVENUE ACCOUNT IN RESPECT OF WITHDRAWN ASSETS.

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.

ASSETS DESTROYED BY ACCIDENT ETC.

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.

EXCEPTIONAL CHARGES AGAINST NET REVENUE ACCOUNT.

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.

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 renewals 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 above, 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 unserviceable 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.

ACTUAL CONTRIBUTION.

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.

PERIODICAL COMPLETE REVIEW OF FUNDS.

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.

INTERMEDIATE EXAMINATION OF LIVES ETC.

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.

WASTING ASSET REGISTERS.

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

- (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.

ADDITIONS ETC.

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 value when not less than the prescribed financial limits, chargeable to Betterment, Capital Account or Loan Fund 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.

EXPENDITURE CHARGEABLE TO BETTERMENT 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).

CLASSIFICATION OF BETTERMENTS.

3. Betterments may be roughly grouped into four main classes :-

- (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.

SUB-DIVISION INTO CAPITAL AND FINAL BETTERMENT.

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

- (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.

CAPITAL BETTERMENT.

(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.

FINAL 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.

SURVEYS AND INVESTIGATIONS.

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 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 connection with the capitalization or otherwise of expenditure not 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 & IV BETTERMENT CHARGES ARE 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.

GENERAL APPLICATION OF INSTRUCTIONS.

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.

Section 2. - REPLACEMENT OF WASTING ASSETS.

CHARGES TO WORKING ACCOUNT.

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 RENEWALS FUNDS.

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.

REPLACEMENTS DUE TO ACCIDENTS ETC.

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.

REPLACEMENT BY INCREASED CAPACITY 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 LESSER 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.

OBSOLESCENCE.

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.

Section 3. - WASTING ASSETS WITHDRAWN FROM SERVICE AND NOT REPLACED.

WITHDRAWAL OF MINOR ASSETS.

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 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 ACQUIRED 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 part 2 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 5 and the transfer and re-erection under Section 1 of this Chapter.

AUTHORITY FOR TRANSFER OF MINOR ASSETS.

3. In connection 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 General Manager prior to any action being taken.

Section 5 - DISMANTLING & DEMOLITION OF WASTING ASSETS.

LOCATION 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.

ALLOCATION WHEN COST EXCEEDS VALUE OF MATERIAL RECOVERED.

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.

CREDIT 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.

EXCEPTIONS.

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.

DEMOLITION OF CONSTRUCTION ASSETS.

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.

INCLUSION OF RECOVERED MATERIAL VALUES IN ESTIMATE.

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.

Section 6 - SALE OF ASSETS.

WASTING ASSETS.

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

NON-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.

CONSTRUCTION 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.

Section 7 - MINOR WORKS.

MINOR WORKS DEFINED.

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.

WORKS FORMING GENERAL PLAN.

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.

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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 more than the prescribed financial limits, supported by the full reasons for same, must be submitted to the Management on form M.U.R. 308, in quadruplicate, through the Chief Accountant.

PROPOSALS TO BE SUBMITTED AS THEY ARISE.

2. As the necessity for New Works ordinarily cannot 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 amenities and other works not covered by other heads.

COMPLETION OF PROPOSAL FORM (M.U.R. 308).

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.

LEAD & CONSTRUCTION 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 Constructing Department proceeds to renew such asset. The same principle applies to additions, alterations, improvements, etc.

RELATION
WORKS
SCHEDULE 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 Advisor, 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.

SECONDED
STAFF.

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

ADDITIONAL
STAFF FOR
NEW WORKS.

9. Additional Technical, Supervising, Accounting, Stores and Carrials salaried Staff, engaged by Departments for, or in connection with, the programme of works authorised 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.

STAFF CHARGE-
ABLE NEW
WORKS ETC.

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.

CHARGES FOR
STORES.

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.

SPARES ETC.

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 authorised. 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.

FREIGHT
CHARGES
CAPITAL ETC.
WORKS.

13. In the case of works chargeable to Betterment, Capital or Loan Funds, freight charges will be raised at rates based on "out of pocket" costs approved by the Management from time to time on all stores and material transported by Railway, Marine or Motor Services.

HIRE CHARGES
CAPITAL ETC.
WORKS.

14. Hire charges will be raised against Betterment, Capital or Loan Funds when trains, steamers or motor vehicles are specially allocated for use on new works chargeable to such funds. Such charges will be based on the "out of pocket" costs and will be fixed by the Management from time to time.

NO FREIGHT
ETC. CHARGES
ON OTHER
WORKS.

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

PLANT HIRE
CHARGES.

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

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

SECTION 4 - ANNUAL ESTIMATES.

PROCEDURE RE SECTION

1. All expenditure, whether on Working, Not 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.

ESTIMATES

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 utilised 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.

STATEMENTS OF REPLACING ASSETS.

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.

Section 3 - EXCESS EXPENDITURE OVER AUTHORIZED WORKING ESTIMATE PROVISIONS.

REPORT TO GENERAL MANAGER.

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.

RESPONSIBILITY OF HEADS OF DEPARTMENTS.

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.

MONTHLY REPORTS BY CHIEF ACCOUNTANT.

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.

NOTIFICATION OF LIABILITIES.

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.

CONTROL OF MINOR WORKS EXPENDITURE.

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

EXCESSES ON WORKS.

6. The arrangements governing excesses on works are detailed under Section 4, paragraphs 8 onwards of this Chapter.

Section 4 - WORKS ESTIMATES.

EXCEPTION NECESSARY FOR SPECIAL WORKS.

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

SUBMISSION OF WORKS ESTIMATES.

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.

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.

KEY
INITIALS.

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 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.

5. 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.266. 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.

6. 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. & H 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 ₹700, 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 ACCT.
GOODWILL
AGREEMENT
AGREEMENT.

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.

SUPPLEMENT-
ARY ESTIM-
ATES.

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 ₹50, whichever is the lower, without reference to the original sanctioning authority.

REVISED
ESTIMATES.

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.

PROGRESS REPORTS.

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.

COMPLETION 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.

CREDITS TO EXPENDITURE.

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.

Section 5. - WITHDRAWAL OF WASTING ASSETS FROM SERVICE.

SANCTION FOR WITHDRAWAL OF ASSETS.

1. Except where otherwise authorised 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.

RETURN OF WITHDRAWN ASSET TO SERVICE.

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.

DEMOLITION ESTIMATES.

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.

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 & 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.

WITHDR.W.L.
OF MINOR
ASSETS NOT
TO BE RE-
PLACED.

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.

WITHDR.W.L.
OF MAJOR
ASSETS NOT
TO BE RE-
PLACED.

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 AC-
QUIRED 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
WITHDR.W.L. 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.

ACTION IN
RESPECT OF
STORES ETC.,
RELATIVE TO
MAJOR ASSETS.

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

- (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 affects 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.

RCM.

CHAPTER IV - SUMMARY OF ALLOCATION OF EXPENDITURE

Debits.

WORKS	Allocation	Reference to instructions		
		Chapter	Section	Paragraph
1. Maintenance and Repairs	Working Expenditure.	I	1	1
2. Renewal of Minor Assets (i.e. Assets the replacement costs 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:	Working Expenditure.	I	1	3
		II	2	1
(a) if cost of replacement is less than prescribed financial limits.				
(b) if cost of replacement is not less than prescribed financial limits.	Betterment Funds.	I	4	2
4. Renewal of Assets classified as Renewal Funds Contributing Assets	Working Expenditure.	I	1	3
		II	2	1
(a) When cost of replacement is less than prescribed financial limits.				
(b) when cost of replacement is not less than prescribed financial limits.	Renewals Funds - to extent of renewal in kind;	I	3	1.5
		II	2	3
	Balance to - Betterment, Loan or Capital.	II	2	4
5. Replacement on account of obsolescence not entered for in Renewals Fund or destroyed by accident of assets classified as Renewals Funds contributing Assets when replacement cost not less than prescribed financial limits.	Renewals Fund - Replacement in kind without minimum.	I	3	12
		II	2	3
	Net Revenue A/c - Balance subject to prescribed financial limits.	I	2	2
		II	2	3
	Working Expenditure - Balance if less than prescribed financial limits.	I	2	2
		II	2	3

WORKS	Allocation	Reference to instructions					
		Chap- ter	Sec- tion	Para- graph			
6. Replacement of Assets classified as Renewals Funds contributing assets with assets of	(a) Greater Capital Value.	Working Account - Renewals in kind if less than prescribed financial limits.	I II	1 2	3 1		
		Renewals Fund - Replacement in kind.	I II	3 2	3,11 2		
		Betterment, Capital A/c or Loan Funds - Balance, subject to prescribed financial limits.	I II	5 2	3 4		
		Working Account - Balance if less than prescribed financial limits.	I II	3 2	3,11 4		
		(b) Lesser Capital Value.	Renewals Fund - Expired Life.	II	3	2	
			Net Revenue A/c - Balance.				
	Capital A/c - Cost of new asset if not less than prescribed financial limits.		II	3	2		
	Working A/c - Cost of new asset if less than prescribed financial limits.		II	2	5		
	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 A/c or Loan Funds.	I I II	4 5 1
		(c) When individually cost less than prescribed financial limits but dealt with on "general plan" basis.			Betterment, Capital A/c or Loan Funds.	I I I II II	1 4 5 1 7

WORKS	Allocation	Reference to Instructions		
		Chapter	Section	Paragraph
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 A/c 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 A/c 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 expired life without minimum. Net Rev; Account - Balance without minimum.	I II III I II III	3 3 5 2 3 5	13 2 7 1 2 7
(c) Misc. assets acquired purely for construction purposes.	Stores Unallocated Value to be agreed by Chief Engineer & Stores Suput.	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

WORK	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. (b) Non-wasting Assets.	Net Revenue Account.	I	2	6
		II	6	1
	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
		III	5	8
	<u>Otherwise</u>			
	Capital account, if proceeds not less than prescribed financial limits.	II	6	3
		III	5	8
	Net Revenue Account, if proceeds less than prescribed financial limits.	II	6	3
	III	5	8	
14. Cost of Removal and Re-creation of Assets. (a) Complete Assets. (b) Part Assets.	Stores - Unallocated.	II	6	3
		III	5	8
	Working Expenditure if less than prescribed financial limits.	II	4	1
	Net Revenue Account, if not less than prescribed financial limits.	II	4	1
	Working Expenditure, if less than prescribed financial limits.	II	1	1
		II	4	2
Bottomment, Capital Account or Loan Funds, when not less than prescribed financial limits.	II	1	1	
	II	4	2	

WORK	Allocation	Reference to instructions		
		Chapter.	Section.	Paragraph.
15. Contributions required to maintain Renewals Funds.	Working Account.	I I	1 3	2 1,4,5,6, 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
18. Plant Hire Charges.	Relative Work.	III	1	16

EG.

Credits.

WORK	Allocation	Referenced to instructions.		
		Chapter.	Section.	Paragraph.
1. Scrap and Material recovered from ordinary Maintenance.	Net Revenue Account.	I	2	5
2. Materials recovered from assets withdrawn from service.	Net Revenue Account.	I	2	4
		II	5	3
3. Sale of Open Line Wasting Assets.	Net Revenue Account.	I	2	6
		II	6	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	6	2
		II	6	2
5. Sale of assets acquired for purely construction purposes.				
(a) When relative estimate open.	Construction Estimate.	II	6	3
		III	5	8
(b) When relative estimate closed.	Capital Account if not less than prescribed financial limits.	II	6	3
		III	5	8
	Net Revenue Account if less than prescribed financial limits.	II	6	3
		III	5	8
	Stores - Unallocated.	II	6	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.	II	3	2
		III	5	7
	No financial adjustment if original or improved cost was less than prescribed financial limit.	II	3	1
8. Material recovered from dismantled or demolished construction assets.	Construction Funds.	II	5	5

WORK	Allocation	Reference to instruction.		
		Chapter.	Section.	Paragraph.
9. Hire charges for Construction work plant and machinery loaned to other works.	Construction Funds.	III	1	18
10. Tools and plant of open lines loaned to new constructions.	Traffic Account - Miscellaneous.	III	1.39	18
11. Credits accruing after verification of completion report.	General head of relative fund or account.	III	3	18

12.

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 12 1/2 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 subhead.

The lives attached to pipe lines, calls for comment. It has been found that pipe lines laid just on 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 2 1/2 inches diameter.

Plant and workshop machinery.

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

Locomotives.

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.

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 on that account takes place, and boilers therefore will last out the engines they serve.

Carriages and wagons.

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.

Jetties and ferries

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.

Lake Marine vessels.

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.

Harbours.

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.

Replacement costs

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.

Basis recommended.

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

52

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.