

1921

KENYA

36467

DEPT. H.M.

DATE
20TH JULY.

REC'D
JUL 21 1921

REGULATION:—

SUBJECT

362

MILITARY EXPENDITURE.

Encloses memo on. Gives whereabouts in case may be required to discuss points with Sir. E. Northey.

Grindle

Lambert

Read

Fiddes

Good

Churchill

Previous Paper

Gov
33852

MINUTES

See Slip on 33852

~~Pl. make 4 copies~~

Pl. make 4 copies
of the enclosure.

W.S.

25.7.21

W.S.

SECRET

2 copies sent to him at
Bedford 26.7.21.

Mr. Mackay
Mr. Northey

You sh^d see the Publicist's copy
of the notes I have annexed to C.
Nothing agreed both within I suggest.
Nothing else done till we have
about the King's case, or check the

Subsequent Paper

W.O.
43638

In connection with Kenya finances the following notes are submitted in connection with the memorandum which Mr. Rushden the Deputy Treasurer has furnished explaining the present position.

1. In connection with the Kenya loan we are undertaking to pay something (to be ascertained) ^{by a Joint Departmental Committee} some time or other.
2. I hoped that the War Office would take over the whole of the financing (including the Protectorate units) pending whether repayment under (1) - i.e. to place Kenya in the same position for the moment as under Lord Milner's original scheme. But, at the meeting in May last, Mr. Upcott of the Treasury said that it was hopeless to expect the War Office to ask Parliament for money in order to put Kenya in funds.
3. Therefore, the split risk remains on the ground, and we can only try to avoid adding unnecessarily to the mess. Several cases arise -

- (i) Charges ^{being} going to account in respect of -
 - (a) Services recognised as Kenya services.
 - (b) "Common Charges".
 - (c) Purely Imperial services.
 - (d) Payments falling under (b) sanctioned by the Civil Government acting on behalf of the War Office, but without express authority.
- (ii) Rectification of the past accounts in the light of ^{changes to} (b) (c) and (d) above.

Proposed -

- 1 (a) The money must be found by Kenya.
- (b) The money must be found by the War Office and the amount taken into account in the general assessment of Kenya's liability.
- (c) The money must be found by the War Office.

3

(a) The money should be found by the War Office, and Kenya's liability should be considered by the Inter-Departmental Committee ^{to be appointed under para 1} under (b) and if the liability is established the amount involved must be added to the sum which Kenya will ultimately have to be paid ^{by}.

(ii) Past accounts must be examined locally in the light of ^{the provisions of} (b) (c) and (d) above and an accurate statement of the position as between Kenya and the War Office must be furnished. Any balances shown on this basis to be due from the War Office to Kenya should be paid over in order to save Kenya ^{the} the interest which it incurs on overdraft.

The essential thing is to have these various heads separated in the local accounts as quickly as possible, and the investigation proposed under (b) will secure this. Once obtained it can easily be maintained for the future.

Gen. 11.8.21

(4) The money should be found by the War Office, and Kenya's liability should be considered by the Inter-Departmental Committee under (b) and ^{to appropriate money from} if the liability is established the amount involved must be added to the sum which Kenya will ultimately have to be paid ^{by}

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Crab. 11.8.21

MILITARY EXPENDITURE - KENYA COLONY.

During the sixteen months I was in the Kenya Treasury, prior to coming home on leave, that office had to face a period of great financial stringency, two exchange and currency crises, and arrears of work caused by war conditions; the staff was seriously depleted owing to death, sickness and leave long overdue. To make investigations as to what had transpired during the war was in consequence impossible moreover the Chief Paymaster, East Africa Pay Corps and the Chief Paymaster, King's African Rifles had corresponded with the Colonial Office and War Office otherwise than through the Kenya Treasury, so that the Treasury files were incomplete.

For these reasons it is not possible for me here in England to write an exhaustive or altogether reliable memorandum on Military Expenditure. I give below, however, what I believe to be the position in regard to the points upon which Mr. Batterbee sought information when I was at the Colonial Office recently:

- 1. Military Expenditure has been charged to two main Heads.
 - a. "War Expenses. Common Charges"
 - b. Protectorate Share of War Expenses.
- ii. The War Office while admitting no ultimate liability agreed to advance funds to meet expenditure chargeable to a. Such expenditure was to include the cost of the whole of the King's African Rifles and be apportioned eventually between the various East African Dependencies.
- iii. As regards b, it appears to have been arranged that Kenya should bear, as a direct charge, certain items of military expenditure including the cost of locally raised units such as the East African Rifles, East African

Mounted Rifles, Maxim-Gun Section, etc. Civil War Bonus up to March 31st 1920 was also charged against Protectorate Share of War Expenses.

IV. In practice funds advanced by the War Office were issued to the Chief Paymaster, East African Pay Corps, and Chief Paymaster, King's African Rifles, whose duty it was to allocate the expenditure made therefrom to the "Common Charges Account" or the "Protectorate Share of War Expenses Account" in accordance with instructions. Upon receipt of debits against the latter Kenya Colony credited the War Office with the amounts thereof.

V. In order to provide as far as possible for the charge which it was gathered might be made against her in respect of the Common Charges Account, Kenya for several years credited the War Office with the amount provided in the Kenya Annual Estimates for "King's African Rifles Personal Emoluments" and carried to a Suspense Account the amount provided in the Annual Estimates for "King's African Rifles Other Charges".

VI. Lately the Chief Paymaster East African Pay Corps (he is now I believe styled Military Accounts, Pensions and Records Officer) has been required to pay an ever increasing number of Imperial pensioners and this also has been done from funds advanced by the Kenya Treasury.

VII. At the time I left Kenya a very large sum advanced to the Chief Paymasters remained unallocated but the total amount advanced to them by the Kenya Treasury exceeded by several hundred thousand pounds the amount advanced by the War Office to the Kenya Treasury.

VIII. It is in regard to this excess of advances to the Paymasters over the advances made by the War Office that the first question arises. Kenya contends that as little if any of the excess will be a charge against Protectorate

Share of War Expenses she should be reimbursed with the amount thereof in the terms of paragraph 11 above. There seems no reason why, pending final disposal of the Common Charges Account, Kenya should be required to provide funds therefor particularly when she has been compelled to overdraft heavily on the Crown Agents.

I understand the War Office withholds payment because satisfactory accounts have not been furnished; to do this at present is impossible, owing to the appalling state in which the Chief Paymaster, King's African Rifles Accounts were found when the Kenya Treasury took them over in June, 1920.

IX. The second important question which has arisen is in respect of the Protectorate Share of War Expenses Account. When I left Kenya the debits accepted against this account amounted to something in the neighbourhood of £850,000 of which about £500,000 was for Civil War Bonus and other expenditure of a domestic nature and about £350,000 for military expenditure in connection with the East African campaign (locally raised units, etc.)

Whatever may have been the circumstances when the arrangement referred to in paragraph 11 above was made it can now well be argued that the cost of locally raised units such as the East African Rifles, etc., is as reasonable a debit against the Common Charges Account as the cost of locally raised King's African Rifles.

Kenya can therefore claim that the £350,000 or whatever the sum may be, should be credited to her and debited to the Common Charges Account.

X. I personally would go further than this and suggest that pending final disposal of the Common Charges Account the amount which Kenya has already contributed in respect of King's African Rifles Personal Expenditure (vide paragraph V above, should be refunded to her.

XI. To put the case shortly it is contended that the whole of the expenditure incurred by the East African Dependencies in connection with the local campaign should be debited to the Common Charges Account and any advances or contributions already made refunded to the respective Dependencies.

XII. The question of the final apportionment of the Common Charges Account hardly comes within the scope of this memorandum. It is however a matter of very great importance to Kenya and one in which a good case can be presented for any portion which Kenya may be called upon to bear being treated as a loan without interest until the Colony is in a position to meet the loan charges.

H. H. Rushton

H. H. RUSHTON.

Deputy Treasurer
Kenya Colony.

Hillcrest

Salthouse, Esq

36467

Bedford

July 20thREC'D
EGD
21 JUL 21

Dear Mr Salthouse,

I dropped the volume this morning & took it into Bedford to be typed. It was promised for this evening but when I went for it it had not been commenced.

In order to avoid further delay I am sending the names, which I have required, in parcel as it stands. I hope you will not mind ~~it~~ in the circumstances. If you find it sufficiently interesting to be typed perhaps you could have this done & send me two copies, - one to be signed & returned to you the other to be retained by me.

When I saw the Under Secretary of State he mentioned that I might be required when Sir Edward Blyden reaches England. My movement in the near future will be as follows: -
 Friday July 23rd till Sunday the 26th
 Field Terrace, Bath 4th, Wootton Bassett
 July 27th to August 2nd the old Bedford address. August 3rd with

Further arrangements are made
Hotel de Paris, Crosser as
instructed I am following myself in
readiness to come to London when
required.

Yours sincerely
H. H. H. H. H.

40
Military Expenditure, Kenya Colony

During the previous accounts I
did in the Kenya Treasury Office to
covering home on leave, that office
had to pass a period of great
financial stringency, two exchange
& currency crises & areas of
work caused by war conditions; the
staff was severely depleted owing
to death, sickness, & leave
long overdue. I was never legally
a. to what had disappeared during
the war was unaccounted for &
uncover the Chief Paymaster
East Africa Pay Corps & the
Chief Paymaster Kenya African
Natives had corresponded with
the Colonial Office & War Office
otherwise than through the
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Treasury files were incomplete.

For these reasons it is
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when I was at the Colonel's
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I Military Expenditure has
been charged to two main
heads

a. War Expenses. Common
charges

b. Protectorate Share of War
Expenses.

II The War Office while
admitting no ultimate liability
agreed to advance funds to
meet expenditure chargeable to
Such expenditure was to include
the cost of the whole of the
King's African Rifles & be
apportioned virtually between
the various East African
Dependencies.

III As regards b. it appears to
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Maximum Gun Section, the Civil War House up to March 31st 1920 was also charged against Protectorate Share of War Expenses. In practice funds advanced by the War Office were issued to the Chief Paymaster E.A.P.C. & Chief Paymaster K.A.R. whose duty it was to allocate the expenditures made therefrom to the "Common Charges Account" or the "Protectorate Share of War Expenses Account" in accordance with instructions.

Upon receipt of debits against the latter Kenya balance credited the War Office with the amounts thereof.

4. In order to provide as far as possible for the charge which it was generally understood to be made against her in respect of the Common Charges Account, Kenya for several years credited the War Office with the amount provided in the Kenya Annual Estimates for "K.A.R. Personal Expenditure" & carried to

Suspense Account the amount provided in the Annual Estimates for "K. A. & Other Charges."

v Lately the Chief Paymaster S. C. P. C. (he is now I believe styled Military Accounts, Pension & Record Officer) has been required to pay an ever increasing number of Imperial pensioners & this also has been done from funds advanced by the Kenya Treasury

vii At the time I left Kenya a very large sum advanced to the Chief Paymaster remained unallocated but the total amount advanced to them by the exceeded by several hundred thousand pounds the amount advanced by the War Office to the Kenya Treasury.

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Kenya Treasury

... of the nature of her ...
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... 1920.

cost of locally raised assets such as the East African Bazaar etc. is reasonable & subject agreement the Common Charge Account on the cost of locally raised U.A.P.

Karega asks therefore that the [25000, or whatever the sum may be, should be credited to her & debited to the Common Charge Account.

x I personally would go further than this & suggest that pending final disposal of the Common Charge Account the amount which Karey has already contributed to ~~the Common Charge Account~~ in respect of U.A.P. Personal Expenditure (Vide para 4. above) should be refunded to her.

x! It is just the case shortly it is concluded that the whole of the expenditures incurred by the East African Bazaar etc. in connection with the local campaign should be debited to the Common Charge Account & any advances or contributions already made

referred to the respective
Departments.

XII. The question of the
fiscal arrangements of the
Common Charge Account Board
comes within the scope of
this memo. It is however
a matter of very great
importance to Kenya & one
in which a good case can
be presented for any person
which Kenya may be called
upon to hear being treated
as a loan without interest
until the Colony is in a
position to meet the
loan charges.

W. H. G. ...
...
Kenya Colony

1914
July 20/21