

1932

18091

18091

KENYA

C 0533/423

LOAN TO NAKURU MUNICIPAL BOARD

FOR PROVISION OF DRAINAGE SYSTEM. C.C.

Previous

16/4/30.

Subsequent

31/1/35

R 297

14/7/30

M. K. K. K.

3/3

M. K. K. K.

3/1

S. C. B. K.

3/3

100-505

Asks covering sanction for an arrangement under which the Nakuru Municipal Board be empowered under Section 88 of the Local Government (Municipalities) Ordinance, 1928, to borrow £1500 from the Water Supply Renewals Fund for 3 years at 4%, and that it should provide for redemption at the rate of £50 per annum on a 30 years basis.

This is a fait accompli, and however undesirable it may be to encourage a municipality to utilise earmarked funds for expenditure on other services, there seems no alternative but to agree to the proposal to borrow £1,500 temporarily from the Nakuru Water Supply Renewals Fund.

The position as regards Nakuru Municipality Loans is that approval was given for inclusion in the Colony Loan of £21,000 for the purchase of the Nakuru Water Supply, and £9,000 for housing (vide page 7 of Appendix II to (6) in 16100/30, paragraph 4 of (6) and paragraphs 3-4 of (80) in 16100/30.

The £21,000 has already been issued, and in view of the above authority it may be assumed that at the end of the three years period the £1,500 will be provided from the same source.

The interest on the £21,000 is covered by the revenue from the Water Supply.

Interest and redemption charges on the loan of £1,500 will be met from the general revenue of the Municipality; the financial position of which in 1930 was as follows:-

	£.
Surplus on 1.1.30	2,830
Revenue, 1930	10,445
Expenditure in 1930	11,762
Surplus on 31.12.30	1,603

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A further point for consideration is whether the interest and sinking fund contributions now proposed should approximate to those which would be charged for a Government Loan in similar circumstances.

circumstances, having regard to the conditions laid down in paragraph 2 in (111), and para. 3 of (9) in 15953/30.

- In the case of the Water Supply Loan
- A. the terms were Interest at  $5\frac{1}{2}$  per cent per annum and sinking fund contribution at  $4\frac{1}{2}$  per cent (vide (5) in 16214/30), as compared with the proposed  $4\frac{1}{2}$  per cent Interest and  $3\frac{1}{2}$  per cent sinking fund contribution suggested in (1).
- B. As about £3,000 of the Water Supply Renewals Fund is included in the Makuru loan of £21,000 (vide paragraph 2 of (1) in 16214/30) it seems anomalous that the water services should lend at a lower rate, B, than they are paying, A.

Approve as a special case provided that the terms are similar to those which would be charged at present for a loan from Government funds.

H.S. 10212/32  
30/8/32

Of the £5,100 in the Water Renewals Fund, only £2,000 was included in the £21,000 loan by Govt. The Fund is at present earning  $4\frac{1}{2}$ % (para. 3). I am in no way suggesting the loan should be paid on the footing of A which is temporarily denied.

The suggestion, however, given, was acceptable & does not imply

confidence in the administration aptitude of the Municipal Board. They might have been expected to familiarize themselves with the Ordinance which brought the Board into being - see especially § 90.

And, and say that in the important circumstances stated, S.P.S. has no alternative but to approve

Approved  
31/8

and say that the S.P.S. believe that the question was the wrong way is the wrong way and that the terms proposed were never being intended.

[1/1] suggested the possibility of a change in financial arrangement.]

G.S. H.S. 32

1/1

1/1

10/6 2 To For 266 (14/10/32) 6 APR 1932

6/1

C. O.

Mr. Priestman *2/4*

Mr. *Drashtin 2/4*

Mr.

Mr. Parkinson

Mr. Tomlinson

Sir C. Bottomley

Sir J. Shuckburgh

Permt. U.S. of S.

Parly. U.S. of S.

Secretary of State

18091/32 Kenya.



Downing Street,

6 April, 1932.

Sir,

I have the honour to acknowledge the

(1) receipt of your despatch No. 77 of the 19th February on the subject of a proposed loan of £1,500 to the Nakuru Municipal Board to cover expenditure on work which has already been authorised.

2. In the unfortunate circumstances disclosed, I have no alternative but to <sup>approve the arrangement described</sup> ~~approve~~ the proposition in your despatch under ~~reference~~ <sup>reference</sup>, but I ~~hope~~ <sup>trust</sup> that the question of the manner in which the money is to be repaid at the end of the period of three years will receive early attention.

I have, etc.

(Sgd.) P. O'SHEA-LISTER

KENYA

NO. 266



KENYA.

No. 77

GOVERNMENT HOUSE,  
NAIROBI,  
KENYA.

REC  
14  
00

19<sup>th</sup> February, 1932.

Sir,

*Not on  
16/2/30  
K.*

I have the honour to refer to Lord Passfield's despatch No. 172 of the 12th March, 1931 on the subject of loans to the Nakuru Municipal Board, and to state that an application has been submitted by the Board to the Governor, and recommended by the Standing Committee under the Local Government (Municipalities) Ordinance, for a loan of £1,500 for the provision of concrete road drains in the main streets and certain buildings at the Municipal Depot.

2. The full amount required is £2,500 and a previous application for a loan of this sum had been received and recommended by the Standing Committee earlier in the year. Owing to the financial situation it was not possible for Government at the time to consider this provision, although it was recognised that the work was necessary, and that funds for the purpose should be supplied as soon as circumstances permitted. The Board was advised that the Standing Committee had recommended approval of its application and by an error regarded this intimation as a definite approval of Government. Progress with the work was therefore authorised and expenditure to the amount of £1,250 was incurred. Enquiry has been made and the Governor is satisfied that the Board was under a genuine misapprehension, and that the expenditure was undoubtedly necessary.

6 APR 1932

*Amud 266*

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

3. As it is not at present possible to obtain further loan funds for the purposes of loans to local authorities recourse was necessary to other sources, and, on the advice of Executive Council, an application by the Board to borrow the sum of £1,500 from its Water Supply Renewals Fund has been approved. This fund at the 31st December, 1931 amounted to £5,200 and was invested at 4½% per annum.

4. The advice of Executive Council, with which Sir Joseph Byrne concurs, is that the Board should be empowered, under Section 88 of the Local Government (Municipalities) Ordinance, 1928 to borrow £1,500 from this fund for three years at 4½% interest, and that it should provide for redemption at the rate of £50 per annum on a 50 year basis. It is considered that redemption payments should commence at once as if the loan was actually, as it will be eventually, for the longer period; at the end of three years it will be necessary to consider the question of the funds from which the balance should be provided.

5. The existing debt of the Municipal Board is £21,000 and approval of this loan was conveyed in the despatch under reference. The charges in connection with this loan are more than covered by the revenue of the water supply, which is proving a financial success, and the interest and redemption charges on the new Loan of £1,500 can be met from general revenue.

6. It is hoped, therefore, that your covering sanction will be granted to the arrangement as set forth herein.

I have the honour to be,  
 Sir,  
 Your most obedient, humble servant,

*Am. Wilson*  
 GOVERNOR'S DEPUTY.