

1935

Kenya.

No. 38116.

SUBJECT

C0533/458

Building from Loan Funds.

Previous

23097/34.

Subsequent

See 38126/35. (Loans)

1936.

C.S.  
 Building  
 Loan Funds  
 Nairobi Hospital  
 Mathari Mental  
 Hospital  
 Kisumu Market  
 Nairobi Secondary  
 School

1. A/Governor Wada to Govt (By Mail) 27/11/35  
 Submits proposal for expenditure from Loan Funds for  
 the erection of Asian & African Seins. of Growth Hospital, Nairobi;  
 extension to Mathari Mental Hospital; reconstruction of Kisumu  
 Market & provision of boarding accommodation at the Girls' Secondary  
 School Nairobi. Requests the temporary suspension of work  
 on the Central Govt. Offices in order that these works may be carried  
 out & requests reply by Air Mail.

The proposals in this despatch may be  
 briefly summarised as follows. The position with  
 regard to Loan Funds at present is that there is an  
 actual balance of £71,217 in hand which is not  
 earmarked.

The O.A.G. wants to embark immediately on  
 a programme of works including

- Re-building Nairobi Hospital,
- Increasing the Mathari Mental Hospital,
- Re-constructing Kisumu Market
- Building boarding accommodation for the  
 Girls' Secondary School, Nairobi,

costing £32,900 which may possibly have to be  
 increased to £99,000. He also needs cash in hand  
 in case of cash shortage during the current year, so  
 he wants to postpone in the meantime the work already  
 arranged on the central offices. This was to cost  
 £110,000.

The relative importance of works must be a  
 matter which is mainly left to the discretion of the  
 local Govt. provided that they take adequate steps to  
 avoid cash shortages. Perhaps before replying this  
 subject should be discussed with Sir Joseph Byrne.

The O.A.G. asks for a reply by air mail.

a. D. Jones  
 27/11/35

(2) Of these four projects, only one (Kisumu  
 Market) is revenue-earning; the other three

are not, therefore, suitable objects for loan  
expansion, according to the strict canon  
of financial orthodoxy. But it is  
far too late to raise such a question  
of principle now.

(B) The K.A.P. lines in Nairobi are  
yet again postponed. The Norman-Navell  
proposals may have some relevance

I agree that the next step must  
be a discussion with Sir J. Byrne,  
whom we are expecting <sup>to call again</sup> this week

? Wait

J. Denton  
13/5

2. O.A.G. Tel 11/4 Conf. \_\_\_\_\_ 11/4 May 35

States that scheme in para 1 of No 4 is impracticable &  
needs a 30 bed Freshman Section. Gives amended figures &  
requests that as he wishes to announce that proposals have  
been approved at opening of City Council on 5 June he may receive  
reply before that date.

No 2. alters the proposals in No 1 to  
the following extent. It is now  
proposed to spend out of Loan funds

~~£2,900~~  
78,500 To provide for a new grouped  
Hospital for Europeans, Asians  
and Africans.

2,400 for the extension to the  
Machari Mental Hospital

3,500 for the reconstruction of  
Kiambu Market.

18,000 for Boarding accommodation,  
Girls' Secondary School, Nairobi.

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£102,400.

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The proposals were discussed with  
Sir Joseph Byrne this morning. He  
agreed with them and supported the  
recommendation, made since his  
departure from Kenya, with regard  
to the European accommodation in  
the grouped hospital. He asked  
whether Mr Wade had stated what  
it was proposed to do with the  
existing European hospital building  
and whether the possibility of  
adapting the building to provide  
boarding accommodation for the  
girls' secondary school had been  
considered. The information is  
not given in Mr Wade's dispatch.  
It was decided to telegraph to  
the O.A.G. on the lines of the  
draft which I submit herewith.

J. Denton 15 C.A.G. with 13/5/35

I think it was generally agreed that all the proposals could be approved except that we should suggest using the old hospital if possible for the Girls. It probably won't be possible (and I am sure it will never be satisfactory).

The new hospital has got to be approved as has the extension of Mathari and the Kisumu market. So I submit an alternative.

J. S. O. Flood  
16.5.

(This involves giving approval to para<sup>s</sup> 10-14 of the deep. Sir J. Byrnes explained that the congestion of some Dep'ts had been relieved by housing them in the Law Courts and that the new Secretariat building could be deferred. The K.A.R. Lines had been provided with proper workbenches etc. and were now sanitary. So they could wait especially in view of the possible uncertainty of Kenya's defence requirements.)

Sir J. Maffey.

I send this on, first because of the Acting Governor's reference to the fact that the building expenditure now proposed is directed to several of the "scandals" brought to the Secretary of State's notice when he was in Kenya (and some of them were scandals seven years' earlier) but secondly because of the relation of these proposals to future borrowing.

The figures given amount to this; that if we spend the £102,400 now proposed we shall only have £82,600 left of loan money already raised.

Part of this sum may be required to provide working cash. Apart from that it is all we have got to meet the cost of new Central Offices (£105,000) and new K.A.R. Lines (say £77,000). It is true that we have borrowing

4  
borrowing powers to issue <sup>further</sup> another £2,000 <sup>stock</sup> loan money, as an addition to the existing loan but there is not much difference between using this power and issuing a new loan.

As regards the Central Offices, they are not needed so long as the Govt. can continue to enjoy the hospitality of his new Court buildings - i.e. so long as there is a Chief Justice as benevolently disposed as Sir J. Amerind is now. As regards the new K.A.R. Lines Sir J. Byrnes pointed out yesterday that we could do nothing with regard to that until a decision has been obtained as regards combined ground and air forces, but new lines will certainly be required soon.

Judged from the point of view of avoiding any borrowing except for immediately remunerative purposes, the position is not satisfactory, but it seems that we can carry on for a time, that the Services proposed for immediate execution are badly needed and that there is no better use for the money.

Submitted for approval of Mr. Linnell

[ There seem to be some discrepancies between the ~~own~~ <sup>loan</sup> statement in E330/54 and the estimates for 1955. These will be examined later and it may be necessary to ask the Governor for an explanation on some points. They do not seem to affect the position as I have set it out at the beginning of this minute. ]

W.C.S. 16.5.55  
The Linnell & I have been into these discrepancies, & the annexed diff. E.M. Watch is the result.

Linnell  
31



10. Extract from a letter from Sir J. Byrne to Sir C. Bottomley dated the 16th April, 1936. Probable that another loan will be required to finance further necessary programme of public buildings.

It is quite clear that the balance of suspended loan fund allocated to Public Buildings is insufficient for  
(a) The new Mombasa Hospital (£250,000)  
(b) The Central Offices (£105,000)  
(c) The K.A.R. Lines (£77,000)  
(d) Nairobi Office Lines (??)

The expenditure on (b) was recommended by the Loan Works Committee some years ago, but other and more urgent works have had to be carried out. The need for the Mombasa hospital is pressing, so that there seems no alternative but to use the balance of the account allocated to the Central Offices for the Hospital. The question of raising a further loan must in any case wait until after the 1936 Land Bank loan is out of the way.

C. J. Furness  
10/4/36

X now suspended - see below

The present position in regard to Kenya's public buildings and loan expenditure is that they had in hand a balance which <sup>was</sup> ~~is~~ estimated at £75,000 <sup>a total of</sup> ~~after~~ making provision for the re-building of the Central Offices which was to cost about £110,000. Last year the Governor came to the conclusion that other matters would have to come first and he proposed to spend <sup>£202,400</sup> on the Hospital at Nairobi, extension to the Mental Hospital, re-construction of Kisumu Market, and boarding accommodation for girls at Nairobi. These services take up more than the available balance and therefore the scheme for the construction of the Central Offices <sup>had</sup> ~~was~~ to go into cold storage. Further, other desirable objects, such as provision of suitable houses, Government offices at Eldoret and work on the K.A.R. Lines in Nairobi have also to be suspended. After discussion with the Governor we reluctantly agreed, and the cost of the Hospital at Nairobi having been put up to some £78,500, Kenya is now committed to and proceeding with expenditure of £102,400 as set out in the acting Governor's despatch of the 3th of July last. It has now dawned upon the Governor that the K.A.R. Lines at Nairobi and the Police lines are a disgrace. That is what the Inspector General has been saying for the last six years and Brigadier Norman will be glad to see that the public conscience is at last awakening. It is, however, disheartening to find that ~~the~~ Mombasa Hospital will have to cost somewhere between £60,000 and £70,000, but I do not see that there is any help for the expenditure. This will eat up all

all the remaining balance out of the money originally proposed for the Central Offices and the Governor can see nothing for it but to raise another non-productive loan. As to this they have got power to raise a loan for the Land Bank and the Nairobi Water Works and I must say that I do not particularly like the idea of increasing capital commitments for buildings and so forth. It may perhaps be hoped that Kenya's finances will recover sufficiently to enable these works to be done out of revenue but the immediate necessity is for Kenya to accumulate as large a surplus of cash as it can within reason. At present its surplus is entirely gone and any cash that it has got ought to be devoted to making a liquid fund available for day-to-day purposes. The sums envisaged here are too large to give any hope that there will be money available from revenue for years to come. The Central Government Offices were to cost £110,000 and the K.A.R. Lines would probably cost something in the neighbourhood of £50,000 or so. An exact estimate is not very easy. The Police may cost as much and if so, there is very nearly a £½ million at once.

Sir C. Bottomley may wish to answer expressing concern but saying he is glad the K.A.R. lines condition is at least appreciated.

J. L. G. Flood  
2.5.1936

*Copy of my reply attached*

*Suby*

*WSD 5.5.36*

*Lo Brig Gen. L. Hume (2)*

*55Maid*

AIR MAIL.

5th May, 1956.

*My dear Byrne*

In your letter of the 16th of April you mentioned to me the outstanding items of Kenya's building programme. I need not say that I am entirely in sympathy with your desire to have decent buildings and, in particular, it is welcome news that your people are recognising that something must be done about the King's African Rifles lines at Nairobi. The Inspector General has been pressing the point for a long time, but of course other things have got in the way.

All the same, the prospect of another loan for building purposes is rather alarming and there will be plenty of people to say that we (not you) are to blame for having flown too high in the standard of construction

BRIGADIER GENERAL SIR JOSEPH BYRNE,  
G.C.M.G., K.B.E., C.B.,



8

construction of the earlier buildings. We can only stand by and wait for closer estimates of the amount involved for the various buildings and then see what can be done about it, but I should feel happier if when the time comes, I am able to advise that the schemes are as far as possible on a strictly utilitarian basis, with due regard to the fact that a poor Colony cannot afford New Delhis. The Central offices must, no doubt, have some relation to the main scheme.

Yours sincerely

G. W. S. Rowland

EXTRACT from a letter from Sir Joseph Byrne to Sir Cecil Bottomley. Dated 16th April, 1936. 10

x

x

x

x 9

I'm afraid, before long, we shall have to approach the Secretary of State about the "Public Scandals" which I referred to many times during Lord Swinton's visit here. As you know we are getting on with the Nairobi Combined Hospitals but the King's African Rifle Lines and the Nairobi Police Lines are really a disgrace and so is the Mombasa Hospital.

The Hospital is so bad that I have given instructions for provisional plans and estimates to be prepared for a combined hospital to cost between £60,000 and £70,000 (Nairobi Hospital will cost between £70,000 and £80,000). When these are ready our idea is to seek authority to get on with construction without delay utilising the balance (about £70,000) remaining out of the money allocated to the Central Government Offices.

The upshot will be that we shall have to raise another unproductive loan in order to deal - amongst other things - with the Police Lines, the King's African Rifles Lines and the Central Offices the construction of which, in my opinion should not be abandoned seeing that close on £10,000 has been paid out in Architect's fees, etc.

*Amad*

C. O.

Mr. Grossmith. 2/8  
Mr. *Freeston* 21/8  
Mr.

Sir C. Parkinson.  
Sir G. Tomlinson  
Sir C. Bottomley  
Sir J. Shuckburgh  
Permt. U.S. of S  
Parly. U.S. of S  
Secretary of State

DOWNING STREET,

August, 1935.

C. O.  
R 12411  
D 73

DRAFT.

Sir,

I have, etc., to acknowledge

the receipt of your confidential despatch

(P) No. 93 of the 3th July transmitting a copy of the resolution passed by the

Legislative Council on the 2nd July

approving the re-allocation of £ 102,400

scheduled in the Loan Account for the

Nairobi K.A.R. Lines and the Nairobi

Central Offices, and the expenditure of

that sum upon certain other public

buildings.

2. In accordance with that

resolution, I approve the revised

expenditure, namely:-

medical/

KENYA.

CONFIDENTIAL. (3)

O.A.G.

URTHER ACTION.  
circ. to Dr. O'Brien  
See

	£
Medical Buildings	
Group Hospital, Nairobi.	78,500
Mathari Mental Hospital.	2,400
Education Buildings	
Boarding Accommoda- tion. Girls' Secondary School, Nairobi.	18,000
Other Buildings	
Reconstruction of Kisumu Market.	<u>3,500</u>
	<u>£ 102,400</u>

3. I note that the possibility of converting the existing European Hospital for use as a Boarding Hostel for the European Girls' Secondary School is regarded as impracticable.

I have, etc.,

(Sgd) MALCOLM MACDONALD

AIR MAIL.

KENYA

No. 93.



GOVERNMENT HOUSE  
NAIROBI  
KENYA

RECEIVED

18 JUL 1935

C. O. REGY

JULY, 1935.

CONFIDENTIAL.

Sir,

With reference to Sir Philip Cunliffe-Lister's Confidential telegram No.136 of the 27th of May, I have the honour to inform you that the following Resolution was passed in the Legislative Council on the 2nd of July

"Be it resolved that this Council hereby approves the expenditure of a sum of £102,400 upon the purposes specified in the Schedule hereto as a charge against Loan Account and further approves provision being made therefor by re-allocation of the following amounts from the sums already approved for :-

Public Buildings	
Other Buildings	
Nairobi K.A.R. lines	£57,518
Nairobi Central Offices	£ 44,882.

Schedule:

Public Buildings	£
Medical Buildings	
Group Hospital, Nairobi	78,500
Mathari Mental Hospital	2,400
Education Buildings	
Boarding Accommodation, Girls' Secondary School, Nairobi	18,000
Other Buildings	
Reconstruction of Kisumu Market	3,500
	<u>102,400</u> "

2. The proposal to use the existing European Hospital for use as a boarding hostel for the European Girls' Secondary School has again been examined in accordance with Sir Philip Cunliffe-Lister's request, but, after full consideration, I am satisfied that the proposal is impracticable.

3. The present European Hospital is an old building and not in very good state of repair structurally. Apart

/from

THE RIGHT HONOURABLE  
MALCOLM MACDONALD, P.C., M.P.,  
SECRETARY OF STATE FOR THE COLONIES,  
DOWNING STREET, LONDON, S.W.1.

Not

Answered (9)

from the fact that the floor area available is only about 50% of that needed to meet the requirements of a hostel, the building could only be adopted for such use at considerable expense, and the result would be unsatisfactory, because the general arrangement of the building is not suited for conversion into a hostel. Dormitories would, of necessity, have to be on the ground floor, which is most undesirable in this country.

No1  
4. Further, as stated in paragraph 5 of my Confidential despatch No. 60 of the 27th of April, at some future date it will be necessary also to build a Girls' Tuition Block and a Boys' Boarding House, and the European Hospital site would not permit of this.

I have the honour to be,

Sir,

Your most obedient, humble servant,

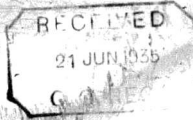
*Admiral*

THE TREASURY,

NAIROBI,  
KENYA.

13th June, 1955.

BY AIR MAIL.



Dear Flood,

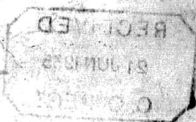
*Nob* With reference to your letter of the 1st June, I agree that the position is difficult to follow. The difficulty arises out of the transactions relating to the Imperial Loan of 1924 which, as you are aware, was redeemed at a discount in the 1927 and 1928 Loans. The Sessional Loan Statements show this redemption as a completed transaction, as indeed it is, and include £3,260,048 as item 6 of Table II and £20,419 as item 7 of Table III as expenditure finally incurred in this redemption. But the fact that redemption has been completed does not cover the whole picture. Expenditure is being incurred from the proceeds of the redeemed Loan itself and that expenditure has to be brought to account. The "Statements of Loan Account" incorporated in Appendix X to the Financial Report for 1955 shows the way in which this is done. These Statements show the expenditure actually incurred from the proceeds of the Loans from year to year and the unspent balances shown in those Statements are the unspent balances of Loan Funds shown as a liability in the Statement of Assets and Liabilities, as in Appendix A to the Colony's Estimates.

The reconciliation must take into account both the 1927 and 1928 Loans. The Sessional Loan Statement for May, 1954, showed 'Actual Expenditure' of £4,999,929 under the 1927 £5,000,000 Loan as at the end of 1955 including expenditure of £3,260,048 on the redemption of the <sup>1924</sup> Imperial Loan. But of this £3,260,048 of cash

MAJORIAN

REVENUE

13th June, 1954



BY AIR MAIL

Dear Sir,

With reference to your letter of the 1st June, I agree that the position is difficult to follow. The difficulty arises out of the transactions relating to the Imperial Loan of 1924 which, as you are aware, was redeemed by a discount in the 1928 and 1928 Loans. The Sessional Loan Statements show this redemption as a completed transaction, as indeed it is, and include £3,380,048 as item 6 of Table II and £20,419 as item 5 of Table III as expenditure finally incurred in the redemption. But the fact that redemption has been completed does not cover the whole picture. Expenditure is being incurred from the proceeds of the redeemed loan itself and that expenditure has to be brought to account. The "Statement of Loan Account" incorporated in Appendix X to the Financial Report for 1953 shows the way in which this is done. These Statements show the expenditure actually incurred from the proceeds of the loans from year to year and the unspent balances shown in those Statements are the unspent balances of the loans shown as a liability in the Statement of Assets and Liabilities, as in Appendix A to the Report. Estimates.

The redemption was taken into account in the 1928 and 1928 Loans. The Sessional Loan Statement for May, 1954, showed 'Actual Expenditure' of £3,380,048 under the 1924 Loan as at the end of 1953 including expenditure of £3,380,048 on the redemption of the Imperial Loan. But of this £3,380,048 of cash

received only £5,145,982 had in fact been spent on works, as shown in Appendix X, Page 131, of the 1953 Report, and there was an unspent balance of £114,066, held in cash in respect of this item which, together with the unspent balance of £71 on other items gave a total unspent balance of £114,137. This was held in cash as to £27,810 by the Kenya and Uganda Railway and as to £86,327 by the Colony and the latter figure appeared in the Colony's Balance Sheet as a liability.

In respect of the 1928 Loan, the Sessional Loan Statement for May, 1954, showed 'Actual Expenditure' of £5,485,552 as at the end of 1953 leaving an unspent balance of £16,448, the figure for expenditure including the sum of £20,419 incurred on the redemption of the 1924 Imperial Loan. But in fact this £20,419 had not been expended on works authorised under the Imperial Loan and was therefore held in cash and the Colony's cash liability in respect of unspent balances under this Loan was therefore £56,867, the figure shown in the Balance Sheet.

It will be seen therefore that expenditure incurred against items provided for under the Imperial Loan does not normally affect the figures given in the Summary in Table VI of the Sessional Loan Statements which take into account the expenditure of £5,280,467 on the redemption of that Loan. The difference between the figures summarised in that Table and those given in the Statements of Loan Account included in the Financial Reports represents money received but not yet spent on purposes provided for in the 1924 Imperial Loan. I have said 'normally' because a transaction carried out in 1954 in connection with the Imperial Loan has affected the figures in the Sessional Loan Statement. The transaction is described in detail in the enclosures to Transport Kenya - Uganda despatch No. 50 of the 16th May, 1954, and resulted, inter alia, in a sum of £110,298, representing expenditure incurred on Rolling Stock being transferred in 1954 from item 4 of the 1928 Loan ("Additional Locomotives and Rolling Stock"), against which

No 3x  
23113/54



it had previously been charged, to item 2 of the Imperial (1924) Loan ("Additional Rolling Stock") which is accounted for under item 6 of the 1927 Loan, *which you will find in wide Appendix X of the Financial Report for 1954.* This transaction, by transferring to an item relating to Imperial Loan expenditure which had previously been charged to a specific item in the 1928 Loan, decreased the amount recorded as expenditure against the 1928 Loan as shown in the Sessional Loan Statements but added nothing to the expenditure recorded in those Statements against the 1927 Loan. The transaction is, however, fully reflected on both sides in the Statements of Loan Account which will appear in the Financial Report for 1954 which compare as follows with those for 1953:-

	End of 1954 £	End of 1953 £	Increase £	Decrease £
<b>1927 Loan item 6.</b>				
Extension to Uganda etc.	1,981,514	1,981,541		27
Additional Rolling Stock	770,467	660,169	110,298	-
Capital Improvements etc.	507,295	504,272	3,021	-
<b>Total</b>	<b>5,259,274</b>	<b>5,145,982</b>		
<b>1928 Loan item 4</b>				
Additional Locomotives and Rolling Stock	718,607	828,905	-	110,298
<b>Cash Balances</b>				
<b>1927 Loan</b>				
Railway	774	27,810	-	27,036
Colony	-	86,527	-	86,527
<b>£</b>	<b>774</b>	<b>114,157</b>	<b>-</b>	<b>115,565</b>
<b>1928 Loan</b>				
Railway	20,419	-	20,419	-
Colony	116,240	56,867	79,373	-
<b>£</b>	<b>156,659</b>	<b>56,867</b>	<b>99,792</b>	<b>-</b>

received only £3,145,982 had in fact been spent on works as shown in Appendix X, Page 181, of the 1933 Report, and as was an unpaid balance of £114,068, together with the unpaid balance of £21 on other items gave a total unpaid balance of £114,137. This was held in cash as to £27,810 by the Kenya and Uganda Railway and as to £86,327 by the Colony and the latter figure appeared in the Colony's Balance Sheet as a liability. In respect of the 1928 Loan, the Sessional Loan Statement for May, 1934, showed 'Actual Expenditure' of £3,484,832 as at the end of 1933 leaving an unpaid balance of £16,448, the figure for expenditure including the sum of £30,419 incurred on the redemption of the 1924 Imperial Loan. But in fact this £30,419 had not been expended on works authorised under the Imperial Loan and was therefore held in cash and the Colony's cash liability in respect of unpaid balances under this loan was therefore £36,867, the figure shown in the Balance Sheet. It will be seen therefore that expenditure incurred against items provided for under the Imperial Loan does not normally affect the figures given in the Summary in Table VI of the Sessional Loan Statements which take into account the expenditure of £3,380,487 on the redemption of the loan. The difference between the figures summarised in that table and those given in the Statements of Loan Account included in the Financial Reports represents money received but not yet spent on purposes provided for in the 1924 Imperial Loan. I have said 'normally' because a transaction carried out in 1934 in connection with the Imperial Loan has affected the figures in the Sessional Loan Statement. The transaction is described in detail in the enclosure to Transport Kenya - Uganda despatch No. 50 of the 16th May, 1934, and resulted, inter alia, in a sum of £110,298, representing expenditure incurred on Rolling Stock being transferred in 1934 from item 4 of the 1928 Loan ("Additional Locomotives and Rolling Stock"), against which

It had previously been stated in the Imperial Loan Statement for 1954 that the estimated expenditure for 1954 was £5,485,552, which is accounted for under item 6 of the 1954 Loan Statement. This expenditure was previously estimated to be £5,485,552, but has now been revised to £5,485,552, and the difference of £16,448 has been added to the estimated expenditure for 1954. The actual expenditure for 1954 was £5,485,552, leaving an actual balance of £16,448.

883,000	861,000	78,000	Expansion to 1954
180,000	892,000	68,000	Additional expenditure
			Total
			1954 Loan
			Colonial Office
			Colonial Office
			Colonial Office
			Colonial Office
			Colonial Office

As the figures in this letter are actual figures and some of those given in your letter are estimates it may be of assistance to you if I give the actual figures relating to the estimates mentioned in your letter.

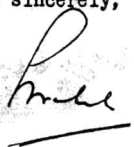
A. The Sessional Loan Statement for August, 1955, gave the estimated expenditure to the 31st December, 1955, under the 1928 Loan as £5,489,909. The Sessional Loan Statement for May, 1954, gives the actual expenditure to the 31st December, 1953, under this Loan as £5,485,552, leaving an actual balance of £16,448.

B. This actual balance of £16,448, together with the sum of £20,419 held in cash as explained above make up the unspent balance of the 1928 Loan amounting to £56,867 shown in Appendix A to the Colony's Estimates for 1955.

C. The Sessional Loan Statement for November, 1954, shows the estimated expenditure to the 31st December, 1954, as £5,585,701. The actual expenditure to that date was £5,585,760, leaving an actual balance of £116,240, i.e., £79,575 more than was held in cash on the 31st December, 1954.

D. As against this increase in unspent balances held by the Colony under the 1928 Loan, there was a decrease of £86,527 in the unspent balances held by the Colony under the 1927 Loan.

Yours sincerely,



J.E.W. Flood, Esq.,  
Colonial Office,  
Downing Street,  
London, S.W.1.

C. O.

AIR MAIL

38116/35

Mr. Grossmith. 30

Mr. *Leadbetter* 31

Mr. *Shed* 31

Sir C. Parkinson.

Sir G. Tomlinson.

Sir C. Bottomley.

Sir J. Shuckburgh.

Perms. U.S. of S.

Parly. U.S. of S.

Secretary of State.

*for R. Plod's sig.*  
Answered by No. 7  
DORNING STREET

1 June, 1935.

31 MAY 1935

DRAFT.

G. WALSH ESQ., C.B.E.

*Walsh*

You have no doubt heard that the Governor's proposal to use Loan Funds to pay for the cost of constructing the new grouped hospital at Nairobi and the other projects mentioned in Kenya confidential despatch of the 27th of April, have been approved.

*In considering the financial analysis in para 2. of Kenya Conf. despatch of the 27th April (Roundtable), we had some point was raised with regard to the*

*in* difficulty of reconciling the figures in the Colonial Loans Statements submitted to the Legislative Council and the particulars of unspent Loan Funds shown in Appendix A to the Colonies' Estimates of Revenue and Expenditure for 1935.

FURTHER ACTION.

The difficulty is particularly in regard to the expenditure from the £3,500,000 Loan of 1928. <sup>Table V</sup> (Summary) in the Loans Statement submitted to the Council in August 1933 shows the estimated expenditure to the 31st of December 1933 as £3,489,909 (leaving a balance of £10,091.) According to Appendix A to the Estimates for 1935, the unspent balance of the 1928 Loan was £36,866 on the 31st of December 1933. But <sup>Table</sup> Summary VI in the Loans Statement ~~submitted to the Legislative Council in November 1934~~ shows the estimated expenditure to the 31st of December 1934 as £3,385,701, leaving a balance of £114,299, i.e., £77,483 more than was held on the 31st of December 1933. No doubt, there is some

explanation of these differences, and we shall be grateful if you would ~~put us wise.~~ <sup>tell us where to look for it</sup>

Yours sincerely,

(Signed) J. E. W. FLOOD

Put in another way, the actual expenditure from the 1928 Loan was shown as £ 3,483,557 in 1933, but twelve months later it had shrunk to £3,376,429!

RECEIVED  
E 25 MAY 1935  
G. S. REAGAN

18

Telegram from the Deputy Acting Governor of Kenya to the Secretary of State for the Colonies

Dated 25th May 1935. Received at 11.36 am. 25th May 1935.

No 2

No. 120. Confidential. My telegram No 114 Confidential. Loan Building <sup>x</sup> (My despatch No. 71 of the 18th May confidential.

~~Native Marketing~~) Session of Legislative Council has been postponed until 26th June.

copy  
15/20/12/35  
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as to this.

RECEIVED  
E 25 MAY 1935  
G. S. REAGAN

18  
5

Telegram from the Deputy Acting Governor of Kenya to the Secretary of State for the Colonies

Dated 25th May 1935. Received at 11.35 am. 25th May 1935.

No. 120. Confidential. My telegram No 114 Confidential. Loan Building ~~(My despatch No. 71 of the 16th May confidential. Native Marketing.)~~ Session of Legislative Council has been postponed until 26th June.

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C. O.

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4

Mr. Flood 16-5

Mr.

Mr.

Mr. Parkinson

Sir G. Tomlinson

CC  
AVI. 26  
U U

Answered by 1108

Carroll and sent.  
3.45 PM. 27.5.35.

X Sir C. Bottomley 16-5

Sir J. Shuckburgh

Perm. U.S. of S. 17/5

Party U.S. of S. 27/5/35 ad mee

Secretary of State.

70 186. Confidential your telegram  
70 114 confidential approve proposals  
for Loan Fund buildings as put forward  
in your conf. despatch of 27 April and  
modified in your telegram but  
request that possibility of converting  
existing European hospital for use as  
Girls School may be examined  
before final decision to construct  
new building. Governor has been  
consulted and suggests that this possibility  
should be explored.

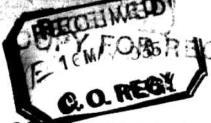
**DRAFT.**

Code  
Telegram

Governor  
Nairobi

**FURTHER ACTION.**

Recirculate for despatch.



101. 3.  
— 20

Telegram from the Officer Administering the Government of Kenya to the Secretary of State for the Colonies.

Dated 16th May, 1935. Received 3.49 p.m. 16th May.

No. 117. Confidential.

My telegram No. 114 Confidential. Reference paragraph 8 of my despatch of the 27th April No. 60 Confidential. Advisory Council on European education is unanimously opposed to proposal to close the Girls Secondary School. In the circumstances proviso to paragraph 9 of my despatch does not arise.

No. 2  
Nov



COPY FOR REGISTRATION

RECEIVED  
14 MAY 1935

P.O. REG<sup>N</sup>

21

Telegram from the Office Administering the Government of Kenya to the Secretary of State for the Colonies

Dated 14th May 1935. Received at 3.10 pm. 14th May 1935.

No. 114 Confidential. My despatch of the 27th of April No. 76 confidential. Scheme referred to in paragraph 7 of my despatch has been found impracticable and Loan Works (Buildings) Committee recommend a thirty bed European section of the group hospital costing £19,500 as against £16,000 for the twenty beds originally proposed. Figures of £59,000 and £82,900 in paragraph 9 should therefore now read £78,500 and £102,400 respectively.

In view of strong public feeling especially regarding Girls' Secondary School I would very much like to be able to announce at the opening of the Legislative Council of the 5th of June that my proposals are approved. I would be grateful therefore for a reply to my despatch, if necessary by telegram, before that date.

AIR MAIL

KENYA  
No. 60.



22  
GOVERNMENT HOUSE  
NAIROBI  
KENYA

RECEIVED

7 MAY 1936

O. O. REGY

27<sup>th</sup> APRIL, 1935.

CONFIDENTIAL.

Sir,

I have the honour to refer to correspondence terminating with your confidential telegram No.76 of the 29th of March, 1934, in which you approved the proposal that the construction of the Central Offices should proceed, and to address you on the subject of the erection of other buildings from Loan Funds in this Colony.

No 3.

23097/34

2. The Sessional Loan Statement, as submitted to Legislative Council in November, 1934, copies of which were forwarded under cover of the Colonial Secretary's Note No.D.Leg.Co.26/3/5/48 of the 21st of November, 1934, as modified by subsequent calculations, shows that after completing all Loan Works at present in hand, and ear-marking £110,000 for the proposed Central Offices, there is estimated as remaining on the 31st of December, 1934, the sum of £71,247, calculated as follows :-

No 1.

23330/34

(1) Housing for Government Servants	£61,520
(2) Medical Buildings	2,289
(3) Education Buildings	1,685
(4) Other Buildings	264,161
	£329,655

Less

(1) Amount spent on establishments but not allocated	£59,731
(2) Unraised portion of 1930 Loan	61,682
(3) Commitments in respect of Law Courts	30,133
(4) Commitments in respect of Central Offices £110,000 less £4,138 shown as estimated as spent in Sessional Loan Statement	105,862
(5) Commitment in respect of Kitale Hospital	1,000
	258,408
	£ 71,247

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.E.1.

The Director of Public Works, however, considers that after closer examination of the establishment charges and the works in hand this sum can safely be raised to £75,000 and that this figure leaves ample margin for contingencies. With this view the Treasurer is in agreement.

3. As you are aware, it is the case that loan funds have been required, from time to time, to support the Colony's cash position when the excess of deposits over advances has been less than the cash shortage. In point of fact, on the 30th of November, 1934, they were so utilised to the extent of £15,123. The position, however at the end of 1934 was that the Colony was not relying on loan funds at that date, the provisional figures showing a cash shortage of £79,948 or £88,911 less than the excess of deposits over advances. In the Treasurer's opinion, with which I agree, the possibility cannot be ignored that recourse to loan funds may be necessary from time to time during 1935, and in consequence it would be imprudent to contemplate an immediate programme of expenditure from loan funds which would reduce the balances to a sum which might possibly be insufficient to furnish necessary support to the cash position.

167,000

4. It will be within your recollection that at a meeting held at Government House, Nairobi, on the 16th of February, 1934, you discussed with Sir Joseph Byrne the possibility of obtaining funds to abolish what were in effect certain public scandals. I shall refer to these "scandals" in some detail below. Since your visit, the matter has been under constant review, and, in Sir Joseph Byrne's opinion, with which I heartily agree, it can no longer be left in abeyance.

5. The new buildings which are most urgently necessary are the following :-

A. Asian and African Sections,

Grouped Hospital, Nairobi, £59,000.

On page 2 of Appendix II of Sir Edward Grigg's Confidential despatch No.91 of the 17th of June, 1930, it was stated :-

No 6  
16100/30

"There has been much local discussion concerning the provision of combined or separate hospital accommodation for the three races in Nairobi, and, although economy would have resulted from the construction of a group building, it has been decided to meet the objections and to construct separate hospitals."

A sum of £70,000 on account of three hospitals for the three races in Nairobi was included among the "further requirements", approval of which was given, under certain conditions, in Lord Passfield's Confidential despatch of the 9th of March, 1931.

No 80  
16100/31

The question of a grouped as opposed to a combined hospital was again taken up in Sir Joseph Byrne's Confidential despatch No.106 of the 4th of August, 1931, in which he stated :-

No 9  
14225/31

"I am convinced that the system of grouped hospitals on one site comprising a central administration block, separate buildings for the accommodation of European, Indian and African patients, and adequate nursing sisters' quarters, is the correct system, and I am glad to be able to inform Your Lordship that the political difficulties which led Sir Edward Grigg, in the hope of making some progress in the erection of the much needed new hospital accommodation, to favour separate hospitals for the separate Communities, have now disappeared, and that I anticipate

no opposition from any responsible quarter to the adoption of the system which, from the medical standpoint and from the point of view of economy, is unquestionably the correct one." (I should state however that both in the Standing Finance Committee and in Executive Council Lord Francis Scott has recently recorded his dissent from the principle of a grouped hospital).

No 1 A  
17279/31

No 31  
16200/30

Before that despatch was sent, Sir Joseph Byrne, in his confidential telegram No 225 of the 23rd of July, 1931, asked if there would be any objection raised to resolutions being moved in Legislative Council for certain works, which he considered the most urgent, and which he included provision of £59,200 for a grouped hospital. Lord Passfield in his confidential telegram No. 232 of the 31st of July intimated that there would be no objection. In point of fact, however, owing to the financial difficulties which arose shortly after this date, the subsequent embargo on the raising of further loans by the Colony, and the necessity for conserving the existing balances of issued loans in order to support the cash position, the matter has remained in abeyance. I am fully satisfied that the present position must be remedied for the following reasons adduced by the Director of Medical Services :-

- (a) The existing hospital for natives consists only of a number of wood and iron buildings which are almost without exception old and dilapidated, and in many cases almost ruinous.
- (b) The hospital is without any sanitary conveniences other than some very crude arrangements of a temporary character.
- (c) The institution is too small to meet present day needs.
- (d) The whole institution is in effect little

more than a relic of the war, which has been patched up and extended from time to time to meet increasing requirements in a temporary fashion. It is today, however, entirely unequal to these demands and neither efficient treatment, nursing nor training can be provided in the institution.

(e) The only hospital facilities for Asians which exists consists of two small wards in the institution.

The provision of new hospital accommodation for Europeans is (in the opinion of the Director of Medical Services with which I agree) a less urgent matter, but, at the same time, the present hospital is very far from being convenient as it is a badly designed old fashioned building without indoor sanitation, and increased convenience, economy and efficiency would all be obtained if a new European Hospital were to be built in the neighbourhood of the Laboratory on the group hospital site. In this connection, however, an important issue of policy has arisen which I will explain in a subsequent paragraph of this despatch.

No 1

17279<sup>A</sup>/31

In Sir Joseph Byrne's confidential telegram No.225 of the 23rd of July, 1931, the cost of the full group hospital was estimated at £59,200. The cost is now estimated at £75,000, the approximate cost of the Asian and African Sections alone being £59,000. The difference between the sums of £59,200 and £75,000 is largely accounted for by the fact that it is desired that the African Section shall be built to a higher standard than originally envisaged. The standard contemplated in 1931 was little better than that of the hospitals in outstations and would be entirely unworthy of the main hospital in the capital of the country.

B. Extension to Mathari Mental Hospital, £2,400.

The accommodation provided at present is very unsatisfactory, and accommodation for a further sixty patients is urgently required to relieve overcrowding in the hospital itself and in the prisons throughout the Colony where patients are now kept. This would meet immediate requirements, but, in the opinion of the Director of Medical Services, further demands for African accommodation will be made before long.

The estimated cost of providing for an additional 60 patients, to the same standard as the buildings already erected, is £2,400.

For previous correspondence regarding the accommodation at Mathari Mental Hospital, please see the enclosure to your despatch No.195 of the 9th of March, 1932.

Not  
17225/B/31

C. Kisumu Market, £3,500.

It was recommended by the Standing Finance Committee in paragraph 151 of their Report on the Draft Estimates for 1935 that a sum of £2,500 should be earmarked for the purposes of rebuilding the Kisumu Market from Loan Funds. The market, which has been demolished owing to imminent danger of collapse, was revenue earning to the extent of approximately £600 per annum and a new structure is urgently required. In this connection I would remind you that the development of Kisumu Township is proceeding apace on account of the expansion of the mining industry and native agriculture in the vicinity, and the lack of a market is a serious hindrance to trade.

The figure of £2,500, appearing in the Report of the Standing Finance Committee, was based on the requirements of some years ago, and the Director of Public Works estimates that the sum of £3,500 will now be needed to meet present requirements.

D. New Boarding Accommodation - European Girls'  
Secondary School, Nairobi, £18,000.

The provision of such accommodation is, in my view, the most urgent of all the works which I am now proposing. As long ago as January, 1934, the then Director of Education wrote :-

"The present situation in regard to Boarding is that some 75 girls are housed in the old wood and iron buildings on the hill below the school. It is unnecessary to labour the question of their unsuitability. That is freely and generally admitted."

In commenting on the Director of Education's letter, the Director of Public Works wrote :-

"I endorse the Director of Education's remarks regarding the unsuitability of the present accommodation for girl boarders."

The proposal is clearly explained in the following extract of a memorandum prepared jointly by the Director of Education and the Director of Public Works:-

"The building would be of the plainest design but in keeping with its surroundings. The walls to be either of stone or brick; floors and staircases of reinforced concrete. The floors would be finished in cedar or other suitable local timber, and the roof would be of Mangalore tiling. Water borne sanitation and electric light would be provided. The site tentatively selected for the building is on Mackenzie Road within the Educational Reserve.

It is not possible to give a firm estimate of cost for the work as this naturally will depend on the building costs prevailing if and when the work is put out to tender, and only on the acceptance



of the tender can a firm cost be given, but in the meantime it is estimated that the work can be carried out for £18,000, costing £990 per annum in loan interest and redemption charges at 5½%, but as it is understood that the loan charges are already being paid and that Government is receiving 2½% for unspent loan funds deposited with the bank, the additional cost for the funds required would amount to £585 per annum. Further, five sets of quarters will be included in the building, three of which will be occupied by resident mistresses and two by matrons, and the value of these quarters to Government, either as providing quarters for officials entitled to free quarters or as quarters for which rent will be payable under the Local Civil Service Scheme, would be at least £50 per annum each.

Maintenance costs for the new building would amount to practically nothing in the first three to four years of its life, and thereafter on the analogy of the existing costs would amount to no more than ½%, thus preserving a structure that would be an asset to the Colony, whereas the present old buildings which should have been demolished several years ago are entailing heavy charges to hold them together, which expenditure is virtually a waste of Government funds".

(At some future date it will be necessary also to build a Girls' Tuition Block and a Boys' Boarding House, but the urgency for these is not so pressing.)

6. I have briefly explained what are, in my view, (which I know is shared by Sir Joseph Byrne) the most urgently necessary projects, and I now desire to discuss two important questions of policy which are involved, and which may materially affect the decision to be taken on the first and last of the proposals set out in the preceding paragraph.

7. At a recent meeting of the Loan Works (Buildings) Committee, when the necessity for a grouped hospital was being discussed, one of the unofficial members of the Committee, Major F.W.Cavendish-Bentinck, stated that a scheme was being prepared by certain people, which envisaged the closing down of the European Hospital, Nairobi, and the extension of the Maia Carberry Nursing Home on a subsidised basis. It is understood that details of that scheme are being prepared, and the project for the construction of a group hospital largely depends on whatever decision is reached. Should it be decided that the scheme is worth pursuing, then the construction of a group hospital for Asians and Africans only need be envisaged, the cost being tentatively estimated at £59,000. Should it appear, however, as I am at present inclined to believe, that the scheme will be impracticable, then I am strongly of the opinion that the full grouped hospital for all three races should be constructed forthwith, the cost being tentatively estimated at £75,000. It would be more economical to construct the grouped hospital at once than to build it piecemeal.

8. A question of policy also arises in connection with the European Girls' Secondary School at Nairobi. It has been suggested to the Select Committee on Economy, the appointment of which was reported to you in Sir Joseph Byrne's confidential despatch No2 of the 3rd of January, 1955, that considerable economy might be obtained by closing down the European Girls' Secondary School and leaving provision for Girls' secondary education to private enterprise, possibly on a state-subsidised basis. Facilities already exist at the Loreto Convents, Nairobi and Eldoret, and at a private school at Limuru.

23321/1/54  
with  
M. Hunter

I incline to the opinion that the Select Committee on Economy will not look with favour on the proposal, and still less do I believe that it will meet with support from the European Elected Members. The present position is that it will be discussed at a meeting of the Advisory Council on European Education in May, and should it be negatived by that body, I feel that work on the construction of new boarding accommodation should be commenced at once, as the present accommodation can only be described as disgraceful.

9. Having taken the advice of Executive Council, I recommend that work should proceed forthwith on the following projects :-

	Estimated Cost. £
A. Asian and African Sections, Group Hospital, Nairobi	59,000
B. Extension to Mathari Mental Hospital	2,400
C. Reconstruction of Kisumu Market	3,500
D. Boarding accommodation, Girls' Secondary School, Nairobi	18,000
	<u>£82,900</u>

78,500  
2,400  
3,500  
18,000  

---

104,400

subject to the proviso, that if a change in policy is decided on, work on Item D will not be undertaken and that, should it be evident that there would be no advantage in the proposal referred to in paragraph 7 above, the £59,000 for Item A may have to be increased to £75,000 to provide for the European Section.

10. It will be seen that the total cost of these proposals will amount to some £8,000 (or £24,000, if the European Section of the Hospital proceeds) more than the sum of £75,000 mentioned in paragraph 2 of this despatch. The only way in which construction will be possible without the issue of a further loan, or without the provision of advances from the Crown Agents pending the

raising of a further loan, is by the temporary suspension of work on the Central Offices of Government. I recommend that the designs and quantities for that work be completed, and that the construction be held in abeyance; this will enable a sufficient balance to remain in loan funds to give any necessary support to the cash position.

11. In making these proposals, I have not lost sight of the great need for adequate Central Offices, or of the considerable economies which the construction of such offices would effect; the position is that the works now proposed are, in my opinion, and in the opinion of my Executive Council, much more urgent. It may be that, when firm estimates of the costs of the proposals in paragraph 9 are prepared, it will be possible for them to be so reduced as to allow a margin sufficient to construct the Central Offices; in any case, as soon as firmer estimates are available, careful consideration will be given to the best means for the financing of their construction.

12. If my proposals are approved, work on such projects as Housing for Government Servants at Kilifi, Narok, Kisumu and Eldoret, Government Offices at Eldoret, and further work on the King's African Rifles Lines in Nairobi, must be put into abeyance more or less indefinitely. This is unavoidable, and I am fully satisfied, and so, I know, is Sir Joseph Byrne, that the proposals in paragraph 9 of this despatch must take priority, although it is recognised that the construction of new lines for the King's African Rifles is of great importance.

13. In view of the urgency of the matter, I should be glad of a reply to this despatch by Air Mail.

I have the honour to be,

Sir,

Your most obedient, humble servant,