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SESSIONAL PAPER
NO. 5 OF 1961

TRANSFER OF WATER SUPPLIES TO LOCAL AUTHORITIES

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SESSIONAL PAPER NO.5 OF 1961

THE TRANSFER OF PUBLIC WATER SUPPLIES TO
LOCAL AUTHORITIES

In September, 1958, Government offered to transfer Urban water supplies to a number of Local Authorities. Discussions on the terms of the offer continued during the following two years and finally in August, 1960, the Local Authorities were informed that the offer would only remain open until 15th December, 1960.

2. Two Authorities, the Municipal Board of Kitale and the Aberdare County Council, have accepted the offer and it has been proposed that the hand-over shall take place as soon as possible after 1st July, 1961.

3. The offer was made to the Local Authorities on the following terms:-

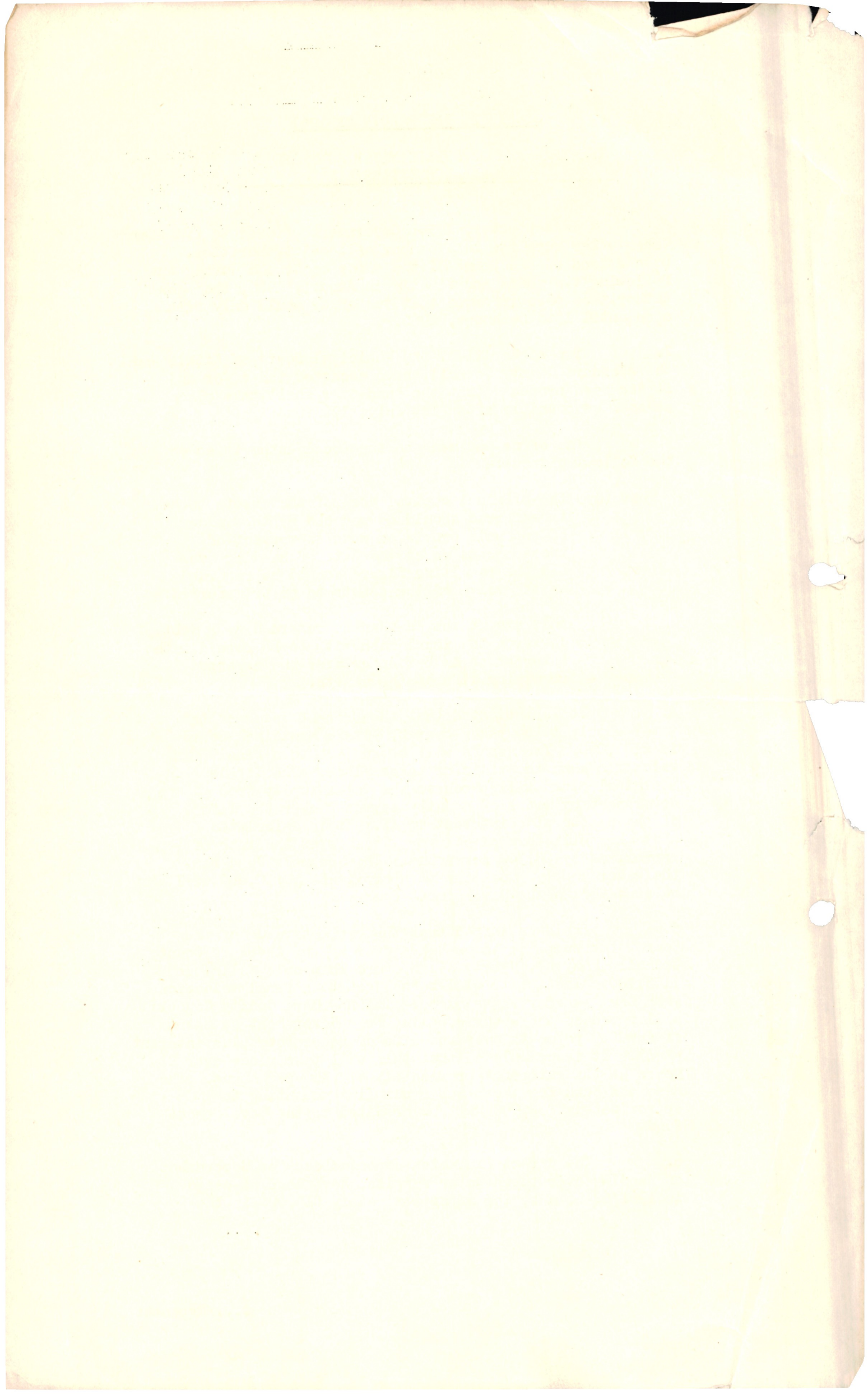
That (a) the original capital cost of the assets to be transferred should be reduced by the value of renewals provision made in respect of those assets as at the date of handing over and the resulting figure should be regarded as the value of the assets to be transferred.

(b) this amount should then be regarded as a debt due from the local authority to be repaid with interest at 4% per annum over the assessed remaining life of the assets.

4. It is estimated that the present value of the water supply to be taken over by Kitale Municipal Board is £101,000. The assets will be subject to a final valuation when the transfer takes place. The Kitale Municipal Board will purchase the water supply from Government by means of annuity payments over the life of the assets plus interest at 4%. It is calculated that this will take place over 17 years at the rate of approximately £8,300 per annum. The Renewals Fund for the water supply amounting to approximately £50,000 will be credited to the Development Fund.

5. It is estimated that the present value of the four water supplies to be taken over by the Aberdare County Council (Nanyuki, Nyeri, Kiganjo and Thomson's Falls) is £173,700. The assets will be subject to a final valuation when the transfer takes place. The Aberdare County Council will purchase the water supplies from Government by means of annuity payments over the life of the assets plus interest at 4%. It is calculated that this will take place over 21 years at the rate of approximately £13,400 per annum. The Renewals Fund for these water supplies amounting to approximately £32,000 will be credited to the Development Fund.

6. The direct financial consequences for Government of handing over these water supplies have been assessed in 1961/62 as a saving of approximately £16,000 in the



Expenses of Maintenance and Operating Water Supplies offset by a reduction of approximately £57,500 in the revenue from Public Water Supplies. Net expenditure is therefore increased by some £41,500 as a result of these changes and this has been allowed for in the published estimates. However, there is a balancing factor over the annuity payments. The Revenue Estimates for 1961/62 include a figure of £11,000 in Section 9B Interest and a figure of £9,000 in Section 10B Redemption. Account should also be taken of the once only payment to the Development Fund amounting to some £82,000.

7. Financial Appreciations of the probable economic result of operating these supplies under Local Authority ownership indicate that the consumers will not be adversely affected and that it should not be necessary to increase the present tariffs.

Nairobi,

6th July, 1961

