

Eol (1915) Department.

Mis SERIES.

G.O. No. 578 Eol

DATED 31-5-15

[Despatch Abstract.]

Boundary grant -

Recording endorsement of the Government of India forwarding copy of their correspondence with the Government of Bombay re revision of — deeds so as to allow for depreciation and a clearance of all liability within a fixed period.

BACK PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

FURTHER PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

Eagle

CURRENT FILE.

Precious Kp.

Go. 238 rec'd / the 26th Feb: '44
" 70 rec'd / the 29th Jan: '43

Eol CN. 1770

18.5.15

No. 801.

FROM

THE HON'BLE MR. L. C. PORTER, C.I.E., I.C.S.,

Secretary to the Government of India,

TO

THE SECRETARY TO THE GOVERNMENT OF BOMBAY,
EDUCATIONAL DEPARTMENT.

Simla, the 3rd May 1915.

Department of Education,
(Education.)

Depd. 12/5/15.

SIR,

Page 3 I am directed to reply to your letter no. 730, dated the 6th March 1915, in which you refer to the question raised by the Simla Conference on the education of the Domiciled Community regarding a revision of building grant deeds so as to allow for depreciation and a clearance of all liability within a fixed period of years.

2. The Governor in Council had already agreed with the views expressed by a meeting of managers and heads of schools in Bombay to the effect that the recommendation of the Simla Conference should not be accepted. The question has again been raised in discussion with the American Marathi Mission, who have made certain proposals regarding the assessment of depreciation in the building of their Union Training School, Ahmednagar. The Local Government, while asserting the principle that Government should share in loss owing to depreciation, claim that, where enhancement has taken place in the value of a building or a site, the amount of appreciation should also be calculated as a set-off against reduction in the refund (though no account should be taken of depreciation or appreciation of a site value when the Government grant covers the building only). They also consider that, for purposes of assessment, any system involving uniform reduction calculated on the age of the building (such as is suggested by the Mission) would be unsuitable, and they would prefer revaluation in every case. Finally, in view of the importance of the question and its applicability to other provinces, the Governor in Council desires to settle the question with reference to some universally accepted principle.

not to be made in this Dept.

(X)

3. I am to say in the first place that the Government of India concur in the general attitude adopted by the Governor in Council regarding the questions of depreciation and appreciation of building and site values. In the light of several opinions hitherto expressed on the questions formulated in their circular letter nos. 23-31-C. D., dated the 8th January 1913, the Government of India are not prepared to press for the inclusion in grant-in-aid rules of a limitation for liability extending to 20 or to any longer period of years. The question is complicated in some provinces by the distribution of grants for repairs or by the execution of repairs out of the general maintenance funds of institutions which are often substantially subsidised by Government. Furthermore, I am to invite attention to this department's circular letter nos 460-470, dated the 19th March 1914, on the subject of the conditions desirable in cases of grants of land. The Government of India are confident of the wisdom of the permanent retention of some claim upon buildings or sites as an assurance against the transfer of such property to purposes other than those for which the grant was made, the removal of the school from inspection, or its lapse into inefficient or improper management.

4. As regards the question of assessment, I am to say that the method suggested in paragraph 3 of your letter under reply appears suitable.

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5. On the question of a generally accepted principle (whether in reference to the method of assessment or to the larger problem of refunds and depreciation) the Government of India observe that the grant-in-aid codes of various provinces differ considerably. In some provinces the system of a limitation of the period of liability already exists. Generally speaking, Government possesses a lien (without definite limitation of time) upon buildings and sites handed over by Government or to which Government has contributed. Nor is there complete uniformity as to the method prescribed for assessing the refund which Government can claim. In view of these divergent practices the Government of India are averse from enunciating any principle for universal acceptance further than the general expression of opinion contained in paragraph 3 of the present communication. But they approve the specific proposals of the Government of Bombay as described in your letter.

I have the honour to be,

SIR,

Your most obedient servant,

L. C. PORTER,

Secretary to the Government of India.

Nos. 802-814.

* Madras.
Bengal.
United Provinces.
Punjab.
Burma.
Bihar and Orissa.
Central Provinces.
Assam.
North-West Frontier Province.
Coorg.
Chief Commissioner, Delhi.

Copy, with a copy of the letter to which it is a
reply, forwarded to the * Local Governments and Administrations
Public Works
Foreign and Political Department.
for information.

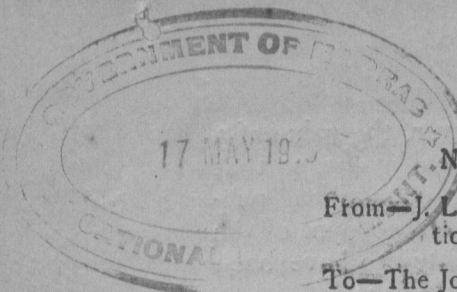
By order,

R. K. Singh

Assistant Secretary to the Government of India.

The Government of Madras.

38DE-752-8-5-15-GCBP Simla.



No. 750, dated Bombay Castle, the 6th March 1915.

From—J. L. RIEU, Esq., I.C.S., Secretary to the Government of Bombay, Educational Department,

To—The Joint Secretary to the Government of India, Department of Education (Education).

I am directed to refer to paragraph 12 of my letter no. 3800, dated the 12th November 1914, which deals with the recommendation made by the Simla Conference on the education of the domiciled community to the effect that the form of building grant deeds should be revised so as to allow for the depreciation of the buildings affected and the clearance of all liability within a fixed term of years. In that paragraph it is observed that if any change in the present conditions governing building grants is made, it will be necessary to apply it to European and Indian schools alike, and that the Government of Bombay are of opinion that, in the absence of any general demand on the part of the school managers in this Presidency for a concession of this nature, no change need, for the present, be made in the existing system.

2. I am to state that since the above communication was addressed to the Government of India the question has been raised again in connexion with an application received from the Principal of the Union Training School, Ahmednagar, on behalf of the American Marathi Mission, asking that the depreciation of the value of the buildings occupied by the institution may be taken into account in deciding as to the liability of the Mission to refund the Government building grant in consequence of the premises ceasing to be used for educational purposes.

3. The buildings in question were erected by the American Marathi Mission during the famine of 1900 in order to provide a primary school (with masters' quarters) for some of the many helpless orphans whom the Mission had at that time taken under their care. The amount paid for the site was Rs. 1,784-9-0, while the cost of the buildings erected thereon amounted to Rs. 18,130-5-9, the total cost of the property being thus Rs. 19,914-14-9. Against this expenditure a grant Rs. 8,534-10-8, at the rate of half the cost of the school building proper and of the site and one-fourth of the cost of the masters' quarters, was paid by Government in the financial year 1902-03, being secured by the execution of the usual trust deed. In course of time the number of orphans under the protection of the Mission was much reduced, those remaining being distributed among their other institutions. The property in question was then utilized for the accommodation of the Mission's girls' school, and subsequently for the institution already referred to as the Union Training School. Owing, however, to its great distance from the other institutions maintained by the Mission, that body has now made provision for the institution in a more convenient locality and has decided to sell the buildings in question, the proceeds being devoted to the improvement of their other properties.

4. The Mission now represent that as the property has been in use for educational purposes during a period of eleven years, during which time the buildings have depreciated in value, it is reasonable that the Educational Department should take into account this depreciation in claiming a refund of their building grant. They accordingly suggest that the depreciation should be calculated at the rate of two per cent per annum from the original cost of the buildings, so that at the end of 50 years their value would be reduced to *nil* and all liability in respect to the Government grant would be extinguished. They propose that this reduction for depreciation should be shared by the Mission and by Government in proportion to their respective contributions towards the original cost of construction, in other words, that a deduction of $(2 \times 11 =) 22$ per cent, that is to say, Rs. 1,877-10-0, should be made from the Government grant on account of depreciation and that the Mission should be required to refund only the balance, *viz.*, Rs. 6,657-0-8.

5. In this connexion it is pointed out that the existing building grant rules for this Presidency contain a provision for the payment of grants in aid of extensive repairs equal to renewals, a recognition by the Department of the fact that

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buildings deteriorate. Under the rules as they stand, however, the value of a grant of this kind is simply added to the amount of the original grant, so that in the event of the building ultimately ceasing to be used for educational purposes, the managers would be liable to refund both the grant on account of the original work and the grant for the subsequent work admitted to have been necessary to replace it, a state of affairs which is obviously anomalous.

6. On a careful consideration of the question His Excellency the Governor in Council is of opinion that where depreciation has taken place in the value of a property towards the cost of the appropriation of which to educational purposes Government have contributed in the first instance, it is legitimate that Government should have a proportionate share in the resultant loss. The grant which Government pay in such cases may be regarded in the light of an investment of capital, the return on which is represented by the advantage which Government have derived from the educational work which has been carried on during the time that the property was being utilized for educational purposes. Where the utilization of the property has resulted in depreciation, the diminution in value must be regarded as a loss of capital invested, and that loss should be borne by Government in proportion to their share of the total investment. But if this principle is adopted, then it is only logical that the converse should also be accepted, namely, that where the value of a property towards which Government have contributed a grant has appreciated, Government should participate, to some extent at any rate, in the resultant gain. Such appreciation in value may readily occur in the case of the site on which buildings appropriated to educational purposes stand.

7. The Governor in Council has accordingly been led to the following conclusions:—

- (1) Where Government have given a grant towards the cost of educational buildings, account should be taken of their depreciation in value; and a proportionate reduction should be made in the amount which is to be claimed from the managers of the institution on the conversion of the buildings to a non-educational purpose;
- (2) Where the grant extends both to the construction of buildings and to the acquisition of a site, account should be taken of any enhancement in the value of the latter, the proportionate share in such enhancement operating as a set-off, either total or partial, against the reduction to be made in the refund due in respect of the grant for buildings;
- (3) No account should be taken of any depreciation in the value of the site or of any appreciation in such value where the Government grant covers the building only.

8. There remains the question of the method by which the reduction on account of the depreciation of buildings should be calculated. While a uniform rate of reduction calculated on the age of the building, the method advocated by the Mission, has the undoubted advantage of greater simplicity and convenience, the Governor in Council doubts whether, in view of the varying rate of depreciation of buildings due to differences in the quality and nature of the building materials, it can be relied upon to give correct results. He is disposed, therefore, to prefer resort to expert re-valuation in every case. Such re-valuation would, however, have to take account of the state in which the managers of the building concerned had maintained it, as otherwise the managers of a building which had suffered rapid depreciation owing to neglect would be placed in a more favourable position with regard to the re-payment of the Government grant than those of a building which has been consistently maintained in a satisfactory state of repair.

9. Before passing orders on the case actually under consideration in accordance with the conclusions set forth above, the Governor in Council, in view of the importance of the question and of its applicability to other provinces, considers it desirable that it should be decided with reference to some universally accepted principle. I am accordingly to submit the case for the ruling of the Government of India.

Le No: 1770
Edl: Deptt
C.E.-18.

NOTES.

OFFICE NOTE.

Edl: Dept: 5

SUBJECT.

Revision of the building grant deeds so as to allow for depreciation of ~~buildings~~ and a clearance of all liability within a fixed period of years.

From

the Govt: of India No: 802 d/ the 3rd May 15

Register No. 1770 Edl:

The Govt: of India forward to this Govt:, for information, a copy of the correspondence between the Govt: of Bombay and that Govt: on the question of the revision of the building grant deeds so as to allow for depreciation of ~~buildings~~ and a clearance of all liability within a fixed period. ~~It will be desired from the correspondence~~

This was one of the recommendations of the Simla conference on the education of the domiciled community and in letter no: 239 Edl:, d/ the 26th February 1914, the Govt: of India ^{here informed} ~~was told~~ that that recommendation had no application to the Madras Pres day as it had been already anticipated there. and that the agreements executed by managers of

vide para 3 on p 4 of
from 70 Edl: d/ the 29-1-13 (F)

Para 4 (3) on page 5 of Letter 239 Edl: at (I)
26.2.14

cf: also para 82 of the notes on page 21 of the notes with the G.O at (I)

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Page 12, + pp 25 to
28 of the code
respectively

Ed. Box 62
29.5.15.

Issue
a
3/15

on receipt of building grants bound them
for a period of 20 years— please see
art: 60 of the Code of Regulations for European
Schools and also appendices III. A. & III. B.
Submitted therefore that no action is necessary
on this correspondence.

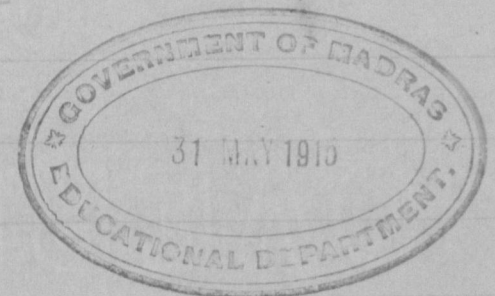
2 A draft order regarding the
papers is submitted for approval.

CV NS
26.5.15 26.5.15 ✓

148

[Handwritten signature]

29/15



READ AGAIN G.O. No., dated 191

" " " " 191

READ ALSO:-

C. No. 1770 Ed From the Govt. of India, No. 802, dated the 3rd May 1915.

" " " " 191

" " " " 191

ORDER.

No. 5-78, dated 31-5- 1915.

Mrs.

Recorded.

Chv
24-8-7s

ns
26-5-15

P.R.
28-5-15.

(C)

*perp. Please send
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as we have no
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Depd
2-6-15
KR
31/5

When given for copying — }
 When copied — } 191 .
 When examined — }
 When signed — }

READ AGAIN G.O. No. , DATED
 191 .

CURRENT No.

ENCLOSURES TO C. No.

ORDER OF GOVERNMENT A A A A A A A

LETTER OF GOVERNMENT.

STATEMENT WITH BITTS.

PAPERS NOT FILED UP, BEING MEANT FOR DESPATCH
 IN ORIGINAL.

N.B.—

- A = Copy in full.
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