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The Chief Executive of the Council	Your reference
The Greater London Council	
County Councils	Our reference
District Councils	HPA 5/24/02
London Borough Councils	Date
The Common Council of the City of London	26 March 1974

Dear Sir

**WORKS ON TRUNK AND PRINCIPAL ROADS
CHARGES FOR THE USE OF HEAVY AND LIGHT PLANT,
TOOLS AND QUARRIED MATERIALS**

1. Circular ROADS No 25/68 referred to charges for the use of heavy and light plant and tools for works on trunk roads (both maintenance and improvements) and on principal roads (grant aided improvements only), and stated that from 1 April 1969 only charges based on actual costs would be accepted.

2. This circular restates the contents of Circular ROADS 25/68 with amendments to take account of the changes in the arrangements for reimbursements of stores and depot overheads introduced in Circular ROADS Nos 11/70 and 29/70 and also provides for inclusion of interest charges in calculation of costs for heavy plant. As from the date of this Circular, Circular ROADS No 25/68 is cancelled and charges for work carried out on and after that date should be calculated in accordance with this circular.

3. The Department will accept only such charges as have been calculated from actual costs in accordance with the following arrangements:

(1) **HEAVY PLANT INCLUDING HAULAGE PLANT:**

(a) **GROUPING OF PLANT.** With the object of avoiding multiplicity of rates, machines of like character and capacity may be grouped to give an average daily or hourly rate for the group of similar machines.

(b) **DEPRECIATION.** The initial cost and any interest charges thereon borne by the Council in respect of each machine may be spread over the estimated life of the machine according to whatever is the Council's usual practice, provided that the charge for depreciation ceases when the written-down value of the machine is reduced to nil. Writing off the whole of the initial cost in the year of purchase will not be accepted. Advice and guidance on any accounting problems arising from the basis of charging for depreciation will be made available to officers of Councils by District Auditors.

(c) **RESIDUAL REALISATION.** The charges for depreciation must be diminished by any excess of realisation price over the written-down value and increased by any deficiency.

(d) **FIXING RATES FOR THE PURPOSE OF BOOK-KEEPING.** No objection will be raised to the adoption of plant rates based on costs of the preceding period provided that a suspense account is operated for all machinery and plant to show the actual cost and the

amount charged out, so that the balance (surplus or deficiency) is carried forward to be liquidated in the subsequent period.

(e) RUNNING EXPENSES. Each council may adopt its normal costing practice as regards charging for repairs, and charge major repairs either as running repairs or capitalise them for costing purposes. In the latter event a depreciation charge upon the value of the repairs so capitalised, together with any interest charges thereon, spread over the reassessed life of the machine may be included.

(2) LIGHT PLANT AND TOOLS

The category of light plant and tools is intended to embrace any appliance or equipment that is not so large or expensive as to warrant the calculation of a specific rate for its use. Examples are: barriers, danger flags, first aid requisites, oilskins and protective clothing, sanitary equipment, shelters, tarpaulins, tools in all trades, wheelbarrows, etc. The actual cost of provision and maintenance should be ascertained either on the basis of purchases, or where stocks are regularly taken on the basis of consumption (ie purchases adjusted for variations in opening and closing stocks). This cost should then be expressed as a percentage of the total wages paid to men directly employed on all works on which light plant and tools are used. An oncost of this percentage may then be added to the cost of total wages paid to men directly employed on approved work on a trunk road, and on grant-aided work on principal road improvement, excluding labour engaged on haulage and on the operation of rolling plant. This oncost rate may be based on the costs of the preceding period, as mentioned in para 3(1) (d) above. Consumable stores (eg oil, waste, fuel, etc) expended in connection with the use of light plant tools, as well as the cost of transporting the plant to and from the works, may be charged for separately. In appropriate cases approval will be given for the charging to the cost of the scheme of the cost of shuttering and forms which have been specially made for constructional works such as bridges, provided that credit is given for residual value.

(3) GENERAL

In calculating the actual cost of heavy and light plant and tools, credit should be given for any sums realised by the sale of surplus plant and tools.

STORES AND DEPOT OVERHEADS

4. An allocation of store and depot overheads will be accepted for reimbursement provided that the individual items so charged and the basis of allocation are approved by the District Auditor. Loan charges on the housing or storing of plant may be included. The cost of unloading or loading material which has to be taken into or out of a store or depot, including the cost of haulage to site is also reimbursable.

QUARRIES

5. Where quarries are operated by highway authorities, the costs of working may not be included as a charge against approved works, but the costs may be recovered through the rate charged for the material that is quarried. To arrive at the unit price of material quarried, the sum total of the expenditure incurred during the year in the quarrying operations should be divided by the total quantity of material produced in the quarry. This expenditure may include: approved interest and sinking fund charges in respect of capital sunk in land and buildings, including cost of laying out or, alternatively, rent and/or royalties; labour; wages of foremen, store-keeper, time-keeper and clerk employed at the quarry in connection with quarrying operations; quarry office expenses; consumables stores; machinery and light plant and tools charges according to the foregoing provisions of this Circular; machinery running expenses. Only in specially approved cases will a unit price for quarried materials be accepted which is in excess of current market price of material of the same quality.

AMENDMENT OF CIRCULAR ROADS NO. 9/68

6. Paragraph 2.8.7 of the Enclosure to Circular ROADS No. 9/68 should be amended to refer to this Circular.

Yours faithfully

J M ENTWHISTLE
Assistant Secretary

NOTE:

Telephone enquiries about the content of this circular should be made to HGA Division (01-212-7583). Enquiries about distribution should be made to Highways Manual Branch (01-212-4944).