

Gloucester City Council

Meeting:	Planning Committee Council	Date:	12 May 2015 21 May 2015
Subject:	Community Infrastructure Levy – Preliminary Draft Charging Schedule		
Report Of:	Cabinet Member for Regeneration and Culture		
Wards Affected:	All		
Key Decision:	Yes	Budget/Policy Framework:	No
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Appendices:	Appendix 1 - Draft Infrastructure List (Reg. 123) Appendix 2 - Preliminary Draft Charging Schedule		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To seek approval of the Community Infrastructure Levy – Preliminary Draft Charging Schedule for public consultation purposes.

2.0 Recommendations

- (1) Planning -Committee is asked to **ENDORSE** the preparation of the Preliminary Draft Charging Schedule for public consultation purposes which incorporates the proposed CIL rates outlined in section 12 of this report.
- 2.1 Council is asked to **RESOLVE** that:
- (1) It approves the publication of the Preliminary Draft Charging Schedule for public consultation purposes;

- (2) It grants delegated powers to the Head of Planning in consultation with the Cabinet Member for Regeneration and Culture to prepare the final consultation document.
- (3) It agrees that approval of further stages of public consultation on the Draft Charging Schedule be delegated to the Cabinet.

3.0 Background

- 3.1 The Community Infrastructure Levy (CIL) was introduced by the Planning Act 2008 with further information set out in subsequent Regulations. In overall terms, CIL is intended to be used for general infrastructure contributions whereas the current S106 process is for site specific mitigation. The introduction of CIL was a response to continuing concerns about the use of S106 obligations: they are not transparent, are ineffective in providing for major infrastructure and the needs arising from cumulative development, they have a disproportionate impact on larger developments, and many developments make no financial contribution. The set charges and the legal obligation to pay a CIL where introduced are intended to bring much greater certainty and to capture a broader range of development to contribute.
- 3.2 CIL remains discretionary for the Local Planning Authority. However, the impending scaling back the use of S106 obligations (in April 2015) is not discretionary and will have significant impacts for those LPAs deciding not to adopt CIL.
- 3.3 CIL differs fundamentally from S106 in that the funds collected are not tied to a specific development or the provision of specific infrastructure. Unlike infrastructure provided through S106 obligations, which must be necessary to mitigate the impact of a particular development and used only for that specific purpose, CIL funds can be used flexibly by the LPA to fund any infrastructure as defined within the regulations. They can be pooled freely (unlike S106) to fund infrastructure priorities and collectively between authorities in order to make larger strategic investments.
- 3.4 The Community Infrastructure Levy (CIL) was introduced in April 2010. It allows local authorities in England and Wales to raise funds from development. Charges are levied on new development and are payable when development commences or as staged payments after the commencement of development. The charges are set by the LPA, which is called the 'Charging Authority'. The money can be used to contribute to, or to help lever in investment for, a wide range of infrastructure that is needed to support new development.
- 3.5 Councils must spend the income on infrastructure. It cannot be used to remedy existing deficiencies unless a new scheme will make this worse. CIL can fully fund or provide a contribution to the infrastructure needed to facilitate growth and to deliver the development strategy. It is unlikely that CIL will, on its own, fully fund all of the necessary infrastructure within an area.

- 3.6 Charging authorities need to strike an appropriate balance between the need to capture funds for infrastructure and the potential effects of the CIL rates upon the economic viability and delivery of development, taken as a whole across its area. The economic evidence on the potential to capture potential land value forms the basis for deriving CIL charges. Viability is tested at a district wide level in setting CIL rates, compared to site by site negotiation under S106. It is expected that CIL will capture more of the land value uplift that results from development than S106 contributions are able to capture. There is a defined process for preparing a CIL which includes an Independent Examination to test the rates and robustness of the evidence. The process for preparation and approval of the Charging Schedule is set out in legislation (Planning Act 2008 part 11, the Community Infrastructure Levy Regulations 2010 and the Community Infrastructure Levy (Amendment) Regulations 2011). This involves evidence gathering, consultation and testing at a public examination. Once approved, the Charging Schedule does not form part of the development plan but does support it.
- 3.7 The Preliminary Draft Charging Schedule outlines possible rates of CIL. This does not commit the City Council to having a CIL or a particular rate at this stage, but allows the Council to collect the views of the community and development professionals operating in the City.
- 3.8 The Council has a choice whether to introduce CIL or not. However, after April 2015 the Council will be unable to pool S106 payments where there have already been five or more S106 contributions (since April 2010), toward any named project or named type of infrastructure that could otherwise be funded through CIL. In practice this means that S106 will continue to apply to site specific mitigation measures and on site elements (such as open space, affordable housing, play areas, highway access, etc), but the use of pooled S106 contributions for major infrastructure (such as major transport or leisure facilities) will be severely restricted.
- 3.9 The CIL Regulations 2010 also introduced into law three tests for planning obligations that are capable of being charged CIL. S106 obligations must be:
- Necessary to make the development acceptable in planning terms.
 - Directly related to the development.
 - Fairly and reasonable related in scale and kind to the development.
- 3.10 Whilst these tests are a consolidation of the advice originally contained in Circular 05/05, they are now a legal requirement giving them much greater force. The statutory status of these tests now brings a much greater need to demonstrate that the terms of any S106 are lawful and such agreements are now subject to greater scrutiny in terms of their lawfulness.

4.0 Defining Infrastructure

- 4.1 Before considering the detail of CIL it is worth defining what is meant by the term infrastructure. This is broadly defined in the Planning Act 2008. To establish parameters infrastructure can be split into 3 broad categories.
- Physical infrastructure e.g. highways, transport links, cycleways, energy supply, water, flood alleviation, waste management.
 - Social infrastructure e.g. education, health, social care, emergency services, art and culture, sport halls, community and faith halls, crematoria.
 - Green infrastructure e.g. parks, woodlands, play areas, public open space
- 4.2 Under the legislation affordable housing is not classed as infrastructure and therefore CIL monies generally cannot be spent by the charging authority to fund affordable housing. This puts the onus on local planning authorities to fully understand the realities of costs related to both CIL related infrastructure and affordable housing. Discussion about what is an appropriate balance between the provision of affordable housing and the provision of infrastructure is an important one, comments received through the consultation on the Draft Preliminary Charging Schedule will inform the ongoing conversation about striking the right balance.

5.0 Comparing CIL and S106

- 5.1 The adoption of a CIL regime offers the following:

Advantages	Disadvantages
Gives certainty to developers and others about costs.	Not negotiable.
More money for infrastructure than raised under S106, in particular by having more 'contributing' developments.	
CIL charges are not restricted by current legal tests for S106.	
Local communities receive a set proportion of CIL.	
Flexibility - the Council has greater control over how and when CIL is spent as compared to S106.	
Mechanism for supporting growth (and be seen to be supporting growth)	
Ability to predict income stream.	

5.2 The S106 based approach offers the following:

Advantages	Disadvantages
More development value may accrue to the landowner.	Negotiated on a case by case basis.
Good for site specific mitigation.	Fewer developments contribute toward infrastructure.
	Less money is available for pooled infrastructure.
	S106 agreements can be renegotiated after planning permission is approved to remove or reduce contributions.
	If not spent within a defined time period S106 can be claimed back.

6.0 Requirements in order to set a CIL

6.1 In order to set a CIL, the Council will require appropriate evidence on the infrastructure funding gap and evidence in relation to the viability of development.

Infrastructure Evidence

6.2 An Infrastructure Delivery Plan was prepared in 2014 as part of the evidence base for the Joint Core Strategy. It clearly shows that a funding gap exists between what is needed and the currently identified funding. As such this procedural requirement is satisfied.

Viability evidence

6.3 The JCS authorities have engaged specialist consultants (District Valuation Services) to carry out a viability assessment for the Joint Core Strategy and an initial assessment of viability for CIL. The two stages of this work cover viability assessments of:

- A range of typologies of the nature and scale of development.
- The Strategic Allocations as set out in the Joint Core Strategy.

The viability assessments identify the potential development value that can be generated from development within the City and demonstrate that there is scope to introduce a CIL.

7.0 The Proposed Preliminary Draft Charging Schedule

7.1 The Preliminary Draft Charging Schedule is the document which sets out the initial proposals for the Levy, for public consultation. It outlines possible

charging rates for CIL. This does not commit the Council to having a CIL or a particular rate at this stage, but allows the Council to collect views of the community and development professionals operating in the Borough. The Council must take into account the comments it receives when preparing a Draft Charging Schedule which would be subject to independent examination.

- 7.2 The JCS authorities have engaged Peter Brett Associates (PBA) as specialist consultants on development plans and CIL to assess the viability evidence and to prepare an appropriate Preliminary Draft Charging Schedule (PDCS) for the Council taking into account a number of factors, including the requirement that any proposed CIL rate does not undermine the viability of proposed development. If approved, the Council will consult on this PDCS and will take into account comments made before drawing up the Draft Charging Schedule for further consultation.
- 7.3 The purpose of this report is to gain agreement to undertake public consultation on the PDCS. Following consultation officers and the retained consultants will take into account comments made before drawing up another version of the charging schedule called the Draft Charging Schedule (DCS) for further consultation. A CIL rate is proposed for development within the City and separate CIL rates are also proposed the JCS strategic allocations. The PDCS is provided at Appendix 2.

Setting a CIL for residential development

- 7.4 As the characteristics of residential sites are many and varied, the consultant has employed the principle of the 'notional scheme' in preparing the PDCS and its associated draft CIL rates. It is accepted that the characteristics of the Strategic Allocations within the JCS area differ considerably from those of sites within and on the periphery of Gloucester but that the character of sites within the City also presents a number of varied characteristics.
- 7.5 Within Policy SD13, the JCS sets out a target of 40% affordable housing for sites accommodating in excess of 10 dwellings. Again, it is recognised that the level of affordable housing to be secured from any eligible site will be affected by the characteristics of that site. In some circumstances, the requirement for other forms of infrastructure may mean that lower levels of affordable housing would be provided due to the challenges presented by such sites. In such cases, applicants will be required to submit appropriate viability information that will allow the Council to make an informed decision on these matters.
- 7.6 Residential development would normally attract higher levels of CIL charge, due to the infrastructure needs arising from such development. The level of charge is dependent upon the characteristics of each site and many LPAs have adopted 'differential' CIL rates that reflect these characteristics. In some LPA areas, CIL charges can be in excess of £200/sqm, but lower rates can also be levied where other infrastructure funding sources are available.
- 7.7 Policy SD13 of the Submission JCS seeks the provision of 40% affordable housing on eligible sites of 10 or more dwellings (subject to site viability) as

per the requirements of the National Planning Practice Guidance. An analysis of affordable housing delivery during the last three years within Gloucester has revealed an overall provision in excess of 20% affordable housing across all eligible sites. It is important to note that rates of affordable delivery have varied considerably across these sites; some sites have been developed entirely for affordable housing, on others, zero or limited proportions have been provided and the JCS target of 40% has been delivered in other locations. In all of these instances, the Council has sought to deliver an appropriate housing mix that reflects the viability of each site.

Setting a CIL for other forms of development

7.8 In addition to residential uses a number of other land uses were tested. With the exception of retail uses, all other uses were found to have insufficient financial 'headroom' to levy a charge. The PDCS proposes a charge of £150/sqm in relation to retail development throughout the JCS area. While such a charge could be levied upon such developments in the City, it is important to note that the Council has identified the King's Quarter redevelopment as a key project and a differential CIL may be appropriate to reflect the value/viability of such sites.

7.9 The Council may also consider the introduction of differential retail CIL charges in the revised schedule to reflect priorities in relation to regeneration objectives and 'in centre' versus 'out of centre' developments.

Future review of the Charging Schedule

7.10 The CIL process incorporates the ability to review the level of charging rates to reflect changes in local circumstances over time. Any such changes must be subject to public consultation and subsequent examination so such changes would be periodic, perhaps occurring after a two to three year period.

8.0 Relationship of the Joint Core Strategy to CIL

8.1 The consultant is assessing the scope to introduce a CIL within each of the JCS Councils. In delivering a joint development plan, it is hoped that, if the three Councils each adopt a Charging Schedule, these will be aligned to deliver the best contribution toward infrastructure to support new development.

8.2 Sites proposed in the development plan have to be viable and deliverable and are tested through a viability assessment which is also part of the technical evidence for the JCS. Both the CIL and the JCS use the same background material. The Inspector at the JCS Examination will want to know whether the Plan is deliverable and viable, and what the impact on deliverability would be if infrastructure funding is not available. The evidence provided in the appendices to this report will support the JCS Examination.

9.0 Public Consultation

- 9.1 If all three JCS Councils agree to move forward with public consultation on a PDCS for their area, it is proposed that the public consultations on each of the three separate Charging Schedules with accompanying documentation would be coordinated. The JCS Councils are working together to align the dates of a six week period of public consultation which will be confirmed shortly.

10.0 Infrastructure List

- 10.1 The infrastructure list is a list of infrastructure projects or types of infrastructure that the charging authority, by publishing on its website, intends will be, or may be wholly or partly funded by CIL. Once a charging authority's first Charging Schedule has taken effect a planning obligation may not constitute a reason for granting planning permission for development to the extent that the obligation provides for the funding or provision of infrastructure within its infrastructure list.
- 10.2 Therefore, in order to preserve an ability to provide for specific infrastructure to continue to be dealt with by planning obligation after the adoption of a Charging Schedule, the Council will also need to prepare a list prior to the adoption of a Charging Schedule, setting out the types of infrastructure that it intends will be, or may be, funded wholly or partly by CIL. A draft infrastructure list has been prepared to indicate how CIL monies could be used to cater for the anticipated level of growth in the area. This is intended to ensure that developers are not asked to fund the same infrastructure via both Section 106 and CIL.
- 10.3 The inclusion on the list of an infrastructure project or type of infrastructure does not represent a commitment by the Council to provide that project or type of infrastructure either with or without funding from CIL. The only function of the list is in relation to the future use of S106 agreements and to avoid any perception of double charging to developers. The list can be reviewed on a regular basis, for example annually, to ensure that it remains up to date. It is not a requirement to prepare or consult upon a draft infrastructure list at the PDCS stage, but it is good practice to do so. A draft Regulation 123 List is provided at Appendix 1.

11.0 Neighbourhood Funds

- 11.1 In accordance with the Community Infrastructure Levy (Amendment) Regulations 2013 a specific proportion of CIL receipts would be passed to 'neighbourhood funds'. Therefore, in locations with an adopted Neighbourhood Plan, 25% of CIL receipts would be passed to such communities/forums to help fund local infrastructure in their areas. In all other locations (where no Neighbourhood Plan has been approved), 15% of CIL receipts would be passed to local communities, subject to annual total limits as defined within the CIL Regulations. In parished areas, the relevant

proportion of CIL will be passed to Parish/Town Councils. In non-parished areas, the City Council will engage with the relevant communities to determine how CIL is spent.

12.0 Conclusions

- 12.1 The CIL regime is being implemented as the principal source of infrastructure funding for LPAs and is being widely progressed throughout the country. The S106 system is expected to continue of the immediately foreseeable future, but new regulatory processes will place restrictions on the way in which this will operate from April 2015. The CIL regime will require the Council to adopt new processes and ways of working, but the system offers the potential to secure infrastructure funding from a wider range of developments.
- 12.2 Following detailed analysis of the implications of CIL following changes made via legislation and supporting regulations and testing of viability it can be demonstrated that CIL will support the Council in the delivery of infrastructure in the longer term. While it is accepted that the Council would receive only modest CIL income in the immediate future, the preparation of a Charging Schedule would allow the Council to coordinate its actions with its JCS partners and establish a CIL regime that will provide the framework for future infrastructure provision. Once established, the Council would be able to review its Charging Schedule (for example, within the next three years) to reflect the need for any changes in infrastructure requirements.
- 12.3 Having considered the factors in relation to the delivery of affordable housing and the Council's wider regeneration objective, it is proposed that residential development would be zero-rated (£0/sqm) for CIL purposes, assuming the provision of affordable housing in accordance with Policy SD13 of the JCS. As has been noted within section 7 of this report, the level of affordable housing will be assessed in relation to the overall viability of the site. To reflect this, the JCS authorities intend to undertake further work to assess the progression of CIL in relation to the viability and deliverability of development proposals in order to establish a clearer policy position. However, at this stage, the Council has set a zero residential CIL rate at the PDCS stage for consultation purposes.
- 12.4 For retail uses, a CIL rate of £150/sqm is proposed across the JCS area, but that further assessment will be undertaken to explore the merit of differential charges that reflect priorities in relation to regeneration objectives and 'in centre' versus 'out of centre' developments.

13.0 Financial Implications

- 13.1 Work to develop a Community Infrastructure Levy for Gloucester, including background consultancy evidence and additional project officer capacity, is financed from existing budgetary provision.

- 13.2 The Regulations allow Charging Authorities to use up to 5% of the CIL receipts received to recover costs associated with the development, set up and administration of the system.

(Financial Services have been consulted in the preparation of this report).

14.0 Legal Implications

- 14.1 The power to charge CIL is contained within Part 11 (Section 205-225) of the Planning Act 2008 (“the Act”) and the Community Infrastructure Levy Regulations 2010 (as amended) (“the CIL Regulations”). CIL is defined as an imposition of a charge, with the aim that CIL is to ensure costs incurred supporting the development of an area can be funded (wholly or partly) by owners or developers of land in a way that does not make development of the area economically unviable (Section 205(1) and (2) of the Act).
- 14.2 Subject to certain exceptions CIL must be applied to supporting development of its area by funding the provision, improvement, replacement, operation or maintenance of infrastructure (which may include infrastructure outside its area).
- 14.3 Regulation 15 of the CIL Regulations provides that the first stage is the preparation of a Preliminary Draft Charging Schedule (PDCS) for consultation. Under that regulation the charging authority must send a copy of the PDCS and invite representations from each of the consultation bodies (County Councils and local planning authorities whose area is in or adjoins the charging authority’s area and parish councils in the charging authority’s area).
- 14.4 The charging authority must also invite representations on the PDCS from persons who are resident or carrying on business in its area and as the charging authority considers appropriate from voluntary bodies (some or all of whose activities benefit the charging authority's area) and bodies which represent the interests of persons carrying on business in the charging authority's area. The charging authority must make such arrangements as it considers appropriate in respect of obtaining these representations.

(Legal Services have been consulted in the preparation of this report).

15.0 Risk Management Implications

- 15.1 Failure to develop a CIL Charging Schedule would reduce the Council’s ability to ensure that new development contributes proportionately to infrastructure provision in the longer term. The Council will also continue to utilise Section 106 agreements to secure appropriate infrastructure contributions.
- 15.2 Failure to adopt a CIL in the longer term means that the Council could be disadvantaged by changes to Section 106 which took effect on 6 April 2015, which will limit the pooling of contributions for the infrastructure needed to

support new development, and could result in a loss of contributions until such time as a CIL Policy is adopted.

16.0 People Impact Assessment (PIA)

16.1 The preparation of a new planning document can have both positive and negative social impacts on local communities. The CIL PDCS seeks to provide appropriate and necessary infrastructure for the needs of the City's communities. PIA will also be ongoing through the preparation of the Development Plan.

17.0 Other Corporate Implications

Community Safety

17.1 None.

Sustainability

17.2 The development of the CIL would take into account the three dimensions of sustainable development set out in the National Planning Policy Framework (NPPF):

- An economic role – contributing to building a strong, responsive and competitive economy.
- A social role – supporting strong, vibrant and healthy communities.
- An environmental role – contributing to protecting and enhancing our natural, built and historic environment.

Staffing and Trade Union

17.3 The CIL regime will require new monitoring and management systems to ensure effective operation. The CIL management fee of up to 5% of receipts could be utilised to provide additional staff resource.

Background Papers : None

Appendix 1: Draft Infrastructure List (Regulation 123)

Draft Infrastructure List (Reg 123)

In accordance with the Planning Act (2008) as amended by the Localism Act (2011) and the Community Infrastructure Levy Regulations (2010) as amended.

The infrastructure to be funded by CIL will be set out in lists to be published from time to time by the Charging Authority - known as the Regulation 123 list.

As the infrastructure needs of the three Joint Core Strategy Councils, Gloucester City, Cheltenham Borough and Tewkesbury Borough are inextricably linked, the Infrastructure Delivery Plan (IDP) and subsequently this Infrastructure List (Reg. 123) are applicable to all three JCS councils.

The table below gives an indication of the types and categories of infrastructure and/or specific infrastructure projects to which CIL receipts raised by the Council as the Charging Authority could be applied:

In general it is proposed that site specific mitigation measures, including providing a safe and acceptable means of access to a public highway, or roads providing access to a development, will be secured through planning conditions or S106 obligations.

Other more strategic infrastructure will be supported in whole or in part through CIL.

The inclusion on the list of an infrastructure project or type of infrastructure does not represent a commitment by the Council to provide that project or type of infrastructure either with or without funding from CIL. The only function of the list is in relation to the future use of S106 agreements and to avoid any perception of double charging to developers. The Infrastructure List gives an indication of the categories of infrastructure currently intended to be funded by CIL or other means. The list can be reviewed on a regular basis, for example annually, to ensure that it remains up to date.

	Infrastructure to be funded, or part funded, through CIL	Infrastructure and other items to be funded through S106 Obligations; S278 of the Highways Act; other legislation or through Planning Condition
Transportation	Transportation infrastructure for walking, cycling, public transport and highways.	<ul style="list-style-type: none"> • Highway works to mitigate the direct impact of development, including site access or adjacent junction improvements to facilitate traffic movements to the site, and parking control; • Pedestrian / cycle and bus facilities on site or providing direct access to the site; • Travel planning to mitigate the direct of development.
Education	Provision for which the Local Education Authority has a statutory responsibility including early years, primary and secondary (covering ages 3 – 19).	See also 'Transfer of Land' in this table
Green Infrastructure	Strategic green infrastructure	Green Infrastructure initiatives relating to a particular development - See also 'Transfer of Land' in this table.
Sport and Play Provision	Sport and Play Provision <ul style="list-style-type: none"> • Including outdoor sports pitches, courts and greens, informal recreational open space, equipped and unequipped space for children and teenagers, swimming pools, and indoor sports halls. 	Site specific sports and play provision.
Community Infrastructure	Including community buildings, library provision, public buildings.	Other community infrastructure related to a particular development. <ul style="list-style-type: none"> • Community infrastructure provided within a commercial or residential building. • Support for the administration and setting up of local community groups to serve a new community. • Community development support. See also 'Transfer of Land' in this table.
Historic environment	Heritage interpretation provided off-site.	On-site protection or examining and recording the historic environment.
Waste Recycling	Provision of household waste recycling and waste management	On site collection facilities and waste reduction initiatives.

	Infrastructure to be funded, or part funded, through CIL	Infrastructure and other items to be funded through S106 Obligations; S278 of the Highways Act; other legislation or through Planning Condition
	facilities.	
Renewable Energy infrastructure	Renewable Energy infrastructure.	The establishment and ongoing maintenance of onsite or nearby low carbon or renewable energy installations associated with new development, including district heating/cooling systems.
Emergency Services (Police, Fire and Ambulance)	Emergency services premises for growth.	Provision of fire hydrants.
Flood prevention and drainage	Strategic flood defences where not related to specific development proposals (likely to be funded primarily through Environment Agency).	The establishment and ongoing maintenance of sustainable drainage systems and any other water infrastructure which is not adopted by a licensed water undertaking or other responsible body.
Art and Cultural Infrastructure and Public Realm	Off-site provision/enhancements On-site provision/enhancements.	
Economic Development Infrastructure	Including off-site starter business units, assistance with the provision of Broadband, supporting other employment initiatives.	On-site infrastructure and non-infrastructure initiatives such as skills training.
Affordable Housing		Provision of affordable housing and housing to meet other specified needs such as supported housing or lifetime homes.
Health Care	Expected to be funded through NHS funding streams, though in some circumstances contributions from locally raised revenues and may be appropriate.	
Utilities	These are likely to be funded primarily through relevant Asset Management Plans. Any infrastructure contributions from CIL will be limited to infrastructure serving a	Other contributions to utility improvements specifically required for a particular development. Provision of utilities infrastructure within a development site, including nearest available connection to mains services.

	Infrastructure to be funded, or part funded, through CIL	Infrastructure and other items to be funded through S106 Obligations; S278 of the Highways Act; other legislation or through Planning Condition
	strategic purpose beyond the needs of a single development location, with part funding through the AMP where improvements deal with existing deficiencies.	
Contamination		Any necessary on site investigation and remediation.
Maintenance		Subject to legislative restraints, infrastructure provided under S106 contributions will include an element for maintenance.
Transfer of land		Where the facility in question is primarily needed to serve the specific development the land will be expected to be transferred at no cost to public authorities.