

NATIONAL PRINCIPLES RELATING TO THE ALLOCATION OF FINANCIAL ASSISTANCE GRANTS TO LOCAL GOVERNMENT

1. The national principles relating to allocation of general purpose grants are:
 - (i) **Horizontal Equalisation.** General purpose grants will be allocated to local governing bodies, as far as practicable, on a full horizontal equalisation basis as defined by the Act. This is a basis that ensures that each local governing body in the State/Territory is able to function, by reasonable effort, at a standard not lower than the average standard of other local governing bodies in the State/Territory. It takes account of differences in the expenditure required by those local governing bodies in the performance of their functions and in the capacity of those local governing bodies to raise revenue.
 - (ii) **Effort Neutrality.** An effort or policy neutral approach will be used in assessing the expenditure requirements and revenue raising capacity of each governing body. This means as far as practicable, that policies of individual local governing bodies in terms of expenditure and revenue effort will not affect grant determination.
 - (iii) **Minimum Grant.** The minimum general purpose grant allocation for a local governing body in a year will be not less than the amount to which the local governing body would be entitled if 30 per cent of the total amount of general purpose grants to which the State/Territory is entitled under section 9 of the Act in respect of the year were allocated among local governing bodies in the State/Territory on a per capita basis.
 - (iv) **Other Grant Support.** Other relevant grant support provided to local governing bodies to meet any of the expenditure needs assessed should be taken into account using an inclusion approach.
 - (v) **Aboriginal Peoples and Torres Strait Islanders.** Financial assistance shall be allocated to councils in a way which recognises the needs of Aboriginal peoples and Torres Strait Islanders within their boundaries.
2. The national principle relating to allocation of identified road component of the financial assistance grants is:
 - (i) The grants should be allocated to local governing bodies as far as practicable on the basis of the relative needs of each local governing bodies for roads expenditure and to preserve its road assets. In assessing road needs, relevant considerations include length, type and usage of roads in each local governing area.