

CORRECTIVE SERVICES

- 1 This working paper describes how the Commission estimates what each State would need to spend to provide the average level of corrective services to its residents. The development of the assessment method is discussed in Volume 4 of the 2004 Review Working Papers.

CORRECTIVE SERVICES

- 2 All States provide corrective services. In general, prisons and remand centres have been established for offenders from the age of 18 while juvenile detention centres are generally provided for offenders from age 10 up to the age of 18.
- 3 The Corrective services category comprises expenses on administration, support and operation of prisons and other places of secure detention for convicted persons and alleged offenders, and of community-based corrective services. More specifically, the category includes expenses on prisons, prison farms and camps, remand centres and juvenile correction. Costs attributable to community-based correction activities were also included.
- 4 State governments spent \$2.33 billion (\$111.61 per capita) on corrective services in 2006-07. There were no Specific Purpose Payments included in the Corrective services category.

WHY EXPENSES ON CORRECTIVE SERVICES DIFFER

- 5 The per capita amount spent by each State on corrective services varies considerably. The Commission seeks to understand why these figures vary. If the sole source of variation is different government policies, then the differences do not impact on State GST shares. If the variation is due to circumstances beyond a States' control, the differences will be reflected in State GST shares. Table 1 shows Corrective services actual expenses per capita for each State and the average overall.

Table 1 Corrective Services, actual expenses per capita, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aus
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2002-03	98.15	51.68	82.17	139.28	74.92	82.10	98.72	285.27	87.35
2003-04	101.51	62.95	79.83	143.78	84.24	62.38	116.49	293.26	91.84
2004-05	111.48	91.34	81.24	156.50	94.35	74.25	79.14	321.72	104.43
2005-06	109.74	71.30	81.50	178.55	102.09	88.03	123.41	306.37	102.60
2006-07	116.69	84.44	88.53	193.99	99.50	120.77	111.79	318.52	111.61

Box 1: The Commission’s concept of average

The Australian average expense per capita is not a simple average of the experience of the eight States. It is calculated as the total expenses incurred by all States divided by total State population. This is a population weighted average. Population weighting gives equal weight to each Australian’s experience. Since more Australians experience the New South Wales level of service, it carries more weight in the calculation of the average. 33 per cent of Australians reside in New South Wales and 1 per cent reside in the Northern Territory. Population weighting gives the experience of New South Wales (\$116.69 per capita) 30 times the weight of the experience of the Northern Territory (\$318.52 per capita). This approach means the average expense per capita is generally much closer to the New South Wales expense per capita than the Northern Territory expense per capita.

The concept of using this average also applies to the assessment of factors. If the Commission were trying to estimate the cost of providing services to Indigenous people normally living in remote areas, it would give most weight to the Northern Territory’s experience (36 per cent of remote Indigenous people live in the Territory) and least to Tasmania (less than 0.2 per cent), Victoria (less than 0.1 per cent) and the ACT (0 per cent).

- 6 Differences in State expenses per capita are likely to reflect differences in:
 - the number of offenders in each State;
 - the type and number of correctional facilities provided; and
 - the proportion of offenders in special-needs groups.
- 7 Table 2 shows possible drivers of State expenses.

Table 2 Possible drivers of State expense per capita, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aus
(a) General Indicators									
Expenses – all corrective services (\$m)	818.9	393.12	399.26	279.9	139.6	43.56	28.87	57.29	2 160.48
Total offender/detainees (FTE)	10 285	4 183	5 567	3 847	1 771	528	237	906	27 224
Community corrections offenders (FTE)	18 047	8 000	12 024	5 523	6 223	1 121	1 180	1 125	53 243
Juvenile justice offenders (FTE)	217	63	98	106	59	35	10	17	605
Population (million)	6.86	5.17	4.14	2.08	1.58	0.49	0.34	0.21	20.86
(b) Ratios									
Expense per capita – total corrective services (\$)	119.45	76.08	96.54	134.44	88.54	88.60	85.75	269.22	103.58
Offender/detainees per capita (rates per 1000)	1.50	0.81	1.35	1.85	1.12	1.07	0.70	4.26	1.31
Community based correction offenders per capita (rates per 1000)	2.63	1.55	2.91	2.65	3.95	2.28	3.50	5.29	2.55
Juvenile justice offenders per capita (rates per 1000)	0.03	0.01	0.02	0.05	0.04	0.07	0.03	0.08	0.03
(c) Difference between State and average ratios (%)									
Expense per capita	115.32	73.45	93.21	129.79	85.49	85.54	82.79	259.92	100.00
Offender/detainees per capita	114.94	62.02	103.14	141.57	86.06	82.28	53.93	326.20	100.00
Community corrections Offenders per capita	103.13	60.65	113.90	103.92	154.63	89.33	137.30	207.11	100.00

Sources: ABS Catalogue 4512.0; Corrective Services, September Quarter 2007, ABS Catalogue 4517 Prisoners in Australia June 2007, Australian Institute of Criminology special data request 2007.

8 Table 3 shows the demographic characteristics of the prisoner population:

Table 3 Corrective Services, general indicators, 2007

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Adult Prisons								
Males aged 17-29	581 963	450 980	354 176	182 350	130 520	37 237	35 131	21 350
Indigenous males aged 17-29	14 125	2 698	14 475	7 528	2 643	1 702	467	7 211
Male prisoners aged 17-29 ^(a)	4 075	1 361	2 190	1 567	601	219	87	388
Indigenous male prisoners aged 17-29	1 011	114	740	759	168	36	6	346
Total prisoners	10 283	4 182	5 568	3 846	1 773	527	232	904
Sentence Length (mean no. of months)	63.5	61.1	53.3	51.1	74.4	46.6	72.5	36.1
Adult Community Corrections								
Males in community corrections	15 310	6 495	9 444	4 304	5 117	886	996	987
Indigenous persons in community corrections	2 889	346	2 155	1 780	889	127	96	805
Total offenders	17 858	8 003	12 026	5 516	6 217	1 122	1 179	1 126
Total prisoners/offenders	28 141	12 185	17 594	9 362	7 990	1 649	1 411	2 030
Juvenile Justice								
Males aged 10-18	427 587	318 025	268 062	134 300	95 269	31 402	20 869	14 946
Male juvenile detainees	244	31	125	98	39	27	13	24
Indigenous persons aged 10-18	30 984	5 831	29 560	13 508	4 916	3 810	851	12 521
Indigenous juvenile detainees	130	5	71	73	13	8	6	24

(a) May not add due to rounding.

Sources: ABS Catalogue 4512.0 Corrective Services, ABS Catalogue 4517.0 Prisoners in Australia June 2007, Productivity Commission Report on Government Services 2007, Australian Institute of Criminology special data request 2007

Table 4 Corrective services, shares of indicators, 2007

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Adult Prisons									
Males aged 17-29 ^(a)	32.44	25.14	19.75	10.17	7.28	2.08	1.96	1.19	100
Indigenous males aged 17-29 ^(b)	27.78	5.31	28.47	14.81	5.20	3.35	0.92	14.18	100
Male prisoners aged 17-29	38.85	12.98	20.88	14.94	5.73	2.09	0.83	3.70	100
Indigenous male prisoners 17-29	31.79	3.58	23.27	23.87	5.28	1.13	0.19	10.88	100
Adult Community Corrections									
Males in community corrections	35.16	14.92	21.69	9.89	11.75	2.03	2.29	2.27	100
Indigenous persons in community corrections	31.79	3.81	23.72	19.59	9.78	1.40	1.06	8.86	100
Juvenile Justice									
Males aged 10-18	32.63	24.27	20.46	10.25	7.27	2.40	1.59	1.14	100
Male juvenile detainees	40.60	5.16	20.80	16.31	6.49	4.49	2.16	3.99	100
Indigenous juvenile detainees	39.39	1.52	21.52	22.12	3.94	2.42	1.82	7.27	100

(a) Percentage of total population aged 17-29 years from 2006 Census data.

(b) Percentage of Indigenous population, males, aged 17-29 years from 2006 Census data.

Source: Table 3

Number of offenders/detainees

- 9 Certain groups of offenders/detainees have special needs. It costs more to provide services to these groups. In its report, the Productivity Commission identified the following special needs groups:
 - Indigenous offenders/detainees;
 - offenders/detainees from language backgrounds other than English;
 - offenders/detainees with drug addiction;
 - geographically remote offenders/detainees; and
 - offenders/detainees from low socio-economic status.
- 10 The proportion of offenders/detainees in each special needs group is another example of circumstances that affect the cost of providing corrective services and which are beyond the control of an individual State government.

ASSESSING STATES' COSTS OF PROVIDING CORRECTIVE SERVICES

The equalisation task

- 11 The Commission aims to identify why it costs some States more to provide corrective services and then using this information to estimate what it would cost each State to provide corrective services using the average policy and practice of all States. This estimate is called a State's *assessed expense*.
- 12 The process the Commission follows is twofold. First, it starts with the average expense that captures the average policies, efficiency and circumstances of all States. Second, it attempts to quantify how a State varies from the average in some underlying characteristic (for example, the proportion of its corrective services population serving a sentence in secure prisons) and what effect such a variation could have on its total expenses. Bringing them together shows how much a State could be expected to vary from the average, solely because of its innate characteristics. The resultant estimate is its assessed expense. This section discusses how the Commission identifies these characteristics; the following sections discuss how it measures them.
- 13 The Commission identifies the major influences that cause States to have different expenses per capita and estimates their financial impact on:
 - assessed service use; and
 - assessed unit costs.

Assessed service use

- 14 For prisons and community-based corrections, the influences that affect assessed service use are:
 - the proportion of people aged 17-29 years; and
 - the proportion of offenders/detainees in special needs groups. For example, Indigenous offenders/detainees, offenders/detainees with low English fluency and offenders/detainees with a mental illness or addiction generally cost more per offender/detainee than the general prison population.
- 15 For juvenile correction services, the influences that affect assessed service use are:
 - the proportion of people aged 10-18 years; and
 - the proportion of detainees in special needs groups, as described above.

Assessed unit costs

- 16 For corrective services, the influences that affect assessed unit costs are:
 - the cost of bringing supplies in from outside the State;
 - the size of the corrective services sector. There is a minimum cost associated with setting up a corrective services system; and

- the unit cost of inputs. States face differing costs in relation to the price of labour, accommodation consumables and electricity.
- 17 While some of these influences, such as wage levels and electricity costs, may be partially affected by government policies, the Commission attempts to take account of only that part of the influence that is beyond the control of individual State governments.

OVERVIEW OF THE METHOD FOR DETERMINING ASSESSED EXPENSES

- 18 The box below provides a brief step by step overview of the framework the Commission uses to determine each States' assessed expenses for corrective services.

Box 2: Assessment framework

Step 1: Derive the average expense per capita

This is done by dividing the total expenses incurred by all States by total State population. This figure captures the average financial impact of the policies, practices and particular State circumstances that impact on the cost of delivering the service across the nation.

Step 2: Identify different types of expenses

The Commission examines the service to determine whether parts of the total expense are affected by different influences. If the differences are material, the expense is divided into component parts to ensure that the various influences are accurately matched with the expenses they affect. The different expense types identified are referred to as components. To identify components, the Commission analyses information and data on the nature of the service (that is, what States do and how they do it), States' policies concerning the service and submissions. The proportion of total expense attributable to a particular component is referred to as the component weight. The Commission uses GFS data, State public accounts, annual reports and other data to estimate these proportions.

Step 3: Identify the influences for each component

The Commission identifies the influences that affect each component and the extent to which they are beyond the control of individual State governments. To identify influences, the Commission analyses information and data on the nature of the service (that is, what States do and how they do it), States' policies concerning the service, submissions and other publications.

Step 4: Measure the size of each influence

The Commission estimates the relative financial impact of each influence on each State's cost of providing the service, but only to the extent it is beyond the control of individual State governments. The relative impact is measured by relating the State's experience to the average experience. The relative impacts are presented as factors. A factor measures the percentage increase (or decrease) that the influence has on a State's cost of providing the service. There is at least one factor assessment for each component. In most cases there is more than one.

Step 5: Derive category factors

The component factors are weighted to reflect the importance of the component in the category. This is done by multiplying each component factor by its component weight. The category factor is calculated by adding the weighted component factors together. The category factor represents the Commission's estimate of the combined financial impact of all the influences on a State's cost of providing the service.

Step 6: Derive assessed expense per capita

Each State's assessed expense per capita is calculated by applying its category factor to the average expense per capita. A State's assessed expense per capita is the Commission's estimate of how much it would cost the State (per capita) to provide the average level of service.

The difference between a State's assessed expense per capita and the average expense per capita is a measure of the financial impact of circumstances beyond its control. The difference between its assessed expense per capita and its actual expense per capita is a measure of the financial impact of circumstances within its control.

DERIVING COMPONENTS AND COMPONENT WEIGHTS

- 19 The Commission examines the service to decide whether parts of the total expense are affected by different influences. If the differences are material, the expense is divided into component parts to ensure that the various influences are accurately matched with the expenses they affect. The different expense types identified are referred to as *components*. The proportion of total expense attributable to a particular component is referred to as the *component weight*.
- 20 The Commission identified three components for corrective services and estimated the proportion of expenses that each cost component contributed to total corrective services costs. The components and component weights are presented in Table 5.

Table 5 Components and component weights, 2006-07

	\$m	%
Fixed Costs	29.08	1.23
Isolation	5.35	0.23
Corrective Services	2 328.03	98.54
Total	2 362.45	100

- 21 The component weights for fixed costs and isolation were calculated directly. For 2006-07, fixed costs were estimated at \$29.08 million and isolation costs at \$5.35 million.¹ The corresponding component weights are calculated by dividing these amounts by total category expenses. The corrective services component weight was calculated as the residual amount.
- 22 The Commission identifies the influences affecting each component. They are, in the Commission’s assessment, the reasons why States spend more (or less) than the average expense per capita to provide the average level of service. The Commission presents these influences as factors.

Box 3: Commission factors

A factor is the Commission’s estimate of the relative financial impact a particular influence has on a State’s cost of providing a service. Factors are only calculated for the part of the influence that is beyond the control of individual State governments.

A factor value of 1 means the Commission considers the State could provide the average level of service by spending the average expense per capita. A factor value of more than 1 means the Commission considers the State will have to spend more than the average expense per capita to provide the average level of service. A factor value of less than 1 means the Commission considers the State can provide the average level of service by spending less than the average expense per capita.

- 23 Table 6 lists each component and associated factors for corrective services:

¹ The Administrative Scale and Isolation sections of Volume 4 of these working papers describe how the Commission determines the size of the administrative scale and isolation costs.

Table 6 Components and factors, 2008 Update

Component and component weights	Factors	Influence measured by factor
Fixed costs (1.23%)	Administrative scale	Recognises the unavoidable costs each State incurred to provide the policy and administrative infrastructure necessary to provide minimum unavoidable service, regardless of the size of the task.
	Fixed costs input costs	Recognises the differences between States the prices of head office labour, accommodation, and electricity used in providing services.
Corrective services (98.54%)	Socio-demographic composition	Recognises the differences between States in the proportion of their population in corrective services. Cost weights are applied to recognise the higher costs of providing services to offenders/detainees with particular characteristics (for example, indigenous, low socio-economic status, low English fluency, from geographically remote locations).
	Service delivery scale	Recognises that additional costs are incurred by corrective services in small urban centres.
	Input costs	Recognises the differences between States in the prices of labour, accommodation, and electricity used in providing services.
	Dispersion	Recognises the differences in per capita costs of service provision associated with the spread of population.
Isolation (0.23%)	Isolation	Recognises the additional costs incurred by the States, attributable to the distance of the State from other State capitals and sources of supply.

24 An explanation of the reasoning behind each factor assessment in the Corrective services category and the method of assessment are presented below.

Table 7 Derivation of fixed costs input costs factor, 2006-07

	Prop'n	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%	%
Wages	80	3.05	-0.48	-2.74	-1.42	-2.19	-4.13	2.46	2.54
Accommodation	2	5.04	-19.59	29.39	13.18	-34.19	-41.59	-1.07	-35.77
Electricity	0.5	-1.93	-1.93	-1.93	13.57	2.64	-40.27	-1.93	90.11
Balance of expenses	17.5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total price	100	2.53	-0.79	-1.61	-0.80	-2.42	-4.34	1.94	1.77
Factor		1.02528	0.99212	0.98387	0.99199	0.97579	0.95664	1.01939	1.01769

25 The Commission considers the amount of fixed costs required to be spent by each State is influenced by administrative scale and differences in the price of labour, accommodation and electricity.

Administrative scale factor

- 26 The administrative scale factor is assessed to recognise the unavoidable cost each State incurs to provide central administrative services to plan, regulate, and subsidise corrective services, regardless of the size of its population. In total, each State is assessed to require a similar level of administration, \$3.63 million in 2006-07.
- 27 The disabilities for administrative scale factors are assessed by a common method. The method is discussed in Volume 7 of the 2004 Review working papers under the section for common factors.
- 28 Table 8 shows the amount assessed for each State and the per capita equivalent. It also shows the administrative scale factor that is calculated by dividing each States' per capita amount by the average per capita amount.

Table 8 Corrective services, calculation of administrative scale factor, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aus
Fixed cost amount (\$m)	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	29.08
Dual policy amount (\$m)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Fixed cost (\$m)	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	29.08
Population ('000)	6 856	5 168	4 136	2 082	1 577	492	337	213	20 859
Fixed costs (\$pc)	0.53	0.70	0.88	1.75	2.31	7.39	10.79	17.08	1.39
Factor	0.38031	0.50456	0.63046	1.25230	1.65373	5.30328	7.74403	12.25245	1.00000

- 29 The administrative scale factor is revised annually by adjusting the unavoidable fixed cost to reflect changes in the labour price index (80 per cent weight) and consumer price index (20 per cent weight).

Fixed costs input costs factor

- 30 The input costs factor is assessed to recognise interstate differences, beyond the control of States, in the price of labour, accommodation and electricity used in providing administrative services.
- 31 The disabilities for the input costs factors are assessed by a common method. The method is discussed in Volume 7 of the 2004 Review working papers under the section for common factors.
- 32 The input costs factor depends on the proportion of fixed costs expenses deemed to relate to wages, accommodation expenses and electricity expenses. For this component, these are 80 per cent for wages, 2 per cent for accommodation and 0.5 per cent for electricity. Table 7 shows:
- the price differentials for labour (wages), accommodation and electricity assessed by the Commission. For example, average wages in New South Wales are, for reasons beyond its control, 3.05 per cent higher than average;

- the proportion of fixed costs expenses that relate to wages, accommodation and electricity expenses;
- a total price differential — obtained by weighting each price differential by the proportion of the fixed costs expenses it influences; and
- the 2006-07 fixed costs input costs factor — which is one plus the total price differential.

Box 4: Weighting factors

The Commission weights a factor when it is to be applied to all of a component expense but it only affects part of that expense.

As an example, the fixed costs input costs factor is to be applied to all of the administrative scale expenses, but it only affects the wages (80 per cent), accommodation (2 per cent) and electricity (1/2 per cent) parts of these expenses. So, the Commission weights each subfactor according to the share of expenses it affects.

The formula is:

$$\text{Weighted factor} = \sum_i \text{Weight}_i * \text{subfactor}_i + (100\% - \sum_i \text{Weight}_i) * \text{EPC factor}$$

Where: i = the number of subfactors. For example, wages, accommodation and electricity
 Weight_i = the share of expenses affected by the relevant subfactor

$(100\% - \sum_i \text{Weight}_i)$ = the share of expenses not affected by any of the subfactors.

For the fixed costs input costs factor, the formula is:

$$\text{Weighted factor} = 80\% * \text{wages subfactor} + 2\% * \text{accommodation subfactor} + 0.5\% * \text{electricity subfactor} + 17.5\% * \text{EPC factor}$$

Weighting factors according to the proportion of expenses they affect is important. Weighting factors allows the Commission to combine them. After weighting, a percentage increase in one factor has the same impact on expenses as the same percentage increase in any other factor.

- 33 The input cost factor is revised annually to allow for changes in the prices of labour, accommodation and electricity.

Fixed costs component factor

- 34 The fixed costs component factor is calculated using the formula:

$$\text{Fixed costs component factor} = [\text{administrative scale} * \text{fixed costs input costs}]$$

- 35 The Commission combines these factors multiplicatively because it recognises that States will vary around their administrative scale assessment due to differences in the price of inputs. For example, Table 7 showed price differences added 2.5 per cent to New South Wales costs, so it would cost New South Wales 2.5 per cent more than its administrative scale assessment (\$3.63 million) to finance the minimum structures required to provide State services.

- 36 Table 9 shows the derivation of the component factor. It shows that it is the same as a component factor obtained by multiplying the administrative scale and fixed costs input costs factors.

- 37 The component factor is calculated by:

- estimating the impact of differences in the unit cost of inputs between States on the fixed costs assessed in Table 8;

- adding this impact to States' fixed costs;
- dividing each State's total fixed costs by its population; and
- calculating the component factor by dividing each States' per capita figure by the average per capita figure.

Table 9 Corrective Services, calculation of fixed costs component factor, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aus
A. Fixed costs amount									
Amount (\$m)	3.63	3.63	3.63	3.63	3.63	3.63	3.63	3.63	29.08
B. Differences in price of inputs									
Difference %	2.53	-0.79	-1.61	-0.80	-2.42	-4.34	1.94	1.77	0.00
C. Impact of price differences (A*B)									
Amount (\$m)	0.09	-0.03	-0.06	-0.03	-0.09	-0.16	0.07	0.06	0.00
D. Total fixed costs (A+C)									
Amount (\$m)	3.73	3.61	3.58	3.61	3.55	3.48	3.71	3.70	29.08
Population (m)	6.86	5.17	4.14	2.08	1.58	0.49	0.34	0.21	20.86
E. Total fixed costs per capita									
Expenses (\$pc)	0.54	0.70	0.86	1.73	2.25	7.07	11.00	17.38	1.39
F. Factor (E/EAus)									
Factor	0.38993	0.50059	0.62029	1.24227	1.61369	5.07334	7.89420	12.46916	1.00000

Note: The component factor shown here is the component factor after it has been scaled to ensure total assessed expenses equals average expenses (see Box 4).

DERIVING THE CORRECTIVE SERVICES COMPONENT FACTOR

- 38 The Commission considers each States' level of corrective services costs to be influenced by the number of people using its corrective services facilities and differences in:
- the costs of providing services to offenders/detainees with particular characteristics (special needs groups);
 - the price of labour, accommodation and electricity; and
 - costs associated with the geographical dispersion of a States' population.

Socio-demographic composition factor

- 39 A socio-demographic composition (SDC) factor is assessed to take account of State differences in:
- the use of services. The use of services is measured by adjusting actual corrective facilities populations to remove the influence of State policies; and
 - the unit cost of providing services to offenders/detainees in special needs groups. The special needs groups are Indigenous offenders/detainees, offenders/detainees from

remote areas, offenders/detainees from a low socio-economic background and offenders/detainees with low English fluency.

Box 5: Socio-demographic composition factor

Step 1: Adjust ABS actual demographic data to make them comparable for funding purposes

The population composition for each State is obtained from the ABS. The detainee/offender populations are adjusted to obtain comparable corrective services that each State must fund.

Step 2: Allow for the additional costs of providing services to particular offender/detainee groups

It costs more to provide corrective services to some offenders/detainees. The Commission takes into account the additional costs of providing corrective services to Indigenous offenders, offenders from low socio-economic backgrounds, offenders living in geographically remote areas, offenders with low fluency in English, offenders who are drug dependant and the costs of diseconomies of scale in very large urban areas.

Use of services

- 40 The adult years of adult correction are assumed to be 18 and above. Since all States apply a common policy of adult correctional facilities for offenders/detainees from this age, actual numbers can be used as the measure of use.
- 41 A separate adjustment is made for ACT adults in NSW corrective facilities. This adjustment ensures that their use of services is attributed to the ACT. This calculation for 2006-07 is shown in Table 10.
- 42 The adjustment:
- increases the sentencing rate in States which experience below average sentencing rates. Their actual sentencing rates are replaced with a higher notional sentencing rates; and
 - reduce the sentencing rates in States which experience above average sentencing rates. Their actual sentencing rates are replaced with a lower notional sentencing rate.

Table 10 Calculation of adjustment for adult offenders/detainees, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Actual offenders/detainees									
Adult	28 332	12 183	17 591	9 370	7 994	1 649	1 417	2 031	80 467
Juvenile	217	63	98	106	59	35	10	17	605
Total	28 549	12 246	17 689	9 476	8 053	1 684	1 427	2 048	81 072
B. Population aged 17+									
Population (million)	5.28	4.00	3.13	1.58	1.24	0.38	0.26	0.15	16.02
C. Average offenders/detainees rate (A_{Aust} / B_{Aust})									0.51%
D. Notional offenders/detainees ($B * C$)									
Total	26 713	20 244	15 831	8 011	6 261	1 922	1 324	766	81 072
E. Difference between notional and actual offenders/detainees ($D - A$)									
Total	- 1 836	7 998	- 1 858	- 1 465	- 1 792	238	- 103	- 1 282	0

Source: ABS Catalogue 4517.0 – Prisoners in Australia 2007; Productivity Commission Report on Government Services, 2007; Australian Institute of Criminology, special data request; 2006.

- 43 ***ACT offenders/detainees in NSW corrective facilities.*** Offenders/detainees from ACT may use corrective facilities in NSW. This adjustment ensures their use of corrective services is attributed to the ACT.
- 44 For the ACT, the actual number of offenders/detainees in NSW facilities is added to its notional detention figures for adult correction facilities.

Unit cost of supplying services

- 45 Certain groups of offenders/detainees in corrective services have special needs. It costs more to provide corrective services to these offenders/detainees. The Commission takes account of the additional costs of providing corrective services to:
- Indigenous offenders/detainees;
 - Indigenous offenders/detainees normally living in geographically remote areas;
 - offenders/detainees from low socio-economic backgrounds;
 - prisoner/detainees who are drug dependent;
 - offenders/detainees with low fluency in English.
- 46 The Commission also takes into account the additional costs arising from urban influences due to the higher cost of servicing very large urban centres.
- 47 ***Offenders/detainees in special needs groups.*** The Commission developed cost weights to recognise the additional average cost of providing services to offenders/detainees in special needs groups. The costs weights were derived from State information on the extra resources devoted to particular groups of offenders/detainees. States provided this information in

response to the Commission’s special data collections, in submissions and through workplace discussions. Tables 11 to 13 show the cost weights assessed by the Commission.

Table 11 Socio-demographic composition cost weights for prisons, 2008 Update

	Secure facility	Open facility
Federal offenders	1.06	1.06
Indigenous prisoners	1.10	1.1
Drug dependent prisoners (New South Wales, Victoria and the Australian Capital Territory)	1.37	1.37
Drug dependent prisoners (Queensland, Western Australia, South Australia, Tasmania and the Northern Territory)	1.31	1.31
High security prisoners (New South Wales, Victoria and the Australian Capital Territory)	2.5	2.50
High security prisoners (Western Australia, South Australia, Tasmania and the Northern Territory)	2.00	2.00
Non-indigenous persons	1.00	1.00

Table 12 Socio-demographic composition cost weights for community-based corrections components, 2008 Update

	Low English fluency	Fluent in English
Indigenous persons - remote		
Low socio-demographic status	1.1	1.1
High socio-demographic status	1.1	1.1
Indigenous persons – non-remote	1.0	1.0
Non-Indigenous persons	1.0	1.0

Table 13 Socio-demographic composition cost weights for juvenile detention component, 2008 Update

	Low English fluency	Fluent in English
Juvenile detainees aged 10-11 years	10.0	10.0
Indigenous persons - remote		
Low socio-demographic status	2.75	2.75
High socio-demographic status	1.5	1.5
Indigenous persons – non-remote		
Low socio-demographic status	2.75	2.75
High socio-demographic status	1.5	1.5
Non-Indigenous persons		
Low socio-demographic status	2.75	1.5
High socio-demographic status	1.5	1.0

48 The cost weights imply, for example, that an Indigenous secure prison detainee imprisoned in a secure prison costs 1.1 times the cost of a non-Indigenous secure prisoner.

49 The urban influences cost weights are one per cent for Sydney and Melbourne, 0.5 per cent for Brisbane, Perth and Adelaide and zero per cent for all other areas.

50 The Commission calculates the additional cost of supplying services to particular offenders/detainees by:

- apportioning the notional detention into 20 prisoner groups²;
- applying a cost weight to the notional detention in each group; and
- totalling the cost weighted detention by aggregating across groups.

51 Table 14 calculates each State's share of the 2006-07 notional detention.

² The Commission separates detention into groups. The number of groups is dependent on the number of characteristics of interest to the Commission. In this assessment there were 20 groups: 2 Indigenous x 2 socio-demographic composition x 2 English proficiency x 2 location plus an additional 4 remote Indigenous groups.

Table 14 States' shares of notional detention, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Notional detention									
Detention	28 141	12 185	17 594	9 362	7 990	1 649	1 411	2 030	80 362
B. ACT prisoners in NSW prisons									
Prisoners	0	0	0	0	0	0	96	0	96
C. Total detainees(A + B)									
Detainees	28 141	12 185	17 594	9 362	7 990	1 649	1 507	2 030	80 458
State share (%)	34.98	15.14	21.87	11.64	9.93	2.05	1.87	2.52	100.00

Source: ABS Catalogue 4517.0 – Prisoners in Australia 2007

52 The socio-demographic composition factors are revised annually to allow for changes in detainees and State populations. Table 15 shows the assessed factors for the 2008 Update.

Table 15 Corrective Services, socio-demographic composition factor, 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aus
2001	1.00871	0.85510	0.97750	1.04739	0.82434	0.93133	0.97121	3.99011	0.98211
2002	1.01177	0.85515	0.98155	1.04410	0.82579	0.94048	0.96898	3.91477	0.98293
2003	1.01179	0.84845	0.98846	1.04456	0.82043	0.95102	0.96299	4.01883	0.98331
2004	1.01828	0.84742	0.99099	1.04502	0.79612	0.92260	0.97836	4.14483	0.98491
2005	1.01755	0.83709	0.99511	1.04922	0.79364	0.93224	0.97006	4.21678	0.98427
2006	1.01884	0.83236	0.99756	1.04927	0.79420	0.93702	0.96723	4.30191	0.98521

Dispersion factor

53 The dispersion factor is assessed to recognise differences in the per capita costs of service provision associated with the geographic dispersion of population. The dispersion factor reflects the combined differences in State expenses associated with telecommunication, freight, travel and other costs associated with providing services to dispersed localities. The disabilities for the dispersion factors are assessed by a common method. The method is discussed in Volume 7 of the 2004 Review working papers under the section for common factors.

54 Table 16 shows:

- the price differentials for each of the 11 types of expenses covered by the dispersion factor;
- the proportion of prisons expenses which relate to each type of expense;
- a total price differential — obtained by weighting each price differential by the proportion of prisons expenses it influences; and
- the 2006-07 prisons dispersion factor — which is one plus the total price differential.

Table 16 Derivation of dispersion factor, 2006-07

Expense type	Prop'n	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%	%
Voice technology	0.7	-1.33	-13.80	16.65	12.17	-8.88	-4.45	-61.26	138.66
Non-voice technology	0.1	-0.16	0.02	0.02	0.32	0.03	-0.14	0.45	0.72
General freight	0.1	3.79	-7.77	25.84	-0.95	-46.14	-5.14	-92.14	115.86
Air travel	0.1	9.95	-85.28	135.86	-9.84	-51.06	-99.62	-100.00	138.55
Inter-regional travel	0.5	8.09	-11.80	-10.30	-8.73	16.05	100.23	-85.62	68.55
Local travel	0.2	-3.04	-5.25	-3.01	22.01	-12.79	-32.68	-45.98	331.79
Remote removals	0.2	-56.41	-96.94	89.89	220.45	-20.70	-65.24	-100.00	964.56
Locality allowances	1.1	-58.51	-97.56	91.99	207.73	-41.92	-89.21	-100.00	1360.69
Repairs and maintainance	0.2	-69.74	-95.46	28.56	184.65	47.04	-38.09	-100.00	2281.57
Technology related repairs	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Technology related support	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sub-total	96.8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total price	100	-0.90	-1.80	1.50	3.30	-0.60	-1.00	-2.70	24.20
Factor		0.99483	0.98497	1.01079	1.02010	0.99485	0.99694	0.96048	1.23305

55 The dispersion factor is revised only in a review.

Corrective services component factor

56 The corrective services component factor represents the combined impact of assessed service use and assessed unit costs on prisons expenses. The socio-demographic composition factor captures the assessed service use and differences in the unit cost of providing services to offenders/detainees with particular characteristics. The Commission recognises that the costs of providing prison services will vary between States because:

- the unit costs of providing small prisons in small urban centres varies between States;
- the unit costs of inputs varies between States; and
- the unit costs of service provision associated with the geographic dispersion of population varies between States.

57 Table 17 shows the derivation of a combined input costs and dispersion factor. It shows that the two factors influence different types of expenses and so do not interact. Consequently, these factors can be combined by addition.

Table 17 Derivation of combined input costs and dispersion factor, 2006-07

Expense type	Prop'n	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	%	%	%	%	%	%	%	%	%
Input costs sub-total	72.5	3.30	-0.40	-3.00	-1.60	-3.10	-3.70	2.00	2.50
Dispersion sub-total	3.2	-0.90	-1.80	1.50	3.30	-0.60	-1.00	-2.70	24.20
Balance	24.3	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total price	100.0	2.40	-2.2	-1.5	1.6	-3.7	-4.7	-0.7	26.7
Factor		1.02368	0.97848	0.98548	1.01639	0.96305	0.95328	0.99324	1.26657

58 The Commission combines these influences by:

- using notional detainees as an indicator of assessed service use;
- adjusting the assessed service use for differences in the costs of providing corrective services in small urban centres;
- adjusting notional detainees for the combined effect of differences in the price of labour, accommodation and electricity and the costs of service provision associated with the geographic dispersion of population;
- dividing each State's cost and price weighted notional offenders by its population; and
- calculating the component factor by dividing each States' per capita figure by the average per capita figure.

59 Table 19 shows the derivation of the corrective services component factor for 2006-07. It also compares the corrective services component factor with one calculated using the formula:

$$\text{Corrective services component factor} = [\text{socio-demographic composition} * (\text{dispersion} + \text{input costs}-1)]$$

60 The calculation shows that the dispersion and input costs factors should be added and then combined with the socio-demographic composition factor by multiplication.

DERIVING THE ISOLATION COMPONENT FACTOR

61 One factor is assessed for the isolation component.

Isolation factor

62 The isolation factor recognises the additional costs incurred by some States due to their distance from other State capitals and sources of supply. It is calculated by a general method. The method is discussed in Volume 7 of the 2004 Review working papers under the section for common factors.

63 For 2006-07, the Commission assessed total isolation expenses of \$5.34 million. Table 18 shows the amount assessed for each State and the per capita equivalent. It also shows the

isolation factor which is calculated by dividing each States' per capita amount by the average per capita amount.

Table 18 Isolation assessment and isolation factor, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Isolation amount (\$)	71 715	91 620	119 879	964 675	441 971	346 633	106 013	3 204 085	5 346 591
Population (million)	6 855 811	5 167 516	4 135 619	2 082 041	1 576 644	491 648	336 691	212 802	20 858 772
Amount per capita (\$pc)	0.01	0.02	0.03	0.46	0.28	0.71	0.31	15.06	0.26
Factor	0.04081	0.06917	0.11309	1.80761	1.09363	2.75060	1.22840	58.74083	1.00000

64 **Isolation component factor** As only one factor is assessed for this component; the isolation component factor is assessed using the formula:

$$\text{Isolation component factor} = [\text{isolation}]$$

65 The isolation factor is revised annually to reflect changes in isolation expenses.

CALCULATING CATEGORY FACTORS

66 Category factors measure the combined impact on a State of those circumstances that are beyond its control and that impact on its cost of providing corrective services. Category factors are calculated by:

- weighting the component factors to reflect the importance of the component in the category. This is done by multiplying each component factor by its component weight; and
- adding the weighted component factors together.

67 Table 19 summarises the components, component weights and factors, for this category factor for the last year of the 2008 Update. It shows the calculation of the category factor for 2006-07.

Table 19 Corrective Services, derivation of category factor, 2008 Update, 2006-07

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Fixed costs (component weight = 1.25 %)								
Administrative scale	0.38031	0.50456	0.63046	1.25230	1.65373	5.30328	7.74403	12.25245
Input costs	1.02528	0.99212	0.98387	0.99199	0.97579	0.95664	1.01939	1.01769
Component factor	0.38993	0.50059	0.62029	1.24227	1.61369	5.07334	7.89420	12.46916
A Wgtd comp factor	0.00489	0.00628	0.00778	0.01559	0.02025	0.06366	0.09906	0.15647
Prisons (component weight = 79.01 %)								
Socio-demographic composition	1.05763	0.87775	0.98197	1.03405	0.79362	0.91067	1.02492	3.82514
Cross border	0.99258	1.00000	1.00000	1.00000	1.00000	1.00000	1.14876	1.00000
Dispersion	0.99483	0.98497	1.01079	1.02010	0.99485	0.99694	0.96048	1.23305
Input costs	1.02223	0.99260	0.98661	0.99340	0.97798	0.96077	1.01693	1.01515
Component factor	1.06770	0.85807	0.97941	1.04801	0.77205	0.87216	1.15078	4.77452
B Wgtd comp factor	0.83650	0.67227	0.76734	0.82108	0.60488	0.68331	0.90160	3.74067
Community based corrections (component weight = 8.57 %)								
Socio-demographic composition	0.96414	0.88215	1.06691	1.11033	0.92017	0.97932	1.00692	3.26547
Cross border	0.99552	1.00000	1.00000	1.00000	1.00000	1.00000	1.08995	1.00000
Dispersion	0.99483	0.98497	1.01079	1.02010	0.99485	0.99694	0.96048	1.23305
Input costs	1.02223	0.99260	0.98661	0.99340	0.97798	0.96077	1.01693	1.01515
Component factor	0.97619	0.86237	1.06413	1.12533	0.89516	0.93790	1.07270	4.07594
C Wgtd comp factor	0.08315	0.07346	0.09064	0.09586	0.07625	0.07989	0.09137	0.34719
Juvenile detention (component weight = 10.94 %)								
Socio-demographic composition	0.91924	0.57794	1.19067	1.25323	0.80701	1.22089	0.65012	9.14077
Cross border	0.99490	1.00000	1.00000	1.00000	1.00000	1.00000	1.10671	1.00000
Dispersion	0.99483	0.98497	1.01079	1.02010	0.99485	0.99694	0.96048	1.23305
Input costs	1.02223	0.99260	0.98661	0.99340	0.97798	0.96077	1.01693	1.01515
Component factor	0.93015	0.56498	1.18757	1.27015	0.78508	1.16926	0.70324	11.40946
D Wgtd comp factor	0.09947	0.06042	0.12700	0.13584	0.08396	0.12505	0.07521	1.22017
Isolation (component weight = 0.23 %)								
Isolation	0.04081	0.06917	0.11309	1.80761	1.09363	2.75060	1.22840	58.74083
Component factor	0.04081	0.06917	0.11309	1.80761	1.09363	2.75060	1.22840	58.74083
E Wgtd comp factor	0.00009	0.00016	0.00026	0.00415	0.00251	0.00632	0.00282	0.13491
Category factor	1.02412	0.81259	0.99303	1.07251	0.78785	0.95822	1.17006	5.59941

Category factor is the sum of the weighted component factors. It equals A + B + C.

Note: For each component, the component factor is calculated using the formula in the following paragraph. The weighted component factor is the component factor multiplied by the component weight. This is then population weighted to ensure that the sum of assessed expenses equals average expenses.

68 The category factor was calculated as follows:

$$\begin{aligned}
 \text{Category factor} &= \text{fixed costs} + \text{corrective services} + \text{isolation} \\
 \text{Fixed costs} &= 0.0125 \text{ [administrative scale * input costs]} \\
 \text{Corrective Services} &= 0.9852 \text{ [socio-demographic composition * Cross border (dispersion + corrective services input costs - 1)]} \\
 \text{Isolation} &= 0.0023 \text{ [isolation]}
 \end{aligned}$$

69 In each case, the contribution to the category factor was calculated as the component weight (the percentages in the table) multiplied by the component factor (the bracketed terms in the formulas). Each component's contribution to the category factor was scaled to ensure the sum of assessed expenses equalled average expenses.

RESULTS FOR 2006-07

70 Assessed expenses per capita are calculated by multiplying each States' category factor by the average expense per capita. Table 20 shows, for 2006-07, the actual, average and assessed expenses per capita and the assessed cost of providing services ratios. The assessed cost of providing services ratios are equivalent to the category factors shown in Table 19.

Table 20 Corrective services, assessment results, 2006-07

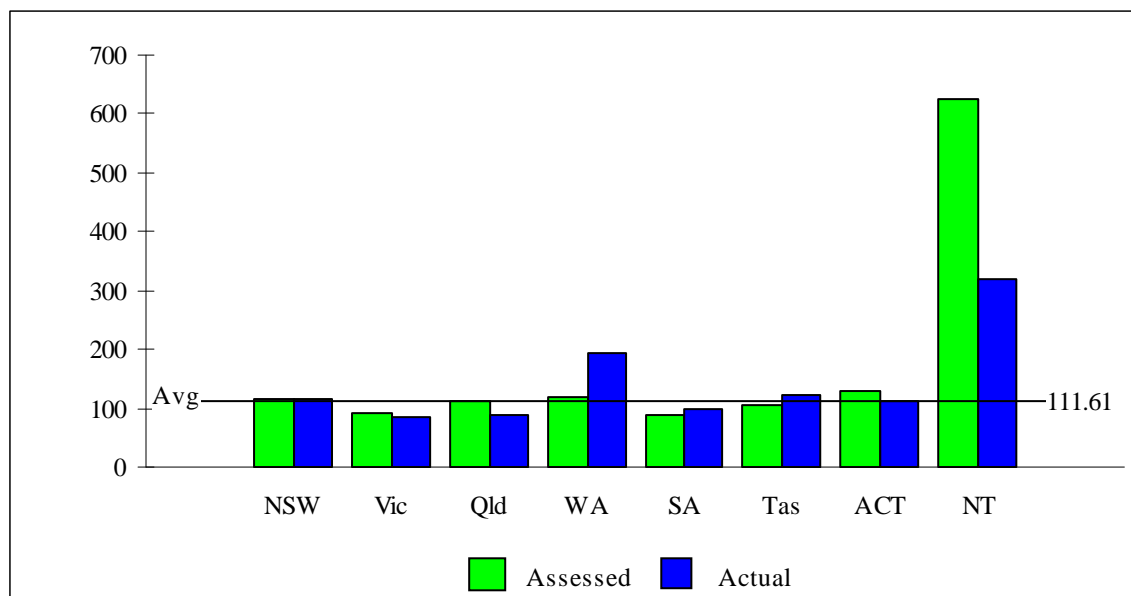
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses	116.69	84.44	88.53	193.99	99.50	120.77	111.79	318.52	111.61
Assessed expenses	114.30	90.69	110.83	119.70	87.93	106.95	130.59	624.94	111.61
Assessed cost of providing services ratio ^(a)	%	%	%	%	%	%	%	%	%
	102.41	81.26	99.30	107.25	78.78	95.82	117.01	559.94	100.00

(a) The cost service provision ratio is the ratio of assessed expenses per capita to average expenses per capita.

71 Table 26 at the end of this section shows the actual, average and assessed expenses for each State for all years of the 2008 Update.

72 Figure 2 illustrates the actual, average and assessed expenses for Corrective services for 2006-07.

Figure 2 Corrective Services, expenses per capita — assessed, actual and average, 2006-07



CONTRIBUTION TO GST REVENUE DISTRIBUTION

73 The assessed difference from average in millions dollars provides an indication of the impact of this assessment on GST share shares. This can be calculated by:

- subtracting the average expense per capita from each State's assessed expenses per capita; and
- multiplying by each State's population.

74 Table 21 shows this calculation for 2006-07.

Table 21 Assessed difference from average, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Assessed expenses (\$pc)	116.69	84.44	88.53	193.99	99.50	120.77	111.79	318.52	111.61
Assessed difference from average (\$pc)	5.08	-27.17	-23.08	82.38	-12.11	9.16	0.18	206.91	0.00
Population ('000)	6856	5168	4136	2082	1577	492	337	213	20859
Assessed difference from average (\$m)	34.82	-140.41	-95.44	171.52	-19.09	4.50	0.06	44.03	0.00

75 The impact of Corrective services on the distribution of GST revenue and health care grants (hereafter GST revenue) is equal to the average from the table above scaled by the growth in the pool. This impact can be sub-divided to show the effect of each factor.

76 Table 22 shows the category's contribution to the distribution of GST revenue. It also shows the contribution of each factor and component.

Table 22 Corrective Services, contribution to GST revenue distribution, 2008 Update

Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed costs									
Administrative scale	-6.5	-3.9	-2.3	0.9	1.5	3.2	3.4	3.7	12.7
Input costs	0.3	0.0	-0.2	0.0	-0.1	0.0	0.0	0.0	0.3
Component factor	-6.4	-3.9	-2.4	0.8	1.5	3.0	3.6	3.8	12.7
Prisons									
Socio-demographic composition	35.3	-49.1	-10.3	4.8	-27.5	-4.1	0.9	50.2	91.1
Cross-border	-4.4	0.0	0.0	0.0	0.0	0.0	4.4	0.0	4.4
Dispersion	-3.2	-6.9	4.0	3.7	-0.7	-0.1	-1.2	4.4	12.2
Input costs	16.5	-1.7	-8.5	-2.5	-3.2	-1.6	0.6	0.4	17.5
Component factor	39.3	-60.1	-17.6	4.5	-31.5	-6.0	4.4	67.0	115.2
Juvenile detention									
Socio-demographic composition	-8.3	-27.8	10.3	7.7	-3.5	1.5	-1.5	21.4	41.0
Cross-border	-0.4	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.4
Dispersion	-0.4	-1.0	0.6	0.5	-0.1	0.0	-0.2	0.6	1.7
Input costs	2.3	-0.2	-1.2	-0.4	-0.4	-0.2	0.1	0.1	2.5
Component factor	-8.6	-29.2	8.3	7.2	-4.3	1.0	-1.3	26.9	43.4
Community-based corrections									
Socio-demographic composition	-2.6	-6.6	2.9	2.4	-1.3	-0.1	0.0	5.2	10.5
Cross-border	-0.3	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.3
Dispersion	-0.4	-0.9	0.5	0.5	-0.1	0.0	-0.2	0.6	1.6
Input costs	2.2	-0.2	-1.1	-0.3	-0.4	-0.2	0.1	0.1	2.3
Component factor	-1.7	-7.8	2.0	2.4	-1.8	-0.3	0.3	7.1	11.7
Isolation									
Isolation	-1.9	-1.4	-1.1	0.5	0.0	0.2	0.0	3.5	4.3
Component factor	-1.9	-1.4	-1.1	0.5	0.0	0.2	0.0	3.5	4.3
Redistribution from EPC resulting from the 2008 Update assessment									
	20.7	-102.5	-10.8	15.4	-36.1	-2.0	6.9	108.3	151.4

Note: The redistribution due to the component factors includes the effect of interactions between factors. Therefore the component factor figure may not equal the sum of its factors' redistribution.

DIFFERENCES FROM AN EQUAL PER CAPITA ASSESSMENT

- 77 The table indicates that the disabilities which had the biggest impact on the assessment were:
- socio-demographic composition factor — which recognised differences in the proportion of a State's population who were incarcerated in correctional facilities and differences in the costs of providing services to offenders/detainees with particular characteristics (for example, low socio-economic status, Indigeneity, low English fluency and from geographically remote locations);
 - input costs factor — which recognised the interstate differences in the costs of inputs used to provide services (labour, office accommodation and electricity); and
 - dispersion — which recognised the impact of population settlement patterns on the cost of providing services.
- 78 The category factor reflected the following on a State by State basis.
- 79 *New South Wales* — its above average GST revenue redistribution was primarily due to its higher proportion of drug dependent, high security and culturally diverse prisoners and labour costs.
- 80 *Victoria* — Victoria's below average GST revenue distribution reflecting its relatively low proportion of Indigenous people and culturally diverse prisoners. This was despite having higher costs, along with New South Wales, for drug dependent and high security prisoners.
- 81 *Queensland* — its below average GST revenue redistribution reflected its lower costs of housing secure prisoners (relative to New South Wales and Victoria) partly offset by higher juvenile detentions, community based corrections and dispersion costs.
- 82 *Western Australia* — its above average GST revenue distribution mainly reflected Western Australia's higher proportion of Indigenous people (with associated high costs) and a greater than average proportion of its population aged 11 to 17 (juveniles).
- 83 *South Australia* — its below average GST revenue distribution reflected its low proportion of Indigenous people, who were highly represented in prison.
- 84 *Tasmania* — Tasmania's costs were the closest to the average with its lower than average prisoners.
- 85 *ACT* — its above average GST revenue redistribution reflected its above average per capita prisoner costs due to: charges paid at New South Wales rates which reflect New South Wales cost structures; the net number of prisoners with New South Wales addresses who have been convicted in the ACT and imprisoned at the ACT's expense; and the ACT's higher costs of provision of central office functions.
- 86 *Northern Territory* — its high proportion of Indigenous people (translating to high prisoner numbers and costs) and geographically dispersed population were the main reasons for its above average GST revenue distribution.

CHANGES IN GST REVENUE DISTRIBUTION: 2008 UPDATE COMPARED TO 2007 UPDATE

Effect of assessment on distribution of the GST revenue

- 87 Table 23 shows the redistribution of GST revenue resulting from the assessments in the 2007 Update and the 2008 Update. It also shows the sources of change.
- 88 Changes in the distribution of GST revenue between the 2007 Update and the 2008 Update were brought about because the Commission:
- used revised average expenses data and other revised data in updating factor calculations for the years 2001-02 to 2005-06; and
 - replaced 2001-02 average expenses and factors with those of 2006-07 to move forward the five year period on which GST revenue distribution was based. Moving the five year period forward in this way ensures the assessments reflect recent trends in State priorities on the services provided and recent trends in State demographic and economic circumstances which affect the relative costs of the services.

Table 23 Corrective Services, effect of the assessment on GST revenue distribution, 2007 Update to 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Redistribution from EPC resulting from the 2007 Update assessment (a)	18.9	-97.6	-13.7	13.6	-33.8	-1.3	7.3	106.6	146.4
Effect of revising category averages and factors for 2001-02 to 2005-06									
Category average	-0.3	1.5	0.1	-0.2	0.5	0.0	-0.1	-1.5	2.1
Category factors	2.6	-3.4	-0.6	1.7	-1.9	-0.7	0.0	2.3	6.5
Interactions	0.0	0.1	0.0	-0.1	0.1	0.0	0.0	-0.1	0.2
Total	2.2	-1.8	-0.5	1.5	-1.3	-0.6	-0.1	0.6	4.3
Effect of replacing 2001-02 category averages and factors with those for 2006-07									
Category average	0.0	0.2	0.0	0.0	0.1	0.0	0.0	-0.2	0.3
Category factors	-0.4	-3.4	3.4	0.3	-1.0	-0.1	-0.2	1.4	5.2
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Total	-0.5	-3.2	3.5	0.3	-0.9	-0.1	-0.2	1.1	4.9
Redistribution from EPC resulting from the 2008 Update assessment (a)	20.7	-102.5	-10.8	15.4	-36.1	-2.0	6.9	108.3	151.4
Total effect of revisions and updating (b)	1.8	-4.9	3.0	1.8	-2.2	-0.8	-0.3	1.7	8.3

(a) Using the same pool and populations that were used to calculate the 2008 Update redistribution.

(b) This figure shows the change in the amount redistributed among the States between the 2007 Update and the 2008 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

89 Compared with an equal per capita assessment, the 2008 Update redistributed \$151.4 million from Victoria, Queensland, South Australia, and Tasmania.

90 Table 24 shows the changes in GST revenue attributable to changes in each factor arising from both revising data for 2001-02 to 2005-06 and replacing 2001-02 data with 2006-07.

Table 24 Corrective Services, effect of the change in the assessment on GST revenue distribution by factor, 2007 Update to 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fixed costs									
Administrative scale	0.4	0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.2	0.5
Input costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prisons									
Socio-demographic composition	0.8	-5.3	1.8	2.7	-2.4	-0.3	0.0	2.7	8.0
Cross-border	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dispersion	-0.2	0.0	-0.2	-0.1	0.0	0.0	0.0	0.5	0.5
Input costs	-1.7	-0.3	1.4	0.4	0.3	0.0	0.0	-0.1	2.1
Juvenile detention									
Socio-demographic composition	2.1	0.5	-0.7	-1.8	-0.6	-0.3	0.0	0.8	3.4
Cross-border	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dispersion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Input costs	-0.2	-0.1	0.2	0.1	0.0	0.0	0.0	-0.1	0.4
Community-based corrections									
Socio-demographic composition	0.1	-0.5	-0.4	0.4	0.3	-0.1	-0.1	0.2	1.0
Cross-border	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dispersion	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Input costs	-0.3	0.0	0.3	0.1	0.1	0.0	0.0	0.0	0.4
Isolation									
Isolation	0.1	0.1	0.0	-0.1	0.0	0.0	0.0	-0.1	0.2

Note: The total change may not equal the total effect of revisions and updating on the previous table due to the effect of interactions between factors.

Changes due to revising average expenses and factors for years 2001-02 to 2005-06

- 91 **Revising average expenses.** Minor downwards revisions were made to average expenses. This decreased the amount of GST revenue redistributed in this update (\$2.1 million) and increased GST shares for those States with below average costs of providing services ratio (Victoria, Queensland, South Australia and Tasmania). The revisions were the result of State UPF data overstating State spending on this service in 2005-06 and reclassifications by States of corrective services spending in earlier years.
- 92 **Revising category factors.** Revisions were made to States' cost of providing services ratios as a result of various revisions to category calculations. These include updating Census data for all SDC factors, updating 2005-06 data in the prisons component and correcting problems in factor calculations in the prisons component. All these changes had a minor impact on the

ratios. The overall impact of all revisions was to reduce the GST distributions of Victoria, Queensland, South Australia and Tasmania.

- 93 The larger impact was the change to the Census data in SDC factors which redistributed GST away from Queensland, South Australia and Tasmania. This was caused by the slower than national average growth in the proportion of population groups who use services more. These are Indigenous males aged 20-39 and young Indigenous people.

Changes in State circumstance —replacing 2001-02 with 2006-07 data

- 94 Table 25 shows the actual expenses and implied costs of service provision for 2001-02, the year that drops out of the assessment period, and 2006-07, the year that comes in, for the 2008 Update assessment.

Table 25 Corrective Services, actual expenses and cost of service provision, 2001-02 to 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual expenses									
2001-02	91.89	48.19	79.78	139.99	80.05	65.64	115.30	227.79	83.72
2006-07	116.69	84.44	88.53	193.99	99.50	120.77	111.79	318.52	111.61
	%	%	%	%	%	%	%	%	%
Change between 2001-02 and 2006-07									
	26.98	75.23	10.98	38.57	24.31	83.99	-3.04	39.83	33.31
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed expenses									
2001-02	85.94	70.35	80.22	89.20	68.22	81.10	99.96	446.14	83.72
2006-07	114.30	90.69	110.83	119.70	87.93	106.95	130.59	624.94	111.61
	%	%	%	%	%	%	%	%	%
Assessed cost of providing services ratio									
2001-02	102.65	84.02	95.81	106.55	81.49	96.86	119.39	532.89	100.00
2006-07	102.41	81.26	99.30	107.25	78.78	95.82	117.01	559.94	100.00

- 95 **Replacing average expenses.** Since 2001-02, State spending on this function has increased (33.3 per cent), but it has not kept pace with the growth in the GST pool (43.9 per cent). So, replacing the 2001-02 average expenses with 2006-07 average expenses has led to a reduction in the size of the category's GST redistribution. It has reduced the GST distribution to States assessed to have above average cost of providing services ratios (New South Wales, Western Australia, the ACT³ and the Northern Territory). It has increased the GST distribution to the other States.

³ Changes in each State are so small they are recorded as 0.00.

- 96 ***Replacing category factors.*** The cost of providing services increased in Queensland, Western Australia and the Northern Territory (see Table 25). As a result, replacing the 2001-02 factors with 2006-07 factors increased the GST shares of those States (\$5.2 million). The shares of the other States were reduced.
- 97 The observed changes were largely driven by the increasing wage costs in Queensland and Western Australia and adding new CALD and federal prisoner data for the prisons factor, juvenile detention numbers for juvenile detention factor and average daily corrections data for the community corrections factor. Component weights were also revised slightly. The new data followed existing trends and no major changes were noted.

This chapter was prepared by the Expense — Law and Order section of the Commonwealth Grants Commission. If you have any questions about its content please contact Daniel Dwyer on (02) 6229 8856 or daniel.dwyer@cgc.gov.au

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Table 26 Assessment of expenses, Corrective Services

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
Average Expenses		87.35		91.84		104.43		102.60		111.61
New South Wales										
Assessed difference	16.183	2.43	15.933	2.38	20.563	3.05	18.828	2.77	18.454	2.69
Expenses - Assessed	597.350	89.79	630.600	94.22	723.656	107.48	715.399	105.38	783.624	114.30
Actual	652.996	98.15	679.372	101.51	750.548	111.48	744.991	109.74	799.991	116.69
Victoria										
Assessed difference	- 68.183	- 13.93	- 75.425	- 15.22	- 88.218	- 17.58	- 93.890	- 18.44	- 108.090	- 20.92
Expenses - Assessed	359.453	73.43	379.761	76.62	435.957	86.85	428.461	84.16	468.651	90.69
Actual	253.000	51.68	312.000	62.95	458.456	91.34	363.000	71.30	436.329	84.44
Queensland										
Assessed difference	- 11.938	- 3.17	- 9.917	- 2.57	- 9.498	- 2.40	- 7.033	- 1.74	- 3.218	- 0.78
Expenses - Assessed	317.167	84.19	344.847	89.28	403.667	102.03	408.392	100.87	458.354	110.83
Actual	309.566	82.17	308.361	79.83	321.434	81.24	329.998	81.50	366.134	88.53
Western Australia										
Assessed difference	10.515	5.42	11.148	5.66	12.371	6.19	14.084	6.91	16.850	8.09
Expenses - Assessed	179.853	92.78	191.916	97.51	221.229	110.62	223.251	109.51	249.224	119.70
Actual	270.000	139.28	283.000	143.78	313.000	156.50	364.000	178.55	403.899	193.99
South Australia										
Assessed difference	- 24.238	- 15.88	- 26.109	- 17.00	- 33.809	- 21.86	- 33.487	- 21.46	- 37.332	- 23.68
Expenses - Assessed	109.095	71.48	114.988	74.85	127.706	82.57	126.623	81.14	138.636	87.93
Actual	114.359	74.92	129.409	84.24	145.921	94.35	159.313	102.09	156.878	99.50
Tasmania										
Assessed difference	- 1.065	- 2.24	- 0.758	- 1.58	- 2.640	- 5.45	- 1.943	- 3.98	- 2.293	- 4.66
Expenses - Assessed	40.433	85.11	43.390	90.27	47.989	98.98	48.175	98.62	52.580	106.95
Actual	39.000	82.10	29.985	62.38	35.996	74.25	43.000	88.03	59.375	120.77
Australian Capital Territory										
Assessed difference	5.308	16.37	5.373	16.47	6.352	19.33	6.171	18.57	6.390	18.98
Expenses - Assessed	33.624	103.73	35.333	108.31	40.661	123.76	40.259	121.18	43.968	130.59
Actual	32.000	98.72	38.000	116.49	26.000	79.14	41.000	123.41	37.638	111.79
Northern Territory										
Assessed difference	73.418	368.12	79.756	396.98	94.879	464.47	97.271	466.03	109.239	513.33
Expenses - Assessed	90.840	455.48	98.208	488.82	116.211	568.90	118.686	568.64	132.989	624.94
Actual	56.893	285.27	58.917	293.26	65.719	321.72	63.945	306.37	67.782	318.52

Note: Refer to Attachment A of the 2008 Update, Relative Fiscal Capacity of States for how these figures are compiled