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# 2025 Methodology Review Justice draft position paper

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Tasmanian Government Submission

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# 1. Introduction

During the 2025 Methodology Review, the Commonwealth Grants Commission (Commission) opted to defer finalising the justice assessment to enable further substantive consultation with states and territories (states) on potential method changes and to allow for the use of more recent, post-COVID-19 era data. The Commission intends to implement any changes to the justice methodology in the 2026 Update.

Accordingly, the Commission released a draft position paper on the justice assessment (justice paper) on 27 June 2025 and a subsequent addendum to its justice paper (justice addendum) on 25 July 2025.

Tasmania welcomes the opportunity to comment on the Commission's proposed changes to the justice assessment. Tasmania would also like to extend its appreciation to Commission staff for their accessibility and engagement throughout this process.

Tasmania notes that the Commission's draft positions are based on analysis of 2022-23 data only and acknowledges the Commission's advice that draft positions are subject to further change once 2023-24 data have been incorporated.

This submission provides Tasmania's response to the proposed justice assessment methodology laid out in the justice paper and subsequent justice addendum.

Tasmania is broadly supportive of the Commission's proposed changes to the justice assessment. However, Tasmania has some concerns with the Commission's proposed change to allocating central costs within the police component:

## ***Police Component - Allocation of Central Costs***

Tasmania notes the data issues identified by the Commission in its proposed changes to allocating central policing costs include:

- absence of data from two states with large remote areas;
- a lack of comparability in the aggregation of central costs functions between states; and
- high levels of variation in the proportion of central cost expenses in each state.

Noting these concerns, Tasmania would suggest the Commission consider retaining the 2020 methodology approach to allocating central costs until the available data is more nationally comparable.

## 2. Justice Data

The Commission considers 2022-23 data from states are fit for use in developing the justice assessment because:

- justice service use and provision in 2022-23 have likely reverted to pre-COVID-19 trends; and
- state data for police and courts show consistent patterns regarding socio-demographic and socio-economic drivers of justice services.

The Commission updates state data for the justice assessment every five years due to the significant administrative burden placed on states who collect these data and on the Commission staff who collate and process these data. State data collected for the justice assessment include:

- police and court costs by district;
- offender and defendant counts by socio-demographic composition (Indigenous status, age and socio-economic status (SES)); and
- prisoner location, prisoner numbers by security classification and costs.

### 2.1 Are 2022-23 data fit for purpose?

During the first tranche of consultation for the 2025 Methodology Review, all states agreed that data from 2019-20 to 2021-22 were unduly influenced by COVID-19 and did not reflect typical justice services and costs. For the 2025 methodology, the Commission is proposing to use 2022-23 and 2023-24 data for the justice assessment.

While most states endorsed using 2022-23 data, some states raised concerns that 2022-23 data may still be influenced by COVID-19. Noting this, the Commission tested 2022-23 state data to determine whether they reflected normal justice services and to evaluate patterns both nationally and across states. Tasmania notes the Commission's findings that state data from 2022-23 showed a return to pre-COVID-19 levels and demonstrated consistent patterns for socio-demographic and socio-economic drivers of justice services across jurisdictions.

The Commission also analysed the Australian Bureau of Statistics (ABS) data for 2022-23 that will be used in the 2025 methodology and similarly found that these data had not been unduly affected by COVID-19.

In Tasmania's submission to the 2025 Methodology Review Tranche 1 papers, Tasmania confirmed that 2022-23 data were unlikely to have been materially affected by the COVID-19 pandemic, given that public restrictions, lockdowns, and COVID-19-centric policing activity and instances of offending had all concluded by July 2022.

Tasmania also supported the use of 2022-23 data for courts, prisons, and other legal services, noting that some ongoing impacts from COVID-19 related decisions may

remain, for example in relation to business continuity and other risk management practices.

Tasmania appreciates the Commission's detailed review of the 2022-23 data and supports the Commission's finding that 2022-23 data are fit for use in the 2025 methodology.

### 3. Police Component

The Commission has proposed the following changes to the police assessment in the justice paper:

- allocate central policing costs using a 50:50 blend of proportion of police district full-time equivalent staff and police district expenses;
- combine the remote and very remote cost weights in the police regression; and
- use the standard five-tier structure to measure SES of First Nations offenders.

The Commission also explored but decided not to proceed with the inclusion of a global cities assessment and an additional cost weight for remote offenders.

Under the 2020 methodology, the police component of the justice assessment recognises that service delivery costs are influenced by certain population characteristics (Indigenous status, age and SES), remoteness and relative wage costs. Broadly, the current methodology allocates costs based on the geographic distribution of state populations and the number of assessed offenders in each jurisdiction, with an adjustment for wage costs.

Expenses included in the total policing task include central costs, preventative policing, investigating, processing, transporting and detaining offenders and all other police tasks.

Tasmania is broadly supportive of the Commission's proposed changes to the police component of the justice methodology. However, Tasmania has some concerns regarding the significant data limitations informing the proposed allocation of central police costs.

#### 3.1 How should central costs be allocated to regions?

Under the 2020 methodology, central costs are allocated based on the proportion of expenditure in each police district. In response to state comments during the 2025 Methodology Review, the Commission decided to undertake further analysis on how best to allocate central costs to regions.

The main concern raised by New South Wales was that allocating all central policing costs across all police districts within a state would overstate the impact of remoteness.<sup>1</sup> Similarly, Victoria contended that central policing costs are more likely driven by state population size.<sup>2</sup>

As part of the 2025 Methodology Review, the Commission sought further detail from states on the nature of their central police costs and details around how these costs were allocated to individual police districts. In the justice paper, the Commission acknowledged a range of challenges in collecting these data:

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<sup>1</sup> Noted by New South Wales in its Tranche 1 submission (p.68).

<sup>2</sup> Noted by Victoria in its Tranche 1 submission (p.59).

*In data returns, some states commented on the difficulty of allocating central costs to police districts because it is not in line with the budgetary practices of state police. The Commission encountered several other issues when seeking to identify an appropriate method to allocate central costs including:*

- two states were unable to provide disaggregated data on central cost expenses*
- a lack of comparability in the aggregation of central costs functions between states*
- ambiguity on the functions or tasks completed by some state-identified central costs*
- some central cost expenses being plausibly affected by more than one driver.<sup>3</sup>*

The Commission further notes that the states that were unable to provide disaggregated central cost data were states with large remote areas and notes “high levels of variation in the proportion of central cost expenses in each state”.<sup>4</sup>

Acknowledging these limitations, the Commission analysed the available data and considered allocating central costs across two broad categories: police support services (such as human resources and training and development) and specialist response units (such as forensics and air and water services).

The Commission is proposing to introduce separate cost drivers for each category such that:

- central costs deemed to relate to police support services will be allocated according to full-time equivalent staff; whereas
- costs relating to specialist response units will be allocated in line with police district expenses (similar to the current treatment of central costs under the 2020 methodology).

The Commission notes that the available data suggest that 75 per cent of central policing costs relate to police support services and therefore should be allocated according to staff levels. However, the Commission also notes that states with larger remote areas tend to have a higher proportion of costs associated with specialist response units and were concerned that these states were not appropriately represented in the available data.

The Commission is therefore proposing that central costs are allocated using a 50:50 split of police district proportions of full-time equivalent staff and police district expenses.

Tasmania acknowledges the need for the Commission to exercise judgement in its proposed position and the Commission’s proposed split would appear to be reasonable based on the available data.

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<sup>3</sup> Commonwealth Grants Commission 2025 Methodology Review – Justice draft position paper, page 10, paragraph 38.

<sup>4</sup> Commonwealth Grants Commission 2025 Methodology Review – Justice draft position paper, page 10, paragraph 36.

However, noting the concerns raised by the Commission regarding data and ambiguity on the functions or tasks within central cost categories, Tasmania would suggest the Commission consider retaining the 2020 methodology approach to allocating central costs until the available data is more nationally comparable.

### 3.2 What is the effect of 2022-23 data on the regression model?

In the 2020 Methodology Review, the Commission found that there was a clear relationship between police costs and remoteness, with states incurring increasingly greater costs the more remote the area being policed. This finding supported the 2020 methodology use of a regression model to estimate unique cost weights associated with providing police services in different regional areas.

However, the Commission's analysis of 2022-23 data suggests that costs per capita for remote areas have increased at a faster rate than very remote areas. In particular, the Commission identified that remote police district costs grew significantly faster than very remote costs in the Northern Territory and slightly faster in Queensland.

As the Northern Territory and Queensland are among the three states with the greatest share of remote and very remote populations, the Commission is proposing to combine the remote and very remote cost weights in the police regression. The Commission has advised that this approach increases the explanatory power of the police regression model.

In Tasmania, internal analysis suggests that demand for police services is greater in remote areas than very remote areas. On average, costs per capita to service the State's remote areas are higher than very remote areas. This has been a consistent pattern in State data submitted to both the 2020 and 2025 Methodology Reviews. Noting this, Tasmania supports the Commission's proposed change to combine the remote and very remote cost variables.

### 3.3 Should an additional variable for remote offenders be added to the regression?

Under the 2020 methodology, a national average cost weight is applied to offenders across all regions.

In response to state comments raised through the 2025 Methodology Review, the Commission undertook analysis to determine whether an additional cost weight should be added to the police assessment to recognise that offenders in remote regions cost more than offenders in non-remote regions.

The Commission's analysis found no evidence to support an additional cost weight. As such, Tasmania supports the proposal to not include an additional cost weight for remote offenders.



### 3.4 Is there a case for a global cities driver in the police assessment?

New South Wales, in its submission to the 2025 Methodology Review Tranche 1 papers, raised that densely populated and highly globalised major cities face unique costs and pressures on police services that other areas do not. New South Wales asserted that these costs relate to disproportionate rates of federal prisoners, culturally and linguistically diverse prisoners, counterterrorism and complex crime.

In response to this assertion, the Commission undertook analysis of these four factors to determine whether national data supported a 'global cities' assessment.

With regard to the costs of detaining federal prisoners, the Commission found that per capita costs were distributed across all states, including those with no major cities and did not have a material effect on GST distribution.

Regarding culturally and linguistically diverse populations, the Commission advised that current data limitations preclude analysis of this driver and therefore will not form part of the 2025 methodology. Tasmania notes that the Commission will consider whether culturally and linguistically diverse populations are a driver of state expenditure needs through the Commission's Forward Work Program ahead of the next methodology review.

In the justice paper, the Commission considers whether densely populated and highly globalised cities face unique costs and pressures pertaining to the provision of counterterrorism services and policing complex crime. The Commission found no conceptual case for a global cities driver, and noted that:

*In a submission to a parliamentary joint committee inquiry, the Australian Federal Police noted that terrorism was 'geographically diverse and not restricted to major Australian cities'.<sup>5</sup>*

and

*On the issue of complex crime, the Australian Criminal Intelligence Commission found that drug use, and by extension illicit drug trafficking, was often higher per 1 000 people in regional areas than in state capitals.<sup>6</sup>*

The Commission concluded that costs relating to higher rates of federal prisoners, counter-terrorism and complex crime are not unique to densely populated global cities. As such, the Commission is proposing not to include a global cities driver in the police component of the 2025 methodology.

Tasmania supports this conclusion and agrees that the costs of providing counter-terrorism services and policing complex crime are not unique to major cities. Despite being a state without any major cities, Tasmania requires full statewide coverage for specialist resources supporting services such as counter-terrorism, including overcoming the challenges associated with the State's mountainous topography and dispersed population. Anecdotally, Tasmania's experience is that crime occurs statewide, and Tasmania's specialist services are not limited to the State's most densely populated centres of Hobart and Launceston.

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<sup>5</sup> Commonwealth Grants Commission 2025 Methodology Review – Justice draft position paper, pages 15-16, paragraph 66.

<sup>6</sup> Commonwealth Grants Commission 2025 Methodology Review – Justice draft position paper, page 16, paragraph 67.

Tasmania agrees that there is no conceptual case for a global cities driver and supports the Commission's proposal not to include a global cities driver in the assessment of police expenses.

### 3.5 What is the appropriate socio-economic group structure for First Nations people?

The Commission's current methodology measures SES for First Nations people using the Indigenous Relative Socio-Economic Outcomes (IRSEO) index. IRSEO estimates are classified into one of five quintiles, from most to least disadvantaged, each with 20 per cent of the respective population.

The Commission's methodology recognises there is a strong relationship between the characteristics of a state's population (Indigenous status, age and SES) and a state's police expenditure needs. This driver is commonly referred to by the Commission as the socio-demographic composition of the population.

To recognise the impact of SES on police need, the Commission groups each state's offenders within specific tiers of disadvantage, based on place of residence.

While the Commission's standard approach is to use all five quintiles of disadvantage in its assessment, it is dependent on whether a five-tier structure reflects a linear relationship between offence rates and disadvantage. In the 2025 Methodology Review Final Report, the Commission stated that a non-linear relationship risks the driver capturing effects of other factors unrelated to the SES of offenders.

Under the 2020 methodology, the Commission aggregated First Nations offenders into three tiers of disadvantage as the standard five-tier structure did not produce a linear relationship between offence rates in First Nations people and disadvantage.

The Commission re-tested this relationship for the 2025 methodology and found that, using updated 2022-23 First Nations offender data, a five-tier structure does reflect a linear relationship. As such, the Commission is proposing to use a five-tier structure to measure the SES of First Nations offenders if supported by 2023-24 data.

As referenced in Tasmania's submission to the 2025 Methodology Review Draft Report, Tasmania would suggest that conceptually, there is a case to be made that complex disadvantage has a compounding effect on the costs of providing state services. That is to say, there are additional costs, beyond a simple linear relationship, associated with providing services to the most disadvantaged populations.

Tasmania acknowledges the Commission's position that current data limitations prevent further analysis of this issue during the 2025 Methodology Review. Noting that a five-tier structure is the standard approach to measuring SES across assessment categories in the Commission's methodology, Tasmania supports the proposal to use a five-tier structure to measure the SES of First Nations offenders in the 2025 methodology.

Tasmania would also like to reiterate its support for the Commission's continued investigations into the appropriate measure of socio-economic status beyond the 2025 Methodology Review, particularly as new datasets mature. Tasmania welcomes the opportunity to progress this line of inquiry through the Forward Work Program and Data Working Group ahead of the next methodology review.

## 4. Criminal Courts Component

The Commission has proposed to discontinue assessing regional costs for criminal courts.

The Commission investigated but proposed not to assess the criminal courts component on an equal per capita basis.

Under the 2020 methodology, the criminal courts component of the justice assessment recognised that service delivery costs are influenced by certain population characteristics (Indigenous status, age and SES), remoteness and relative wage costs. Broadly, the 2020 methodology allocates costs based on the number of finalised defendants in each jurisdiction with adjustments for regional costs and wage costs.

Tasmania supports the Commission's proposed changes to the criminal courts component, including the removal of the regional cost driver.

### 4.1 Should criminal courts be assessed equal per capita?

In its 2020 Methodology Review, the Commission determined that the best measure of states' expenditure needs for criminal courts was the number of finalised defendants in each state.

Victoria, in its submission to the Commission's 2025 Methodology Review Draft Report, claimed that *Report on Government Services* data showed that population was a better predictor of actual court expenses than finalisations. Victoria therefore proposed that criminal court expenditure should be assessed on an equal per capita basis, simplifying the justice assessment.

In the justice paper, the Commission indicates that a conceptual case and evidence that all individuals are equally likely to use criminal court services is required to support an equal per capita approach.

Noting this, the Commission is proposing not to implement an equal per capita approach as:

*... removing the socio-demographic composition driver from the assessment would negatively affect its rigour. Based on clear evidence, the Commission's police assessment recognises that certain characteristics affect the likelihood of someone becoming an offender. It would be consistent to recognise that this is also true of defendants in criminal courts.<sup>7</sup>*

Tasmania supports the Commission's position that the socio-demographic drivers affecting the number of assessed offenders in the police assessment should similarly apply to the criminal courts assessment. As such, Tasmania supports the Commission's proposal to not assess the criminal courts component on an equal per capita basis.

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<sup>7</sup> Commonwealth Grants Commission 2025 Methodology Review – Justice draft position paper, page 18, paragraph 82.

## 4.2 Do data support an assessment of regional costs for criminal and civil courts?

Under the 2020 methodology, the Commission used a regional cost driver, based on magistrates' court expenses per case finalisation, to determine an additional cost weight to be applied to criminal courts in remote and very remote areas (remote courts).

The Commission, in updating its modelling with 2022-23 data, found that there is no longer a clear relationship between remoteness and magistrates' court expenses. Therefore, the Commission is proposing to discontinue assessing regional costs for criminal and civil courts in the 2025 methodology.

The Commission notes that the reduction of costs in remote courts in the 2022-23 data is not linked to a reduction in caseloads. Instead, the Commission posited that since the 2020 Methodology Review, there may have been a significant uptake in the use of audiovisual technology within remote courts. Furthermore, the Commission suggests that this may have led to a decrease in transport costs due to a reduced need for magistrates, court officials, witnesses and defendants to be physically present in remote courts.

Tasmania has no data to support the Commission's theory regarding the increased use of audiovisual technology in regional courts. However, noting the lack of a relationship between remoteness and magistrates' court expenses in the 2022-23 data, Tasmania supports the Commission's proposal to remove the regional cost driver from the criminal and civil courts assessment.

## 5. Prisons Component

The Commission has proposed to:

- replace the regional costs assessment with a service delivery scale assessment, which uses the Commission's general service delivery scale cost gradient (discounted by 25 per cent); and
- retest the materiality of a juvenile detainee cost weight and an assessment of community corrections using 2023-24 data.

Tasmania supports the proposed changes to the prison component of the justice assessment, particularly the proposal to replace the regional costs driver with a service delivery scale driver.

### 5.1 Are separate assessments of community corrections and juvenile detainees material?

In its consultation paper on the justice assessment in the 2025 Methodology Review, the Commission asked states whether they supported applying a cost weight for juvenile detainees in the prisons assessment, if material. This proposal received support from most states, including Tasmania.

In its 2025 Methodology Review Final Report, the Commission also proposed to use a separate assessment for community corrections, if material.

The Commission has since tested the materiality of both the juvenile detainee and community corrections assessments using 2022-23 data and found that neither were material when implemented into the Commission's model.

The Commission notes that the impact of the juvenile detainee assessment on one state almost reached the Commission's materiality threshold. Therefore, the Commission is proposing to retest the materiality of both assessments using 2023-24 data.

Consistent with Tasmania's submission to the Commission's 2025 Methodology Review Tranche 1 papers, Tasmania continues to support a separate juvenile detainee assessment, if material. As such, Tasmania supports the Commission's proposal to retest the materiality using 2023-24 data.

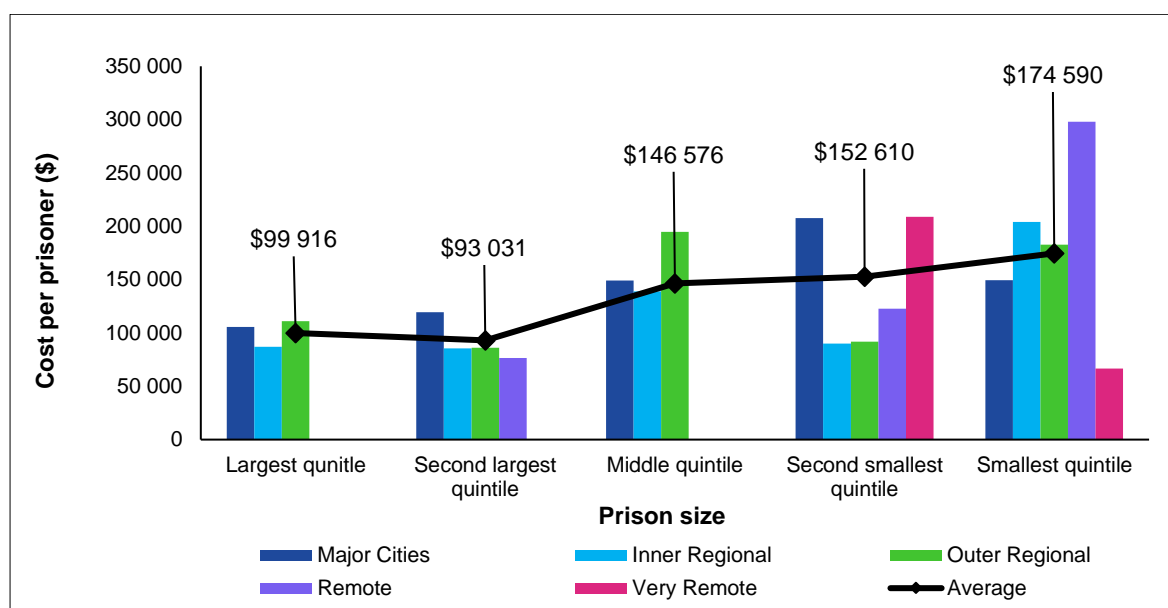
### 5.2 Do data support an assessment of regional costs for prisons?

In the prison component of the justice assessment, the Commission seeks to assess each state's expenditure need on prison services based on the socio-demographic composition of the state's population, regional costs (which includes a service delivery scale component) and wage costs. Broadly, the current methodology allocates costs based on the number of assessed prisoners in each jurisdiction with adjustments for regional costs and wage costs.

Under the 2020 methodology, the Commission used a regression model to assess both regional costs and service delivery scale costs for prisons. However, the Commission found that the 2022-23 expense data no longer supported the use of a regression for this assessment.

In the justice paper, the Commission shared its analysis showing that the cost per prisoner increases as the size of a prison decreases (see Figure 1). Tasmania acknowledges the strong conceptual case that smaller prisons are more expensive than larger prisons due to diseconomies of scale associated with costs per prisoner.

**Figure 1: Cost per prisoner by remoteness area and prison size, 2022-23**



Source: State data presented in Figure 12 of the Commission's Justice Paper.

While a prison-specific service delivery scale gradient would be the preferred approach to capture this impact, the Commission notes that current data limitations preclude this option. Accordingly, the Commission is proposing to use the general service delivery scale cost gradient with a 25 per cent discount applied to reflect the uncertainty associated with the gradient's use as a proxy. The Commission considers using the general service delivery scale cost gradient is the simplest and most appropriate way to recognise the additional service delivery scale expenses faced by smaller prisons.

In Tasmania's view, there is a clear conceptual case in support of a service delivery scale assessment. Tasmania notes that the proposed approach to use the general service delivery scale cost gradient (discounted by 25 per cent) as a proxy aligns with the Commission's standard approach when a category-specific cost gradient cannot be developed. As such, Tasmania supports the Commission's proposed approach.

## 6. Acronym Table

Acronym	Definition
ABS	Australian Bureau of Statistics
GST	Goods and Services Tax
IARE	Indigenous Areas
IRSEO	Indigenous Relative Socio-Economic Outcomes
SES	Socio-Economic Status