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# **Victorian response to the CGC 2025 Justice draft position paper**

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# 1. Introduction

The CGC consulted states on the Justice assessment methodology during its 2025 Review and proposed a number of small changes to the 2020 methodology, subject to further data collection and analysis. Victoria supported the CGC's decision to postpone changes to the Justice assessment methodology to gather more data and enable more time for a thorough review of the assessment.

Victoria was hopeful that the additional time and data would facilitate an in-depth review of the methodology to adapt it to reflect modern justice expenditure needs.

However, in its 2025 Justice draft position paper, the CGC found that the majority of "the 2020 Review drivers in the justice assessment remain conceptually sound".

In its submissions to the 2025 Review, Victoria raised several concerns about the Justice assessment. Victoria did not consider that the data chosen adequately captured state and territory justice expenditure needs. In particular, the data reflect only reactive rather than preventative measures of justice expenditure needs. For example, states may increase justice expenditure with the aim of reducing crime. If successful, this increase in expenditure would cause the number of offences, court finalisations and prisoners to fall. However, the CGC assessment only considers reactive justice activity, in which reduced crime is correlated with reduced expenditure needs.

Victoria accepts that preventative justice activity is more difficult to measure. However, the scarcity of suitable data does not mean the issue should be ignored. Nor does it mean that an assessment based solely on reactive justice measures adequately or fairly represents state and territory justice expenditure needs.

Victoria recommends the CGC conduct a fulsome review of the Justice assessment for the 2030 review, including consultation with justice experts and states and territories.

In the meantime, Victoria recommends the CGC discount the Justice assessment to account for the lack of preventative justice data.

## 2. Summary of Victoria's recommendations

<b>Overall</b>	<ul style="list-style-type: none"><li>• Conduct a fulsome review of the justice assessment for the 2030 review</li><li>• Discount the assessment</li></ul>
<b>Data issues</b>	<ul style="list-style-type: none"><li>• Agree 2022-23 data shows return to pre-COVID trends and should be used</li><li>• Agree to not collect state data on an ongoing annual basis</li></ul>
<b>Police</b>	<ul style="list-style-type: none"><li>• Allocate central costs on a 75:25 district FTE vs expenditure split</li><li>• Include the 5-tier First Nations socio-economic groups regardless of results</li><li>• Do not to include a cost weighting for remote offenders</li></ul>
<b>Courts</b>	<ul style="list-style-type: none"><li>• Use RoGS data to split criminal court expenditure from other legal expenses</li><li>• Assess criminal courts EPC</li><li>• Do not apply a remoteness cost gradient</li></ul>

#### Prisons

- Do not apply a juvenile detainees cost weighting
- Consult further with states regarding a separate community corrections assessment
- Do not apply a remoteness cost weighting
- Do not apply a service delivery scale cost weighting
- Do not support the use of the discounted general service delivery scale gradient

### 3. Data issues

Victoria supported the CGC's decision to postpone the Justice assessment to collect data from 2022-23 and 2023-24.

Victoria agrees with the CGC that justice service use and provision in 2022-23 have likely reverted to pre-COVID-19 trends.

Victoria supports the CGC's decision not to request data from states on an ongoing annual basis as this would present an unwarranted administrative burden.

However, as outlined in its submission to the 2025 Review tranche 1 consultation papers, Victoria maintains that the range of data included in the Justice assessment is not fit for purpose and that a discount should therefore be applied.<sup>1</sup>

CGC methodology decisions can have significant impacts on states' abilities to deliver services. A minor change in an uncertain variable or statistical model can redistribute hundreds of millions of dollars between states, often at short notice given the timing of annual relativity decisions. This has a real effect on services and impacts states' ability to plan into the future.

In this context, and across all assessment components, Victoria strongly recommends the CGC favour caution where there is uncertainty or judgement required. This is particularly the case where data has not yet matured or is not available to measure the concepts required. The default view of the CGC should be an EPC (equal per capita) distribution in these instances, with the burden of evidence on the CGC and states to justify variations from this.

Where there are not robust data available to make an assessment, Victoria recommends the CGC reduce volatility and the risk of misattribution of needs. In these instances, there is no certainty that equalisation is being achieved, and the assessments could result in over or under equalisation.

Robust assessments require strong and transparent conceptual cases and high-quality supporting data, having regard for the magnitude of associated impacts on the distribution. The fact that certain data may be the 'best available' does not necessarily mean the data are of an acceptable quality to meet the robustness requirements of the Review Terms of Reference or the CGC's own assessment principles.

Victoria accepts and supports the CGC's need to use judgement to recommend the GST distribution. However, in cases where poor data are used to implement conceptual cases, judgement cannot be

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<sup>1</sup> <https://www.cgc.gov.au/sites/default/files/2023-11/Victorian%20response%20to%202025%20Review%20Tranche%201%20papers.pdf>

used to make these assessments robust. Victoria's view is the CGC should take a conservative approach and limit or not make some assessments where data are not of a sufficient standard.

### **Victoria's recommendations**

- Victoria supports the CGC's decision to use 2022-23 and 2023-24 data.
- Victoria supports the CGC's decision not to collect state data on an ongoing annual basis.

## **4. Police**

During the 2025 Review, Victoria engaged consultants from The Australian National University (the ANU consultants) to review the Justice assessment. The consultants made a number of recommendations related to the Police assessment. These included:

1. More appropriately allocating police central costs - the majority being based on the number of full-time equivalent staff (FTE), and most of the remainder being allocated on an equal per capita basis.
2. Not combining First Nations socioeconomic status groups, regardless of whether the data matched pre-conceived expected patterns.
3. Including underlying drivers directly in the regression model, without the flawed intermediate step of calculating assessed offenders.

Victoria considers the above recommendations to be reasonable and appropriate. Victoria is therefore disappointed the CGC noted, but did not respond to, the recommendation to include underlying drivers directly in the regression model.

### **4.1 Allocation of central costs**

Victoria supports the CGC's decision to reconsider the method for dealing with centralised police expenditure. In its submission to the 2025 Review tranche 1 consultation, Victoria argued that it was inappropriate to allocate central costs to police districts in the police cost weighting regression model. Victoria noted that central expenditure needs, including corporate costs related to human resources, corporate finance, I.T, and legal services, were better explained by population size than by population remoteness or the number of offences. As such, Victoria recommended that central costs be excluded from the cost weighting regression and assessed on an equal per capita basis.

As noted above, the ANU consultants concluded that for Victorian 2016-17 data, 32 per cent of expenses could be attributed to state population size, 64 per cent to FTE numbers, and 4 per cent to offender numbers.

Victoria appreciates the CGC's efforts to gather better data on centralised police costs in an effort to more appropriately allocate them.

In its 2025 Justice draft position paper the CGC stated the following:

- Between 43 per cent and 77 per cent of each state's total expenses included in the police regression were attributable to central costs within that state.
- Some central costs were likely to be driven by population, others by FTE, and others by district expenditure.

- CGC analysis of available data suggested allocating 75 per cent of central costs by the proportion of FTE staff in each police district and 25 per cent by police district expenses.
- States unable to provide disaggregated central cost data likely have a higher proportion of costs to allocate by district expenses.

The CGC therefore proposes to allocate central costs by a 50:50 split of FTE and district expenses.

Victoria recommends the CGC instead apply the split suggested by analysis of available data – 75 per cent by proportion of FTE staff and 25 per cent by police district expenses, for the following reasons:

1. Victoria considers that population size alone is the most appropriate driver for a large amount of policing costs. The proposed split does not include any proportion based on population alone, and a population component is better represented by FTE than by district expenditure.
2. The proportion of state's total expenses attributable to central costs is very high. With such high proportions attributable to central costs, the proportions attributable to individual police districts form a less reliable indicator of relative expenditure needs between districts. This is further exacerbated by the number and size of districts varying greatly between and within states and territories.
3. With such large expenditure amounts attributable to central costs, a very large amount of GST will be redistributed based on judgement alone. Throughout the Justice assessment the CGC has utilised incomplete data to represent national averages. Victoria considers that such a large adjustment based on judgement alone is not justified.

## 4.2 The socio-economic group structure for First Nations people

Victoria supports the CGC's decision to include the standard 5 tiers of the Indigenous Relative Socioeconomic Outcomes index (IRSEO) in the assessment. This approach should apply regardless of whether the results match preconceived ideas about the evolving relationship between First Nations socioeconomic status and measures of justice system interaction. For example, the developer of IRSEO, the Centre for Aboriginal Economic Policy Research, found that "spatial inequalities in Indigenous socioeconomic outcomes have widened from 2016 to 2021, with regional areas experiencing more rapid improvements compared to other urban or remote locations".<sup>2</sup>

## 4.3 Additional variables and drivers

Victoria supports the CGC's decision not to include an additional cost weight for remote offenders.

Victoria supports the CGC's proposal to consider culturally and linguistically diverse populations as part of the forward work program.

Victoria also supports the CGC's suggestion that the availability of data on complex crimes and Commonwealth police assistance be considered as part of its data working group forward work program.

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<sup>2</sup> <https://cipr.cass.anu.edu.au/research/publications/area-level-socioeconomic-outcomes-aboriginal-and-torres-strait-islander>

### Victoria's recommendations

- Victoria recommends the CGC allocate central costs on a 75:25 district FTE vs expenditure split, aligned with CGC data analysis.
- Victoria supports the decision to include the 5-tier First Nations socio-economic groups and recommends this apply regardless of results.
- Victoria supports the decision not to include a cost weighting for remote offenders.

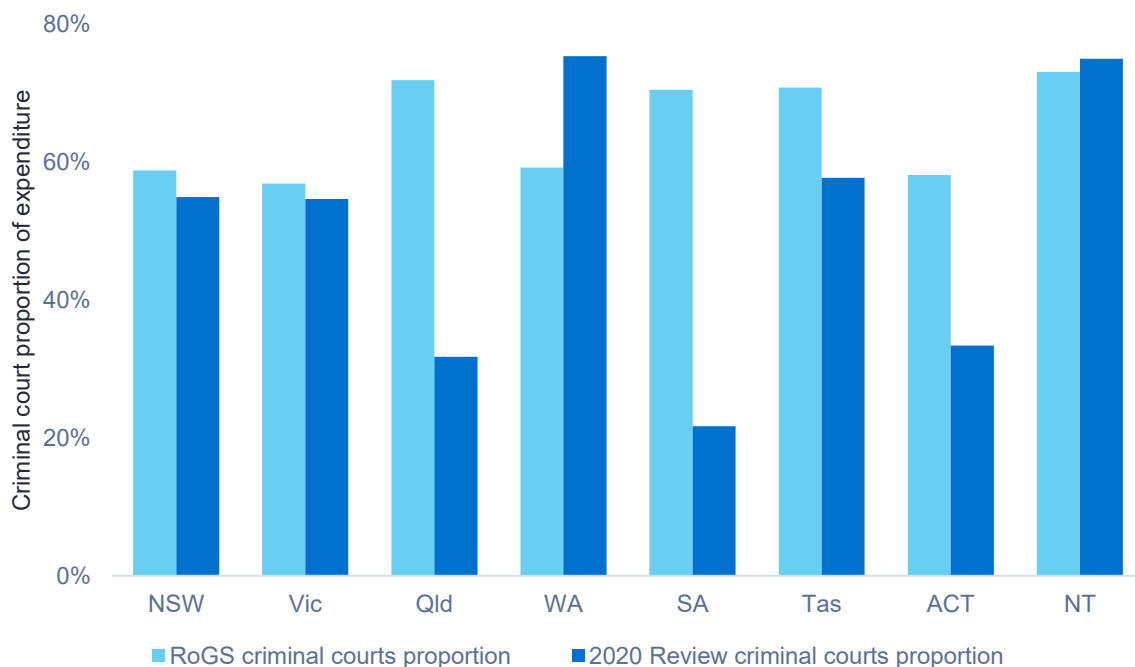
## 5. Courts

### 5.1 The split between criminal courts and other legal expenses

In its submission to the 2025 Review tranche 1 consultation, Victoria noted that there was high variability between states in the state-provided proportion of expenditure allocated to criminal courts vs other legal expenses.

Victoria noted that this data varied much more than the split in Productivity Commission Report on Government Services (RoGS) data between criminal court and civil court expenditure (see Figure 1).

**Figure 1: Criminal courts proportion of expenditure, 2016-17**



Source: Victorian response to 2025 Review tranche 1 papers

Victoria noted that this variability is likely explained by inconsistency between states in what is captured under each category.

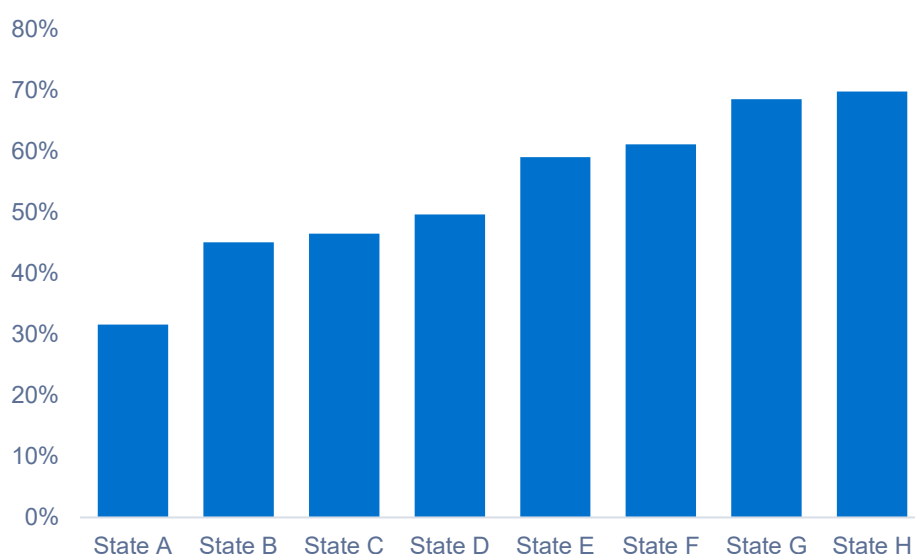
The ANU consultants also noted issues with the state-provided data, noting “it is unlikely for similarly purposed institutions across different states to have such disparate expenditure percentages without some underlying anomalies or inconsistencies in data report or categorisation.”

Victoria noted that the CGC already uses the RoGS civil courts data to determine the civil courts component of Other legal services, to which it previously applied a remoteness cost weighting.

Victoria therefore recommended that the CGC take the same approach to determining the criminal courts component – directly using the RoGS expenditure data.

Anonymised 2022-23 state data requested by Victoria and provided by the CGC shows that variability between states persists, with the proportion of state expenditure allocated to Criminal courts ranging between 32 per cent and 70 per cent (see Figure 2).

**Figure 2: Criminal courts proportion of expenditure, 2022-23**



Source: CGC anonymised State and Territory data

In the 2025 Review Draft Report, the CGC noted that non-courts expenditure and some criminal court related expenses are excluded from the RoGS data. Therefore, taking the RoGS expenditure values directly would exclude a material amount of criminal court expenditure.

Victoria accepts that there are limitations to using the RoGS data alone. However, Victoria considers the risks to not achieving horizontal fiscal equalisation are greater from using what appear to be incomparable data from different states and territories.

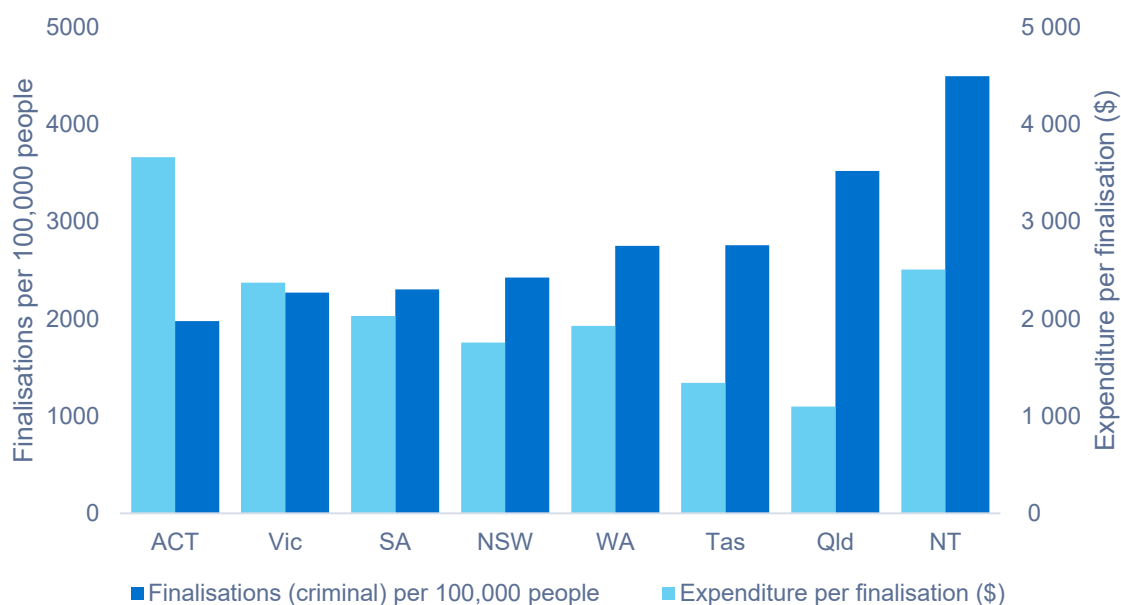
Victoria therefore continues to recommend that the CGC use RoGS real recurrent expenditure dollar values for both criminal courts and civil courts and allocate the remainder of GFS court expenditure to Other legal services. Such an approach would mean only data that can be reliably identified as criminal court expenditure would form the basis of the Criminal courts assessment.

## 5.2 A simpler population-based assessment

In its response to the 2025 Review Draft Report, Victoria noted that there was large variability between states in both the actual number of finalisations per capita and in expenditure per

finalisation.<sup>3</sup> In fact, expenditure per finalisation appeared to be negatively correlated with finalisations per capita (see Figure 3).

**Figure 3: Comparison of finalisation rates and expenditure, RoGS, 2021-22**

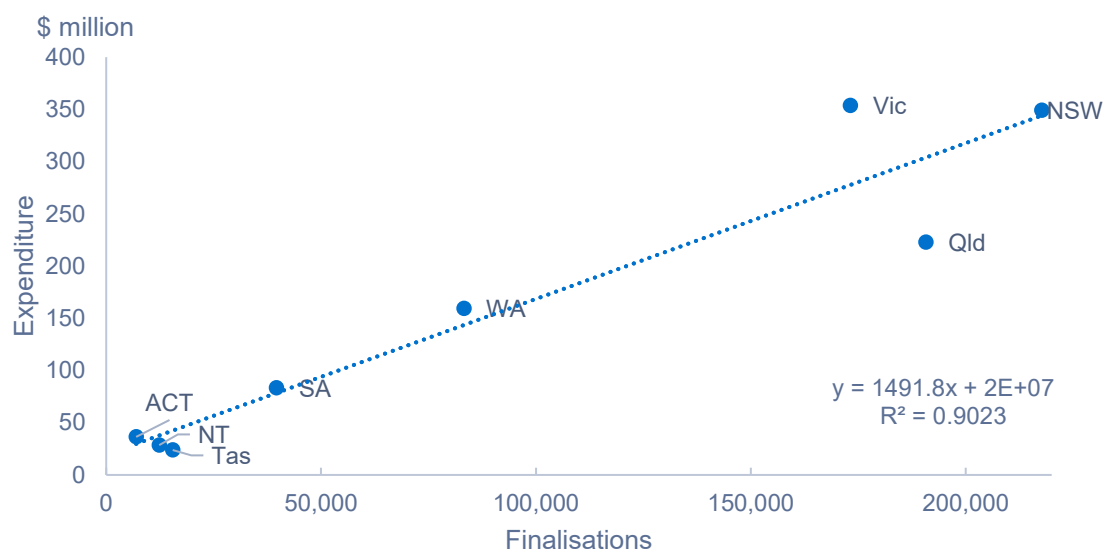


Source: Victorian response to the CGC 2025 Review draft report

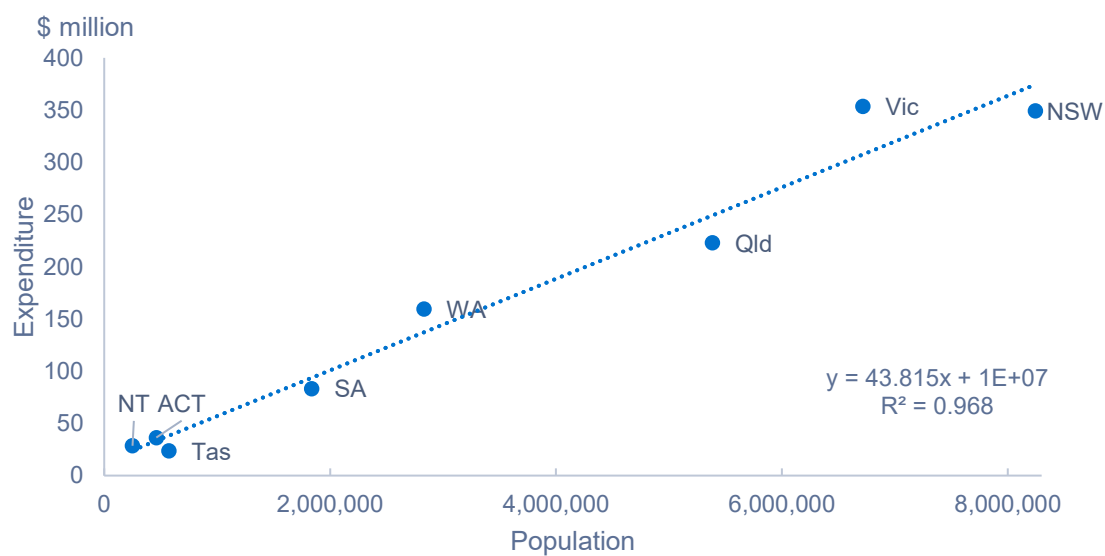
Victoria noted that a state's population was a better indicator of expenditure than the number of finalisations (see Figure 4a and 4b). This implies that an equal per capita assessment of criminal court expenditure would better capture 'what states do' – one of the CGC's assessment principles.

<sup>3</sup> [https://www.cgc.gov.au/sites/default/files/2024-08/Victorian\\_response\\_to\\_the\\_CGC\\_2025\\_Review\\_draft\\_report%5B1%5D.pdf](https://www.cgc.gov.au/sites/default/files/2024-08/Victorian_response_to_the_CGC_2025_Review_draft_report%5B1%5D.pdf)

**Figure 4a: Relationship between criminal court expenditure and finalisations, RoGS, 2022-23**



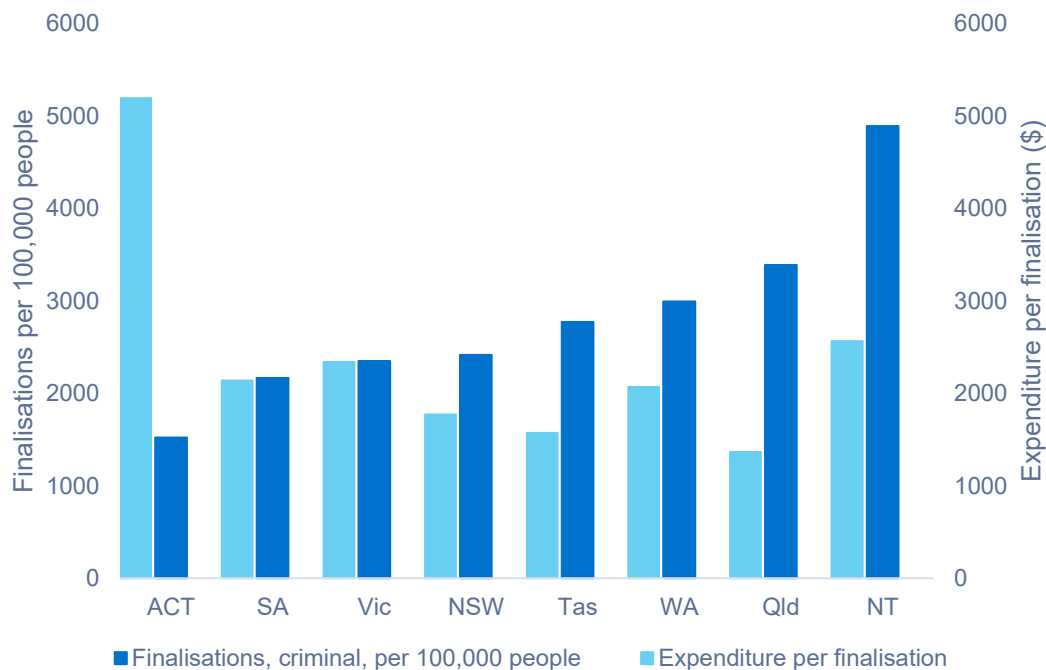
**Figure 4b: Relationship between criminal court expenditure and population, RoGS, 2022-23**



Source: Victorian response to the CGC 2025 Review draft report

RoGS data for 2022-23 indicate that large variability persists and there is still apparent negative correlation between finalisation rates and expenditure per finalisation (see Figure 5).

**Figure 5: Comparison of finalisation rates and expenditure, RoGS, 2023-24**



Source: Productivity Commission, Report on Government Services 2025, Part C, Section 7  
 Note: Expenditure is real recurrent expenditure.

An equal per capita assessment would be much simpler and reduce the need for onerous state data collection – aligned with the CGC’s practicality principle. It would also eliminate the uncertainty introduced by attempting to separate criminal courts expenditure from other legal services (see section 5.1).

In its 2025 Justice draft position paper, the CGC said that, since the CGC’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. The CGC then said that “assessing criminal courts on an equal per capita basis would require a conceptual case and evidence that all individuals are equally likely to use criminal services.”

In contrast, the CGC stated that other legal services are assessed equal per capita because the CGC was unable to identify a driver. In the 2020 Review Final Report the CGC noted that “expenses within other legal services will be assessed on an EPC basis, as neither the Commission nor States have identified any conceptual basis for certain groups to be higher users of these services.”

Victoria does not dispute that sociodemographic composition may be a driver of the number of criminal court defendants – a usage driver. We therefore could expect to see finalisations per capita vary between states that have different sociodemographic compositions.

However, ultimately the aim of the assessment is to determine states’ relative expenditure needs, rather than service usage alone.

The fact that expenditure per finalisation varies so significantly between states suggests that a large proportion of expenditure is independent of the number of reported finalisations or service usage.

The fact that states not only have very different finalisation per capita rates, but also very different expenditure per finalisation, implies that the number of finalisations is not actually a meaningful driver

of expenditure. In fact, at a state level it turns out to be a worse predictor of expenditure than population.

Based on the available data discussed so far, it appears that state court systems are substantially different. At a national average level, Victoria considers population to be the best theoretical and empirical driver of state criminal court expenditure needs.

Victoria therefore recommends the CGC assess both criminal courts (deliberative EPC) and other legal services (non-deliberative EPC) on an equal per capita basis.

### 5.3 A regional cost weighting

In its 2025 Justice draft position paper, the CGC noted that “only data from 5 states could be used in the analysis of regional costs in criminal and civil courts.”

The CGC considered that the data from 5 states was “representative of the average experience of all states because data were from states of varying size and remoteness profiles”.

The CGC also noted that usable data was only available for magistrates’ courts. From this data the CGC found there was no clear relationship between remoteness and magistrates’ court expenses.

The CGC therefore proposed to no longer assess regional costs as part of the criminal courts component.

Victoria supports the proposal not to assess regional costs but does not agree that data from 5 states is representative of the average experience of all states.

In its submission to the 2025 Review tranche 1 consultation, Victoria argued that because justice data varied significantly between states, a reduced sample (regional cost data from only 4 states for the 2020 Review) would distort the results, introducing too much uncertainty to be usable.

As a proxy, Victoria provided evidence that national average imprisonment rates for First Nations and non-Indigenous residents would vary significantly if data from 3 states were excluded. Similarly, expenditure per finalisation would also vary significantly.

In the case of criminal courts data, Victoria does not consider size and remoteness profiles to be major drivers of differences in per capita expenditure.

Victoria therefore recommends that a regional cost weighting not be applied because the sample inadequately represents a national average.

#### Victoria’s recommendations

- State-provided data are not reliable enough to split criminal court expenditure from expenditure on other legal services. Victoria recommends that the CGC follow the 2020 Review approach for determining civil court expenditure and use RoGS data to determine both criminal court expenditure and civil court expenditure and attribute the remainder of GFS court expenditure to other legal services.
- Victoria recommends criminal court expenditure be assessed EPC because population is the best driver (deliberative EPC).
- Victoria supports not applying a regional cost weighting to the courts assessment

## 6. Prisons

### 6.1 Juvenile detainee cost weight

In its submission to the 2025 Review tranche 1 consultation, Victoria noted that the Productivity Commission advised that the RoGS 2023 juvenile detention expenditure data were not comparable across jurisdictions. Therefore, a robust juvenile detention cost weight could not be determined.

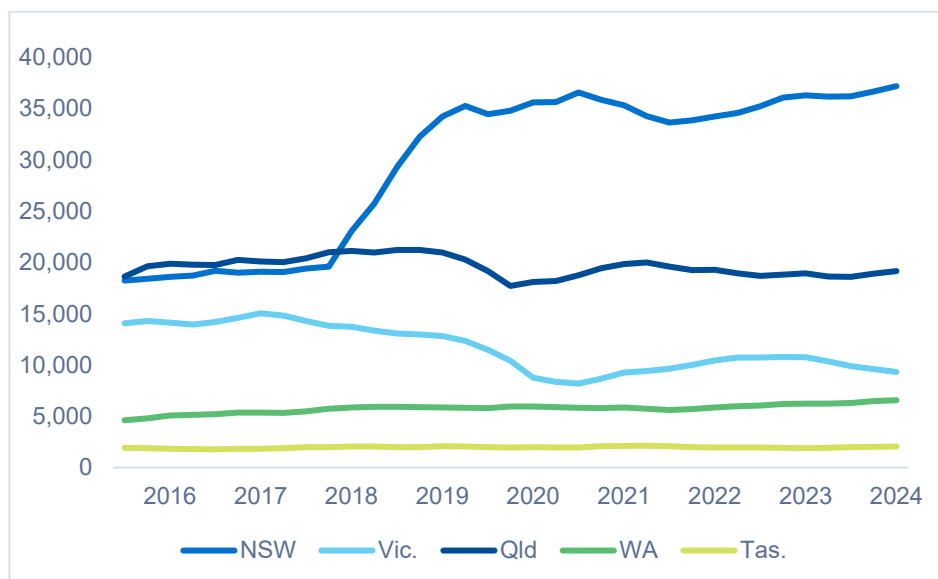
The Productivity Commission continues to advise that the RoGS (2025) juvenile detention expenditure data are not comparable across jurisdictions. As such, Victoria considers the data are not fit for purpose. Victoria therefore does not support a juvenile detention cost weight.

### 6.2 A separate assessment of non-custodial services

Victoria notes the CGC's intention to separately assess community corrections orders, if doing so would have a material impact on GST distribution. However, Victoria is concerned about the comparability of state data, noting that, unlike prisoner numbers, community corrections data appear easily influenced by classification decisions.

For example, 2018 legislative reforms in New South Wales (NSW) replacing suspended sentences, community service orders and good behaviour bonds with community correction orders, appear to have led to a large increase in the number of community corrections orders in the RoGS data (see Figure 6).

**Figure 6: Persons in community-based corrections, selected states, ABS**



Source: Australian Bureau of Statistics, Corrective Services, Australia, Time Series, December quarter 2024

Victoria recommends the CGC investigate the comparability of state community corrections data and consult further with states and territories prior to implementing a separate assessment of community corrections data. For example, it may be appropriate to adjust state data to account for differences in classifications or reporting. Certain components might even be excluded, in the same way that traffic and breach of bail offences are excluded from the Police assessment.

## 6.3 Cost weighting

### 6.3.1 Remoteness cost weighting

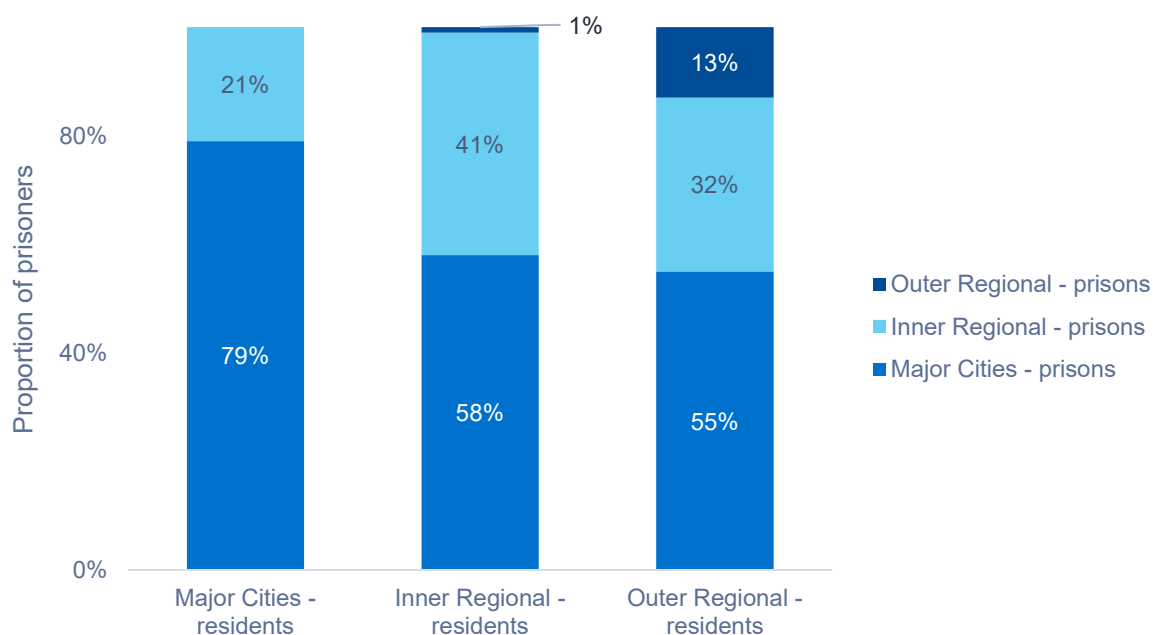
In its submission to the 2025 Review tranche 1 consultation, Victoria argued that the conceptual case for a remoteness cost weighting was weak, as was the empirical evidence to support it.

Victoria accepts that some states and territories have made a historical or contemporary policy choice to locate prisons in remote and very remote areas. Some of those prisons may be small, and that there may be some correlation between prisoner origin and imprisonment location in those cases.

However, many states, including Victoria, do not locate prisoners based on their normal place of residence. Nor do they locate prisons based on proximity to the population they will serve.

In its submission to the 2025 Review tranche 1 consultation, Victoria provided evidence that the majority of Victorian prisoners from inner and outer regions were imprisoned in major cities. Only 13 per cent of prisoners from outer regional areas were imprisoned in outer regional prisons (see Figure 7).<sup>4</sup>

**Figure 7: The proportion of residents originating from each remoteness category that are imprisoned in each remoteness category, 2017-2022, excluding 2019-2021 pandemic years**



Source: Victorian response to 2025 Review tranche 1 papers

Regardless of the reason for building remote prisons, remoteness is not an important driver of per prisoner costs.

<sup>4</sup> <https://www.cgc.gov.au/sites/default/files/2023-11/Victorian%20response%20to%202025%20Review%20Tranche%201%20papers.pdf>

In its submission to the 2025 Review tranche 1 consultation, NSW stated that in the assessment “the main channel of remoteness costs is through service delivery scale.”<sup>5</sup> However, “small prisons are not exclusive to remote areas and are increasingly a reflection of policy decisions.”<sup>6</sup>

NSW analysis of NSW prison data suggested that per prisoner operating costs were lower on average in remote facilities, and that metropolitan facilities had the highest costs per prisoner.<sup>7</sup>

The ANU consultants analysed 2016-17 Victorian prisons data from the 2020 Review and also found that major city prisons had the highest costs per prisoner, noting that Victoria did not have any remote or very remote prisons.<sup>8</sup>

In its 2021 research paper, “Australia’s prison dilemma”, the Productivity Commission explained that differences in per prisoner costs between jurisdictions are influenced by a range of factors, making it difficult to draw inferences about the relative efficiency of different prison systems.<sup>9</sup> Factors included:

- the type, scope, and quality of programs available to prisoners and offenders
- staffing levels and the composition of workforce required across different facilities
- the number, type, and location of facilities being used.

Further, the total number of prisoners per year, not just the daily average number collected by the CGC, can influence costs, for example through fixed costs incurred when a new prisoner enters a facility.

The Productivity Commission noted: “Daily average costs are not necessarily a good measure of performance across jurisdictions. For example, a lower cost per prisoner over time may be due to an increase in prisoner population without a corresponding change in program expenditure. On the other hand, a higher cost per prisoner over time may be the result of increased program expenditure to reduce reoffending with no change in prisoner numbers.”

Given this, it’s not surprising that attempts to quantify a relationship between remoteness and cost at a national level have not validated the conceptual case, or been statistically significant.

Victoria therefore supports the CGC’s proposal to abandon a remoteness cost weighting for the prisons assessment.

## **6.3.2 Service delivery scale cost weighting**

### **6.3.2.1 The conceptual and empirical case for a service delivery scale weighting**

Victoria accepts that, all else equal, there may be diseconomies of scale for states and territories that make the policy choice to build small prisons. However, as noted above, there are many factors that determine the cost per prisoner.

Victoria supports the CGC’s requirement for assessment drivers to be policy neutral. For the proposed service delivery scale cost weighting to meet that requirement, it must be related both conceptually and empirically to policy neutral drivers, for example those already included in the

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<sup>5</sup> <https://www.cgc.gov.au/sites/default/files/2023-11/2025%20GST%20Review%20-%20NSW%20Treasury%20Tranche%201%20Submission.pdf>

<sup>6</sup> *ibid*

<sup>7</sup> *ibid*

<sup>8</sup> <https://www.cgc.gov.au/sites/default/files/2024-02/Consultants%20report%20-%20ANU%20-%20CGC%20Justice%20assessment.pdf>

<sup>9</sup> <https://www.pc.gov.au/research/completed/prison-dilemma/prison-dilemma.pdf>

prisons assessment. The CGC has determined the policy neutral drivers in the prisons assessment to be indigenous status, age, socioeconomic status, and remoteness – all based on state and territory population demographics. Without this link, the differences in the size of prisons between states is overly policy driven, as states directly control the size of the prisons they build and operate.

Of the identified policy neutral drivers, service delivery scale can only be relevant through the remoteness of prisoners, as it is not related to the other drivers. Therefore, the chain of reasoning that needs to hold for the application of a service delivery scale cost weighting is:

- 1) At a national average level, prisons need to be located to provide a 'service' to residents living within proximity of the prison (for example, remote prisons are built to service remote residents).
  - a) **Conceptual case:** invalid – may apply for some individual states only – for some remote and very remote prisons, but not for other states or for non-remote prisons.
  - b) **Empirical case:** no evidence.
- 2) Because fewer people live in regional and remote areas, prisons in those areas need to be smaller than they are in major cities, on average nationally.
  - a) **Conceptual case:** valid only if step 1 is valid.
  - b) **Empirical case:** valid only for remote and very remote areas.
- 3) Smaller prisons are more costly per prisoner, on average nationally, than larger prisons.
  - a) **Conceptual case:** valid, if other more important variables such as prisoner type are accounted for.
  - b) **Empirical case:** mixed.

But this chain of reasoning does not hold.

For step 1, Victoria considers that, because many states and territories do not locate prisons based on the residence of potential prisoners, the conceptual case does not apply at a national level across all five remoteness categories. Victoria accepts that some states and territories may choose to locate prisons close to the populations that are imprisoned in them. However, the CGC has not provided any evidence to demonstrate this for those individual states, let alone at a national level or across all five remoteness categories.

The CGC state that “there is only a small sample of remote prisons (noting that Queensland and Western Australia do not provide data for some or all their remote prisons). The Commission acknowledges that several smaller prisons exist in major city areas, however that their size often relates to function, for example prerelease prisons, rather than the effects of population dispersion.”

Regarding the lack of data from Queensland's remote prisons – data from Queensland Corrective Services 2023-24 Annual Report indicate that Queensland does not appear to have any remote or very remote prisons. Only so-called work camps exist in remote areas, accounting for less than 0.8 per cent of Queensland's prison population in 2023-24.<sup>10</sup> Further, these work camps are a prisoner rehabilitation initiative, annexed to correctional facilities, rather than a population-based local imprisonment service. In fact, all of Queensland's correctional facilities were in Major Cities or Inner Regional remoteness areas, except for a single Outer Regional facility holding less than 2 per cent of Queensland's daily average prisoners. In contrast, 13 per cent of Queensland's population resided in Outer Regional remoteness areas in 2023-24.<sup>11</sup>

Victoria contends that at a national average level, prison size relates to function, even for prisons in remote areas. There is no valid conceptual (or empirical) link between population remoteness and

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<sup>10</sup> <https://www.data.qld.gov.au/dataset/queensland-corrective-services-annual-report/resource/aa8f6969-d815-440e-ab02-efc0f97d0494>

<sup>11</sup> <https://www.abs.gov.au/statistics/people/population/regional-population/latest-release>

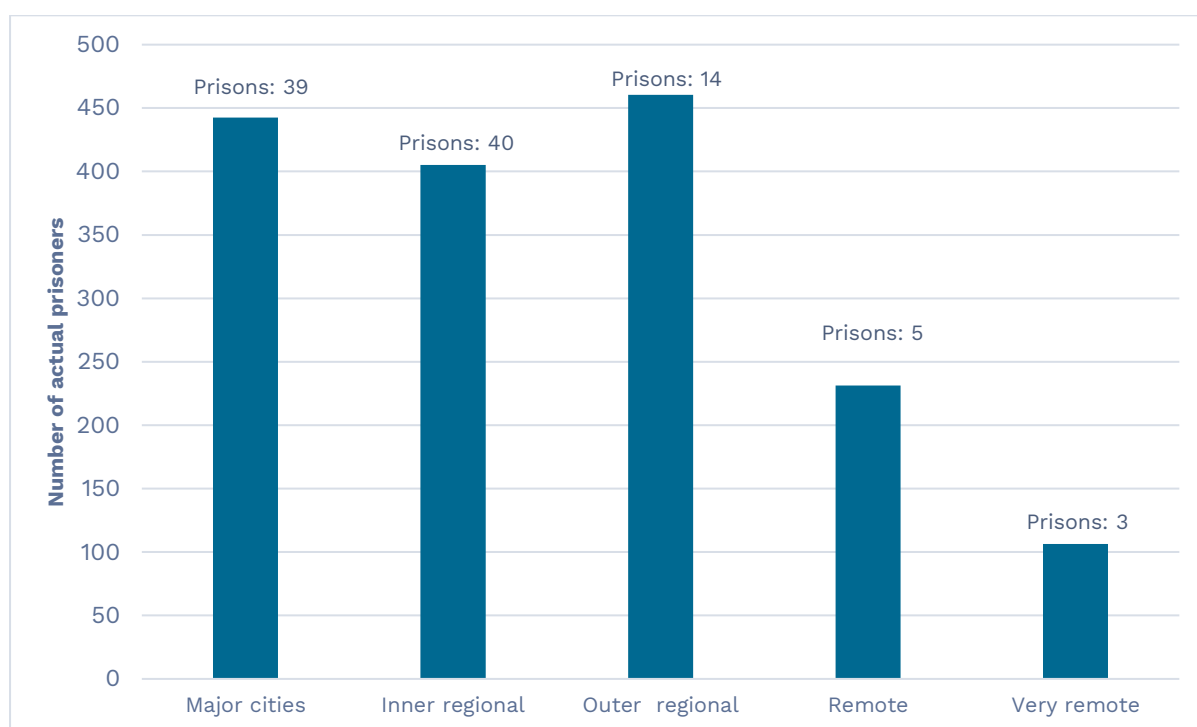
prison location nor size. As such, the first step in the chain of reasoning required to apply a service delivery scale cost weighting does not hold (prisons being located in areas to ‘service’ local residents) and it should not be applied.

### 6.3.2.2 Quantification of service delivery scale

As noted above, Victoria does not support the application of a service delivery scale cost weighting for prisons. Commentary in this section relates to the CGC’s specific proposal to apply the service delivery scale component of the general cost-gradient.

In its 2025 Justice draft position paper, the CGC provided evidence that the average size of prisons across non-remote areas is similar, but that remote and very remote prisons are on average smaller, although the sample size was small (see Figure 8).<sup>12</sup>

**Figure 8: Average prison size by remoteness area, 2022-23**



Source: CGC 2025 Justice draft position paper, Figure 13

However, any applicable national average relationship between prison size and remoteness is contingent on the existence of a national average policy to locate prisons as if they were similar to schools or hospitals – larger in major cities, increasingly smaller as remoteness increases, and built so that people living near them can be imprisoned in them. As discussed in the previous section, this relationship does not hold nationally.

The CGC also provided evidence that costs are higher on average for smaller prisons.<sup>13</sup> However, there is significant variability in costs for different sized prisons in different remoteness areas. For example, in outer regional areas prisons sized in the middle percentile are the costliest per prisoner,

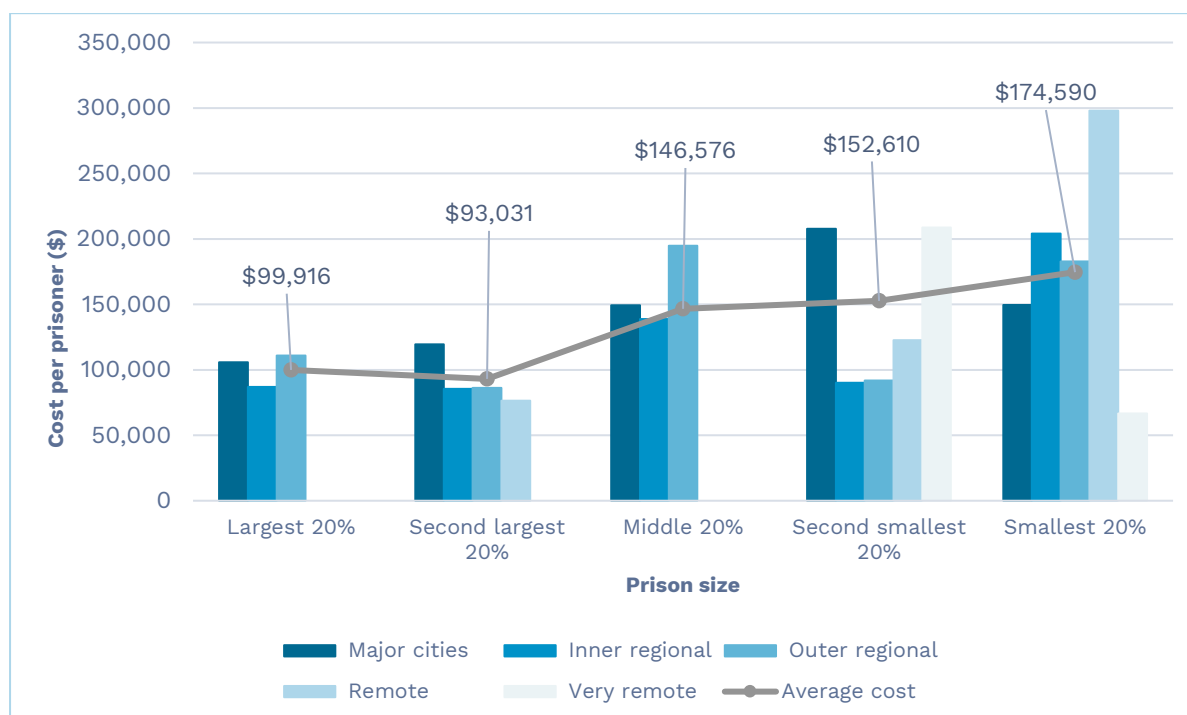
<sup>12</sup> Figure 13, CGC 2025 Justice draft position paper

<sup>13</sup> Figure 12, CGC 2025 Justice draft position paper

at more than double the cost of outer regional prisons in the second smallest percentile. In another example, in very remote areas, prisons in the second smallest percentile have almost triple the cost per prisoner of those in the smallest percentile (see Figure 9). This variability supports the Productivity Commission's points discussed above regarding the large number of factors driving cost per prisoner.

Indeed, the CGC noted that "there was no strong evidence for regionality affecting prison expenses when composition of prisoner security was controlled for". With that in mind, the CGC proposed to assess service delivery scale but not regional costs. The CGC noted that it was "not able to isolate the effect that the different security services needed to manage prisoners of higher security classifications are having on the cost per prisoner."

**Figure 9: Cost per prisoner by remoteness area and prison size, 2022-23**

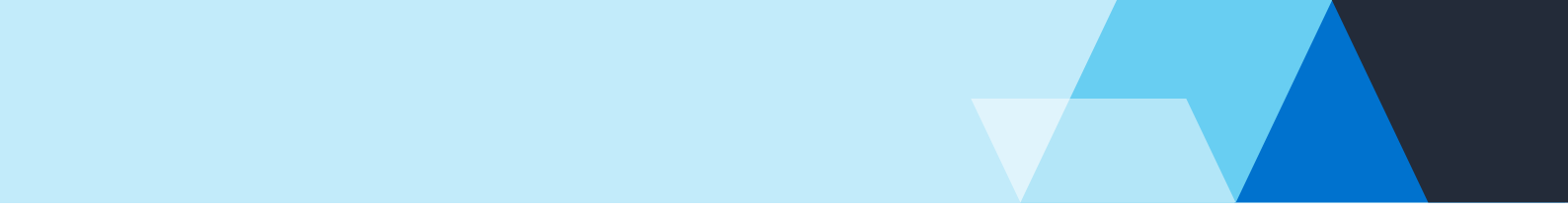


Source: CGC 2025 Justice draft position paper, Figure 12

Victoria agrees that an appropriate service delivery scale cost weighting that increases with remoteness cannot be isolated. There are simply too many other more important factors that determine per prisoner cost. Cost weightings applicable to policy neutral drivers cannot be identified.

The CGC stated that it "could adjust the general gradient to combine non-remote regions. In addition, if the remote and very remote cost weight were combined, the Commission could make an adjustment to account for the placement of remote prisoners. However, the general gradient is an approximate measure that is already discounted by 25%. The Commission considers that given the lack of reliable comparable data to inform a prison specific service delivery scale gradient, applying the general gradient is the simplest and most appropriate way to recognise the additional service delivery scale expenses faced by smaller prisons"

Victoria does not support the CGC's proposal to apply the service delivery scale component of the general cost gradient, discounted by 25 per cent. The gradient is based on health and schools data alone and does not capture any kind of universal cost-relationship between remoteness and service delivery scale costs.



There's no reason to expect that applying such a gradient, even if discounted, will move the assessment closer to achieving horizontal fiscal equalisation.

Victoria therefore recommends that the CGC does not apply a service delivery scale cost weighting because neither the conceptual case, nor the data support an incremental cost weighting as a function of the population in increasingly remote areas.

### **Victoria's recommendations**

- Victoria does not support the proposal to apply a cost weight for juvenile detainees in the prisons assessment.
- Victoria recommends the CGC investigate the comparability of state community corrections data and consult further with states and territories prior to implementing a separate assessment of community corrections data.
- Victoria supports the CGC's proposal to not apply a regional cost weighting to the prisons assessment.
- Victoria does not support the CGC's proposal to apply a service delivery scale cost weighting to the prisons assessment.
- Victoria does not support the use of the discounted general service delivery scale gradient in the prisons assessment.



