



Government of **Western Australia**  
Department of **Treasury and Finance**

# **Western Australia's Submission to the Commonwealth Grants Commission's 2025 Methodology Review**

**Justice draft position paper**

**August 2025**

### **Acknowledgement of Country**

This report was prepared by the Department of Treasury and Finance (WA Treasury) on the traditional Country of the Wadjuk people of the Noongar Nation.

WA Treasury respectfully acknowledges the Traditional Custodians of Country throughout Western Australia and their continuing connection to Country, Culture and Community.

We pay our respects to all members of Western Australia's Aboriginal communities and their cultures and to Elders past and present.

We acknowledge and pay tribute to the strength and stewardship of Aboriginal people in sustaining the world's oldest living culture and value the contribution Aboriginal people make to Western Australia's communities and economy.

We recognise our responsibility as an organisation to work with Aboriginal people, families, communities, and organisations to make a difference and to deliver improved economic, social and cultural outcomes for Aboriginal people.

Further information relating to this report may be obtained by emailing [gst@dtf.wa.gov.au](mailto:gst@dtf.wa.gov.au)

# Justice Draft Position Paper Response

## SUMMARY OF THE COMMISSION'S PROPOSED CHANGES AND WESTERN AUSTRALIA'S RESPONSES

### **Draft proposed changes from position paper**

***The Commission considers 2022–23 data from States are fit for use in developing the justice assessment***

We agree.

***The Commission considers 2022–23 and 2023–24 ABS and Australian Institute of Health and Welfare data to be the best available and fit for purpose for use in the prisons assessment***

We agree.

***The Commission proposes to allocate central costs using a 50:50 blend of proportion of police district full-time equivalent staff and police district expenses***

We disagree. Western Australia has provided evidence that directly contradicts the Commonwealth Grants Commission's (CGC's) judgement to allocate central costs. WA Police data demonstrates that the 2020 Review methods remain valid and should continue to be applied.

To acknowledge the presence of corporate overhead costs, the CGC should distribute central costs 25% based on proportion of FTE, and 75% based on proportion of total expenses.

***The Commission proposes to combine the remote and very remote variables in the police regression, if supported with the inclusion of 2023–24 data***

In the absence of adequate data, we do not oppose the CGC's decision to combine the remote and very remote variables.

***The Commission proposes to not include an additional cost weight for remote offenders***

We do not oppose this decision. We believe the conceptual case for the additional costs for offenders in remote regions is strong, but we recognise that the data does not support the inclusion of a remote offender variable.

***The Commission proposes not to include a global cities driver in the assessment of police expenses***

We agree. In Western Australia's experience, complex crime that uses police resources intensively is not unique to major cities. We believe the influence of Commonwealth spending on policing and prosecuting counterterrorism, and international crime makes the relationship between global cities and increased policing costs unclear.

***Subject to 2023–24 data, the Commission proposes to use a 5-tier structure to measure the socio-economic status of First Nations offenders***

We support this decision to use more disaggregated data, given that the new data shows expected trends.

***The Commission proposes not to assess the criminal courts component on an equal per capita basis***

We agree.

***Subject to 2023–24 data, the Commission proposes to discontinue assessing regional costs for criminal and civil courts***

We disagree. While we acknowledge that the magistrates court data does not show a clear relationship between remoteness and court costs, data from Western Australia indicates that the Perth magistrates court has uniquely high costs on a per finalised case basis because it serves a unique function, which inflates costs in non-regional areas.

To account for this uncertainty in the data, the general regional costs gradient should be applied to court data, which is appropriately discounted.

***The Commission proposes to retest the materiality of a juvenile detainee cost weight and an assessment of community corrections when 2023–24 data are available***

We support the addition of these cost weights to the assessment and await the results of the CGC retesting the materiality of creating separate components for these cohorts.


***The Commission proposes to use the general service delivery scale cost gradient (discounted by 25%) to assess service delivery scale in prisons and not assess regional costs***

We disagree. As the conceptual case for regional costs in the prisons assessment has not changed, the CGC should apply the combined general regional costs and service delivery scale gradient in the prisons assessment, given the high level of uncertainty within the data.

We have identified the key changes proposed within the consultation paper and have detailed our responses below.

**The Commission proposes to allocate central costs using a 50:50 blend of proportion of police district full-time equivalent staff and police district expenses.**

We disagree with the CGC's proposal to allocate central costs using a 50:50 blend of central costs based on FTE and police district expenses.



The CGC has made a judgment that a large portion of central costs are comprised of corporate services and overheads rather than specialist policing. However, data acquired from WA Police for 2023-24, directly contradicts the CGC's proposal as it shows that the vast majority of expenses are for specialist policing services delivered Statewide, as only 19% of the \$724 million of State Centrally Controlled Services would be considered corporate overheads.

Given this evidence, we believe the 50:50 blend understates the police district expenses. Therefore, the most appropriate treatment of these expenses would be to distribute them amongst districts based on the proportion of total expenses allocated to the district, in line with the CGC's 2020 Review methodology.

To acknowledge the corporate overheads and human services included in central costs, 25% should be distributed based on proportion of total FTE in each district, with the remaining 75% distributed based on proportion of total expenses.

**Subject to 2023–24 data, the Commission proposes to discontinue assessing regional costs for criminal and civil courts.**

We disagree. While we acknowledge that metropolitan areas have higher costs per finalised case, this is unique to the Perth magistrates court in Western Australia's submitted data. This is a result of Perth magistrates court serving a unique function compared to other magistrates courts in Western Australia, with the key differences being:

- its expenses include substantial overheads that are effectively central costs for all Magistrate's courts. These overheads account for 25-30% of total court expenses, and inflate the court costs within the 'major cities' regional classification;
- it hosts the vast majority of complex, multi-day trials in the State and includes a number of specialist courts such as Drug Court, the Family Violence List, and the Intellectual Diversion Program Court;
- many prosecuting agencies lodge serious criminal cases at the Perth Magistrate's court, such as Worksafe, the Commonwealth Director of Public Prosecutions, and the State Solicitor's Office, which does not occur at other metropolitan and regional courts; and
- it is the only magistrates court location that processes custodial hearings via videoconferencing on the weekend.

Due to the unique circumstances listed above, we do not believe the data we provided should contribute to the CGC's decision of whether it is appropriate to apply a regional cost gradient in criminal and civil courts. However, if the Perth magistrates court expenses were removed from the analysis, it would likely have a significant impact on the results, as the average cost per finalised criminal case is much lower for other metropolitan courts, relative to regional courts. We believe it is possible that there are central courts in other States that also serve a unique function and should not be treated the same as other magistrates courts.

Additionally, it would not be appropriate to exclude the Perth magistrates court from the criminal courts regression, as it would remove a significant proportion of finalised criminal cases which would make the data less representative of the court system in each State.

Given this degree of uncertainty in the data, the CGC should apply the general regional costs gradient to acknowledge there is a strong conceptual case for regional courts being more expensive to operate, and that all magistrates courts are not directly comparable for the reasons listed above.

**The Commission proposes to use the general service delivery scale cost gradient (discounted by 25%) to assess service delivery scale in prisons and not assess regional costs.**

We disagree with the CGC's proposal to discontinue regional costs in the prisons subcomponent. While we agree with the CGC's decision to stop applying factors derived from the prisons regional cost regression model, due to the model's poor explanatory power, we do not believe the service delivery scale cost gradient adequately accounts for increased costs experienced by regional prisons.

The prisons regional cost regression dataset is limited by its small sample size, and the level of detail in the data is also limited as it only includes details on prison size, regionality, and security level of prisoners. The data also includes specialist prison outliers which impact the effectiveness of the model. Therefore, we are particularly concerned when it comes to comparing prisons in remote areas, as remote prisons are less likely to house maximum security prisoners, and are less likely to offer specialist programs found in the metropolitan prisons.

Many prisons serve unique functions that are not controlled for in the regression. For example, the Wandoo Women's Rehabilitation Prison will offer unique programs to support rehabilitation that are not offered in the same capacity at other prisons. As a result, the cost to operate this prison is very high on a per prisoner basis. There are similar trends for pre-release centres. These specialist prisons are typically located in metropolitan areas, and the security level of prisoners will not adequately reflect their costs, inflating metropolitan costs and confounding the regression. These prisons also generally house minimum and medium security prisoners, but require more intensive use of prison services, which is the inverse of what should occur for the security level variable.

The CGC has proposed to stop applying regional costs due to its insignificance in the regression. Given the clear limitations of the data, it is illogical for the CGC to see the poor explanatory power of the model and infer that the lack of explanatory power is due to the lack of a relationship between remoteness and increased costs. The decision to stop applying regional cost factors to the assessment based on remoteness not being significant in the regression does not make sense, given the fact that the CGC has not presented any findings that would explain why circumstances have changed for regional prisons, as it has for no longer applying regional cost factors for courts (due to increased uptake of videoconferencing technology).

We believe that the conceptual case is very strong for prisons being more expensive to operate in regional areas, and there are a number of reasons for this, including the higher costs to:

- transport prisoners to remote locations;
- build and maintain remote facilities;
- attract and house staff; and
- operate flexible facilities that house both sexes in an appropriate way (which is only done outside of the metropolitan area).

Historical analysis has shown that the modelled daily prisoner cost for comparable prisoners was nearly twice as high in remote areas compared to metropolitan areas in 2013-14, and while this analysis has not been repeated, our inquiries indicate that similar trends exist today<sup>1</sup>.

We support the CGC continuing to pursue a regression analysis for regional costs in the prisons component in the future. This could be done by inquiring with States on available data that could be included as control variables in the regression and may improve the model's performance, as Western Australia discussed in its initial submission to the Justice consultation paper as part of the 2025 Review. While the relatively small size of the regression dataset limits its potential accuracy, the outcomes of the analysis are highly important.

In the meantime, only applying the general gradient for service delivery scale does not adequately capture the additional costs that regional and remote prisons face. With regards to applying the general gradient for regional costs, the CGC have stated<sup>2</sup>:

*“Some assessments have data limitations such that a category-specific cost gradient cannot be measured. If there is a conceptual case for regional costs and potentially service delivery scale costs, the Commission applies the general cost gradient as a proxy.”*

Given the clear inadequacy of the data available for this assessment, we strongly believe it is appropriate for the CGC to address the clear conceptual case for both regional costs and service delivery scale by applying the combined general gradient, which is already discounted for potential uncertainty within the data.

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<sup>1</sup> Economic Regulation Authority (2015), Inquiry into the Efficiency and Performance of Western Australian Prisons – Draft report, p.65  
[https://www.parliament.wa.gov.au/publications/tailedpapers.nsf/displaypaper/3913558a534b15ce0a5bbbed348257ef30024da76/\\$file/3558.pdf](https://www.parliament.wa.gov.au/publications/tailedpapers.nsf/displaypaper/3913558a534b15ce0a5bbbed348257ef30024da76/$file/3558.pdf)

<sup>2</sup> Commonwealth Grants Commission (2025) Commissions Assessment Methodology, p.173,  
[https://www.cgc.gov.au/sites/default/files/2025-03/2025R\\_Commissions%20Assessment%20Methodology\\_Consolidated.pdf](https://www.cgc.gov.au/sites/default/files/2025-03/2025R_Commissions%20Assessment%20Methodology_Consolidated.pdf)