



Australian Government
Commonwealth Grants Commission

Overview of the final draft justice assessment

2026 Update

October 2025

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Summary

The Commission is proposing to proceed with the following, which were outlined in the justice draft position paper:

- using 2022–23 data
- using 2021 Census based First Nations projections of estimated resident population
- allocating central costs as 50:50 between full time equivalent staff and police district expenses
- combining the remote and very remote cost weights
- not including a remote offender variable in the police regression
- not including a global cities assessment
- using a 5-tier system to measure First Nations socio-economic status in the police component
- not making an EPC assessment of criminal courts
- removing the regional gradient in the criminal courts and other legal services assessment
- applying the general service delivery scale gradient in the prisons component.

The Commission is proposing to include an assessment for juvenile detainees because it was material after the inclusion of 2023–24 data.

The Commission is proposing to not include an assessment for community corrections because it was immaterial after the inclusion of 2023–24 data.

Background

- 1 The Commission released the justice draft position paper to states in June 2025. It included a proposed method based on 2022–23 data only. This paper builds on the previous paper by including 2023–24 data and responding to state submissions. The Commission received written submissions from 7 states.
- 2 This paper sets out the changes since the justice draft position paper and the reasons for those changes. It includes indicative GST impacts of the new methods, reflecting the changes since the justice draft position paper.
- 3 Indicative GST impacts are calculated using the 3 assessment years of the 2025 Review and applying the Commission’s final draft proposed method changes as outlined in this paper.
- 4 GST impacts are provided for illustrative purposes only and should not be used to estimate the GST distribution for 2026–27. The GST impacts in the Commission’s 2026 Update will include updated data and will differ from the illustrative impacts in this paper.
- 5 The Commission invites states to comment on the final draft positions presented in this paper by 12 November 2025. If significant changes are made to the proposed assessment in response to state comments the Commission will notify states as soon as practical before the release of the 2026 Update.

Assessment issues identified in the justice draft position paper

Justice model and data issues

Are 2022–23 and 2023–24 data fit for purpose?

Background

- 6 The Commission considered 2022–23 data from states to be fit for purpose for use in developing the justice assessment because:
 - justice service use and provision in 2022–23 have likely reverted to pre COVID-19 trends
 - state data for police and courts show consistent patterns regarding socio-demographic and socio-economic drivers of justice services.
- 7 The Commission also considered 2022–23 and 2023–24 data from the ABS and the Australian Institute of Health and Welfare to be the best available and fit for purpose for use in the prisons assessment.
- 8 The Commission has received and analysed 2023–24 data from the states.

State views

- 9 Most states agreed with the Commission using 2022–23 data in the justice assessment.
- 10 Victoria agreed that justice service use and provision had likely reverted to pre COVID-19 trends. However, Victoria reiterated views presented in previous submissions that data are of poor quality and that the Commission should discount the assessment to reflect this.
- 11 Queensland and the ACT said that the Commission should ensure the data are fit for purpose and of a suitable quality before incorporating them into the assessment. The ACT asked the Commission to provide states with detailed supporting information on the data inputs used to derive impacts prior to the release of the final position paper.
- 12 The Northern Territory said that data were fit for purpose but reserved the right to make its final decision once 2023–24 data were available for consideration. The Northern Territory no longer recommended that the Commission introduce annual updates to the data for the justice assessment.

Commission response

- 13 The Commission has tested state provided data for 2023–24 and is confident that the data are fit for purpose and sufficiently robust for inclusion in the police and courts assessments.
- 14 The Commission considers that 2022–23 and 2023–24 state data on prison costs are not fit for purpose to update regional costs in the prisons assessment. This is discussed further in the prisons section of this paper.
- 15 Attachment A shows the relationships present in 2022–23 and 2023–24 data.

Commission final draft position

- 16 The Commission considers that, with the exception of state data on prison costs, both 2022–23 and 2023–24 data are robust and fit for purpose for use in updating the justice assessment.

Using 2021 Census based estimated resident population and First Nations proportions

Background

- 17 The Commission considers it appropriate to use the 2021 Census-based estimated resident population in conjunction with use data from 2022–23 and 2023–24 in the revised justice assessment.

State views

- 18 New South Wales, Queensland and the Northern Territory agreed that 2021 Census based projections of First Nations estimated resident population should be incorporated into the justice assessment.
- 19 New South Wales said that it would engage further with the Commission on this issue in the First Nations spending needs project on the forward work program in consultation with First Nations communities.
- 20 Queensland said that, given the increase in non-demographic growth, 2021 Census based projections of First Nations estimated resident population should be tested for quality to ensure bias is not introduced into the assessment. Queensland noted that over half of the growth in the First Nations population in the 2021 Census was attributable to non-demographic factors, making the composition of the First Nations population in the 2021 Census not directly comparable to that of the 2016 Census.
- 21 The Northern Territory said that, while it was appropriate and necessary for the new population data to flow through into the justice assessment, further consideration of non-demographic change was required. The Northern Territory noted that this issue will be addressed in the forward work program, under the First Nations spending needs project.

Commission response

- 22 The Commission notes that this issue will be examined as part of the First Nations spending needs forward work program project.
- 23 Using 2021 Census based projections of estimated resident population allows the Commission to keep data within the justice assessment consistent and more contemporaneous. It is appropriate that updated use rates for justice services, which use state data collected in 2022–23 and 2023–24, also use updated population profiles (which are contemporaneous with the use data). It is consistent with the Commission's previous approach when updating the use rate data for the justice assessment.
- 24 Until 2026 Census estimated First Nations populations are available, the Commission considers it appropriate to apply projections based on 2021 Census data in the police and courts assessments. Prison use data are updated annually. Therefore, the Commission considers it appropriate to apply the 2026 Census estimated populations in the prisons assessment when available.

Commission final draft position

- 25 The Commission proposes to use 2021 Census based estimated resident populations in the revised justice assessment method.

- 26 When 2026 Census estimated resident populations are available, the Commission proposes to apply First Nations projections based on the 2021 Census in the police and courts assessments and 2026 Census estimated First Nations populations in the prisons assessment.
- 27 The Commission is examining how it measures differences in spending needs faced by First Nations populations as part of the forward work program.

Police assessment

How should central costs be allocated to regions?

Background

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

State views

- 29 States had differing views, with some advocating for retaining the current method (costs attributed on the basis of district expenses) and others supporting a move to recognise and allocate more to full-time equivalent staff.
- 30 Queensland, Western Australia, Tasmania and the Northern Territory supported retaining the 2020 Review assessment, which attributes central costs entirely on the proportion of expenses in police districts. These states suggested that allocating central costs on a 50:50 basis between district costs and full-time equivalent staff would understate regional costs.
- 31 Queensland said that better data on central costs, especially data from states with large remote areas, were required to make an informed decision on the distribution of central costs. Queensland recommended that this issue should be referred to the Data Working Group.
- 32 Western Australia conducted analysis on state centrally controlled services data provided by its police force for 2023–24. Western Australia said that this data showed that the majority of its expenses are from specialist policing services with 19% of expenses being attributable to corporate overheads.
- 33 Similarly, the Northern Territory said that some support services are driven by full-time equivalent staff but that the more substantial component of support services are better apportioned by district expenses. The Northern Territory said that full-time equivalent staff would undercount support services required in regions where staff operate on a rotational basis, and that central regional hubs are maintained at higher levels to enable back filling of remote stations during leave periods. The Northern Territory said that specialist services should be apportioned in line with district expenses because they are driven by the same cost drivers as police districts. Given the number and variety of cost centres, the Northern Territory

considered it not feasible to investigate all the possible drivers of central costs and considered a broad apportionment approach to be appropriate. Further to this, it noted that there is no clear definition of central costs and that central cost centre structures differ between states. It said that the Commission's observation that 43–73% of police costs were 'central' was inconsistent with its experience and likely reflected differences in state identification approaches. For this reason, the Northern Territory suggested reframing the discussion from apportionment of 'central costs' to either 'statewide services' or 'dispersed services'.

- 34 While supporting a retention of the current method, Western Australia and the Northern Territory noted that a 25:75 distribution, with 75% distributed based on district expenses, could be used as an alternative to retaining the 2020 Review assessment.
- 35 Tasmania said that the 2020 Review method should be retained until more nationally comparable data on central costs became available. Tasmania acknowledged the Commission's need to exercise judgement on this issue.
- 36 New South Wales, Victoria and the ACT supported the Commission allocating central costs on the basis of 75:25, with 75% for the proportion of full-time equivalent staff in each police district and 25% on the proportion of district expenses.
- 37 New South Wales said that specialist or central service costs are driven mostly by service use in metropolitan areas and that regional costs would be overstated in a 50:50 allocation of central costs. It considered that central costs should be apportioned to regions according to service use and that this apportionment should be based, wherever possible, on individual states' data. New South Wales also provided evidence to show that the ratio of full-time equivalent and district expense driven central costs was unlikely to fall from 75% to 25%, even if data for all states were available.
- 38 Victoria said that population size alone is the most appropriate driver of policing costs and full-time equivalent staff is a better representation of population than district expenses. It considered district expenses to be a less reliable indicator of expenditure needs across districts. Given the size of central costs expenses and the large impact this adjustment has on distribution, Victoria did not consider the use of judgement to be justified.
- 39 The ACT said that central costs are more aligned with population distribution in the states and recommended that a 75:25 split, suggested by the available data, be adopted until further evidence could be collected. The ACT argued that a 75:25 split roughly reflects the demographic distribution of the Australian urban population relative to Australia's total population.

Commission response

- 40 The Commission considers that allocating central costs entirely on the basis of police district expenses would be inappropriate as all states have police support services where expenses are driven by staff use. Therefore, allocating some central cost expenses by full-time equivalent staff is supported by a strong conceptual case.
- 41 The Commission proposes to use an allocation method that includes both district expenses and full-time equivalent staff to recognise that staff use of support services and remoteness drives expenses. It does not consider retaining the 2020 Review model until better data are available to be appropriate because staff use of support services drives a significant proportion of central costs.
- 42 State data for 2023–24 showed broadly similar trends to 2022–23 data in terms of the size of individual central cost line items and their share of total central costs. These data suggested the split between central costs driven by full-time equivalent staff and police district expenses was broadly 75:25. For 2023–24, the Commission was also able to include Queensland data in its analysis of central costs but encountered similar issues to that of data provided by other states.
- 43 The Commission retains concerns with using an exact split of central cost allocation based on available data. The concerns stem from several issues identified within the state data, including:
- differing levels of central cost function aggregation
 - some central cost functions being plausibly influenced by multiple drivers
 - not all states being able to provide disaggregated central cost data
 - ambiguity on the tasks or functions completed by some state-identified central costs.
- 44 The Commission notes New South Wales' analysis presenting the possible impact of missing data using a population-weighted approach. The Commission's approach was based on a simple average of all states and included rounding. As the Commission sought to determine an appropriate split of expenses for each state to calculate an average, it had no basis for weighting each state split by population. Even so, given the data issues raised above, the Commission does not consider it possible to make a more precise estimate of the relative split.
- 45 Given the issues with central costs data, the Commission acknowledges that judgement is required to make a split. Given the strong conceptual case to apportion on the basis of both full-time equivalent staff and district expenses, and in the absence of better data to calculate a more precise split, the Commission considers the 50:50 split between full-time equivalent staff and police district expenses appropriate. The Commission notes that this is a broad estimate of the national average split, which may not reflect states' individual circumstances. The Commission considers that the same split should be applied across states to ensure consistency of treatment.

- 46 The Commission considers that concerns with the clarity and consistency of state data could be addressed as part of future data request processes in consultation with states.

Commission final draft position

- 47 The Commission proposes allocating central costs based on a 50:50 split between full-time equivalent staff and police district expenses.

What is the correct specification of the police regression model?

Background

- 48 The Commission proposed to:
- combine the remote and very remote variables in the police regression, if supported with the inclusion of 2023–24 data
 - not include an additional cost weight for remote offenders.
- 49 When incorporated in the regression, an additional remote offender variable was not significant. The Commission could not find evidence that remote offenders cost more than non-remote offenders.

State views

Combining remote and very remote variables

- 50 Queensland, Tasmania and the ACT supported combining the remote and very remote variables in the police regression.
- 51 While Queensland supported combining the variables, it maintained that very remote regions incur significantly higher costs than remote regions. It said that the observed trends in the 2022–23 data appear to be influenced by the reallocation of police resources within the Northern Territory. Queensland asked the Commission to carefully analyse the 2023–24 data before integrating them into the assessment, to rule out any temporary effects from the Northern Territory.
- 52 Tasmania said its experience was that demand for police services and their related costs is greater in remote areas than in very remote areas.
- 53 The ACT said that it supported combining the remote variables if the inclusion of 2023–24 in the regression showed the same relationship as the regression based on 2022–23 data.
- 54 Western Australia was not opposed to the combining of the remote and very remote variables.
- 55 The Northern Territory said that it had no in-principle concerns about combining the variables, but that it would wait until 2023–24 data were included in the assessment before providing a final position on this issue.

Additional remote offender variable

- 56 New South Wales, Victoria, Tasmania and the ACT supported not including a remote offender variable.
- 57 New South Wales said that the assessment already accounts for remoteness costs in the police regression and the inclusion of the variable has little explanatory value. It considered that incorporating a measure for the severity of crime would be useful but acknowledged that this is not possible due to data limitations.
- 58 The ACT supported not including the remote offender variable because it was statistically insignificant when incorporated into the regression model.
- 59 Western Australia was not opposed to the exclusion of the remote offender variable. Western Australia said that while the conceptual case for remote offenders was strong, the relationship is not supported by data.
- 60 Queensland did not support the position to not include an additional cost weight for remote offenders. It said that remoteness costs are not adequately captured by the assessment and that an additional remoteness factor would help to address some of this. Queensland presented analysis showing that costs of supplies and services in very remote areas were 331% higher and depreciation costs were 406% higher than metropolitan areas. It said that these costs were associated with transportation and travel, higher numbers of police stations, police housing, vessels and aircraft to maintain a policing presence, higher overheads for capital works and cultural isolation factors.
- 61 Queensland provided further examples, highlighting the significant costs and challenges faced in policing the Torres Strait and the additional need for specialised equipment. It compared communities with similar population and remoteness profiles, Aurukun (Queensland) and Brewarrina (New South Wales). It said that these areas would be treated similarly, despite Aurukun's First Nations population proportion and median age being 89% and 29 years respectively, as opposed to 59% and 36 years in Brewarrina, contributing to 4.5 times more assaults in Aurukun than Brewarrina. Queensland said that isolating remoteness from offending underestimates Queensland's needs and that cost drivers should be combined and applied to offender cohorts by location.

Alternative model specification

- 62 Victoria noted that the Commission did not respond to its recommendation to include underlying drivers in the regression model without the intermediate step of calculating assessed offenders.

Commission response

Updating the regression model with 2023–24 data

- 63 Analysis of the final regression data, including data for 2023–24, supported the use of the model specification proposed in the July 2025 justice addendum. The method

and data produced a model with an adjusted R-squared of 0.735 and all variables were highly significant at 0.001 confidence (see Table 1). The most notable difference compared to results using only 2022–23 data was a higher offender coefficient, increasing from \$8,951 to \$9,770.

64 Table 2 shows the corresponding cost weights.

Table 1 Proposed police regression, 2022–23 and 2023–24

	Estimate	Standard error	Significance
Intercept	254	26	***
Inner regional	164	42	***
Outer regional	287	62	***
All remote	1,193	144	***
Offenders	9,770	1,015	***
Adjusted R-squared	0.735		
Sample size	152		

Note: *** represents statistically significant coefficients at a 0.001 confidence.

Table 2 Proposed police regression cost weights, 2022–23 and 2023–24

Cost weight	Proposed	2020 Review
Per person in major cities area	1.00	1.00
Per person in inner regional area	1.64	1.50
Per person in outer regional area	2.13	1.72
Per person in remote area (a)	5.69	5.42
Per person in very remote area (a)	5.69	6.90
Per offender	38.44	19.95

(a) The Commission is proposing to combine the cost weights for remote and very remote areas in the police regression for the 2026 Update.

Combining remote and very remote variables

65 The very remote coefficient continues to be lower than the remote coefficient when 2023–24 data are incorporated into the regression model (see Attachment B, Table B-1). Commission analysis of 2023–24 data provided by the Northern Territory showed that very remote costs remain lower than costs in remote areas. The Commission considers the conceptual case for higher costs in very remote areas is strong and that it is too early to determine whether this relationship reflects a permanent change in what states do. Until a long-term trend can be established, the Commission considers it appropriate to combine remote and very remote cost weights. It will revisit this issue with updated data in the next review.

Additional remote offender variable

66 Regression analysis using 2022–23 and 2023–24 data suggested that the costs of running police districts would be estimated more accurately overall through the inclusion of a remote offender variable (see Attachment B, Table B-2). The

Commission notes that the remote offender variable produced a positive and significant coefficient, but its inclusion resulted in the coefficient for remote areas decreasing substantially and losing significance.

- 67 Including a coefficient for remote offenders would reduce the cost weight for remote populations from \$1,193 to \$301 per person, while the standard error for this estimate would more than double. The coefficient for offenders and its standard error would remain relatively unaffected. This increased error in the model that included the remote offender interaction was due to remote offenders being highly collinear to remote populations as shown by the variance inflation factors (see attachment B, Table B-3).¹
- 68 Instead of assessed spending being attributed to remote populations, this approach would attribute the additional spending to remote offenders. This means that some aspects of regional costs would be applied to offenders and some to population. There would be very low confidence in whether this reallocation of costs was appropriate. The Commission notes that within the total sample of 152 police districts, only a small number serviced remote areas. Such a small sample size makes it difficult to reliably quantify the cost of remote offenders separately from the cost of remote populations. The collinearity between these 2 variables would significantly compromise the precision of the derived cost weights. The Commission considers the added complexity of including remote offenders is not warranted.
- 69 The proposed regression model assesses the cost of policing remote populations as 470% higher per capita than metropolitan populations, not including the impact of offenders. The Commission considers this figure at least comparable to Queensland's evidence of cost differences of 406% and 331%.
- 70 The Commission notes that the costs captured by the regression reflect the entire policing task, and limiting the assessment to solely focus on offenders would not adequately capture costs associated with non-offender driven activities.
- 71 Regarding the treatment of Aurukun and Brewarrina, the Commission notes that the proposed assessment recognises the difference in use of justice services related to socio-demographic and socio-economic characteristics of the population. The proposed assessment would estimate Aurukun as having 1.8 times more proceedings, including all offence types, than Brewarrina and therefore higher assessed costs.²
- 72 The Commission acknowledges Queensland's argument that the significant geographic costs in policing the Torres Strait may not be adequately captured by the regional cost gradient within the proposed assessment. There is a strong conceptual case that policing communities spread across islands would be more expensive than policing a similar demographic on the mainland. However, quantifying this distinct geographic cost is not currently possible due to data constraints.

¹ Variance inflation factors measure multicollinearity, the extent to which independent variables in a regression model are correlated, by showing how much the variance of an estimated coefficient increases due to this correlation.

² The Commission notes that Queensland refers to differences in the number of assaults in Aurukun and Brewarrina. The Commission analysis is based on total proceedings because fit-for-purpose data on the cost by offence type are not available.

- 73 With most state provided costings data only being disaggregated to police district level, and given the lack of comparable areas nationally, deriving a policy neutral assessment for such areas is not currently feasible. The Commission will monitor this issue in preparation for the next review.

Alternative model specification

- 74 The Commission considered Victoria's suggestion to use a model that includes district level characteristics that drive offenders. Table B-4 in Attachment B contains results of a regression model similar to the model presented in Victoria's consultant's report, which replaced offenders per capita with variables for Indigenous status and socio-economic disadvantage.
- 75 A lower R-squared indicates that this is less accurate in predicting costs of police districts than the proposed regression model using offenders. Further, high standard errors for the introduced variables indicate low confidence in cost weights. The Commission considers that the inability of the regression to reliably capture the association between costs and socio-demographic drivers of offenders is due to the limited size of the regression dataset.
- 76 The Commission considers the inclusion of regional and offender variables in the regression is appropriate because policing costs are driven by activities related to offenders, such as preventing and reacting to crime, as well as non-offender driven activities.

Commission final draft position

- 77 The Commission proposes to:
- group remote and very remote areas in its police regression incorporating 2022–23 and 2023–24 state data
 - not add an additional variable for remote offenders into the police regression
 - not change the specification of the model to include additional variables.

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

Background

- 78 The Commission proposed not to include a global cities driver in the assessment of police expenses. This was due to the difficulty of defining its scope and estimating offence-specific costs due to data limitations. The issue of culturally and linguistically diverse populations will be considered as part of the forward work program.

State views

- 79 Queensland, Western Australia, Tasmania, the ACT and the Northern Territory did not support a global cities driver in the police assessment.

- 80 Queensland and Western Australia said that the influence of Commonwealth spending on complex crimes, such as terrorism, financial crimes and cybercrimes, makes the relationship between global cities and policing costs unclear.
- 81 Tasmania said that there was no conceptual case for a global cities driver and that costs for providing police services for counter terrorism and complex crime were not unique to major cities.
- 82 The ACT said that exploring data options for assessing counterterrorism and complex crime could be undertaken in the Data Working Group or by adding it to the forward work program. The ACT said that counterterrorism activities occur across all regions and cannot be linked with geographic factors such as globalised or major cities.
- 83 The Northern Territory did not believe that there was sufficient evidence or a conceptual case to support a global cities driver. The Northern Territory noted that cultural and linguistic diversity is included in the forward work program.
- 84 New South Wales said that a global cities driver was required to account for the extra costs associated with providing police services in densely populated areas and central business districts. It considered that, while terrorism, organised and drug related crimes are not unique to major cities, they are more likely to occur in major cities than in regional areas. New South Wales suggested that the need for a separate global cities driver could be mitigated through the apportionment of more central costs to metropolitan areas.
- 85 Victoria supported the consideration of cultural and linguistic diversity in the forward work program. Victoria also supported further investigation into whether certain police costs are unique to major cities and consideration of data on complex crimes and Australian Federal Police assistance in the Data Working Group.

Commission response

- 86 The Commission notes that data on global cities expenses are limited. This is partly due to the absence of a clear definition of what constitutes a global city expense or crime. While certain crimes like terrorism and complex crimes may occur more often in major global-type cities, the Commission does not have data to determine the offence rates of these crimes in different regions even if it had a global city definition. The Commission does not have offender data for all states disaggregated by offence-type and location, nor data on the costs associated with policing these specific types of crime.
- 87 As some states raised in their submissions, Commonwealth assistance in matters relating to more serious crimes that might come under the definition of a global city crime complicates the issue. The Commission would need to determine the impact of this assistance on the offence rates for these crimes and their associated expenses.

- 88 Given the difficulty in defining the scope of a global cities driver and estimating offence-specific costs due to data limitations, the Commission is unable, at this time, to introduce a global cities driver into the police assessment.

Commission final draft position

- 89 The Commission proposes not to assess a global cities driver in the police assessment.

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

Background

- 90 Subject to 2023–24 data, the Commission proposed moving from a 3-tier structure to a 5-tier structure to measure the socio-economic status of First Nations offenders.

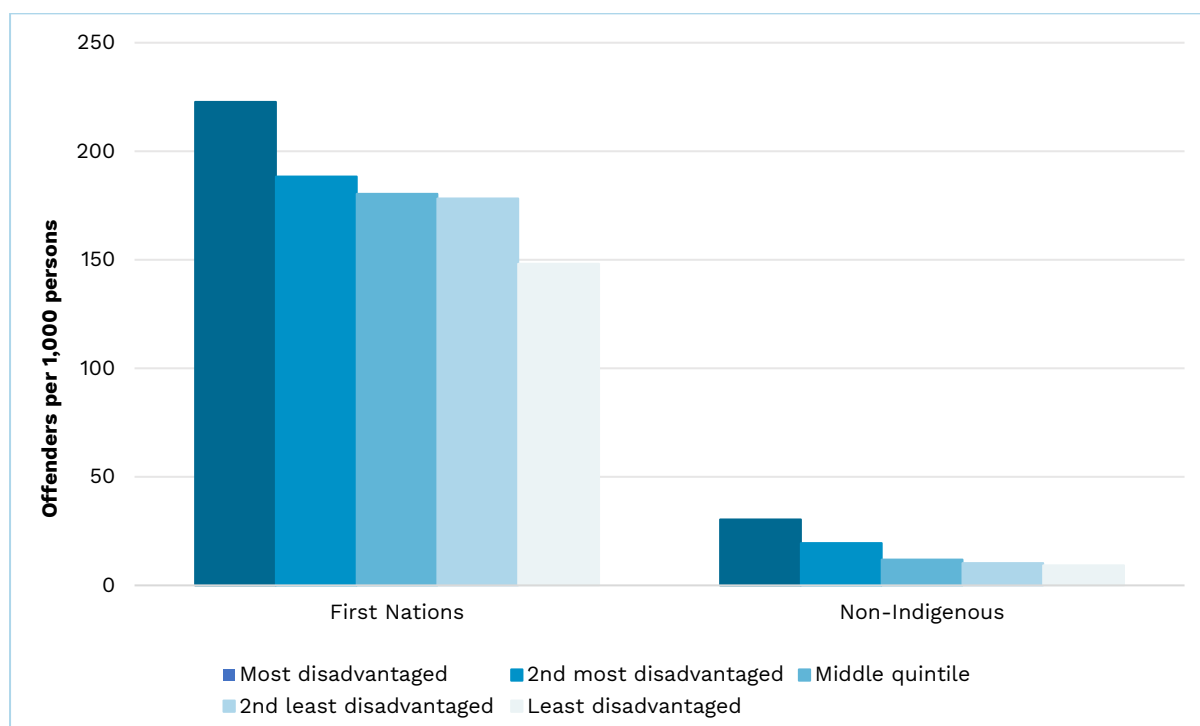
State views

- 91 Victoria, Queensland, Western Australia and Tasmania supported moving to a 5-tier structure to measure the socio-economic status of First Nations offenders.
- 92 Victoria said that the Commission should adopt a 5-tier relationship regardless of the relationship shown once 2023–24 data has been incorporated. This would account for the evolving relationship between First Nations interactions with the justice system and socio-economic status.
- 93 Queensland said that the Commission should only apply a 5-tier relationship if it is also observed in 2023–24 data. Otherwise, the Commission should retain the 3-tier structure.
- 94 The Northern Territory had no in-principle concerns with using a 5-tier structure but deferred a final position pending 2023–24 data.
- 95 The ACT suggested that the Commission re-test whether a uniform relationship still exists between decreased offence rates and First Nations people living in less disadvantaged areas. The ACT asked the Commission to present its analysis with 2023–24 data to states before finalising any methodology change.

Commission response

- 96 The Commission retested the relationship of First Nations offenders disaggregated by their socio-economic status using an average of 2022–23 and 2023–24 data. Figure 1 shows that a uniform relationship exists between decreased offence rates and First Nations people living in less disadvantaged areas.

Figure 1 First Nations offenders by socio-economic status, 2022–23 and 2023–24 data



Commission final draft position

- 97 The Commission proposes to use a 5-tier structure to measure the socio-economic status of First Nations offenders.

Criminal courts assessment

Should criminal courts be assessed equal per capita?

Background

- 98 The Commission proposed not to assess the criminal courts component on an equal per capita basis. The Commission considers that removing the socio-demographic composition driver from the assessment would negatively affect its rigour.

State views

- 99 Queensland, Western Australia, Tasmania, the ACT and the Northern Territory supported not assessing criminal courts expenses in a deliberative equal per capita assessment.
- 100 Queensland said that population explains far less of the variation in court expenses compared to the numbers of finalised defendants or court lodgements. Queensland considered that an equal per capita driver would incorrectly assume that all individuals have the same need for court services, disregarding the influence of socio-economic status, which affect the likelihood of individuals interacting with the criminal court system.

- 101 Tasmania said that the socio-demographic drivers affecting the number of assessed offenders should similarly apply to the criminal courts assessment.
- 102 The ACT supported the continued use of socio-demographic drivers in the assessment. However, the ACT recommended exploring other drivers because finalised defendants alone may not fully reflect the complexity of criminal courts costs. The ACT said that the number of defendants alone would not capture the significant resources allocated by states to divert offenders before they enter the justice system or the differences in the allocation of resources according to offence type. The ACT recommended a 25% discount to account for data limitations in the criminal courts assessment.
- 103 The Northern Territory said that defendant rates are highly correlated with demographics and that it is not credible to suggest defendant rates have no bearing on court costs.
- 104 Victoria supported a deliberative equal per capita approach being adopted by the Commission. Victoria reiterated its position that population is a better predictor of court expenses than finalisations. The variation between finalisation rates per capita and costs per finalisations between states suggests that a large proportion of expenditure is independent of the number of finalisations. Victoria said that population is the best theoretical and empirical driver of need.
- 105 New South Wales considered the evidence produced by Victoria in response to the Draft Report showed a clear relationship between population and court expenses.

Commission response

- 106 The Commission applies deliberative equal per capita assessments in circumstances where state services are broadly provided for the entire state population. As only a proportion of the population become defendants and the use of criminal courts services is driven by the number of defendants, a socio-demographic composition approach to assessing expenses is supported by a strong conceptual case. This is consistent with the police and prisons components that recognise only a proportion of the population become offenders and prisoners.
- 107 The Commission considers finalised defendants remain an appropriate measure of criminal courts expense needs. It acknowledges that other drivers of criminal court expenses exist, such as case complexity, but data limitations prevent it from including these in the assessment.

Commission final draft position

- 108 The Commission proposes to not assess the criminal courts component on an equal per capita basis and continue using finalised defendants.

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

Background

- 109 Subject to 2023–24 data, the Commission proposed to discontinue assessing regional costs for criminal and civil courts. Analysis of the available data did not show a clear relationship between remoteness and magistrates court expenses. While based on analysis of data from 5 states, the Commission considered that this analysis was representative of the average experience of all states because data were from states of varying size and remoteness profiles.

State views

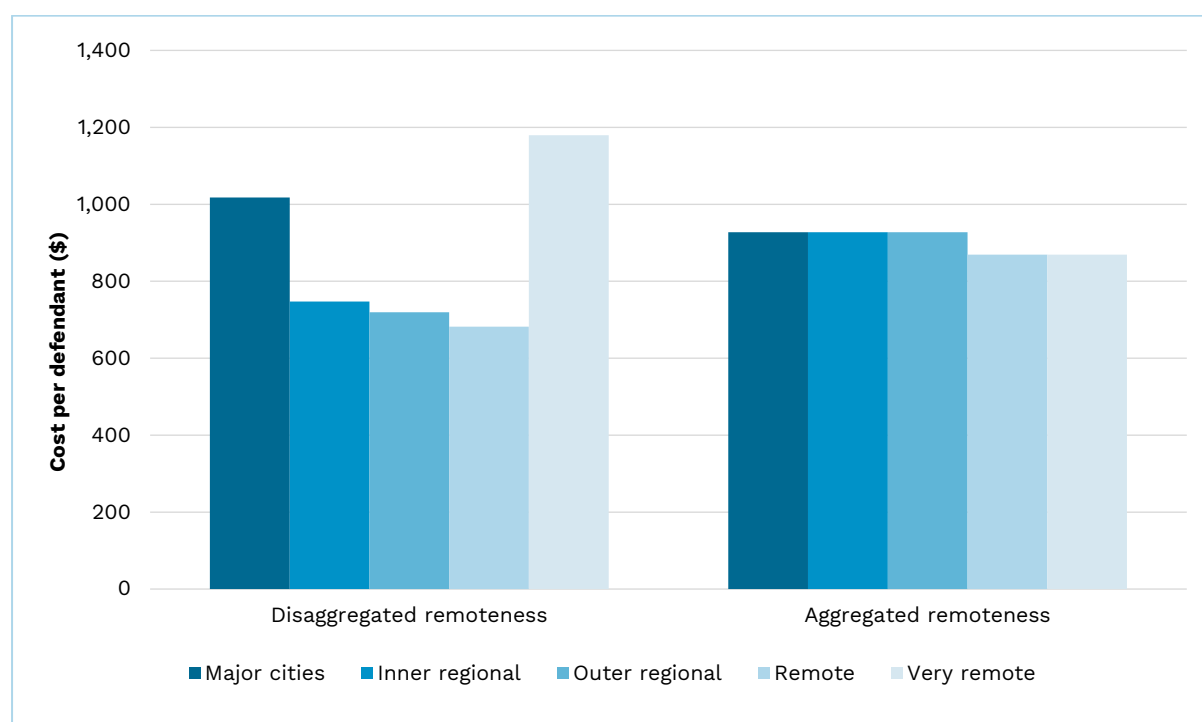
- 110 New South Wales, Victoria, Tasmania and the ACT supported the Commission's proposal to remove the regional gradient from the criminal courts and other legal services assessment.
- 111 New South Wales said that the inclusion of technology in courts has eliminated any additional costs driven by remoteness. It noted that soon all bail hearings will be held virtually in New South Wales.
- 112 Victoria said that there should be no regional cost weight because data were only provided by 5 states, so unrepresentative of the national average and unfit for purpose. Victoria did not consider size and remoteness profiles to be major drivers of difference in per capita expenditure.
- 113 Tasmania said that, while it did not have data on the use of audiovisual technology in regional courts, it supported the removal of the regional gradient for criminal courts.
- 114 The ACT said that the Commission should confirm that this is a long-term trend and not a one-off anomaly embedded in 2022–23 data. The ACT said that limits in data sharing mean that the ACT is unable to ascertain whether costs reflected in 2022–23 also include one-off capital expenditures incurred by states centrally and which may distort the cost allocation between urban and remote areas. The ACT asked that the Commission conduct an expanded literature review to confirm that this shift is structural and long-term.
- 115 Queensland, Western Australia and the Northern Territory said that the Commission should retain the regional gradient applied to criminal courts and other legal services.
- 116 Queensland said that the Commission should retain the 2020 Review gradient. This would capture the additional costs associated with travelling to attend remote courts. Queensland argued that while structural changes have occurred in courts, implementation challenges remain. The capital works costs for installing audio-visual technology in older courts and prisons, particularly those in remote and regional areas, justify the need to retain a regional cost gradient.

- 117 Western Australia noted that the Perth Magistrates Court served a unique function in that its expenses include substantial overheads that are similar to central costs. It indicated that the Perth Magistrates Court hosts the vast majority of complex multiday trials and specialist courts, that prosecuting agencies log some of the most serious cases at the court and that it is the only court that processes custodial hearings via video conferencing on the weekend. Because this court and other states' metropolitan courts had these unique circumstances, it considered that these courts significantly impacted the cost per defendant in non-regional areas. Western Australia said that due to uncertainty in the cost data the general regional costs gradient should be applied to the criminal courts and other legal services.
- 118 The Northern Territory said there is a strong conceptual case that remoteness costs exist. The Northern Territory said that the Commission should retain the 2020 Review gradient, apply the general regional and service delivery scale gradient or apply just the general service delivery scale gradient. The Northern Territory argued that case complexity contributes to costs and obscures the observable relationship between region and costs. The Northern Territory said that the data provided to the Commission only allow for high level analysis and that this does not account for various factors that may obscure the relationship between region and costs. The Northern Territory said that the removal of the regional loading based solely on the total cost per finalisation conflates possible drivers and that this issue warrants further consideration in a future review.

Commission response

- 119 Like 2022–23 data, 2023–24 data showed an absence of a clear relationship between remoteness and court expenses (Figure 2). This includes when remoteness areas are aggregated to remote and non-remote regions.

Figure 2 Cost per defendant in magistrates courts by remoteness area, 2022–23 and 2023–24 data



- 120 Six out of eight states provided 2023–24 data that could be used to analyse the relationship between remoteness and criminal court expenses, including Queensland, whose 2022–23 data were unsuitable.³ The Commission considers these data are representative of the average experience of all states because they were from states of varying size and remoteness profiles, including those with the largest remote populations.
- 121 While case complexity and some centralised expenses likely affect the cost per defendant and measurable gradient, data limitations prevent the Commission from quantifying their impact. However, the Commission does not consider that these factors significantly impact the assessment of criminal court expense needs. One state provided centralised budget data, while data from other states do not indicate substantial overhead expenses are being captured in metropolitan courts. This appears to be unique to the Perth Magistrates Court.
- 122 The Commission tested removing the Perth Magistrates Court from analysis for the purpose of determining its impact. This reduced the cost per defendant in major cities, but did not produce a positive regional gradient.
- 123 The Commission does not have data to determine how case complexity affects criminal court expenses and so weights all cases equally. This is consistent with the treatment of not weighting offenders by the seriousness of crimes in the police component. Even if an adjustment for case complexity could be applied, the Commission considers it likely that any adjustment would offset any regional

³ Queensland's 2022–23 criminal court expenses were apportioned based on the number of finalised defendants in each court. This meant that the Commission was unable to determine the difference between the cost per defendant in each remoteness area.

gradient, leading to a similar outcome as the proposed assessment. For this reason, the Commission does not consider that, in combination, case complexity and regional costs significantly affect the estimated criminal court expense needs.

- 124 Retaining the 2020 Review gradient would not be appropriate as it would be based on non-contemporaneous data that no longer reflect what states do in providing court services. It would also be inappropriate to maintain the gradient in the recurrent assessment to recognise capital works costs as these are covered in the Commission's investment category.
- 125 The conceptual case for regional costs in courts has been weakened by the adoption of audiovisual technology. The Commission conducted a literature review prior to the release of the justice draft position paper, which suggested that the uptake of audio-visual technology in courts was strong. The increasing use of this technology means that states have reduced court expenses, particularly in regard to travel. The Commission considers there to be insufficient grounds for using the general gradient.

Commission final draft position

- 126 The Commission proposes to discontinue assessing regional costs for criminal and civil courts.

Prisons assessment

Is a juvenile detainee cost weight or separate assessment for community corrections material?

Background

- 127 The Commission proposed to retest the materiality of a juvenile detainee cost weight and an assessment of community corrections when 2023–24 data are available. Neither approach was material when tested with 2022–23 data.
- The inclusion of a juvenile detainee cost weight was close to being material for one state, moving \$38 per capita.
 - The inclusion of a community corrections assessment was found not to be material, moving \$29 per capita for one state.

State views

Juvenile detainees

- 128 New South Wales, Queensland, Western Australia and Tasmania supported including a juvenile detainees assessment into the justice method, if material.
- 129 Queensland said that the Commission should use cost per bed night based on the *Report on Government Services* data to account for shorter average lengths of stay in juvenile detention. Queensland also said that costs and detainee populations should be updated annually. Queensland argued that failing to apply a cost weight for juvenile detainees would not adequately reflect the substantially higher costs that

juvenile detainees have over adult prisoners. Queensland noted that while the Report on Government Services data included a qualifier on comparability across jurisdictions, it remains the best available source for determining cost differences between adult prisoners and juvenile detainees.

- 130 The ACT supported retesting the materiality of the juvenile detainees assessment and further consultation with states before making a change.
- 131 Victoria did not support the inclusion of an assessment of juvenile detainees based on data from the Report on Government Services. It said that the Productivity Commission continues to advise that data are not comparable across jurisdictions. As such, Victoria did not consider data to be fit for purpose.

Community corrections

- 132 New South Wales, Western Australia and the ACT supported the inclusion of a community corrections assessment, if material, in the justice method.
- 133 New South Wales said the use of weighted average service levels across all states ensures that the assessment will be policy neutral.
- 134 Queensland did not support the incorporation of a community corrections assessment into the justice method.
- 135 Queensland said that materiality in this assessment is driven by New South Wales policy to use community corrections orders at a much higher rate than other states. If this issue is material, there needs to be a consideration of the complexity and policy neutrality of data.
- 136 Victoria argued that data on community corrections are not comparable between states due to differences in state classifications of community corrections orders, particularly with New South Wales' policy choices. If an assessment is material, an adjustment to account for differences in state classifications should be considered and the method be consulted on further with states.
- 137 Tasmania and the ACT supported retesting this assessment with 2023–24 data and consulting with states further before making a change.

Commission response

Juvenile detainees

- 138 The Commission has retested a juvenile detainee cost weight using 2023–24 data and found it to be material, moving \$48 per capita for one state. The cost weights are presented in Table 3 and will be updated annually using the latest ABS Prisoner and Report on Government Services data.

Table 3 Calculating the juvenile detainee cost weight

	2021-22	2022-23	2023-24
Cost Juvenile detention (\$m)	895	908	1,003
Cost adult prisons (\$m)	4,863	4,853	5,016
Juvenile detainees (No.)	826	835	827
Adult prisoners (No.)	40,342	41,814	44,159
Yearly cost per juvenile detainee (\$)	1,083,542	1,087,568	1,212,486
Yearly cost per adult prisoner (\$)	120,544	116,065	113,591
Cost weight - juvenile detainees	8.99	9.37	10.67

Note: The juvenile detainee cost weight is calculated by dividing the yearly cost per juvenile detainee by the yearly cost per adult prisoner.

Source: Productivity Commission's Report on Government Services 2025, youth justice services Table 17A.20, Corrective services 8A.2 and ABS Prisoners in Australia 2024 Table 21.

- 139 The Commission acknowledges the Productivity Commission's caveat that the Report on Government Services juvenile detention expenditure data are not comparable across states.⁴ However, currently they are the best available data for determining adult prisoner versus juvenile detainee cost differences. The Commission considers using national averaged data will smooth out policy influences from any one state.
- 140 To facilitate the introduction of the juvenile detainee cost weight, the Commission will use new age groups across the justice assessment. The new age groups will be 0–17, 18–24, 25–44, 45–64 and 65+. The juvenile detainee cost weights will be applied to all assessed prisoners in the 0–17 age group.
- 141 The Commission investigated Queensland's suggestion of using cost per bed night as a basis for calculating a juvenile cost weight but found it overstated expenses when applied to the daily average number of juvenile detainees. By calculating the annual average daily cost per juvenile detainee using the daily average number of juvenile detainees (827 for 2023–24) and the total actual annual cost of juvenile detention (\$1,003 million for 2023–24), the Commission's proposed cost weight reflects actual state expenses for the year as recorded in Report on Government Services data. Applying the cost per bed night (\$3,875 for 2023–24) to the daily average number of juvenile detainees produces an annual expected expense total of \$1,140 million for 2023–24. While the annual daily average cost per juvenile detainee does not account for shorter juvenile detainee stays, the measure smooths the effect of a higher cost per bed night across the whole year.

Community corrections

- 142 The Commission found that a community corrections assessment was not material, moving \$21 per capita for one state. Therefore, it proposes to not introduce an assessment for community corrections.

⁴ The Productivity Commission advised that data are not comparable because states have different funding structures for their youth justice services.

Commission final draft position

- 143 The Commission proposes to apply a juvenile detainee cost weight in the prisons assessment and not introduce a community corrections assessment.

Do data support an assessment of regional costs for prisons?

Background

- 144 The Commission proposed to use the general service delivery scale cost gradient (discounted by 25%) to assess service delivery scale in prisons and not assess regional costs. The Commission proposed to discontinue the prisons regression.

State views

- 145 Tasmania and the Northern Territory supported the Commission's proposal to use the general service delivery scale gradient in the prisons assessment.
- 146 Tasmania said that it supported the conceptual case for service delivery scale in prisons and acknowledged that data limitations precluded the option of calculating a prisons specific service delivery scale gradient.
- 147 The Northern Territory said that the lack of observable relationships in prisons was due to data limitations. The Northern Territory supported the removal of the 2020 Review prisons regional gradient and applying the general service delivery scale gradient instead. As an alternative, the Northern Territory suggested the Commission could apply the general regional and service delivery scale gradient. The Northern Territory also said that if the service delivery scale gradient is adjusted to group together remote and non-remote regions, then the 25% discount should be removed.
- 148 The ACT supported assessing service delivery scale costs in prisons but did not support the use of the general service delivery scale gradient in the assessment. The ACT agreed with the conceptual case for recognising a service delivery scale driver in prisons but did not believe that applying the general service delivery scale gradient would be appropriate. The ACT said that there was a lack of evidence that service delivery scale in schools and health are similar to those in prisons. It recommended that this issue could be further explored in the Data Working Group. The ACT said that if a gradient was applied, it should be discounted further and the cost weight applied to remote and non-remote areas should be combined. The ACT suggested that the Commission should explore the impact of investments in detainee health, welfare and education opportunities and compliance with human rights frameworks on costs in prisons.
- 149 Queensland and Western Australia said that the Commission should recognise regional and service delivery scale costs in the prisons assessment.
- 150 Queensland said that there was a strong conceptual case for regional costs in prisons and that the 2020 Review model should be retained until a new suitable approach is developed. Queensland said that it is average policy for states with

remote populations to have remote prisons. Queensland cited that its corrective services department, in its approach to prisoner placement, gives consideration to maintaining a person's family and community ties. This obligation is enshrined in legislation for First Nations people.

- 151 Western Australia said that the Commission should apply the general regional and service delivery scale gradient to the prisons assessment. Western Australia considered that circumstances in prisons had not changed significantly since the last review, unlike in courts where there has been an uptake of video conferencing technology. Conceptually, Western Australia said that there was a strong case for prisons to be more expensive in regional areas in that there are higher costs to transport prisoners to remote locations, build and maintain remote facilities, attract and house staff and operate facilities that house both sexes in an appropriate way (only done outside of metropolitan areas). Western Australia argued that limitations in prisons data and the poor explanatory power of the prisons regression do not infer a lack of a relationship between remoteness and increased costs. Western Australia said that many prisons serve unique functions which are not controlled for in the prisons regression, and which inflate metropolitan costs.
- 152 New South Wales and Victoria did not support recognising regional costs or service delivery scale drivers in the prisons assessment.
- 153 New South Wales argued that the relationship between costs and prison size does not hold across remoteness areas. New South Wales said that prison costs are driven by security classification and prison function as opposed to service delivery scale. New South Wales argued that there should be no general service delivery scale gradient applied to prisons but, if it is applied, it should be discounted by 50%. This would be to acknowledge that the economies of scale in the health and education sectors do not apply to justice services.
- 154 Victoria said that the conceptual and empirical evidence to support a remoteness cost weight was weak. Victoria said that many states, including Victoria, do not locate prisoners based on their place of residence nor do they place prisons based on the proximity of the population they will serve. Victoria considered that differences in prison size are policy driven and that differences between states in costs per prisoner can be influenced by the types of programs provided, staffing levels and the number and type of facilities available in prisons. It can also be influenced by the collection of daily average costs as opposed to the total number of prisoners in a year. This makes it difficult to quantify a relationship between remoteness and costs. Victoria agreed that there may be diseconomies of scale for states that make the choice to build remote prisons. However, it did not believe that the conceptual case for regional costs or service delivery scale is true across all 5 remoteness quintiles and for all states. Victoria did not believe that remote workcamps should be considered prisons, because they are a prisoner rehabilitation initiative rather than a population-based local imprisonment service. Victoria said that the service delivery scale general gradient, which is based on health and schools

data, would not capture a universal cost-relationship between service delivery scale costs and remoteness.

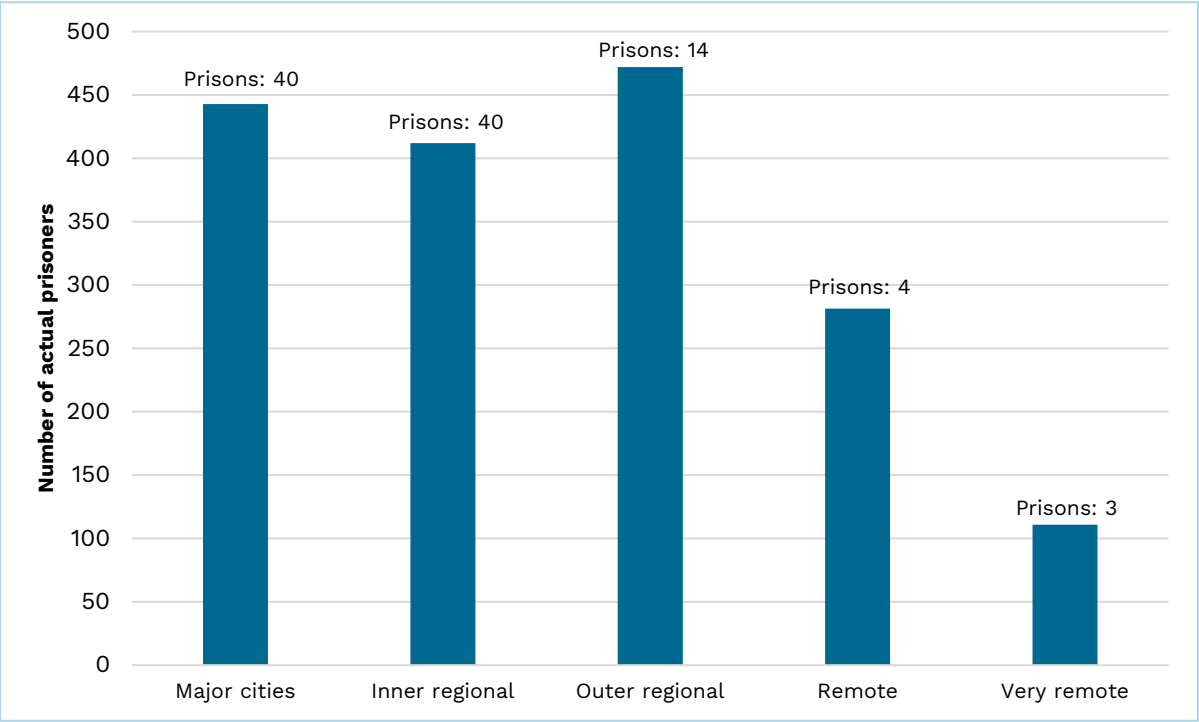
Commission response

Does the inclusion of 2023–24 data affect this issue?

155 The Commission retested the prisons regression using 2022–23 and 2023–24 state data and found that the results produced were once again too weak to incorporate into the justice assessment.

156 The Commission believes that there is a strong conceptual case for service delivery scale and regional costs in prisons. State provided data and submissions clearly indicate that it is average policy for states with large remote areas to have remote prisons or workcamps, and that those prisons are generally smaller than prisons in regional and major city areas (see Figure 3).

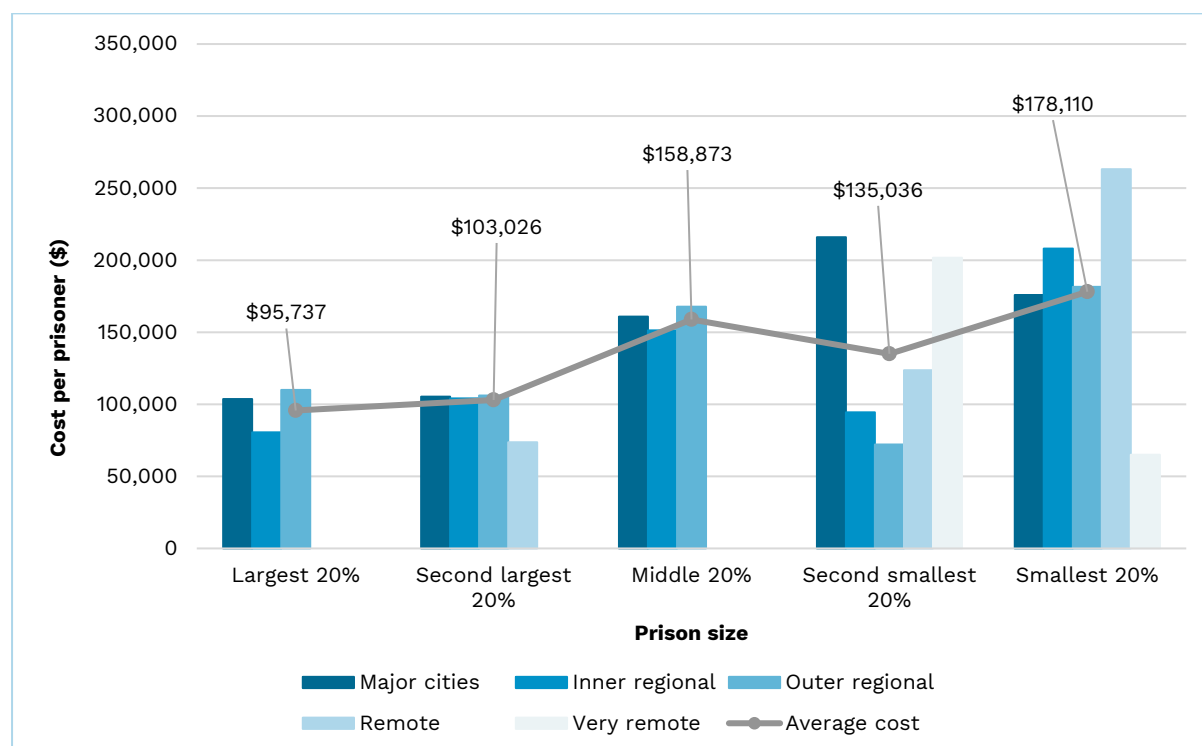
Figure 3 Average prison size by remoteness area, 2022–23 and 2023–24



157 Figure 4 shows that broadly, smaller prisons continue to be costlier on a per prisoner basis than larger prisons. The inclusion of 2023–24 state prison data continued to show no consistent relationship between remoteness and per prisoner costs.

158 The Commission acknowledges that economies of scale are not entirely uniform across the data. Data showed that the smallest very remote prisons were the least expensive of all prisons while the second smallest prisons cost less, on average, than prisons in the middle 20%. However, considering the limited sample size and data quality concerns, a perfect relationship is not unexpected.

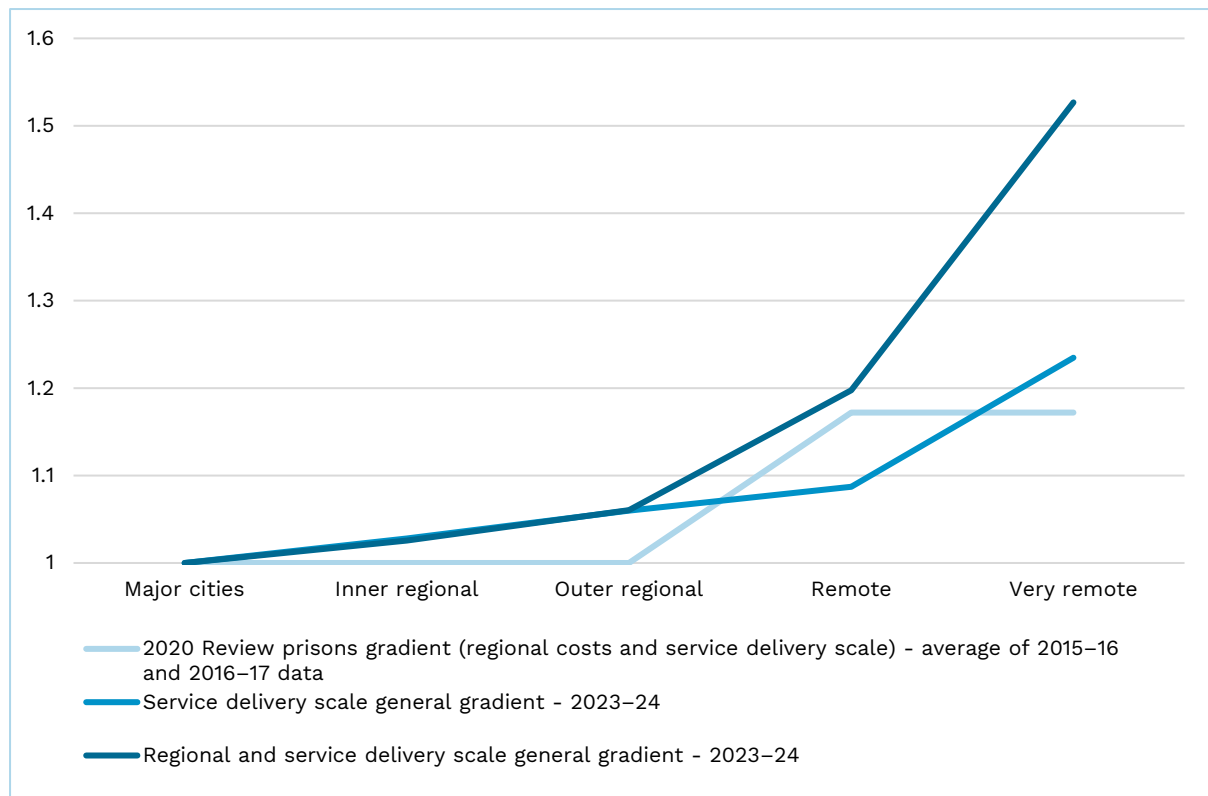
Figure 4 Cost per prisoner by remoteness area and prison size, 2022–23 and 2023–24



- 159 The Commission acknowledges that several factors influence where a prisoner is imprisoned, but for remote prisoners there is a reasonable link between their usual address and their placement in a remote prison. This view is supported by several state submissions, which refer to prisoner placement policies and legislative requirements.
- 160 The Commission considers that other prison or prisoner characteristics, such as security classification, can significantly influence costs and that prison sizes can be policy influenced. It also acknowledges that issues of data comparability can undermine the reliability of measures and assumptions derived from them.
- 161 However, the Commission considers that if data were more comparable and other drivers of cost could be accurately controlled for, that evidence of economies of scale in prisons would exist because the conceptual case is strong. It also notes that under the proposed assessment, states building more smaller prisons than required under average policy would not increase their GST distribution through such policy choices.
- 162 While the Commission acknowledges that there is a conceptual case for regional and service delivery scale costs, it is concerned that applying the combined general regional and service delivery scale gradient will overstate the need of remote states and produce an inferior horizontal fiscal equalisation outcome.
- 163 Figure 5 below shows that the 2025 Review general service delivery scale gradient is more consistent with the 2020 Review gradient, which was derived using prison specific data. Combined with the inability to identify the presence of regional costs

separate from service delivery scale in the available data, the Commission proposes to apply the service delivery scale general gradient only.

Figure 5 Comparison of regional and service delivery scale cost gradients in the prisons assessment



Note: The service delivery scale general gradient and the regional and service delivery scale general gradient are updated annually with new data. General gradients are unique for each assessment year and would be applied to the assessed prisoners calculated for the corresponding assessment year (for example, the 2019–20 service delivery scale general gradient would be applied to assessed prisoners and juvenile detainees for 2019–20).

- 164 The Commission notes that the general service delivery scale gradient is already discounted by 25% to account for the use of proxy data. The degree of additional uncertainty in the data cannot be quantified. As such, the Commission proposes to not add an additional discount to the service delivery scale general gradient.

Commission final draft position

- 165 The Commission proposes to discontinue the prisons regression, not assess regional costs and apply the service delivery scale general gradient to assess needs in prisons.

Other state views

Should non-stated responses not be allocated in courts or should they be removed from the prisoner socio-economic status proxy?

State views

- 166 The Northern Territory said that the demographic characteristics of non-stated defendants are different to those of stated defendants. It suggested that either the non-stated responses for Indigenous status not be allocated or that socio-economic status proxy used in prisons should exclude the influence of non-stated defendants.
- 167 Queensland supported the Commission's draft position to use the Indigenous status of stated responses as the basis for attributing Indigenous status to non-stated responses as the most practical option. Queensland agreed with the Commission that attributing Indigenous status in this manner is unlikely to materially impact the results or overestimate the number of First Nations finalised defendants. Queensland said that this approach would ensure a reasonable and equitable approach to addressing data gaps and maintain the integrity of the assessment.

Commission response

- 168 As part of creating the defendant socio-demographic composition profiles, state data are scaled to ABS totals to improve the comparability of data. Scaling data with non-stated responses removed would effectively add the influence of non-stated responses in a less precise manner. The Commission's proposed attribution method accounts for different age, socio-economic status and remoteness profiles of defendants.
- 169 The simplest option for removing the influence of non-stated responses would be to not scale to the ABS totals. However, this would have implications for data comparability. The Commission considers the scaling of defendant data an important step in improving data comparability and robustness of the assessment.
- 170 The Commission considers defendant socio-economic status remains an appropriate proxy for prisoner socio-economic status.

Commission final draft position

- 171 The Commission proposes to attribute the Indigenous status of non-stated defendants using the proportion of stated responses.

Should Report on Government Services data be used to calculate the criminal courts and other legal services expense split?

State views

- 172 Victoria said, in its tranche 1 submission, that the Commission should use Report on Government Services data to split the expenditure between criminal courts and other legal services. Victoria argued that state collected data were not comparable, likely due to inconsistencies in what each state captured under its expenses.
- 173 In the 2025 Review, *Review Outcomes*, the Commission said that using Report on Government Services data for splitting criminal courts and other legal services was unsuitable because some legal services related to both criminal courts and other legal services that are excluded from these data. Victoria agreed that there are limitations to using Report on Government Services data alone. However, Victoria considered that using this data will create a better horizontal fiscal equalisation outcome as opposed to retaining the 2020 Review method which uses, in Victoria's opinion, incomparable data.

Commission response

- 174 The Commission is committed to using the best available data in its assessments. The Commission analysed Report on Government Services data on criminal court expenses in the Draft Report and found that these were not the best available data with which to split the criminal courts component of expenses.

Commission final draft position

- 175 The Commission proposes to continue using state data to calculate the split between expenses in the criminal courts and other legal services components.

Discounting

- 176 During the 2025 Review process, the Commission said that the use of discounts in the justice assessment would be considered as part of the consultation process for the revised justice method in the 2026 Update.
- 177 Table 4 lists the discounts proposed by states throughout the 2025 Review process. The Commission addressed many of these issues in the Review Outcomes chapter on justice in the 2025 Review.
- 178 The Commission does not believe that further discounting of the justice assessment is warranted, except for the discount applied to the general service delivery scale general gradient.

Commission final draft position

- 179 The Commission proposes to not apply any discounts to the updated justice assessment method outside of the already discounted service delivery scale general gradient.

Table 4 Discounts proposed by states for the revised justice assessment

Component	Proposal	Rationale for no discount
Whole of assessment	Victoria - the range of data used in the assessment is not fit for purpose and data do not reflect preventative policing activities Victoria - apply EPC assessment components and discounts or exclusions to account for uncertain supporting evidence and the direction of causality in the justice assessment. The Victorian consultant - varying methodologies and classifications used by states in reporting justice data can lead to inconsistencies that undermine the reliability of comparative assessments.	The Commission considers data used in the proposed method are the best available and are fit for purpose. The Commission is satisfied the assessments account for preventative and reactive justice measures appropriately. Variability in data across states does not necessarily signify uncertainties in the data that would warrant discounting. While the variability is likely due partly to states different policy choices, using national average data smooth the impact policy differences across states. The Commission has not identified sufficient concerns with the data to support a discount or to pursue an equal per capita assessment.
Police	NSW - 25% discount to the regional cost gradient of police to account for higher non-remote usage (per person) of centrally provided police costs.	The Commission's proposed method for allocating central costs better reflects the distribution of police costs across regions.
Police	Victoria - discount assessed offenders to counter state policy influence. The high variability between states in offence rates are at least partially driven by policy differences. Unless the Commission can adjust assessments for differences in state policy, the police regression should not be used or a discount should be applied. The Victorian consultant - offence rates can be influenced by local policy choices. Discount required to mitigate the risk of misrepresenting police needs.	Variability in data across states does not necessarily signify uncertainties in the data that would warrant discounting. While the variability is likely due partly to states different policy choices, using national average data smooth the impact of policy differences across states.
Police	The Victorian consultant – the assessment does not recognise the variability and complexities of costs of different crimes.	The Commission acknowledges that states incur different costs for different types of offences and there are some differences in the way states collect data. However, it is currently not aware of any evidence suggesting that these differences are having a material impact on its estimate of states' police expense needs.
Criminal courts	Victoria - the national dataset relating to socio-demographic composition of finalisations and regional cost data is incomplete and likely distort the assessment. If data availability is the same as for the 2020 Review, apply a 50% discount. The ACT - 25% discount to account for data limitations.	The Commission considers the defendant data provided by all states to be fit for purpose for use in the assessment.

Component	Proposal	Rationale for no discount
Criminal courts	Victoria - if a new methodology that better explains the variability in expenditure between states is not developed, a discount should be applied to account for the lack of adequately descriptive data.	The Commission considers the use and cost data provided by states to be fit for purpose and representative. However, the proposal to remove the regional gradient in courts and the other legal services components means that cost data are no longer used.
Prisons	New South Wales – apply a 50% discount to the general service delivery scale gradient to acknowledge that economies of scale in health and education sectors do not apply to justice. NSW proposed (in its tranche 1 submission), as an alternative to replacing the remoteness variable in prisons with a major cities variable, to discount the remoteness and service delivery scale effects to recognise the standard errors and uncertainty in the remote cost model. Victoria – if service delivery scale or regional costs gradient is applied apply high discount to account for the weak conceptual case and lack of robust evidence. The ACT – if service delivery scale gradient is applied apply a further discount.	The general service delivery gradient is already discounted by 25% to account for the use of proxy data. A further discount is not required.
Prisons	Victoria - because state defendant data are incomplete and likely biased, prisoner socio-economic status should be discounted. The use of defendant socio-economic status data as a proxy for prisoner data is inappropriate and that it should be excluded from the prisons assessment or an additional discount should be applied.	The Commission considers the defendant socio-economic status is a suitable proxy for prisoner socio-economic status.
Prisons	Victoria – if a juvenile detainee cost-weight is applied, apply a 50% discount because state data are not comparable (the Report on Government Services has a qualifier on the data).	The Commission considers the Report on Government Services data are fit for purpose for use in the assessment.

Note: The general regional cost gradient and the general service delivery scale gradient are built with a 25% discount.

Draft 2026 Update assessment method

180 Table 5 shows the proposed structure for the 2025 Review justice assessment.

Table 5 Proposed structure of the revised justice assessment

Component	Driver	Influence measured by driver	Change since 2020 Review?
Police (a)	Regional costs	Recognises the cost of providing police services increases as the level of remoteness increases.	Yes – the Commission is proposing to combine the remote and very remote cost weights and to apportion central costs on the basis of 50% full-time equivalent staff and 50% district expenses.
	Socio-demographic composition	Recognises that certain population characteristics (Indigenous status, age, and SES) affect the degree of police activity.	Yes – the Commission is proposing to use a 5-tier structure for First Nations socio-economic status.
	Wage costs (c)	Recognises differences in wage costs between states.	No
Criminal courts (b)	Socio-demographic composition	Recognises that certain population characteristics (Indigenous status, age, and SES) affect the use of criminal court services.	Yes – not-stated Indigenous status responses will be attributed in proportion to stated responses.
	Wage costs (c)	Recognises differences in wage costs between states.	No
Other legal services (b)	Non-deliberative equal per capita	These expenses are not differentially assessed.	No
	Wage costs (c)	Recognises differences in wage costs between states.	No
Prisons	Service delivery scale (SDS)	Recognises the additional costs of small, dispersed prisons.	Yes – the Commission is proposing to assess SDS using the general gradient and to not assess remoteness costs.
	Juvenile detainee costs	Recognises the additional costs of providing corrective services to juvenile detainees.	Yes – an assessment of juvenile detainees will be included.
	Socio-demographic composition	Recognises that certain population characteristics (Indigenous status, age and SES) affect the use of prisons.	No
	Wage costs (c)	Recognises differences in wage costs between states.	No

Notes:

- (a) The 2020 Review method included an assessment of national capital policing costs. The Commission suspended the national capital assessment for the police component following state consultation in the 2024 Update and discontinued the assessment in the 2025 Review. Please see the national capital chapter of *Review Outcomes* for the 2025 Review for more information.
- (b) The 2020 Review method included an assessment of regional costs in criminal and civil courts. The Commission has proposed to discontinue the regional costs assessment in the criminal courts and other legal services components.
- (c) The Commission separately consulted with states on the wages assessment as part of the 2025 Review. The Commission now applies the 2025 Review method to assess wage costs in the justice assessment.

Indicative distribution impacts

181 The indicative impact on the GST distribution in 2025–26 from data updates and proposed method changes on the recurrent justice assessment is shown in Table 6.

182 Table 7 shows the subsequent impact on the justice investment assessment and general regional gradient.

Table 6 Indicative impact on GST distribution of data and method changes to the recurrent justice assessment (difference from an equal per capita distribution), 2025–26

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
R2025 using R2020 methods	-298	-1,155	416	314	-2	108	-127	744	1,582
R2025 using draft U2026 methods	-95	-1,372	506	252	-40	159	-141	731	1,649
Effect of proposed changes	203	-217	90	-62	-37	52	-14	-13	344
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
R2025 using R2020 methods	-34	-161	73	103	-1	186	-262	2,894	57
R2025 using draft U2026 methods	-11	-191	88	82	-21	275	-292	2,843	59
Effect of proposed changes	23	-30	16	-20	-20	89	-29	-50	12

Note: Includes impact of changes to recurrent justice assessment.

The sum of the total impact of data and method changes shown in Tables 8 and 9 differ slightly from the total in this table due to rounding.

The GST pool and population estimates are equivalent to those used in the 2025 Review.

Indicative GST impacts are provided for illustrative purposes only and should not be used to estimate impacts on GST distribution for 2026–27.

Table 7 Indicative impact of justice method changes on investment in justice and the general regional cost gradient (difference from an equal per capita distribution), 2025–26

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Investment in justice	30	-18	3	-14	-2	6	-1	-3	38
General regional gradient	-8	-6	1	7	0	1	-1	7	16
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Investment in justice	3	-2	0	-5	-1	10	-1	-13	1
General regional gradient	-1	-1	0	2	0	2	-1	27	1

Note: Under the proposed changes the general regional and SDS gradient(s) are no longer informed by gradients relating to prisons or criminal courts, the impact of this change is shown in this table.

The GST pool and population estimates are equivalent to those used in the 2025 Review.

Indicative GST impacts are provided for illustrative purposes only and should not be used to estimate impacts on GST distribution for 2026–27.

Impact of data updates

183 The indicative impact of updates to data in the justice assessment on GST distribution in 2025–26 is shown in Table 8.

184 On a per capita basis, data updates would have the largest impact on distribution to Tasmania and the Northern Territory. The change is due to the inclusion of 2021 Census First Nations population data, and cost and/or use data relating to police, courts and prisons (from states and the ABS). The Commission has used projected 2016 Census data since the 2020 Review to ensure that GST distribution was not adversely affected by changes in Indigenous status proportions. Given that 2020 Review use rates were based on 2015–16 and 2016–17 state data, applying these use rates to a population with different Indigenous status proportions was considered inappropriate.

Table 8 Indicative impact on GST distribution of data updates (difference between the 2025 Review assessment, and an assessment using updated data), 2025–26

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Police (a)	55	-131	66	-20	-20	27	-10	32	181
Criminal Courts (b)	18	-63	16	11	-9	4	-3	25	74
Prisons (c)	81	33	-24	-39	2	13	2	-67	130
Total	154	-161	58	-48	-26	44	-11	-10	256
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Police	6	-18	12	-6	-10	47	-22	124	6
Criminal Courts	2	-9	3	4	-4	7	-5	99	3
Prisons	9	5	-4	-13	1	22	4	-260	5
Total	18	-22	10	-16	-14	76	-23	-38	9

(a) Updated ERP based on 2021 Census, state police district expense and offender data.

(b) Updated ERP based on 2021 Census, state criminal cost and other legal services expense data, and defendant data.

(c) Updated ERP based on 2021 Census and ABS prisoner data and state defendant SES data.

Note: Includes the impact of data changes on the recurrent justice assessment.

The GST pool and population estimates are equivalent to those used in the 2025 Review.

The data included in the table have not been subject to full quality assurance processes and, as such, should be treated as indicative only.

Indicative GST impacts are provided for illustrative purposes only and should not be used to estimate impacts on GST distribution for 2026–27.

185 Most change from data updates can be explained by a combination of the following.

- Updating state police costs and offender data in the police regression increased the cost weight for offenders, increasing the assessed GST needs of states with greater shares of assessed offenders, such as Tasmania and the Northern Territory. It also increased the regional cost weight applied to inner and outer regional populations and decreased the cost weight applied to very remote areas. This increased the assessed GST needs of states with a greater share of regional populations such as Tasmania and decreased the needs of states with greater shares of very remote populations such as the Northern Territory.
- Updating offender and defendant data in the police and criminal courts assessment indicates that First Nations people are coming into contact with the justice system at higher rates than was reported in 2016. This would increase the relative use rates of First Nations populations and increase the assessed GST needs of states with large First Nations populations, such as the Northern Territory.
- Updated defendant data also indicates an increase in First Nations defendants experiencing lower levels of socio-economic disadvantage relative to

First Nations defendants experiencing higher levels of socio-economic disadvantage. This would reduce the use rates of First Nations populations experiencing the most socio-economic disadvantage and decrease the assessed GST needs of states with large First Nations populations experiencing high levels of disadvantage, such as the Northern Territory. For the Northern Territory this impact is fully offset by the increase in the First Nations use rate in criminal courts. However, when defendant socio-economic status use rates are applied in the prisons assessment, there are no offsetting effects. This is because, unlike in criminal courts, the Commission has been able to incorporate the increase in First Nations prisoner population in each annual update, so the impact in Table 8 only reflects the impact of changes in use rates of the First Nations socio-economic populations.

- The proportion of the population that identifies as First Nations is greater in the 2021 Census than in the 2016 Census. This has the effect of reducing the relative use rate of offenders, defendants and prisoners that identify as First Nations. It reduces the assessed GST needs of states with large First Nations populations, such as the Northern Territory. For the Northern Territory, the increase in use rates of First Nations and offenders and defendants due to updating offender and defendant data offsets this impact. However, in the prisons assessment the impact of updating First Nations defendant socio-economic status further compounds the reduction in assessed GST needs.

Impact of method changes

186 The indicative GST impact of the proposed changes to the justice assessment in 2025–26 is shown in Table 9. On a per capita basis, method changes would have the largest impact on Tasmania.

187 The change in the GST distribution compared with the 2025 Review are due largely to the proposals to:

- include an assessment of juvenile detainees
- allocate police central costs to police districts on a 50% proportion of police district expenses and 50% proportion of full-time equivalent staff basis
- remove the regional gradient in criminal courts and replace the regional gradient in prisons with the general service delivery scale gradient
- allocate defendants with not-stated Indigenous status responses based on known defendant proportions.

Table 9 Indicative impact on GST distribution of method changes to the recurrent justice assessment (difference between the 2025 Review assessment, and an assessment with proposed method changes) 2025–26

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Police	14	8	-17	-3	-1	1	-1	-1	22
New allocation of central costs method	15	15	-4	-13	-1	-2	2	-13	31
Combining remote and very remote	-1	0	1	0	-3	0	0	3	5
Changing SES structure	0	-7	-15	9	3	3	-2	9	24
Criminal courts and OLS (a)	17	0	4	-9	-1	2	0	-14	24
New non-stated method	4	-10	5	0	-1	1	0	2	12
Removing regional costs in criminal courts	12	10	-1	-8	0	1	1	-15	23
Removing regional costs in OLS (a)	1	1	0	-1	0	0	0	-1	2
Prisons	15	-64	47	-3	-8	8	-4	9	79
New non-stated method	11	9	2	-9	-2	1	1	-13	24
Replacing regional costs with SDS gradient	-11	-12	10	0	-1	5	-2	10	25
Adding juvenile detainee cost weight	15	-61	35	6	-5	1	-3	12	70
Changing age groups (b)	3	0	-3	0	-1	-2	1	3	7
Total	49	-56	32	-14	-11	8	-3	-3	88
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Police	2	1	-3	-1	0	1	-1	-6	1
New allocation of central costs method	2	2	-1	-4	0	-3	4	-50	1
Combining remote and very remote	0	0	0	0	-2	-1	0	10	0
Changing SES structure	0	-1	-3	3	2	5	-5	34	1
Criminal courts and OLS (a)	2	0	1	-3	-1	3	1	-53	1
New non-stated method	0	-1	1	0	-1	2	-1	9	0
Removing regional costs in criminal courts	1	1	0	-2	0	1	1	-59	1
Removing regional costs in OLS (a)	0	0	0	0	0	0	0	-2	0
Prisons	2	-9	8	-1	-4	13	-8	36	3
New non-stated method	1	1	0	-3	-1	2	2	-52	1
Replacing regional costs with SDS gradient	-1	-2	2	0	0	9	-3	40	1
Adding juvenile detainee cost weight	2	-9	6	2	-3	2	-7	48	3
Changing age groups (b)	0	0	-1	0	-1	-4	2	10	0
Total	6	-8	5	-5	-6	13	-7	-12	3

(a) OLS refers to the other legal services component.

(b) Introducing the juvenile detainee cost weight required a change to the age groups across components. This line represents the combined impact of this change.

Note: The data included in the table have not been subject to full quality assurance processes and, as such, should be treated as indicative only.

Indicative GST impacts are provided for illustrative purposes only and should not be used to estimate impacts on GST distribution for 2026–27.

Police

- 188 The proposal to allocate police central costs on the basis of a 50% proportion of police district expenses and 50% proportion of full-time equivalent staff would increase the relative expenses allocated to major cities and regional areas, and lower expenses allocated to remote areas. This would reduce the assessed GST needs of states with larger remote populations, such as Western Australia and the Northern Territory. It would increase the needs of states with larger non-remote populations, such as the ACT.
- 189 Combining remote and very remote costs would increase the assessed expense needs of very remote populations and decrease the needs of remote populations. This change would increase the assessed GST needs of the Northern Territory and decrease the needs of South Australia.
- 190 Increasing the socio-economic status structure of First Nations offenders from a 3-tier system to a 5-tier system would increase the use weights applied to First Nations populations experiencing the highest level of socio-economic disadvantage and decrease the use weights applied to First Nations populations experiencing the lowest levels of socio-economic disadvantage. This change would increase the assessed GST need of states with a greater proportion of First Nations populations experiencing the highest levels of socio-economic disadvantage, such as the Northern Territory. It would reduce needs for states with a below-average proportion of this population, such as the ACT.

Criminal courts and other legal services

- 191 Under the proposed method of allocating not-stated Indigenous status responses by proportions of stated responses, states with a higher proportion of First Nations people would tend to have increased assessed GST needs (such as Queensland and the Northern Territory). However, whether not-stated responses are allocated to First Nations defendants or non-Indigenous defendants under the method would depend on the composition of their individual socio-demographic sub-group. The largest increases in numbers of defendants that identify as First Nations are in major cities and inner regional areas. There is a corresponding decrease in non-Indigenous defendants in the same areas. In some states, such as New South Wales and Queensland, the combination of changes would increase assessed GST needs, but in others, such as Victoria, needs would be reduced.
- 192 Removing the regional gradient from the assessments of criminal courts and other legal services would decrease the assessed GST needs of states with larger remote populations, such as Western Australia and the Northern Territory, and increase needs for states with a smaller proportion of remote populations, such as New South Wales and Victoria.

Prisons

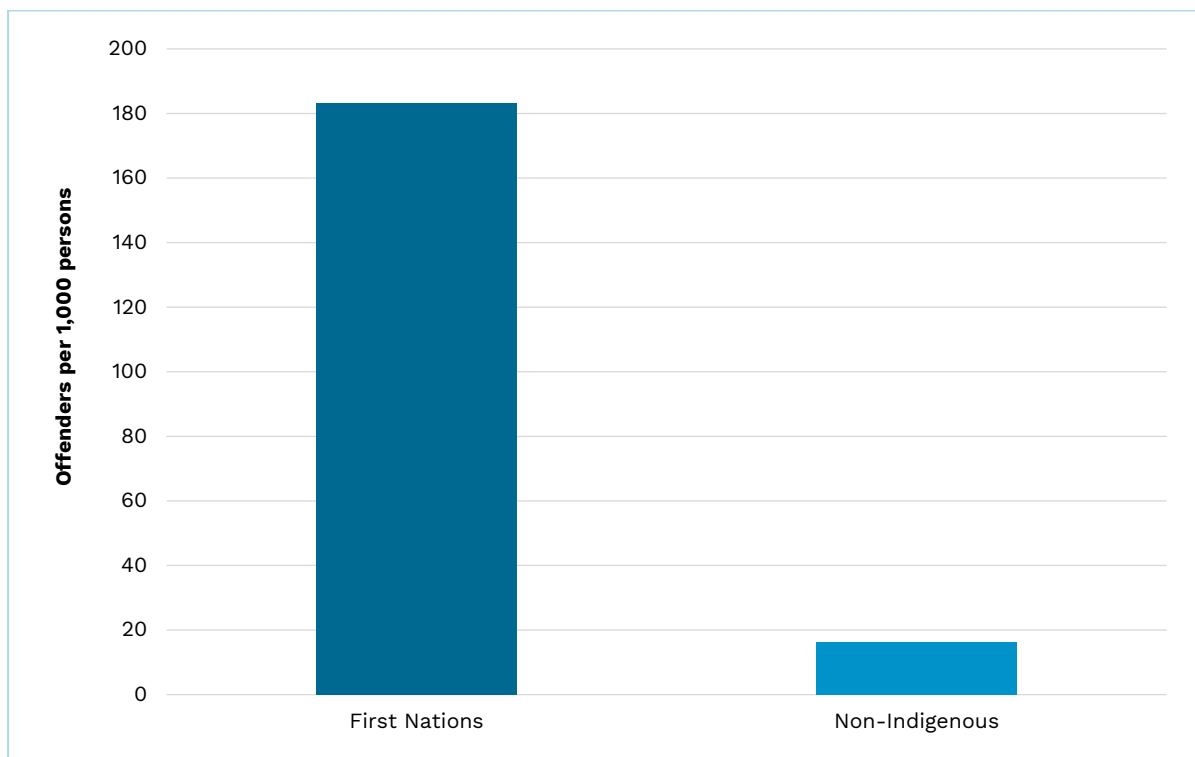
- 193 Introducing an assessment of the additional costs of juvenile detainees increases the assessed GST needs of states with a greater share of the assessed juvenile detainee population, such as the Northern Territory. This is largely driven by states' relative shares of the 0-17 aged population, predominately those who experience disadvantage and/or who identify as First Nations.
- 194 The proposed method of allocating not-stated Indigenous status of defendants in criminal courts assessment impacts the prisons assessment because defendant data are used to impute the socio-economic profile of prisoners. The change would reduce the share of prisoners who identify as First Nations who experience highest level of socio-economic disadvantage. This would reduce the assessed GST needs of states with a greater proportion of First Nations populations experiencing the highest level of socio-economic disadvantage, particularly the Northern Territory. It would increase needs for states with a below-average proportion of this population, such as the ACT.
- 195 Replacing the regional cost gradient with the general service delivery scale gradient would increase the assessed cost per prisoner in regional areas and very remote areas and reduce the assessed cost per prisoner in remote areas. This would increase the assessed GST needs of states with greater shares of regional populations, such as Tasmania, and/or very remote populations, such as the Northern Territory.

Attachment A: 2022–23 and 2023–24 data

Police

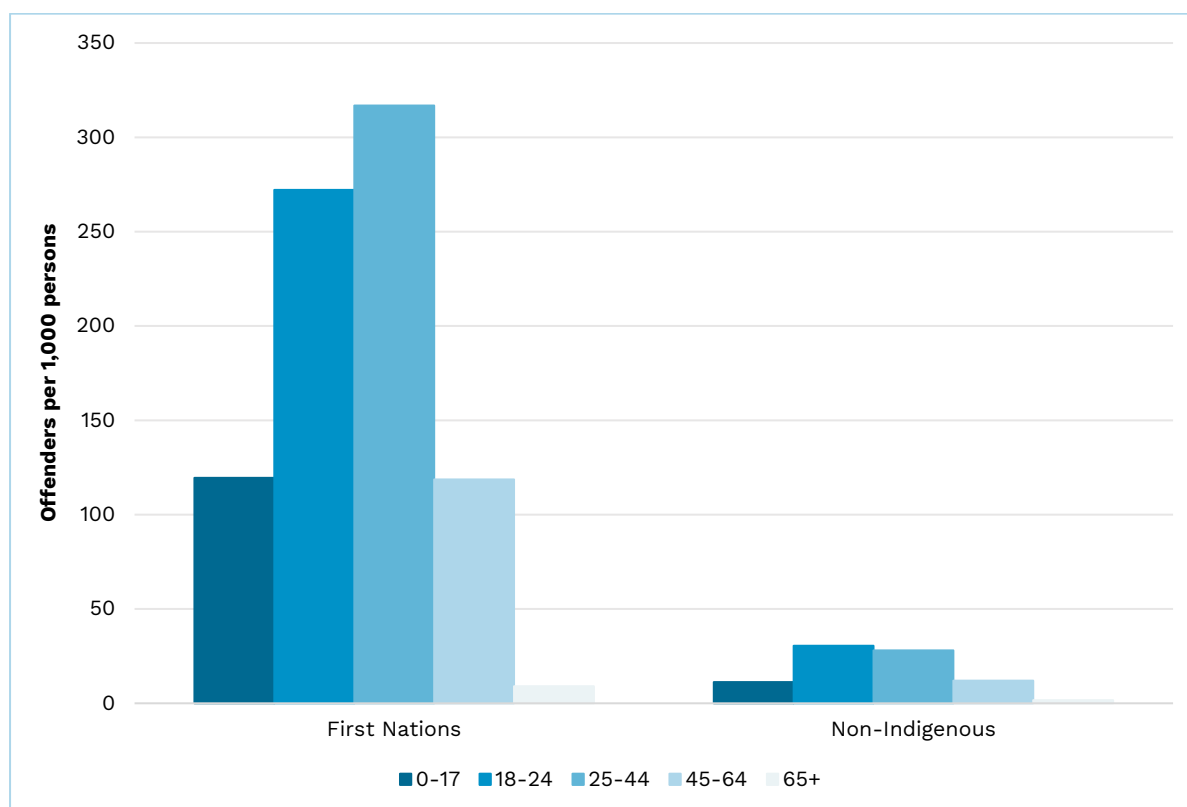
- 196 State provided data for 2023–24 reaffirm that, on a national level, First Nations people have a higher proportion of offenders per capita than non-Indigenous people. This relationship is observable in every state.

Figure A-1 Offence rates by Indigenous status per 1,000 persons, average of 2022–23 and 2023–24 data



- 197 National offence rates remain higher amongst younger cohorts after the inclusion of 2023–24 data. The 18–24 and 25–44 age groups are the highest per capita offenders for both First Nations and non-Indigenous populations.
- 198 By introducing an assessment for juvenile detainees, the Commission will alter the age group structures for the police, criminal courts and prisons components. The Commission will now use a 0–17 age group (instead of a 0–14 age group) and a 18–24 age group (instead of a 15–24 age group). The other age groups are unchanged. Altering these age groups have increased the amount of per capita offenders assessed in the youngest age group (0–17), and decreased the number of per capita offenders in the second youngest age group (18–24).

Figure A-2 Offence rates by Indigenous status and age per 1,000 offenders, 2022–23 and 2023–24 data

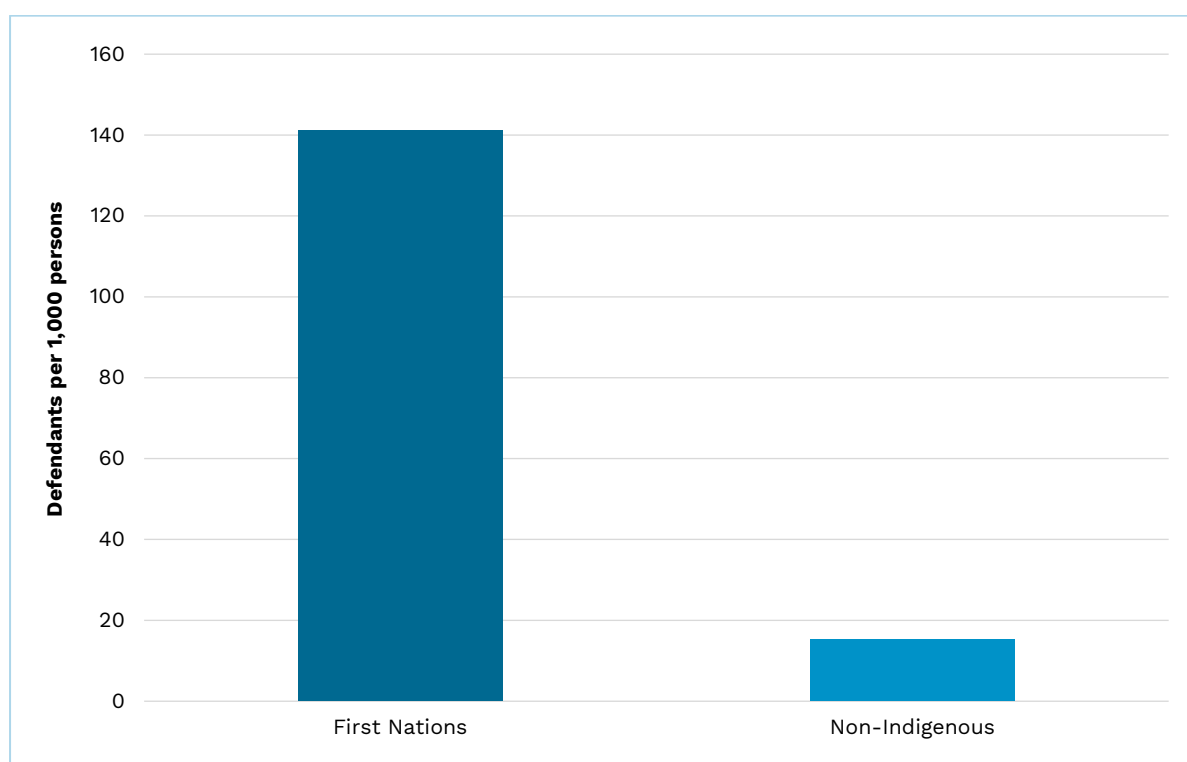


199 The Commission found that a national pattern continues to exist between offence rates and socio-economic status after the inclusion of 2023–24 data into the assessment. The Commission discusses this issue in further detail in the police assessment section.

Criminal courts

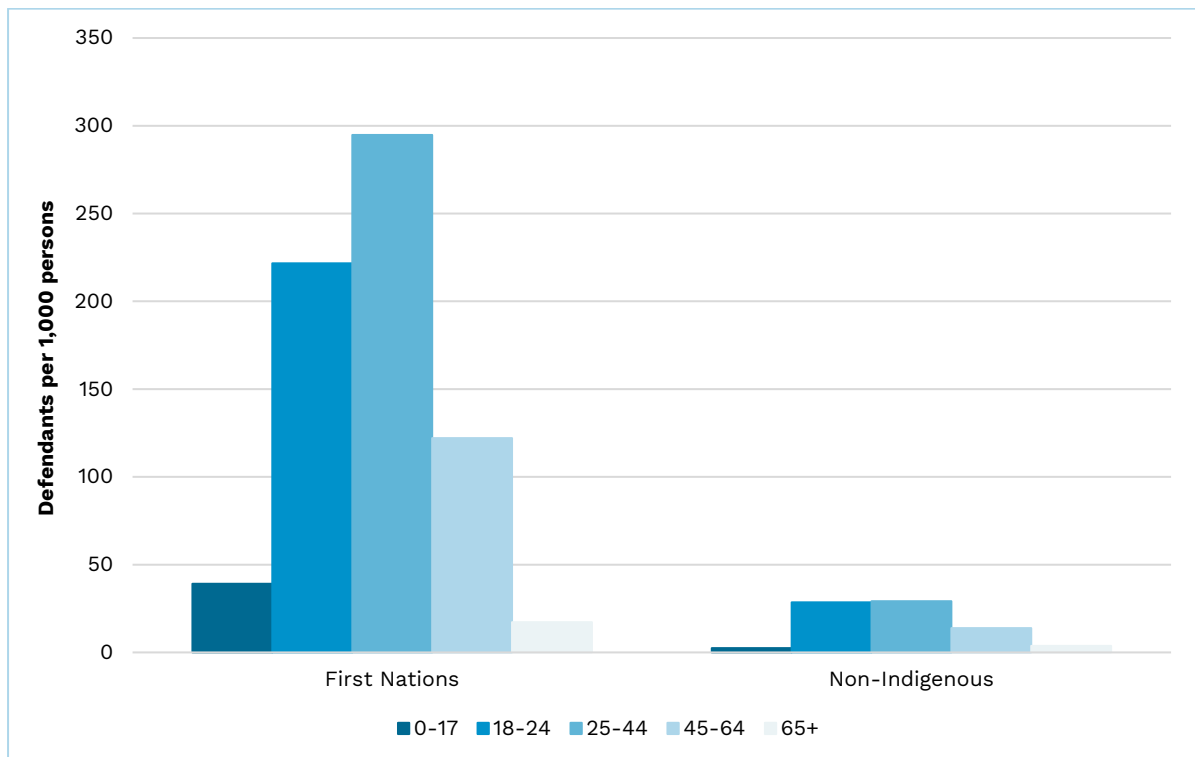
200 There continues to be a higher proportion of First Nations defendants per 1,000 persons than non-Indigenous defendants, including after 2023–24 data has been incorporated into the assessment.

Figure A-3 Defendants by Indigenous status per 1,000 persons, average of 2022–23 and 2023–24 data



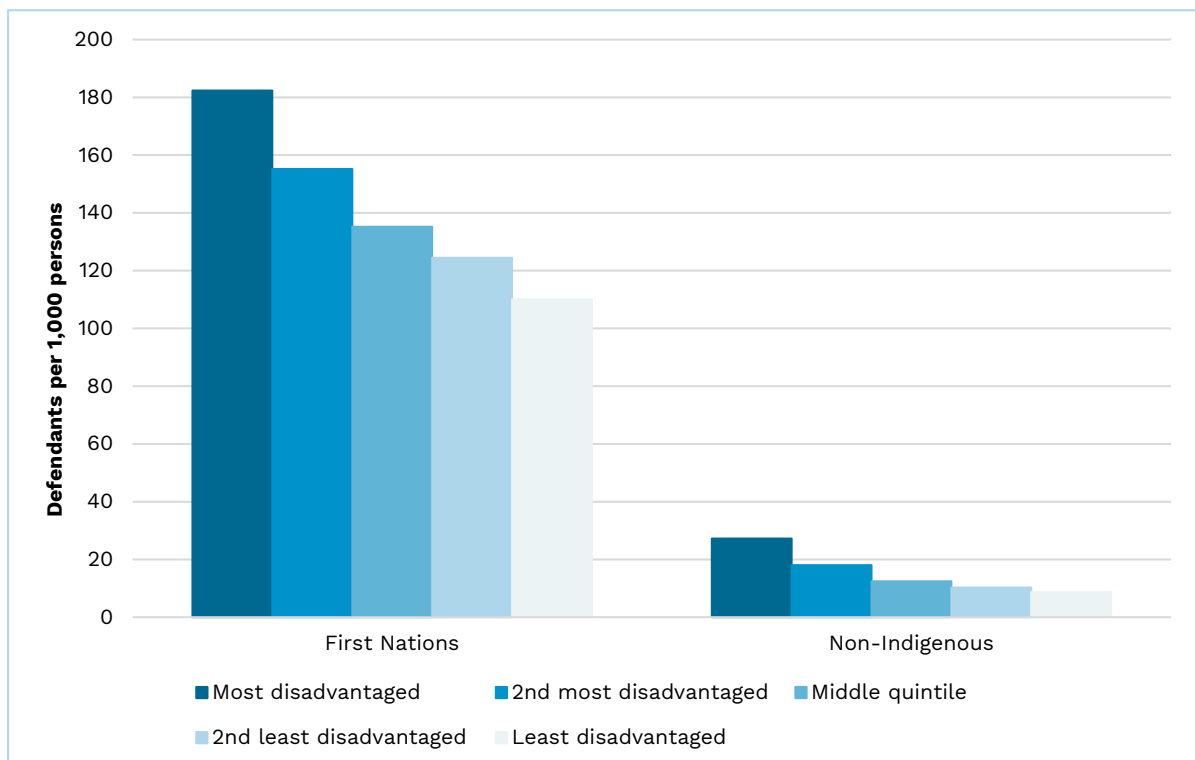
- 201 Younger people, that is people in the 18–24 and 25–44 age groups, continue to have the highest proportions of defendants per 1,000 people of any age group after the inclusion of 2023–24 data. This relationship is true for both First Nations and non-Indigenous population cohorts.
- 202 The Commission will alter the age ranges used for defendants for the two youngest age groups. This is for consistency with the prisons component which will introduce an assessment for juvenile detainees. This change has also been applied to the police component.

Figure A-4 Defendants by Indigenous status and age per 1,000 persons, average of 2022–23 and 2023–24 data



203 Commission analysis of an average of 2022–23 and 2023–24 data shows a clear, 5-tier relationship on the national level between defendant rates and socio-economic status continues to be observable.

Figure A-5 Defendants by Indigenous status and socio-economic status per 1,000 persons, 2022–23 and 2023–24 data



Attachment B: Regression results

Table B-1 Police regression without combined remoteness, 2022–23 and 2023–24 data

	Estimate	Standard error	Significance
Intercept	254	26	***
Inner regional	163	42	***
Outer regional	287	63	***
Remote	1,315	228	***
Very remote	1,024	285	***
Offenders	9,762	1,017	***
Adjusted R squared	0.734		
Sample size	152		

Note: *** represents statistically significant coefficients at a 0.001 confidence.

Table B-2 Police regression with remote offender interaction, 2022–23 and 2023–24 data

	Estimate	Standard error	Significance
Intercept	274	26	***
Inner regional	167	41	***
Outer regional	341	63	***
All remote	301	305	
Offenders	8,805	1,026	***
Remote offenders	11,369	3,451	**
Adjusted R squared	0.752		
Sample size	152		

Note: *** represents statistically significant coefficients at a 0.001 confidence, ** at a 0.01 confidence.

Table B-3 Variance inflation factors, police regression with remote offender interaction, 2022–23 and 2023–24 data

	Inner regional	Outer regional	All remote	Offenders	Remote offenders
Variance Inflation Factor	1.01	1.17	6.45	1.56	6.86

Table B-4 Alternative police regression model without offenders, 2022–23 and 2023–24

	Estimate	Standard error	Significance
Intercept	438	30	***
Inner regional	159	61	**
Outer regional	404	88	***
All remote	1,823	228	***
Indigenous status	417	762	
Non-Indigenous low SES	37	114	
First Nations low SES	-336	824	
Adjusted R squared	0.563		
Sample size	152		

Note: *** represents statistically significant coefficients at a 0.001 confidence, ** at a 0.01 confidence.

First Nations low SES and non-Indigenous low SES are defined as proportions of populations in the 2 lowest IRSEO or NISEIFA deciles respectively.