



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

Western Australia's submission to the Commonwealth Grants Commission's 2025 Methodology Review

Overview of final draft Justice assessment

November 2025

Acknowledgement of Country

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

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

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

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

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

Further information relating to this report may be obtained by emailing GST@dtf.wa.gov.au

Final Draft Justice Assessment Response

This submission responds to the Commonwealth Grants Commission's (CGC's) *Overview of the Final Draft Justice Assessment* paper, which the CGC released after taking submissions from the States on the Justice Assessment for the 2026 Update.

We have no further comments on the following topics:

- using 2022-23 data
- using 2021 Census based First Nations projections of estimated resident population
- 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

Comments on other issues are below.

Central costs being split 50:50 by expenses and FTEs

We disagree with the CGC's decision to allocate central costs using a 50:50 blend of proportion of police district full-time equivalent staff and police district expenses. As stated in our previous submission, the evidence we provided directly contradicts the CGC's judgement to allocate central costs. Data provided from WA Police clearly supports a different allocation of central costs.

Whilst we understand that there are contradictory data coming from other States, which has led to the CGC's judgment, we are interested in understanding the scale of central cost aggregation in other States. It is not clear why there is such a wide range of central cost compositions between States, and we believe this warrants further investigation from the CGC prior to making the final decision to allocate central costs.

To acknowledge these discrepancies, we reaffirm that the CGC should distribute central costs 25% based on proportion of FTE, and 75% based on proportion of total expenses.

Regional costs for criminal and civil courts

Whilst we understand there is uncertainty in the data, we believe that there remains a strong conceptual case for assessing regional costs for criminal and civil courts, and would appreciate further analysis to be completed on the nature of centrally located courts and the function they serve across the States as part of the 2030 Review process.

To acknowledge the higher costs of operating courts in regional areas, the general regional costs gradient should be applied to court data, which is appropriately discounted.

Regional costs in prisons

While we agree that the regression of prison costs that was used to provide regional loadings in previous reviews is not fit-for-purpose, we disagree with the decision to apply the service delivery scale (SDS) gradient, rather than the combined regional cost and SDS gradient, to the prisons component.

The conceptual case for regional prisons requiring additional expense has been accepted by the CGC over several reviews. In the 2010 Review, regional costs were applied to Justice services (when the services were amalgamated into a single component). In the 2015 Review, the regional cost gradient derived from the police regional costs regression was applied to prison costs. In the 2020 Review, the CGC utilised a regression of prison costs to derive a gradient and stated that:¹

“...the Commission considers that there is a strong conceptual case that regional costs do apply to prisons and that, while not perfect, the regression approach represents the most reliable available measure of the likely magnitude.”

While the explanatory power of the prisons regional cost model has declined further when updated for the 2025 Review, the conceptual case for regional prisons being more expensive to operate has not changed, and the CGC has not commented on this for the 2025 Review, as they did for removing the regional costs factor for court services.

We do not believe it would be appropriate to use factors derived from the updated prison regional costs regression, given the low explanatory power of the model. However, applying the SDS gradient in its place is also inappropriate, because the conceptual case for additional remoteness costs is clear and accepted by the CGC. The most appropriate way to address this is to apply the combined regional cost and SDS general gradient to the prisons component as its use would align with the CGC's following basis for using this gradient:²

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

We believe that the data used for the prison regional cost regression are limited due to a number of factors including the small number of prisons in regional areas, and the difference in services provided at different prisons that are not controlled for. For example, specialist prisons and rehabilitation facilities tend to feature higher per prisoner costs, but lower security levels, which reduces the effectiveness of the model.

¹ Commonwealth Grants Commission (2020) Methodology for measuring State fiscal capacities, p.278, https://www.cgc.gov.au/sites/default/files/2021-11/r2020_report_-_volume_2_-_part_b_ch19-33.pdf

² Commonwealth Grants Commission (2025) Commissions Assessment Methodology, p.173, https://www.cgc.gov.au/sites/default/files/2025-03/2025R_Commissions%20Assessment%20Methodology_Consolidated.pdf

While acknowledging that there is a conceptual case for regional costs, the CGC has stated their concern with overstating the impact of regional costs, because the combined regional cost and SDS gradient would yield higher cost loadings for remote and very remote areas compared to the previous prisons gradient used for the 2020 Review. There are a number of reasons why we disagree with this decision.

- The CGC has applied the SDS gradient because it aligns more closely with the previous review gradient, and not because it is the logical choice of gradient to apply.
- The previous gradient was derived from a model that had similarly low explanatory power to the model used for the current review, due to also being based on a small data set with considerable data limitations.
 - Given the low explanatory power of the model, it should not be used as a measure of accuracy, and it holds no bearing on the appropriateness of which general gradient to apply.

The combined regional cost and SDS gradient was developed for use in these circumstances, and the only reason for applying the SDS gradient is to minimise the GST distribution impact of the methodology change, which should not dictate CGC decisions.

We urge the CGC to reconsider their position and apply the combined general gradient to the prison component.