



COMMONWEALTH GRANTS COMMISSION

DRAFT ASSESSMENT PAPER CGC 2003/39

CORRECTIVE SERVICES

Prepared for the Commission's 2003 Conferences on Draft Assessments

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NOTE

Included in this paper are the results of preliminary calculations based on the methods proposed throughout the paper and using the data currently available. Those results are indicative only and should be seen as work in progress. Ongoing changes are being made to standards and factor calculations as new data come to hand. Moreover, the calculations have been done using a prototype assessment system and are subject to ongoing revision as checking processes proceed.

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INTRODUCTION

1. This paper presents a draft assessment for the Corrective Services category for the 2004 Review. It builds on the staff proposals set out in *Discussion Paper CGC 2002/36 Law and Order* and State comments provided at the 2002 Conferences and in the 2003 Rejoinder Submissions.

2. Table 28 provides a summary of the assessment structure and the disabilities the Commission intends to assess for the 2004 Review.

3. The assessment structure and methods remain similar to those used in the 1999 Review. The main changes between the 1999 Review assessment and the 2004 Review assessment are :

- (i) the inclusion of juvenile detention expenses in the category;
- (ii) the disaggregation of the prisons component into prisons and community-based corrections;
- (iii) changes to the cost weights for high security prisoners to reflect the latest data;
- (iv) inclusion of a use weight for prisoners born in non-English speaking countries;
- (v) inclusion of a cost weight for drug dependent prisoners;
- (vi) the socio-demographic composition factor for community-based corrections has been tailored to reflect the nature of the service and includes use weights for age, sex and Indigeneity and a cost weight for remote Indigenous people; and
- (vii) changes to age, sex and Indigeneity weights in most components of the category to reflect the latest use data.

THE 1999 REVIEW ASSESSMENT

Description of the category

4. In the 1999 Review, the Corrective Services category comprised expenses on administration, support and operation of prisons and other places of secure detention for convicted persons and alleged offenders, and of non-institutional corrective services. More specifically, the category included expenses on prisons, prison farms and remand centres. Costs attributable to community-based correction activities such as parole and probation

services, community service orders and attendance centres were also included in the assessment. Expenses on juvenile detention were excluded — they were in the Family and Child Welfare category.

5. There were no Commonwealth specific purpose payments included in the category.

Importance of current assessment

6. Table 1 shows the gross standard expenses for the six years ended 2001-02. In 2001-02, this category represented 1.33 per cent of total gross standard expenses.

Table 1 CORRECTIVE SERVICES — GROSS STANDARD EXPENSES AND USER CHARGES, 1996-97 TO 2001-02

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Standard expenses (\$pc)	51.24	52.79	56.45	60.15	63.08	66.73
% of total standard expenses	1.39	1.37	1.24	1.30	1.30	1.33
Standard user charges (\$pc)	1.96	2.57	2.17	2.31	2.38	2.51
% of category standard expenses	3.8	4.9	3.8	3.8	3.8	3.8

7. Compared to an equal per capita assessment, the 2003 Update Corrective Services assessment redistributed about \$91.6 million away from Victoria, Queensland and South Australia to the other States.

8. Table 2 shows the redistribution of grants resulting from the assessments in the 2003 Update.

Table 2 EFFECT OF ASSESSMENT ON GRANT DISTRIBUTION — CORRECTIVE SERVICES, 2003 UPDATE

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total ^(a)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Contribution to 2003 Update relativities^(b)	19.3	-76.4	-2.3	16.1	-12.9	3.5	0.7	51.9	91.6

(a) Total redistribution.

(b) Assuming same pool and a constant population.

9. The socio-demographic composition factor in this category had the largest impact on State grant shares. Compared with an equal per capita assessment, the 2003 Update socio-demographic composition assessment redistributed about \$77.0 million away from Victoria, South Australia and the ACT to the other States.

Expenses assessment

10. The category had three components — scale-affected expenses, prisons and isolation.

11. The proportions of expenses affected by isolation and administrative scale were estimated using the general approaches adopted in the assessment of isolation and administrative scale disabilities. The prisons component weight was calculated as the balance of the category.

12. The assessment structure used in the 1999 Review and the disabilities assessed are shown in Table 3.

Table 3 CORRECTIVE SERVICES ASSESSMENT STRUCTURE, 1999 REVIEW

Expenses component	Component weight	Factors	Basis of calculation
Scale-affected expenses	3.74	Input costs	General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.
Prisons	95.83	Administrative scale	General method.
		Dispersion	General method.
		Input costs	General method with weights of 70% for wages, 2% for accommodation and 1% for electricity.
		Socio-demographic composition	Standardised numbers of high and low risk prisoners calculated for each State using data from the <i>Prisoners in Australia, ABS</i> (based on the crime profile of prisoners and other characteristics including age, sex and Indigeneity). Indigenous prisoners are cost weighted by 1.1, and high risk (secure) prisoners by 2.5 for New South Wales and 2.0 for all other States. The effects of relevant populations and Commonwealth offenders are included in the factor.
Isolation	0.43	Cross-border Isolation	General method. General method.

User charges assessment

13. In the 1999 Review, Corrective Services user charges were assessed by the equal per capita method.

PROPOSED CATEGORY DEFINITION AND ASSESSMENT STRUCTURE 2004 REVIEW

Category scope and structure

14. **1999 Review.** The assessment structure for the 1999 Review is set out in Table 3.

15. **Preliminary State views.** States were generally supportive of the 1999 Review Corrective Services assessment.

16. **Staff proposals.** Staff proposed that the scope of the category be expanded, as foreshadowed in the Commission's *Discussion Paper CGC 2001/12 Scope and Structure of the Standard Budget*, to include expenses on juvenile detention services, which were previously assessed in the Family and Child Welfare category. This was done because the GFS classification relating to corrective services includes juvenile justice. There was no intention to change the needs assessment for this component, as a result of the transfer.

17. **Further State views.** States (other than the ACT) suggested there was a need to introduce a community-based corrections assessment into the category and to review the component weights. The ACT argued the assessment would be simpler if community-based corrections expenses remained in the prisons component.

18. While no State objected to including juvenile detention in the Corrective Services category, South Australia argued that, if the Commission did make the shift, it should recognise that juvenile detention remained a welfare service.

19. **Analysis.** In concept and in practice, the Commission's assessments would introduce separate components where different types of corrective services provided by States, are subject to different demand and cost influences.

20. Table 4 shows that community-based orders (CBOs) now represent a significant proportion of the demand for corrective services across States. While the number of community-based orders in 2001-02 was considerably greater than the number of prisoners, the Australian recurrent cost per offender per day was \$8.40. The recurrent cost per prisoner per day during the same period was \$154.90.

Table 4 AVERAGE DAILY COMMUNITY-BASED ORDERS AND PRISON POPULATIONS, BY STATE, 2001-02

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Community-based orders	17 486	6 650	13 445	5 364	6 205	933	1 287	935	52 305
Community-based orders (per 100 000 people)	263.5	136.3	363.5	274.4	410.0	198.8	402.9	459.6	265.9
Net recurrent expenditure (\$'000)	51 601	27 768	28 751	19 690	19 169	3 184	4 314	5 249	159 726
Recurrent cost per offender per day (\$)	8.08	11.43	5.85	10.41	8.46	9.34	9.40	15.37	8.40
Prisoners	7 764	3 446	4 982	2 922	1 436	386	203	671	21 672
Prisoner (per 100 000 people)	117.0	70.6	134.7	149.5	94.9	82.2	63.6	329.9	109.4
Net recurrent expenditure (\$'000)	474 667	186 381	256 278	164 102	81 210	23 100	16 455	36 412	1 238 605
Recurrent cost per prisoner per day (\$)	161.50	148.10	140.80	157.90	154.80	163.80	206.40	148.60	154.90

Source: Productivity Commission, *Report on Government Services*, 2003, Table 7A.1 and 7A.3.

21. **Commission decision.** The large differences in the average costs per offender between prisons and community services, and in the nature of the two types of service, provide a strong logical basis for considering that different demand and cost disabilities would apply. Data are available to allow accurate estimates of the component sizes to be prepared. The differences in average costs are large and sufficient to lead to material effects on the assessments. Therefore, the Commission has decided to separate expenses associated with community services from expenses on prisons in the assessments. The new component will be called community-based corrections.

22. In the absence of any objection from the States, the Commission has also decided to confirm the proposal to transfer the expenses associated with juvenile detention from the Family and Child Welfare category to the Corrective Services category. This decision aligns the coverage of the Corrective Services category more closely with the GFS classification which supports it. As part of this decision, the Commission will create a separate juvenile detention expense component within the Corrective Services category for assessment purposes because disabilities associated with juvenile detention could differ from those for adult prison services.

23. The Commission has estimated that the component weight for:

- (i) the Community-based corrections component should be 11 per cent, based on data provided by the Productivity Commission's *Report on Government Services 2003*; and
- (ii) the Juvenile detention component should be 11 per cent, based on GFS expenses data on Juvenile Corrective Services (GPC code 2331).

24. The component weights for the fixed costs and isolation components were determined by the general methods. The prisons component weight was the balance of the category expenses after all other component weights had been calculated.

25. The Commission’s decisions for the category are summarised in Table 5.

Table 5 COMMISSION DECISIONS —CORRECTIVE SERVICES DEFINITION, ASSESSMENT STRUCTURE AND COMPONENT WEIGHTS, 2001-02

Decisions	Reason
Definition. Changed from the 1999 Review, to include Juvenile Detention.	The inclusion of the Juvenile Detention makes the category more consistent with GFS.
Treatment of SPPs:	
No SPPs are included in this category.	
Assessment structure and component weights: ^(a)	
• Fixed costs: 1.11%	Evidence available from State submissions and GFS suggested that the components had different cost structures.
• Prisons: 76.71%	
• Community-based corrections: 11%	
• Juvenile detention: 11%	
• Isolation: 0.18%	
	The fixed costs and isolation component weights were based on 2004 Review general methods.
	The community-based corrections component weight was based on Productivity Commission data.
	The juvenile detention component weight was based on GFS data.
	The prisons component weight was the balance of the category expenses after all other components had been determined.

(a) Component weights apply to 2001-02.

FIXED COSTS

26. As in the 1999 Review, the Commission has decided to assess input costs and administrative scale disabilities for the fixed costs component.

Administrative scale — fixed costs component

27. **1999 Review.** The administrative scale factor was assessed to account for differences in per capita costs of providing central office functions and whole of State services. Scale-affected expenses for this category were assessed as \$4 million, of which \$2 million was considered as fixed costs and \$2 million as variable cost. The scale-affected expenses component represented 3.74 per cent of expenses in this category.

28. **2004 Review.** *Draft Assessment Paper CGC 2003/60 Administrative Scale* discusses the issues raised by the States regarding the assessment of this factor. The paper

sets out the Commission's decisions on the general method of assessment adopted for the 2004 Review and on the size of the fixed costs component in each category.

29. Tasmania argued that the variable costs assessment should be maintained and suggested separate scale-affected assessments be made in relation to adult and juvenile correctional services. The Northern Territory submitted that the effort required to participate in tasks involving all States and Territories (such as collecting statistics and participating in national conferences) required the same effort as other States, but represented a greater burden per capita in terms of resources spent.

30. The Commission has decided that administrative scale will be assessed for this category to recognise the unavoidable costs each State would incur to have the policy and administrative infrastructure necessary to provide the service regardless of the size of the task.

31. The issues raised by Tasmania and the Northern Territory were considered in *Draft Assessment Paper CGC 2003/60 Administrative Scale*.

32. The administrative scale factors for this category, shown in Table 6, have been calculated using the 2004 Review general method. Fixed costs for this category have been estimated to be \$2 million per State, which represents 1.11 per cent of the category standard.

Table 6 ADMINISTRATIVE SCALE FACTORS — FIXED COSTS COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	0.36858	0.50382	0.68027	1.28668	1.56812	4.92560	7.52310	12.32319
1998-99	0.36853	0.50445	0.67767	1.28097	1.57795	4.99478	7.55742	12.25346
1999-2000	0.36854	0.50478	0.67478	1.27836	1.58830	5.05782	7.57230	12.19839
2000-01	0.36846	0.50489	0.67161	1.27768	1.60144	5.12202	7.57722	12.18130
2001-02	0.36891	0.50461	0.66745	1.27717	1.61320	5.17750	7.59249	12.25311

33. The factors, based on estimated resident populations, and the component weight will be updated annually.

Input costs — fixed costs component

34. **1999 Review.** The input costs factor was assessed to recognise differences between States in per capita costs of labour, office accommodation and electricity. A separate factor was calculated for each of those inputs. For the scale affected costs component, those factors were applied to the following proportions of standard expenses:

- wages and salaries 80 per cent;
- accommodation 2 per cent; and

- electricity 1 per cent.

35. **2004 Review.** *Discussion Paper CGC 2003/04 Input Costs* discusses the issues raised by the States regarding the assessment of wages and salaries costs. The paper sets out the Commission's proposals for the general method of assessment to be adopted for the 2004 Review. *Draft Assessment Paper CGC 2003/79 Input Costs — Electricity and Accommodation* discusses the issues raised by the States regarding the assessment of input costs relating to accommodation and electricity. The paper sets out the Commission's decisions on the general method of assessment to be adopted for the 2004 Review and on the size of the standard expense proportions in each category for accommodation costs and electricity costs. The States did not raise issues specific to this category.

36. The Commission considered that the prices of labour, accommodation and electricity used in providing head office type services differ across States for reasons beyond the control of individual States. It has therefore decided that input costs will be assessed for this component.

37. The input costs factors for the fixed costs component of this category, shown in Table 7, have been calculated according to the 2004 Review general methods. The standard expense proportions applied were 80 per cent for wages and salaries, 2 per cent for accommodation and 1 per cent for electricity. They reflected estimates of the proportion each expense represented of standard expenses in this component.

Table 7 INPUT COSTS FACTORS — FIXED COSTS COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	1.03302	0.98766	0.98151	0.98039	0.97094	0.93703	1.00802	1.09279
1998-99	1.03482	0.98866	0.97958	0.97693	0.96902	0.93459	1.01228	1.08820
1999-2000	1.03762	0.98781	0.97671	0.97892	0.96546	0.92795	1.01666	1.08353
2000-01	1.03819	0.98920	0.97482	0.97886	0.96427	0.92509	1.01589	1.08084
2001-02	1.03714	0.99034	0.97354	0.97996	0.96824	0.92479	1.01291	1.07737

38. The factors will be updated annually. The proportions represented by wages and salaries, accommodation and electricity will not be re-examined until the next review.

PRISONS COMPONENT

39. For the prisons component, the Commission has decided that the range of disabilities assessed in the 1999 Review (dispersion, input costs, socio-demographic composition and cross-border) continues to be appropriate.

Dispersion — prisons component

40. **1999 Review.** The dispersion factor was assessed to account for differences in per capita costs of providing services arising from differences between States in the spread of their population. The factor reflects the effects of population dispersion on State expenses associated with telecommunication, freight, travel and staffing on-costs.

41. There were seven indexes within the dispersion factor, each reflecting the effect of interstate differences in population dispersion on a separate type of dispersion-affected cost. The indexes were weighted by the proportions of standard expenses affected by each type of dispersion-affected cost and combined to form the overall dispersion factor. The proportions of standard expenses estimated for this component are shown in Table 8.

Table 8 DISPERSION COST WEIGHTS, 1999 REVIEW

Telephone	Freight	Air Travel	Road Travel		Remote Removals	Locality Allowances
			Inter Regional	Local		
0.01271	0.00245	0.00567	0.02793	0.01906	0.00000	0.00824

Source: 2003 Update Working Papers Volume 3, p325

42. **2004 Review.** *Draft Assessment Paper CGC 2003/63 Dispersion* discusses the issues raised by the States regarding the assessment of the dispersion factor. The paper sets out the Commission’s decisions on the general method of assessment adopted for the 2004 Review and on the size of the standard expense proportions estimated for each of the nine elements of dispersion-affected expenses. The States did not raise issues specific to this category.

43. The Commission noted that the expenses incurred in providing prisons include costs that are affected by population dispersal. It has therefore decided that a dispersion disability will continue to be assessed.

44. The dispersion factors for prisons have been calculated according to the 2004 Review general method. There were nine indexes within the dispersion factor for the 2004 Review. Table 9 shows the proportions of standard expenses estimated for each of the nine elements of dispersion affected expenses for this component.

Table 9 DISPERSION COST WEIGHTS, PRISONS COMPONENT, 2004 REVIEW

Telecommunications		Freight	Air Travel	Road Travel		Repairs and Maintenance	Remote Removals	Locality Allowances
Voice	Non-voice			Inter Regional	Local			
0.0143	0.0016	0.0070	0.0023	0.0096	0.0113	0.0044	0.0000	0.0043

45. Table 10 shows the dispersion factors assessed for prisons for the 2004 Review.

Table 10 DISPERSION FACTORS — PRISONS COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	0.99353	0.98592	1.01128	1.02718	0.99316	0.99806	0.96050	1.21924
1998-99	0.99349	0.98588	1.01124	1.02713	0.99312	0.99802	0.96046	1.21918
1999-2000	0.99346	0.98584	1.01121	1.02710	0.99309	0.99798	0.96043	1.21914
2000-01	0.99344	0.98582	1.01119	1.02708	0.99307	0.99796	0.96041	1.21912
2001-02	0.99343	0.98582	1.01118	1.02707	0.99306	0.99796	0.96040	1.21911

46. Neither the factor nor the dispersion costs weights will be updated before the next Review.

47. The dispersion disabilities shown in Table 10 were also applied in the community-based corrections and juvenile detention components within this category.

Input costs — prisons component

48. **1999 Review.** The following standard expense proportions were applied to each of the factors assessed for this component:

- wages and salaries 70 per cent;
- accommodation 2 per cent; and
- electricity 1 per cent.

49. **2004 Review.** The input costs factors for the prisons component of this category, shown in Table 11, have been calculated according to the general method outlined in *Discussion Paper CGC 2003/04 Input Costs* and in *Draft Assessment Paper CGC 2003/79 Input Costs — Electricity and Accommodation*. The standard expense proportions applied were 70 per cent for wages and salaries, 2 per cent for accommodation and 1 per cent for electricity.

50. The input costs factors shown in Table 11 have also been applied in the community-based corrections and juvenile detention components.

Table 11 INPUT COSTS FACTORS — PRISONS COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	1.02932	0.98903	0.98351	0.98292	0.97413	0.94405	1.00688	1.08142
1998-99	1.03090	0.98991	0.98183	0.97989	0.97245	0.94192	1.01061	1.07740
1999-2000	1.03335	0.98917	0.97931	0.98163	0.96934	0.93610	1.01444	1.07331
2000-01	1.03385	0.99038	0.97766	0.98158	0.96830	0.93360	1.01376	1.07096
2001-02	1.03293	0.99138	0.97654	0.98254	0.97177	0.93334	1.01116	1.06793

Socio-demographic composition — prisons component

51. **1999 Review.** In the 1999 Review, the socio-demographic composition factor for the prisons component was assessed to account for differences between States in per capita costs of service provision because of differences in the characteristics of prison populations.

52. The socio-demographic composition factor was calculated as a joint factor. Standardised numbers of high and low security prisoners were derived for each State by applying Australian average imprisonment rates¹, for those aged 17 years and over, for each security level (cross-classified by age, sex and Indigeneity) to the population data for each State. Cost weights were assigned to Indigenous prisoners (a weight of 1.1), and to high security prisoners (a weight of 2.5 for New South Wales and 2.0 for other States). Adjustments were made for Commonwealth prisoners by adding the above/below average number of Commonwealth offenders to the total weighted standardised number of prisoners, for each State.

53. **Preliminary State views.** New South Wales argued that cost weights applied to the prison population should extend to Federal inmates. Out of the 630 Federal inmates in New South Wales correctional centres in 1999-2000, 36.2 per cent were from culturally and linguistically diverse backgrounds. The State said it incurred additional costs associated with its obligation to provide these inmates with equity of access to services. These included the provision of interpreter services, special diets, and ensuring they had access to welfare, psychological and educational services. It also submitted that it had extra disabilities because of its significantly higher proportion of elderly inmates, and the fact that it provided specialist services for witness protection inmates across Australia.

54. Victoria said that the weight of 2.5 for high-risk (secure) prisoners applied to New South Wales should also apply to Victoria. It noted that the growth in the number of prisoners from culturally different backgrounds linked to drug-source countries contributed

¹ The standard imprisonment rates were calculated by expressing all prisoners in Australia (classified by security level, age, sex and Indigeneity) as a proportion of the relevant Australian population (also classified by age, sex and Indigeneity). The data on prisoners by age, sex and Indigeneity were obtained from annual prison census data and the States, and population data were obtained from ABS.

to the growth of drug-dependency in the prison population. It proposed a cost weight of 1.5 be applied to drug dependent prisoners because of the high costs associated with them.

55. South Australia argued that the weight applied to high risk prisoners should be the same for all States.

56. The ACT argued that the cost weight applied to New South Wales high-risk prisoners should be extended to ACT high-risk prisoners².

57. The Northern Territory supported the current assessment approach. However it argued that the current weight for Indigeneity was too low because it understated the additional costs of servicing this population, particularly traditional Aboriginals in remote areas. The Territory's supporting evidence described specialist services and management practices for Indigenous peoples — for example, expanded primary health care, dental services and preventative medicine and communicable disease education; and co-location of family and related skin groups together (whenever possible). The Territory proposed that an Indigeneity weighting of 1.5 be increased to 2.

58. **Staff proposals.** In *Discussion Paper CGC 2002/36 Law and Order*, staff proposed that:

- (i) all socio-demographic composition assessments be re-examined, especially the issue of whether the cultural and linguistic diversity of prisoners affected service delivery costs;
- (ii) the allowances for Commonwealth prisoners not take account of their socio-demographic characteristics because the necessary data were not available;
- (iii) the cross-border costs to New South Wales of specialist services for witness protection inmates across Australia be investigated;
- (iv) the costs of supporting elderly inmates be investigated if States provided the necessary information;
- (v) the higher representation of gang members associated with violent crime in the two most populous States justified the application of the same higher weight of 2.5 to high-risk (secure) prisoners in Victoria and New South Wales;
- (vi) the higher weight applied to high risk prisoners in New South Wales not be extended to ACT prisoners because the extra weight was intended to reflect the 'gang effect', not 'high-risk' prisoners *per se*, and because it was a policy decision of the ACT Government to use New South Wales prisons;

² ACT full-time prisoners are held in New South Wales prisons on a fee for service basis.

- (vii) the cost effects of drug dependent prisoners be investigated further, providing States supplied data requested on specific costs associated with prisoners with drug dependency, including rehabilitation programs and medical costs — however, staff considered that devising a policy neutral measure would be difficult; and
- (viii) the cost weight for Indigenous prisoners be reconsidered.

59. **Further State views.** New South Wales reiterated its position regarding the impact of Commonwealth prisoners and prisoners with illicit drug problems.

60. Victoria argued that there were increasing numbers of non-English speaking background offenders, with additional cultural and linguistic needs, in Australian prisons, particularly in the capital cities and ports of entry (notably Melbourne and Sydney). It proposed that a cost weight of at least 10 per cent be applied to the non-English speaking background prisoners to allow for costs associated with cultural differences.

61. Queensland noted that the numbers of culturally diverse offenders were increasing. Costs associated with them included the need for interpreters, cultural awareness programs and special dietary needs. The geographical expanse of Queensland, and the remoteness of some centres, meant that providing these services could add to costs. However, no comprehensive data were available and anecdotal evidence suggested that the additional costs were not likely to be large.

62. South Australia argued that the high-risk (secure) prisoner cost weight should be the same for all States, unless substantial evidence indicated differential costs. It also argued that elderly prisoners had a significant impact on resources because of poorer health and greater dependency.

63. Tasmania said that any additional costs for services to different population groups were generally absorbed within normal operating costs. It argued that the most significant differential between population groups was the higher use of services by people living in, or originating from areas of low socio-economic status.

64. The Northern Territory submitted that one of the main cost drivers was the socio-demographic composition of users of corrective services. Indigenous people represented the majority population in prisons (63 per cent), community corrections (71 per cent) and juvenile detention (75 per cent). As corrective services in the Territory reflected the needs of Indigenous people, there were many aspects of the services that were above standard practice. These included expanded primary health care, education and community programs. The Territory provided data and other evidence to support its case.

65. **Analysis.** Data needed to update the 1999 Review calculations of standardised numbers of high and low security prisoners with different population characteristics, for each State and Australia were available³. In particular:

³ ABS data cross classified by age, sex, Indigeneity, security level and country of birth are not available.

- (i) standard use weights by age, sex and Indigeneity can be calculated from data provided by Queensland, Western Australia, South Australia and the Northern Territory, from detainee numbers published by the ABS in *Prisoners in Australia*, and from the Productivity Commission's *Report on Government Services 2003*;
- (ii) the proportions of high and low security prisoners by sex and Indigeneity, for Australia, can be calculated from crime profile data sourced from *Prisoners in Australia*;
- (iii) standard use weights by cultural background can be calculated from prisoner country of birth data sourced from *Prisoners in Australia*;
- (iv) cross classified population data are available from the 2001 Census, by age, sex and Indigeneity; and
- (v) Commonwealth offenders data are available from the Director of Public Prosecutions (DPP) and other Commonwealth agencies — but not disaggregated by age, sex, Indigeneity or security level.

66. The Commission has avoided double counting by separately applying cost weights (where relevant) to standardised prisons population groups, disaggregated by sex, Indigeneity and level of security.

67. On the other hand, data needed to estimate standard unit cost weights by age, sex, Indigeneity and country of birth were not readily available. Further, data to estimate income specific use weights, as requested by Tasmania, were similarly not available.

68. **Commission decisions.** Because people from some population sub-groups are represented more heavily in prisons and there are significant differences between the States in the relative importance of those sub-groups in their population, there is a conceptual case for assessing socio-demographic composition disabilities. Socio-demographic composition disabilities that reflect those different use rates can be calculated with a high degree of confidence, because reliable data are available on prisoners by major demographic characteristics. The data indicate that there are substantial differences in the use rates for some population groups.

69. States did not question the allowances for differences in use by age, sex, and Indigenous people, and we see no reason to change the basic method adopted in the 1999 Review. However, States have raised issues as to whether there should be allowances for different use rates by some other population sub-groups and about the allowances for the relative costs of servicing people in some of those groups. We discuss those issues in the following sections.

70. *High/low security prisoners - analysis.* An allowance is made for high and low security prisoners because there are differences in the unit cost for each group. For the 1999 Review, prisoners regarded as requiring high security were those convicted or charged

with murder, other homicide⁴, assault, sex offences, other offences against the person, robbery and extortion. A cost weight of 2 was applied to high security prisoners in all States except those in New South Wales. A cost weight of 2.5 was assigned to high risk prisoners in New South Wales to recognise the additional costs of dealing with gangs who were more highly represented in the New South Wales prison population. The high risk and gang cost weights were based on judgement, informed by limited data on the relative costs of high and low security facilities.

71. The ABS *Most Serious Offences* classifications have changed since the 1999 Review. An important change to the Commission's high security category is the inclusion of illicit drug offences. The data indicate that illicit drug offences (deal/traffic, and manufacture/cultivate) account for 13 per cent of those classified as high security prisoners. The Commission has therefore updated the definition of crimes considered as requiring high security imprisonment to include homicide, assault, sex offences, dangerous or negligent acts endangering persons, abduction, and related offences, robbery, blackmail and extortion, and illicit drug offences (deal/traffic, and manufacture/cultivate). Other prisoners, calculated by subtracting the number of prisoners requiring high security from the total prisoner population, were treated as requiring low security imprisonment.

72. The more important issues relating to the security level were the determination of the cost weights:

- (i) Victoria argued that the increasing prevalence of gangs in its prison population and the extra measures that must be taken in that circumstance warrant the higher cost weight being applied to its high security prisoners; and
- (ii) the ACT argued that the cost weight applied to New South Wales should be extended to the ACT because its high security prisoners are treated in the same way as similar prisoners from New South Wales and it has no control over the costs of its high security prisoners in New South Wales prisons.

73. *Commission decisions on high/low security prisoners.* There is no dispute among the States that high and low security prisoners result in different costs for the States. There was little argument about the suitability of the basic cost weight of 2 for high security prisoners. However there was debate regarding the application of the cost weight of 2.5. There was no dispute over the approach the Commission took to classifying prisoners to the two security levels.

74. The Commission accepts that a conceptual case exists for assessing prison security levels because States incur different costs due to proportion of high and low security prisoners and the ethnic profile of the prison population, resulting in a 'gang effect' in New South Wales and Victoria. The Commission has decided to continue to use the ABS Most Serious Offences data to determine the security classifications of inmates.

⁴ Includes conspiracy to murder, attempted murder, manslaughter, and driving causing death.

75. For the 2004 Review, a cost weight of 2.5 is proposed for high security prisoners in New South Wales, Victoria and the ACT and a weight of 2 for all other States to recognise the additional cost of providing secure prison facilities. The higher cost weight of 2.5 was assigned to NSW and Victoria in recognition of the difficulty posed by inmates of non-English speaking background, to reflect the 'gang effect'. The Commission applied the same weight to the ACT because it has no control over the costs of its high security prisoners in New South Wales prisons.

76. *Cultural and linguistic diversity - analysis.* In the 1999 Review, the Commission did not assess use or cost weights for non-English speaking background prisoners because of a lack of reliable data.

77. In this review, New South Wales and Victoria have suggested that use weights should be assessed together with weights for the additional costs associated with prisoners who have low English fluency and for cultural reasons.

78. In *Discussion Paper CGC 2002/36, Law and Order* it was noted that information available on the contact that people from culturally and linguistically diverse groups have with the criminal justice system was improving. The ABS has collected prisoner numbers by country of birth since 1998.

79. We have used the ABS prisoners by country of birth data, shown in Table 12, to calculate a standard cultural diversity use rate. Specifically, we have identified prisoners born in non-English speaking countries, but excluded Northern European prisoners because low-English fluency rates and cultural differences for these countries are low. The data show that people born in non-English speaking countries are, on average, imprisoned about 20 per cent less than the total population; that is, on the basis of 2001 data, about 0.15 per cent of the population born in non-English speaking countries would be in prison compared with 0.19 per cent of the total Australian population. This is a different picture from that painted by NSW and Victoria. The data do show, however, that some groups are more highly represented in the prison population than others. For example, inmates from Vietnam, who are more frequently imprisoned for drug related crimes, are over-represented in prison populations.

Table 12 NUMBER OF PRISONERS BY COUNTRY OF BIRTH, 2001

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Papua New Guinea	13	3	36	1	2	0	0	2	56
Fiji	65	11	8	2	0	0	0	1	87
Samoa	39	0	7	0	0	0	0	0	46
Tonga	31	0	6	0	0	0	0	0	37
Italy	43	38	12	10	13	0	0	2	118
Malta	17	10	1	0	0	0	0	0	28
Greece	29	27	4	4	3	0	0	0	67
Romania	26	29	14	1	0	0	0	0	70
Yugoslavia and former Yugoslav Republics	40	3	0	10	0	0	0	0	52
Lebanon	104	33	5	1	2	0	0	0	144
Turkey	30	30	0	1	2	0	0	0	63
Cambodia	25	14	2	2	0	0	0	0	43
Laos	22	4	3	2	0	0	0	0	30
Vietnam	284	166	94	37	30	0	0	0	605
Indonesia	30	9	5	1	0	0	0	131	176
Malaysia	33	12	14	0	0	0	0	0	58
Philippines	27	10	12	1	0	0	0	1	50
Singapore	23	9	6	0	0	0	0	4	42
China (excludes SARs and Taiwan Province)	62	14	11	1	0	0	0	0	88
Hong Kong (SAR of China)	35	4	6	1	0	0	0	0	46
India	7	6	5	3	0	0	0	4	24
Total overseas born non- English speaking prisoner population	985	432	251	78	52	0	0	145	1 943
- as proportion of relevant State population. ^a	0.19%	0.10%	0.23%	0.10%	0.05%	0.00%	0.00%	0.83%	0.15%
Total other prisoner population	9 337	3 109	5 412	1 541	4 190	386	94	1 028	24 960
- as proportion of relevant State population.	0.19%	0.09%	0.20%	0.11%	0.37%	0.11%	0.04%	0.79%	0.17%
Total prison population	10 322	3 541	5 663	1 619	4 242	386	94	1 173	26 903
- as proportion of State population	0.21%	0.10%	0.21%	0.12%	0.37%	0.11%	0.04%	0.90%	0.19%

(a): Relevant population is the State population of people from the countries listed in Table 12.

Source: *Prisoners in Australia 2002-companion data*, Australian Bureau of Statistics Cat. No. 4517.0.

80. New South Wales and Victoria also said that they incurred extra costs in managing prisoners from culturally and linguistically diverse backgrounds. These costs arose from the need for interpreter services, special diets and ensuring these prisoners have access to welfare, psychological and educational services. The States also indicated that ethnic prisoners were over-represented in the higher security classifications. They said that in June 2000, 23 per cent of all prisoners in New South Wales were from a non-English speaking background, while 44 per cent of prisoners with medium and high security rating were from a non-English speaking background. However, very little information has been provided on the extra costs incurred in servicing these prisoners. Other States suggest that, in practice, few extra costs would be incurred.

81. *Commission decisions for Cultural and linguistic diversity.* There is a conceptual case to assess cultural diversity in calculating the standardised number of prisoners for each State. Data are available to support the case and they indicate that the cost differences are material. We have decided to assess cultural diversity by adjusting the standardised prison population for each State by adding the above/below average number of offenders born in non-English speaking countries to the total weighted standardised number of prisoners, for each State. For 2001, this method increased the number of prisoners for New South Wales (315 prisoners) and the Northern Territory (127 prisoners) and decreased it for the other States.

82. On the cost side, States have argued that they incur additional expenses due to the special needs of inmates from different cultural backgrounds. Those costs would reflect the effects of low English fluency and cultural issues. However, in the absence of data, we cannot form a judgement on whether the extra costs are material. We have therefore decided not to assess extra unit cost weights for inmates from different linguistic or cultural backgrounds at this stage. This decision would be reconsidered if States were to provide information indicating what level of extra costs are incurred over and above the costs included in the high security allowance.

83. *Indigeneity — analysis.* In the 1999 Review the Commission accepted that Indigenous people had significant effects on prison costs because they were greatly over-represented in the prison population. Hence States with a larger proportion of Indigenous people in their population could be expected to have a relatively larger use of prison services. In addition, the average costs of imprisoning Indigenous people were greater than those for non-Indigenous prisoners. However, there were little data on the additional costs and the cost weight of 1.1 was based on judgement, informed by a small amount of data on the extra costs of dealing with Indigenous prisoners.

84. The Commission noted that States have generally accepted that use of prison services varies according to the age-sex and Indigenous profile of State populations. As was the case in the previous review, the Commission had access to good quality data cross-classified by age, sex and Indigenous/non-Indigenous status, sourced from ABS prisoner crime profiles⁵, on which to base an assessment. Table 13 presents the 2001-02 numbers and population proportion of sentenced prisoners by age, sex and Indigeneity. It shows that

⁵ Companion data, Prisoners in Australia 2002, ABS, Cat. No. 4517.0.

Indigenous males make up 18 per cent of the Australian prison population and 0.9 per cent of the Australian population. They are 21 times more likely to be in prison than their population share would indicate.

85. For the 2004 Review, Victoria argued that most Indigenous prisoners did not cost more to deal with than non-Indigenous prisoners and that an Indigenous cost weight should only be applied to Indigenous prisoners from or in remote areas. By contrast, the Northern Territory argued for a much higher cost weight.

86. The Northern Territory presented evidence that Indigenous people held in custody were not a minority group to be targeted by a special section or special programs as in other States. It said that corrective services were devised for Indigenous people, as the key client group. This resulted in appropriate services being provided across the board. The Territory presented many examples of the special way in which services were provided to Indigenous inmates, including dormitory accommodation, health, education and cultural services. For example, it was not unusual for the prison service to take responsibility for prisoners' health needs that had been neglected prior to incarceration (at a cost of approximately \$1.5 million for 2000-01). Such needs were the result of the harsh environmental, social and living conditions faced by the majority of Indigenous Territorians living outside urban centres in remote communities in environments conducive to disease and illness.

87. The Northern Territory also argued that the time and effort undertaken to ensure the culturally sensitive needs of the high Indigenous prisoner population were met, also impacted on the cost of delivering corrective services. Sadness, disempowerment and loss of community are strongly felt emotions in remote areas by traditional Indigenous inmates, and cannot be taken lightly by any custodial officer or staff member.

88. *Commission decisions.* The Commission accepts that the data on the over-representation of Indigenous people in prisons demonstrate that there is an overwhelming conceptual case for assessing Indigeneity use disabilities for this component. Since the data are available and of adequate quality, we will continue to assess Indigeneity use weights.

89. While Victoria has said that Indigenous prisoners do not generally cost more and that the cost weight should only be applied to Indigenous prisoners from or in remote areas, all the States that have high proportions of Indigenous people in their populations argued that Indigenous prisoners cost more. The Northern Territory's evidence on additional costs arising from medical and education services, and the additional time and effort required to address cultural sensitivities, is especially convincing. A case has been made that Indigenous prisoners cost more on average to maintain than other prisoners. The limited data available supports a small cost weight. Continuing the cost weight of 1.1 used in the 1999 Review would have a material effect, especially for the Northern Territory.

90. We are satisfied that the strength of the conceptual case, and indications provided by the evidence, are sufficient to conclude that equalisation will be improved by continuing to apply a standard unit cost weight of 1.1 to recognise additional costs involved in providing corrective services to Indigenous people. This is a judgement based weight, based on evidence presented by the Northern Territory and is consistent with Indigeneity costs applied in a number of other assessments.

Table 13 NUMBER OF SENTENCED PRISONERS BY AGE, SEX AND INDIGENEITY, 2001-02.

Age-Group	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
NON-INDIGENOUS MALES									
17-19	255	61	160	83	39	26	8	42	674
20-39	4965	2151	2175	1408	786	193	138	142	11958
40-59	1538	684	721	423	224	61	30	60	3741
60+	156	114	108	68	18	8	0	9	481
Total	6914	3010	3164	1982	1067	288	176	253	16854
<i>prison population share</i>	79.3%	88.8%	70.0%	62.5%	78.5%	83.5%	83.4%	35.3%	75.2%
<i>total population share</i>	48.0%	48.2%	47.6%	48.0%	48.0%	46.9%	48.4%	39.5%	47.9%
<i>likelihood of imprisonment</i>	1.65	1.84	1.47	1.30	1.63	1.78	1.72	0.89	1.67
INDIGENOUS MALES									
17-19	64	5	108	59	8	4	2	27	277
20-39	995	119	820	787	184	28	13	356	3302
40-59	129	9	122	123	21	4	3	62	473
60+	7	1	13	1	0	1	0	0	23
Total	1195	134	1063	970	213	37	18	445	4075
<i>prison population share</i>	13.7%	4.0%	23.5%	30.6%	15.7%	10.7%	8.5%	62.1%	18.2%
<i>total population share</i>	0.8%	0.2%	1.2%	1.3%	0.6%	1.4%	0.5%	12.8%	0.9%
<i>likelihood of imprisonment</i>	18.03	18.33	18.84	23.04	25.07	7.88	17.66	4.85	20.71
NON-INDIGENOUS FEMALES									
17-19	12	5	12	5	1	1	0	0	36
20-39	356	175	149	85	55	12	11	5	848
40-59	100	49	45	26	5	3	4	3	235
60+	4	2	1	0	1	1	0	0	9
Total	472	231	207	116	62	17	15	8	1128
<i>prison population share</i>	5.4%	6.8%	4.6%	3.7%	4.6%	4.9%	7.1%	1.1%	5.0%
<i>total population share</i>	50.4%	51.3%	49.8%	49.3%	50.7%	50.3%	50.6%	34.3%	50.3%
<i>likelihood of imprisonment</i>	0.11	0.13	0.09	0.07	0.09	0.10	0.14	0.03	0.10
INDIGENOUS FEMALES									
17-19	7	1	6	7	1	1	0	0	23
20-39	114	13	66	83	15	2	2	9	304
40-59	15	2	11	12	1	0	0	2	43
60+	0	0	0	0	0	0	0	0	0
Total	136	16	83	102	17	3	2	11	370
<i>prison population share</i>	1.6%	0.5%	1.8%	3.2%	1.3%	0.9%	0.9%	1.5%	1.6%
<i>total population share</i>	0.8%	0.2%	1.4%	1.4%	0.7%	1.4%	0.5%	13.4%	0.9%
<i>likelihood of imprisonment</i>	1.96	2.09	1.31	2.29	1.90	0.61	2.03	0.11	1.76

Source: *Prisoners in Australia 2002-companion data*, Australian Bureau of Statistics Cat. No. 4517.0. Census 2001

91. *Elderly prisoners - analysis.* In *Discussion Paper CGC 2002/36, Law and Order*, staff noted New South Wales' argument that elderly inmates were more expensive than the general population to service. Staff sought evidence from the States to support any argument for increased costs of servicing elderly inmates, although it was suspected that less supervision may counterbalance any additional costs.

92. With the exception of New South Wales, States did not generally support an assessment for elderly inmates.

93. In support of their case for an assessment of elderly inmates, New South Wales cited *Elderly Inmates: Issues for Australia*⁶, from which it quoted 'Medical and other costs for these greying prisoners are of the order of three times more expensive than required for the care of younger inmates. Kidney failure, advanced heart disease, lung cancer from increased smoking and other cancers and complicated diseases are far more prevalent among the elderly than the young or middle aged.'

94. *Commission decision for elderly prisoners.* While the information provided by New South Wales demonstrates that there is a sound case to assess a cost weight, there is insufficient information to indicate how important 'medical and other costs' are in the context of the overall costs per prisoner. Elderly prisoners are a comparatively small element of the prisoner population, making up just 2.8 per cent of the total prison population for 2001. Given the lack of data to consider whether or how elderly prisoners impact on service delivery costs, we have decided not to assess a cost weight for elderly prisoners — a use weight is already included in the assessment through the age-sex use weights.

95. *Drug dependent prisoners - analysis.* This influence was not assessed in the 1999 Review. In *Discussion Paper CGC 2002/36, Law and Order* Commission staff noted Victoria's submission that the growth of prisoners from culturally different backgrounds linked to drug-source countries had contributed to the growth of a drug-dependent prison population. Victoria said that a cost weight of 1.5 should be applied to prisoners with drug dependency problems because of the high costs associated with these offenders.

96. New South Wales also presented evidence to support the introduction of this assessment. It said that in a recent survey of people received into custody indicated that 66 per cent of males and all females reported an opiate dependency or abuse problem. In another ongoing process of testing for drugs in prison, 12 per cent of samples taken during 2000-01 tested positive to drugs (similar but more extensive samples in 1998 returned a 15 per cent positive result). New South Wales estimated that the additional annual cost of inmate drug users was 24 per cent. No State opposed the introduction of an allowance for drug dependent prisoners.

97. Prisoners with an illicit drug problem are increasing as a proportion of the total prison population, primarily due to the high levels of recidivism amongst dependent offenders.

⁶ Australian Institute of Criminology, *Elderly Inmates: Issues for Australia*, Trends and Issues in Crime and Criminal Justice Series, No. 115, May 1999, p.4

98. *Commission decision for drug dependent prisoners.* The data indicate that a significant proportion of prisoners have drug dependency issues and that States incur additional costs in dealing with those issues. Thus, we accept the conceptual case that the drug rehabilitation programs and associated medical costs States incur as a result of drug dependent inmates, do increase State costs. The figures presented by New South Wales and Victoria indicate that the extra costs are material. They also indicate that an assessment could be made with an acceptable level of accuracy.

99. Based on the case presented by New South Wales and Victoria and more general research, the Commission has decided to assess an additional cost weight of 25 per cent for drug dependent prisoners to account for the additional costs incurred in providing specialist services to these inmates. In the absence of data to indicate that the drug dependent prisoner population would vary markedly between States, we have decided to use the latest data provided by New South Wales to estimate the drug dependent proportion of the prison population in New South Wales and Victoria as 12 per cent, and 6 per cent for all other States. We have applied the cost weight to a smaller proportion of the prison population in the other States in recognition of New South Wales and Victoria's argument and supporting evidence, that the increasing proportion of prisoners with illicit drug dependency is particularly prevalent in urban areas, and even more so in the major capital cities such as Melbourne and Sydney (ports of entry). We would be prepared to review this assessment if other States provided evidence of the drug dependent proportion of their prison population.

100. *Commonwealth offenders - analysis.* In the 1999 Review, this disability was assessed by adjusting the standardised numbers of prisoners in each State by the above/below average number of Commonwealth offenders in each State.

101. New South Wales, Western Australia and the Northern Territory accommodate the greatest population share of Commonwealth offenders. New South Wales argued that because a high proportion of Commonwealth offenders are imprisoned for drug related offences, they contribute to the health and security problems in the prisons. The Northern Territory said its daily average non-Australian citizen prison population increased from 6.4 per cent in 1998-99 to 21.3 per cent in 2000-01.

102. The Northern Territory also presented evidence of the additional costs incurred by Commonwealth offenders. These costs were due to specific health and cultural needs, especially for the growing number of Indonesian inmates charged for people smuggling. Information provided by New South Wales and the Northern Territory indicated that the additional average annual cost for specialist services per Commonwealth offender was about \$10 000 a year, or 6 per cent above average costs.

103. *Commission decision for Commonwealth offenders.* The Commission accepts that a conceptual case exists for assessing Commonwealth inmate disabilities because States face differential costs due to the number of Commonwealth offenders and for medical and other specialist service costs. We have decided to continue to assess this disability by adjusting the standardised numbers of prisoners in each State by the above/below average number of Commonwealth offenders in each State. We have also decided to assess, by judgement, an additional cost weight of 6 per cent for Commonwealth offenders.

104. *Inmate witness protection - analysis.* This influence was not assessed in the 1999 Review. New South Wales requested that the Commission make an assessment to reflect the special witness protection services it provides to other States. In support of its case, New South Wales provided protected inmate witness detainee numbers for October 2001 and as at 30 June 2002. The average daily operating cost was \$320 per inmate.

105. The 2002 Census reported there were 44 inmates under the witness protection program including one from Queensland, one from Western Australia and one from the ACT. New South Wales inmates made up the balance. At an average cost of \$320 per inmate day, the cost to New South Wales corrective services of interstate inmates was about \$350 000 a year.

106. *Commission decision for inmate witness protection.* New South Wales has not argued that it has no policy control over whether or not it accepts interstate inmates under witness protection. Given that New South Wales decides to accept inmates from other States for various reasons, direct action to recover costs from the other States would seem to be a more appropriate means of addressing the issue than equalisation. In addition, the data indicate that the impact of interstate prisoners in the inmate witness protection program is not material in the context of the Commission’s assessments. The additional detail of adding a cross-border disability for such a small impact is not warranted. We have decided not to assess a witness protection, cross-border weight.

107. The Commission’s overall socio-demographic composition decisions are summarised in Table 14.

Table 14 COMMISSION DECISIONS — SOCIO-DEMOGRAPHIC COMPOSITION, PRISONS COMPONENT

Decision	Reason
A socio-demographic composition factor was assessed for the prisons component to account for differences in per capita delivery costs incurred due to age, sex and Indigenous status; cultural diversity; security; drug dependency; and the number of Commonwealth offenders.	Gives States the capacity to provide the average level of services by assessing the additional costs that States face because of different population profiles in prisons and different unit costs.

108. *Method and results.* The socio-demographic composition factors for this component, shown in Table 15, have been calculated according to the standard method, which involves:

- (i) calculating the Australian proportion of high security and low security prisoners, using crime profiles obtained from *Prisoners in Australia*, for Indigenous and non-Indigenous males and females;
- (ii) deriving Australian standard use weights for prison populations by age, sex, and Indigeneity based on data from *Prisoners in Australia* and the States;

- (iii) calculating the standardised number of prisoners by age-sex, Indigeneity and security level for each State by applying the standard use rates derived in (ii) to State population profiles and allocating these to high and low security using the proportions calculated in (i);
- (iv) applying standard cost weights for Indigeneity, drug dependency and high security;
- (v) adjusting each State's standardised weighted population for the above/below average number of standardised culturally diverse offenders by applying the Australian average imprisonment rate for this group to the relevant population in each State;
- (vi) adjusting each State's standardised weighted population for the above/below average number of Commonwealth offenders;
- (vii) calculating the ratio of adjusted standardised weighted population to unweighted population for each State and Australia; and
- (viii) calculating each State's factor by dividing the State ratio by the Australian ratio.

Table 15 PRISONS COMPONENT — SOCIO-DEMOGRAPHIC COMPOSITION FACTOR

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	1.01826	0.88252	0.90755	0.96847	0.75542	0.77016	0.93866	2.81498
1998-99	1.00951	0.86651	0.91792	1.01849	0.76866	0.77498	0.92535	3.00614
1999-2000	1.00660	0.87171	0.90289	1.01593	0.76676	0.77949	0.93447	3.28770
2000-01	1.01142	0.87510	0.91176	0.96223	0.77404	0.80243	0.93403	3.46903
2001-02	1.02420	0.87556	0.89660	0.89560	0.82168	0.82039	0.94199	3.47912

109. **Reality check.** Given the high use weights attributed to Indigenous people, the relative levels of socio-demographic composition factors reflect expectations. States with a relatively large share of Indigenous and high security prisoners have higher factors.

110. **Updateability.** Annual cross-classified prisoner data and prisoner country of birth data are available to update the use weights in the socio-demographic composition factor for this component. Annual Commonwealth Offenders data are available to adjust the standardised prisoner numbers. Where possible, cost weights can be updated using Productivity Commission and State data.

Cross-border — prisons component

111. **Background.** The cross-border issue arises because Canberra acts as a major regional centre for south-eastern New South Wales. As a result, some residents of New South Wales use ACT corrective services. Conversely, some ACT residents use corrective services in New South Wales. If the incoming and outgoing populations were similar, the net effect would be zero and neither State would incur additional service delivery costs. However, the use of ACT corrective services by residents of New South Wales exceeds the flow in the other direction and the ACT incurs additional service delivery costs. In undertaking cross-border assessments, it is this net cross-border flow that is relevant.

112. **1999 Review.** In the 1999 Review, a cross-border factor was assessed to compensate the ACT for the costs incurred in providing prison services to New South Wales residents. The factor was based on 10 per cent of the population aged 17 and over in Queanbeyan, Yass, Yarrowlunla and Gunning Local Government Areas; and 5 per cent of the population aged 17 and over in the Bega Valley, Bombala, Boorowa, Cooma-Monaro, Crookwell, Eurobodalla, Goulburn, Harden, Mulwaree, Snowy River, Tallaganda and Young Local Government Areas. An offsetting adjustment was made to the New South Wales population base.

113. **State views.** The ACT supported the continued assessment of a cross border factor, but argued that actual cross border usage data be used in the assessment.

114. **Staff proposal.** In the discussion paper, staff proposed investigating the data provided by the ACT.

115. **Commission decision.** A conceptual case exists for assessing cross border influences to compensate the ACT for the net additional costs⁷ it incurs in imprisoning New South Wales residents. The Commission examined ACT service use data, but was not confident these were robust and was unable to externally validate them. Therefore the Commission decided to use the 2004 Review general method to assess the impact of cross-border populations on ACT corrective services. Table 16 summarises the Commission's decisions.

Table 16 COMMISSION DECISION — CROSS-BORDER FACTORS, PRISONS COMPONENT

Decision	Reason
A cross-border factor was assessed for the prisons component based on the 2004 Review general method.	Gives the ACT the capacity to provide the average level of services by assessing the net additional costs that it incurs from NSW residents accessing ACT prison services.

⁷ That is, the excess of New South Wales residents imprisoned by ACT courts over ACT residents imprisoned by New South Wales courts.

116. **Method and results.** Cross border factors, shown in Table 17, were calculated by the 2004 Review general method. Specifically, the factor for the ACT was based on expanding the ACT population by the population base of the south-eastern region assumed to access ACT services. The New South Wales factor was based on reducing its population by the same absolute number of people.

117. The general method assumes there is a general inverse relationship between the distance from place of residence to the location of services (expressed as travelling time) and the extent of average utilisation of the services. To capture the likely frequency of visits to the ACT, the south-eastern region of New South Wales was divided into two groups of Local Government Areas (LGAs) using distance of the LGAs from the ACT as the criterion. The same population proportions were used as for the 1999 Review.

Table 17 PRISONS COMPONENT — CROSS-BORDER FACTORS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
All years	0.99138	1.00000	1.00000	1.00000	1.00000	1.00000	1.17760	1.00000

118. **Updateability.** Annual LGA resident population data are available to update the cross border factor.

COMMUNITY-BASED CORRECTIONS COMPONENT

119. Community-based orders (CBOs), which include both reparation and rehabilitation measures, have become an integral part of corrective services across States since the 1999 Review. As noted earlier, we have decided to create a separate component for the costs associated with community-based corrections within the Corrective Services category.

120. In the 1999 Review, costs of community-based corrections were treated as part of the prisons component where they were assessed with applicable disability factors. Given the nature of community-based corrections and the necessity to provide services throughout each State, we think interstate differences in per capita costs are driven by differences in wage levels, patterns of population settlement and population characteristics. We therefore propose to continue to assess dispersion, input costs, socio-demographic composition and cross-border disabilities for the new component.

Dispersion — community-based corrections component

121. **1999 Review.** In the 1999 Review, the dispersion factors assessed for this component were the same as those for the prisons component.

122. **2004 Review.** The Commission considers that approach remains appropriate for the 2004 Review because the proportion of dispersion-affected costs in the prisons and

community-based corrections components remain similar. The dispersion factors shown in Table 9 have also been applied in the community-based corrections component.

Input costs — community-based corrections component

123. **1999 Review.** In the 1999 Review, the input costs factors assessed for this component were the same as those for the prisons component.

124. **2004 Review.** The Commission considered that approach remains appropriate for the 2004 Review because the proportion of standard expenses affected by input cost factors in the prisons and community-based corrections components remain similar. The input costs factors shown in Table 11 have also been applied in the community-based corrections component.

Socio-demographic composition — community-based corrections component

125. **Staff proposals.** In *Discussion Paper CGC 2002/36, Law and Order*, staff proposed that a socio-demographic composition factor be assessed in this component. The factor would include an assessment for age, sex and Indigeneity influences on service delivery costs. Use data, published by the Productivity Commission, and cross-classified data from the 2001 Census would be used to assess standard use weights. The standard unit cost weights would be decided by judgement supported by data where available.

126. **State views.** New South Wales argued that CBOs create additional costs because of socio-demographic issues such as substance abuse, mental health, Indigeneity and violence-related offences.

127. The Northern Territory argued that the socio-demographic characteristics of community-based corrections, prisons and police were similar. It said that Indigenous people had a greater demand for police and prisons services, and were over-represented in community-based corrections.

128. **Commission decisions.** As with other law and order categories, there is a strong conceptual case that certain groups within the population would use CBOs more than others and that the costs of providing a service would vary according to socio-demographic characteristics of the clients. The arguments of the States confirm that socio-demographic characteristics do affect the use and cost of community-based corrections services. We therefore propose to consider which characteristics affect relative costs.

129. **Age and Sex.** Age and sex characteristics have an effect on the demand for law and order services in general and there is no reason to consider that community-based corrective services are different in this regard. Data on the gender of users of these services are readily available in the Productivity Commission's *Report on Government Services 2003* and can be used to accurately calculate standard use weights.

130. In the case of age, specific data on the use of CBOs by age groups are not available. However, age use rates for prisons can be derived from data in the ABS publication *Prisoners in Australia*. The age profile of people subject to community-based

corrections services may not be exactly the same as that for prisons. However, it is likely to be closer to the prisoner population profile than the general population profile because, for example, of the greater propensity of males aged 17 to 25 to commit crimes. We therefore propose to use the prisoner age profile as a proxy for the standard age specific use rates of CBOs.

131. *Indigeneity.* Data published in the Productivity Commission's *Report on Government Services 2003* demonstrate that the Indigenous population is over-represented in community-based corrections in all States. The data in Table 18 indicate that on average across Australia, the representation of the Indigenous population in community-based corrections services is seven times its representation in the population.

132. Given the size of this difference and the acceptable quality of the data on which it is based, we propose to include Indigenous use weights in the assessment.

133. Queensland and the Northern Territory also provided evidence to indicate that the costs associated with managing remote Indigenous CBO populations were higher than for other people. For example, remote area community corrections officers schedule monthly and/or bi-monthly air or road trips to Indigenous communities in their region, to visit offenders on Orders of the Court or on Parole, to consult with community council members, and to investigate and gather information for Circuit Courts and the Parole Board. Northern Territory estimated that approximately one-third of all Community Corrections Officers' time is spent in talking to community councils and other significant bodies about improving the delivery of services to Indigenous people.

134. The Commission accepts that a conceptual case exists for a remote Indigenous assessment because States incur additional costs in providing community corrections in remote Indigenous communities. While data are limited, the Commission considers the evidence to be sufficiently indicative of the additional costs incurred in providing community-based corrective services to Indigenous people living in remote areas for it to make the assessment.

135. The evidence provided suggests that costs of dealing with remote Indigenous people are at least 10 per cent higher than those for non-Indigenous people. The weight of 1.1 is judgement based, primarily supported by evidence presented by the Northern Territory. The evidence indicated that the time and effort undertaken to ensure the cultural needs of remote Indigenous offenders are met significantly impacts on the cost of delivering Community-based corrective services.

136. An extra cost loading of 10 per cent is material and we propose to include it in the assessment. We have applied the cost weight to the remote Indigenous population of the CBO population. Because offender data by location are not available, we derived the remote Indigenous CBO population by applying the State remote Indigenous population share to the State CBO population.

Table 18 COMMUNITY-BASED ORDERS SHARE AND POPULATION SHARE, INDIGENOUS AND NON-INDIGENOUS POPULATION

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
<i>Average daily community correction population share</i>									
Indigenous	11.1%	4.0%	13.9%	25.1%	9.4%	6.6%	8.8%	66.4%	13.0%
Non-Indigenous	63.6%	89.8%	86.1%	74.7%	90.6%	61.2%	91.2%	33.2%	77.1%
Indigenous status unknown	25.3%	6.3%	0.0%	0.2%	0.0%	32.2%	0.0%	0.4%	9.8%
<i>Population share</i>									
Indigenous	1.6%	0.4%	2.7%	2.7%	1.3%	2.8%	1.0%	26.2%	1.8%
Non-Indigenous	98.4%	99.6%	97.3%	97.3%	98.7%	97.2%	99.0%	73.8%	98.2%
<i>Indigenous over/under representation</i>									
	6.94	10.00	5.15	9.30	7.23	2.36	8.80	2.53	7.22
<i>Non-Indigenous over/under representation ^(a)</i>									
	0.90	0.96	0.88	0.77	0.92	0.96	0.92	0.46	0.88

(a) Includes Indigenous status unknown.

Source: Australian Bureau of Statistics 2002 Census

Productivity Commission *Report on Government Services*, Table 7A.3

137. *Other population groups.* Data showing the use of community-based corrections services by other population groups, including people from different cultural or linguistic backgrounds, are not available.

138. *Summary.* The conceptual case for a socio-demographic composition assessment is supported by data, which the Commission is satisfied are comparable and representative. Data from the Productivity Commission's *Report on Government Services 2003* and the Australian Bureau of Statistics publication *Prisoners in Australia* provide a good basis for calculating the Australian standard use rates by age (17-19; 20-39; 40-59; 60+ years), sex and Indigenous/non-Indigenous status. The Commission has applied a cost weight of 10 per cent to the remote Indigenous CBOs population to recognise the higher costs of providing services to these people in remote areas.

139. We have applied these standard use and unit cost weights to cross classified population data to derive a weighted population and hence the factor.

140. The Commission's overall decision is summarised in Table 19.

Table 19 COMMISSION DECISION — SOCIO-DEMOGRAPHIC COMPOSITION, COMMUNITY-BASED CORRECTIONS COMPONENT

Decision	Reason
A socio-demographic composition factor was assessed for the community-based corrections component, to account for differences in use and unit costs by age, sex, Indigenous status and location.	States face differences in use rates and unit cost for different population groups, and these differences should be assessed in the socio-demographic composition factor for this component.

141. **Method and results.** The socio-demographic composition factors for this component, shown in Table 20, have been calculated according to the standard method, which involves:

- (i) deriving Australian standard use weights for CBO populations by age, sex and Indigeneity, based on data from the Productivity Commission and Australian Bureau of Statistics prisoner population age profiles;
- (ii) applying the standard use rates to cross-tabulated 2001 Census data to calculate standardised numbers of CBOs in each State and Australia by Indigeneity, age and sex;
- (iii) applying standard unit cost weights for remote Indigenous CBO populations to the standardised numbers of CBOs for each State, to calculate standardised weighted CBOs populations for each State;
- (iv) calculating the ratio of standardised weighted population to unweighted population for each State and Australia; and
- (v) calculating each State's factor by dividing the State ratio by the Australian ratio.

Table 20 COMMUNITY-BASED CORRECTIONS COMPONENT — SOCIO-DEMOGRAPHIC COMPOSITION FACTORS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
1997-98	0.96983	0.90628	1.07315	1.09260	0.91262	0.94095	0.97648	3.01206
1998-99	0.95689	0.92569	1.06399	1.09325	0.89444	0.94583	0.95381	3.25125
1999-2000	0.95709	0.92537	1.06329	1.08448	0.90112	0.96063	0.96072	3.21895
2000-01	0.96311	0.91200	1.06443	1.08417	0.90911	0.97453	0.96441	3.20042
2001-02	0.96288	0.91221	1.05942	1.08359	0.91664	0.98689	0.96504	3.19593

142. **Reality check.** Since the main influence on the factor is the very high use of the services by Indigenous people, the relative level of socio-demographic composition factors reflects expectations. States with a relatively large Indigenous population share have higher factors.

143. **Updateability.** Annual CBOs data are available to update this factor.

Cross-border — community-based corrections component

144. **1999 Review.** In the 1999 Review, the cross-border factors assessed for this component were the same as those for the prisons component.

145. **2004 Review.** The Commission considered that approach remains appropriate for the 2004 Review because the net impact of New South Wales residents on

ACT CBOs is likely to be similar to the impact on the prison population. The cross-border factors shown in Table 17 have also been applied to the community-based corrections component.

JUVENILE DETENTION

146. In the 1999 Review, the juvenile detention assessment was undertaken as a component of the Family and Child Welfare category. The factors assessed in the 1999 Review were dispersion, input costs, socio-demographic composition and cross-border.

147. As noted earlier, we have decided to move juvenile detention expenses from the Family and Child Welfare category to the Corrective Services category. This reclassification provides greater consistency with the ABS GFS classifications.

148. States have different definitions of a juvenile which may have an impact on the number and rates reported for people aged 10–17 years. The Commission has used Australian Institute of Criminology data, obtained from juvenile corrections agencies in each State (AIC 2002). These data relate to juvenile custodial services only, and do not describe the operation of community-based services which supervise the majority of juvenile offenders. Juvenile detention data include those on remand as well as those sentenced. In some States, (for example, Western Australia) juveniles that have been arrested and have not yet appeared before a court are also held in a detention centre. The Commission has endeavoured to account for these differences by basing assessments on standard use weights for juvenile detainee populations by age and Indigeneity.

149. **Staff proposals.** In *Discussion Paper CGC 2002/36, Law and Order*, staff proposed that dispersion, input costs, socio-demographic composition and cross-border disabilities continue to be assessed for this component.

150. **Further State views.** In their rejoinder submissions, States did not argue for the deletion of any of the existing factors. But they did argue for some extra assessments. Specifically:

- (i) South Australia argued that a demand weight for socio-economic status should be assessed as well as the current age/sex and Indigeneity weights; and
- (ii) Tasmania submitted that a service delivery scale disability factor should be included to reflect the significant scale disabilities incurred by small States in delivering these services.

151. **Commission decisions.** The reclassification of the expenses alone does not provide justification for major changes in the assessment method. In the absence of State arguments to delete any of the existing factors we have decided to continue to assess dispersion, input costs, socio-demographic composition and cross-border disabilities.

152. We accept the logic of the case made by Tasmania for assessing a service delivery scale factor for this component. The operation of many, small juvenile detention centres in different locations of States is likely to generate service delivery scale diseconomies for the smaller States. However, we have no data on which to decide whether or not such a factor would be material or to help in assessing it. Therefore, at this stage we have decided not to assess a service delivery scale disability for this component. This decision would be reviewed if data were to become available.

153. South Australia’s arguments about socio-economic status are discussed in the consideration of the socio-demographic factor.

Dispersion — juvenile detention component

154. **1999 Review.** The proportions of standard dispersion-related expenses estimated for juvenile detention in the 1999 Review are shown in Table 21. These weights were the same as those applied in other components of the Family and Child welfare category. They reflected the nature of all the services in that category, not necessarily those of juvenile detention services.

Table 21 DISPERSION COST WEIGHTS FOR JUVENILE DETENTION,
2003 UPDATE

Telephone	Freight	Air Travel	Road Travel		Remote Removals	Locality Allowances
			Inter Regional	Local		
0.01065	0.00151	0.00272	0.01886	0.00528	0.00000	0.00287

Source: 2003 Update Working Papers Volume 3, p 362

155. **2004 Review.** With the reclassification of juvenile detention to the Corrective Services category, it is necessary to consider whether the dispersion weights for the Family and Child Welfare category or those for Corrective Services are more appropriate. The general nature of juvenile detention services has more in common with prisons than it does with the community based services that make up most of the Child and Family Welfare category. We therefore have decided to base the dispersion factor on the assumption that the proportion of dispersion-affected costs in the prisons and juvenile detention components are similar. Consequently, the dispersion factors shown in Table 10 have also been applied in the juvenile detention component.

Input costs — juvenile detention component

156. **1999 Review.** In the 1999 Review, the input costs factors assessed for this component were the same as those for the prisons component.

157. **2004 Review.** The Commission considers that the 1999 Review approach remains appropriate for the 2004 Review because the proportion of standard expenses

affected by input cost factors in the prisons and juvenile detention components remain similar. The input costs factors shown in Table 11 have been applied in the juvenile detention component.

Socio-demographic composition — juvenile detention component

158. **1999 Review.** In the 1999 Review, a socio-demographic composition factor was assessed for this component in the Family and Child Welfare category. That factor accounted for differences between States in the per capita costs arising from differences in the characteristics of the juvenile population. There were use weights for age, Indigeneity, and low income status and costs weights for low English fluency and remote Indigenous people.

159. Average State policy is implied in the assessment of use rates for the socio-demographic composition factor because the calculation of standard use weights is based on the total number of juvenile detainees and the total relevant Australian population. For the juvenile detention component, the relevant population is aged 10 to 17 years.

160. Table 22 shows the socio-demographic composition factors applied in the 2003 Update.

Table 22 SOCIO-DEMOGRAPHIC COMPOSITION FACTORS, JUVENILE DETENTION COMPONENT, 2003 UPDATE

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
All years	0.92346	0.67494	1.16128	1.21647	0.83605	1.27468	0.69611	7.80048

Source: 2003 Update Working Papers.

161. **Preliminary State views.** No State objected to the inclusion of a socio-demographic composition factor in the juvenile detention component.

162. The Northern Territory contended that the Indigenous juvenile population had consistently been over-represented in juvenile detention statistics. The high juvenile Indigenous detention rate is compounded in the Territory by the positive perception of juvenile detention centres by children living in many remote Indigenous communities.

163. **Staff proposals.** In the discussion paper CGC 2002/36, staff proposed that a socio-demographic composition factor be assessed, using the existing assessment method.

164. **Further State views.** New South Wales argued that it faced additional costs in meeting the needs of culturally and linguistically diverse groups, which make up 23.6 per cent of juveniles under custodial care. New South Wales provided data of admissions by ethnic background for 2002 to support its case and argued that the cost of supporting these detainees was about 5 per cent higher than average.

165. Victoria reported that between 80 and 90 per cent of Department of Human Services' clients in care come from low-income families. It noted that the ABS indicated that 31.4 per cent of Victorians are defined as being of low-income. It argued that the two figures collectively suggest that a use weighting of 2.5 would be a more accurate reflection of the higher use of welfare services by low-income earners.

166. The Northern Territory reiterated its argument that the Commission should continue to recognise the greater demand for juvenile justice from specific population groups, in particular the Indigenous population.

167. **Commission's decisions.** The arguments of the States, in combination with the data on service use, provide a persuasive case that some groups in the population use these services more than others. Differences among the States in the proportions of their populations in those groups would affect the relative levels of service use. There is thus a conceptual case for assessing a socio-demographic composition disability for the juvenile detention component.

168. *Age and Indigeneity.* In the case of these two influences, the conceptual case is supported by evidence, which the Commission is satisfied is comparable and representative.

- Males have consistently dominated the detained juvenile population in all States, accounting for about 90 per cent, on average, of the total detained juvenile population between 1981 and 2001.
- There are large differences in use by age ranges within the 10 to 17 year old population. For example the data used in the 2003 Update indicate the use rates vary from 0.3 per 100 000 for 10 to 11 year olds to 40 per 100 000 for 15 to 17 year olds.
- During 1981 to 2001, Indigenous juveniles were 17 times more likely than non-Indigenous juveniles to be detained. Higher levels of over-representation were found in Queensland (29 times) and Western Australia (65 times)⁸. Nationally, the detention rate for Indigenous people aged 10 to 17 years in 2000-01 was 276.2 per 100 000 compared with 17.4 per 100 000 for the non-Indigenous population⁹ (implying an Indigenous use rate 15.9 times that of non-Indigenous people).

169. *Commission decision on age and Indigeneity weights.* There is a strong case for assessing use weights for age and Indigeneity and the data show that those assessments would be material. We have therefore decided to continue to assess them. The weights will be derived from data on juvenile detainee numbers published annually by the Productivity

⁸ Australian Institute of Criminology, *Statistics on Juvenile Detention in Australia: 1981-2001*, p 13

⁹ Productivity Commission, *Report on Government Services 2003, Indigenous Compendium* p 85.

Commission, data from the Australian Institute of Criminology, data from the University of Western Australia Crime Research Centre and 2001 Census data.

170. *Income.* Under the 1999 Review methods, a use weight of 4 was applied to low income people, to reflect the greater likelihood that they would be in juvenile detention facilities. The weight was carried over from the 1993 Review and was based on an analysis of clients served in child protection, substitute care and juvenile justice programs. The analysis indicated that economic deprivation and Aboriginality were the main disabilities in this area, and that the rate of involvement of Aboriginal children ranged from 2.4 to 19.3 times the rate for other children.

171. The effects of double counting in the assessment were removed by deriving Aboriginality and age weights by reference to use rates for Aboriginals and non-Aboriginals by age, derived from usage data and adjusting those weights for the effect of high and low incomes based on a low income weight of four. The derived total combined weights represent the indicated number of detainees per 100 000 population.

172. In submissions for this review, South Australia argued for the continued assessment of low income use weights. No other State argued against that, but Victoria did say the weights should be lower than those assessed under the 1999 Review methods. Victoria argued the use weight should be 2.5 instead of the current weight of 4.0.

173. *Commission decision on income use weights.* Since there is no dispute that low income status affects the use of juvenile detention services, we have decided to continue to assess a use weight. We have, however, reviewed the size of that weight. In the absence of other data on the use of juvenile detention services by low income people, we have assumed that the Victorian data are typical of all States — that is, between 80 and 90 per cent of juvenile detention inmates are from low income circumstances. Since the 2001 Census indicates that 31.3 per cent of the Australian population in the 10 to 17 year age group were classified as low income, the implied weight could be between 2.5 and 3.0. On the basis of judgement we have decided to adopt a use weight at the midpoint of this range, that is 2.75. This decision would be revised if more data becomes available on the use of facilities by low income people.

174. *Cultural and linguistic diversity.* Other than for Indigenous youth, little research has been undertaken about the levels of representation for juvenile detainees from culturally and linguistically diverse backgrounds.

175. We acknowledge the information provided by New South Wales that 23.6 per cent of the detainees in juvenile detention facilities in that State were from culturally and linguistically diversified backgrounds, defined as: Aboriginal and Torres Strait Islander, Pacific Islander, East Asian, Middle Eastern, New Zealand and Maori, Other European, African, South American, South/Central Asian and Central Asian.

176. The New South Wales data suggest there may be a case for including a cultural diversity use weight in the assessments. However, in the absence of supporting arguments or data from other States, or more broadly based information to support the case, we have decided not to assess a cultural diversity use weight.

177. *Cost weights.* Under the 1999 Review method, there was a cost weight of 1.5 to reflect the extra costs associated with people aged 10 to 17 years with low English fluency and a cost weight of 1.5 for Indigenous people aged 10 to 17 years who live in remote areas.

178. States have not disputed those cost weights during this review. The only other argument was from New South Wales, which submitted that analysis of its data indicated that a cost weight of 5 per cent should be applied to detainees from culturally and linguistically diversified backgrounds.

179. *Commission decision on cost weights.* As is often the case, there is little data to support these cost weights. However, States have made a case that it costs more per person to provide services to people with low English fluency and remote Indigenous people. In addition, there have not been arguments against the weights of 1.5 for low English fluency and remote Indigenous people, which were set on the basis of judgement during the 1999 Review. In the absence of arguments to the contrary or better data, we propose to continue those weights in this Review.

180. We have, however, decided against assessing a cost weight for people from culturally and linguistically diverse backgrounds. The argument for a cost weight has not received general support from other States. Nor do we have sufficient information to be confident about the appropriate order of magnitude. We would review this decision if more information becomes available. The Commission was again not prepared to make an assessment of a standard cost weight on the basis of one State's data.

181. *Summary.* For the 2004 Review, we have decided that the socio-demographic composition assessment should allow for the influences of age, Indigeneity and low income on the use of juvenile detention services. We have also decided to allow for the influences of low English fluency and remote Indigenous people on the unit costs of these services.

182. We propose to calculate the use weights for age and Indigeneity from the available data on the use of these facilities. The use weight for low income and the cost weights for low English fluency and remote Indigenous people have been set using judgement informed by the limited data available.

183. The Commission's overall decisions are summarised in Table 23.

Table 23 COMMISSION DECISION — SOCIO-DEMOGRAPHIC COMPOSITION, JUVENILE DETENTION COMPONENT

Decision	Reason
A socio-demographic composition factor was assessed for the juvenile detention component, to account for influences on the costs of service delivery due to age, sex, remote Indigeneity, low English fluency, and low income. The factor was based on the method used in the 1999 Review.	Gives States the capacity to provide the average level of services by assessing the additional costs that States face because of the socio-demographic composition profiles of their juvenile populations in detention.

184. **Method and results.** Age and Indigenous standard use weights for the age bands 10-11, 12-14 and 15-17 years have been derived from juvenile detainee numbers obtained from the Australian Institute of Criminology. (This age profile will be applied to annual Productivity Commission data in the update years.)

185. The assessed standard use weight of 2.75 was applied to people aged 10-17 living in families with annual incomes of \$31 200 or less because juveniles from these families are more likely to offend than other juveniles. This weight is consistent with that used in other assessments. A use weight of 1.0 was assessed for persons aged 10-17 living in families with incomes above \$31 200.

186. The relevant matrices have been set up in a way that ensures there is no double counting between the age, Indigeneity and low income use weights.

187. One further adjustment was required in establishing the standard use weight for the 10-11 years age group. In the absence of data to the contrary, the Commission considered the 1999 Review approach remains appropriate for the 2004 Review. This adjustment, which was achieved by multiplying the age use weight of 0.24 by 10, was required to reflect the higher costs of non-custodial sentencing options for this age group. The costs of non-custodial sentencing were not reflected in the detention rates data which were used in the derivation of age and Indigenous weights.

188. The socio-demographic composition factors for this component, shown in Table 24, have been calculated according to the standard method, which involves:

- (i) calculating Australian standard use weights for juvenile detainee populations by age and Indigeneity, based on data from the Australian Institute of Criminology and the Productivity Commission;
- (ii) multiplying the use weight for the 10-11 age group by 10 to reflect higher use of the non-custodial option;
- (iii) applying a standard use weight of 2.75 to people aged 10–17 living in low income families;
- (iv) applying a standard unit cost weight of 1.5 to persons aged 10-17 who spoke English ‘not well, or ‘not at all’;
- (v) applying a standard unit cost weight of 1.5 to Indigenous people aged 10-17 living in remote areas;
- (vi) deriving a joint factor weights matrix by combining weights detailed above;
- (vii) applying the joint factor weight matrix to cross-tabulated 2001 Census data by age, Indigeneity, English proficiency, remoteness and income status of the States and Australia to obtain weighted populations;
- (viii) calculating the ratio of standardised weighted population to unweighted population for each State and Australia; and

- (ix) calculating each State's factor by dividing the State ratio by the Australian ratio.

Table 24 JUVENILE DETENTION COMPONENT — SOCIO-DEMOGRAPHIC COMPOSITION FACTORS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
All years	0.91391	0.69165	1.16700	1.26937	0.89982	1.22881	0.75531	6.57121

189. **Reality check.** The relative level of socio-demographic composition factors reflects expectations. States with disproportionately high levels of Indigenous or poor juveniles have higher factors.

190. **Updateability.** Juvenile detainee data are available annually by sex and Indigeneity from the Productivity Commission to update these factors. The Australian Institute of Criminology publishes juvenile detainee data by age, sex and Indigeneity about every five years.

Cross-border — juvenile detention component

191. **1999 Review.** In the 1999 Review, the cross-border factor was assessed for this component to compensate the ACT for the net costs incurred in providing services to New South Wales residents. It was assessed by the 1999 Review general method for cross-border factors.

192. **Staff proposals.** A cross-border factor was proposed for the juvenile detention component in the discussion paper, based on the general method used in the 2004 Review.

193. **Commission decision.** The Commission accepts that the ACT faces net additional costs in providing juvenile detention services to New South Wales residents. Thus a conceptual case exists for assessing cross border influences. However, we have no data on use made of ACT facilities by the New South Wales population, and have therefore decided to use the general method to assess the factor for the 2004 Review. That is, the assessment will be based on 50 per cent of the 10-17 year old population in the closest LGAs to the ACT (Queanbeyan, Yass, Yarrowlunla and Gunning). Given the distances involved and limited access to transport, it was considered unlikely that children from other LGAs would be users of this service. This is the same approach as the 1999 Review. Table 25 summarises the Commission's decisions.

Table 25 COMMISSION DECISION — CROSS-BORDER FACTORS, JUVENILE DETENTION COMPONENT

Decision	Reason
A cross-border factor was assessed for the juvenile detention component, based on the general method used in the 2004 Review	To assess the net additional costs faced by the ACT in providing juvenile detention services to New South Wales residents.

194. **Method and results.** Cross-border factors, shown in Table 26, were calculated by the general method. Specifically, the factor for the ACT was based on expanding the ACT population by the relevant population base (10 to 17 year old population) of the south-eastern region assumed to access ACT services. The New South Wales factor was based on reducing its population by the same absolute number of people.

Table 26 JUVENILE DETENTION COMPONENT — CROSS-BORDER FACTORS

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
All years	0.99551	1.00000	1.00000	1.00000	1.00000	1.00000	1.08720	1.00000

195. **Updateability.** The factor can be updated because annual LGA resident population data are available.

ISOLATION

196. **1999 Review.** The isolation factor was assessed to account for differences in per capita costs of service provision for some States because of their economic and geographical isolation from the main interstate sources of supply in South Eastern Australia. It reflected the combined effect of isolation on labour-related costs, interstate freight costs, professional infrastructure costs, commercial goods costs, airfares, travel allowances and other travel-related subsidies. The factor was assessed by a general method. The isolation-affected expenses component represented 0.43 per cent of expenses in this category.

197. **2004 Review.** *Draft Assessment Paper CGC 2003/65 Isolation* discusses the issues raised by the States regarding the assessment of isolation. The paper sets out the Commission's decisions on the general method of assessment to be adopted for the 2004 Review and on the size of the isolation-affected expenses component for relevant categories. The States did not raise issues specific to this category.

198. The isolation factors for the isolation component, shown in Table 27, have been calculated according to the 2004 Review general method. Isolation-affected expenses for this category have been estimated to be 0.18 per cent of the category standard.

Table 27 ISOLATION FACTORS — ISOLATION COMPONENT

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
All years	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218

199. The factor and component weight will not be updated until the next review. This means that isolation-affected expenses will grow at the same rate as category expenses.

SUMMARY OF RESULTS

200. Table 28 summarises the draft assessment for the 2004 Review.

Calculating the category factor

201. Table 29 summarises the components, component weights and disability factors assessed for this category for 2001-02. It shows the calculation of the category factor.

Calculation formula

202. The following formulas (defined in Table 29) were used to calculate the contribution of each expenditure component to the overall category factor. In each case, the contributions are calculated as the expenditure component weight multiplied by the component factor (the bracketed terms in the formulas). Each contribution to category factor was rescaled to ensure that, for each of them, the sum of standardised equals the sum of actual expenditure.

$$\begin{aligned}
 \text{FC} &= 0.0111 * [\text{ic_fc} * \text{s}] \\
 \text{P} &= 0.7671 * [(\text{ic_oth} + \text{d} - 1) * \text{sdc_p} * \text{x}] \\
 \text{CBC} &= 0.1100 * [(\text{ic_oth} + \text{d} - 1) * \text{sdc_cbc} * \text{x}] \\
 \text{JD} &= 0.1100 * [(\text{ic_oth} + \text{d} - 1) * \text{sdc_jd} * \text{x_jd}] \\
 \text{ISO} &= 0.0018 * [\text{iso}]
 \end{aligned}$$

$$\text{Category Factor} = \text{FC} + \text{P} + \text{CBC} + \text{JD} + \text{ISO}$$

Table 28 2004 REVIEW DRAFT ASSESSMENT STRUCTURE, 2001-02

Expenses component	Component weight	Factors	Basis of calculation
	%		
Fixed costs	1.11	Input costs	General method with weights of 80% for wages, 2% for accommodation and 1% for electricity.
Prisons	76.71	Administrative scale	General method.
		Dispersion	General method.
		Input costs	General method with weights of 70% for wages, 2% for accommodation and 1% for electricity.
		Socio-demographic composition	Standardised numbers of high and low risk prisoners calculated for each State using data from the ABS publication <i>Prisoners in Australia</i> , (based on the crime profile of prisoners and other characteristics including age, sex and Indigeneity). Indigenous prisoners are cost weighted by 1.1; drug dependent prisoners by 1.25 for 12% of prison the population in NSW & Vic and 6% in other States; and prisoners in high security by 2 and 2.5 for NSW, VIC and ACT. The effects of relevant populations, culturally diverse prisoners and Commonwealth offenders (cost weighted by 6%) are included in the factor.
Community-based corrections	11.00	Cross-border	Assessed for New South Wales and the ACT based on the general method.
		Dispersion	General method.
		Input costs	General method with weights of 70% for wages, 2% for accommodation and 1% for electricity.
		Socio-demographic composition	Standardised numbers of community-based orders population calculated for each State using data from the Productivity Commission, <i>Report on Government Services</i> . Indigenous community-based order populations are weighted by 1.1. The effects of relevant populations are included the factor.
Juvenile detention	11.00	Cross border	Assessed for New South Wales and the ACT based on the general method.
		Dispersion	General method.
		Input costs	General method with weights of 70% for wages, 2% for accommodation and 1% for electricity.
		Socio-demographic composition	Standardised numbers of juvenile detainees calculated for each State using data from the Australian Institute of Criminology, <i>Statistics on Juvenile Detention in Australia: 1981-2001</i> , by applying weights to population sub-sets for age, Indigeneity, low English fluency, remote Indigenous and low income status.
		Cross border	Assessed for New South Wales and the ACT based on the general method.
Isolation	0.18	Isolation	General method.

Table 29 CORRECTIVE SERVICES — DERIVATION OF CATEGORY FACTOR, 2001-02

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Fixed Costs (FC) (component weight = 1.11%)								
Administrative scale (s)	0.36891	0.50461	0.66745	1.27717	1.61320	5.17750	7.59249	12.25311
Input costs (ic_fc)	1.03714	0.99034	0.97354	0.97996	0.96824	0.92479	1.01291	1.07737
Component factor	0.38432	0.50197	0.65271	1.25719	1.56897	4.80956	7.72502	13.26033
Cont. to category factor	0.00427	0.00557	0.00725	0.01395	0.01742	0.05339	0.08575	0.14719
Prisons (P) (component weight = 76.71%)								
Dispersion factor (d)	0.99343	0.98582	1.01118	1.02707	0.99306	0.99796	0.96040	1.21911
Input Costs factor (ic)	1.03293	0.99138	0.97654	0.98254	0.97177	0.93334	1.01116	1.06793
Socio-demographic composition (sdc)	1.02336	0.91314	0.90334	0.95117	0.78314	0.76683	0.97080	2.48293
Cross border (x)	0.99138	1.00000	1.00000	1.00000	1.00000	1.00000	1.17760	1.00000
Component factor	1.08283	0.92792	0.92785	0.99862	0.78574	0.74264	1.15502	3.32312
Cont. to category factor	0.83064	0.71181	0.71175	0.76604	0.60274	0.56968	0.88602	2.54916
Community-Based Corrections (CBC) (component weight = 11.00%)								
Dispersion factor (d)	0.99343	0.98582	1.01118	1.02707	0.99306	0.99796	0.96040	1.21911
Input Costs factor (ic)	1.03293	0.99138	0.97654	0.98254	0.97177	0.93334	1.01116	1.06793
Socio-demographic composition (sdc)	0.96288	0.91221	1.05942	1.08359	0.91664	0.98689	0.96504	3.19593
Cross border (x)	0.99138	1.00000	1.00000	1.00000	1.00000	1.00000	1.17760	1.00000
Component factor	0.97323	0.88548	1.03946	1.08673	0.87852	0.91298	1.09677	4.08594
Cont. to category factor	0.10706	0.09740	0.11434	0.11954	0.09664	0.10043	0.12064	0.44945
Juvenile Detention (JD) (component weight =11.00%)								
Dispersion factor (d)	0.99343	0.98582	1.01118	1.02707	0.99306	0.99796	0.96040	1.21911
Input Costs factor (ic)	1.03293	0.99138	0.97654	0.98254	0.97177	0.93334	1.01116	1.06793
Socio-demographic composition (sdc)	0.91391	0.69165	1.16700	1.26937	0.89982	1.22881	0.75531	6.57121
Cross border (x)	0.99551	1.00000	1.00000	1.00000	1.00000	1.00000	1.08720	1.00000
Component factor	0.91598	0.66299	1.13069	1.25712	0.85161	1.12256	0.78261	8.29608
Cont. to category factor	0.10076	0.07293	0.12438	0.13828	0.09368	0.12348	0.08609	0.91257
Isolation (ISO) (component weight = 0.18%)								
Isolation (iso)	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218
Component factor	0.05107	0.10737	0.17783	0.74776	0.56469	3.49490	1.51842	68.27218
Cont. to category factor	0.00009	0.00019	0.00032	0.00135	0.00102	0.00629	0.00273	0.12289
Category Factor	1.04281	0.88790	0.95804	1.03917	0.81148	0.85327	1.18123	4.18126

Standardised expenses

203. Table 30 compares the category factor for the 2004 Review draft assessment with the category factor for the 2003 Update.

Table 30 CATEGORY FACTORS FOR 2003 UPDATE AND 2004 REVIEW — ADMINISTRATION OF JUSTICE

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2003 Update factor	1.05548	0.75863	0.96969	1.12401	0.86133	1.12706	1.02325	5.10007
2004 Review factor	1.04281	0.88790	0.95804	1.03917	0.81148	0.85327	1.18123	4.18126

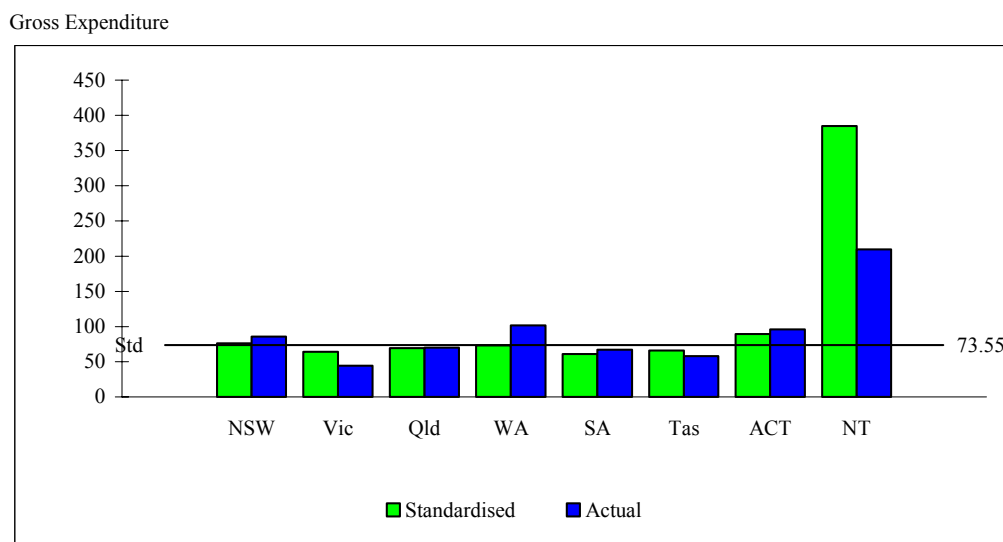
204. Table 31 shows the standardised expenses assessed for this category for 2001-02 in the draft assessment, compared with that assessed in the 2003 Update.

Table 31 ACTUAL AND STANDARDISED AND EXPENSES, 2001-02

	Standard	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Actual Expenses									
\$ per capita	73.55	85.74	44.67	70.16	101.82	67.24	58.10	95.74	209.67
2003 Update - Standardised Expenses									
\$'000		467 738	245 778	237 510	143 876	87 287	35 588	22 033	68 046
\$ per capita	66.73	70.43	50.62	64.71	75.01	57.48	75.21	68.28	340.33
2004 Review Draft Assessment - Standardised Expenses									
\$'000		509.358	317.061	258.639	146.612	90.641	29.696	28.034	61.489
\$ per capita	73.55	76.70	65.31	70.46	76.43	59.69	62.76	86.88	307.54

205. Figure 1 shows the gross expenses per capita for 2001-02 in terms of standardised, estimated and gross standard expenses.

Figure 1 ADMINISTRATION OF JUSTICE — GROSS EXPENSES PER CAPITA
— STANDARDISED, ESTIMATED AND STANDARD, 2001-02



ANALYSIS

206. Table 32 shows the redistribution of grants resulting from the assessment in the 2003 Update and the 2004 Review Draft Assessment. It also shows the sources of change.

207. Compared to an equal per capita assessment, the 2004 Review Draft Assessment redistributed \$92.7 million away from New South Wales, Queensland, Western Australia, South Australia and Tasmania to the other States, \$2.4 million more than in the 2003 Update.

208. The main reasons for the change in grants were changes to assessment methods and data, including:

- (i) the inclusion of juvenile detention expenses in the category;
- (ii) the disaggregation of the prisons component into prisons and community-based corrections;
- (iii) changes to the cost weights for high security;
- (iv) inclusion of an adjustment for culturally diverse prisoners; and
- (v) inclusion of a cost weight for drug dependent prisoners.

209. The reduction in the size of the prisons component has meant that notional grants have fallen for States which previously had a disadvantage in providing prison services — notably New South Wales, Western Australia and Tasmania. The notional grants for Victoria and the ACT have increased because their high security weight has risen. In addition, the reduction in the size of the prisons component has meant that notional grants have risen for States which previously had an advantage in providing prison services.

210. Reducing the impact of the administrative scale assessment (by reducing the size of the component to which it applies) also had some impact on the assessment. The changes in the input costs factors also had substantial effects and led to increases in the redistribution towards New South Wales and mitigated the reduction for the Northern Territory.

Table 32 CORRECTIVE SERVICES — EFFECT OF ASSESSMENT ON GRANT DISTRIBUTION

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total ^(a)
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Contribution to 2003 Update relativities^(b)	20.1	-79.3	-2.4	16.7	-13.4	3.7	0.7	53.9	95.1
Composition	3.1	-12.6	-0.3	2.6	-2.1	0.6	0.1	8.5	15.0
Assessment	-4.4	32.5	-6.9	-9.8	-6.3	-7.8	2.8	-0.2	35.2
Interactions	-0.7	5.0	-1.2	-1.5	-1.0	-1.2	0.4	0.2	5.6
Contribution to 2004 Review Draft Assessments relativities^(b)	18.1	-54.4	-10.7	8.1	-22.9	-4.7	4.1	62.4	92.7
Total Change	-1.9	24.9	-8.3	-8.6	-9.4	-8.4	3.3	8.5	-2.4

(a) Total redistribution.

(b) Assuming same pool and a constant population.

USER CHARGES

211. The user charges for Corrective Services represent collections from a wide range of miscellaneous fees, charges and recoveries. The range and level of charges vary between States because of policy differences.

212. In the 1999 Review, these user charges were assessed by the equal per capita method. No States made any comment on the user charges assessment method.

213. The amount of user charges is small and remains policy influenced. In view of their small size and the practical difficulties that would be involved in deriving a policy neutral measure of revenue raising capacity, the Commission has decided to continue to assess Corrective Services user charges by the equal per capita method, for the 2004 Review draft assessment.