

Darwin New Correctional Facilities

Business Case Summary

Northern Territory Government (Department of Treasury and Finance)
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Contact details	Department of Treasury and Finance Economic Policy commercial.dtf@nt.gov.au
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Acronyms/Terms	Full form
BCR	Benefits Cost Ratio
CBA	Cost-benefit Analysis
DoC	Department of Corrections
DBFOM	Design, Build, Finance, Operate and Maintain
The Master Plan	The Northern Territory Corrections Infrastructure Master Plan Revision
NT	Northern Territory
NTG	Northern Territory Government
PPP	Public Private Partnership
The project	Refers to delivery of a new Darwin correctional facility that this Business Case is requesting funding for

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1. Executive Summary

The Northern Territory (NT) correctional system is under significant strain, driven by historical under investment in infrastructure, concerted police operations, legislative reform, and an increase in prisoner numbers (both remand and sentenced), which have resulted in mounting pressure on system capacity. The need for infrastructure investment is further heightened with the planned closure of Berrimah Correctional Precinct.

To resolve current capacity pressures, forecast demand, and historical under investment in infrastructure across the NT correctional network, the Northern Territory Government (NTG) has developed the Corrections Infrastructure Master Plan (revised 2025) which sets out a two-stage approach:

- Stage 1 addresses immediate capacity expansion requirements (completed October 2025) and
- Stage 2 delivery of new infrastructure aligned to long term forecasts, including a proposal to deliver new correctional facilities in the Darwin region to accommodate 1,400 prisoners (including contingency beds) and the closure of the Berrimah Correctional Precinct.

A Detailed Business Case was developed to assess the need for and feasibility of new correctional facilities in further detail, focusing on the following two questions:

- **Should we invest?** – which focused on determining and evaluating the 'case for change' and understanding the demand environment, which revealed a critical future shortfall in custodial accommodation capacity that cannot be addressed through modifying or expanding existing infrastructure alone.
- **How do we invest?** – which focused on identifying the optimal solution through detailed options analysis and comprehensive assessment of available delivery strategies.

Preferred option

The options assessment determined that building new, contemporary correctional facilities is the only strategic response capable of addressing the expected scale of the capacity shortfall taking into account the future closure of Berrimah Correctional Precinct, projected growth in the prisoner population and the outcome of legislative reforms and law-and-order initiatives to keep the community safe.

The preferred option delivers an additional 1,050 beds in Stage 1 (850 men's and 200 women's), with the potential to be increased to 1,400 beds through a future Stage 2 (additional 350 beds for men). The proposed facilities will accommodate a mixed prisoner population (i.e. remand and sentenced), with a particular focus on remand male prisoners, who consistently comprise over 40% of the NT prison population and have driven the sustained spike in demand.

The men's facility (850 beds Stage 1, 1200 beds Stage 2) is proposed to be delivered through a Design, Build, Finance, Operate and Maintain (DBFOM) model Public Private Partnership (PPP) with private custodial operations.

Private custodial operations of the men's facility is consistent with the mixed-model approach used in other Australian jurisdictions, where public and private correctional facilities operate within the same network. This model is intended to optimise financial and commercial risk with the private sector, improving budget certainty and value for money for the Territory. Its implementation will draw on lessons from comparable facilities, with a focus on network integration, effective contract design, and workforce security.

By contrast, the dedicated women's facility will be delivered through a traditional government-led delivery approach, where the NT Government funds design, construction and provides custodial operations. This approach reflects a policy position that recognises the specific and distinct needs of women in custody and is consistent with all other jurisdictions where State and Territory Governments provide custodial operations for women's facilities.

2. Project Context

The Northern Territory (NT) correctional system has been under strain for years. Historical under investment in infrastructure driven by policy settings that did not reflect local circumstances, concerted police operations and legislative reforms have resulted in growth in the prisoner population, placing additional pressure on system capacity. The consistent approach to the planned closure of the Berrimah Correctional Precinct maintained by successive governments will significantly reduce total capacity across the network and exacerbate system pressures.

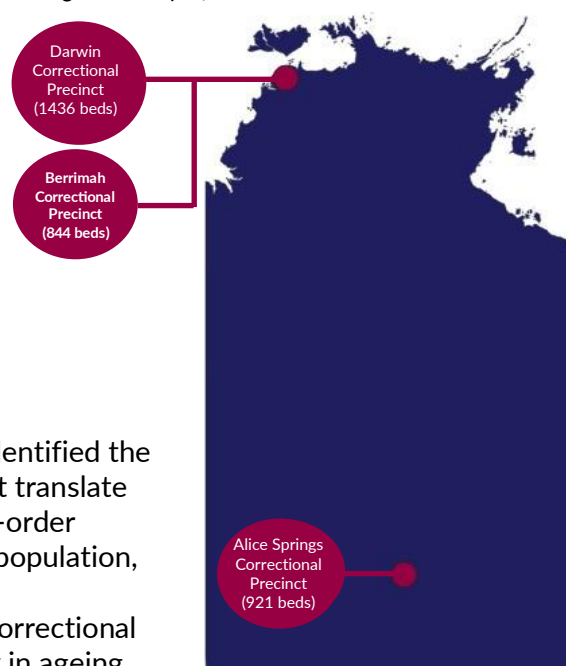
The NT operates three adult correctional precincts as illustrated in Figure 1. These facilities comprise the majority of the adult prison population across the NT correctional system with the following bed count¹:

- Darwin Correctional Precinct (1,436 beds),
- Berrimah Correctional Precinct (844 beds), and
- Alice Springs Correctional Precinct (921 beds).

As at October 2025, the NT housed 2,856 inmates across its three precincts, 88 inmates over its then capacity of 2,768 available built beds.

The planned decommissioning of the aged Berrimah Correctional Precinct without replacement would remove 844 beds from the correctional network.

Figure 1: Map of NT Correctional Precincts



2.1 Strategic Context

For over a decade, prison population projections have identified the need for additional correctional capacity, but this did not translate into investment. Recent legislative reforms and law-and-order initiatives have contributed to an increase in the prison population, placing further pressure on existing correctional infrastructure. Without strategic intervention, existing correctional centres will continue to operate at levels above capacity in ageing and inflexible facilities, creating operational, safety, rehabilitative and efficiency challenges.

Additionally, existing arrangements with the Darwin Correctional Precinct result in inefficient costs when operated above design capacity.

The NTG developed the *Corrections Infrastructure Master Plan in 2024 (revised in 2025)* to establish its long-term, strategic view of correctional infrastructure and service requirements. The Master Plan proposes a two-stage approach to delivery: Stage 1 focused on addressing immediate capacity which were completed in October 2025; while Stage 2 focuses on the delivery of new infrastructure to meet long-term population forecasts, address the legacy of historical underinvestment and support longer-term strategic policy objectives. This includes a proposal to deliver new correctional facilities in the Darwin region for men and women to accommodate 1,400 prisoners (including contingency beds) and addressing future growth needs and the closure of Berrimah Correctional Precinct and reduce inefficiencies associated with accommodating prisoners above design capacity at the Darwin Correctional Precinct.

The NTG subsequently commissioned a Detailed Business Case to assess the need for and feasibility of new purpose-built facilities, as proposed within the Master Plan. There is a strong policy emphasis on reducing reoffending, supporting rehabilitation, protecting community safety, and ensuring humane treatment within custodial environments. Strategic plans, including the NT Correctional Services Strategic

¹ Totals at Darwin and Alice Springs Correctional Precincts include infill beds added beyond original capacities

Plan 2023–2026 and the Department of Corrections (DoC) Strategic Plan 2024–2028, identify the need for modern, purpose-built infrastructure to deliver best-practice custody and rehabilitation outcomes. The strategic alignment of these policies in relation to the project are expressed in Table 1.

Table 1: NT Policy and Strategic Alignment

Strategy/ Policy	Overview of relevant objectives
Northern Territory - Correction Infrastructure Master Plan (Master Plan) 2024 – 2030 	The Corrections Infrastructure Master Plan is a strategic iterative planning document guiding a coordinated program of infrastructure refurbishments, upgrades and newbuilds across the NT.
DoC NT Strategic Plan 2023 – 2026 	The plan unifies adult and youth correctional services and aligns with the NTG's priorities to reduce crime, restore community safety, and support economic growth in years 2023 – 2026. Grounded in the core values of excellence, integrity, respect, and accountability.
DoC NT Strategic Plan 2024 – 2028 	The plan unifies adult and youth correctional services and aligns with the Northern Territory Government's priorities to reduce crime, restore community safety, and support economic growth in years 2024 – 2028. Grounded in the core values of excellence, integrity, respect, and accountability.

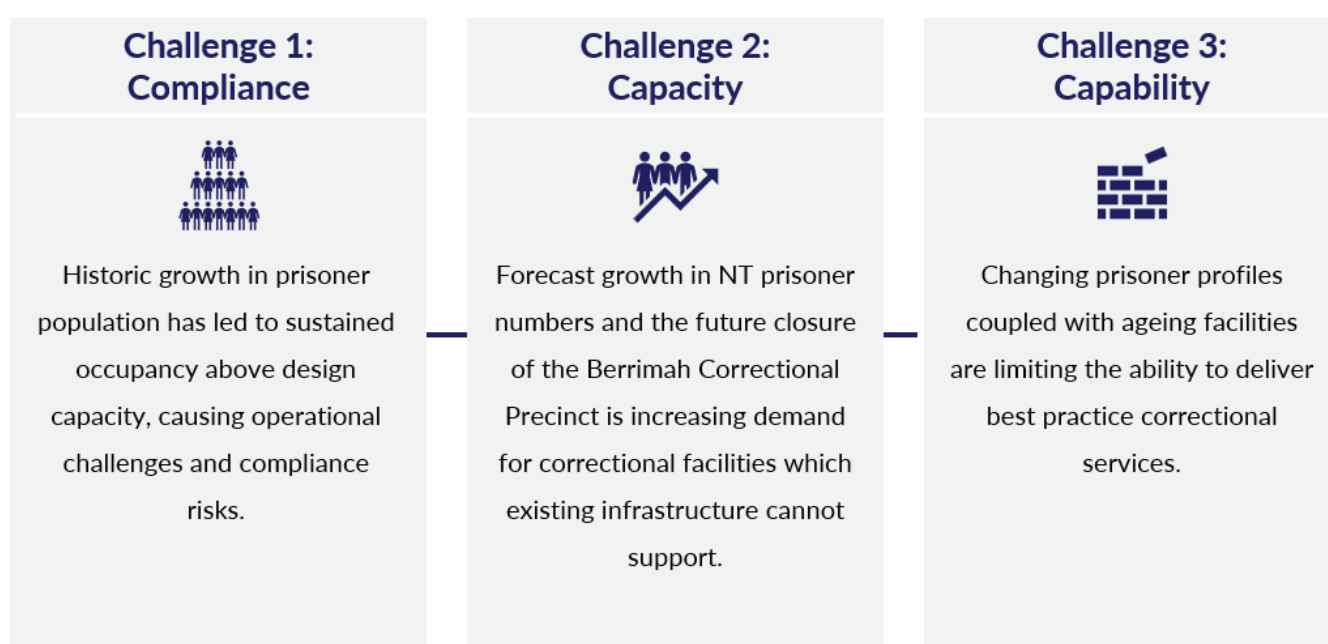
3. Investment Need

The NT correctional system's need for investment is driven by three key challenges, summarised in Figure 2. and described in the following sections. These challenges were identified through consultation with NTG representatives across a range of departments and are evidenced by actual and forecast demand that accounts for the planned closure of the ageing Berrimah Correctional Precinct and the subsequent impacts across the system.

These challenges reflect that the NT's correctional network is no longer able to effectively accommodate the current and forecast prisoner population.

Without significant investment in new infrastructure, the system will be unable to meet minimum operational, safety, and custodial requirements.

Figure 2: Key Challenges



3.1 Demand Analysis

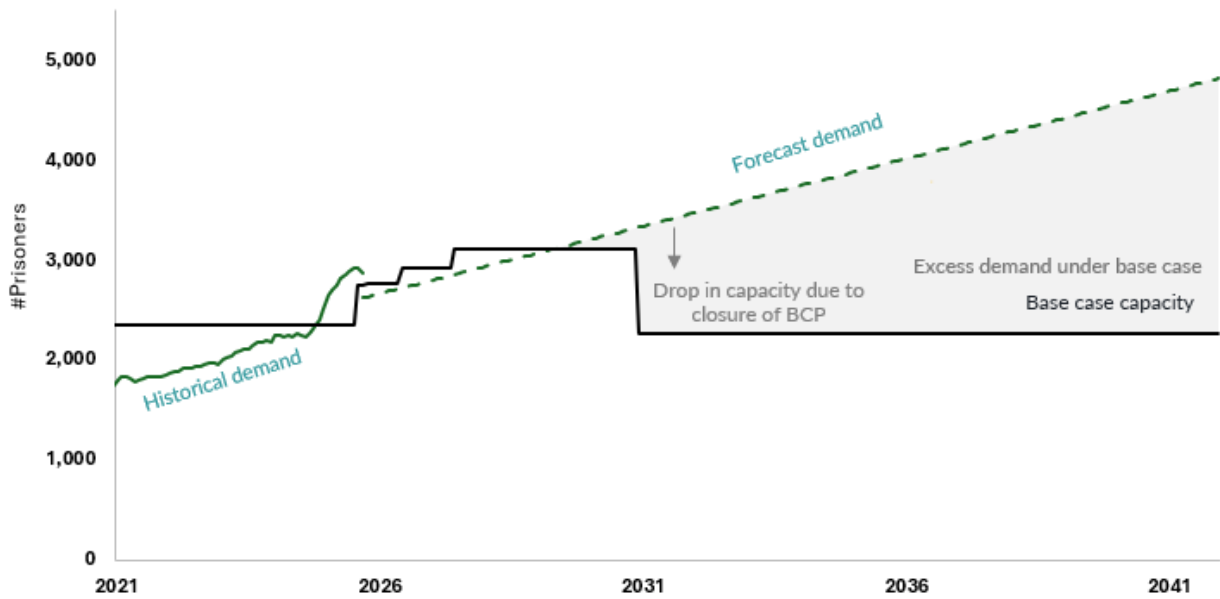
In the early 2030s, the planned closure of Berrimah Correctional Precinct maintained by successive governments will remove 844 beds, that without replacement would significantly reduce total capacity across the NT correctional system.

To understand the full extent of these capacity constraints, which reflect a legacy of underinvestment, detailed demand analysis was undertaken across the NT corrections system, accounting for the forecast population growth, and the potential impacts of the bail law reforms and law-and-order initiatives. Four forecast scenarios for the future prisoner population were modelled, considering two key elements:

- Impact of *Bail Act 1982* reform following the recent spike, and
- Long-term forecast for prisoner growth.

The forecast scenario illustrated in Figure 3. was selected as the basis for options development as it was deemed to best account for local impacts and observation of impacts in other jurisdictions. This scenario assumed that the recent spike in remand will have approximately 30% conversion to sentenced prisoners, with long-term growth consistent with 2023–2024 trends. Under this scenario, the total shortfall in capacity is forecast to reach 2,770 beds by 2041.

Figure 3: Forecast Demand vs Capacity



Sources: Prisoner Projections September 2025, NTG; indicative estimates based on available NTG data.

3.2 Benefits of investment

The benefits of investment are considerable as outlined in Figure 4. Addressing overcrowding will improve safety for both prisoners and staff (particularly Aboriginal, female and vulnerable cohorts), boost staff morale, productivity, and retention and reduce reliance on additional surge existing facilities. Uplifting the quality of prison facilities across the network will support an improvement in rehabilitation outcomes for prisoners and enhance community safety.

Figure 4: Benefits expected from resolving ongoing capacity constraints

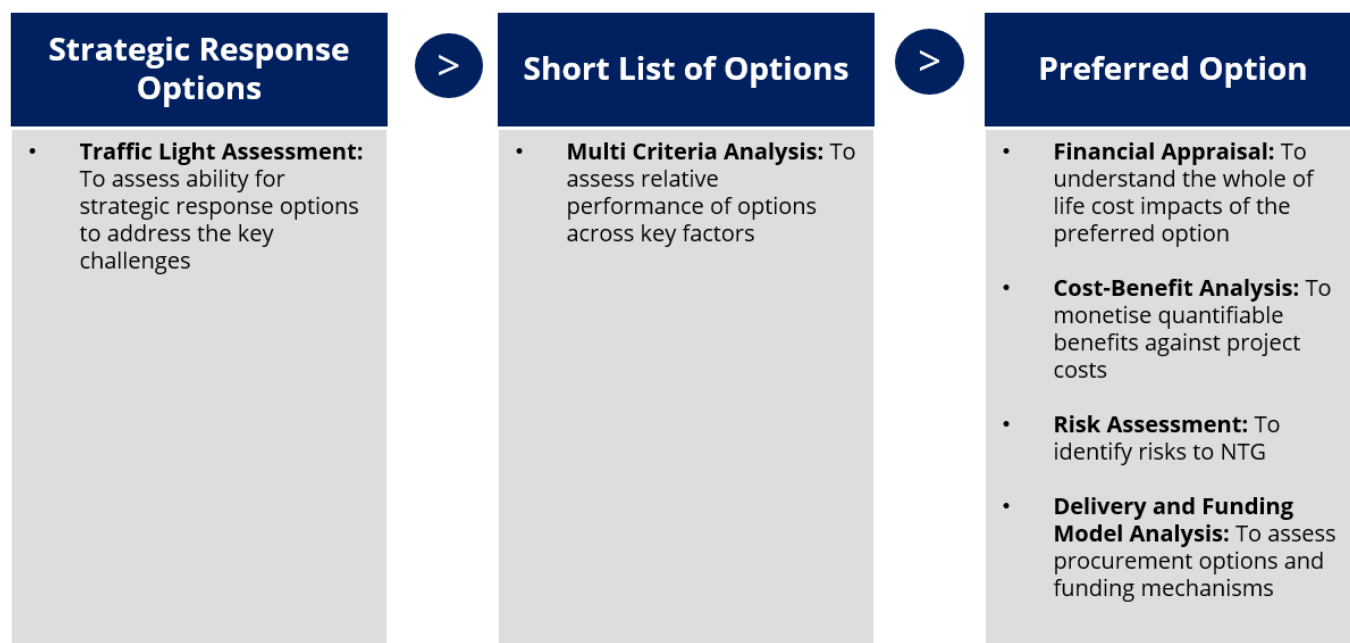


4. Options Assessment

The options assessment followed a three-step process to identify, shortlist and validate responses to the key challenges. The first stage involved identifying the range of strategic responses, including non-infrastructure measures such as policy, management and technology changes, and infrastructure solutions. Assessing the combination of investments and developments best suited to address the challenges. The short-list assessment then focussed on determining the optimal scale of development based on the demand analysis and deliverability.

The Options Assessment process is shown in Figure 5.

Figure 5: Options Development Process



4.1 Strategic Response Options and Short List

A range of strategic responses (both non-infrastructure and infrastructure) were identified, shortlisted and assessed through a strategic merit test against the ability to address the identified network challenges.

Strategic responses included:

- Policy and legislative reform to reduce prisoner numbers,
- Expansion of early-intervention programs,
- Delivery of modern rehabilitation and wellbeing programs,
- Expansion of existing facilities, and
- Construction of new contemporary facilities.

The strategic merit test found that building new contemporary correctional facilities was the only viable response to address the shortfall in capacity and challenges across the network. Expanding or refurbishing existing facilities was not considered a viable response due to demand exceeding expansion limits, challenges with augmenting existing correctional facilities, operational disruption to an already overstretched system, and an inability to fully resolve forecast growth pressures.

A multi-criteria analysis was then undertaken to evaluate the relative performance of shortlisted capacity options for the new facilities against key value criteria:

- Ability to meet forecast demand,
- Deliverability within time constraints,
- Cost,
- Risk, and
- Alignment with strategic objectives.

This assessment found that staged construction of up to 1,400 new beds was the optimal option, balancing forecast demand coverage over the next decade, with deliverability, risk and cost. Utilising a staged approach provides flexibility to expand capacity to respond to future demand growth.

4.2 Preferred Option

The preferred option involves developing new correctional facilities as follows:

- Stage 1 - 1,050 beds (including 850 male beds, primarily remand, and the dedicated 200-bed women's facility), including all site infrastructure, replacing 844 men's beds lost from the closure of Berrimah Correctional Precinct and addressing the capacity constraints and anticipated future demand for women's facilities.
- Stage 2 - a further approximately 350 beds at the men's facility to respond to forecast demand growth.

The new facilities are proposed to be delivered on approximately 75 hectares of Crown Land adjacent to the existing Darwin Correctional Precinct at Holtze. The proximity to the existing Darwin Correctional Precinct will support network efficiency including prisoner processing and transport and complementary services.

While new correctional facilities are necessary to maintain a safe, lawful and functional justice system, infrastructure alone will not solve the problems the NT faces regarding crime. The drivers of demand are beyond the prison facilities, and therefore continued consideration of additional government levers will be considered alongside any infrastructure solution.

5. Impact of the Preferred Option

The assessment of the preferred option followed a structured evaluation examining the investment through three complementary lenses: financial appraisal, economic appraisal and broader societal impact. These elements are described throughout the following sections.

5.1 Financial Appraisal

Based on the initial concept design, the total cost of the project is estimated to be between \$1.6 billion and \$2.0 billion with this range reflecting the early stage of design maturity with cost certainty expected to increase materially as design development and procurement activities progress through the next phase.

Once operational, the project is estimated to cost between \$240 million and \$290 million per annum on average (nominal), including custodial operations, facilities maintenance and lifecycle asset replacement. Similar to the capital costs, further design development will refine the magnitude of these costs in subsequent phases.

The NTG has committed \$15 million over 2025-26 and 2026-27 to support the procurement process.

5.2 Economic Appraisal

To test whether the investment represents value for money in economic terms, a Cost Benefit Analysis (CBA) was undertaken in accordance with Infrastructure Australia's *Guide to Economic Appraisal*. The CBA compared the incremental cost and benefits of the preferred option against a 'Do Minimum' Base Case over a 30-year assessment period from FY2026 to FY2056.

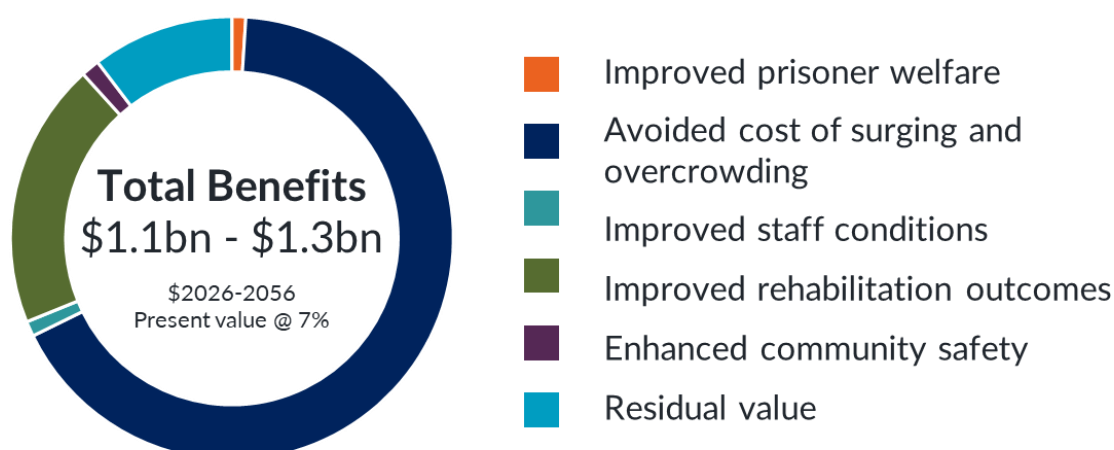
The Base Case is not a 'Do nothing' scenario, it assumes closure of Berrimah Correctional Precinct in the early 2030's consistent with the Master Plan, with the capacity shortfall initially absorbed through surge accommodation (up to 436 surge beds) and, once that limit is reached, additional prisoner accommodation constructed at existing facilities. This is a realistic counterfactual, but one that carries significant operational risk, limits rehabilitation programming, and locks the NT into a cycle of short-term fixes that do not address the underlying structural deficit in correctional infrastructure in the NT.

The CBA tested sensitivity against demand, with quantifiable benefits aligned to those identified through a detailed benefits identification process that included input from key stakeholders within the NT including all relevant NTG departments.

These results warrant careful interpretation as social infrastructure investments such as correctional facilities, hospitals and schools consistently return lower Benefits Cost Ratios (BCR) than revenue-generating or productivity-enhancing infrastructure such as transport or energy projects, because much of the value they deliver is inherently difficult to monetise.

A CBA captures what can be quantified such as avoided construction costs, operational efficiencies, reduced demand on health and social systems. It does not fully capture, what is most essential in a correctional context, includes qualitative benefits such as improved safety outcomes for staff and prisoners, reduced recidivism through effective rehabilitation, better mental health and wellbeing outcomes and the downstream benefits to families and communities when people leave custody better equipped to reintegrate. The total benefits are detailed in Figure 6: Total Benefits of the Project.

Figure 6: Total Benefits of the Project



A BCR approaching or exceeding 1.0 is uncommon within social infrastructure projects, including correctional facilities, as quantifying the benefits is not always possible.

Critically, the economic case should be read alongside the service delivery case. The preferred option does not simply replicate what exists at lower cost, it enables a fundamentally different, enhanced model of correctional service delivery. Modern facility design supports effective classification and separation, trauma-informed care, targeted rehabilitation programming, and culturally appropriate service delivery for Aboriginal and Torres Strait Islander people, who comprise the majority of the NT's prisoner population. These are outcomes that the current infrastructure is not in a position to deliver as the standard the community expects and that the NT's justice system demands.

5.3 Broader societal Impact

Beyond the operational and economic case, a project of this scale generates significant economic activity across the NT. Construction will create substantial employment and supply chain opportunities that engage tier-one contractors alongside local subcontractors, trades and suppliers.

The procurement phase will be instrumental in driving strong local content, apprenticeship and employment and business outcomes, with ability to set minimum targets and ensure these benefits are realised. Local content commitments, including Aboriginal business participation, will be embedded as contractual obligations and actively monitored throughout construction and operations, ensuring the project delivers long term and measurable economic and social benefits to the community.

6. Delivery Model and Procurement

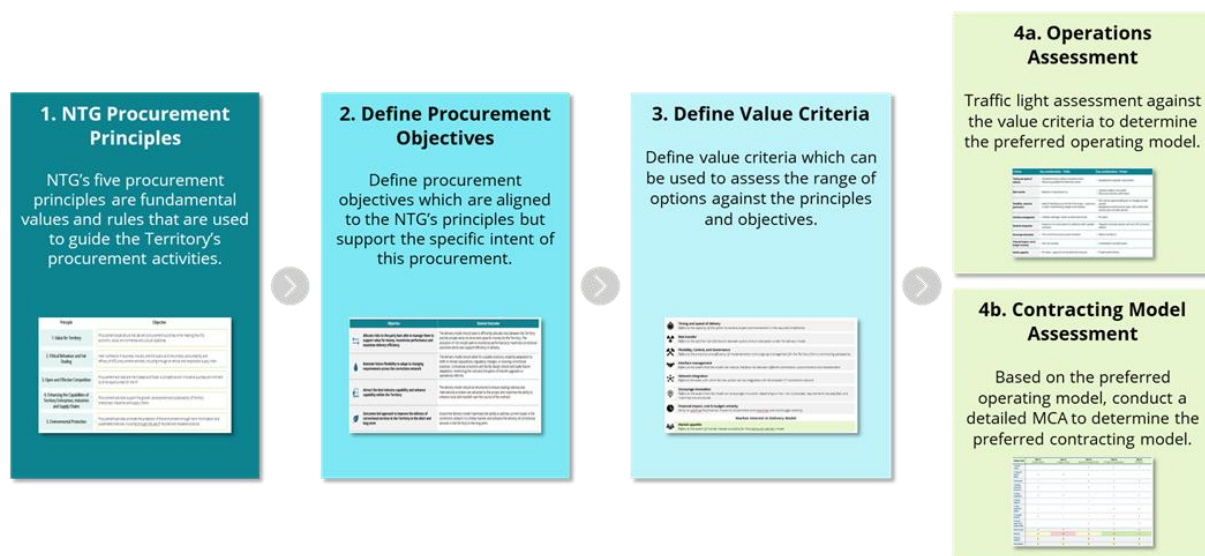
6.1 Approach

To determine the optimal delivery model for the project, a detailed assessment was conducted based on the approach outlined in Figure 7. The delivery model assessment considered a range of value criteria linked to NTG Procurement Principles and project-specific procurement objectives. These criteria included financial impact and budget certainty, financial and commercial risk optimisation, flexibility/control, network integration, interface management, timing, market appetite, and innovation. The assessment was informed by benchmarking of prison infrastructure delivery across Australia and a targeted market sounding conducted in December 2025. The market sounding included twelve participants across construction, operations, facilities management and funding providers.

The delivery model assessment considered two key components:

1. assessment of custodial operations (private vs public)
2. assessment of several contracting models from alliance through to Public Private Partnership (PPP).

Figure 7: Delivery model analysis methodology



Source: NTG Procurement Assessment

6.2 Preferred Delivery Model

The outcome of the delivery model assessment was to:

- **Deliver a new 850 bed men's correctional facility primarily focused on remand (with flexibility for future expansion to 1200 beds) via a PPP with private custodial operations.** Under this model, a private consortium would design, build, finance, operate, and maintain the facility under a long-term contract with the NTG, with performance measured against clear outcomes. This model has been applied for other major facilities across Australia including Ravenhall Correctional Centre (Victoria) and Clarence Correctional Centre (New South Wales).

- **Deliver a separate, fit-for-purpose 200 bed female facility through a traditional government-led delivery approach, where the NT Government funds design, construction and provides custodial operations.** This approach reflects a policy position that recognises the specific and distinct needs of women in custody and is consistent with all other jurisdictions where state and territory Governments provide custodial operations for women's facilities. A new purpose-built women's facility that reflects international guidelines for best practice and gender-responsive custodial services, including access to facilities and recovery and trauma-informed care spaces will support improved prisoner outcomes and ensure appropriate segregation from male prisoners, enhancing safety for prisoners and custodial staff.

The decision to pursue private operations for the men's facility reflects a strategic shift that aligns with the 'mixed-model' approach demonstrated in other Australian jurisdictions where both public and private operations coexist within a single network, in an integrated service model. This model was selected to maximise financial and commercial risk mitigation with the private sector, optimising budget certainty and value for money for the NTG.

Implementation of private operations for the men's facility will draw on lessons learnt from other jurisdictions with a strong emphasis placed on ensuring integration within the existing NT correctional network, appropriate commercial and contract design to incentivise KPIs, and managing workforce diversification.

Figure 8: PPP success factors, Risks and Mitigation actions

PPP Success Factor	Key Risks	Lessons Learned From Past Prison PPPs
 Construction delivery timing	Late design changes during construction driving significant cost overruns	Lessons drawn from Ravenhall and comparable PPP deliveries - early engagement with contractors through the procurement process locks in design certainty prior to financial close, reducing late variation risk.
 Flexibility through in-built augmentation	Rigid contractual arrangements limit the ability to respond to shifting demand	Lessons drawn from contemporary PPPs - contractual flexibility to be built into PPP from inception, enabling capacity adjustments as population demands evolve.
 Network interface	Interface between public and private operations creating a misaligned correctional system	Observations from implementation of private operations demonstrate the challenges of having private and public correctional operations - operational role of the prison to be clearly outlined ensuring both individual and network alignment.
 Performance regime	Inability to enforce performance regime due to KPIs being hard to measure and not fit for purpose	The KPI regime for Ravenhall was found difficult to measure - performance metrics will need to be designed for measurability, enforcement and outcome-focused.

7. Next Steps

The NTG will progress detailed procurement activities for the new men's and women's facilities during 2026 and 2027.

During the procurement phase, key activities will be undertaken to further de-risk project delivery including:

- Further facility design and operating model development
- Development of a detailed workforce transition strategy
- Progress contractual design to optimise performance and risk allocation with the private sector taking lessons learnt from similar facilities.

Following construction and commissioning, the new facilities are anticipated to commence operations in the early 2030's.