

# Tasmanian Community Services Indexation Project

## FACT SHEET



### What is the Tasmanian Community Services Indexation Project?

- The Network of Peaks commissioned [Tasmania's Cost Indexation for Government Purchasing of Community Services Report 2022](#) (Cost Indexation Report) to identify an investment approach for the community services industry that ensures Tasmania has a sustainable industry that delivers high quality, cost-effective and sustainable services to Tasmanians into the future.
- The current indexation rates applied by the Tasmanian Government to community service organisations means funding is not keeping pace with the increases in their costs. In real terms, this translates to funding cuts.

### An essential industry:

- At some point in our lives, every Tasmanian will have contact with or be supported by the community services industry. Our well-trained and experienced workers provide support for newborns and their parents, help young people engage in education, training and employment, provide housing and homelessness services, offer family support and counselling, deliver mental health and trauma support, as well as aged, disability and palliative care. And that's only a fraction of the crucial work we do.
- The scope of this work provides significant economic returns to Tasmania. It's also part of one of the largest and fastest-growing industries in the state, employing just over 15% of Tasmania's total workforce and contributing 13.1% of Tasmania's Gross State Product (GSP) in 2021.

### Current situation:

- However, the industry's ability to continue this important work of supporting Tasmanians is under threat as demand for services increases, while funding effectively goes backwards.
- Over the last two decades in particular, community services funding has fallen behind the real cost to these organisations to deliver their vital work — this places people at risk of not having their essential needs met.
- Many Tasmanian organisations have seen their indexation increase by between 0% and 2.25% per annum for the last 20 years, while the Cost Price Index (CPI) during that time has risen by an average of 3.45%. In fact, CPI for Hobart is now the highest of the nation's capitals hitting 8.6% for the third quarter of 2022.
- The Tasmanian Government applied an indexation rate of 2.25% for 2020 and 2021, but increases in expenditure for many organisations in that time ranged between 9% and 13%.
- A more accurate calculation is needed to capture the key costs that are specific to community service organisations.

### The impact:

- The impact of this underfunding combined with increases in demand for services has been twofold: a reduction or change in the services offered by organisations; and a reduction in the overall mix of services offered by our industry.
- If these essential services are not provided to Tasmanians, the cost is borne by the taxpayer when this unmet need results in far more expensive interventions, including Emergency Department (ED) presentations.

### The solution:

- The data in the [Cost Indexation Report](#) shows the solution is an immediate increase of 9.5% to indexation across Tasmanian Government procured community services in 2023/24.
- At the same time, the introduction of a method of calculating indexation that results in sustainable funding for the community services industry in the long-term is also needed.