Department of Social Services – Community Sector Grants Indexation and Supplementation

Overview

The value of most Australian Government community sector grant programs is adjusted over time so they align with changes in costs.

The Australian Government does this through **indexation**. This means funding is updated each year based on economic measures including wage increases and inflation.

In addition to annual indexation, the Australian Government is providing time-limited extra funding to some programs:

- **Supplementation funding** recognises a sharp increase in inflation in 2022 that has now moderated and will be paid for the last time in 2027–28.

- **WCI Revision** has resulted in additional indexation amounts, generally around 2% for DSS grants, paid to eligible programs while the Government transitions to a new WCI calculation method. The final additional payments will be made in 2026–27, after which base funding amounts will include the impact of the WCI revision.

How Indexation Works

Indexation is the yearly adjustment applied to eligible programs. The [Department of Finance has policy responsibility for indexation](#).

Most grants from the Department of Social Services (DSS) are indexed using Wage Cost Indices (WCI). The WCI combines wage and price data to reflect real cost pressures. WCI rates are updated each year to reflect changes in real costs. The updated rates, and future projections, are published in Budget Paper No. 3[1].

The grant opportunity guidelines indicate if a program is indexed.

[1] 2026–27 Budget Paper No.3 page 144 shows the indexation factors for 2026–27 (note the figures for 2027–28 and beyond are projections and could change in the next Budget update).

Wage cost indices

Table A.7 shows estimated growth in the wage cost indices used in this Budget Paper, rounded to the nearest quarter of a per cent.

Table A.7: Wage cost indices

Per cent	2025-26	2026-27	2027-28	2028-29	2029-30
Wage cost index – 1	2	2 1/2	2 1/4	2	2 1/4
Wage cost index – 3	2 1/4	2 3/4	2 1/2	2 1/4	2 1/4
Wage cost index – 6	2 1/4	3	2 3/4	2 1/4	2 1/2

Recent changes (2023–24 Budget)
In the 2023–24 Budget, the Government agreed to change the way WCIs are calculated so that they will better reflect current economic circumstances and movements in wage and other costs. This means:

- funding increases now better match real wage and inflation movements
- a more accurate wage measure (Wage Price Index) is now used
- organisations are generally receiving higher increases than under previous arrangements
- the updated method will continue in future years.

WCI Revision funding

- Around **$4 billion over four years** from 2023–24 was provided as a result of the changes to WCI methodology. During this four-year period, a top-up to indexation, generally around 2% for DSS grants will be applied to eligible indexed programs to reflect the transition to the new methodology.
- This is separate to the WCI published in the Budget papers.
- At the end of this period (2026–27) top-up funding will no longer be provided as base funding amounts will include the impact of the WCI revision.

How Supplementation Works

Supplementation is **extra funding on top of indexation**.

It is a time-limited measure introduced as a targeted response to the sharp inflation rise in 2022.

Supplementation was provided in two Budgets:

- **2022–23 (October) Budget:** $560 million over four years from 2022–23.
- **2025–26 MYEFO:** Extra $63.4 million over two years ($23.4 million for DSS grants) from 2026–27.

How it is distributed

- The supplementation funding is shared proportionately across eligible DSS programs and grants. Each program and grant receives the same percentage increase.

What This Means for Your Funding
Each year, eligible programs are adjusted through indexation, with additional funding for WCI revision (from 2023–24 to 2026–27) and supplementation (from 2022–23 to 2027–28).

Simple formula
Current baseline funding + indexation rate (WCI + WCI revision (in 2026–27)) = next year's funding + supplementation.

Example
For 2026–27:

- Base funding: $200,000
- Indexation rate = standard indexation (WCI1: 2.5%) + extra indexation (WCI revision: 2.0%) = 4.5%
- Supplementation: additional amount.

Calculation:

$200,000 + 4.5% indexation ($5,000 from standard indexation and $4,000 from WCI revision) = $209,000 + supplementation

For 2027–28:

- Base funding becomes $209,000.
- Base funding will have WCI indexation applied in future years and this amount will carry forward to the next financial year.

Key takeaways

- Indexation adjusts your funding each year in line with costs.
    - Since 2022–23, DSS has provided a total of **$325 million** in base indexation payments. Base indexation payments are applied every year.
    - Since 2023–24 WCI revision payments for DSS have totalled $166 million. These payments will be applied until 2026–27, when the transition to the new WCI calculation approach will have been completed and funding incorporated into base funding.
- Supplementation provided extra, short-term support when costs rose sharply.
    - Since 2022–23 supplementation payments for DSS have totalled $265 million.
    - These additional payments will continue until 2027–28.
- Recent changes mean funding is now more closely aligned to real-world costs, especially wages.
- The next round of indexation and supplementation for DSS will deliver around $127 million in September 2026.
- In total, since 2022–23, the Government will have provided almost $755 million in additional funding to eligible DSS funded grants.

From 2026–27:

- Your **Notice of Change letter** will clearly show:
    - Indexation rate
    - Supplementation rate
    - Payment amounts.
- Letters will arrive by **early September**.
- Payments will change:
    - **Earlier payments** will be made (in **September** instead of December).