



Budget explainer, 1 March 2023*

Indexation & the budget – an introduction

Overview

This budget explainer provides an introduction to the use of indexation in the budget, the ways in which programs are indexed, and limitations to the indexation process. In a high-inflation environment, indexation is a significant driver of changes to government finances, and directly or indirectly impacts all Australians.¹

Indexation is a standard process used to adjust the value of government programs for changes in the level of prices, living costs or wages. In general, indexation aims to maintain the relative value or level of policy settings over time. For a number of the largest expenditure programs, the choice of indexation parameter and the frequency of its use is established in the program's enabling legislation and is not easily changed.

Indexation arrangements are included in a broad range of government programs, especially those related to health and social welfare. Common indexation parameters include the Consumer Price Index (CPI) and the Wage Cost Indices.

Due to the unpredictability of price and wage changes, indexation can present risks and challenges for managing program budgets and the Commonwealth's fiscal position. In the 2022-23 October Budget, indexation contributed to over a quarter of the total increase in forecast expenses across the forward estimates, compared to the 2022-23 March Budget, greater than the impact of policy decisions.²

The Parliamentary Budget Office's (PBO's) [Build your own budget](#) tool allows users to adjust these indexation parameters to test their impact on the Commonwealth's fiscal position. For example, the tool estimates that if the CPI was one percentage point higher than forecast each year, total government expenses would be around \$29 billion higher over the 2022-23 forward estimates period, primarily due to indexation.

Future PBO publications will provide more detail on the impact of indexation on the budget, including demonstrations of how indexation works in practice. See the PBO's [Online budget glossary](#) for more detail on key terms related to the budget.

* The contents of the explainer are the sole responsibility of the Parliamentary Budget Office.

¹ Unless indicated otherwise, 'inflation' refers to an increase in the level of prices of the goods and services that households buy.

² See: Table 6.2 Statement 3, Budget Paper No. 1, 2022-23 October Budget p. 176.

Introduction

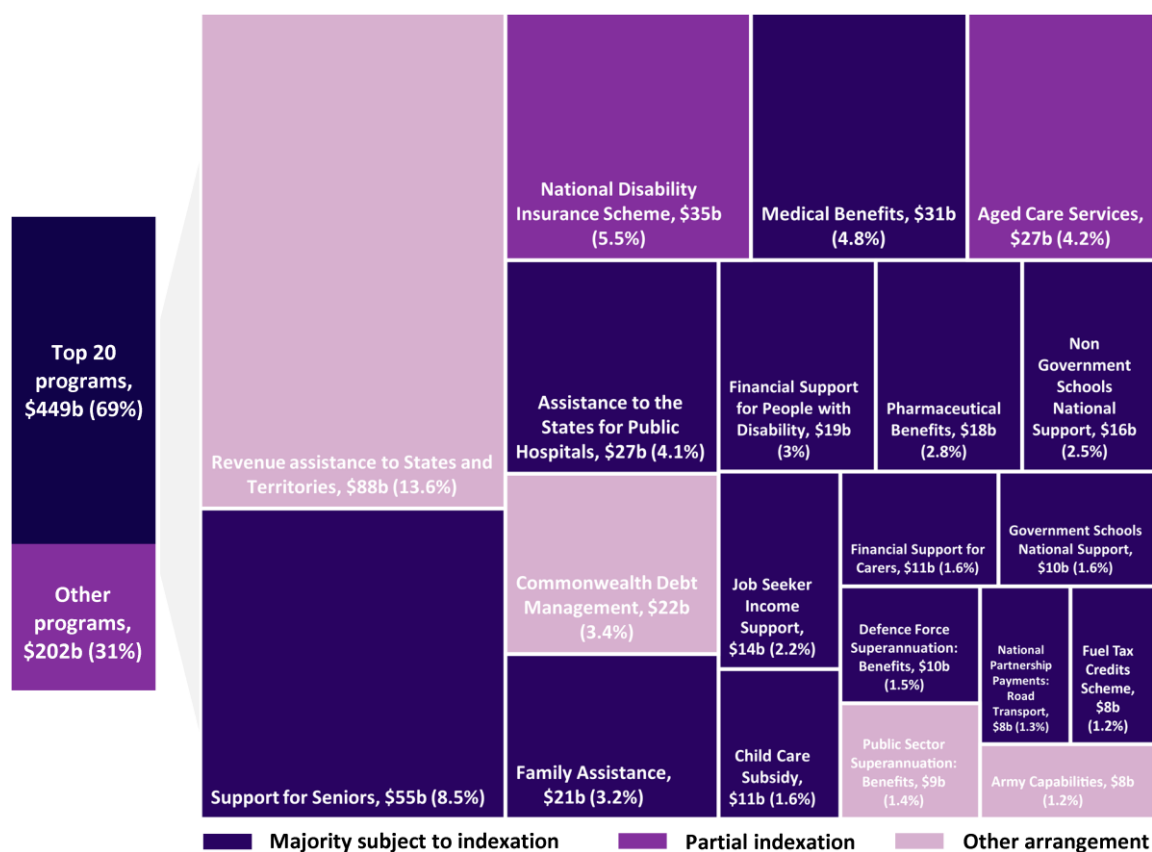
This budget explainer introduces the use of indexation in the budget, the ways in which programs and government agencies' budgets are indexed, and limitations to the indexation process.

Indexation is used across both expenditure and revenue programs. This explainer focuses on expenditure programs, as these are where indexation arrangements have the most significant fiscal impact.

Indexation and the budget

Indexation arrangements are generally included in ongoing budget programs whose duration extends across multiple financial years. They account for changes in the level of prices of goods and services or average wages over time. Indexation has a widespread impact on the budget. For instance, over two thirds of the expenses in the largest 20 government programs were subject to indexation, as shown in Figure 1. The rates of government payments and the income thresholds used to determine eligibility for such programs are generally subject to indexation (see Appendix A).

Figure 1: Top 20 programs by expenses in 2022-23



Note: Program expenditure (\$b) and share of total expenditure, 2022-23 October Budget.

Source: PBO analysis of 2022-23 October Budget, Budget Paper No. 1, p. 180.

The choice of index and the frequency with which it is applied is a key driver of changes in the costs of programs over time, especially in a high-inflation environment.

The impact of indexation adjustments at each budget update is shown in the table of Reconciliation of expense estimates (see Figure 2). In the 2022-23 October Budget, increases in the forecasts of

indexation parameters such as the CPI contributed to an increase of over \$34 billion in budget expenses, over a quarter of the total increase in expenses over the forward estimates period since the 2022-23 March Budget, and more than the impact of policy decisions. Further information on interpreting the budget is available at [Guide to the budget and PBO work](#).

Figure 2: Reconciliation of expense estimates

	Estimates				Total
	2022-23	2023-24	2024-25	2025-26	
	\$m	\$m	\$m	\$m	\$m
2022-23 March Budget expenses	628,469	643,833	665,369	686,839	2,624,511
Changes from 2022-23 March Budget to 2022-23 October Budget					
Effect of policy decisions ^(a)	3,252	1,760	9,719	13,065	27,795
Effect of economic parameter variations					
Total economic parameter variations	6,869	14,517	16,392	16,062	53,840
<i>Unemployment benefits</i>	1,417	2,487	3,227	2,658	9,790
<i>Prices and wages</i>	2,209	9,266	11,611	11,355	34,441
<i>Interest and exchange rates</i>	121	168	227	327	843
<i>GST payments to the States</i>	3,122	2,595	1,327	1,722	8,766
Public debt interest	2,604	2,926	4,612	7,346	17,488
Program specific parameter variations	6,597	1,226	4,270	7,524	19,617
Other variations	3,132	2,202	1,891	125	7,350
Total variations	22,453	22,632	36,884	44,121	126,089
2022-23 October Budget expenses	650,922	666,465	702,253	730,960	2,750,600

^{a)} Excludes secondary impacts on public debt interest of policy decisions and offsets from the Contingency Reserve for decisions taken.

Source: 2022-23 October Budget, Budget Paper No. 1, Table 6.2, p. 176.

How are government programs indexed?

For a number of the largest expenditure programs the choice of indexation parameter and the frequency of its use is decided by the parliament and codified in the program's enabling legislation, which can mean it is not easily changed. The enabling legislation will typically specify indexation arrangements, such as the payment and threshold values subject to indexation, the indexation parameters used and the frequency of adjustments.

Indexation arrangements can vary depending on the policy intent and characteristics of the program recipients. The most reported measure of price inflation – the CPI – is also the parameter most used to index programs (see Box 1). The volatility in the CPI contributes to the uncertainty in estimating the future value of indexed payments in the budget forward estimates.

Other indexation parameters and different arrangements may be used to account for the spending patterns or characteristics of program participants. For instance, the Age Pension is indexed by the higher of the CPI or the Pensioner and Beneficiary Living Cost Index (PBLCI). The result is also 'benchmarked' to ensure payment does not fall below a set percentage of Male Total Average Weekly Earnings (MTAWE).³ The intent of this arrangement is to ensure that a certain standard of living is maintained for recipients.

³ The combined couple Age Pension payment is benchmarked to at least 41.76% of MTAWE. If the payment is lower than the specified percentage of MTAWE, the payment is increased to match the benchmark level. As the single rate of the pension is 66.33% of the couple rate, the single basic Age Pension is effectively benchmarked to 27.7% of MTAWE. See: Australian Government, '[Common provisions affecting indexation of pensions](#)', Social Security Guide.

Box 1: Inflation and the Consumer Price Index

The quarterly CPI is Australia’s key measure of inflation. The CPI measures the changes in the price of a fixed ‘basket’ of goods and services (the *CPI basket*) over time and hence acts as the measure of price inflation for the household sector as a whole. Figure 3 shows the medium-term history of the CPI in Australia, highlighting different periods including the inflationary pressure post-COVID-19, as well as the Reserve Bank of Australia’s (RBA’s) inflation target.

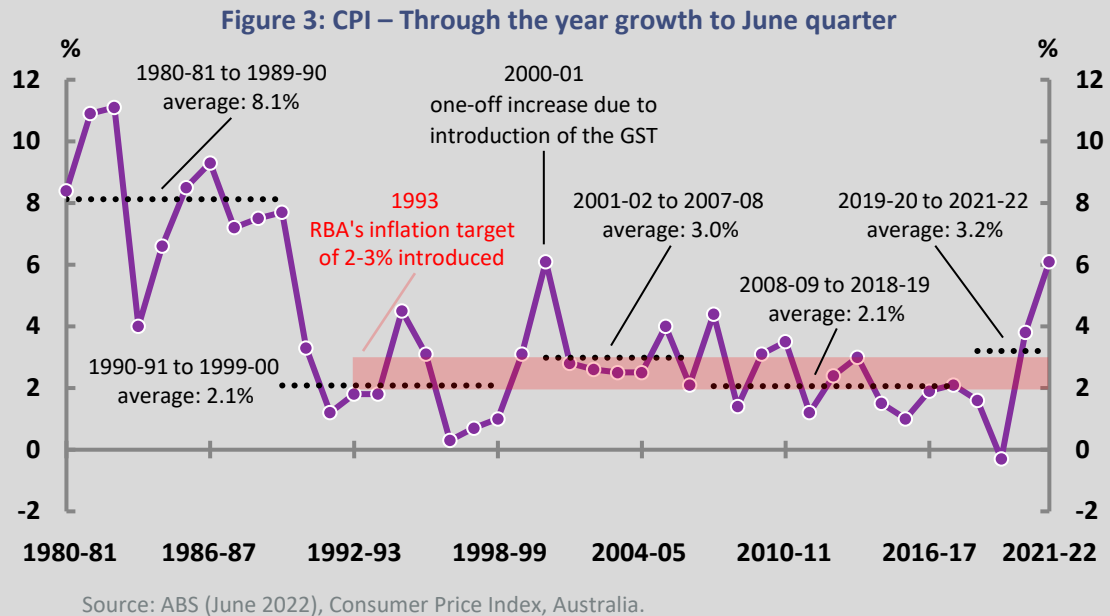


Table 1 shows the three main categories of indexation parameters. A full list of indexation parameters and details on these and other indexation parameters are included in *Appendix A*.

Table 1: Categories of common indexation parameters

Category	Example of indexation parameter	Example of associated program
Price	Consumer price index (CPI)	JobSeeker Payment
Living costs	Pensioner and Beneficiary Living Cost Index (PBLCI)	Age Pension*
Wage	Average Weekly Ordinary Time Earnings (AWOTE)	Tobacco excise

* Pension indexation arrangements involve the CPI, PBLCI and MTAWTE, as discussed above.

Government programs may also be adjusted outside indexation arrangements, through ad hoc adjustments. These ad hoc increases have historically been larger than indexation-driven adjustments. Recent instances include:

- the maximum single basic rate of Age Pension was increased by \$60 per fortnight in September 2009⁴

⁴ Department of Social Services (DSS), ‘[Pension Increases](#)’, DSS website, 2014.

- the temporary COVID-19 Supplement rate paid from April 2020 to September 2020 (\$550 per fortnight) – this was equivalent to a 197% increase in the maximum basic rate of JobSeeker Payment for singles
- the maximum basic rate of the JobSeeker Payment and other working age payments increased by \$50 per fortnight from April 2021 – this was equivalent to an 8.8% increase in the maximum basic rate of the JobSeeker Payment for singles, in addition to the March 2021 indexation.

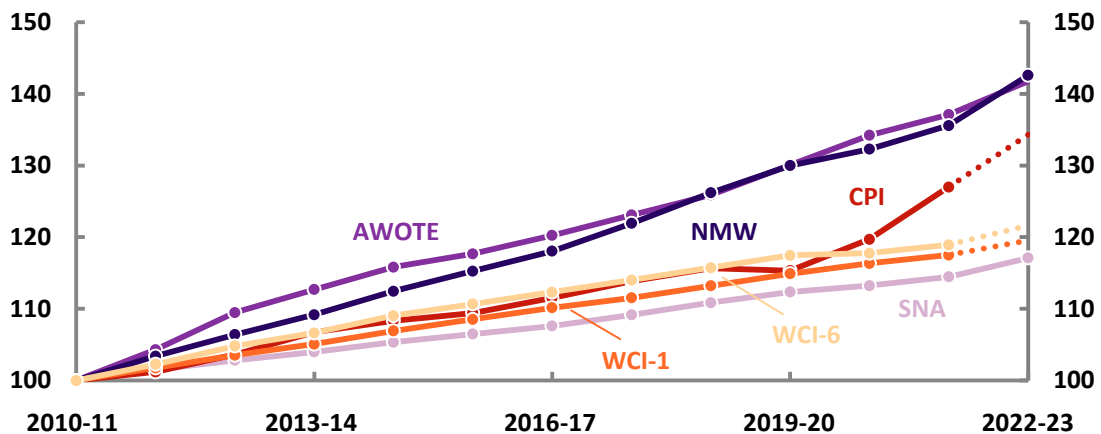
How are the Wage Cost Indices calculated?

Most funding provided for government agencies’ operating expenses and a range of administered programs (see Box 2) are subject to indexation using a constructed set of parameters, referred to as the Wage Cost Indices (WCIs).

The ten WCIs (WCI-1 to WCI-10) consist of different combinations of wage and non-wage components:

- the non-wage component is based on movements in different periods of the CPI
- the wage cost component is based on the movements in the Safety Net Adjustment (SNA) index.^{5 6}

Figure 4: A comparison of selected parameters over time



The CPI, Safety Net Adjustment (SNA), National Minimum Wage (NMW), Average Weekly Ordinary Time Earnings (AWOTE), and selected Wage Cost indices (WCIs), indexed to 100 in 2010-11. Dotted lines refer to forecasts.

Source: WCIs: Estimated growth rates taken from respective Budget Paper No. 3; AWOTE: ABS (November 2022), Average Weekly Earnings, Australia (2022-23 financial year refers to November 2022 result); NMW: Fair Work Commission, [National Minimum Wage Order](#); CPI: ABS (June 2022), Consumer Price Index, Australia (through the year growth to the June quarter). SNA constructed from AWOTE and NMW data.

⁵ Parliament of Australia, ‘[Senate Legislation Committee – Questions on Notice, 2004-05 Budget Estimates Hearing, Education Science and Training](#)’, DEST Question No. E270_05, 2004.

⁶ Subsequent to this analysis, the 2023-24 Budget introduced a revision to the WCI framework from 2023-24. This changed the wage cost component of each WCI from using the SNA to using through the year growth in the ABS Wage Price Index to the previous December, offset by the government’s long-run assumption for productivity growth. This methodology change has increased estimated government expenditure via parameter and other variations by around \$4 billion over the 4 years from 2023–24 to 2026–27. Refer to 2023-24 Budget, Budget Paper No. 1, Box 6.1 and page 104 for further information.

Forecasts for WCI-1, WCI-3 and WCI-6 are available, presented in *Budget Paper No. 3*.⁷

Figure 4 demonstrates movements in two published WCI parameters (WCI-1 and WCI-6), compared to the CPI and two parameters that measure wages; Average Weekly Ordinary Time Earnings (AWOTE) and the National Minimum Wage (NMW).

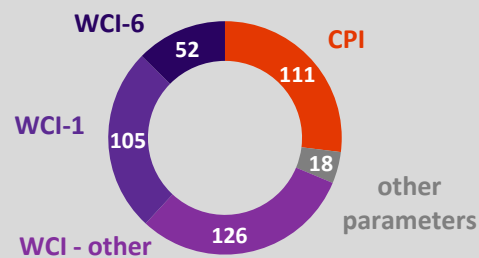
The value of the SNA (used for the wage cost components) is based on the dollar increase in the NMW (as determined annually by the Fair Work Commission), expressed as a percentage of the latest available estimate of AWOTE (published by the ABS) as at November of each year.⁸ As the actual AWOTE *level* is higher than the NMW, the growth in the SNA is typically lower than the percentage change in either the NMW or AWOTE. As a result, programs indexed by one of the WCI parameters typically grow at lower rates than both the CPI and changes in average wages over time. This has implications for many administered programs (Box 2) and government agencies.

Box 2: Indexation of administered programs using WCIs

Over 280 administered programs were indexed to the WCI parameters in the 2022-23 October Budget (Figure 5).

Examples include items in the Medicare Benefits Schedule, funding for the Employment Assistance Fund, funding for the Community Broadcasting Program, and funding for *delivering hospital based care*.⁹

Figure 5: Number of administered programs indexed to economic parameters



Source: PBO analysis, as at the 2022-23 October Budget.

⁷ Australian Government, Budget 2022-23, Budget Paper No. 3, Appendix A. The indices presented are described as being 'used in this Budget Paper' without further explanation. The 2022-23 October Budget included WCI-3 for the first time.

⁸ For instance, the dollar increase in the NMW in July 2021 was \$18.80 (an increase from \$753.80 at July 2020 to \$772.60 at July 2021). The latest available estimate of AWOTE was \$1,711.60 as at November 2020. The SNA increase in June 2021 was calculated as: $18.80/1,711.60 = 1.10\%$. Construction of the wage cost component described at: Australian Government, Royal Commission into Aged Care Quality and Safety, '[Department of Health Response to Notice to Give Information in Writing NTG-0755](#)', section 90, 10 July 2020. The National Minimum Wage is determined annually by an Expert Panel of the Fair Work Commission.

⁹ The [Employment Assistance Fund](#) is provided from the Employment Assistance and Other Services (EAOS) appropriation, administered by the Department of Social Services. The *Community Broadcasting Program* is administered by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts, and includes grant funding awarded to the Community Broadcasting Foundation Ltd. Funding for [delivering hospital based care](#) is administered by the Department of Veterans' Affairs.

The limitations of indexation

Indexation arrangements are generally set when a program is established (via legislation, in the case of many of the largest expenditure programs). They are not frequently changed. This can present risks and challenges for policy makers in managing program budgets and the aggregate budget position. The following section explores some of the common limitations.

Price indexes are not ideal measures of living cost

Price indexes may not keep pace with improving living standards over time due to technological advancement and compositional changes in consumption patterns. The CPI is often used to measure changes in the cost of living, but it is not an ideal indicator of this.¹⁰

Statistical measures of price inflation such as the CPI aim to measure pure price changes only, by comparing changes in the price of the same goods and services (i.e. whose characteristics and quality are unchanged) and making adjustments for any change in quality. For example, progressive releases of new models of cars or technology generally include additional or improved features for similar prices, which results in downward pressure on the CPI.¹¹

Differential impact of inflation across households

While inflation is measured across a population, a household or individual's experience of inflation will differ depending on their circumstances.

For example, the CPI includes 'housing costs' for both rents and the price of new dwellings purchased by owner-occupiers, and excludes the cost of land and mortgage interest charges. As a result, CPI indexation of government payments can understate or overstate the impact of inflation, depending on an individual households' circumstances.

Price indexes are backward-looking

There is a lag between real-time prices changes and their reflection in published indexes. This is because of the time it takes for responsible agencies to measure and publish updated indexes, and calculate and implement new payment rates. This is particularly challenging during periods of high or volatile inflation; or for payments that are adjusted less frequently.

For example, Table 2 compares indexation arrangements of the JobSeeker Payment, Rent Assistance and Youth Allowance. The lag between the indexation adjustment and the publication of the parameter it is based on is greatest for Youth Allowance. The effect of this lag is also exacerbated as indexation adjustments only occur every 12 months rather than every 6 months.

Table 2: Indexation arrangements of the JobSeeker Payment, Rent Assistance and Youth Allowance

Payments	Indexation date	Indexation parameter calculation and release	Lag between parameter publication and indexation
JobSeeker Payment and Rent Assistance	20 March	6-month growth in the CPI, to the preceding December.	around 3 months
	20 September	6-month growth in the CPI, to the preceding June.	around 3 months
Youth Allowance	1 January	12-month growth in CPI, to the preceding June.	around 6 months

¹⁰ RBA (2022), '[Inflation and its Measurement](#)'.

¹¹ ABS (2019), '[Quality change in the Australian CPI](#)', ABS Website.

Summary

This budget explainer provides an introduction into indexation and its application in the budget. Indexation plays an important role by adjusting the value of budget programs, intending to account for the impacts of inflation or changes in the cost of living over time.

Indexation arrangements can result in significant changes in the level of payments received by program beneficiaries and program expenditure over time, as well as to budget estimates, even though no Government policy changes have been made. In a high-inflation environment, both the likelihood and size of such changes increase. To ensure policy and program settings continue to deliver as intended, policy makers need to monitor indexation arrangements and respective levels of payments and program funding.

Future PBO budget publications will provide more detail on the impact of indexation on the budget, including demonstrations of its application in practice, and analysis of the impact of applying different parameters to index similar programs.

Additionally, the PBO has prepared a range of resources to assist users to understand the budget, including:

- [Guides to the budget and PBO work](#) provides guides to interpreting budget documents and other PBO work
- [Online budget glossary](#) provides more detail on key terms related to the budget
- [Build your own budget](#) is an interactive tool available on the PBO website which allows a user to adjust various policy and economic parameters including inflation and wage growth to test their impact on the Commonwealth's fiscal position and budget projections.

Appendix A: Indexation parameters and programs

Table 3: Common indexation parameters and examples of associated programs

Parameter	Definition/construction	Example of associated Commonwealth Programs
Price indexes		
<p>Consumer Price Index (CPI)¹²</p>	<p>The Consumer Price Index (CPI) measures price changes in a fixed basket of goods and services, of constant quality over time.</p> <p>The CPI measures price inflation for the household sector as a whole; the changes in the price of a fixed ‘basket’ of goods and services over time, measured through surveys administered by the Australian Bureau of Statistics (ABS).</p>	<p>Commonwealth Grant Scheme (CGS), Higher Education Loan Program (HELP), Trade Support Loans (TSLs), VET Student Loans (VSL), Pharmaceutical Benefits Scheme (PBS) co-payment amounts.</p> <p>Social security payment rates (JobSeeker Payment, Rent Assistance, Utilities Allowance, Youth Allowance, Pharmaceutical Allowance, Family Tax Benefit, Parenting Payment).¹³</p> <p>Means test thresholds; pension and allowance income and asset thresholds, deeming thresholds.</p> <p>Excise duty rates for alcohol, fuel, and petroleum products.</p>
<p>Pensioner and Beneficiary Living Cost Index (PBLCI)</p>	<p>The PBLCI was introduced in the June quarter 2009, developed following the 2009 Pension Review, and is a measure of the effect of changes in prices on the out-of-pocket living expenses experienced by households whose income is derived principally from government pensions or benefits; age pensioner households and other government transfer recipient households.¹⁴</p>	<p>Pension rates (including Age Pension, Service Pension, Disability Support Pension, and Carer Payment) are indexed to the higher of the CPI or the PBLCI. These pensions are also benchmarked to MTAW, discussed below.</p>

¹² For more information, see the PBO’s [Online Budget Glossary](#).

¹³ Parenting Payment Single is indexed to CPI and benchmarked to 25% of MTAW.

¹⁴ ABS (June 2022), [‘Selected Living Cost Indexes, Australia methodology’](#), ABS website, accessed 13 September 2022.

Average Weekly Earnings (AWE)

The Average Weekly Earnings is an ABS publication that contains a collection of indexes that provide estimates of average (before tax) weekly earnings twice-yearly for wage and salary earners.¹⁵

<p>Average Weekly Ordinary Time Earnings (AWOTE)</p>	<p>Full-time adult average weekly ordinary time earnings.</p> <p>A measure of weekly earnings of full-time employees, attributed to award, standard or agreed hours of work. Excludes part-time employees, overtime hours and those on junior rates of pay.</p>	<p>Excise duty rates for tobacco.</p>
<p>Total Average Weekly Earnings (TAWÉ)¹⁶</p>	<p>All employees average weekly total earnings.</p> <p>A measure of the average before tax earnings of all employees (working full-time and part-time hours), including any overtime payments and those on junior rates of pay.¹⁷</p>	<p>Used to increase the estimated/actual income for Child Care Subsidy (CCS) where the customer does not otherwise adjust their estimate.¹⁸</p>
<p>Male Total Average Weekly Earnings (MTAWE)</p>	<p>A measure of average before tax earnings of all male employees (including part-time employees and any overtime payments).</p> <p>Calculated by dividing an estimate of male gross weekly total earnings (before tax deductions) by the number of male employees.</p>	<p>Pension payment rates (including Age Pension, Service Pension, Disability Support Pension (DSP) and Carer Payment), and the Parenting Payment (single) are benchmarked against a percentage of MTAWE – meaning if the rate is lower than the specified percentage of MTAWE, the rates are increased to match the benchmark level.¹⁹</p>
<p>Other wage measures</p>		

¹⁵ P Vandenbroek (2019), [‘Australian earnings data: a quick guide’](#), Parliament of Australia website, accessed 6 September 2022

¹⁶ In the early 1970s, it was Government’s policy to periodically index (maintain the rate of) pensions with reference to the AWE.

¹⁷ ABS (2022), [‘Average Weekly Earnings, Australia methodology’](#), ABS website, accessed 13 September 2022; ABS (2014), [‘Average Weekly Earnings and Wage Price Index – What do they measure?’](#), ABS website, accessed 13 September 2022.

¹⁸ [A New Tax System \(Family Assistance\) \(Administration\) Act 1999](#), ss 20A, 20B, 67DC, 67DD.

¹⁹ The combined couple Age Pension payment is benchmarked to at least 41.76% of MTAWE. If the payment is lower than the specified percentage of MTAWE, the payment is increased to match the benchmark level. As the single rate of the pension is 66.33% of the couple rate, the single basic Age Pension is effectively benchmarked to 27.7% of MTAWE. See: Australian Government, [‘Common provisions affecting indexation of pensions’](#), Social Security Guide.

<p>Wage Price Index (WPI)</p>	<p>The Wage Price Index (WPI) compares the cost of wages over time for the same work level and output. This means it excludes the effects of changes in the composition of the labour force, the hours worked, employee characteristics, or the quality or quantity of work performed.</p> <p>The data relates to total hourly rates of pay excluding bonuses in all industries in the private and public sectors.</p>	<p>Component of Schooling Resource Standard (SRS) funding rate.</p> <p>The SRS is not wholly indexed by WPI, as noted in Table 4 below.</p>
<p>National Minimum Wage (NMW)</p>	<p>The National Minimum Wage (NMW) applies to employees not covered by an award or registered agreement. This is the minimum pay rate provided by the Fair Work Act 2009 and is reviewed each year.</p> <p>Employees covered by an award or registered agreement are entitled to the minimum pay rates, including penalty rates and allowances in their award or agreement. These pay rates may be higher than the NMW.²⁰</p>	<p>Paid Parental Leave payment rate.</p> <p>Dad and Partner Pay payment rate.</p>
<p>Wage Cost Indices (WCI-1 to WCI-10)</p>	<p>A composite index constructed by the Department of Finance that comprises a wage cost component and a non-wage cost component.</p> <p>The non-wage component is based on different periods of movements in the CPI, and the wage cost component is based on an index related to wage growth, the Safety Net Adjustment (SNA).²¹</p> <p>The weighting between the wage cost component and the non-wage cost component varies across the series, WCI-1 to WCI-10.</p>	<p>The Medicare Benefits Schedule is indexed to WCI-5.</p> <p>Some Commonwealth payments for residential care, including the basic subsidy for residential care (the Home Care Subsidy), and the Dementia and Cognition and Veterans' supplement are indexed to WCI-9.</p> <p>Grants under the Commonwealth Home Support Programme (CHSP) are indexed to WCI-3.</p> <p>Most government departments' operating expenses are indexed to WCI, the parameter varies between agencies.</p>

²⁰ Each financial year, an Expert Panel of the Fair Work Commission conducts the *annual wage review* and issues the [National Minimum Wage Order](#). For further detail see: Fair Work Ombudsman, '[Minimum Wages](#)', Fair Work Ombudsman website, n.d., accessed 14 September 2022.

²¹ Parliament of Australia, '[Senate Legislation Committee – Questions on Notice, 2004-05 Budget Estimates Hearing, Education Science and Training](#)', DEST Question No. E270_05, 2004.

	<p>The value of the SNA (used for the wage cost components) is based on the dollar increase in the National Minimum Wage (as determined annually by the Fair Work Commission) expressed as a percentage of the latest available estimate of AWOTE (published by the ABS) as at November of each year.²²</p> <p>The value of the non-wage cost component varies across the series and is based on different periods of change in the CPI.</p> <p>There are some aspects of the construction of the WCIs which remain unpublished.²³</p>	
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²² Australian Government, Royal Commission into Aged Care Quality and Safety (2020), [‘Department of Health Response to Notice to Give Information in Writing NTG-0755’](#), section 90.

²³ See: Parliament of Australia, [‘Senate Legislation Committee – Questions on Notice, 2004-05 Budget Estimates Hearing, Education Science and Training’](#), DEST Question No. E270_05, 2004.

Table 4: Examples of programs that use a combination of indexation factors

Example	Method	Rationale
Schooling Resource Standard (SRS) funding²⁴	Indexed annually by a rate calculated as the higher of: <ul style="list-style-type: none"> i 3 per cent; or ii A factor derived from 75 per cent of the Wage Price Index and 25 per cent of the Consumer Price Index. 	Ensures the minimum base and certainty, and that funding reflects changes in wages and other costs. Weighted towards changes in wage costs reflecting that teachers' and staff salaries are a significant driver of schools' costs.
Indexation of local government Financial Assistance Grants²⁵	Indexation using the product of two factors: <ul style="list-style-type: none"> i Increase in the Consumer Price Index ii Growth in Australia's population. 	Local government costs are expected to grow in line with both population levels and price inflation.
Government agency funding	For most government agencies, operating expense budgets are indexed to a range of factors known as the Wage Cost Indices (WCI). ²⁶ Operating expense budgets are also subject to the Efficiency Dividend. ²⁷	The government's annual budget distinguishes between funding provided for program expenditure, and funding provided for operating expenses – for agencies to administer their functions (also called departmental expenses). Future PBO publications will provide more detail on government agency funding.

²⁴ Department of Education, '[How is school funding indexed?](#)' (2022), accessed 7 September 2022.

²⁵ [Local Government \(Financial Assistance\) Act 1995](#), section 8.

²⁶ The WCIs should not be confused with the Wage Price Index, Australia (cat. no. 6345.0) published by the ABS, which was previously known as the Wage Cost Index, Australia.

²⁷ In conjunction with indexation, operating expense budgets are also subject to the application of the 'Efficiency Dividend' that reduces entity budgets each year in anticipation of efficiencies being found. For further detail see: Department of Finance and Deregulation, '[Review of the Measures of Agency Efficiency report](#)', Australian Government, 2011.