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MEDIA RELEASE

NSW Budget falls short on mental health supports beyond crisis

Mental Health Coordinating Council (MHCC), the peak body for community-managed mental health organisations in NSW, welcomes the investment in mental health and suicide prevention in the 2026–27 NSW Budget, but says further investment is needed to strengthen community-based mental health supports and respond to growing demand across the state, including providing certainty around the future of psychosocial Foundational Supports.

“Mental health reform cannot rely primarily on hospitals and crisis responses. Without stronger investment in community-managed mental health supports and services, too many people will continue to miss out on the support they need to stay well in their communities,” said MHCC CEO, Dr Evelyne Tadros.

“While we welcome the modest mental health investments announced in this Budget, it represents a missed opportunity to deliver the scale of investment needed in community-based supports that continue to show improved outcomes for people living with mental health challenges. There is strong evidence that clearly demonstrates their cost-effectiveness, while also reducing pressure on hospitals and emergency departments as well as the broader health system.”

Key announcements relating to mental health and community wellbeing include:

- **$112.3 million for mental health and suicide prevention initiatives**, including $43.3 million for Lifeline, $64.8 million to extend programs delivered under the National Mental Health and Suicide Prevention Agreement, and funding to support mental health peak organisations and strengthen sector capacity, collaboration and advocacy.
- Additional investments to be delivered in partnership with the Australian Government through **National Agreements**, Federation Funding Agreements and other Commonwealth funding arrangements. Whilst **psychosocial Foundational Supports** are expected to be jointly funded by the Commonwealth and states; the Budget provides no certainty around NSW’s investment.
- **$9.3 million for culturally safe mental health services** delivered through Aboriginal Community Controlled Health Organisations and Local Health Districts.
- Community workers including those under the Social, Community, Home Care and Disability Services (SCHADS) Award to receive the **4.75% Fair Work Commission wage increase**, which the NSW Government is passing on in full.

These investments are welcome, but they fall short of addressing the scale of need facing people living with mental health challenges and the community-based supports that help them stay well.

“MHCC supports **NDIS reform**, but psychosocial supports must not be transitioned without a clearly articulated, fully funded, and co-designed alternative system - agreed with states and territories - that safeguards continuity of care and prevents people falling through service gaps. The 2026–27 NSW Budget is a missed opportunity to provide certainty around the prioritisation, investment, design and timely implementation of Psychosocial Foundational Supports/,” said MHCC CEO, Dr Evelyne Tadros.

We must invest in the evidence-base that tells us community supports work. The evaluation of the Community Living Supports (CLS) program, which provides psychosocial support for people living with severe mental health challenges, has demonstrated net savings of approximately $86,000 per person over five years, while mental health hospital admissions dropped by 74% and average length of stay decreased by almost 75% following program entry.[1]

Similarly, the Bondi Prevention and Recovery Centre, a Step-Up Step-Down program, delivers a community-based alternative to hospital care for people living with co-occurring acute mental health challenges and alcohol and drug concerns, with service delivery costs around one-third of inpatient care while reducing hospital emergency presentations by up to 44%.[2]

MHCC continues to call for a greater share of mental health funding to be directed toward community-managed organisations, with a long-term goal over 5 years of allocating 30% of the NSW mental health budget to the community-managed sector.

“With growing demand, poor investment in sector capacity building and workforce shortages as well as increasing pressure across both the mental health and disability systems, stronger investment in community-based support is essential to building a more sustainable and responsive mental health system for NSW.”

“The challenge for NSW is not simply how we respond to mental health crises, but how we invest in the supports that help people stay well, connected and supported in their communities in the first place,” Dr Tadros says.

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About Mental Health Coordinating Council

Mental Health Coordinating Council is the peak body for community-managed mental health organisations in NSW. MHCC provides policy leadership, promotes legislative reform and systemic change, and develops resources and training to assist community mental health organisations to deliver quality and effective services underpinned by best practice principles. Visit mhcc.org.au

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[1] Purcal, C., O’Shea, P. Giuntoli, G., Zmudzki, F., Fisher, K.R. (2022). Evaluation of NSW Community-based Mental Health Programs: Community Living Supports and Housing and Accommodation Support Initiative. CLS-HASI Evaluation Report. Sydney: UNSW Social Policy Research Centre.
[2] Gendera S, Blaxland M, O’Shea P, Fisher KR. 2025. Bondi Prevention and Recovery Centre (PARC) Model Evaluation. Sydney: UNSW Social Policy Research Centre.