Mental Health Australia

# Submission to the Inclusive Communities Fund consultation

28 August 2026

*Mentally healthy people, mentally healthy communities*

**mentalhealthaustralia.org.au**

## About Mental Health Australia

Mental Health Australia is the national, independent peak body for the mental health sector. We unite the voices of the mental health sector and advocate for policies that improve mental health. Mental Health Australia represents nearly 160 members, including organisations representing people with lived experience of mental health challenges, family, carers and kin, service providers, professional bodies, researchers and state and territory peak bodies.

This submission was developed with targeted consultations with our Members Psychosocial Network and key stakeholders.

## Introduction

Mental Health Australia welcomes the opportunity to contribute to the Australian Government Department of Health, Disability and Ageing's consultation on design of the Inclusive Communities Fund (the Fund).

We recognise the intention of the $200 million Fund is to "create more opportunities for people with disability, including NDIS participants, to take part in social, recreational, arts, sporting, cultural and other community activities" by providing funding for community organisations to strengthen inclusivity and accessibility of their services.[1] Increasing inclusivity and accessibility of community activities is incredibly important. However, **this Fund is deeply inadequate in the context of significant cuts to personalised Social, Civic and Community Participation (SCCP) supports from National Disability Insurance Scheme packages**.

NDIS participants with psychosocial disability are more likely than other disability cohorts to have SCCP funding as part of their package and will be disproportionately impacted by the cuts to SCCP supports outlined in the NDIS Amendment (Securing the NDIS for Future Generations) Bill 2026. Therefore, design of the Inclusive Communities Fund must specifically consider the needs of people with psychosocial disability from the outset.

For many people, particularly those with high support needs, ongoing funded individual support is essential to ensure genuinely accessible and sustainable inclusion in community activities. The limited general resourcing offered to organisations through the Inclusive Communities Fund grant cannot replace this. Governments must prioritise addressing the unmet need for psychosocial supports outside the NDIS to deliver effective and efficient personalised community participation support, and ensure that they are well established before the SCCP cuts come into effect.

[1] Inclusive Communities Fund Consultation (2026)- Australian Government Department of Health, Disability and Ageing. August 2026.

## People with psychosocial disabilities will be disproportionately impacted by cuts to NDIS Social, Civic and Community Participation supports

Implementation of the NDIS Amendment (Securing the NDIS for Future Generations) Bill 2026 will reduce social and community participation budgets in individual NDIS packages under existing framework plans by 50% and capacity building daily activity budgets by 10% in a phased approach over 12 months from 1 October 2026.[2]

**Social and community participation makes up on average 30% of plan budgets for NDIS participants with psychosocial disability as their primary disability, compared to an average of 21% for other participants** (and second only to participants with visual impairment who have on average 34% of plan budgets committed to SCCP funding).[3] As such, these cuts will disproportionately affect people with psychosocial disability, and risk significant unintended consequences.[4]

People with psychosocial disability experience social isolation at high rates and are too frequently impacted by bigotry, discrimination and vilification.[5] SCCP supports are a lifeline for many NDIS participants with psychosocial disability and enable essential tasks such as grocery shopping and transportation to activities. The NDIA's own research shows community participation supports have been demonstrated to provide "a sense of belonging, increases confidence, builds skills and social networks and reduces isolation."[6] The individualised nature of supports through the NDIS that work with participants at their own pace is critical to this success.

The disproportionate impacts of the proposed changes will also extend beyond NDIS participants with psychosocial disability, to family, carers and kin, and the mental health care workforce who support them. As acknowledged in the NDIS Amendment Bill Explanatory Memorandum, the changes introduced by the Bill are likely to increase informal caring responsibilities, which may impact levels of social and economic participation for (predominantly female) carers.[7] However, many families and carers may not have the capacity to absorb these additional demands. Further, cuts to SCCP budgets are expected to result in significant job losses for mental health support workers, and impact sustainability of specialist mental health service providers. It has been estimated that cuts to SCCP activity overall will result in the loss of up to 52,000 jobs, equivalent to 94 million hours of care.[8] Without adequate replacement supports, there is a significant risk of poorer outcomes for people with disability, increased carer strain, reduced social and economic participation, and ultimately a decline in the quality and safety of support available to Australians with disabilities.

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[2] Department of Health, Disability and Ageing (2026), About the changes to the NDIS, Australian Government, 27 August 2026.

[3] Minister for Disability and the National Disability Insurance Scheme (2026) National Disability Insurance Scheme Amendment (Securing the NDIS for Future Generations) Bill 2026 Revised Explanatory Memorandum, p242.

[4] Minister for Disability and the National Disability Insurance Scheme (2026) National Disability Insurance Scheme Amendment (Securing the NDIS for Future Generations) Bill 2026 Explanatory Memorandum, p229

[5] Reavley, N. J., Morgan, A. J., McNaught, G. & Green, R. 2026 National Stigma and Discrimination Report Card. 2026, National Mental Health Commission, Sydney

[6] Minister for Disability and the National Disability Insurance Scheme (2026) National Disability Insurance Scheme Amendment (Securing the NDIS for Future Generations) Bill 2026 Explanatory Memorandum, 203 and National Disability Insurance Agency (2022) Getting out into the world: pathways to community participation and connectedness for NDIS participants with intellectual disability, on the autism spectrum and/or with psychosocial disability

[7] Minister for Disability and the National Disability Insurance Scheme (2026) National Disability Insurance Scheme Amendment (Securing the NDIS for Future Generations) Bill 2026 Revised Explanatory Memorandum. In 2022, 66.7% of primary carers were women.

[8] The Australia Institute, The NDIS cuts: A poor reflection of our national character: Discussion paper, 2026.

## The Inclusive Communities Fund must specifically consider the needs of people with psychosocial disabilities

Because NDIS participants with psychosocial disability will be disproportionately affected by reductions to SCCP funding, it is critical that any replacement initiatives, including the Inclusive Communities Fund, are designed with their specific needs in mind.

Psychosocial disability is often an "invisible" disability, which can contribute to discrimination and exclusion due to limited understanding of how mental health challenges affects daily functioning. As these needs are frequently overlooked in design processes, the Fund must take deliberate steps to ensure they are appropriately recognised and addressed.

To achieve this, the Australian Government must consult closely with people with psychosocial disability, family, carers and kin and psychosocial support providers to inform guidance and expectations for Fund recipients, ensuring they consider measures that make mainstream community programs genuinely accessible and inclusive. For example, organisations may need to provide quiet or sensory-friendly spaces, adapt participation requirements, or offer activities and supports that can accommodate episodic or fluctuating needs.

Organisations receiving funding should demonstrate an understanding of the episodic and fluctuating nature of psychosocial disability and incorporate this into their planning and service delivery. They should also be encouraged to partner with disability-led organisations and others with expertise in psychosocial disability to ensure programs are designed and delivered in ways that effectively meet their needs.

## The Inclusive Communities Fund will not meet the need left by cuts to social and community supports

Mental Health Australia is concerned that the Fund will have limited impact, and will not address the new gaps created by cuts to SCCP individual supports.

While the Fund represents a welcome acknowledgement of the need to increase the capacity and capability of community organisations to ensure inclusion and accessibility for people with disability, the limited Fund falls well short of the scale required to replace the supports at risk under the cuts to NDIS SCCP activities.

Evidence suggests that short-term grant programs are unlikely to achieve the sustained change required to improve inclusion. An evaluation of the Information, Linkages and Capacity Building grants found that a grants program that offers short-term funding “does not match the nature of the activities required to make change” which depend on building trust, maintaining relationships and delivering ongoing support and activities to address barriers to participation.[9] Staff turnover, shifting priorities and outdated resources can quickly erode gains made during the life of a short-term program. Inclusive communities for people with psychosocial disabilities require sustained investment, organisation commitment and societal-level change to address stigma and discrimination.[10]

Mental Health Australia members’ experience is that quality individual support for people with psychosocial disability is one of the most effective mechanisms to address broader stigma and discrimination, and improve community inclusion and accessibility in a sustainable way. For example, individual support for people with significant mental health challenges to gain competitive employment reduces mental health stigma amongst employers. [11]

[9] Centre for Social Impact (2021) Overview of results – Informing Investment Design: ILC Research Activity, Swinburne University of Technology.

[10] Centre for Social Impact (2021) Overview of results – Informing Investment Design: ILC Research Activity, Swinburne University of Technology.

[11] Brisbane, R., Macklin, S., Klepac, B., Calder, R.. Scaling, integrating and better supporting people with mental illness to engage in employment and/or education. Policy evidence brief 2022-01. Mitchell Institute, Victoria University. Melbourne.

## Governments must address the gap in psychosocial supports outside the NDIS

The Inclusive Communities Fund is not a substitute for individual psychosocial supports. While initiatives that improve inclusion in mainstream community settings are important, they cannot replace the specialised and personalised supports that many people with psychosocial disability require to live well in the community. For many people with disability, particularly those with higher support needs, ongoing individualised support remains essential to achieving meaningful and sustainable participation in community life.

The forthcoming cuts to SCCP budgets – which will particularly impact people with psychosocial disability and their carers, family and kin – come in a context where there is already a significant gap in psychosocial supports. Analysis for governments estimates there are 230,500 people with 'severe mental illness' and 263,100 people with 'moderate mental illness' who require psychosocial support outside the NDIS who cannot access it.[12] Over 80% of the hours of psychosocial support required are not available. This unmet need is likely to grow even further, with the Australian Government NDIS reforms reducing NDIS participants from the previously forecast 900,000 to 600,000 participants by 2030.[13]

Psychosocial supports have been shown to effectively improve social, economic and community participation, as well as reducing the lifetime impacts of significant mental health challenges and preventing the need for other more intensive services (such as hospital-based care).[14]

In the conceptualisation of Foundational Supports outside the NDIS, the NDIS Review[15] highlighted the need to prioritise psychosocial supports with Targeted Foundational Supports. This is also reflected in the National Agreement on Foundational Supports 2026-2031.

Mental Health Australia has welcomed the Australian, State and Territory governments' recognition of the importance of psychosocial supports, and confirmation they are jointly responsible for delivering psychosocial supports outside the NDIS.[16] Governments have also made a welcome commitment to considering psychosocial supports as a key priority for the next National Mental Health and Suicide Prevention Agreement.

People can no longer be left behind without these essential supports to participate and live well in the community. Governments must prioritise action to expand effective psychosocial support outside the NDIS to meet need – a need made even more urgent with the significant and disproportionate impacts of cuts to NDIS SCCP budgets.

To support governments' action, Mental Health Australia has provided advice on Fundamental Principles for Psychosocial Supports Outside the NDIS, developed with the mental health sector.

Mental Health Australia is eager to continue working with the Australian Government as it navigates these significant reforms, to ensure that all people with experience of significant mental health challenges and psychosocial disability can access quality support to participate, contribute and live well in the community.

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[12] Health Policy Analysis (for Australian Governments) (2024) Analysis of unmet need for psychosocial supports outside of the National Disability Insurance Scheme: Final Report, p. 9-10.

[13] Health Policy Analysis (for Australian Governments) (2024) Analysis of unmet need for psychosocial supports outside of the National Disability Insurance Scheme: Final Report, pp. 89.

[14] Mental Health Australia (2024) *Advice to governments on evidence-informed and good practice psychosocial services*

[15] Commonwealth of Australia (2023) Working together to deliver the NDIS - Independent review into the National Disability Insurance Scheme: Final Report, Department of Prime Minister and Cabinet

[16] Joint Health and Mental Health Ministers' Meeting Special Communique 13 June 2025

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