



Mental Health  
Australia

# Sector Sustainability Statement

February 2025



[mhaustralia.org](http://mhaustralia.org)



## Funding for mental health is an investment not a cost, and it has never been more important.

As rates of mental ill-health in the community continue to rise, particularly among young people, and Australians are increasingly aware of the benefits and importance of seeking support for mental health challenges or suicidal distress, having a high-quality mental health system has never been more important.

Mental Health Australia is the national, independent peak body for the mental health sector. Mental Health Australia represents over 140 members, including service providers, professional bodies, organisations representing people with lived experience of mental ill-health, family, carers and supporters, researchers and state and territory mental health peak bodies.

Our members are at the frontline of Australia's mental health system. Collectively they support over 3 million Australians experiencing mental ill-health or suicidal distress each year,<sup>1</sup> and employ or represent well over 100,000 specialist and generalist workers.<sup>2</sup> These organisations play a critical role in reducing distress, preventing further ill-health, and saving lives. They enable people to experience their best possible mental health, live fulfilling lives, and contribute to their family, community, and the economy. That's why ensuring they can operate in the most effective and efficient way possible must be a top priority for any government wishing to improve the mental health of our community.

## Poorly designed and executed funding processes are causing major problems for service users and service providers.

Over recent years, feedback from our members has highlighted significant frustrations with the Australian government about how mental health funding, tenders and contracts are managed. The problems include short contract durations; late notice of contract renewals; long delays in the development and execution of new service agreements with many contracts finalised very close to, or even well after the end of the previous contract; a lack of indexation and capacity to fund mandated increases in worker payments such as changes in the superannuation guarantee; competitive funding impeding sector partnerships and other concerns.

These issues are not isolated occurrences. They are systemic. A recent survey of Mental Health Australia members found that 76% of organisations funded by the Australian government experienced delays in communication of funding decisions, 71% said funding did not account for mandated wage increases, 65% stated that their funds did not include adequate indexation, and a similar percentage stated that they had inappropriately short-term contract/s. In a similar vein, annual surveys of the suicide prevention sector show that between 30 – 50% of organisations reported delays in receiving government funding in the years between 2022-2024. Unfortunately, these issues are not confined to mental health, and many non-government and community sector organisations outside the health portfolio experience similar difficulties.

The negative impacts of these issues are significant. Uncertainty around the timing and availability of funding and significant funding shortfalls can hamper planning, limit service availability, increase waiting times, delay infrastructure enhancement, and hamper service innovation. Significantly, these issues can also hinder organisations' ability to recruit and retain committed and experienced staff.

They place unfair financial pressure on organisations, impact cashflow, can require drawdown of cash reserves and loss of interest or investment returns, and may put smaller organisations at risk of insolvency.

This, in turn, has a flow-on negative impact on individuals' experiences of care and their recovery. Unplanned or sudden changes in staffing, service hours, service availability or scope can seriously affect the quality and continuity of care and can lead to disengagement and poor mental health outcomes. Ultimately, these inefficiencies also undermine the impact of new and existing mental health investments, in failing to maximise the reach of every taxpayer dollar.

## Yet all these issues can be readily resolved at next to no additional cost to the government through simple changes in government contracting protocols that create efficiencies and reduce costs associated with commissioning processes.

That's why Mental Health Australia is calling on the next Australian government to commit to seven critical actions to improve departmental funding and contract arrangements for government funded organisations in mental health and the health, social and community sector more broadly. Giving such services a fairer go through improved administrative arrangements is largely cost-neutral for government and will ensure more efficient and effective use of public funding to deliver outcomes for the Australian community.

## Seven simple, cost-neutral changes can fix the problem



### **Increase the duration of government service agreements to a minimum of 5-years**

Short-term contracts severely limit organisations' ability to plan, be financially sustainable, enhance their infrastructure, introduce innovations, and recruit and retain committed staff who are looking for employment certainty. Mental Health Australia calls on the next Australian Government to ensure that long-term contractual arrangements become standard practice for mental health services, as recommended by the Productivity Commission, and similar to welcome recent changes for Aboriginal Community Controlled Health Organisations and Disability Employment Services.

Over time, the standard Australian government mental health service contracts should be adapted to cover, by default, a minimum five-year period. Within the next term of government, mental health service contracts should be made for a minimum period of three years, and include a three-year extension (at the same terms), subject to funding continuation and satisfactory performance. This staged approach will support sustainability of mental health services within an ongoing reform environment.



### **Introduce a minimum 6-month notice period for contract adjustments and terminations**

Far too often mental health service providers are left in the dark about whether their government service agreements are going to be changed or whether they are going to be extended when they're due to expire. Indeed, feedback suggests that often contract extensions are offered only a month or two prior to the contract end date. This can have major repercussions, both financially (as organisations don't know what their budget situation will be), and practically in terms of service delivery and staff retention. Some services may need to stop accepting new clients several months before the end of their contract if they can't guarantee service continuity beyond a certain time. In addition, if workers can't be sure they will still have a job as an organisation's service agreement approaches its expiry date, they may leave prematurely out of a very real need to manage their own financial commitments. In the current era of workforce shortages and workers leaving the sector this has major repercussions for the sustainability of service provision. Mental Health Australia therefore calls on the next Australian government to introduce a 6-month minimum notice period for any contract adjustment or contract termination.



### **Introduce minimum communication requirements and maximum timeframes to notify services of funding decisions**

Existing service agreements are not the only issue. Mental health service providers also report delays in receiving timely notification of grant applications, tender outcomes, and other funding decisions. All too often the timelines outlined in the submission guidelines 'blow out' and organisations are left in limbo not knowing whether they are likely to be funded or not. This in turn creates delays in standing up much needed new services, while potential service users wait patiently in the queue, or they miss out completely.

This is highly problematic as we know that early effective intervention is vital, otherwise people seeking support may experience further deterioration in their condition and ultimately require more intensive and costly support. Mental Health Australia therefore calls on the next Australian government to introduce requirements for communication updates on status of tender applications including a maximum length of time for notification of funding outcome.

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### **Consider new procurement approaches**

Contestable funding of mental health services is common, and while competitive approaches can drive efficiencies and at times foster innovation, these funding mechanisms can also deter valuable partnership opportunities and undermine sector collaboration. Mental Health Australia therefore calls on the next Australian government to consider new, alternative models to commissioning in addition to competitive tendering, particularly where collaboration is required or there is a need to build trusted relationships between government, organisations, and local communities to achieve change.

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### **Include appropriate levels of indexation in all government service agreements**

Mental health services must manage their financials like any other business. They must be able to keep pace with the rising costs of doing business, particularly in times of increased CPI and interest rates. Whether it is wages growth, inflation or both, such changes can create significant financial difficulties for non-government and other community organisations in mental health and other sectors. While recent changes to make it mandatory for government agencies to pass on indexation where this has been provisioned are therefore welcomed, far too many government contracts fail to include an appropriate level of indexation in the first place. Mental Health Australia therefore calls on the next Australian government to ensure that indexation is included as standard practice in all future Commonwealth government contracts, so that community organisations do not see the real value of their funding drop away during the term of their agreement. The frequency and approach to calculating indexation should be specified in the contract terms, and ideally it should be updated annually in line with reliable measures of business costs and inflation such as the Wage Price Index (WPI), the Consumer Price Index (CPI) and interest rates.

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### **Include funding to cover mandated employment requirements**

Keeping pace with wages growth and the rising cost of living is not the only financial challenge that government funded organisations in mental health and other sectors face. Costs associated with increases in the rate of the superannuation guarantee, portable long service leave, redundancies, insurance, workers compensation and other mandated payments can also have a negative impact on organisations' bottom line. Decisions to improve worker conditions and employment standards are, of course, welcomed by the sector and much needed to ensure mental health remains an attractive and competitive field for skilled workers. However, both Commonwealth and State/Territory government

decisions which increase employment costs should be accounted for in government funding arrangements in real time, and on an ongoing basis to ensure that improved employment conditions do not inadvertently affect the quality or quantity of services provided to the community. Mental Health Australia therefore calls on the next Australian government to ensure that any mandated cost increases are recognised and provided for during the life of existing agreements through targeted contract uplifts, and that they are also included in each new service agreement.



## **Simplify and standardise contract reporting requirements**

Australians deserve to know how much the government is spending on mental health services, what these services are doing and the effect they are having on individual outcomes and the prevalence and impact of mental ill-health in the community. Reporting against contract deliverables, budgets and key performance indicators (KPIs) are a crucial part of this, however, it is vital that government reporting requirements are meaningful, support accountability, service provision and service improvement, and that data collection and documentation don't inadvertently divert workers from direct service delivery or interfere with their ability to support clients, particularly when they are in distress. At present, feedback suggests that there is too much variation in what different government agencies require mental health services to report on, and in many cases reporting requirements detract from service users' experiences, create a high administrative burden, and don't support good quality service delivery or continuous improvement. Mental Health Australia therefore calls on the next Australian government to cut the red tape – simplify and standardise contract reporting requirements and develop KPIs in consultation with people with lived experience and the sector to ensure they are relevant and acceptable to service users, enable organisations to understand and reflect on their service provision to improve client outcomes, and guide government reforms.

## **Australians want and deserve a strong and sustainable mental health sector.**

Australians want and deserve a strong and sustainable mental health sector that supports every Australian to experience their best mental health and wellbeing and assists people experiencing mental ill-health through their recovery. While existing mental health services are doing an excellent job, they are nevertheless being hampered by resource constraints, poorly designed and executed contracting arrangements, and government red tape. This is unacceptable but it is also easy to fix – this Sector Sustainability Statement sets out exactly what is needed. In the lead up to the next Federal Election Mental Health Australia therefore calls on the next Australian government to endorse this Statement and commit to introducing these seven simple actions that will materially strengthen our mental health sector and in turn enhance organisations' ability to offer timely, high-quality mental health programs and services to the Australian community.

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<sup>1</sup> Australian Bureau of Statistics. National Study of Mental Health and Wellbeing. 2022 Available from: <https://www.abs.gov.au/statistics/health/mental-health/national-study-mental-health-and-wellbeing/2020-21#data-download>.

<sup>2</sup> Australian Bureau of Statistics. Workforce. 2024 Available from: <https://www.aihw.gov.au/mental-health/topic-areas/workforce>

