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Agencies put the bubbly on ice

New subvention system fills up welfare coffers

MONDAY FOCUS

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The heads of many voluntary welfare agencies should be able to manage a smile these days since their money problems have eased.

And though it is still too early to bring out the champagne a large number must be breathing a sigh of relief in the knowledge that their coffers — since the introduction of the new social welfare subvention system — are now fuller than they have been for a number of years.

For the start of the financial year last month was something of a milestone in the development of voluntary welfare services in Hongkong as it marked the first stage in the phased implementation of the new subvention system which replaces the former discretionary lump sum grants.

The new system by which the Government assists voluntary agencies to provide social welfare services will when fully implemented in the mid-1980s guarantee financial support for the majority of welfare services in Hongkong at 100 per cent of "the standard costs established for that purpose."

In the interim before standard costs are established for the different types of services, the majority of services will receive 100 per cent of the "recognised expenditure" for last year, adjusted for price increases.

The distinction is important as 100 per cent of "recognised expenditure" is generally less than the full cost.

This is because many agencies do provide extras that are not recognised by the Social Welfare Department for subvention purposes.

For instance, many agencies try to break the humdrum routine of residential life by holding parties or special programmes during festivals and while the participants usually contribute to the expenses, this is often not enough to cover the actual costs.

This may mean an extra several thousand dollars per centre annually but when some agencies run a number of centres it could add up to quite a sizeable amount.

Or for example, in the case of staff salaries agencies may choose to pay an employee several hundred dollars more if she takes on some special responsibility but for the purposes of calculating subventions the department will not take this extra pay into account.

All this notwithstanding the interim arrangement is still without doubt more generous than the former method of financing agencies.

So after years of bitter complaints about inadequate funding during which many agencies found themselves struggling with growing deficits, the new subvention system is expected to bring a rosier financial outlook for the agencies.

The Deputy Director of the Social Welfare Department, Mrs Anson Chan, said: "From this end it looks to us that most agencies will have money left over to spend as they wish — money that they previously had to spend on subvented activities.

"We certainly don't think any agency will be in financial difficulties."

The major changes are as follows:

- About 80 per cent of all welfare services are now classified as Category I services and as such qualify for 100 per cent financial support based on last year's recognised expenditure, adjusted for increased operational costs and incremental progression in salaries.

This represents a significant rise from the funding pattern in the past when it had been estimated that on average, only 70 per cent of agencies' expenditure came from the public purse — although in some cases, the level of Government support could be as high as 90 per cent.

Services in Category I include all forms of residential care, counselling services, children and youth centres, sheltered workshops for the disabled and many more.

- The remaining 20 per cent of subvented welfare services are classified as Category II services and these receive less than 100 per cent support.

In practice, says the Social Welfare Department, the level of support for Category II services this year has ranged from about 60 per cent to 90 per cent of the recognised expenditure, again adjusted for price increases and normal salary adjustments so that here too subventions have increased by about 20 per cent from last year.

Services in Category II are mainly recreational types of activities such as youth camps and hostels, social centres for the elderly and the disabled, and uniform groups like the girl guides.

- The new system also spells the end of the see-saw effect — the more a welfare agency receives in public donations, or allocations from the Community Chest, the less the Government pays the agency in terms of subvention.

This was possible because under the former funding arrangement, the rules required that agencies' income from

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all sources — including fees, donations or allocations from the Chest — be taken into account, any increase in other income leads to a reduced Government subvention.

After strong public criticism about the "see-saw effect" last year, the Government reversed its policy so that under the new system no account will be taken of any donations or Chest allocations received by voluntary agencies.

Mrs Chan said: "Last year at a rough count we estimated that about $30 million to $40 million came from public donations.

"Now this year, all of a sudden agencies are going to have over $30 million at their disposal."

Those agencies which have traditionally been active fund-raisers such as the Tung Wah Group of Hospitals, Po Leung Kuk and Caritas, for example, will benefit most from this.

● On top of this the Chest, which has not yet announced a new allocation procedure in response to the new subvention system, has decided that for the first six months of the current financial year agencies will receive allocations based on what they got from the Chest last year.

So that, for example, an agency which was allocated $1 million would now receive $500,000 for the first six months of the financial year.

Said Mrs Chan: "So in practice it means that even if we don't give them a single cent more this year in practice they all have more than they had last year simply because we no longer take income into account.

"But of course we have in fact taken into account inflation and they will get the usual civil service salary increase. So overall irrespective of whether they are in Category I or Category II practically all agencies are receiving an increased level of subvention this year."

At the top one organisation which runs an elderly home had an increase of about 300 per cent. But on average an agency will have got an increase of at least 20 per cent to 25 per cent — excluding the April 1 salary increase.

So far the department has not received any complaints and the department is "reasonably happy" with the way the system is going.

This year about 120 voluntary agencies are being assisted by the Government which has earmarked $300 million for social welfare subvention.

The additional cost this year of introducing the new system is estimated at $31.33 million.

But although the financial outlook is certainly more promising than it was in previous years there are still a few dark clouds on the horizon.

In the longer-term, some agencies have expressed concern that the Government will deliberately hold down standards to keep costs at a minimum.

This is despite the Government's assurance that the aim is to set reasonable standard costs which will definitely be adequate to meet the needs of specific groups.

"Our target is to complete the 'standard-setting' exercise by 1985-1986 and we are planning to introduce some standard costs in the next financial year," said Mrs Chan.

More immediately for subvented agencies which are also Chest-members, the fund-raising body has still not announced its new allocation criteria for the second half of the financial year and the policy thereafter.

This has caused some uncertainties among agency heads.

For example will the Chest allocate sufficient funds to Category I services to meet the extra costs which at present are not covered by Government subvention?

Worse still will the Chest take the view that since the Government is providing 100 per cent of the "recognised expenditure" for Category I services it should withdraw its support of these services and concentrate on other areas?

Though the consensus seems to be that this is unlikely since by doing so the Chest would be in effect cutting its ties with the majority of welfare services provided, on the other hand few would be prepared to rule this out entirely.

In the case of agencies providing Category II services their worries will no doubt be even greater.

If the Government is only going to provide less than 100 per cent of their expenditure will the Chest come up with the balance plus a bit more for the extras? If not, how are they going to find the money to meet the balance since Chest members are not allowed to conduct individual fund-raising exercises?

The next few months will see the questions concerning the Chest answered.

And provided that all the kinks are ironed out and all parties are satisfied with the new Chest criteria that may be the time when voluntary agencies may feel inclined to bring out the bubbly.