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## **PUBLIC SOCIAL WELFARE HOMES DURING THE SARS-CoV-2 PANDEMIC**

### **Introduction**

Social Welfare Homes (SWH) are institutions that provide full time care for individuals who need support in everyday activities. The term SWH usually refers to centers that belong to local government institutions but they may also be run by churches, foundations, natural persons and other legal institutions operating on a non-profit basis.

The aim of the article is to present legal basis for the functioning and financing of SWHs founded by local government entities.

The article deals particularly with issues concerning SWH during the pandemic and indicates the need for the creativity of the management to acquire additional funds (e.g. from European Funds) as well as for the skills in current management.

### **1. Social Welfare Homes (SWHs) founded by local government entities (LGEs) – financing**

Entities of the public finance sector are created in line with the principles contained in the Act on Public Finance in the form set out in articles 8 - 31<sup>1</sup>. They may also operate on the basis of separate acts. The entities are created to perform variable public tasks that are also financed from public funds. The funds are subject to planning, balancing, accounting, control, reporting and budgetary discipline according to the same uniform principles.

Budgetary units are accounted for using the **gross method**, which means that they cannot finance their expenditure by their revenue because the expenditure is the budget expenditure and the revenue is the budget revenue. Thus, their revenue must be transferred into the revenue account of a parent body.

Local government budgetary units are financed from LGE budgets; the funds flow into current accounts from which they are withdrawn to finance tasks provided for in the expenditure plans for a given year and accounted for according to the appropriate budget classification

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<sup>1</sup> Act of 27 August 2009 on public finance (uniform text); Journal of Laws 2021, item 305

division<sup>2</sup>. Bank accounts can be opened in any banks apart from the NBP bank (The National Bank of Poland) which keeps bank accounts only for the state budgetary units. The implementation of the budget is determined by the cash accounting method which means that<sup>3</sup>:

- **Expenditure** is every amount collected from the LGE current account,
- **Revenue** is every payment into this account.

Property income is not revenue; also the possible reimbursement of expenditure in the same year is the exception – e.g. the refoundation by District (Poviat) Labor Offices of a part of personal expenses and their derivatives for individuals who are directed to work to a particular district budgetary unit.

In budgetary units, the **principle of annuity** is applied – unrealized expenses expire on December 31 and are subject to reimbursement; the entire balance of the revenue account must be paid to the parent entity account. Apart from the Act on public finance, other legal acts are applied that define the obligations and ways of the finance management of budgetary units, including the manner and procedures of drawing up financial plans, the method of making changes to the plans of budgetary units and the approval of the changes<sup>4</sup>. This is important as every unit of the public finance sector is subject to strict compliance with regulations.

One of the basic budget principles is the budget balance rule which defines the relationship between expenditure and revenue included in the budget of a particular unit of the public finance sector. The rule consists in matching budget expenditure with revenue so that the planned expenditure is fully covered by the revenue. When the budget does not contain revenue sufficient to cover the expenses, credits or loans are taken to finance the entire expenditure plan although this does not comply with the strict budget balance rule. However, taking credits and loans is a common practice of balancing both sides of the budget (both the expenditure and the revenue side) in the public finance sector **as budget balance rarely occurs**. This does not only concern the situation when budget deficit occurs (the expenditure exceeds the revenue) but also in the cases of a budget surplus, when the revenue exceeds the expenditure. Both situations are a deviation from budget balance. **Financial plans include:**

- the forecasts of the amount of **budget revenue**,
- the limit of **budget expenditure** that cannot to be exceeded.

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<sup>2</sup> K. Winiarska, M. Kaczurak-Kozak, *Rachunkowość budżetowa*, Oficyna a Wolters Kluwer business, Warszawa 2013, p. 51.

<sup>3</sup> Ibidem, p. 251.

<sup>4</sup> Regulation of the Minister of Finance of 7 December 2010 on the manner of financial management of budgetary units and local government budgetary institutions (consolidated text, Journal of Laws 2019, item 1718).

**District (powiat)**, which is a local government entity, performs its tasks with the help of budgetary units, which are organizational units without legal personality (their expenses are covered directly from the budget, and the revenue obtained is transferred to the LGE budget revenue account. The revenue of LGE is usually significantly lower than their operating costs. However, their existence is justified by social necessity, which means that some institutions are indispensable and should operate regardless of the costs they generate. The most common LGEs in counties are District Authorities Offices (Starost's Offices of the Powiat), district (Powiat) Labor Offices, Social Welfare Homes (SWHs), District (Powiat) Road Authorities, post-primary schools.

LGE budget resolution is the basis for finance management and it determines its scope within a budgetary year; the adopted LGE budget is its key element; it is its integral part<sup>5</sup>.

LGE budget units, i.e. LGE organizational units operate within the entity. The heads of LGE budgetary units draw up financial plans with the application of a detailed budget division in accordance with budget classification (section, chapter, item) and send them to LGE management board by **September 30** of the year preceding the budget year. A draft budget resolution prepared by LGE for the whole district (powiat), i.e. all units included in the district) is presented to the LGE legislative body (the District Council) and the Regional Accounting Chamber by November 15. Since that moment, the LGE executive body (the District Board) has 7 days to transfer to the heads of subordinate budgetary units the information about the planned revenue and expenditure on their public tasks in the next budget year. The obligation of the head of LGE budgetary unit is to develop a draft of a financial plan on the basis of the received draft of the budget resolution within 30 days, no later than by **December 22** of the year preceding the budget year. The draft financial plans of LGEs must be verified by the LGE executive body (the Board) which has control functions over its units. The objective of the verification is to evaluate the correctness of the financial plans of budget units and their compliance with the LGE budget resolution<sup>6</sup>. The financial plans of the LGE budget units may be modified within the budget year, i.e. changes may be conducted as regards the figures. The changes do not always result in the change of the total amount of expenditure in the annual financial plan as they frequently concern transfers between items in one chapter of the budget

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<sup>5</sup> S. Owsiak, *Finanse publiczne: teoria i praktyka*, Wydawnictwo Naukowe PWN, Warszawa 2005, p. 441.

<sup>6</sup> Ibidem, p. 85.

classification. Such transfers result only in the change in the expenditure structure. The changes can be made by the budgetary unit head who is authorized by the LGE executive body (the Board). Unfortunately, unpredictable events (breakdowns, damage) frequently occur in units, which cannot be planned. Then expenditure priorities are verified if a more significant expenditure causes a depletion of the budget resources. Most frequently there is a permanent lack of resources in the budget for the necessary renovations and material investments, which generates even more substantial costs regarding repairs and purchases.

### 3. SWH budget revenues

The stay in SWH is payable; the state administration transfers the funds for the SWH operations through voivodship subsidies as the means of subsistence of residents pursuant to the “old rules”, i.e. the provisions adopted for SWH before 2004. The monthly fee for the stay in SWH amounts to 70% of a resident’s income.

From the 1<sup>st</sup> of January 2004, individuals are referred to SWH by the commune of the place of their residence. The referral does not depend on the person’s income. The referral may be obtained by individuals who require full time nursing care due to the age, illness or disability and cannot live independently in their environment. Pursuant to the “new rules” (Act on public finance, Art.60 (1)), the fee for the stay of SWH residents **is up to the average monthly cost of living.**

The fee for the stay at SWH is paid by:

- the individual who is referred to SWH up to the amount of 70% of his./her income, not higher than the entire cost of living;
- the commune from which the resident is referred – the difference is paid between the average cost of living at SWH and the payment made by the resident.

The resident’s payment is determined by way of an administrative decision. Decisions concerning the part of the fee paid by other bodies are not issued. The payment made by the resident’s family (if there is one) is determined by agreement. The fee is paid to the commune. The new rules on fees for SWH that came into force after 2004 imposed some burdens on families and communes but without relieving them of the responsibility for their family members and commune residents. When determining the payment to the commune, the actual financial condition of the family is taken into consideration so that the burden does not result in the situation that the family itself will need social assistance.

The average monthly cost of stay is determined by:

- village/town/city mayor – in commune SWHs;
- district (powiat) governor – in district SWHs;
- voivodeship marshal- in regional SWHs.

The average monthly cost of living for a resident in every SWH has to be announced in the Voivodeship Official Journal not later than on March 31 every year. Regional, district and local SWHs are run by voivodeship, district and commune local governments, respectively.

**Resident payments are the main revenue source of SWHs.**

The revenue depends also on resident absences – the residents are entitled to 21 days of absence per year for which they do not pay for the stay. The reasons for absences vary (passes to leave, rehabilitation or hospital stays) and they are added up – it is irrelevant if they are used in full or separately. It is difficult to predict how many residents a year will use their limit of absences for which they will be released from the payment. However, it should be pointed out that the release concerns only the residents (the communes pay under the administrative decision "their" part of the monthly cost of living costs regardless of the absences) and the amounts that are not paid to SWHs may be significant.

The provisions of the Act on social assistance also regulate the payments for the stay in SWHs of individuals who undertake work or participate in occupational therapy workshops - *The income of a resident of a house undertaking the work of therapeutic or rehabilitation work or a participant in a class of occupational therapy, which is the basis for the calculation of the fee, shall be reduced by 50% of the amount received for the remuneration for that purpose or by the amount corresponding to the amount of the allowance paid for participation in those workshops*<sup>7</sup>.

#### 4. SWH budget

The district usually transfers the previously acquired entire SWH own revenue for its current activities. It also transfers the state budget subsidy that was obtained from the Province (Voivodeship) Office that corresponds to the product of the number of SWH residence subject to the "old rules" and the defined average voivodeship monthly subsidy amount for a given year. The subsidy considers the average payments received from SWH residents and is decreased adequately. This is, apart from own revenue, **the second financing source of SWH activities**. The subsidy amount may be subject to change during the year by the Governor's (Voivode's)

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<sup>7</sup> Act of 12 March 2004 on social assistance, (consolidated text) Journal of Laws 2021, item 2268, Art. 61 (4).

decision. The first settlement is conducted after the first half of the year when the subsidy is increased or decreased following the analysis of the monthly reports on the actual cost of living in individual homes.

Another possibility to finance SWH operations is the **targeted subsidy** from the state budget. Its beneficiary is the district (powiat) as the party of the contract which is signed for a specific target or targets. The funds that are acquired this way are transferred to SWHs and are most frequently allocated for the purpose of repairs, purchases of capital goods or investment works. **These three types of expenditure cannot be considered in the calculation of resident costs of living and accounted for as the costs of current maintenance.** The targeted subsidy from the state budget is most frequently the only opportunity to maintain adequate SWH standards as the homes do not acquire sufficient revenue from the payments for stay and as a result they cannot afford additional investments. One can express the opinion that in small districts the homes are permanently underinvested and renovations or investments are nonexistent. Every (potential) expenditure on investment or renovation without external support reduces current expenses which are the calculation basis for the costs of living in the following year (as the cost will be lower). It is obvious that the calculated lower costs will result in the fact that the acquisition of higher revenues from potential payments for stay will not be possible then.

The SWH expenses are covered by the funds from the district budget. The amount is defined in the budget resolution of the District Council for a given budget year. The total expenses are usually bigger every next year. The main reason for this is the increase in **personal and impersonal wages and salaries and their derivatives** (contributions to social security, labor fund, bridging pension fund). The increase in remuneration results from the general provisions on the minimum country salary and the regulations that came into force in recent years concerning the exclusion of, among other things, internship and night-time allowances from the minimum country salary.

**Statutory expenses** are spent only up to the amount that is allowed by the SWH budget as it may happen that the initially received operational funds are lower than those in the previous year (this particularly concerns small districts). Bigger districts do not have such problems and this is the reason why inequalities in financing particular SWHs are visible depending on their location. The dominating item of expenditure is the purchase of food (4220); another group of expenditure (4210) includes fuel, repair and maintenance materials, facilities, chemical and disinfectant products, work clothes for employees, office supplies, car maintenance. Other

expenses that are no less important and necessary to ensure correct functioning of SWH are: medications, electricity, gas, water, services, various payments, etc. Local taxes have become a significant expense item (property tax, transportation tax, agricultural tax) as well as the write-offs for the Company Social Benefit Fund (ZFŚS). Budgetary units are obliged by the act to establish this fund irrespectively of the number of employees. The items that constitute the group of statutory expenses are: 4210, 4220, 4230, 4260, 4270, 4280, 4300, 4360, 4410, 4430, 4440, 4480, 4500, 4520, 4700.

**Investment expenditure** is planned in the budget when there is need for investment; however, it is not always possible to find a source of funds. The targeted subsidy for the District from the Voivodeship Office to maintain adequate SWH standards is the usual source. The items of this group are 6050, 6060. In the past, SWHs operated in premises that had to be renovated, adapted or modernized. Reaching a SWH standard was a priority but keeping the standard was and still is a task equally difficult as the previous modernizations and renovations which were usually done in the situation of notorious lack of funds.

## 5. Financial assistance for SWHs during the pandemic

SWHs were saved during the pandemic thanks to the possibility of obtaining financial aid in the form of European grants (under the European Social Fund) as well as from targeted subsidies from the state budget. The assistance made it possible to buy the most necessary personal protective equipment for the staff and residents as well as the equipment necessary to fight the virus. There were numerous opportunities for SWHs in the Małopolska voivodship to apply through Regional Center for Social Policy (ROPS) and the National Health Fund for co-financing from various programs with European funds. The included<sup>8</sup>:

### 1) **Małopolska Anti-Crisis Shield** – Social Package. *A Safe Home*

The assistance from ROPS in the form of grants was directed to institutions that run round-the-clock care centers in the Małopolska voivodship and was related to the COVID hazards and consequences. **The grant could be used solely to create safe living and working conditions for the staff and residents in the centers in the conditions of the COVID-19 risk and the related consequences; they mainly covered:**

- **equipping staff with personal protective equipment;**
- **new facilities and equipment necessary to fight the pandemic;**

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<sup>8</sup> <https://rops.krakow.pl/malopolska-tarcza-antykryzysowa/modul-1-bezpieczny-dom-rpo> (accessed: 22.05.2021).

- **renovation of premises – providing the residents with isolation and quarantine rooms;**
  - **providing the staff with accommodation for quarantine and catering.**
- 2) **Małopolska Ant-Crisis Shield, Social Package. Safe home – Support to SWH personnel**

Within this project, SWHs may receive support from ROPS to organize the necessary care over the residents and the staff and protect their health and life in relation to the COVID-19 hazards and consequences

- rewards for employees, funds for employing additional staff;
- medical checks – COVID tests.

3) **Małopolska Ant-Crisis Shield, Sami-Dzielni (Alone/Brave) Module (ROPS)**

Its objective was to increase the safety of SWH residents and staff through the purchase of remote communication sets (notebooks) for online contacts with the local environment or families.

In addition, **POWER PROJECT** was implemented by the NFZ (National Health Fund) to ensure the safety and care of residents and the safety of SWH personnel during the COVID-19 pandemic. Bonuses to the salaries + their derivatives were paid from the project to SWH nurses who resigned from other places of employment for reasons of safety and risk reduction.

**The Małopolska Voivodship Office allocated targeted subsidies to SWHs** to finance current operations concerning preparation and security measures to protect SWHs against the increase in infections caused by SARS-CoV-2. The funds covered additional remuneration for SWH staff, disinfectants, staff personal protection equipment as well as such devices as fumigators, pulse oximeters, etc.

The acquisition of financial assistance for SWHs from different sources was in a way a success of the management which could correctly foresee during the application process the demand for equipment that would be useful in protecting against the COVID. Moreover, it was also necessary to combine previous duties with the new ones for which no one was fully prepared. Apart from top-down generally binding legal regulations<sup>9</sup>, SWHs most frequently

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<sup>9</sup> Act of 31 March 2020 amending the Act on special solutions related to the prevention, counteraction and combating of COVID-19, other infectious diseases and crisis situations caused by them, and certain other laws; Journal of Laws 2020, item 567 and Act of 31 March 2020 amending the Act on special solutions related to the prevention, counteraction and combating of COVID-19, other infectious diseases and crisis situations caused by them, and certain other laws; Journal of Laws 2020, item 568.

received guidelines in the form of the so-called recommendations, i.e. targets or course of action were set without the information about actual procedures.

All situations related to the pandemic involved the need to have procedures and internal regulations. This work may have not been visible to everybody but it had to be done and improved several times when the procedures and regulations proved to be ineffective. At the same time, renovations and grant-related purchases were carried out, which needed sensible planning; tender procedures were managed, and agreements with suppliers were prepared and signed. Managing the whole range of tasks with the help of the same or reduced number of employees was not only a substantial physical but also mental challenge in this new and unexpected situation. This effort involved several sacrifices and fatigue, which justifies the grants for rewards for SWH employees.

As regards the finance, the accounting departments were burdened with additional tasks involving the settlement and creation of appropriate records concerning the grants and subsidies received by the unit. Final possible reimbursements of unused funds had to be made by the end of the financial year. Thus, reporting increased by a new budget classification related to the separation of expenditure from the European funds if the unit had not dealt with them so far. Later on, the reports on the additional expenditure on particular tasks had to be presented repeatedly in various configurations for various institutions.

## **Conclusions**

SWHs, as social assistance units, are complex institutions whose proper functioning involves several complex issues. There are various aspects that are difficult to bring together – purely human needs of the residents must be met by an adequate level of SWH financing and at the same time the accessible funds must guarantee proper functioning of SWH operations and fair salaries for the staff. Managing these units and the attempts to meet different expectations make this work very difficult, especially when financial problems occur.

It frequently happens that SWHs are a hostage to the standards that were previously set up and implemented at the cost of many sacrifices and which presently involve particular expenses. Local governments are not willing to help as they are in difficult financial situation themselves; this concerns mainly small entities, where additional revenue (e.g. from CIT) is not easy to acquire. Thus, general opinion is confirmed that it is significantly difficult to combine proper functioning of a budgetary unit with the fulfilment of all legal provisions. The provisions are frequently contradictory and determining correct ways of proceeding is a time-consuming

work. Nevertheless, the statutory tasks in the area of social welfare are carried out by local government entities and their implementation is associated with the obligation of the state budget to allocate the funds (subsidies) for these tasks. The funds are then transferred to LGEs which carry out the assigned tasks.

It must be emphasized that it is difficult to run such units as SWHs and to cope with everyday problems with limited financial resources. This is an issue to be solved; however the pandemic in Poland showed that SWH management are left to deal with it on their own. There were numerous cases of COVID in SWHs in Poland and the staff frequently showed great responsibility and courage in taking care of sick residents who were often unaware of the risk. This was particularly the case when the employees decided voluntarily to have their quarantines at work instead of spending the quarantine at home.

It is obvious, that in the future, adequate legal provisions and procedures should be established to ensure quick testing for the residents and employees in the cases of suspicion or occurrence of infection and to provide effective isolation of infected individuals and appropriate work organization at SWHs. This is because there were frequent problems in providing SWH residents with adequate assistance, which in some cases resulted in the need to evacuate them.

The top-down recommendations of the state authorities were not always applicable as SWHs have varied specifics, premises (SWHs in rural areas do not have access to the infrastructure that is available in cities) and financial conditions (e.g. differences in maintenance costs in small and big districts )

The breakthrough was when the access was guaranteed to the vaccination against COVID for the SWH residents and personnel. This coincided with a general decrease in infections in Poland and made it possible to some extent to be prepared for the next increase in spring 2021. The lifting of restrictions on 15 May, 2021 made it possible to return to the normal mode of work in SWHs (visitors were allowed to enter the premises and visits to families were possible with proper procedures and precautions).

Currently, a lot is said about the so-called 4<sup>th</sup> wave of infection but also the fifth wave is expected, which is the main cause of concern. Moreover, new and more dangerous mutations of the virus appear.

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***Abstract***

The article presents legal basis for the functioning and financing of Social Welfare Homes belonging to local government entities. It discusses the SWH revenues and their budget, and – which is crucial – presents additional sources of financial support during the pandemic, including the funds acquired from the Regional Centre for Social Policy (ROPS) and the National Health Fund (NFZ) from various programs offering European funds. It also presents the challenges for the management to acquire additional sources of financing and to manage skillfully these funds in financing both extraordinary and current needs.

***Key words***

Social Welfare Home, local government units, financing, revenue, budget.